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chapter I-3

TAXATION ACT

TABLE OF CONTENTS

PART I

INCOME TAX

BOOK I

INTERPRETATION AND RULES OF GENERAL APPLICATION

TITLE I

INTERPRETATION

1972, c. 23.

1. In this Part and in the regulations, unless the context indicates a different meaning, the expression:

"Act establishing a labour-sponsored fund" means

(a) the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (chapter F-3.1.2); or

(b) the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) (chapter F-3.2.1);

"additional voluntary contribution" to a registered pension plan means a contribution that is made by a member to the plan, that is used to provide benefits under a money purchase provision, within the meaning of section 965.0.1, of the plan and that is not required as a general condition of membership in the plan;

"adjusted cost base" has the meaning assigned by Chapter III of Title IV of Book III;

"advanced life deferred annuity" has the meaning assigned by section 965.0.38;

"advocate" means an advocate or a notary and, in another Canadian province, a barrister or a solicitor;

"allowable business investment loss" has the meaning given to it by section 231;

"allowable capital loss" has the meaning assigned by section 231;

"*alter ego* trust" has the meaning assigned by section 652.1;

"amateur athlete trust" has the meaning assigned by subparagraph *a* of the second paragraph of section 851.34;

"amortized cost" of a loan or lending asset has the meaning assigned by sections 21.26 and 21.27;

"amount" means money, rights or things expressed in terms of an amount of money or their value in terms of money, except that

(a) in any case where section 187.2 or 187.3 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), paragraph *b*.1 of the definition of "amount" in subsection 1 of section 248 of that Act, as it reads in its application after 16 July 2005 and in relation to a taxation year of a taxpayer that begins before 1 January 2013, or any of sections 21.4.3, 21.10, 21.10.1, 740.1 to 740.3.1 and 740.5 applies to a stock dividend, the amount of the stock dividend is equal to the greater of

i. the amount by which the paid-up capital of the corporation that paid the dividend is increased by reason of the payment of the dividend, and

ii. the fair market value of the share or shares paid as a stock dividend at the time of payment;

(b) in any other case, the amount of any stock dividend is equal to the amount by which the paid-up capital of the corporation that paid the dividend is increased by reason of the payment of the dividend;

"annuity" includes an amount payable on a periodic basis whether payable at intervals longer or shorter than a year, under a contract, will, trust or otherwise;

"assessment" includes a reassessment and an additional assessment;

"aunt" of a taxpayer includes the spouse of the taxpayer's uncle;

"authorized foreign bank" has the meaning assigned by section 2 of the Bank Act (S.C. 1991, c. 46);

"automobile" means a motor vehicle that is designed or adapted primarily to carry individuals on highways and streets and that has a seating capacity for not more than the driver and 8 passengers, but does not include

(a) an ambulance,

(a.1) a clearly marked emergency medical response vehicle that is used, in connection with or in the course of an individual's office or employment with an emergency medical response or ambulance service, to carry emergency medical equipment together with one or more emergency medical attendants or paramedics,

(b) a motor vehicle acquired or leased primarily for use as a taxi, a bus used in a business of transporting passengers or a hearse used in the course of a business of arranging or managing funerals,

(c) except for the purposes of sections 36 to 47.17, a motor vehicle acquired or leased to be sold or leased in the course of carrying on a business of selling or leasing motor vehicles or a motor vehicle used for the purpose of transporting passengers in the course of carrying on a business of arranging or managing funerals, and

(d) a motor vehicle

i. of a type commonly called a van or pick-up truck or a similar vehicle

(1) that has a seating capacity for not more than the driver and two passengers and that, in the taxation year in which it is acquired or leased, is used primarily for the transportation of goods or equipment in the course of gaining or producing income, or

(2) the use of which, in the taxation year in which it is acquired or leased, is all or substantially all for the transportation of goods, equipment or passengers in the course of gaining or producing income, or

ii. of a type commonly called a pick-up truck that, in the taxation year in which it is acquired or leased, is used primarily for the transportation of goods, equipment or passengers in the course of gaining or producing income at one or more locations in Canada that are

(1) described in subparagraph i or ii of paragraph *a* of section 42, in respect of any of the occupants of the vehicle, and

(2) at least 30 km outside the nearest point on the boundary of the nearest population centre, as defined by the last census dictionary published by Statistics Canada before the year, that has a population of at least 40,000 individuals as determined in the last census published by Statistics Canada before the year;

"balance-due day" of a taxpayer for a taxation year means

(a) where the taxpayer is a corporation, the last day of the two-month period ending after the end of the year;

(b) where the taxpayer is a trust,

i. in the case where the taxation year of the trust ended immediately before the time at which the trust was subject to a loss restriction event, the day that is

(1) if the particular time at which the taxation year ends occurs in a calendar year and after the end of another taxation year that ended on 15 December of that calendar year because of an election provided for in section 1121.7, 90 days after the end of the other taxation year,

(2) if subparagraph 1 does not apply and the trust's particular taxation year that begins immediately after the particular time ends in the calendar year that includes the particular time, the balance-due day of the trust for the particular taxation year, and

(3) if subparagraphs 1 and 2 do not apply, 90 days after the end of the calendar year that includes the particular time, and

ii. in any other case, the day that is 90 days after the end of the taxation year;

(c) where the taxpayer is a person who died in the year, or after the end of the year but on or before 30 April in the following calendar year, the later of 30 April in that calendar year and the day that is six months after the day of death;

(d) in the case of any other person, 30 April in the following calendar year;

"bank" means a bank within the meaning of section 2 of the Bank Act (other than a federal credit union) or an authorized foreign bank;

"bankrupt" has the meaning assigned by the Bankruptcy and Insolvency Act (R.S.C. 1985, c. B-3);

"bankruptcy" has the meaning assigned by the Bankruptcy and Insolvency Act;

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

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

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

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

"borrowed money" includes the proceeds to a taxpayer from the sale of a post-dated bill drawn by the taxpayer on a bank;

"brother" of a taxpayer includes the brother of the taxpayer's spouse and the spouse of the taxpayer's sister;

"business" includes a profession, calling, trade, manufacture or undertaking of any kind whatsoever and, except for the purposes of subparagraph *a* of the first paragraph of section 164, section 250.4 and subparagraph *i* of the second paragraph of section 726.6.1, an adventure or concern in the nature of trade but does not include an office or employment;

"Canada" includes

(a) the sea bed and subsoil of the submarine areas adjacent to the coasts of Canada in respect of which the Government of Canada or of a province grants a right, licence or privilege to explore for, drill for or take any minerals, petroleum, natural gas or any related hydrocarbons; and

(b) the seas and airspace above the submarine areas referred to in paragraph *a* in respect of any activities carried on in connection with the exploration for or exploitation of any resource referred to in that paragraph;

"Canadian banking business" means the business carried on by an authorized foreign bank through an establishment in Canada, other than business conducted through a representative office registered or required to be registered under section 509 of the Bank Act;

"Canadian-controlled private corporation" has the meaning assigned by section 21.19;

"Canadian corporation" has the meaning assigned by paragraph *l* of section 570;

"Canadian development expenses" has the meaning assigned by sections 408 to 410;

"Canadian exploration and development expenses" has the meaning assigned by sections 364 to 366;

"Canadian exploration expenses" has the meaning assigned by sections 395 to 397;

"Canadian oil and gas property expense" has the meaning assigned by sections 418.2 to 418.4;

"Canadian partnership" has the meaning assigned by section 599;

"Canadian resource property" has the meaning assigned by section 370;

"capital dividend" has the meaning assigned by sections 502 to 502.0.4;

"capital interest" in a trust by a taxpayer has the meaning assigned by section 683;

"capital property" has the meaning assigned by section 249;

"cash method" has the meaning assigned by section 194;

"cemetery care trust" has the meaning assigned by section 979.19;

"certified archival centre" means an archival centre certified by Bibliothèque et Archives nationales du Québec and the certification of which is in force;

"charity" means a charitable organization or charitable foundation, within the meaning of section 985.1;

"child" of a taxpayer includes:

(a) (subparagraph repealed);

(b) a person who is wholly dependent on the taxpayer for support and of whom the taxpayer has, or immediately before such person attained the age of 19 years did have, in law or in fact, the custody and control;

(c) the spouse of a child of the taxpayer; and

(d) a child of the taxpayer's spouse;

"common share" means a share the holder of which is not precluded, upon the reduction or redemption of the capital stock, from participating in the assets of the corporation beyond the amount then paid for that share plus a fixed premium and a defined rate of dividend;

"compensation for the loss of financial support" means a benefit payable under a public compensation plan in the form of a pension or a lump sum in lieu of a pension that is granted following the death of the victim of an accident, employment injury or bodily injury to a person who, under the terms of the public compensation plan, is the victim's surviving spouse or a person who is considered to have been the victim's dependant;

"corporation incorporated in Canada" includes any corporation incorporated in any region of Canada before or after it became part of Canada;

"cost amount" to a taxpayer of any property at any time means

(a) in the case of depreciable property of a prescribed class, the amount that would be that proportion of the undepreciated capital cost to the taxpayer of property of that class at that time that the capital cost to the taxpayer of the property is of the capital cost to the taxpayer of all property of that class that has not been disposed of by the taxpayer before that time if section 99 were read without reference to paragraph *d*.1 thereof and if paragraph *b* and subparagraph i of paragraph *d* of that section were read as follows:

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

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

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

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

(c.1*)* where the taxpayer is a financial institution, within the meaning assigned by section 851.22.1, in its taxation year that includes that time and the property is mark-to-market property, within the meaning assigned by that section, for the year, the cost to the taxpayer of the property;

(d) (paragraph repealed);

(d.1) where the property was a loan or lending asset, other than a net income stabilization account, a farm income stabilization account or a property in respect of which any of paragraphs *b* to *c*.1 and *d*.2 applies, the amortized cost of the property to the taxpayer at that time;

(d.2) where the taxpayer is a financial institution within the meaning assigned by section 851.22.1 in its taxation year that includes that time and the property is a specified debt obligation within the meaning assigned by that section, other than a mark-to-market property within the meaning assigned by that section for the year, the tax basis, within the meaning assigned by section 851.22.7, of the property to the taxpayer at that time;

(e) where the property was a right of the taxpayer to receive an amount, other than property that is a debt the amount of which was deducted under section 141 in computing the taxpayer's income for a taxation year that ended before that time, a net income stabilization account, a farm income stabilization account, a right in respect of which any of paragraphs *b* to *c*.1, *d*.1 and *d*.2 applies, or a right to receive production, as defined in section 158.1, to which a matchable expenditure, as defined in section 158.1, relates, the amount the taxpayer has a right to receive;

(e.1) in the case of a policy loan, within the meaning assigned by subparagraph *h* of the first paragraph of section 835, of an insurer or an interest of a beneficiary under an environmental trust, an amount equal to zero;

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

"death benefit" has the meaning assigned by section 3;

"deferred amount" at the end of a taxation year under a salary deferral arrangement in respect of an individual has the meaning assigned by section 47.17;

"deferred profit sharing plan" has the meaning assigned by section 870;

"depreciable property" has the meaning assigned by subparagraph *c* of the first paragraph of section 93;

"derivative forward agreement", of a taxpayer, means an agreement entered into by the taxpayer to purchase or sell a capital property if

(a) the term of the agreement exceeds 180 days or the agreement is part of a series of agreements with a term that exceeds 180 days;

(b) in the case of a purchase agreement, the difference between the fair market value of the property delivered on settlement, including partial settlement, of the agreement and the amount paid for the property is attributable, in whole or in part, to an underlying interest (including a value, price, rate, variable, index, event, probability or thing) other than

i. revenue, income or cash flow in respect of the property over the term of the agreement, changes in the fair market value of the property over the term of the agreement, or any similar criteria in respect of the property unless

(1) the property is a Canadian security, within the meaning of section 250.2, or an interest in a partnership the fair market value of which is derived, in whole or in part, from a Canadian security,

(2) the agreement is an agreement to acquire property from a tax-indifferent investor or a financial institution, within the meaning of section 851.22.1, and

(3) it can reasonably be considered that one of the main purposes of the series of transactions or events, or of a transaction or event in the series, of which the agreement is part is for all or any portion of the capital gain on a disposition (other than a disposition by the seller to the taxpayer under the agreement) of a Canadian security referred to in subparagraph 1—as part of the same series of transactions or events—to be attributable to amounts paid or payable on the Canadian security by the issuer of the Canadian security during the term of

the agreement as interest, dividends or income of a trust other than income paid out of the taxable capital gains of the trust,

ii. if the purchase price is denominated in the currency of a country other than Canada, changes in the value of the Canadian currency relative to that other currency; or

iii. an underlying interest that relates to a purchase of currency, if it can reasonably be considered that the purchase is agreed to by the taxpayer in order to reduce the risk to the taxpayer of fluctuations in the value of the currency from which a capital property of the taxpayer derives its value or in which a purchase or sale by the taxpayer of a capital property, or an obligation that is a capital property of the taxpayer, is denominated; and

(c) in the case of a sale agreement,

i. the difference between the sale price of the property and the fair market value of the property at the time the agreement is entered into by the taxpayer is attributable, in whole or in part, to an underlying interest (including a value, price, rate, variable, index, event, probability or thing) other than

(1) revenue, income or cash flow in respect of the property over the term of the agreement, changes in the fair market value of the property over the term of the agreement, or any similar criteria in respect of the property,

(2) if the sale price is denominated in the currency of a country other than Canada, changes in the value of the Canadian currency relative to that other currency, or

(3) an underlying interest that relates to a sale of currency, if it can reasonably be considered that the sale is agreed to by the taxpayer in order to reduce the risk to the taxpayer of fluctuations in the value of the currency from which a capital property of the taxpayer derives its value or in which a purchase or sale by the taxpayer of a capital property, or an obligation that is a capital property of the taxpayer, is denominated, and

ii. the agreement is part of an arrangement that has the effect–or would have the effect if the agreements that are part of the arrangement and that were entered into by persons or partnerships not dealing at arm's length with the taxpayer were entered into by the taxpayer instead of those non-arm's length persons or partnerships–of eliminating a majority of the taxpayer's risk of loss and opportunity for profit or gain in respect of the property for a period of more than 180 days;

"designated insurance property" has the meaning assigned by section 818;

"designated stock exchange" means a stock exchange, or that part of a stock exchange, for which a designation made or deemed to be made by the Minister of Finance of Canada under section 262 of the Income Tax Act is in effect;

"development bond" has the meaning assigned by section 119.2;

"disposition" has the meaning assigned by section 248;

"dividend" includes a stock dividend, other than a stock dividend that is paid to a corporation or to a mutual fund trust by a corporation that is not resident in Canada;

"dividend rental arrangement" of a person or a partnership (in this definition referred to as the "person") means

(a) any arrangement entered into by the person where it can reasonably be considered that

i. the main reason for the person entering into the arrangement is to enable the person to receive a dividend on a share of the capital stock of a corporation, other than a dividend on a prescribed share or on a share described in section 21.6.1 or an amount deemed, by reason of the first paragraph of section 119, to be received as a dividend on a share of the capital stock of a corporation, and

ii. under the arrangement another person or partnership bears the risk of loss or enjoys the opportunity for gain or profit with respect to the share in any material respect;

(b) any arrangement under which

i. a corporation at any time receives on a particular share a taxable dividend that would, but for section 740.4.1, be deductible in computing its taxable income for the taxation year that includes that time, and

ii. the corporation or a partnership of which the corporation is a member is obligated to pay to another person or partnership an amount as compensation for each of the following dividends that, if paid, would be deemed under section 21.32 to have been received by that other person or partnership, as the case may be, as a taxable dividend:

(1) the dividend described in subparagraph i,

(2) a dividend on a share that is identical to the particular share, or

(3) a dividend on a share that, during the term of the arrangement, can reasonably be expected to provide to a holder of the share the same or substantially the same proportionate risk of loss or opportunity for gain or profit as the particular share;

(c) any synthetic equity arrangement in respect of a dividend rental arrangement share of the person; or

(d) one or more arrangements (other than arrangements described in paragraph *c)* entered into by the person, the connected person referred to in paragraph *a* of the definition of "synthetic equity arrangement" or by any combination of the person and connected persons, if

i. the arrangements have the effect, or would have the effect if each arrangement entered into by a connected person were entered into by the person, of eliminating all or substantially all of the risk of loss and opportunity for gain or profit in respect of a dividend rental arrangement share of the person,

ii. as part of a series of transactions that includes these arrangements, a tax-indifferent investor, or a group of tax-indifferent investors each member of which is affiliated with every other member, obtains all or substantially all of the risk of loss and opportunity for gain or profit in respect of the dividend rental arrangement share or an identical share, within the meaning of section 745.3, and

iii. it is reasonable to conclude that one of the purposes of the series of transactions is to obtain the result described in subparagraph ii;

"dividend rental arrangement share" of a person or partnership means a share

(a) that is owned by the person or partnership;

(b) in respect of which the person or partnership is deemed to have received a dividend under section 21.32 and is provided with all or substantially all of the risk of loss and opportunity for gain or profit under an arrangement;

(c) that is held by a trust under which the person or partnership is a beneficiary and in respect of which the person or partnership is deemed to have received a dividend as a result of a designation by the trust under section 666;

(d) in respect of which the person or partnership is deemed to have received a dividend under section 498; or

(e) in any other case, in respect of which the person or partnership is (or would be in the absence of section 740.4.1) entitled to a deduction under section 738 in relation to dividends received on the share;

"eligible dividend" means an amount, in respect of a person resident in Canada, that is deemed to be a taxable dividend received by the person under section 603.1 or 663.4, or a portion of a taxable dividend that is paid by a corporation resident in Canada, that is received by a person resident in Canada and that

(a) is designated, in accordance with subsection 14 of section 89 of the Income Tax Act, as an eligible dividend for the purposes of that Act; or

(b) if the taxable dividend is included in a particular amount that is deemed to be a dividend or taxable dividend, corresponds, without exceeding the particular amount, to the portion, designated, in accordance with subsection 14 of section 89 of the Income Tax Act, as an eligible dividend for the purposes of that Act, of the amount, corresponding to the particular amount, that is deemed to be a dividend or taxable dividend for the purposes of that Act;

"eligible funeral arrangement" has the meaning assigned by section 979.19;

"eligible relocation" has the meaning assigned by section 349.1;

"emission allowance" means an allowance, credit or similar instrument that represents a unit of emission that can be used to satisfy a requirement under the laws of Québec, Canada or another province governing emissions of regulated substances, such as greenhouse gas emissions;

"emission obligation" means an obligation to surrender an emission allowance, or an obligation that can otherwise be satisfied through the use of an emission allowance, under a law of Québec, Canada or another province governing emissions of regulated substances;

"employee" means any person employed or holding an office;

"employee benefit plan" has the meaning assigned by section 47.6;

"employee life and health trust" has the meaning assigned by section 869.2;

"employee trust" has the meaning assigned by sections 47.7 to 47.9;

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

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

"environmental trust" has the meaning assigned by the first paragraph of section 1129.51;

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

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

"farm income stabilization account" means an account of a person or partnership under the Farm Income Stabilization Account program established under the Act respecting La Financière agricole du Québec (chapter L-0.1);

"farming" includes livestock raising or exhibiting, maintaining of horses for racing, raising of poultry, fur farming, dairy farming, fruit growing and the keeping of bees, but does not include an office or employment under a person engaged in the business of farming;

"farm loss" has the meaning assigned by section 728.2;

"federal credit union" has the meaning assigned by section 2 of the Bank Act;

"filing-due date" of a taxpayer for a taxation year means the day on or before which the taxpayer's fiscal return under this Part for the year is required to be filed or would be required to be filed if tax under this Part were payable by the taxpayer for the year;

"first home savings account" at any time means an arrangement accepted as a tax-free first home savings account at that time by the Minister of National Revenue for the purposes of the Income Tax Act, in accordance with section 146.6 of that Act;

"fiscal law" means a fiscal law within the meaning of the Tax Administration Act (chapter A-6.002);

"fishing" includes fishing for or catching shell fish, crustaceans and marine animals but does not include an office or employment under a person engaged in the business of fishing;

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

"foreign accrual property income" has the meaning assigned by section 579;

"foreign affiliate" has the meaning assigned by section 571;

"foreign currency" means currency of a foreign country;

"foreign currency debt" has the meaning assigned by section 736.0.0.2;

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

"foreign resource expense" has the meaning assigned by sections 418.1.1 and 418.1.2;

"foreign resource pool expenses" of a taxpayer means the taxpayer's foreign resource expenses in relation to all countries and the taxpayer's foreign exploration and development expenses;

"foreign resource property" has the meaning assigned by section 373;

"foreign retirement arrangement" means a prescribed plan or arrangement;

"former business property" of a taxpayer means a capital property of the taxpayer that was used by the taxpayer or a person related to the taxpayer primarily for the purpose of gaining or producing income from a business and that was immovable property of the taxpayer, a right in such property or a property that is the subject of a valid election referred to in subparagraph *c* of the first paragraph of section 96.0.2, but does not include

(a) immovable property owned by the taxpayer, whether jointly with another person or otherwise, and used by the taxpayer in the taxation year to which the expression "former business property" is being applied principally for the purpose of gaining or producing gross revenue that is rent, other than property either leased by the taxpayer to a person related to the taxpayer and used by that related person principally for any other purpose, or leased by the taxpayer or the related person to a lessee, in the ordinary course of a business of the taxpayer or the related person of selling goods or rendering services, under a contract by which the lessee undertakes to use the property to carry on the business of selling or promoting the sale of the goods or services of the taxpayer or the related person,

(b) land subjacent to a property referred to in paragraph *a*,

(c) land contiguous to land referred to in paragraph *b* that is a parking area, driveway, yard or garden or that is otherwise necessary for the use of the property referred to in paragraph *a*, or

(d) a leasehold interest in any property described in paragraphs *a*, *b* and *c*;

"goods and services tax" means the tax payable under Part IX of the Excise Tax Act (R.S.C. 1985, c. E-15);

"graduated rate estate" has the meaning assigned by section 646.0.1;

"grandfather" of a taxpayer includes the grandfather of the taxpayer's spouse and the spouse of the taxpayer's grandmother;

"grandfathered share" has the meaning assigned by sections 21.11.20 and 21.11.21;

"grandmother" of a taxpayer includes the grandmother of the taxpayer's spouse and the spouse of the taxpayer's grandfather;

"great-aunt" of a taxpayer includes the spouse of the taxpayer's great-uncle;

"great-uncle" of a taxpayer includes the spouse of the taxpayer's great-aunt;

"gross revenue" of a taxpayer for a taxation year means the aggregate of:

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

(b) all amounts, other than amounts referred to in paragraph *a*, included in computing the taxpayer's income from a business or property for the year by virtue of section 89, 92 or 92.1 or any of sections 92.11 to 92.19;

(c) (paragraph replaced);

"group term life insurance policy" means a group life insurance policy under which the only amounts payable by the insurer are

(a) amounts payable on the death or disability of individuals whose lives are insured because of, or in the course of, their office or employment or former office or employment, and

(b) policy dividends or experience rating refunds;

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

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

(b) the loan is used to acquire a dwelling, or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a dwelling owned by the cooperative, where the dwelling is for the habitation of the individual and is the individual's new residence;

(c) the loan is received in the circumstances described in section 487.1, or would have been so received if the second paragraph of section 487.1 had applied to the loan at the time it was received; and

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

"income-averaging annuity" has the meaning assigned by sections 342 and 343;

"income-averaging annuity respecting income from artistic activities" in relation to an individual means, except for the purposes of Chapter VI.0.1 of Title VI of Book III, an annuity established under a contract that meets the conditions set out in section 346.0.2 and in respect of which the individual has deducted an amount in computing the individual's income under section 346.0.1;

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

"income interest" in a trust by a taxpayer has the meaning assigned by section 683;

"income replacement indemnity" means a benefit paid under a public compensation plan to compensate a total or partial disability affecting a person's capacity to perform the duties of an office or employment or to carry on a business either alone or as a partner actively engaged in the business, or to compensate the loss of a benefit under the Employment Insurance Act (S.C. 1996, c. 23), unless, under the terms of the public compensation plan, no employer, whether required or not to pay all or part of the benefit, may be reimbursed for the expense incurred by the employer in that respect; for that purpose, a benefit computed by reference to a person's recognized earnings under the public compensation plan is deemed a benefit paid to compensate the total or partial disability affecting the person's capacity to perform the duties of an office or employment or to carry on a business either alone or as a partner actively engaged in the business;

"indexed debt obligation" means a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding that is determined by reference to a change in the purchasing power of money;

"individual" means a person other than a corporation;

"insurance corporation" has the same meaning as "insurer";

"insurance policy" includes a life insurance policy;

"insurer" means a corporation carrying on an insurance business;

"international financial centre" has the meaning assigned by section 6 of the Act respecting international financial centres (chapter C-8.3);

"international shipping" means the operation of a ship owned or leased by a person or partnership (in this definition referred to as the "operator") that is used, either directly or as part of a pooling arrangement, primarily in transporting passengers or goods in international traffic—determined as if, in the case of a

voyage between Canada and a place outside Canada, any port or other place on the Great Lakes or St. Lawrence River is in Canada—including the chartering of the ship, provided that one or more persons related to the operator (if the operator and each such person is a corporation), or persons or partnerships affiliated with the operator (in any other case), has complete possession, control and command of the ship, and any activity incident to or pertaining to the operation of the ship, but does not include

(a) the offshore storing or processing of goods;

(b) fishing;

(c) laying cable;

(d) salvaging;

(e) towing;

(f) tug-boating;

(g) offshore oil and gas activities (other than the transportation of oil and gas), including exploration and drilling activities;

(h) dredging; or

(i) leasing a ship to a lessee that has complete possession, control and command of the ship, unless the lessor or a corporation, trust or partnership affiliated with the lessor has an eligible interest, within the meaning of section 11.1.1.4, in the lessee;

"international traffic" means, in respect of a person or partnership carrying on a transportation business, a voyage made in the course of that business if the principal purpose of the voyage is to transport persons or goods between two places outside Canada or between Canada and a place outside Canada;

"*inter vivos* trust" means a trust other than a testamentary trust;

"inventory" means a description of property the cost or value of which is relevant in computing a taxpayer's income from a business for a taxation year or would have been so relevant if the income from the business had not been computed in accordance with the cash method and includes

(a) with respect to a farming business, all of the livestock held in the course of carrying on the business; and

(b) an emission allowance;

"investment corporation" has the meaning assigned by Book I of Part III;

"investment in a SIFT wind-up entity" means

(a) if the SIFT wind-up entity is a trust and subject to paragraph *c*, a capital interest (determined without reference to section 7.11.1) in the trust;

(b) if the SIFT wind-up entity is a partnership and subject to paragraph *c*, an interest as a member of the partnership where, by operation of any law governing the arrangement in respect of the partnership, the liability of the member as a member of the partnership is limited; and

(c) if all of the interests described in paragraphs *a* and *b* are described by reference to units, the part of the interest represented by such a unit;

"joint spousal trust" has the meaning assigned by section 652.1;

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

"legal representative" of a taxpayer means a trustee in bankruptcy, an assignee, a receiver, a trustee, an heir, an administrator of the property of others, or any other like person, administering, winding up, controlling or otherwise dealing in a representative or fiduciary capacity with the property that belongs or belonged to, or that is or was held for the benefit of, the taxpayer or the taxpayer's succession;

"lending assets" means a bond, debenture, note, hypothecary claim, mortgage, agreement of sale or any other indebtedness, or a prescribed share, but does not include a prescribed property;

"leveraged insurance policy" means a life insurance policy (other than an annuity contract) where

(a) an amount is or may become

i. payable, under the terms of a borrowing, to a person or partnership that has been assigned an interest in the policy or in an investment account in respect of the policy, or

ii. payable, within the meaning of subparagraph *j* of the first paragraph of section 835, under a policy loan, within the meaning of paragraph *a*.1.1 of section 966, made in accordance with the terms and conditions of the policy; and

(b) either

i. the return credited to an investment account in respect of the policy is determined by reference to the rate of interest on the borrowing or policy loan, as the case may be, described in paragraph *a* and would not be credited to the account if the borrowing or policy loan, as the case may be, were not in existence, or

ii. the maximum amount of an investment account in respect of the policy is determined by reference to the amount of the borrowing or policy loan, as the case may be, described in paragraph *a*;

"leveraged insured annuity policy" means a life insurance policy (other than an annuity contract) where

(a) a particular person or partnership is obligated after 20 March 2013 to repay an amount to another person or partnership (in this definition referred to as the "lender") at a time determined by reference to the death of a particular individual whose life is insured under the policy; and

(b) the lender is assigned an interest in

i. the policy, and

ii. an annuity contract the terms of which provide that annuity payments are to continue for a period that ends no earlier than the death of the particular individual;

"licensed annuities provider" has the meaning assigned by section 965.0.1;

"life insurance business" includes the business of issuing contracts in respect of which all or any part of the issuer's reserves vary depending upon the fair market value of a specified group of assets, and an annuities business, carried on by a life insurer;

"life insurance corporation" has the same meaning as "life insurer";

"life insurance policy" has the meaning assigned by subparagraph *e* of the first paragraph of section 835;

"life insurance policy in Canada" has the meaning assigned by subparagraph *e*.1 of the first paragraph of section 835;

"life insurer" means a corporation carrying on a life insurance business other than a business referred to in the definition of "life insurance business", even if it also carries on a business so described;

"limited partnership loss" in respect of the partnership has the meaning assigned by sections 613.1 and 726.4.17.11;

"majority-interest partner", of a particular partnership at any time, means a person or partnership (in paragraphs *a* and *b* referred to as the "taxpayer")

(a) whose share of the particular partnership's income from all sources for the fiscal period of the particular partnership that ended before that time or, if the particular partnership's first fiscal period includes that time, for that fiscal period, would have exceeded 1/2 of the particular partnership's income from all sources for that period if the taxpayer had held throughout that fiscal period each interest in the particular partnership that the taxpayer or a person affiliated with the taxpayer held at that time; or

(b) whose share, together with the shares of every person with whom the taxpayer is affiliated, of the total amount that would be paid to all members of the particular partnership, otherwise than as a share of any income of the particular partnership, if it were wound up at that time exceeds 1/2 of that total amount;

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

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

(a) an industrial mineral contained in a non-bedded deposit, as certified by the Minister of Natural Resources and Wildlife;

(b) ammonite gemstone, calcium chloride, diamond, gypsum, halite, kaolin or sylvite;

(c) silica that is extracted from sandstone or quartzite;

"mortgage investment corporation" has the meaning assigned by section 1108;

"motor vehicle" means an automotive vehicle designed or adapted to be used on highways and streets, other than a trolleybus or a vehicle designed or adapted to be operated exclusively on rails;

"municipality" includes a metropolitan community and the Kativik Regional Government, established under the Act respecting Northern villages and the Kativik Regional Government (chapter V-6.1);

"mutual fund corporation" has the meaning assigned by Book III of Part III;

"mutual fund trust" has the meaning assigned by Book IV of Part III;

"net capital loss" has the meaning assigned by section 730;

"net income stabilization account" means

(a) an account of a taxpayer under the net income stabilization account program under the Farm Income Protection Act (S.C. 1991, c. 22); or

(b) an account of a taxpayer under the Agri-Québec program under the Act respecting La Financière agricole du Québec;

"nephew" of a taxpayer includes the nephew of the taxpayer's spouse;

"niece" of a taxpayer includes the niece of the taxpayer's spouse;

"NISA Fund No. 2" means

(a) the portion of a taxpayer's net income stabilization account, under the Farm Income Protection Act, that is described in paragraph *b* of subsection 2 of section 8 of that Act and that can reasonably be considered to be attributable to a program that allows the funds in the account to accumulate; or

(b) the portion of a taxpayer's net income stabilization account, under the Act respecting La Financière agricole du Québec, that is referred to as "Fund 2" under the Agri-Québec program;

"non-capital loss" has the meaning assigned by section 728;

"non-resident-owned investment corporation" has the meaning assigned by Book V of Part III;

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

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

"paid-up capital" has the meaning assigned by paragraph *a* of section 570, except for the purposes of Title VI.2 of Book VII and Title V of Book IX, excluding sections 1045 to 1049;

"passenger vehicle" means

(a) an automobile acquired after 17 June 1987, other than an automobile that is acquired after that date pursuant to an obligation in writing entered into before 18 June 1987 or that is a zero-emission vehicle; or

(b) an automobile leased under a lease entered into, extended or renewed after 17 June 1987;

"pension benefit" includes any amount received under a pension plan, including, except for the purposes of section 317, any amount received under a pooled registered pension plan, and also includes any payment made to a beneficiary under the plan, or to an employer or former employer of the beneficiary in accordance with the conditions of the plan, following any change made in it or resulting from its winding-up;

"person", or any word or expression descriptive of a person, includes any corporation, and any entity exempt, because of Book VIII, from tax under this Part and the legal representatives of such a person, according to the law of that part of Canada to which the context extends;

"personal or living expenses" includes:

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

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

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

"personal services business" means a services business carried on by a corporation in a taxation year where an employee who provides services on behalf of the corporation, referred to in this definition and in section 135.2 as an "incorporated employee", or a person related to an incorporated employee is a specified shareholder of the corporation and the incorporated employee could reasonably be regarded as an employee of the person or partnership to whom or to which the services were provided but for the existence of the corporation, unless

(a) the corporation employs in the business throughout the year more than five full-time employees; or

(b) the amount received or receivable by the corporation in the year for the services provided is paid or payable by a corporation with which it was associated during that year;

"personal trust" has the meaning assigned by section 649.1;

"personal-use property" has the meaning assigned by section 287;

"pooled registered pension plan" or "PRPP" means a plan that has been accepted for the purposes of the Income Tax Act by the Minister of National Revenue as a PRPP and whose registration is in force;

"post-1971 spousal trust" has the meaning assigned by section 652.1;

"precious property" means a property contemplated in section 265;

"preferred share" means a share other than a common share;

"prescribed class" means a class prescribed under subparagraph *e* of the first paragraph of section 1086;

"principal amount" in relation to any obligation means the amount that, under the terms of the obligation or any agreement relating thereto, is the maximum amount or maximum aggregate amount, as the case may be, payable on account of the obligation by the issuer thereof, otherwise than as or on account of interest or as or on account of any premium payable by the issuer conditional upon the exercise by the issuer of a right to redeem the obligation before the maturity thereof;

"private corporation" has the meaning assigned by paragraph *n* of section 570;

“private foundation” has the meaning assigned by paragraph *e* of section 985.1;

“private health services plan” means a contract of insurance in respect of medical expenses, hospital expenses or any combination of such expenses, or a medical care insurance plan or hospital care insurance plan or both a medical care and hospital care insurance plan, to the extent that the contract or plan essentially applies to expenses described in section 752.0.11.1 and that all or substantially all of the premium or any other consideration payable for coverage provided under the contract or plan is attributable to such expenses, except any such contract or plan established by or pursuant to a law of a province that establishes a health care insurance plan that is a health care insurance plan within the meaning of section 2 of the Canada Health Act (R.S.C. 1985, c. C-6);

“professional corporation” means a corporation that carries on the professional practice of an accountant, dentist, advocate, physician, veterinarian or chiropractor;

“profit sharing plan” has the meaning assigned by section 852;

“property” means property of any kind whatever whether movable or immovable, corporeal or incorporeal, and also includes a share, a right of any kind whatever, the work in progress of a business that is a profession and the goodwill of a business referred to in section 93.14;

“property of the bankrupt” has the meaning assigned by the Bankruptcy and Insolvency Act;

“province” means a province of Canada and includes the Northwest Territories, the Yukon Territory and Nunavut;

“public compensation plan” means a plan established under a law of Québec or of another jurisdiction, or a regulation under such a law, that provides for the payment of benefits following an accident, employment injury, bodily injury or death or in order to prevent bodily injury, other than the Act respecting the Québec Pension Plan (chapter R-9), the Canada Pension Plan (R.S.C. 1985, c. C-8) or any other law establishing a plan equivalent to that established under the Act respecting the Québec Pension Plan;

“public corporation” has the meaning assigned by paragraph *o* of section 570;

“public foundation” has the meaning assigned by paragraph *f* of section 985.1;

“qualified business”, in respect of any business carried on by a taxpayer resident in Canada, means any business carried on by the taxpayer other than a specified investment business or a personal services business;

“qualified donee” has the meaning assigned by section 999.2;

“qualifying trust annuity” has the meaning assigned by section 21.43;

“Québec museum” means a museum situated in Québec and any other museum that is a recognized museum at the time the gift is made.

“Québec sales tax” means the tax payable under Title I of the Act respecting the Québec sales tax (chapter T-0.1);

“recognized arts organization” means an arts organization that was recognized, before 30 June 2006, by the Minister on the recommendation of the Minister of Culture and Communications and whose recognition is in force, but does not include a registered charity and an arts organization that is a registered cultural or communications organization under the second paragraph of section 985.35.12;

“recognized derivatives exchange” means a person or partnership recognized or registered under the securities laws of a province to carry on the business of providing the facilities necessary for the trading of options, swaps, futures contracts or other financial contracts or instruments whose market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest;

“recognized gift with reserve of usufruct or use” by a taxpayer in relation to a work of art or a cultural property described in the third paragraph of section 232, means the gift by the taxpayer of the work of art or the cultural property, other than immovable property, that meets the following conditions:

(a) the gift is a gift *inter vivos* whereby the taxpayer disposes of the bare ownership of the work of art or the cultural property but retains the usufruct or right of use;

(b) in the case of a work of art, other than cultural property described in the third paragraph of section 232, the gift is made to a Québec museum;

(c) in the case of cultural property described in the third paragraph of section 232, the gift is made to an institution or a public authority in Canada which is, at the time of the gift, designated under subsection 2 of section 32 of the Cultural Property Export and Import Act (R.S.C. 1985, c. C-51) for general purposes or for a specified purpose related to that cultural property, to a certified archival centre or a recognized museum;

(d) the usufruct or right of use is established only for the taxpayer and is not successive;

(e) the usufruct or right of use is established for the lifetime of the taxpayer, where the taxpayer is an individual, or for a term not exceeding 30 years;

(f) the taxpayer was the sole owner of the work of art or the cultural property immediately before the gift was made; and

(g) the deed of gift provides that

i. the taxpayer may not dispose of the taxpayer's usufruct or right of use without the consent of the bare owner,

ii. the taxpayer shall keep the work of art or the cultural property in a place designated in the deed of gift and shall move it only with the consent of the bare owner and under the terms and conditions determined by the bare owner,

iii. the taxpayer shall keep the work of art or the cultural property insured against ordinary risks for the duration of the usufruct or right of use and undertake to inform the bare owner without delay of the deterioration or disappearance of the work of art or the cultural property,

iv. the bare owner may, where the work of art or the cultural property deteriorates,

(1) decide to restore it, in which case the bare owner shall designate the person for that purpose, who will be remunerated out of the proceeds of the insurance referred to in subparagraph iii, or

(2) decide not to restore it, in which case the bare owner may claim from the taxpayer the proceeds of the insurance referred to in subparagraph iii that the taxpayer will be required to give to the bare owner within 10 days of the receipt of the written confirmation of the decision, and

v. the usufruct or right of use is extinguished where the work of art or the cultural property disappears and the taxpayer may claim the proceeds of the insurance referred to in subparagraph iii;

"recognized museum" means a museum that is recognized by the Minister of Culture and Communications and whose recognition is in force;

"recognized political education organization" has the meaning assigned by section 985.36;

"recognized stock exchange" means

(a) a designated stock exchange; or

(b) a stock exchange, other than a designated stock exchange, located in Canada or in a country that is a member of the Organisation for Economic Co-operation and Development that entered into a tax agreement (within the meaning that would be assigned to that expression by this section if the Gouvernement du Québec had not entered into an agreement referred to in the definition of that expression) with the Government of Canada;

"registered Canadian amateur athletic association" at any time means a Canadian amateur athletic association within the meaning of section 985.23.1 that is registered as such with the Minister at that time or that is deemed to be registered in accordance with the second paragraph of section 985.23.6;

"registered charity" at any time means a charitable organization within the meaning of section 985.1, a private foundation or a public foundation, that is at that time registered with the Minister as a charitable

organization within the meaning of that section 985.1, a private foundation or a public foundation, or that is deemed to be so registered in accordance with sections 985.5 to 985.5.2;

"registered cultural or communications organization" at any time means an organization that is, at that time, registered as such with the Minister in accordance with section 985.35.12;

"registered disability savings plan" has the meaning assigned by Title III.1 of Book VII;

"registered education savings plan" has the meaning assigned by Title III of Book VII;

"registered journalism organization", at any time, means a journalism organization that is deemed, at that time, to be registered as such with the Minister in accordance with section 985.26.1 and whose registration is in force;

"registered museum" at any time means a museum that, at that time, is registered as such with the Minister in accordance with section 985.35.2;

"registered national arts service organization", at any time, means a national arts service organization that is deemed to be registered at that time by the Minister under section 985.24 and whose registration is in force;

"registered pension plan" means a plan accepted as such by the Minister of Revenue of Canada for the purposes of the Income Tax Act and the registration of which is in force;

"registered Québec amateur athletic association" at any time means a Québec amateur athletic association within the meaning of section 985.23.1 that is registered as such with the Minister at that time;

"registered retirement income fund" means a fund accepted as such by the Minister of Revenue of Canada for the purposes of the Income Tax Act and the registration of which is in force;

"registered retirement plan" means an employees' superannuation plan accepted before 1 January 1986 by the Minister for registration for the purposes of this Part in respect of its constitution and operations for the taxation year under consideration;

"registered retirement savings plan" means a plan accepted as such by the Minister of Revenue of Canada for the purposes of the Income Tax Act and the registration of which is in force;

"registered securities dealer" means a person authorized to trade in securities, in the capacity of an agent or principal, without any restriction as to the types or kinds of securities in which that person may trade by reason of the fact that the person

(a) is registered or licensed under the laws of a province; or

(b) meets the following conditions:

i. the person is registered with, or licensed by, a competent authority other than the competent authority of a province, and

ii. the person obtained from the Autorité des marchés financiers or from a securities commission or similar body an exemption from registration pursuant to the laws of a province;

"registered supplementary unemployment benefit plan" has the meaning assigned by subsection 3 of section 962;

"regulation" means a regulation made by the Government under this Part;

"restricted farm loss" has the meaning assigned by section 207;

"restricted financial institution" means

(a) a bank;

(b) a corporation licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering its services as trustee;

(c) a savings and credit union;

(d) an insurance corporation;

(e) a corporation whose principal business is the lending of money to persons with whom it is dealing at arm's length or the purchasing of debt obligations issued by such persons, or a combination thereof;

(e.1) a corporation referred to in paragraph *g* of the definition of "financial institution" in subsection 1 of section 181 of the Income Tax Act;

(f) a corporation that is controlled by one or more corporations described in any of paragraphs *a* to *e*.1;

"retirement compensation arrangement" has the meaning assigned by section 890.1;

"retirement income fund" has the meaning assigned by subsection 1 of section 146.3 of the Income Tax Act;

"retirement savings plan" has the meaning assigned by subsection 1 of section 146 of the Income Tax Act;

"retiring allowance" means an amount, other than an amount received as a consequence of the death of an employee, a pension benefit or a benefit referred to in subparagraph *d* of the third paragraph of section 38, received by a taxpayer or, after the taxpayer's death, by a dependent or a relative of the taxpayer or by the legal representative of the taxpayer

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

(b) in respect of the loss of an office or employment of the taxpayer, whether or not received as, on account of or in lieu of damages or pursuant to an order or judgment of a competent tribunal;

"salary deferral arrangement" in respect of an individual has the meaning assigned by sections 47.15 and 47.16;

"salary or wages", except in section 32, means the income of a taxpayer from an office or employment as computed under Title II of Book III and includes all fees received by the taxpayer for services not rendered in the course of the taxpayer's business, but does not include pension benefits or retiring allowances;

"savings and credit union" has the meaning assigned by section 797;

"scientific research and experimental development" has the meaning assigned by subsections 2 to 4 of section 222;

"self-contained domestic establishment" means a dwelling-house, apartment or other similar place of residence in which a person as a general rule sleeps and eats;

"servant" means a person engaged in employment;

"share" means a share or fraction of a share of the capital stock of a corporation and includes a share or fraction of a share of the capital of a prescribed cooperative or of a savings and credit union;

"shareholder" includes any person entitled to receive payment of a dividend;

"short-term preferred share" has the meaning assigned by sections 21.11.11 to 21.11.13;

"SIFT partnership" has the meaning assigned by the first paragraph of section 1129.70;

"SIFT trust" has the meaning assigned by the first paragraph of section 1129.70;

"SIFT trust wind-up event" means a distribution by a particular trust resident in Canada of property to a taxpayer in respect of which the following conditions are met:

(a) the distribution occurs before 1 January 2013;

(b) there is a resulting disposition of all of the taxpayer's interest as a beneficiary under the particular trust;

(c) the particular trust is

i. a SIFT wind-up entity,

ii. a trust whose only beneficiary throughout the period (in this definition referred to as the "qualifying period") that begins on 14 July 2008 and that ends at the time of the distribution is another trust that throughout the qualifying period

(1) is resident in Canada, and

(2) is a SIFT wind-up entity or a trust described in this subparagraph ii, or

iii. a trust whose only beneficiary at the time of distribution is another trust that throughout the qualifying period

(1) is resident in Canada,

(2) is a SIFT wind-up entity or a trust described in subparagraph ii, and

(3) is a majority-interest beneficiary (within the meaning that would be assigned by section 21.0.1 if paragraphs *a* and *b* of the definition of "majority-interest beneficiary" were read as if "50%" was replaced by "25%") of the particular trust;

(d) the particular trust ceases to exist immediately after the distribution or immediately after the last of a series of SIFT trust wind-up events (determined without reference to this paragraph) of the particular trust that includes the distribution; and

(e) the property was not acquired by the particular trust as a result of

i. a transfer or an exchange that is a qualifying exchange (within the meaning of the first paragraph of section 785.4) or a qualifying disposition (within the meaning of section 692.5) that is made after 2 February 2009 and that is from any person other than a SIFT wind-up entity, or

ii. the transfer or the exchange, to which Division XIII of Chapter IV of Title IV of Book III, any of Chapters IV to IX of Title IX of Book III, Chapter X of Title XII of that Book or Title I.2 of Book VI applies, of another property acquired as a result of a transfer or an exchange described in subparagraph i or this subparagraph;

"SIFT wind-up corporation", in respect of a SIFT wind-up entity (in this definition referred to as a "particular entity"), means at a particular time a corporation

(a) that, at any time that is after 13 July 2008 and before the earlier of the particular time and 1 January 2013, owns all of the investments in the particular entity, each of which is an investment in a SIFT wind-up entity, or

(b) the shares of the capital stock of which are at or before the particular time distributed as part of a SIFT trust wind-up event of the particular entity;

"SIFT wind-up entity" means a trust or partnership that at any time in the period that began on 31 October 2006 and that ended on 14 July 2008 is

(a) a SIFT trust or a trust that would be a SIFT trust but for subsection 3 of section 534 of the Act giving effect to the Budget Speech delivered on 24 May 2007, to the 1 June 2007 Ministerial Statement Concerning the Government's 2007-2008 Budgetary Policy and to certain other budget statements (2009, chapter 5);

(b) a SIFT partnership or a partnership that would be a SIFT partnership but for subsection 3 of section 534 of the Act giving effect to the Budget Speech delivered on 24 May 2007, to the 1 June 2007 Ministerial Statement Concerning the Government's 2007-2008 Budgetary Policy and to certain other budget statements; or

(c) a real estate investment trust, within the meaning of the first paragraph of section 1129.70;

"sister" of a taxpayer includes the sister of the taxpayer's spouse and the spouse of the taxpayer's brother;

"small business bond" has the meaning assigned by section 119.15;

"small business corporation", at any particular time, means, subject to section 726.6.2 and on the assumption, for the purposes of this definition, that the fair market value of a net income stabilization account or of a farm income stabilization account is deemed to be nil, a Canadian-controlled private corporation all or substantially all of the fair market value of the assets of which is attributable to assets that are, at that time,

(a) used principally in a qualified business carried on primarily in Canada by the corporation or by a corporation related to it;

(b) shares of the capital stock of a small business corporation connected with the corporation within the meaning of the regulations;

(c) indebtedness of a corporation described in paragraph *b*, or

(d) assets described in subparagraphs *a* to *c*;

"specified employee" of a person means an employee of the person who is a specified shareholder of the person or who does not deal at arm's length with the person;

"specified financial institution", at a particular time, means

(a) a bank;

(b) a corporation licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering its services as trustee;

(c) a savings and credit union;

(d) an insurance corporation;

(e) a corporation whose principal business is the lending of money to persons with whom it is dealing at arm's length or the purchasing of debt obligations issued by such persons, or a combination thereof;

(e.1) a corporation referred to in paragraph *g* of the definition of "financial institution" in subsection 1 of section 181 of the Income Tax Act;

(f) a corporation that is controlled by one or more corporations referred to in any of paragraphs *a* to *e*.1 and, for the purposes of this paragraph, one corporation is controlled by another corporation if more than 50% of its issued share capital having full voting rights under all circumstances belongs to the other corporation, to persons with whom the other corporation does not deal at arm's length, or to the other corporation and persons with whom the other corporation does not deal at arm's length;

(g) a corporation that is related to a particular corporation referred to in any of paragraphs *a* to *f*, other than a particular corporation referred to in paragraph *e* or *e*.1 the principal business of which is the factoring of trade accounts receivable that the particular corporation acquired from a related person, that arose in the course of an eligible business carried on by a person, in this paragraph referred to as the "business entity", related at that time to the particular corporation, and that at no particular time before that time were held by a person other than a person who was related to the business entity and, for the purposes of this paragraph, where in the case of two or more corporations it may reasonably be considered, having regard to all the circumstances, that one of the main reasons for the separate existence of those corporations in a taxation year is to limit or avoid the application of any of sections 740.1, 740.2 to 740.3.1 and 845, those corporations are deemed to be related to each other and to each other corporation to which any such corporation is related;

"specified individual" has the meaning assigned by section 766.3.3;

"specified investment business" has the meaning assigned by section 771.1;

"specified member" of a partnership in a fiscal period or taxation year of the partnership, as the case may be, means

(a) any member of the partnership who is a limited partner, within the meaning assigned by section 613.6, of the partnership at any time in the fiscal period or taxation year;

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

which the business of the partnership is ordinarily carried on and during which the member is a member of the partnership;

"specified mutual fund trust", at any time, means a mutual fund trust other than a mutual fund trust in respect of which it can reasonably be considered, having regard to all the circumstances, including the terms and conditions of the units of the trust, that the aggregate of all amounts each of which is the fair market value, at that time, of a unit issued by the trust and held by a person exempt from tax under sections 980 to 999.1 is all or substantially all of the aggregate of all amounts each of which is the fair market value, at that time, of a unit issued by the trust;

"specified pension plan" means a prescribed arrangement;

"specified shareholder" has the meaning assigned by sections 21.17 and 21.18;

"specified synthetic equity arrangement" in respect of a dividend rental arrangement share of a person or partnership means one or more arrangements that

(a) have the effect of providing to a person or partnership all or any portion of the risk of loss or opportunity for gain or profit in respect of the dividend rental arrangement share and, to that end, opportunity for gain or profit includes rights to, benefits from and distributions on a share; and

(b) can reasonably be considered to have been entered into in connection with a synthetic equity arrangement, in respect of the dividend rental arrangement share, or in connection with another specified synthetic equity arrangement, in respect of the dividend rental arrangement share;

"specified tax consequence" for a taxation year means

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

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

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

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

iii. the corporation agreed in the calendar year preceding the particular calendar year to issue a flow-through share to a person or partnership,

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

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

(c) the consequence of an adjustment or a reduction described in section 1042.1;

"split income" has the meaning assigned by section 766.3.3;

"stock dividend" includes any dividend, determined without reference to the definition of "dividend" in this section, paid by a corporation to the extent that it is paid by the issuance of shares of any class of the capital stock of the corporation;

"subsidiary controlled corporation" means a corporation more than 50% of the issued capital stock of which having full voting rights under all circumstances belongs to the corporation to which it is subsidiary;

"subsidiary wholly-owned corporation" means a corporation all the issued capital stock of which except directors' qualifying shares, belongs to the corporation to which it is subsidiary;

"succession" has the meaning assigned by section 646 and includes, for common law, an estate;

"supplementary unemployment benefit plan" has the meaning assigned by subsection 1 of section 962;

"synthetic disposition arrangement", in respect of a property owned by a taxpayer, means one or more agreements or other arrangements that

(a) are entered into by the taxpayer or by a person or partnership that does not deal at arm's length with the taxpayer;

(b) have the effect, or would have the effect if entered into by the taxpayer instead of the person or partnership described in paragraph *a*, of eliminating all or substantially all the taxpayer's risk of loss and opportunity for profit or gain in respect of the property for a definite or indefinite period of time; and

(c) can, in respect of any agreement or arrangement entered into by a person or partnership that does not deal at arm's length with the taxpayer, reasonably be considered to have been entered into, in whole or in part, with the purpose of obtaining the effect described in paragraph *b*;

"synthetic disposition period", of a synthetic disposition arrangement, means a definite or indefinite period of time during which the synthetic disposition arrangement has, or would have, the effect described in paragraph *b* of the definition of "synthetic disposition arrangement";

"synthetic equity arrangement" in respect of a dividend rental arrangement share of a person or partnership (in this definition referred to as the "particular person") means one or more arrangements that

(a) meet the following conditions:

i. they are entered into by the particular person, by a person or partnership that does not deal at arm's length with, or is affiliated with, the particular person (in this definition referred to as a "connected person") or by any combination of the particular person and connected persons, with one or more persons or partnerships (in this definition referred to as a "counterparty" and in section 740.4.3 referred to as a "counterparty" or an "affiliated counterparty", as the case may be),

ii. they have the effect, or would have the effect, if each arrangement entered into by a connected person were entered into by the particular person, of providing all or substantially all of the risk of loss and opportunity for gain or profit in respect of the dividend rental arrangement share to a counterparty or a group of counterparties each member of which is affiliated with every other member and, to that end, opportunity for gain or profit includes rights to, benefits from and distributions on a share, and

iii. if entered into by a connected person, they can reasonably be considered to have been entered into with the knowledge, or where there ought to have been the knowledge, that the effect described in subparagraph ii would result; and

(b) are not

i. an agreement that is traded on a recognized derivatives exchange unless it can reasonably be considered that, at the time the agreement is entered into

(1) the particular person or the connected person, as the case may be, knows or ought to have known that the agreement is part of a series of transactions that has the effect of providing all or substantially all of the risk of loss and opportunity for gain or profit in respect of the dividend rental arrangement share to a tax-indifferent investor, or a group of tax-indifferent investors each member of which is affiliated with every other member, or

(2) one of the main reasons for entering into the agreement is to obtain the benefit of a deduction in respect of a payment, or a reduction of an amount that would otherwise have been included in computing income, under the agreement, that corresponds to an expected or actual dividend in respect of a dividend rental arrangement share,

ii. one or more arrangements that, but for this subparagraph, would be a synthetic equity arrangement, in respect of a share owned by the particular person (in this subparagraph referred to as the "synthetic short position"), if

(1) the particular person has entered into one or more arrangements (in this subparagraph referred to as the "synthetic long position") that have the effect of providing all or substantially all of the risk of loss and opportunity for gain or profit in respect of the share to the particular person, other than an arrangement under which the share is acquired or an arrangement under which the particular person receives a deemed dividend and is provided with all or substantially all of the risk of loss and opportunity for gain or profit in respect of the share,

(2) the synthetic short position has the effect of offsetting all amounts included or deducted in computing the income of the particular person with respect to the synthetic long position, and

(3) the synthetic short position was entered into for the purpose of obtaining the effect referred to in subparagraph 2, or

iii. an agreement to purchase the shares of a corporation, or a purchase agreement that is part of a series of agreements to purchase the shares of a corporation, under which a counterparty or a group of counterparties each member of which is affiliated with every other member acquires control of the corporation that has issued the shares being purchased, unless the main reason for incorporating, establishing or operating the corporation is to have this subparagraph apply;

"synthetic equity arrangement chain" in respect of a share owned by a person or partnership means a synthetic equity arrangement—or a synthetic equity arrangement in combination with one or more specified synthetic equity arrangements—where

(a) no party to the synthetic equity arrangement or a specified synthetic equity arrangement, if any, is a tax-indifferent investor; and

(b) each other party to these arrangements is affiliated with the person or partnership;

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

"tax agreement" with a country other than Canada at any time means an agreement for the elimination of double taxation on income, between the Government of Québec and the government of the country, which has the force of law in Québec at that time or, in the absence of such an agreement, a comprehensive agreement or convention for the elimination of double taxation on income, between the Government of Canada and the government of the country, which has the force of law in Canada at that time;

"tax-agreement-protected business" of a taxpayer at any time means a business in respect of which any income of the taxpayer for a period that includes that time would, because of a tax agreement with a country other than Canada, be exempt from tax under this Part;

"tax-agreement-protected property" of a taxpayer at any time means property any income or gain from the disposition of which by the taxpayer at that time would, because of a tax agreement with a country other than Canada, be exempt from tax under this Part;

"tax-free savings account" or "TFSA" at any time means an arrangement accepted as such at that time by the Minister of National Revenue for the purposes of the Income Tax Act, in accordance with subsection 5 of section 146.2 of that Act;

"tax-indifferent investor", at any time, means a person or partnership that is at that time

(a) a person exempt from tax under sections 980 to 999.1;

(b) a person not resident in Canada, other than a person to which all amounts paid or credited under a derivative forward agreement, a synthetic equity arrangement or a specified synthetic equity arrangement may reasonably be attributed to the business carried on by the person in Canada through an establishment;

(c) a trust resident in Canada (other than a specified mutual fund trust) if any of the interests as a beneficiary under the trust is not a fixed interest, within the meaning of section 21.0.5, in the trust (in this definition referred to as a "discretionary trust");

(d) a partnership if more than 10% of the fair market value of all interests in which can reasonably be considered to be held, directly or indirectly through one or more trusts or partnerships, by any combination of persons described in any of paragraphs *a* to *c*; or

(e) a trust resident in Canada (other than a specified mutual fund trust or a discretionary trust) if more than 10% of the fair market value of all interests as beneficiaries under the trust can reasonably be considered to be held, directly or indirectly through one or more trusts or partnerships, by any combination of persons described in paragraph *a* or *c*;

"tax shelter" has the meaning assigned by section 1079.1;

"taxable Canadian corporation" has the meaning assigned by paragraph *m* of section 570;

"taxable Canadian property" has the meaning assigned by Part II and, for the purposes of section 688.0.0.1, Chapter I of Title I.1 of Book VI and sections 1000 to 1003, and for the purpose of applying section 521 and subparagraph *c* of the second paragraph of section 614 in respect of a disposition made by a person not resident in Canada, includes

(a) a Canadian resource property;

(b) a timber resource property;

(c) an income interest in a trust resident in Canada;

(d) a right to a share of the income or loss of a partnership under an agreement referred to in section 608; and

(e) a life insurance policy in Canada;

"taxable capital gain" has the meaning assigned by section 231;

"taxable dividend" has the meaning assigned by paragraph *g* of section 570;

"taxable income" has the meaning assigned by section 24 or 26.1, as the case may be, and in no case may the taxpayer's taxable income be less than $0;

"taxable net gain" from the disposition of precious property has the meaning assigned by section 265;

"taxable preferred share" has the meaning assigned by sections 21.11.14 to 21.11.16;

"taxable Québec property" has the meaning assigned by Part II and, for the purposes of sections 26 and 27, and for the purpose of applying section 521 and subparagraph *c* of the second paragraph of section 614 in respect of a disposition made by a person not resident in Canada, includes

(a) a Québec resource property within the meaning of paragraph *d* of section 1089,

(b) a timber resource property situated in Québec, including at any particular time a right in and an option in respect of the property,

(c) an income interest in a trust resident in Québec,

(d) a right to a share in the income or loss of a partnership having an establishment in Québec under an agreement described in section 608, and

(e) a life insurance policy issued or subscribed by an insurer on the life of a person resident in Québec at the time of the issue or subscription;

"taxation year" means

(a) in the case of a corporation, a fiscal period;

(b) in the case of a succession that is a graduated rate estate, the particular period for which the succession's accounts are made up for purposes of assessment under this Part, which particular period must

end at the end of the period that includes that time and for which the accounts are made up for purposes of assessment under the Income Tax Act; and

(c) in any other case, a calendar year;

"taxpayer" includes any person whether or not liable to pay tax;

"term preferred share" has the meaning assigned by sections 21.5 to 21.9.4.1;

"testamentary trust" has the meaning assigned by section 677;

"timber resource property" has the meaning assigned by subparagraph *d* of the first paragraph of section 93;

"Treasury Board" means the Conseil du trésor continued under the Public Administration Act (chapter A-6.01);

"trust" has the meaning assigned by section 646;

"uncle" of a taxpayer includes the spouse of the taxpayer's aunt;

"undepreciated capital cost" of depreciable property of a prescribed class of a taxpayer has the meaning assigned by section 93;

"undepreciable property" means any property other than depreciable property;

"unit trust" has the meaning assigned by section 649;

"written separation agreement" includes an agreement by which a person agrees to make payments on a periodic basis for the maintenance of a former spouse, child or both, after the marriage has been dissolved whether the agreement was made before or after the marriage was dissolved;

"zero-emission passenger vehicle", of a taxpayer, means an automobile of the taxpayer that is included in Class 54 in Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1);

"zero-emission vehicle" of a taxpayer, means a motor vehicle that

(a) is a plug-in hybrid vehicle that meets prescribed conditions or is fully

i. electric, or

ii. powered by hydrogen;

(b) is acquired, and becomes available for use, by the taxpayer after 18 March 2019 and before 1 January 2028;

(c) is not a vehicle in respect of which

i. the taxpayer has, at a particular time, made a prescribed election, or

ii. an amount of assistance has been paid by the Government of Canada under a prescribed program;

(d) if the vehicle was acquired before 2 March 2020,

i. has neither been used, nor acquired for use, for any purpose before it was acquired by the taxpayer, and

ii. is not a vehicle in respect of which an amount has been deducted by another person or partnership under paragraph *a* of section 130 or the second paragraph of section 130.1; and

(e) would be an accelerated investment incentive property if the definition of that expression in the first paragraph of section 130R3 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) were read without its exclusion for property included in Class 54 or 55 of Schedule B to that Regulation.

1972, c. 23, s. 1; 1972, c. 26, s. 31; 1973, c. 17, s. 1; 1973, c. 18, s. 1; 1975, c. 21, s. 1; 1975, c. 22, s. 1; 1977, c. 5, s. 14; 1977, c. 26, s. 1; 1978, c. 26, s. 1; 1979, c. 18, s. 1; 1979, c. 38, s. 1; 1979, c. 81, s. 20; 1980, c. 13, s. 1; 1982, c. 5, s. 1; 1982, c. 17, s. 47; 1982, c. 56, s. 8; 1983, c. 44, s. 13; 1984, c. 15, s. 1; 1985, c. 25, s. 17; 1986, c. 15, s. 31; 1986, c. 19, s. 1; 1987, c. 21, s. 7; 1987, c. 67, s. 4; 1988, c. 4, s. 17; 1988, c. 18, s. 2; 1989, c. 5, s. 20; 1989, c. 77, s. 2; 1990, c. 59, s. 3; 1991, c. 7, s. 13; 1991, c. 25, s. 2; 1992, c. 1, s. 6; 1993, c. 16, s. 1; 1993, c. 19, s. 12; 1993, c. 64, s. 4; 1994, c. 13, s. 15; 1994, c. 22, s. 41; 1995, c. 1, s. 11; 1995, c. 49, s. 1; 1995, c. 63, s. 12; 1996, c. 39, s. 8; 1997, c. 3, s. 13; 1997, c. 14, s. 10; 1997, c. 31, s. 2; 1997, c. 85, s. 32; 1998, c. 16, s. 4; 1999, c. 83, s. 26; 1999, c. 86, s. 75; 1999, c. 89, s. 53; 2000, c. 5, s. 4; 2000, c. 8, s. 152; 2000, c. 56, s. 218; 2001, c. 7, s. 1; 2001, c. 51, s. 17; 2001, c. 53, s. 1; 2002, c. 45, s. 517; 2003, c. 2, s. 2; 2003, c. 8, s. 6; 2003, c. 9, s. 10; 2004, c. 8, s. 4; 2004, c. 21, s. 37; 2004, c. 25, s. 70; 2004, c. 37, s. 90; 2005, c. 1, s. 20; 2005, c. 23, s. 30; 2005, c. 38, s. 44; 2006, c. 3, s. 35; 2006, c. 13, s. 24; 2006, c. 36, s. 20; 2007, c. 12, s. 20; 2009, c. 5, s. 6; 2009, c. 15, s. 25; 2010, c. 5, s. 9; 2010, c. 25, s. 4; 2010, c. 31, s. 175; 2011, c. 6, s. 110; 2009, c. 24, s. 90; 2012, c. 8, s. 34; 2013, c. 10, s. 12; 2015, c. 21, s. 92; 2015, c. 24, s. 9; 2017, c. 1, s. 63; 2017, c. 29, s. 15; 2019, c. 14, s. 55; 2020, c. 16, s. 23; 2021, c. 14, s. 15; 2021, c. 18, s. 12; 2021, c. 36, s. 50; 2022, c. 23, s. 28; 2023, c. 19, s. 10; 2024, c. 11, s. 44.

1.0.1. In this Act and the regulations, where a provision applies in a common law context, the following rules apply:

(a) a reference to movable property or immovable property must be read, with the necessary modifications, as including a reference to personal property or real property, respectively;

(b) a reference to corporeal property or incorporeal property must be read, with the necessary modifications, as including a reference to tangible property or intangible property, respectively; and

(c) a reference to a right in a property must be read, with the necessary modifications, as including a reference to an interest in a property and a reference to a right in or to a property as including a reference to an interest or a right in a property.

2020, c. 16, s. 24.

1.1. In this Act and the regulations, a real right in an immovable property includes a lease on such property, and for common law purposes, a leasehold interest in immovable property, but does not include a right, as security only, derived by virtue of a hypothecary claim, mortgage, agreement of sale or other similar obligation.

1978, c. 26, s. 2; 1993, c. 64, s. 5; 1996, c. 39, s. 9; 2005, c. 1, s. 21; 2020, c. 16, s. 25.

1.2. For the purposes of this Part, other than paragraph *a* of section 618, the following rules apply:

(a) if property is acquired in substitution for a particular property that is disposed of or exchanged and if subsequently, by one or more transactions, other property is acquired in substitution for that property or for property already acquired in substitution, any property so acquired is deemed to have been substituted for the particular property; and

(b) any share received as a stock dividend on another share of the capital stock of a corporation is deemed to be property substituted for that other share.

1982, c. 5, s. 2; 1987, c. 67, s. 5; 1993, c. 19, s. 13; 1996, c. 39, s. 10; 1997, c. 3, s. 71; 1998, c. 16, s. 5; 2009, c. 15, s. 26.

1.3. For the purposes of this Part, where a corporation issues shares of a class of its capital stock in one or more series, a reference to the class shall be read, with the necessary modifications, as a reference to a series of the class.

1984, c. 15, s. 2; 1987, c. 21, s. 8; 1990, c. 59, s. 4; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2017, c. 29, s. 16.

1.4. *(Repealed).*

1985, c. 25, s. 18; 1988, c. 18, s. 3.

1.5. For the purposes of this Part, where there is a reference to a series of transactions or events, the series is deemed to include any related transactions or events completed in contemplation of the series.

1987, c. 67, s. 6.

1.6. Except as otherwise provided in this Part, property is considered to have become available for use for the purposes of this Part at the time at which it has, or would have if it were depreciable property, become available for use for the purposes of section 93.6.

1993, c. 16, s. 2.

1.7. In this Act and the regulations, a legal person, whether or not established for pecuniary gain, is designated by the word "corporation".

1997, c. 3, s. 14.

1.8. In this Act and the regulations, "agreed proportion", in respect of a member of a partnership for a fiscal period of the partnership, means the proportion that the member's share of the income or loss of the partnership for the partnership's fiscal period is of the partnership's income or loss for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000.

2009, c. 5, s. 7.

TITLE II

RULES OF GENERAL APPLICATION

1972, c. 23.

CHAPTER I

GENERALITIES

1972, c. 23.

2. Unless the context indicates otherwise, for the purposes of this Part and the regulations, words referring to the father or mother of a taxpayer include a person whose child the taxpayer is, a person whose child the taxpayer had previously been within the meaning of paragraph *b* of the definition of "child" in section 1, or a person who is the father or mother of the taxpayer's spouse.

1972, c. 23, s. 2; 1973, c. 17, s. 2; 1994, c. 22, s. 42; 1995, c. 1, s. 12; 1997, c. 85, s. 33; 2006, c. 36, s. 21.

2.1. In this Act and the regulations, unless otherwise provided, where the ownership of a property is indeterminate owing to a matrimonial regime, the following rules apply:

(a) where the property was, immediately before the regime was entered into, the property of one of the spouses subject to the regime, it is deemed to remain the property of that spouse; and

(b) in other cases, the property is deemed to be the property of the spouse who administers it under the regime.

1979, c. 38, s. 2.

2.1.1. For the purposes of this Part and subject to sections 2.1, 2.1.2, 2.1.3 and 456.1, where at any time a property owned by two or more persons is the subject of a partition, the following rules apply, notwithstanding any retroactive or declaratory effect of such partition:

(a) each such person who had a right in the property immediately before that time is deemed not to have disposed at that time of that proportion, not exceeding 1, of the right that the fair market value of that person's right in the property immediately after that time is of the fair market value of that person's right in the property immediately before that time;

(b) each such person who has a right in the property immediately after that time is deemed not to have acquired at that time that proportion of the right that the fair market value of that person's right in the property immediately before that time is of the fair market value of that person's right in the property immediately after that time;

(c) each such person who had a right in the property immediately before that time is deemed to have had until that time, and to have disposed at that time of, that proportion of the person's right to which subparagraph *a* does not apply;

(d) each such person who has a right in the property immediately after that time is deemed not to have had before that time, and to have acquired at that time, that proportion of the person's right to which subparagraph *b* does not apply; and

(e) subparagraphs *a* to *d* do not apply where the right of the person is a right in fungible corporeal property described in that person's inventory.

For the purposes of this section, where a right in the property is an undivided right, the fair market value of the right at any time is deemed to be equal to that proportion of the fair market value of the property at that time that the right is of all the undivided rights in the property.

1993, c. 16, s. 3; 1995, c. 49, s. 2; 2005, c. 1, s. 22; 2020, c. 16, s. 26.

2.1.2. Where a property owned by two or more persons is the subject of a partition among such persons and, as a consequence thereof, each such person has, in the property, a new right the fair market value of which immediately after the partition, expressed as a percentage of the fair market value of all the rights in the property immediately after the partition, is equal to the fair market value of that person's undivided right immediately before the partition, expressed as a percentage of the fair market value of all the undivided rights in the property immediately before the partition, the following rules apply:

(a) section 2.1.1 does not apply to the property, and

(b) the new right of each such person is deemed to be a continuation of that person's undivided right in the property immediately before the partition.

For the purposes of this section, the following rules apply:

(a) subdivisions of a building or of a parcel of land that are established in the course of, or in contemplation of, a partition and that are co-owned by the same persons who co-owned the building or the parcel of land, or by their assignees, shall be regarded as one property; and

(b) where a right in the property is or includes an undivided right, the fair market value of the right must be determined without regard to any discount or premium that may apply to a minority or majority right in the property.

1993, c. 16, s. 3; 2005, c. 1, s. 23; 2020, c. 16, s. 27.

2.1.3. For the purposes of this Part and the regulations, where, as a consequence of the laws of a province relating to spouses' interests in respect of property as a result of marriage, property is, after the death of an individual,

(a) transferred or distributed to a person who was the individual's spouse at the time of the death, or acquired by that person, the property is deemed to have been so transferred, distributed or acquired, as the case may be, as a consequence of the death; or

(b) transferred or distributed to the individual's succession, or acquired by the individual's succession, the property is deemed to have been so transferred, distributed or acquired, as the case may be, immediately before the time that is immediately before the death.

1995, c. 49, s. 3; 1998, c. 16, s. 251; 2009, c. 5, s. 8.

2.2. For the purposes of the definitions of "joint spousal trust" and "post-1971 spousal trust" in section 1, sections 2.1, 312.3, 312.4, 313 to 313.0.5, 336.0.2, 336.0.3, 336.0.6 to 336.4, 440 to 441.2, 454, 454.1, 456.1, 462.0.1, 462.0.2 and 651, the definition of "pre-1972 spousal trust" in section 652.1, sections 653, 656.3, 656.3.1, 657, 660, 890.0.1 and 913, subparagraph *b* of the second paragraph of section 961.17, sections 965.0.9 and 965.0.11, Titles VI.0.2 and VI.0.3 of Book VII, sections 971.2 and 971.3 and Division II.11.7.2 of Chapter III.1 of Title III of Book IX, "spouse" and "former spouse" of a particular individual include another individual who is a party to an annulled or annullable marriage, as the case may be, with the particular individual.

1984, c. 15, s. 3; 1986, c. 15, s. 32; 1991, c. 25, s. 3; 1993, c. 16, s. 4; 1993, c. 19, s. 14; 1994, c. 22, s. 43; 1998, c. 16, s. 6; 2002, c. 6, s. 141; 2003, c. 2, s. 3; 2004, c. 21, s. 38; 2005, c. 38, s. 45; 2011, c. 1, s. 11; 2011, c. 34, s. 12; 2015, c. 21, s. 93; 2021, c. 14, s. 16; 2022, c. 23, s. 29.

2.2.1. In this Act and the regulations,

(a) words referring to a spouse at any time of a taxpayer include the person of the opposite or the same sex who cohabits at that time with the taxpayer in a conjugal relationship and has so cohabited with the taxpayer throughout a 12-month period ending at that time, or would be the father or mother of a child of whom the taxpayer would be the father or mother if the definition of "child" in section 1 were read without reference to paragraph *c* thereof and section 2 were read without reference to the words "or a person who is the father or mother of the taxpayer's spouse";

(b) references to marriage shall be read as if a conjugal relationship between two individuals who are, because of subparagraph *a* or of a civil union, spouses of each other were a marriage;

(c) provisions that apply to a person who is married apply to a person who is, because of subparagraph *a* or of a civil union, a spouse of a taxpayer; and

(d) provisions that apply to a person who is unmarried do not apply to a person who is, because of subparagraph *a* or of a civil union, a spouse of a taxpayer;

(e) references to a matrimonial regime include a civil union regime.

For the purposes of subparagraph *a* of the first paragraph, where at any time the taxpayer and the person referred to in that subparagraph cohabit in a conjugal relationship, they are deemed to be so cohabiting at any particular time after that time, unless they were not cohabiting at the particular time for a period of at least 90 days that includes the particular time because of a breakdown of their conjugal relationship.

Subparagraph *a* of the first paragraph, as amended by section 14 of the Act to amend various legislative provisions concerning de facto spouses (1999, chapter 14), applies, notwithstanding section 40 of that Act, from a particular time of the taxation year 1998 or the part of the taxation year 1999 preceding 16 June, to a taxpayer and a person of the same sex that would have been the person's spouse at that time if the Act to amend various legislative provisions concerning de facto spouses had then been in force, where the taxpayer

and the person made jointly a valid election under section 144 of the Modernization of Benefits and Obligations Act (Statutes of Canada, 2000, chapter 12) for the taxation year that includes the particular time.

A copy of every document sent to the Minister of National Revenue in connection with the election referred to in the third paragraph must be filed with the Minister on or before the taxpayer's and the person's filing-due date for the taxation year that includes 21 October 2015.

Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest and penalties and such determinations and redeterminations as are necessary for any taxation year to take into account the application of the third paragraph.

1994, c. 22, s. 44; 1995, c. 1, s. 13; 1995, c. 49, s. 4; 1999, c. 14, s. 14; 2000, c. 5, s. 5; 2001, c. 53, s. 2; 2002, c. 6, s. 142; 2015, c. 21, s. 94.

2.2.2. *(Repealed).*

1994, c. 22, s. 44; 2000, c. 5, s. 6.

2.3. Where a document has been issued or a contract has been entered into before 31 July 1997 purporting to create, to establish, to extinguish or to be in substitution for, a taxpayer's right to an amount or amounts, immediately or in the future, out of or under a pension plan, the following rules apply:

(a) where the rights provided for in the document or contract are rights provided for by the pension plan or are rights to a payment or payments out of the pension plan, and the taxpayer acquired an interest under the document or contract before that date, any payment under the document or contract is deemed to be a payment out of or under the pension plan and the taxpayer is deemed not to have received, on the issuance of the document or the entering into the contract, an amount out of or under a pension plan; and

(b) where the rights created or established by the document or contract are not rights provided for by the pension plan or rights to a payment or payments out of the pension plan, the taxpayer is deemed to have received an amount out of or under the pension plan equal to the value of the rights created or established by the document or contract when the document was issued or the contract was entered into.

1991, c. 25, s. 4; 2000, c. 5, s. 7.

3. "Death benefit" means the amount by which the aggregate of amounts received by a taxpayer in a taxation year upon or after the death of an employee in recognition of the employee's service in an office or employment exceeds the amount determined under section 4.

1972, c. 23, s. 3; 1982, c. 17, s. 48; 1986, c. 19, s. 2.

4. The amount which a taxpayer shall subtract from the amount determined under section 3 is,

(a) where the taxpayer is the only person who has received an amount under section 3, the lesser of

i. the aggregate of all amounts so received by the taxpayer in the year, and

ii. the amount, if any, by which $10,000 exceeds the aggregate of all amounts received by the taxpayer in preceding taxation years upon or after the death of the employee in recognition of the employee's service in an office or employment;

(b) in all other cases, the lesser of

i. the aggregate of all amounts so received by the taxpayer in the year, and

ii. such proportion of $10,000 as the aggregate described in subparagraph i is of the aggregate of all amounts received by all taxpayers at any time upon or after the death of the employee in recognition of the employee's service in an office or employment.

1972, c. 23, s. 4; 1986, c. 19, s. 2; 1994, c. 22, s. 45; 1997, c. 14, s. 11.

5. When in this Part, a reference is made to a taxation year by identifying it with a calendar year, this reference contemplates the taxation year which coincides with that calendar year or ends therein.

1972, c. 23, s. 5.

5.1. *(Repealed).*

1990, c. 59, s. 5; 1997, c. 3, s. 15; 2009, c. 15, s. 27.

5.2. *(Repealed).*

1990, c. 59, s. 5; 1997, c. 3, s. 71; 2009, c. 15, s. 27.

6. The reference to a taxation year ending in another year includes a reference to a taxation year the end of which coincides with that of such other year.

The reference to a fiscal period ending in a taxation year includes a reference to a fiscal period the end of which coincides with the end of that taxation year.

1972, c. 23, s. 6; 1986, c. 15, s. 33; 1996, c. 39, s. 11.

6.1. If a corporation's fiscal period referred to in the second or fourth paragraph of section 7 exceeds 365 days, otherwise than because of an election described in paragraph *c* of subsection 3.1 or 4 of section 249 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), and for that reason the corporation does not have a taxation year that ends in a particular calendar year, for the purposes of this Part the corporation's first taxation year ending in the calendar year that follows the particular calendar year is deemed to end on the last day of the particular calendar year.

1979, c. 18, s. 2; 1997, c. 3, s. 71; 2009, c. 5, s. 9.

6.1.1. If at a particular time a corporation becomes or ceases to be a Canadian-controlled private corporation, otherwise than because of an acquisition of control to which section 6.2 would, but for this section, apply and subsections 3.1 and 4 of section 249 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) do not apply to the corporation in respect of the change of status, the following rules apply:

(a) the corporation's taxation year that would, but for this section, include the particular time is deemed to end immediately before that time; and

(b) a new taxation year of the corporation is deemed to begin at the particular time and end at the time at which the corporation's taxation year (determined for the purposes of the Income Tax Act) that includes the particular time, ends.

Chapter V.2 applies in relation to an election made under subparagraph iii of paragraph *c* of subsection 3.1 of section 249 of the Income Tax Act.

2009, c. 5, s. 10.

6.2. For the purposes of this Part, if at a particular time a taxpayer (other than a corporation that is a foreign affiliate of a taxpayer resident in Canada and that did not carry on a business in Canada in its last taxation year beginning before the particular time) is subject to a loss restriction event and, where the taxpayer is a corporation or a succession that is a graduated rate estate, subsection 4 of section 249 of the

Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) does not apply to the taxpayer in respect of the loss restriction event, the following rules apply:

(a) the taxpayer's taxation year that would, but for this subparagraph, have included the particular time is deemed to have ended immediately before that time; and

(b) a new taxation year of the taxpayer is deemed to begin at the particular time and, where the taxpayer is a corporation, end at the time at which the taxpayer's taxation year (determined for the purposes of the Income Tax Act) that includes the particular time, ends;

(c) (subparagraph repealed).

Chapter V.2 applies in relation to an election made under paragraph *b* of subsection 4 of section 249 of the Income Tax Act.

1989, c. 77, s. 3; 1993, c. 16, s. 5; 1995, c. 49, s. 5; 1996, c. 39, s. 12; 1997, c. 3, s. 71; 2004, c. 8, s. 5; 2009, c. 5, s. 11; 2017, c. 1, s. 64; 2017, c. 29, s. 17.

6.2.1. If the taxation year, determined for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), of a testamentary trust is deemed to end, in accordance with subsection 4.1 of section 249 of that Act and for the purposes of that Act, immediately before a particular time, a new taxation year of the trust is deemed, if the trust exists at the particular time, to begin at the particular time.

2017, c. 1, s. 65.

6.3. Subject to the second paragraph, the period for which the accounts of a succession that is a graduated rate estate are made up for purposes of assessment under this Part may not exceed 12 months and no change in the time at which that period ends may be made without the concurrence of the Minister.

However, the first paragraph does not apply in respect of a period for which the accounts of a succession that is a graduated rate estate are made up for purposes of assessment under this Part that, in accordance with paragraph *b* of the definition of "taxation year" in section 1, ends at the time at which the period for which the succession's accounts are made up for the purposes of assessment under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) ends.

For the purposes of paragraph *b* of the definition of "taxation year" in section 1, the period, including a particular day, for which the accounts of a succession that is a graduated rate estate are made up for purposes of assessment under the Income Tax Act is deemed to end at the time at which the taxation year of the succession that includes that day is deemed to end, for the purposes of that Act.

2009, c. 5, s. 12; 2017, c. 1, s. 66.

6.4. *(Repealed).*

2009, c. 5, s. 12; 2017, c. 1, s. 67.

7. Subject to the second, third and fourth paragraphs, in this Part and the regulations, unless the context indicates otherwise, "fiscal period" of a business or a property of a person or partnership means the period for which the person's or partnership's accounts in respect of the business or property are made up for purposes of assessment under this Part.

A fiscal period of a business or property of a person or partnership, other than a fiscal period referred to in the third or fourth paragraph, may not end

(a) in the case of a business or a property of a corporation, more than 53 weeks after the period began;

(b) in any of the following cases, after the end of the calendar year in which the period began unless, in the case of a business, the business is not carried on in Canada, is a prescribed business or is carried on by a prescribed person or partnership:

i. a business or property of an individual, other than an individual in respect of whom any of sections 980 to 999.1 applies or other than a trust,

i.1. a business or property of a trust, other than a mutual fund trust if the fiscal period is one in respect of which subparagraph *c* of the first paragraph of section 1121.7, as it read in respect of the fiscal period, applies or other than a succession that is a graduated rate estate,

ii. a business or property of a partnership of which an individual (other than an individual in respect of whom any of sections 980 to 999.1 applies or other than a succession that is a graduated rate estate), a professional corporation, or a partnership in respect of which this subparagraph ii applies, would, if the fiscal period ended at the end of the calendar year in which the period began, be a member in the fiscal period, or

iii. a business or property of a professional corporation that would, if the fiscal period ended at the end of the calendar year in which the period began, be in the fiscal period a member of a partnership in respect of which subparagraph ii applies;

(c) in any other case, more than 12 months after the period began.

A fiscal period of a business or property of a person or partnership that consists in a period that begins at a particular time after 20 December 2006 must end at the end of the period, including that time, that is a fiscal period of the business or property for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

In addition, the particular fiscal period of a business or property of a person or partnership that consists in a period that includes 20 December 2006 must end at the end of the period, including that day, that is a fiscal period of the business or property for the purposes of the Income Tax Act, unless the fiscal period of the business or property (determined for the purposes of the Income Tax Act) that includes 20 December 2006, ends, in the case of a corporation, more than 53 weeks after the time at which the particular fiscal period begins and, in any other case, more than 12 months after that time.

For the purposes of the third and fourth paragraphs, a fiscal period of a corporation that, for the purposes of the Income Tax Act, includes a particular day is deemed to end at the time at which the taxation year of the corporation that includes that day is deemed to end, for the purposes of that Act.

For the purposes of this section, the activities of a person in respect of whom any of sections 980 to 999.1 applies are deemed to be a business.

1972, c. 23, s. 7; 1997, c. 3, s. 71; 1997, c. 31, s. 3; 2001, c. 53, s. 3; 2004, c. 8, s. 6; 2009, c. 5, s. 13; 2017, c. 1, s. 68.

7.0.1. For the purposes of subparagraph ii of subparagraph *b* of the second paragraph of section 7 and of section 7.0.3, a person or partnership that would not have a share of any income or loss of a partnership for a fiscal period of the partnership, if the fiscal period ended at the end of the calendar year in which it began, is deemed not to be a member of the partnership in that fiscal period.

1997, c. 31, s. 4.

7.0.2. Where a fiscal period of a business or a property of a person or partnership ends at a particular time, the subsequent fiscal period of the business or property of the person or partnership is deemed to begin immediately after that time.

1997, c. 31, s. 4.

7.0.3. Where a business is carried on, throughout the period of time that began at the beginning of a particular fiscal period referred to in the second paragraph of section 7, of the business, that includes a

particular day, and ended at the end of the calendar year in which the fiscal period began, by an individual, otherwise than as a member of a partnership, or by an individual as a member of a partnership if, throughout that period of time, each member of the partnership is an individual and the partnership is not a member of another partnership, and where the individual makes, after 19 December 2006, a valid election under subsection 4 of section 249.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the fiscal period or a previous fiscal period, subparagraph *b* of the second paragraph of section 7 does not apply to the particular fiscal period and the particular fiscal period must end at the end of the period that includes the particular day and that is a fiscal period of the business for the purposes of the Income Tax Act.

Chapter V.2 applies in relation to an election made under subsection 4 of section 249.1 of the Income Tax Act in respect of a fiscal period referred to in the second paragraph of section 7 or in relation to an election made under this section before 20 December 2006.

1997, c. 31, s. 4; 2009, c. 5, s. 14.

7.0.4. The first paragraph of section 7.0.3 does not apply to a particular fiscal period of a business where, in a preceding fiscal period or throughout the period of time that began at the beginning of the particular fiscal period and ended at the end of the calendar year in which the particular fiscal period began, the expenditures made in the course of carrying on the business were primarily the cost or capital cost of tax shelter investments, within the meaning of section 851.38.

1997, c. 31, s. 4; 2001, c. 7, s. 2; 2009, c. 5, s. 15.

7.0.5. The first paragraph of section 7.0.3 does not apply to a fiscal period of a business carried on by an individual if the individual makes, after 19 December 2006, a valid election under subsection 6 of section 249.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) that applies in respect of the fiscal period.

Chapter V.2 applies in relation to an election made under subsection 6 of section 249.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1997, c. 31, s. 4; 2009, c. 5, s. 16.

7.0.6. For the purposes of this Part, no change in the time when a fiscal period referred to in the second paragraph of section 7 ends may be made without the concurrence of the Minister.

1997, c. 31, s. 4; 2009, c. 5, s. 17.

7.1. A transfer, distribution or acquisition of property is deemed, for the purposes of this Part, to be made as a consequence of the death of a taxpayer or of the taxpayer's spouse if it is made

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

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

1986, c. 19, s. 3; 1994, c. 22, s. 46; 1996, c. 39, s. 273; 1998, c. 16, s. 7; 2009, c. 5, s. 18.

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

1986, c. 19, s. 3; 1994, c. 22, s. 47; 1998, c. 16, s. 8.

7.3. For the purposes of sections 7.1 and 7.2, the expression "release or surrender" means

(a) a release or surrender made under the laws of a province other than Québec, that does not direct in any manner who is entitled to benefit therefrom and that is made within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period, within such longer period as the Minister considers reasonable in the circumstances;

(b) a gift *inter vivos* made under the laws of Québec of a right in, or a property of, a succession that is made within the period referred to in paragraph *a* to the person or persons who would have benefited if the donor had made a renunciation of the succession that was not made in favour of any person.

1986, c. 19, s. 3; 2020, c. 16, s. 28.

7.4. In section 7.1, "disclaimer" means a disclaimer made under the laws of a province other than Québec and includes a renunciation of a succession made under the laws of Québec that is not made in favour of any person, but does not include any disclaimer or renunciation, as the case may be, made after the period ending 36 months after the death of the taxpayer unless written application therefor has been made to the Minister by the taxpayer's legal representative before the expiry of that period and the disclaimer or renunciation, as the case may be, is made within such longer period as the Minister considers reasonable.

1986, c. 19, s. 3; 1995, c. 49, s. 6; 1996, c. 39, s. 273.

7.4.1. In this Part and the regulations, a trust is deemed to be created by an individual's will if the trust is created by an order of a court in relation to the individual's succession made under any law of a province that provides for the relief or support of dependants of an individual.

1994, c. 22, s. 48; 1998, c. 16, s. 251.

7.4.2. For the purposes of this Part and the regulations, property is deemed not to have become vested indefeasibly in an individual other than a trust or in a trust under which the taxpayer's spouse is a beneficiary, where the trust is created by the will of the taxpayer, unless the property became so vested before the death of the individual or of the taxpayer's spouse, as the case may be.

1994, c. 22, s. 48.

7.5. Except as otherwise provided in this Part, where an amount or a number is required under this Part to be determined or calculated by or in accordance with an algebraic formula, if the amount or number when so determined or calculated would, but for this section, be a negative amount or number, it is deemed to be nil.

1989, c. 5, s. 21.

7.6. Notwithstanding any other provision of this Act, where the Minister and another person who is a party to a convention or agreement referred to in subsection 1 of section 115.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) have entered into a particular agreement with respect to the taxation of the other person in relation to matters referred to in the convention or agreement, all determinations made in accordance with the terms and conditions of the particular agreement are deemed to be in accordance with this Act.

Where rights and obligations under the particular agreement described in the first paragraph have been transferred to another person with the concurrence of the Minister, that other person is deemed, for the purposes of the first paragraph, to have entered into the particular agreement with the Minister.

1989, c. 77, s. 4; 1994, c. 22, s. 49.

7.7. For the purposes of this Part, one bond, debenture, bill, note or similar obligation issued by a person is identical to another such obligation issued by that person if both are identical in respect of all rights, either immediately or in the future and either absolutely or contingently, attaching thereto, except as regards the principal amount of the obligation.

1990, c. 59, s. 6.

7.8. For the purposes of sections 21.4.3, 21.5 to 21.11, paragraph *f* of section 21.11.16, sections 21.12 to 21.16, 508, where the latter section applies to a reduction of the paid-up capital in respect of a term preferred share, 508.1 and 740.7, where after 12 November 1981 a person has an interest in a trust or partnership, whether directly or indirectly through an interest in any other trust or partnership or in any manner whatever, that person is deemed to be a beneficiary of the trust or a member of the partnership, as the case may be.

1990, c. 59, s. 6; 1997, c. 3, s. 71.

7.9. For the purposes of this Part and the regulations, the following rules apply in respect of a property that is, at any time, subject to a usufruct, right of use or substitution:

(a) the usufruct, right of use or substitution, as the case may be, is deemed to be at that time a trust or, if the usufruct, right of use or substitution, as the case may be, is created by will, a trust created by will;

(b) the property is deemed

i. if the usufruct, right of use or substitution, as the case may be, arises on the death of a testator, to have been transferred to the trust on and as a consequence of the death of the testator, and not otherwise, and

ii. if the usufruct, right of use or substitution, as the case may be, arises otherwise, to have been transferred — at the time it first became subject to the usufruct, right of use or substitution, as the case may be — to the trust by the person who granted the usufruct, right of use or substitution; and

(c) the property is deemed to be, throughout the period in which it is subject to the usufruct, right of use or substitution, as the case may be, held by the trust, and not otherwise.

1993, c. 16, s. 6; 1994, c. 22, s. 50; 2003, c. 9, s. 11; 2004, c. 8, s. 7; 2011, c. 1, s. 12.

7.9.1. Section 7.9 does not apply in respect of a recognized gift with reserve of usufruct or use.

2003, c. 9, s. 12; 2011, c. 1, s. 13.

7.10. For the purposes of this Part and the regulations, an arrangement (other than a partnership, a qualifying arrangement or an arrangement that is a trust determined without reference to this section) is deemed to be a trust and property subject to rights and obligations under the arrangement is, if the arrangement is deemed by this section to be a trust, deemed to be held in trust and not otherwise, if the arrangement

(a) is established before 31 October 2003 under a written contract that is governed by the laws of Québec and provides that, for the purposes of this Part and the regulations, the arrangement must be considered to be a trust; and

(b) creates rights and obligations that are substantially similar to the rights and obligations under a trust (determined without reference to this section and sections 7.9, 7.10.1 and 7.11).

1993, c. 16, s. 6; 2004, c. 8, s. 8; 2011, c. 1, s. 14.

7.10.1. For the purposes of section 7.10 and this section, an arrangement is a qualifying arrangement if it is

(a) entered into with a corporation that is licensed or otherwise authorized under the laws of Canada or of a province to carry on in Canada the business of offering its services as trustee;

(b) established under a written contract that is governed by the laws of Québec;

(c) presented as a declaration of trust or provides that, for the purposes of this Part and the regulations, it must be considered to be a trust; and

(d) presented as an arrangement in respect of which the corporation is to take action for the arrangement to become a registered disability savings plan, a registered education savings plan, a registered retirement income fund, a registered retirement savings plan or a tax-free savings account.

If the arrangement is a qualifying arrangement, the following rules apply:

(a) the arrangement is deemed to be a trust;

(b) any property contributed at any time to the arrangement by an annuitant, a holder or a subscriber under the arrangement, as the case may be, is deemed to have been transferred, at that time, to the trust by the annuitant, holder or subscriber, as applicable; and

(c) property subject to rights and obligations under the arrangement is deemed to be held in trust and not otherwise.

2011, c. 1, s. 15; 2019, c. 14, s. 56.

7.11. For the purposes of this Part and the regulations, the following rules apply:

(a) a person who has a right, whether immediate or future and whether absolute or contingent, to receive all or any part of the income or capital in respect of property referred to in section 7.9 or 7.10 is deemed to be beneficially interested in the trust; and

(b) a person who at any particular time and in relation to a property, has a right of ownership, a right of an emphyteutic lessee or a beneficial interest in a trust is deemed, even if the property is subject to a servitude, to have beneficial ownership of the property at that time.

1993, c. 16, s. 6; 1996, c. 39, s. 273; 2004, c. 8, s. 9; 2011, c. 1, s. 16.

7.11.0.1. Section 7.9 does not apply to a usufruct or a right of use of an immovable property when a taxpayer disposes of the bare ownership of the immovable property in the course of a gift to a qualified donee and retains, for life, the usufruct or the right of use.

2009, c. 5, s. 19; 2011, c. 1, s. 17; 2012, c. 8, s. 35.

7.11.1. For the purposes of this Part and the regulations, the following rules apply:

(a) a person or partnership beneficially interested in a particular trust includes any person or partnership that has any right, whether immediate or future, whether absolute or contingent or whether conditional on or subject to the exercise of any discretionary power by any person or partnership, as a beneficiary under a trust to receive all or any part of the income or capital of the particular trust either directly from the particular trust or indirectly through one or more trusts or partnerships;

(b) except for the purposes of this subparagraph, a particular person or partnership is deemed to be beneficially interested in a particular trust at a particular time where

i. the particular person or partnership is not beneficially interested in the particular trust at the particular time,

ii. because of the terms or conditions of the particular trust or any agreement in respect of the particular trust at the particular time, the particular person or partnership might, because of the exercise of any discretion by any person or partnership, become beneficially interested in the particular trust at the particular time or at a later time, and

iii. at or before the particular time, either the particular trust has acquired property, directly or indirectly in any manner whatever, from a person or partnership described in the second paragraph, or a person or partnership described in that paragraph has given a guarantee on behalf of the particular trust or provided any other financial assistance whatever to the particular trust; and

(c) a member of a partnership that is beneficially interested in a trust is deemed to be beneficially interested in the trust.

The person or partnership to which subparagraph iii of subparagraph *b* of the first paragraph refers is

(a) the particular person or partnership;

(b) another person with whom the particular person or partnership, or a member of the particular partnership, does not deal at arm's length;

(c) a person or partnership with whom the other person referred to in subparagraph *b* does not deal at arm's length;

(d) a controlled foreign affiliate of the particular person or of another person with whom the particular person or partnership, or a member of the particular partnership, does not deal at arm's length; or

(e) a corporation not resident in Canada that would, if the particular partnership were a corporation resident in Canada, be a controlled foreign affiliate of the particular partnership.

1994, c. 22, s. 51; 1995, c. 49, s. 7; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1998, c. 16, s. 9; 2001, c. 7, s. 3.

7.11.2. Without restricting the personal liabilities under this Act of the trustees of the trusts mentioned hereinafter or the application of section 656.9, where a particular trust transfers property at a particular time to another trust, other than a trust governed by a registered retirement savings plan or by a registered retirement income fund, in circumstances to which subparagraph *b* of the second paragraph of section 248 applies, the other trust is deemed to be after that time the same trust as, and a continuation of, the particular trust.

If, as a result of a transaction or event, the property referred to in the first paragraph is deemed to be a taxable Canadian property of the particular trust because of subparagraph *d* of the first paragraph of section 301, any of sections 521, 538 and 540.4, paragraph *b* of section 540.6, section 554, subparagraph *c* of the second paragraph of section 614 or paragraph *d* of section 688.4, the property is also deemed to be, at any time that is within 60 months after the transaction or event, a taxable Canadian property of the other trust.

2003, c. 2, s. 4; 2009, c. 5, s. 20; 2010, c. 25, s. 5; 2011, c. 6, s. 111; 2017, c. 1, s. 69.

7.11.3. Except for the purposes of this section, where at a particular time property is transferred to a trust in circumstances to which subparagraph *g* of the second paragraph of section 248 applies, the trust is deemed to act as agent or mandatary for the transferor in respect of the property throughout the period that begins at the time of the transfer and ends at the time of the first change after that time in the beneficial ownership of the property.

2003, c. 2, s. 4.

7.11.4. Where a trust issues a unit of the trust to a taxpayer directly in consideration of a right to enforce payment of an amount by the trust in respect of the taxpayer's capital interest in the trust, the cost to the taxpayer of the unit is deemed to be equal to that amount where

(a) at the time the unit is issued, the trust is neither a personal trust nor a trust prescribed for the purposes of section 688; and

(b) the unit meets either of the following conditions:

i. the unit is capital property and that amount is not proceeds of disposition of a capital interest in the trust, or

ii. the unit is not capital property and subparagraph i.1 of paragraph *n* of section 257 does not apply in respect of that amount but would so apply if that subparagraph i.1 were read without reference to subparagraphs 1 to 3 thereof.

2003, c. 2, s. 4; 2009, c. 5, s. 21.

7.11.5. Where at a particular time a taxpayer's capital interest in a trust includes a right to enforce payment of an amount by the trust, the amount shall be added at the particular time to the cost otherwise determined to the taxpayer of the capital interest where

(a) immediately after the particular time, the taxpayer disposes of the capital interest;

(b) as a consequence of the disposition, the right to enforce payment of the amount is acquired by another person or partnership; and

(c) if the right to enforce payment of the amount had been satisfied by a payment to the taxpayer by the trust, there would have been no disposition of that right for the purposes of this Part by reason of the application of subparagraph *e* of the second paragraph of section 248.

2003, c. 2, s. 4.

7.12. For greater certainty, it is hereby declared that, unless specifically permitted by this Part, neither the equity nor the consolidation method of accounting shall be used to determine any amount for the purposes of this Part.

1993, c. 16, s. 6.

7.13. Where a tax agreement between Québec and a particular country that has force of law in Québec provides for an income tax privilege, other than an income tax exemption, this Act and the regulations shall be applied on the assumption that they contain such provisions as are necessary for the granting of such a privilege.

1993, c. 16, s. 6.

7.14. The application of this Act and the regulations is not affected by article 77 of the Civil Code as regards the determination of whether or not a person is resident in Québec, in Canada or elsewhere.

1994, c. 22, s. 52.

7.15. All the structural units of a trade union, including each local, branch, national and international unit, are deemed to be a single employer and a single entity for the purposes of the provisions of this Part, and the regulations, relating to the determination of whether a contribution made under a plan or arrangement is a resident's contribution within the meaning of section 890.6.1.

1995, c. 49, s. 8.

7.16. Where at a particular time a person or partnership, in this section referred to as the "debtor", becomes liable to repay money borrowed by the debtor or becomes liable to pay an amount, other than interest, as consideration for any property acquired by the debtor or services rendered to the debtor, or that is deductible in computing the debtor's income, for the purpose of applying this Part relating to the liability, the liability is deemed to be an obligation, issued at that time by the debtor, that has a principal amount at that time equal to the amount of the liability at that time.

1996, c. 39, s. 13; 1997, c. 3, s. 71.

7.17. For the purposes of this Part,

(a) unless the context requires otherwise, an obligation issued by a debtor includes any part of a larger obligation that was issued by the debtor;

(b) the principal amount of that part is deemed to be the portion of the principal amount of that larger obligation that relates to that part; and

(c) the amount for which that part was issued is deemed to be the portion of the amount for which that larger obligation was issued that relates to that part.

1996, c. 39, s. 13.

7.18. For the purposes of this Part, where in a taxation year a person who is not resident in Canada carries on an activity, or disposes of a property, described in the second paragraph, the person is deemed to carry on business in Canada in the year in respect of the activity or disposition.

For the purposes of the first paragraph,

(a) an activity to which that paragraph refers is an activity that consists

i. in producing, growing, mining, creating, manufacturing, fabricating, improving, packing, preserving or constructing, in whole or in part, anything in Canada whether or not the person exports that thing without disposing of it before exportation, or

ii. in soliciting orders or offering anything for sale in Canada through an agent or servant, whether the contract or transaction is to be completed inside or outside Canada or partly in and partly outside Canada; and

(b) a property to which that paragraph refers is

i. Canadian resource property, except where an amount in respect of the disposition thereof is included in computing an amount determined under paragraph *e* of section 330 on account of an amount deducted under section 412 in computing the cumulative Canadian development expenses at the end of a taxation year or under section 418.12 on account of an amount deducted under section 418.6 in computing the cumulative Canadian oil and gas property expenses at the end of a taxation year,

ii. property, other than depreciable property, that is a timber resource property or an interest therein or option in respect thereof, or

iii. property, other than capital property, that is an immovable property situated in Canada, including an interest therein or option in respect thereof, whether or not the property is in existence.

1997, c. 14, s. 12.

7.18.1. For the purposes of the definition of "investment fund" in section 21.0.5, subparagraph ii of paragraph *b* of section 649, paragraph *c* of section 898.1.1, sections 905.0.11, 935.22, 935.32 and 965.0.21, subparagraphs i to iv of paragraph *c*.2 of section 998, paragraph *b* of sections 1117 and 1120 and any regulations made under paragraphs *c*.3 and *c*.4 of section 998 and under section 1108, where a trust or corporation holds an interest as a member of a partnership and, by operation of any law governing the arrangement in respect of the partnership, the liability of the member as a member of the partnership is limited, the member shall not, solely because of its acquisition and holding of that interest, be considered to carry on any business or other activity of the partnership.

2004, c. 8, s. 10; 2009, c. 5, s. 22; 2009, c. 15, s. 28; 2015, c. 21, s. 95; 2019, c. 14, s. 57; 2023, c. 19, s. 11.

7.18.2. For the purposes of Chapters III.1 and III.1.1 of Title I of Book VIII, where a registered charity, a registered Canadian amateur athletic association or a registered Québec amateur athletic association holds an interest as a member of a partnership, the member shall not, solely because of its acquisition and holding of that interest, be considered to carry on any business of the partnership if

(a) by operation of any law governing the arrangement in respect of the partnership, the liability of the member as a member of the partnership is limited;

(b) the member deals at arm's length with each general partner of the partnership; and

(c) the member, or the member together with persons and partnerships with which it does not deal at arm's length, holds interests in the partnership that have a fair market value of not more than 20% of the fair market value of the interests of all members in the partnership.

2017, c. 29, s. 18.

7.18.3. For the purposes of Chapters III.1 and III.1.1 of Title I of Book VIII, each member of a partnership at any time is deemed at that time to own the portion of each property of the partnership equal to the proportion that the fair market value of the member's interest in the partnership at that time is of the fair market value of the interests of all members in the partnership at that time.

2017, c. 29, s. 18.

7.19. Except as otherwise provided, no provision of this Act shall be read or construed

(a) to require the inclusion or permit the deduction, either directly or indirectly, in computing a taxpayer's income, taxable income or taxable income earned in Canada, for a taxation year or in computing a taxpayer's income or loss for a taxation year from a source in Canada or from sources in another place, of any amount to the extent that the amount has already been directly or indirectly included or deducted, as the case may be, in computing such income, taxable income, taxable income earned in Canada or loss, for the year or any preceding taxation year;

(b) to permit the deduction, either directly or indirectly, in computing a taxpayer's taxes payable under this Act for a taxation year of any amount to the extent that the amount has already been directly or indirectly deducted in computing such taxes payable for the year or any preceding taxation year; or

(c) to consider an amount to have been paid on account of a taxpayer's taxes payable under this Act for a taxation year to the extent that the amount has already been considered to have been paid on account of such taxes payable for the year or any preceding taxation year.

Subparagraph *a* of the first paragraph does not apply to prevent a taxpayer from deducting, in computing the taxpayer's income for a taxation year, an amount the taxpayer pays in the year as a reimbursement of an amount the taxpayer deducted in computing the taxpayer's taxable income for a preceding taxation year.

1997, c. 31, s. 5; 2005, c. 38, s. 46.

7.19.1. For the purposes of this Act, if a particular provision of the Act refers to a valid election made under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and the Minister of National Revenue has agreed, in giving effect to an application filed for that purpose by a person, legal representative or partnership otherwise than under a provision of the Income Tax Act that specifically provides for such an application, to allow, for the purposes of that Act, the election provided for in the provision of that Act to which the particular provision refers to be made late, amended or rescinded at any time, the following rules apply:

(a) the election made late or the election, in its amended form, is deemed to be a valid election made at that time; and

(b) the election, before its being amended, or the election that has been rescinded, is deemed never to have been made.

Sections 21.4.14 and 21.4.15 apply, with the necessary modifications, to this section.

2009, c. 5, s. 23.

7.19.2. For the purposes of sections 234.1, 428 to 451 and 454 to 462.0.1 and Title VI.5 of Book IV, where at any time a person or a partnership carries on a farming business and a fishing business, a property

used at that time principally in a combination of the activities of the farming business and the fishing business is deemed to be used at that time principally in the course of carrying on a farming or fishing business.

2017, c. 29, s. 19.

CHAPTER I.1

RULES RELATING TO GIFTS

2009, c. 5, s. 23.

7.20. The existence of an amount of an advantage in respect of a transfer of property does not disqualify the transfer from being a gift to a qualified donee, provided that

(a) the amount of the advantage does not exceed 80% of the fair market value of the transferred property; or

(b) the transferor of the property establishes to the satisfaction of the Minister that the transfer was made with the intention to make a gift.

2009, c. 5, s. 23.

7.21. The eligible amount of a gift is equal to the amount by which the fair market value of the property that is the subject of the gift exceeds the amount of the advantage, if any, in respect of the gift.

However, if a taxpayer disposes of the bare ownership of a work of art or of a cultural property described in the third paragraph of section 232 in the course of a recognized gift with reserve of usufruct or use, the eligible amount of the gift is equal to the amount by which the fair market value of the gift, determined under the rules of paragraph *b* of section 710.4 or 752.0.10.4.2, exceeds the amount of the advantage in respect of the gift, other than the usufruct or right of use.

2009, c. 5, s. 23.

7.22. The amount of the advantage in respect of a gift made by a taxpayer is equal to the aggregate of

(a) the aggregate of all amounts, other than an amount referred to in paragraph *b*, each of which is an amount equal to the value, at the time the gift is made, of a property, service, compensation, use or other benefit that the taxpayer, or a person or partnership who does not deal at arm's length with the taxpayer, has received, obtained or enjoyed, or is entitled, either immediately or in the future and either absolutely or contingently, to receive, obtain, or enjoy

i. that is consideration for the gift,

ii. that is in gratitude for the gift, or

iii. that is in any other way related to the gift; and

(b) the limited-recourse debt, determined under section 851.41.1, in respect of the gift at the time the gift is made.

2009, c. 5, s. 23.

7.23. The cost to a taxpayer of a property, acquired by the taxpayer in circumstances where section 7.22 applies to include the value of the property in computing the amount of the advantage in respect of a gift, is equal to the fair market value of the property at the time the gift is made.

2009, c. 5, s. 23.

7.24. If at any time in a taxation year a taxpayer has paid an amount (in this section referred to as the "repaid amount"), on account of the principal amount of an indebtedness which was, before that time, an unpaid principal amount that was a limited-recourse debt referred to in section 851.41.1 (in this section referred to as the "former limited-recourse debt"), in respect of a gift (in this section referred to as the "original gift") of the taxpayer, otherwise than by way of an assignment or transfer of a guarantee, security or similar covenant, or by way of a payment in respect of which a taxpayer referred to in section 851.41.1 has incurred an indebtedness that would be a limited-recourse debt referred to in that section if that indebtedness were in respect of a gift made at the time that that indebtedness was incurred, the taxpayer is deemed, for the purposes of sections 710 to 716.0.11 and 752.0.10.1 to 752.0.10.26 and if the former limited-recourse debt is in respect of the original gift, to have made in the taxation year a gift to a qualified donee, the eligible amount of which deemed gift is equal to the amount by which the amount that would have been the eligible amount of the original gift, if the aggregate of all such repaid amounts paid at or before that time were paid immediately before the original gift was made, exceeds the aggregate of the eligible amount of the original gift and the eligible amount of all other gifts deemed under this section to have been made before that time in respect of the original gift.

2009, c. 5, s. 23; 2012, c. 8, s. 36.

7.25. For the purposes of section 7.21, paragraph *c* of section 422 and sections 716, 752.0.10.12 and 752.0.10.16.2, the fair market value of a property that is the subject of a gift made by a taxpayer to a qualified donee is deemed to be equal to the lesser of the fair market value of the property otherwise determined and the cost or, in the case of a capital property, the adjusted cost base or, in the case of a life insurance policy in respect of which the taxpayer is a policyholder, the adjusted cost basis, within the meaning of sections 976 and 976.1, of the property to the taxpayer immediately before the gift is made if

(a) the taxpayer acquired the property under a gifting arrangement that is a tax shelter as defined in section 1079.1; or

(b) unless the gift is made as a consequence of the taxpayer's death,

i. the taxpayer acquired the property less than 3 years before the day that the gift is made, or

ii. the taxpayer acquired the property less than 10 years before the day that the gift is made and it is reasonable to conclude that, at the time the taxpayer acquired the property, one of the main reasons for the acquisition was to make a gift of the property to a qualified donee.

2009, c. 5, s. 23; 2015, c. 24, s. 10.

7.26. If a taxpayer acquired a property, otherwise than by reason of the death of an individual, that is the subject of a gift to which section 7.25 applies because of subparagraph i or ii of paragraph *b* of that section and the property was, at any time within the 3-year or 10-year period that ends when the gift is made, acquired by a person or partnership with whom the taxpayer does not deal at arm's length, for the purpose of applying section 7.25 to the taxpayer, the cost or, in the case of a capital property, the adjusted cost base, of the property to the taxpayer immediately before the gift is made is deemed to be equal to the lowest amount that is the cost or, in the case of a capital property, the adjusted cost base, to the taxpayer or that person or partnership immediately before the property was disposed of by that person or partnership.

2009, c. 5, s. 23; 2015, c. 24, s. 11.

7.27. Section 7.25 does not apply to a gift

(a) of a property described in an inventory;

(b) of an immovable property situated in Canada;

(c) of a cultural property described in the third paragraph of section 232, other than property acquired under a gifting arrangement, within the meaning assigned to that expression by the first paragraph of section 1079.1, that is a tax shelter;

(d) of a property to which section 231.2 applies;

(e) of a share of the capital stock of a corporation if

i. the share was issued by the corporation to the donor,

ii. immediately before the gift, the corporation was controlled by the donor, a person related to the donor or a group of persons each of whom is related to the donor, and

iii. section 7.25 would not have applied in respect of the consideration for which the share was issued had that consideration been donated by the donor to the qualified donee when the share was so donated;

(f) by a corporation of a property if

i. the property was acquired by the corporation in circumstances to which section 518 or 529 applied,

ii. immediately before the gift, the shareholder from whom the corporation acquired the property controlled the corporation or was related to a person or each member of a group of persons that controlled the corporation, and

iii. section 7.25 would not have applied in respect of the property had the property not been transferred to the corporation and had the shareholder made the gift to the qualified donee when the corporation so made the gift;

(g) of a property that was acquired in circumstances where any of sections 440, 444, 454, 459 and 460 applied, unless section 7.26 would have applied if this section were read without reference to this paragraph;

(h) of a work of art to a Québec museum;

(i) of the bare ownership of a work of art or of a cultural property described in the third paragraph of section 232;

(j) of a musical instrument to an entity referred to in the definition of "total musical instrument gifts" in the first paragraph of section 752.0.10.1; or

(k) of a work of public art, the fair market value of which is determined by the Minister of Culture and Communications, referred to in subparagraph i of subparagraph *b* of the second paragraph of section 716.0.1.1 or 752.0.10.15.1 or the second paragraph of section 716.0.1.2 or 752.0.10.15.2.

2009, c. 5, s. 23; 2011, c. 1, s. 18; 2015, c. 21, s. 96; 2015, c. 24, s. 12.

7.28. The eligible amount of a gift of a property by a taxpayer is equal to zero if it can reasonably be concluded that the gift relates to a transaction or series of transactions

(a) one of the purposes of which is to avoid the application of section 7.25 to the gift of a property; or

(b) that would, if this Part were read without reference to this paragraph, result in a tax benefit to which section 1079.10 applies.

2009, c. 5, s. 23.

7.29. Where a taxpayer disposes of a property (in this section referred to as the "substantive gift") that is a capital property, to a recipient that is a qualified donee, section 7.25 would have applied in respect of the substantive gift if it had been the subject of a gift by the taxpayer to a qualified donee, and all or a part of the

proceeds of disposition of the substantive gift are (or are substituted, directly or indirectly in any manner whatever, for) property that is the subject of a gift by the taxpayer to the recipient or any person not dealing at arm's length with the recipient, the following rules apply:

(a) for the purposes of section 7.21, the fair market value of the property that is the subject of the gift made by the taxpayer is deemed to be equal to that proportion of the lesser of the fair market value of the substantive gift and the cost or, if the substantive gift is a capital property of the taxpayer, the adjusted cost base, of the substantive gift to the taxpayer immediately before the disposition to the recipient, that the fair market value otherwise determined of the property that is the subject of the gift is of the proceeds of disposition of the substantive gift; and

(b) if the substantive gift is a capital property of the taxpayer, for the purposes of subparagraph *f* of the first paragraph of section 93 and section 251, the sale price of the substantive gift is to be reduced by the amount by which the fair market value of the property that is the subject of the gift, determined without reference to this chapter, exceeds the fair market value determined under paragraph *a*;

(c) (paragraph repealed).

2009, c. 5, s. 23; 2019, c. 14, s. 58.

7.30. Section 7.20 does not apply in respect of a gift made by a registered charity to a qualified donee.

2009, c. 5, s. 23.

7.31. Despite section 7.21, the eligible amount of a gift made by a taxpayer is equal to zero if the taxpayer does not, before a receipt referred to in section 712 or 752.0.10.3 is issued in respect of the gift, inform the qualified donee or the recipient of any circumstances in respect of which any of sections 7.21, 7.25, 7.26, 7.28 and 7.29 causes the eligible amount of the gift to be less than the fair market value, determined without reference to sections 7.25, 716 and 752.0.10.12, of the property that is the subject of the gift.

2009, c. 5, s. 23.

CHAPTER II

DEEMED RESIDENCE

1972, c. 23; 1994, c. 22, s. 53.

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

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

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

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

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

(e) (paragraph repealed);

(f) was a child of, and dependent for support on, an individual to whom any of paragraphs *b*, *c* and *d* applies and the child's income for the year did not exceed $12,638; or

(g) was at any time in the year, under a tax agreement with one or more other countries, entitled to an exemption from an income tax otherwise payable in any of those countries in respect of income from any source, unless all or substantially all of the individual's income from all sources was not so exempt, because at that time the individual was related to or a member of the family of a particular individual, other than a trust, who was resident in Québec.

1972, c. 23, s. 8; 1972, c. 26, s. 32; 1974, c. 18, s. 1; 1977, c. 5, s. 14; 1982, c. 38, s. 11; 1986, c. 15, s. 34; 1989, c. 5, s. 22; 1993, c. 64, s. 6; 1995, c. 49, s. 9; 1998, c. 16, s. 10; 2001, c. 53, s. 4; 2003, c. 9, s. 13; 2005, c. 1, s. 24; 2006, c. 13, s. 25; 2009, c. 5, s. 24; 2017, c. 29, s. 20; 2023, c. 19, s. 12.

8.1. In determining whether an individual is, for all or part of a taxation year, a foreign researcher within the meaning of section 737.19, a foreign researcher on a postdoctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, an eligible individual within the meaning of section 737.22.0.9, a foreign professor within the meaning of section 737.22.0.5, a foreign specialist within the meaning of any of sections 737.18.6, 737.22.0.1 and 737.22.0.4.1 or a foreign farm worker within the meaning of section 737.22.0.12 and in determining whether the requirement of the definition of "eligible production" in section 737.22.0.9 in relation to a producer's residence is satisfied, section 8 is to be read without reference to its paragraph *a*.

2004, c. 21, s. 39; 2006, c. 36, s. 22; 2011, c. 1, s. 19; 2013, c. 10, s. 13; 2022, c. 23, s. 30.

8.2. The amount referred to in paragraph *f* of section 8 that must be used for a taxation year subsequent to the taxation year 2023 is to be adjusted annually in such a manner that the amount used for that taxation year is equal to the total of the amount used for the preceding taxation year and the product obtained by multiplying that amount so used by the factor determined by the formula

(A/B) - 1.

In the formula in the first paragraph,

(a) A is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year preceding that for which an amount is to be adjusted; and

(b) B is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year immediately before the year preceding that for which the amount is to be adjusted.

If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.

If the amount that results from the adjustment provided for in the first paragraph is not a multiple of $1, it must be rounded to the nearest multiple of $1 or, if it is equidistant from two such multiples, to the higher multiple.

2009, c. 5, s. 25; 2017, c. 29, s. 21; 2020, c. 5, s. 214; 2023, c. 19, s. 13.

9. Where, at a particular time in a taxation year, a taxpayer ceases to be an individual described in paragraph *b*, *c* or *d* of section 8 and the taxpayer would, but for this section, be deemed to have been resident

in Québec throughout the year by reason of those paragraphs, the taxpayer is deemed to have been resident in Québec throughout the part of the year preceding that time.

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

1972, c. 23, s. 9; 1990, c. 59, s. 7; 1998, c. 16, s. 11.

10. Reference to a person resident in Québec or Canada also includes for the purposes of this Part a person who at the relevant time was ordinarily resident in Québec or Canada.

1972, c. 23, s. 10.

11. For the purposes of this Part a corporation is deemed to have been resident in Canada throughout a taxation year if:

(a) it was incorporated in Canada after 26 April 1965;

(b) it was incorporated in Canada before 9 April 1959 and at any time in the taxation year or in any preceding taxation year beginning after 1971 it was resident in Canada or carried on business in Canada and was a corporation which

i. was on 18 June 1971 a foreign business corporation, within the meaning of the regulations, controlled by a corporation resident in Canada, and

ii. throughout the 10-year period ending on 18 June 1971 carried on business in a country other than Canada, and, during those years, paid dividends to its shareholders resident in Canada on which they paid tax to the government of the other country; and

(c) in the case of a corporation incorporated before 27 April 1965 other than a corporation to which paragraph *b* applies it was incorporated in Canada and at any time in the taxation year or in a preceding taxation year of the corporation ending after 26 April 1965 it was resident in Canada or carried on business in Canada.

1972, c. 23, s. 11; 1997, c. 3, s. 71.

11.1. Notwithstanding section 11, for the purposes of this Part, other than paragraph *a* of section 772.6.1, a corporation is deemed not to be resident in Canada at any time if it is deemed not to be resident in Canada at that time under subsection 5 of section 250 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1986, c. 19, s. 4; 1997, c. 3, s. 71; 2004, c. 8, s. 11.

11.1.1. For the purposes of this Part, a corporation that is incorporated or otherwise formed under the laws of a country other than Canada or of a state, province or other political subdivision of such a country is deemed to be resident in that country throughout a taxation year and not to be resident in Canada at any time in the year, where

(a) the corporation

i. has international shipping as its principal business in the year, or

ii. holds eligible interests in one or more eligible entities throughout the year and at no time in the year is the total of the cost amounts to it of all those eligible interests and of all debts owing to it by an eligible entity in which an eligible interest is held by it, by a person related to it or by a partnership affiliated with it less than 50% of the total of the cost amounts to it of all its property;

(b) all or substantially all of the corporation's gross revenue for the year consists of

i. gross revenue from international shipping,

ii. gross revenue from an eligible interest held by it in an eligible entity,

ii.1. interest on a debt owing by an eligible entity in which an eligible interest is held by it, by a person related to it or by a partnership affiliated with it, or

iii. a combination of amounts described in subparagraphs i to ii.1; and

(c) the corporation has not been granted articles of continuance in Canada before the end of the year.

1993, c. 16, s. 7; 1997, c. 3, s. 71; 2001, c. 7, s. 4; 2017, c. 1, s. 70.

11.1.1.1. For the purposes of paragraph *b* of section 11.1.1, any amount of profit allocated from a partnership to a member of the partnership for a taxation year is deemed to be gross revenue of the member from the member's interest in the partnership for the year.

2017, c. 1, s. 71.

11.1.1.2. Section 11.1.1.3 applies to a corporation, trust or partnership (in this section and section 11.1.1.3 referred to as the "relevant entity") for a taxation year if

(a) the relevant entity does not satisfy the condition in subparagraph i of paragraph *a* of section 11.1.1, determined without reference to section 11.1.1.3;

(b) all or substantially all the gross revenue of the relevant entity for the year consists of

i. gross revenue from the provision of services to one or more eligible entities, other than services described in any of paragraphs *a* to *h* of the definition of "international shipping" in section 1,

ii. gross revenue from international shipping,

iii. gross revenue from an eligible interest held by it in an eligible entity,

iv. interest on a debt owing by an eligible entity in which an eligible interest is held by it or a person related to it, or

v. a combination of amounts described in subparagraphs i to iv;

(c) either the relevant entity is a subsidiary wholly-owned corporation (within the meaning of subsection 5 of section 544) of the eligible entity referred to in paragraph *b* or an eligible interest in each eligible entity referred to in paragraph *b* is held throughout the year by

i. the relevant entity,

ii. one or more persons related to the relevant entity (if the relevant entity and each such person are corporations), or persons or partnerships affiliated with the relevant entity (in any other case), or

iii. the relevant entity and one or more persons or partnerships described in subparagraph ii; and

(d) all or substantially all the shares of the capital stock of, interests as a beneficiary under, or interests as a member of, the relevant entity, as the case may be, are held, directly or indirectly through one or more subsidiary whollyowned corporations (within the meaning of subsection 5 of section 544), throughout the year by one or more corporations, trusts or partnerships that would be eligible entities if they did not own shares of, interests as a beneficiary under, or interests as a member of, the relevant entity.

2017, c. 1, s. 71.

11.1.1.3. If the conditions referred to in section 11.1.1.2 are satisfied, for the purposes of section 11.1.1 and paragraph *b* of section 489, the following presumptions apply in respect of a relevant entity for a taxation year:

(a) the relevant entity is deemed to have international shipping as its principal business in the year; and

(b) the gross revenue described in subparagraph i of paragraph *b* of section 11.1.1.2 is deemed to be gross revenue from international shipping.

2017, c. 1, s. 71.

11.1.1.4. For the purposes of sections 11.1.1 to 11.1.1.5,

"eligible entity", for a taxation year, means

(a) a corporation that is deemed under section 11.1.1 to be resident in a country other than Canada for the year; or

(b) a partnership or trust, if

i. it satisfies the conditions in subparagraph i or ii of paragraph *a* of section 11.1.1, and

ii. all or substantially all its gross revenue for the year consists of an amount described in any of subparagraphs i to iii of paragraph *b* of section 11.1.1;

"eligible interest" means

(a) in relation to a corporation, shares of the capital stock of the corporation that

i. give the holders of those shares not less than 25% of the votes that could be cast at an annual meeting of the shareholders of the corporation, and

ii. have a fair market value that is not less than 25% of the fair market value of all the issued and outstanding shares of the capital stock of the corporation;

(b) in relation to a trust, an interest as a beneficiary under the trust with a fair market value that is not less than 25% of the fair market value of all the interests as a beneficiary under the trust; and

(c) in relation to a partnership, an interest as a member of the partnership with a fair market value that is not less than 25% of the fair market value of the interests of all members in the partnership.

2017, c. 1, s. 71.

11.1.1.5. For the purpose of determining, for the purposes of sections 11.1.1 to 11.1.1.4, whether a person or partnership (in this section referred to as the "holder") holds an eligible interest in an eligible entity, the holder is deemed to hold all of the shares or interests as a beneficiary or all the interests as a member, as the case may be, in the eligible entity held by

(a) if the holder is a corporation,

i. each corporation related to the holder, and

ii. each person, other than a corporation, or partnership that is affiliated with the holder; and

(b) if the holder is not a corporation, each person or partnership affiliated with the holder.

2017, c. 1, s. 71.

11.1.2. For the purposes of the provisions of this Act that apply to a trust for a taxation year only where the trust has been resident in Canada throughout the year, where a particular trust ceases at any time to exist

and the particular trust was resident in Canada immediately before that time, the particular trust is deemed to be resident in Canada throughout the period that begins at that time and ends at the end of the year.

2003, c. 2, s. 5.

11.2. *(Repealed).*

1992, c. 57, s. 589; 1994, c. 22, s. 54.

11.3. Where a corporation is at any time, in this section referred to as the "time of continuation", granted articles of continuance or similar constitutional documents, the corporation is

(a) for the purpose of applying this Part, other than section 11, in respect of all times from the time of continuation in a particular jurisdiction until the time of continuation in a different jurisdiction, deemed to have been incorporated in the particular jurisdiction and not to have been incorporated in the other jurisdiction; and

(b) for the purpose of applying section 11 in respect of all times from the time of continuation in a particular jurisdiction until the time of continuation in a different jurisdiction, deemed to have been incorporated in the particular jurisdiction at the time of continuation in that jurisdiction and not to have been incorporated in the other jurisdiction.

1995, c. 49, s. 10; 1997, c. 3, s. 71.

11.4. *(Repealed).*

1996, c. 39, s. 14; 2000, c. 5, s. 8; 2013, c. 10, s. 14.

11.5. For the purposes of this Act, unless the context indicates otherwise, the following rules apply:

(a) a taxation year of a person not resident in Canada shall be determined, except as otherwise permitted by the Minister, in the same manner as the taxation year of a person resident in Canada; and

(b) a person for whom income for a taxation year is determined in accordance with this Act includes a person not resident in Canada.

2003, c. 2, s. 6.

CHAPTER III

ESTABLISHMENT

1972, c. 26, s. 33.

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

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

1972, c. 26, s. 33; 1982, c. 56, s. 9; 1993, c. 19, s. 15; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1998, c. 16, s. 12.

13. Where a taxpayer carries on business through an employee, agent or mandatary, established in a particular place, who has general authority to contract for the employer or mandator or who has a stock of merchandise owned by such employer or mandator from which the employee, agent or mandatary regularly

fills orders which the employee, agent or mandatary receives, the taxpayer is deemed to have an establishment in that place.

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

1972, c. 26, s. 33; 1998, c. 16, s. 13; 2000, c. 39, s. 2.

14. A corporation that has an establishment in Canada under this chapter and is the owner of land in a province is deemed to have with respect to such land an establishment in that province.

1972, c. 26, s. 33; 1997, c. 3, s. 71.

15. A taxpayer using at a particular place substantial machinery or material at a particular time in a taxation year is deemed to have an establishment at that place.

1972, c. 26, s. 33.

16. An insurance corporation is deemed to have an establishment at each place where it is registered or holds a permit to carry on business.

1972, c. 26, s. 33; 1973, c. 17, s. 3; 1997, c. 3, s. 71.

16.0.1. If, but for this section, a corporation would not have an establishment, the corporation is deemed to have an establishment at the place designated in its articles as its head office.

2011, c. 1, s. 20.

16.1. Where, in a taxation year, a corporation not resident in Canada operates a mine, produces, processes, preserves, packs or builds goods or a product in whole or in part, or produces or presents a public show, it is deemed to have an establishment at the place, in Canada, where it carries on one or the other of these activities.

1979, c. 38, s. 3; 1997, c. 3, s. 71.

16.1.1. Sections 15 and 16.1 do not apply in respect of a taxpayer's activities relating to a business of the taxpayer that consists in operating a sports team that plays one or more of its matches or games, or that takes part in one or more competitions, outside Québec, or to a sports club if, in connection with its activities, one of its members plays a match or game, or takes part in a competition, outside Québec.

1995, c. 63, s. 13.

16.1.2. For the purposes of the definition of "Canadian banking business" in section 1, subparagraph *a* of the first paragraph of section 21.32, section 125.1, the second paragraph of section 171, section 217.15, the definition of "goodwill amount" in section 333.4, section 740, subparagraph ii of subparagraph *b* of the first paragraph of section 785.2 and paragraph *b*.1 of section 1029.8.17, if a person is not resident in Canada but is resident in a country with which a tax agreement defining "permanent establishment" has been entered into, the establishment of the person means, despite sections 12 to 16.1, the permanent establishment of the person, within the meaning assigned by the tax agreement.

1996, c. 39, s. 15; 2001, c. 53, s. 5; 2004, c. 8, s. 12; 2009, c. 5, s. 26; 2011, c. 1, s. 21; 2015, c. 21, s. 97.

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

(a) the Nova Scotia offshore area, within the meaning of the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act (Statutes of Canada, 1988, chapter 28);

(b) the Newfoundland and Labrador offshore area, within the meaning of the Canada-Newfoundland and Labrador Atlantic Accord Implementation Act (Statutes of Canada, 1987, chapter 3);

(c) *(paragraph repealed)*;

(d) *(paragraph repealed).*

1993, c. 19, s. 16; 1995, c. 49, s. 11; I.N. 2016-12-01.

CHAPTER IV

NON-ARM'S LENGTH AND RELATED PERSONS AND GROUPS

1972, c. 23.

17. In this Part a group is related when each person forming it is related to each other person of the group.

1972, c. 23, s. 12.

18. For the purposes of this Part, the following rules apply:

(a) related persons are deemed not to deal with each other at arm's length;

(b) a taxpayer and a personal trust, other than a trust described in any of subparagraphs *a* to *d* of the third paragraph of section 647, are deemed not to deal with each other at arm's length if the taxpayer, or any person not dealing at arm's length with the taxpayer, would be beneficially interested in the trust if section 7.11.1 were read without reference to subparagraphs *b* to *d* of the second paragraph; and

(c) in any other case, it is a question of fact whether persons not related to each other are at a particular time dealing with each other at arm's length.

1972, c. 23, s. 13; 2003, c. 2, s. 7; 2009, c. 5, s. 27.

19. (1) For the purposes of this Part, related persons or persons related to each other are

(a) individuals connected by blood relationship, marriage or adoption;

(b) a corporation and

i. a person who controls that corporation,

ii. a person who is a member of a related group that controls the corporation, or

iii. a person related to the person contemplated by subparagraph i or ii;

(c) any two corporations

i. if they are controlled by the same person or group of persons,

ii. if each of them is controlled by a person and that person who controls one of the corporations is related to the person who controls the other corporation,

iii. if one of them is controlled by a person related to any member of a related group that controls the other,

iv. if one of the corporations is controlled by a person related to each member of an unrelated group that controls the other,

v. if any member of a related group that controls one of the corporations is related to each member of an unrelated group that controls the other, or

vi. if each member of an unrelated group that controls one of the corporations is related to at least one member of an unrelated group that controls the other.

(2) Two corporations related to the same corporation under subsection 1 are deemed, for the purposes of subsection 1 and section 18, to be related to each other.

(3) Where there has been an amalgamation or merger of two or more particular corporations and the new corporation formed as a result of the amalgamation or merger would have been related to any of the particular corporations immediately before the amalgamation or merger if the new corporation were in existence at that time, and if the persons who were the shareholders of the new corporation immediately after the amalgamation or merger were the shareholders of the new corporation at that time, the new corporation and that particular corporation shall be deemed to have been related persons.

(4) Where there has been an amalgamation or merger of two or more particular corporations each of which was related, otherwise than because of a right referred to in paragraph *b* of section 20, to each other immediately before the amalgamation or merger, the new corporation formed as a result of the amalgamation or merger and each of the particular corporations are deemed to have been related to each other.

1972, c. 23, s. 14; 1984, c. 15, s. 4; 1989, c. 5, s. 23; 1997, c. 3, s. 71; 2000, c. 5, s. 9.

20. For the purposes of sections 19 and 21.19,

(a) a related group which is in a position to control a corporation is deemed to be a related group which controls it, whether or not it is part of a larger group which in fact controls the corporation;

(b) where at any time a person has a right under a contract or otherwise, either immediately or in the future and either absolutely or contingently,

i. to, or to acquire, shares of the capital stock of a corporation or to control the voting rights of such shares, the person is, except where the right is not exercisable at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the person owned the shares at that time,

ii. to cause a corporation to redeem, acquire or cancel any shares of its capital stock owned by other shareholders of the corporation, the person is, except where the right is not exercisable at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the shares were so redeemed, acquired or cancelled by the corporation at that time,

iii. to, or to acquire or control, voting rights in respect of shares of the capital stock of a corporation, the person is, except where the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the person could exercise the voting rights at that time, or

iv. to cause the reduction of voting rights in respect of shares, owned by other shareholders, of the capital stock of a corporation, the person is, except where the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the voting rights were so reduced at that time; and

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

1972, c. 23, s. 15; 1982, c. 5, s. 3; 1986, c. 15, s. 35; 1989, c. 5, s. 24; 1990, c. 59, s. 8; 1993, c. 16, s. 8; 1997, c. 3, s. 71; 1998, c. 16, s. 14; 2000, c. 5, s. 10.

21. For the purposes of this Part, except sections 752.0.1 to 752.0.7,

(a) persons are connected by blood relationship if one is the child, other descendant, brother or sister of the other;

(b) persons are connected by marriage if one is married to the other or to a person connected with the other by blood relationship or by adoption; and

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

1972, c. 23, s. 16; 1974, c. 18, s. 2; 1975, c. 22, s. 2; 1982, c. 17, s. 49; 1986, c. 15, s. 36; 1989, c. 5, s. 25; 1998, c. 16, s. 15.

CHAPTER IV.1

AFFILIATED PERSONS

2000, c. 5, s. 11.

21.0.1. In this chapter,

"affiliated group of persons" means a group of persons each member of which is affiliated with every other member of the group;

"beneficiary", under a trust, includes a person beneficially interested in the trust;

"contributor", to a trust, means a person who has at any time made a loan or transfer of property, either directly or indirectly, in any manner whatever, to or for the benefit of the trust other than, if the person deals at arm's length with the trust at that time and is not immediately after that time a majority-interest beneficiary of the trust, a loan made at a reasonable rate of interest or a transfer made for fair market value consideration;

"controlled" means controlled, directly or indirectly in any manner whatever;

"majority-interest beneficiary", of a trust at any time, means a person whose interest as a beneficiary, if any, at that time,

(a) in the income of the trust has, together with the interests as a beneficiary in the income of the trust of all persons with whom the person is affiliated, a fair market value that is greater than 50% of the fair market value of all the interests as a beneficiary in the income of the trust; or

(b) in the capital of the trust has, together with the interests as a beneficiary in the capital of the trust of all persons with whom the person is affiliated, a fair market value that is greater than 50% of the fair market value of all the interests as a beneficiary in the capital of the trust;

"majority-interest group of beneficiaries", of a trust at any time, means a group of persons each of whom is a beneficiary under the trust at that time such that

(a) if one person held the interests as a beneficiary under the trust of all of the members of the group, that person would be a majority-interest beneficiary of the trust; and

(b) if any member of the group were not a member, the test described in paragraph *a* would not be met;

"majority-interest group of partners" of a partnership means a group of persons each of whom has an interest in the partnership such that

(a) if one person held the interests of all members of the group, that person would be a majority-interest partner of the partnership; and

(b) if any member of the group were not a member, the test described in paragraph *a* would not be met.

2000, c. 5, s. 11; 2005, c. 38, s. 47; 2017, c. 29, s. 22.

21.0.2. For the purposes of this chapter, the following rules apply:

(a) persons are affiliated with themselves;

(b) a person includes a partnership;

(c) despite section 646, a trust does not include the trustee or other persons who own or control the trust property; and

(d) for the purpose of determining whether a person is affiliated with a trust,

i. if the amount of income or capital of the trust that a person may receive as a beneficiary under the trust depends on the exercise by any person of, or the failure by any person to exercise, a discretionary power, that person is deemed to have fully exercised, or to have failed to exercise, the power, as the case may be,

ii. the interest of a person in a trust as a beneficiary is disregarded in determining whether the person deals at arm's length with the trust if the person would, in the absence of the interest as a beneficiary, be considered to deal at arm's length with the trust,

iii. a trust is not a majority-interest beneficiary of another trust unless the trust has an interest as a beneficiary in the income or capital of the other trust, and

iv. in determining whether a contributor to one trust is affiliated with a contributor to another trust, individuals connected by blood relationship, marriage or adoption are deemed to be affiliated with one another.

2000, c. 5, s. 11; 2005, c. 38, s. 48; 2015, c. 24, s. 13.

21.0.3. For the purposes of this Part, affiliated persons, or persons affiliated with each other, are

(a) an individual and a spouse of the individual;

(b) a corporation and

i. a person by whom the corporation is controlled,

ii. each member of an affiliated group of persons by which the corporation is controlled, or

iii. a spouse of a person described in subparagraph i or ii;

(c) two corporations, if

i. each corporation is controlled by a person, and the person by whom one corporation is controlled is affiliated with the person by whom the other corporation is controlled,

ii. one corporation is controlled by a person, the other corporation is controlled by a group of persons, and each member of that group is affiliated with that person, or

iii. each corporation is controlled by a group of persons, and each member of each group is affiliated with at least one member of the other group;

(d) a corporation and a partnership, if the corporation is controlled by a particular group of persons each member of which is affiliated with at least one member of a majority-interest group of partners of the

partnership, and each member of that majority-interest group is affiliated with at least one member of the particular group of persons;

(e) a partnership and a majority-interest partner of the partnership;

(f) two partnerships, if

i. the same person is a majority-interest partner of both partnerships,

ii. a majority-interest partner of one partnership is affiliated with each member of a majority-interest group of partners of the other partnership, or

iii. each member of a majority-interest group of partners of each partnership is affiliated with at least one member of a majority-interest group of partners of the other partnership;

(g) a person and a trust, if the person

i. is a majority-interest beneficiary of the trust, or

ii. would, but for this paragraph, be affiliated with a majority-interest beneficiary of the trust; and

(h) two trusts, if a contributor to one of the trusts is affiliated with a contributor to the other trust and

i. a majority-interest beneficiary of one of the trusts is affiliated with a majority-interest beneficiary of the other trust,

ii. a majority-interest beneficiary of one of the trusts is affiliated with each member of a majority-interest group of beneficiaries of the other trust, or

iii. each member of a majority-interest group of beneficiaries of each of the trusts is affiliated with at least one member of a majority-interest group of beneficiaries of the other trust.

2000, c. 5, s. 11; 2005, c. 38, s. 49.

21.0.4. Where at any time two or more particular corporations amalgamate or merge to form a new corporation, the new corporation and the particular corporations are deemed to have been persons affiliated with each other where they would have been affiliated with each other immediately before that time if the new corporation had existed immediately before that time and the shareholders of the new corporation immediately after that time had been the shareholders of the new corporation immediately before that time.

2000, c. 5, s. 11.

CHAPTER IV.2

LOSS RESTRICTION EVENT

2017, c. 1, s. 72.

21.0.5. In this chapter,

"beneficiary" has the meaning assigned by section 21.0.1;

"equity" has the meaning that would be assigned by the first paragraph of section 1129.70 if the definition of that expression were read without reference to its paragraph *e*;

"equity value" has the meaning assigned by the first paragraph of section 1129.70;

"fixed interest", at a particular time of a person in a trust, means an interest of the person as a beneficiary (determined without reference to section 7.11.1) under the trust provided that no part of the income or capital

of the trust to be distributed at any time in respect of any interest in the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, other than a power to appoint in respect of which it is reasonable to conclude that

(a) the power is consistent with normal commercial practice;

(b) the power is consistent with terms that would be acceptable to beneficiaries under the trust that would be dealing with each other at arm's length; and

(c) the exercise of, or failure to exercise, the power will not materially affect the value of an interest as a beneficiary under the trust relative to the value of other such interests as a beneficiary under the trust;

"investment fund", at a particular time, means a trust, if

(a) at all times throughout the period that begins at the later of 21 March 2013 and the end of the calendar year in which it is created and that ends at the particular time, the trust has a class of units outstanding that would comply with the conditions prescribed for the purposes of section 1120 if section 1120R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) were read without its paragraph *b*; and

(b) at all times throughout the period that begins at the later of 21 March 2013 and the date on which it was created and that ends at the particular time, the trust

i. is resident in Canada,

ii. has no beneficiaries who have, for any reason, the right to receive directly from the trust an amount from the income or capital of the trust, other than beneficiaries whose interests as beneficiaries under the trust are fixed interests described by reference to units of the trust,

iii. follows a reasonable policy of investment diversification,

iv. limits its undertaking to the investing of its funds in property,

v. does not alone, or as a member of a group of persons, control a corporation, and

vi. does not hold

(1) property that the trust, or a person with which the trust does not deal at arm's length, uses in carrying on a business,

(2) immovable property or a real right in an immovable property,

(3) Canadian resource property, foreign resource property or a right in such property, or

(4) more than 20% of the securities of any class of securities of a person (other than an investment fund or a mutual fund corporation that would meet the conditions of this paragraph, other than that of subparagraph ii, if it were a trust), unless at the particular time the securities (other than liabilities) of the person held by the trust have a total fair market value that does not exceed 10% of the equity value of the person and, at that time, the liabilities of the person held by the trust have a total fair market value that does not exceed 10% of the value of all of the liabilities of the person;

"majority-interest beneficiary" has the meaning that would be assigned by section 21.0.1 if the definition of that expression in that section were read without reference to ", if any,";

"majority-interest group of beneficiaries" has the meaning assigned by section 21.0.1;

"majority-interest group of partners" has the meaning assigned by section 21.0.1;

"person" includes a partnership;

"specified right", held at a particular time by a person in respect of a trust, means a right under a contract or otherwise, to acquire, either immediately or in the future and either absolutely or contingently, equity of the

trust, or to cause the trust to redeem or cancel equity of the trust, unless the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual;

"subsidiary", of a particular person at a particular time, means a corporation, partnership or trust (in this definition referred to as the "subject entity") where

(a) the particular person holds at that time property

i. that is equity of the subject entity, or

ii. that derives all or part of its fair market value, directly or indirectly, from equity of the subject entity; and

(b) the total of the following amounts is at that time equal to more than 50% of the equity value of the subject entity:

i. each amount that is the fair market value at that time of equity of the subject entity that is held at that time by the particular person or a person with whom the particular person is affiliated, and

ii. each amount (other than an amount described in subparagraph i) that is the portion of the fair market value at that time—derived directly or indirectly from equity of the subject entity—of a property that is held at that time by the particular person or a person with whom the particular person is affiliated.

2017, c. 1, s. 72; 2017, c. 29, s. 23; 2020, c. 16, s. 29.

21.0.6. For the purposes of this Part, a taxpayer is at a particular time subject to a loss restriction event if

(a) the taxpayer is a corporation and at that time control of the corporation is acquired by a person or group of persons; or

(b) the taxpayer is a trust and

i. that time is after 20 March 2013 and after the time at which the trust is created, and

ii. at that time a person becomes a majority-interest beneficiary, or a group of persons becomes a majority-interest group of beneficiaries, of the trust.

2017, c. 1, s. 72.

21.0.7. For the purposes of paragraph *b* of section 21.0.6, a person is deemed not to become a majority-interest beneficiary, and a group of persons is deemed not to become a majority-interest group of beneficiaries, of a particular trust solely because of

(a) the acquisition of equity of the particular trust by

i. a person from another person with whom the person was affiliated immediately before the acquisition,

ii. a person who was affiliated with the particular trust immediately before the acquisition,

iii. a succession from an individual, if the succession arose on and as a consequence of the death of the individual and the succession acquired the equity from the individual as a consequence of the death, or

iv. a particular person from a succession that arose on and as a consequence of the death of an individual, if the succession acquired the equity from the individual as a consequence of the death and the individual was affiliated with the particular person immediately before the death;

(b) a variation in the terms of the particular trust, the satisfaction of, or failure to satisfy, a condition under the terms of the particular trust, the exercise by any person of, or the failure by any person to exercise, a power, or, without restricting the generality of this paragraph, the redemption, surrender or termination of

equity of the particular trust at a particular time, if each majority-interest beneficiary, and each member of a majority-interest group of beneficiaries, of the particular trust immediately after the particular time was affiliated with the particular trust immediately before

i. the particular time, or

ii. in the case of the redemption or surrender of equity of the particular trust that was held, immediately before the particular time, by a succession and that was acquired by the succession from an individual as described in subparagraph iii of paragraph *a*, the individual's death;

(c) the transfer at a particular time of all the equity of the particular trust to a corporation, partnership or another trust (in this paragraph referred to as the "acquirer"), if

i. the only consideration for the transfer is equity, determined without reference to paragraph *d* of the definition of "equity" in the first paragraph of section 1129.70, of the acquirer,

ii. at all times before the particular time the acquirer held no property or held only property having a nominal value, and

iii. immediately after the particular time the acquirer is neither

(1) a subsidiary of any person, nor

(2) a corporation controlled, directly or indirectly in any manner whatever, by a person or group of persons;

(d) the transfer at a particular time of equity of the particular trust to a corporation, partnership or another trust (in this paragraph referred to as the "acquirer"), if

i. immediately before the particular time a person was a majority-interest beneficiary, or a group of persons was a majority-interest group of beneficiaries, of the particular trust,

ii. immediately after the particular time the person, or group of persons, as the case may be, described in subparagraph i in respect of the particular trust, and no other person or group of persons, is

(1) if the acquirer is a corporation, a person by whom, or a group of persons by which, the corporation is controlled directly or indirectly in any manner whatever,

(2) if the acquirer is a partnership, a majority-interest partner, or a majority-interest group of partners, of the partnership, and

(3) if the acquirer is a trust, a majority-interest beneficiary, or a majority-interest group of beneficiaries, of the trust, and

iii. at no time during a series of transactions or events that includes the transfer does the person or group of persons, as the case may be, described in subparagraph i in respect of the particular trust, cease to be a person or group of persons described in any of subparagraphs 1 to 3 of subparagraph ii in respect of the acquirer;

(e) a transaction the parties to which are obligated to complete under the terms of an agreement in writing between the parties entered into before 21 March 2013, provided that none of the parties to the agreement may be excused from completing the transaction as a result of changes to the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)); or

(f) the acquisition or disposition of equity of the particular trust at a particular time if

i. the particular trust is an investment fund immediately before that time, and

ii. the acquisition or disposition is not part of a series of transactions or events that includes the particular trust ceasing to be an investment fund.

2017, c. 1, s. 72; 2017, c. 29, s. 24.

21.0.8. For the purposes of paragraph *b* of section 21.0.6 and subject to section 21.0.7, a person is deemed to become at a particular time a majority-interest beneficiary of a particular trust if

(a) a particular person is at and immediately before the particular time a majority-interest beneficiary, or a member of a majority-interest group of beneficiaries, of the particular trust, and the particular person is at the particular time, but is not immediately before the particular time, a subsidiary of another person (in this paragraph referred to as the "acquirer"), unless

i. the acquirer is immediately before the particular time affiliated with the particular trust, or

ii. this paragraph previously applied to deem that a person became a majority-interest beneficiary of the particular trust because the particular person became, as part of a series of transactions or events that includes the particular person becoming at the particular time a subsidiary of the acquirer, a subsidiary of another person that is at the particular time a subsidiary of the acquirer; or

(b) at the particular time, as part of a series of transactions or events, two or more persons acquire equity of the particular trust in exchange for or upon a redemption or surrender of equity of, or as a consequence of a distribution from, a corporation, partnership or another trust, unless

i. a person affiliated with the corporation, partnership or other trust was immediately before the particular time a majority-interest beneficiary of the particular trust,

ii. if all the equity of the particular trust that was acquired at or before the particular time as part of the series of transactions or events were acquired by one person, the person would not at the particular time be a majority-interest beneficiary of the particular trust, or

iii. this paragraph previously applied to deem a person to become a majority-interest beneficiary of the particular trust because of an acquisition of equity of the particular trust that was part of the series of transactions or events.

2017, c. 1, s. 72.

21.0.9. For the purposes of this chapter, the following rules apply:

(a) in determining whether persons are affiliated with each other

i. except for the purposes of paragraph *b* of the definition of "subsidiary" in section 21.0.5, section 21.0.3 applies without reference to the definition of "controlled" in section 21.0.1,

ii. individuals connected by blood relationship, marriage or adoption are deemed to be affiliated with one another, and

iii. if, at any time as part of a series of transactions or events a person acquires equity of a corporation, partnership or trust, and it can reasonably be concluded that one of the reasons for the acquisition, or for making any agreement or undertaking in respect of the acquisition, is to cause a condition in paragraph *a* or *b* of section 21.0.7 or subparagraph i of paragraph *a* or *b* of section 21.0.8 regarding affiliation to be satisfied at a particular time, the condition is deemed not to be satisfied at the particular time;

(b) in determining whether a particular person becomes at a particular time a majority-interest beneficiary, or a particular group of persons becomes at a particular time a majority-interest group of beneficiaries, of a trust, the fair market value of each person's equity of the trust is to be determined at and immediately before the particular time

i. without reference to the portion of that fair market value that is attributable to property acquired if it can reasonably be concluded that one of the reasons for the acquisition is to cause paragraph *b* of section 21.0.6, or any provision that applies by reference to a trust being subject to a loss restriction event at any time, not to apply,

ii. without reference to the portion of that fair market value that is attributable to a change in the fair market value of all or part of any equity of the trust if it can reasonably be concluded that one of the reasons for the change is to cause paragraph *b* of section 21.0.6, or any provision that applies by reference to a trust being subject to a loss restriction event at any time, not to apply, and

iii. as if each specified right held immediately before the particular time by the particular person, or by a member of the particular group of persons, in respect of the trust is at that time exercised if it can reasonably be concluded that one of the reasons for the acquisition of the right is to cause paragraph *b* of section 21.0.6, or any provision that applies by reference to a trust being subject to a loss restriction event at any time, not to apply; and

(c) if, at any time as part of a series of transactions or events a person acquires a security (within the meaning assigned by the first paragraph of section 1129.70) and it can reasonably be concluded that one of the reasons for the acquisition, or for making any agreement or undertaking in respect of the acquisition, is to cause a condition in subparagraph v of paragraph *b* of the definition of "investment fund" in section 21.0.5 or in subparagraph 4 of subparagraph vi of that paragraph *b* to be satisfied at a particular time in respect of a trust, the condition is deemed not to be satisfied at the particular time in respect of the trust.

2017, c. 1, s. 72; 2017, c. 29, s. 25.

21.0.10. For the purposes of this Part, if a trust is subject to a loss restriction event at a particular time during a day, the trust is deemed to be subject to the loss restriction event at the beginning of that day and not at the particular time unless the trust makes a valid election under subsection 6 of section 251.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in that respect.

Chapter V.2 applies in relation to an election made under subsection 6 of section 251.2 of the Income Tax Act.

2017, c. 1, s. 72.

21.0.11. Where a trust is subject to a loss restriction event at a particular time, the following rules apply in respect of the trust for its taxation year that ends immediately before that time:

(a) paragraph *d* of subsection 2 of section 1000 is to be read as if "within 90 days after the end of" were replaced by "on or before the trust's balance-due day for", and the second paragraph of section 1086R57 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) is to be read as if "within 90 days following the end of" were replaced by "on or before the trust's balance-due day for";

(b) the first paragraph of section 1086R77 of the Regulation respecting the Taxation Act is to be read as if "within 90 days after the end of" were replaced by "on or before the reporting person's balance-due day for";

(c) the first paragraph of section 1120.0.1 is to be read as if "before the 91st day after the end of" were replaced by "that occurs on or before the trust's balance-due day for".

2017, c. 29, s. 26.

CHAPTER V

CONTROL OF A CORPORATION

1978, c. 26, s. 3; 1997, c. 3, s. 71.

21.1. Sections 21.2 to 21.3.1 apply in respect of the control of a corporation for the purposes of paragraph *a* of section 21.0.6, sections 21.2 to 21.3.3, 308.0.1 to 308.6, 384, 418.26 to 418.30, 564.4, 564.4.1, 711.2, 736.0.4 and 737.18.9.2, subparagraph 2 of subparagraph i of subparagraph *b* of the second paragraph of section 771.8.5, subparagraphs *d* to *f* of the first paragraph of section 771.13, paragraph *f* of section 772.13, sections 776.1.12 and 776.1.13, subparagraph iv of paragraph *b* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17, subparagraph *b* of the first paragraph of sections 1029.8.36.0.21.2, 1029.8.36.0.22.1 and 1029.8.36.0.25.2 and sections 1029.8.36.166.49, 1029.8.36.166.50, 1029.8.36.166.60.54, 1029.8.36.166.60.55, 1029.8.36.171.3 and 1029.8.36.171.4.

Subject to section 21.3.7, sections 21.3.2 and 21.3.3 apply in respect of the control of a corporation for the purposes of section 737.18.9.2, subparagraph 2 of subparagraph i of subparagraph *b* of the second paragraph of section 771.8.5, subparagraphs *d* to *f* of the first paragraph of section 771.13, subparagraph iv of paragraph *b* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17 and subparagraph *b* of the first paragraph of sections 1029.8.36.0.21.2, 1029.8.36.0.22.1 and 1029.8.36.0.25.2.

Sections 21.4 and 21.4.0.1 to 21.4.0.3 apply in respect of the control of a corporation for the purposes of this Part.

Section 21.4.1 applies in respect of the control of a corporation for the purposes of sections 6.2 and 21.0.1 to 21.0.4, paragraph *b* of the definition of "investment fund" in section 21.0.5, paragraph *a* of section 21.0.6, paragraphs *c* and *d* of section 21.0.7, the fifth paragraph of section 21.3.1, sections 83.0.3, 93.4, 222 to 230.0.0.2, 308.1, 384, 384.4, 384.5, 418.26 to 418.30 and 485 to 485.18, paragraph *d* of section 485.42, subparagraph *d* of the third paragraph of section 559, sections 560.1.2, 564.4, 564.4.1, 727 to 737 and 737.18.9.2, subparagraph 2 of subparagraph i of subparagraph *b* of the second paragraph of section 771.8.5, subparagraphs *d* to *f* of the first paragraph of section 771.13, paragraph *f* of section 772.13, sections 776.1.12 and 776.1.13, subparagraph iv of paragraph *b* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17, subparagraph *b* of the first paragraph of sections 1029.8.36.0.21.2, 1029.8.36.0.22.1 and 1029.8.36.0.25.2 and sections 1029.8.36.166.49, 1029.8.36.166.50, 1029.8.36.166.60.54, 1029.8.36.166.60.55, 1029.8.36.171.3 and 1029.8.36.171.4.

1978, c. 26, s. 3; 1980, c. 13, s. 2; 1982, c. 5, s. 4; 1984, c. 15, s. 5; 1989, c. 77, s. 5; 1993, c. 16, s. 9; 1993, c. 19, s. 17; 1996, c. 39, s. 16; 1997, c. 3, s. 71; 2000, c. 5, s. 12; 2001, c. 7, s. 5; 2003, c. 2, s. 8; 2004, c. 21, s. 40; 2005, c. 23, s. 31; 2005, c. 38, s. 50; 2006, c. 13, s. 26; 2007, c. 12, s. 21; 2009, c. 5, s. 28; 2009, c. 15, s. 29; 2017, c. 1, s. 73; 2017, c. 29, s. 27; 2021, c. 14, s. 17; 2021, c. 18, s. 13.

21.2. Where two or more corporations, each of which is referred to in this section as a "predecessor corporation", have amalgamated to form one corporate entity, in this section referred to as the "new corporation", the following rules apply:

(a) control of a corporation is deemed not to have been acquired by any person or group of persons solely because of the amalgamation unless it is deemed under paragraph *b* or *c* to have been so acquired;

(b) a person or group of persons that controls the new corporation immediately after the amalgamation and did not control a predecessor corporation immediately before the amalgamation is deemed to have acquired immediately before the amalgamation control of the predecessor corporation and of each corporation it controlled immediately before the amalgamation, unless the person or group of persons would not have acquired control of the predecessor corporation if the person or group of persons had acquired all the shares of the predecessor corporation immediately before the amalgamation; and

(c) control of a predecessor corporation and of each corporation it controlled immediately before the amalgamation is deemed to have been acquired immediately before the amalgamation by a person or group of persons

i. unless the predecessor corporation was related, otherwise than because of a right referred to in paragraph *b* of section 20, immediately before the amalgamation to each other predecessor corporation,

ii. unless, if one person had immediately after the amalgamation acquired all the shares of the new corporation's capital stock that the shareholders of the predecessor corporation, or of another predecessor corporation that controlled the predecessor corporation, acquired on the amalgamation in consideration for their shares of the predecessor corporation or of the other predecessor corporation, as the case may be, the person would have acquired control of the new corporation as a result of the acquisition of those shares, or

iii. unless this paragraph would, but for this subparagraph, deem control of each predecessor corporation to have been acquired on the amalgamation where the amalgamation is an amalgamation of

(1) two corporations, or

(2) two particular corporations and one or more other corporations that would, if all the shares of each other corporation's capital stock that were held immediately before the amalgamation by the particular corporations had been held by one person, have been controlled by that person.

1978, c. 26, s. 3; 1982, c. 5, s. 5; 1984, c. 15, s. 5; 1997, c. 3, s. 71; 2000, c. 5, s. 13.

21.2.1. Subject to section 21.3, where two or more persons, in this section referred to as the "transferors", dispose of shares of the capital stock of a particular corporation in exchange for shares of the capital stock of another corporation, in this section referred to as the "acquiring corporation", control of the acquiring corporation and of each corporation controlled by it immediately before the exchange is deemed to have been acquired at the time of the exchange by a person or group of persons unless

(a) the particular corporation and the acquiring corporation were related, otherwise than because of a right referred to in paragraph *b* of section 20, to each other immediately before the exchange; or

(b) if all the shares of the acquiring corporation's capital stock that were acquired by the transferors on the exchange were acquired at the time of the exchange by one person, the person would not control the acquiring corporation.

2000, c. 5, s. 14.

21.2.2. Subject to section 21.3, if, at any particular time, as part of a series of transactions or events, two or more persons acquire shares of a corporation (in this section referred to as the "acquiring corporation") in exchange for or upon a redemption or surrender of interests in, or as a consequence of a distribution from, a SIFT trust or a SIFT partnership, on the assumption that the definitions of "SIFT trust" and "SIFT partnership" in the first paragraph of section 1129.70 applied from 31 October 2006, or a real estate investment trust within the meaning of that first paragraph, control of the acquiring corporation and of each corporation controlled by it immediately before the particular time is deemed to have been acquired by a person or group of persons at the particular time, except in the following cases:

(a) in relation to each of those corporations, a person (in this paragraph referred to as a "relevant person") who would be affiliated with the SIFT trust, SIFT partnership or real estate investment trust, but for the definition of "controlled" in section 21.0.1, owns shares of the corporation having a total fair market value of more than 50% of the fair market value of all the issued and outstanding shares of the corporation at all times during the period that ends immediately before the particular time and begins at the time of the last acquisition of control of the corporation by a relevant person or, if later, on the later of

i. 14 July 2008, and

ii. the day the corporation was constituted;

(b) if all the securities, within the meaning of the first paragraph of section 1129.70, of the acquiring corporation that were acquired as part of the series of transactions or events at or before the particular time were acquired by one person, the person would not at the particular time control the acquiring corporation and

would have at the particular time acquired securities of the acquiring corporation having a fair market value of not more than 50% of the fair market value of all the issued and outstanding shares of the acquiring corporation; and

(c) this section previously applied to deem an acquisition of control of the acquiring corporation upon an acquisition of shares that was part of the same series of transactions or events.

2015, c. 24, s. 14.

21.2.2.1. Subject to section 21.3, where, at a particular time, as part of a series of transactions or events, two or more persons acquire shares of a corporation (in this section referred to as the "acquiring corporation") in exchange for or upon a redemption or surrender of interests in, or as a consequence of a distribution from, a partnership or trust, control of the acquiring corporation and of each corporation controlled by it immediately before the particular time is deemed to have been acquired by a person or group of persons at the particular time, except in the following cases:

(a) in relation to each of those corporations, a person affiliated with the partnership or trust owns immediately before the particular time shares of the corporation having a total fair market value of more than 50% of the fair market value of all the issued and outstanding shares of the corporation immediately before the particular time;

(b) if all the securities, within the meaning of the first paragraph of section 1129.70, of the acquiring corporation that were acquired as part of the series of transactions or events at or before the particular time were acquired by one person, the person would not at the particular time control the acquiring corporation and would have at the particular time acquired securities of the acquiring corporation having a fair market value of not more than 50% of the fair market value of all the issued and outstanding shares of the acquiring corporation; and

(c) section 21.2.2 applies, or section 21.2.2 or this section previously applied, to deem an acquisition of control of the acquiring corporation upon an acquisition of shares that was part of the same series of transactions or events.

2021, c. 14, s. 18.

21.2.3. Where at a particular time after 12 September 2013 a trust is subject to a loss restriction event and immediately before that time the trust, or a group of persons of which the trust is a member, controls a corporation, control of the corporation and of each corporation controlled by it immediately before that time is deemed to have been acquired at that time by a person or group of persons.

2017, c. 1, s. 74.

21.3. Control of a particular corporation is deemed not to have been acquired solely because of

(a) the acquisition at any time of shares of the capital stock of any corporation by

i. a person who acquired the shares from another person to whom the person was related, otherwise than because of a right referred to in paragraph *b* of section 20, immediately before that time,

ii. a person who was related to the particular corporation, otherwise than because of a right referred to in paragraph *b* of section 20, immediately before that time,

iii. a succession that acquired the shares because of the death of a person,

iv. a particular person who acquired the shares from a succession that arose on and as a consequence of the death of an individual, if the succession acquired the shares from the individual as a consequence of the death and the individual was related to the particular person immediately before the death, or

v. a corporation on a distribution, within the meaning assigned by the first paragraph of section 308.0.1, by a specified corporation, within the meaning assigned by that paragraph, if a dividend, to which section 308.1 does not apply because of section 308.3, is received in the course of the reorganization in which the distribution occurs;

(b) the cancellation or redemption at any particular time of, or a change at any particular time in the terms or conditions of, shares of the particular corporation or of a corporation controlling the particular corporation, where each person and each member of each group of persons that controls the particular corporation immediately after the particular time was related, otherwise than because of a right referred to in paragraph *b* of section 20, to the particular corporation

i. immediately before the particular time, or

ii. immediately before the death of a person, where the shares were held immediately before the particular time by a succession that acquired the shares because of the person's death; or

(c) the acquisition at any time of shares of the particular corporation if

i. the acquisition would otherwise result in the acquisition of control of the particular corporation at that time by a related group, and

ii. each member of each group of persons that controls the particular corporation at that time was related, otherwise than because of a right referred to in paragraph *b* of section 20, to the particular corporation immediately before that time.

1978, c. 26, s. 3; 1979, c. 18, s. 3; 1982, c. 5, s. 5; 1993, c. 16, s. 10; 1994, c. 22, s. 55; 1995, c. 49, s. 12; 1997, c. 3, s. 71; 2000, c. 5, s. 15; 2009, c. 5, s. 29; 2017, c. 1, s. 75.

21.3.1. If at a particular time shares of the capital stock of a particular corporation are disposed of to another corporation (in this paragraph referred to as the "acquiring corporation") for consideration that includes shares of the acquiring corporation's capital stock, control of the particular corporation and of each corporation controlled by it immediately before that time is deemed not to have been acquired by the acquiring corporation solely because of the disposition if, immediately after the particular time, the acquiring corporation and the particular corporation are controlled by a person or group of persons who controlled the particular corporation immediately before the particular time, and did not, as part of the series of transactions or events that includes the disposition, cease to control the acquiring corporation.

Control of a particular corporation and of each corporation controlled by it immediately before a particular time is deemed not to have been acquired at the particular time by a corporation (in this paragraph referred to as the "acquiring corporation"), if at the particular time, the acquiring corporation acquires shares of the particular corporation's capital stock for consideration that consists solely of shares of the acquiring corporation's capital stock, and if

(a) immediately after the particular time,

i. the acquiring corporation owns all the shares of each class of the particular corporation's capital stock, without reference to shares of a specified class of the capital stock of the particular corporation, within the meaning of section 560.1.2.1,

ii. the acquiring corporation is not controlled by a person or group of persons, and

iii. the fair market value of the shares of the particular corporation's capital stock that are owned by the acquiring corporation is not less than 95% of the fair market value of all the assets of the acquiring corporation; or

(b) any of subparagraphs i to iii of subparagraph *a* do not apply and the acquisition occurs as part of a plan of arrangement that, on completion, results in

i. the acquiring corporation, or a new corporation that is formed on an amalgamation of the acquiring corporation and a wholly-controlled subsidiary of the acquiring corporation, owning all the shares of each class of the particular corporation's capital stock, without reference to shares of a specified class of the capital stock of the particular corporation, within the meaning of section 560.1.2.1,

ii. the acquiring corporation, or the new corporation, not being controlled by a person or group of persons, and

iii. the fair market value of the shares of the particular corporation's capital stock that are owned by the acquiring corporation, or the new corporation, being not less than 95% of the fair market value of all the assets of the acquiring corporation or the new corporation.

A particular trust that would, in the absence of this paragraph, acquire control of a corporation solely because of a SIFT trust wind-up event that is a distribution of shares of the capital stock of the corporation by another trust is deemed not to acquire control of the corporation because of the distribution if

(a) the particular trust is described in paragraph c of the definition of "SIFT trust wind-up event" in section 1;

(b) the particular trust is the only beneficiary of the other trust; and

(c) the other trust controlled the corporation immediately before the distribution.

Where a corporation (in this paragraph referred to as the "acquiring corporation") acquires shares of the capital stock of a particular corporation on a distribution that is a SIFT trust wind-up event of a trust that is a SIFT wind-up entity, the acquiring corporation is deemed not to acquire control of the particular corporation because of that acquisition if the following conditions are met:

(a) the acquiring corporation is the only beneficiary under the trust immediately before the distribution;

(b) the trust controlled the particular corporation immediately before the distribution;

(c) as part of a series of transactions or events under which the acquiring corporation became the only beneficiary under the trust, two or more persons acquired shares of the acquiring corporation in exchange for their interests as beneficiaries under the trust; and

(d) if all the shares described in subparagraph *c* had been acquired by one person, the person would control the acquiring corporation and would have acquired shares of the acquiring corporation having a fair market value of more than 50% of the fair market value of all the issued and outstanding shares of the acquiring corporation.

Where at a particular time after 12 September 2013 a trust controls a corporation, control of the corporation is deemed not to have been acquired solely because of a change in the trustee or legal representative having ownership or control of the trust's property if

(a) the change is not part of a series of transactions or events that includes a change in the beneficial ownership of the trust's property; and

(b) no amount of income or capital of the trust to be distributed, at any time at or after the change, in respect of any interest in the trust depends upon the exercise by any person or partnership, or the failure of any person or partnership to exercise, any discretionary power.

2000, c. 5, s. 16; 2009, c. 5, s. 30; 2010, c. 25, s. 6; 2015, c. 24, s. 15; 2017, c. 1, s. 76.

21.3.2. A person or group of persons is deemed not to have acquired control of a corporation at any time after 11 June 2003 if a significant shareholder, or a significant group of shareholders, of the corporation owns,

at that time, shares of the capital stock of the corporation that give the shareholder or group 50% or more of the votes that could be cast under all circumstances at the annual meeting of shareholders of the corporation.

2006, c. 13, s. 27.

21.3.3. A person or group of persons deemed not to have acquired control of a corporation at any time after 11 June 2003 because of the application of section 21.3.2, is deemed to have acquired control of that corporation at a later time when, for the first time, no significant shareholder, or significant group of shareholders, of the corporation owns shares of the capital stock of the corporation that give the shareholder or group 50% or more of the votes that could be cast under all circumstances at the annual meeting of shareholders of the corporation.

2006, c. 13, s. 27.

21.3.4. For the purposes of sections 21.3.2 to 21.3.6,

(a) a person who owned, immediately before 12 June 2003, 25% or more in vote and value of the shares of the capital stock of a corporation is a significant shareholder of the corporation at any time after 11 June 2003;

(b) a group of persons in respect of which the following conditions are satisfied is a significant group of shareholders of a corporation at any given time after 11 June 2003:

i. immediately before 12 June 2003, the group owned 25% or more in vote and value of the shares of the capital stock of the corporation, and

ii. at the given time, each member of the group owned 10% or more in vote and value of the shares of the capital stock of the corporation;

(c) two or more persons each of whom owns shares of the capital stock of a corporation is a group of persons in respect of that corporation; and

(d) the percentage, in vote and value, of the shares of the capital stock of a corporation owned by a person or group of persons at any given time corresponds to the lesser of

i. the proportion, expressed as a percentage, that, at that time, the number of votes that could be cast under all circumstances at the annual meeting of shareholders of the corporation given by the shares of the capital stock of the corporation owned by the person or group of persons is of the number of votes of that kind given by all the issued shares of that capital stock, and

ii. the proportion, expressed as a percentage, that, at that time, the fair market value of the shares of the capital stock of the corporation owned by the person or group of persons is of the fair market value of all the issued shares of that capital stock.

2006, c. 13, s. 27.

21.3.5. For the purpose of determining, in accordance with section 21.3.4, whether a person or group of persons is a significant shareholder, or a significant group of shareholders, as the case may be, of a particular corporation,

(a) subject to the second paragraph, the rules set out in paragraphs *d* to *f* of section 21.20.2 apply in respect of the ownership of the shares of the capital stock of the particular corporation;

(b) another corporation, a partnership or a trust is deemed not to own, or not to be deemed to own because of the application of subparagraph *a*, a share of the capital stock of the particular corporation that is deemed to be owned, because of the application of that subparagraph, by

i. a shareholder of the other corporation,

ii. a member of the partnership, or

iii. a beneficiary under the trust or, if it is a trust referred to in section 467, the person referred to in that section;

(c) a person is deemed to have owned, immediately before 12 June 2003, a share the person acquired after 11 June 2003 from another person with whom the person was not dealing at arm's length, if that other person owned the share immediately before 12 June 2003;

(d) if, between 11 June 2003 and 1 July 2004, the particular corporation was the subject of an acquisition of control that was the result of a transaction to which any of the provisions referred to in the second paragraph of section 21.1 refers, the transaction is deemed to have been completed on 11 June 2003 for the purpose of applying sections 21.3.2 and 21.3.3 in respect of a subsequent acquisition of control of the particular corporation for the purposes of that provision;

(e) a person is deemed to have exercised, on 11 June 2003, one or more rights referred to in paragraph *b* of section 20 that the person exercised after that date but had acquired before 12 June 2003; and

(f) a person is deemed to have performed, on 11 June 2003, one or more obligations described in the third paragraph that the person performed after that date but had contracted before 12 June 2003.

Despite subparagraph 1 of subparagraph i of paragraph *f* of section 21.20.2 and subparagraphs ii and iv of that paragraph *f*, the number of shares of the capital stock of a corporation that the members of a group who are beneficiaries under a trust or the members of a group who are persons referred to in section 467 in respect of a trust referred to in that section are deemed to own because of the application of subparagraph *a* of the first paragraph to each of them, may not be greater than the number of shares of that capital stock that are owned, or deemed to be owned because of the application of that subparagraph *a*, by the trust.

An obligation to which subparagraph *f* of the first paragraph refers is an obligation whose performance puts the person who contracted it in the same position in relation to the control of a corporation as that in which the person would be if the person had acquired and exercised any of the rights referred to in paragraph *b* of section 20.

2006, c. 13, s. 27.

21.3.6. In determining, for the purposes of sections 21.3.2 and 21.3.3, the number of shares of the capital stock of a particular corporation owned by a significant shareholder, or a significant group of shareholders, of the particular corporation, subparagraph *a* of the first paragraph of section 21.3.5 applies, but with reference to the following rules:

(a) despite paragraph *d* of section 21.20.2,

i. a shareholder of another corporation is deemed to own all the shares of the capital stock of the particular corporation that are owned, or deemed to be owned because of the application of this section, by the other corporation, if the shares of the capital stock of the other corporation owned by the shareholder give the shareholder 50% or more of the votes that could be cast under all circumstances at the annual meeting of shareholders of the other corporation, and

ii. the presumption in subparagraph i applies to a particular group consisting of members of a significant group of shareholders of the particular corporation who are shareholders of another corporation, if the shares of the capital stock of the other corporation owned by the particular group give the particular group 50% or more of the votes that could be cast under all circumstances at the annual meeting of shareholders of the other corporation;

(b) a person who is a shareholder of more than one corporation, in this paragraph referred to as the "intermediary corporations", may not be deemed to own a number of shares of the capital stock of the particular corporation that are owned, or deemed to be owned because of the application of this section, by

another corporation of which the intermediary corporations are shareholders that is greater than the number of those shares that the person would be deemed to own if this section applied to each intermediary corporation without reference to the rule set out in subparagraph i of paragraph *a*; and

(c) if a significant group of shareholders of the particular corporation includes persons each of whom is deemed to own, because of the application of this section, shares of the capital stock of the particular corporation that are owned by another corporation, the total number of those shares that those persons are deemed to own may not be greater than the number of shares of that capital stock that the other corporation owns.

2006, c. 13, s. 27.

21.3.7. When sections 21.3.2 and 21.3.3 apply in respect of the control of a corporation for the purposes of subparagraph *e* of the first paragraph of section 771.13 and subparagraph *b* of the first paragraph of section 1029.8.36.0.22.1,

(a) sections 21.3.2 to 21.3.5 are to be read as if "11 June 2003" was replaced wherever it appears by "30 March 2004"; and

(b) section 21.3.4 and the first paragraph of section 21.3.5 are to be read as if "12 June 2003" was replaced wherever it appears by "31 March 2004".

2006, c. 13, s. 27; 2007, c. 12, s. 22.

21.4. Where, but for this section, a particular corporation would be regarded as being controlled, or controlled, directly or indirectly in any manner whatever, by a person or partnership at a particular time and it is established that the conditions set forth in the second paragraph are fulfilled, the particular corporation is deemed not to be controlled by that person or partnership at that particular time.

The conditions referred to in the first paragraph are:

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

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

1980, c. 13, s. 3; 1987, c. 67, s. 7; 1990, c. 59, s. 9; 1997, c. 3, s. 71; 2000, c. 5, s. 17.

21.4.0.1. A corporation that would be controlled by another corporation if that other corporation were not controlled by any person or group of persons, is controlled by the other corporation and by any person or group of persons by whom the other corporation is controlled.

2003, c. 2, s. 9.

21.4.0.2. A corporation that would be controlled by a group of persons, in this section referred to as the "first-tier group", if no corporation that is a member of the first-tier group were controlled by any person or group of persons, is controlled by

(a) the first-tier group; and

(b) any group of one or more persons comprised of, in respect of every member of the first-tier group, either the member, or a person or group of persons by whom the member is controlled.

2003, c. 2, s. 9.

21.4.0.3. For their application within the framework of the circumstances described in section 21.25, sections 21.4.0.1 and 21.4.0.2 shall be read as if the references to "controlled" were references to "controlled, directly or indirectly in any manner whatever,".

2003, c. 2, s. 9.

21.4.1. A taxpayer who, at a particular time, acquires a right referred to in paragraph *b* of section 20 in respect of a share of the capital stock of a corporation is deemed to be in the same position in relation to the control of the corporation as if the right were immediate and absolute and as if the taxpayer had exercised the right at the particular time, where it can reasonably be concluded that one of the main purposes of the acquisition of the right is

(a) to avoid any limitation on the deductibility of any net capital loss, non-capital loss or farm loss or any amount referred to in section 384 or sections 418.26 to 418.30;

(b) to avoid the application of Chapter IV.1, any of sections 21.0.6, 83.0.3, 93.4, 225, 308.1, 384.4, 384.5, 560.1.2, 736, 736.0.2, 736.0.3.1 and 737.18.9.2, subparagraph 2 of subparagraph i of subparagraph *b* of the second paragraph of section 771.8.5, any of subparagraphs *d* to *f* of the first paragraph of section 771.13, section 776.1.12 or 776.1.13, subparagraph iv of paragraph *b* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17, subparagraph *b* of the first paragraph of any of sections 1029.8.36.0.21.2, 1029.8.36.0.22.1 and 1029.8.36.0.25.2 or any of sections 1029.8.36.166.49, 1029.8.36.166.50, 1029.8.36.166.60.54, 1029.8.36.166.60.55, 1029.8.36.171.3, 1029.8.36.171.4 and 1137.8; or

(c) to affect the application of sections 485 to 485.18.

1982, c. 5, s. 6; 1984, c. 15, s. 6; 1985, c. 25, s. 19; 1989, c. 77, s. 6; 1996, c. 39, s. 17; 2000, c. 5, s. 18; 2004, c. 21, s. 41; 2005, c. 23, s. 32; 2007, c. 12, s. 23; 2009, c. 15, s. 30; 2017, c. 1, s. 77; 2019, c. 14, s. 59; 2021, c. 14, s. 19; 2021, c. 18, s. 14.

21.4.1.1. For the purposes of sections 21.2 to 21.3.1 and 21.4.1, the following rules apply:

(a) a corporation incorporated without share capital is deemed to have a capital stock of a single class of shares;

(b) each member, policyholder and other participant in the corporation is deemed to be a shareholder of the corporation; and

(c) the membership, policy or other interest in the corporation of each of those participants is deemed to be the number of shares of the corporation's capital stock that the Minister considers reasonable in the circumstances, having regard to the total number of participants in the corporation and the nature of their participation.

2000, c. 5, s. 19.

21.4.2. For the purposes of this Part, other than for the purpose of determining if a corporation is, at any time, a small business corporation or a Canadian-controlled private corporation, if control of a corporation is acquired by a person or group of persons at a particular time on a day, control of the corporation is deemed to have been acquired by the person or group of persons at the commencement of that day and not at the particular time unless the corporation makes a valid election under subsection 9 of section 256 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the acquisition of control.

Chapter V.2 applies in relation to an election made under subsection 9 of section 256 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1989, c. 77, s. 7; 1997, c. 3, s. 71; 2009, c. 5, s. 31; 2010, c. 5, s. 10.

CHAPTER V.0.1

ATTRIBUTE TRADING

2017, c. 1, s. 78.

21.4.2.1. In this chapter,

"attribute trading restriction" means any restriction on the use of a tax attribute arising on the application, either alone or in combination with other provisions, of any of this chapter, sections 6.2, 21.1 to 21.3.1, 83.0.3, 93.4, 222 to 230.0.0.6, 384.4 and 384.5, the first paragraph of section 418.26, sections 418.30, 427.4, 564.4, 564.4.1 and 727 to 737, paragraph *f* of section 772.13 and sections 1029.8.36.166.49, 1029.8.36.166.50, 1029.8.36.166.60.54, 1029.8.36.166.60.55, 1029.8.36.171.3 and 1029.8.36.171.4;

"person" includes a partnership;

"specified provision" means any of sections 83.0.3 and 93.4, paragraph *d* of section 225, section 384.4 or 384.5, the first paragraph of section 418.26, any of sections 418.30, 427.4, 736, 736.0.1, 736.0.1.1, 736.0.2 and 736.0.3.1, paragraph *f* of section 772.13, any of sections 1029.8.36.166.49, 1029.8.36.166.50, 1029.8.36.166.60.54, 1029.8.36.166.60.55, 1029.8.36.171.3 and 1029.8.36.171.4 and any other provision of similar effect.

2017, c. 1, s. 78; 2021, c. 14, s. 20.

21.4.2.2. The rules provided for in section 21.4.2.3 apply at a particular time in respect of a corporation in connection with attribute trading restrictions if

(a) shares of the capital stock of the corporation held by a person, or the total of all shares of the capital stock of the corporation held by members of a group of persons, as the case may be, have at the particular time a fair market value that exceeds 75% of the fair market value of all the shares of the capital stock of the corporation;

(b) shares of the capital stock of the corporation held by the person, or the total of all shares of the capital stock of the corporation held by members of the group of persons, have immediately before the particular time a fair market value that does not exceed 75% of the fair market value of all the shares of the capital stock of the corporation;

(c) the person or group of persons does not control the corporation at the particular time; and

(d) it is reasonable to conclude that one of the main reasons that the person or group of persons does not control the corporation is to avoid the application of one or more specified provisions.

2017, c. 1, s. 78.

21.4.2.3. The rules to which section 21.4.2.2 refers at a particular time in respect of a corporation are as follows:

(a) the person or group of persons referred to in section 21.4.2.2

i. is deemed to acquire control of the corporation, and each corporation controlled by the corporation, at the particular time, and

ii. is not deemed to have control of the corporation, and each corporation controlled by the corporation, at any time after the particular time solely because this paragraph applied at the particular time; and

(b) during the period that the condition in paragraph *a* of section 21.4.2.2 is satisfied, each corporation referred to in paragraph *a*—and any corporation incorporated subsequent to the particular time and controlled by that corporation—is deemed not to be related to, or affiliated with, any person to which it was related to, or affiliated with, immediately before paragraph *a* applies.

2017, c. 1, s. 78.

21.4.2.4. For the purpose of applying paragraph *a* of section 21.4.2.2 in respect of a person or group of persons, the following rules apply:

(a) if it is reasonable to conclude that one of the reasons that one or more transactions or events occur is to cause a person or group of persons not to hold shares having a fair market value that exceeds 75% of the fair market value of all the shares of the capital stock of a corporation, no account is to be taken of those transactions or events; and

(b) the person, or each member of the group of persons, is deemed to have exercised each right that is held by the person or a member of the group and that is referred to in paragraph *b* of section 20 in respect of a share of the corporation referred to in paragraph *a* of section 21.4.2.2.

2017, c. 1, s. 78.

21.4.2.5. For the purposes of sections 21.4.2.2 to 21.4.2.4, if the fair market value of the shares of the capital stock of a corporation is nil at a particular time, then for the purpose of determining the fair market value of those shares, the corporation is deemed, at that time, to have assets net of liabilities equal to $100,000 and to have $100,000 of income for the taxation year that includes that time.

2017, c. 1, s. 78.

21.4.2.6. If, at a particular time as part of a transaction or event or series of transactions or events, control of a particular corporation is acquired by a person or group of persons and it can reasonably be concluded that one of the main reasons for the acquisition of control is so that a specified provision does not apply to one or more corporations, the attribute trading restrictions are deemed to apply to each of those corporations as if control of each of those corporations were acquired at that time.

2017, c. 1, s. 78.

CHAPTER V.I

DIVIDEND DEEMED TO BE INTEREST

1990, c. 59, s. 10.

21.4.3. Where a dividend is received on a share in a taxation year and after 18 June 1987 from a corporation not resident in Canada, other than a corporation in which the recipient of the dividend had or would have, if the corporation were a taxable Canadian corporation, a substantial interest within the meaning of section 191 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), such dividend is deemed, for the purposes of paragraphs *c* and *l* of section 87 and sections 746 to 749 and section 772.2 to 772.13, to have been received in the year as interest and not as a dividend on a share of the capital stock of the payer corporation, if the dividend is a dividend in respect of which no deduction could have been made under section 738, 740 or 845 by reason of sections 740.2 to 740.3.1 or section 740.5 if the corporation that paid the dividend were a taxable Canadian corporation.

1990, c. 59, s. 10; 1995, c. 49, s. 13; 1995, c. 63, s. 14; 1997, c. 3, s. 71.

21.4.3.1. Section 21.4.3 does not apply in respect of a dividend to the extent that the dividend would be described in subparagraph ii of paragraph *j* of section 257 if the corporation not resident in Canada were not a foreign affiliate of the recipient of the dividend.

2019, c. 14, s. 60.

CHAPTER V.2

MAKING CERTAIN ELECTIONS

2009, c. 5, s. 32.

21.4.4. This chapter applies when a provision of this Act (in this chapter referred to as the "particular provision") refers to this chapter in relation to an election made under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or under this Act.

A person, legal representative or partnership that makes such an election is referred to as the "elector" in this chapter.

2009, c. 5, s. 32.

21.4.5. If an election, which should have been made on or before 19 December 2006 or which was made before 20 December 2006, is made or amended as a consequence of the application of subsection 5 or 5.1 of section 93 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) or of subsection 3.2 of section 220 of that Act, the date on which the election was made, which is to be taken into account for the purposes of sections 21.4.6, 21.4.9 and 21.4.10 and of the particular provision, is, despite the presumption provided for in that respect in that subsection 5 or 5.1 or in paragraph *a* of subsection 3.3 of that section 220, the date on which the election is actually made or amended.

If, in relation to any subject (in this paragraph referred to as the "subject of an election made for federal purposes"), an election is rescinded after 19 December 2006 in circumstances where section 7.19.1 applies and a particular valid election has been made before 20 December 2006 under the particular provision in relation to the subject of an election made for federal purposes, the particular valid election is deemed never to have been made.

2009, c. 5, s. 32; 2010, c. 25, s. 7.

21.4.6. If, after 19 December 2006, an elector makes a valid election under the provision of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) to which the particular provision refers, the elector or, if the elector is a partnership, any member of the partnership shall, on or before the date provided for in the second paragraph, notify the Minister in writing of the election and attach to the notice a copy of every document sent to the Minister of National Revenue in connection with the election.

The date to which the first paragraph refers is the date of the 30th day following that on which the election is made or, if it is later, the filing-due date of the person in respect of whom the election is made or, where the election is made in respect of a partnership, of the member of the partnership for the taxation year for which the election has to be sent to the Minister of National Revenue.

This section does not apply if the person in respect of whom the election is made or, where the election is made in respect of a partnership, each of its members was not subject to tax under this Part for the taxation year for which the election had to be sent to the Minister of National Revenue.

2009, c. 5, s. 32; 2012, c. 8, s. 37.

21.4.6.1. If, after 19 December 2006, an elector makes a valid election under the provision of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) to which the particular provision refers, other than an election described in the second paragraph, the person in respect of whom the election is made or, where the election

is made in respect of a partnership, each of its members was not subject to tax under this Part for the taxation year for which the election had to be sent to the Minister of National Revenue and, for the purposes of the Income Tax Act, the election is in force for a subsequent taxation year (in this section referred to as the "tax liability year") for which the person in respect of whom the election is made or, where the election is made in respect of a partnership, any of its members becomes subject to tax under this Part, the elector or any member of the partnership shall, on or before the date provided for in the third paragraph, notify the Minister in writing of the election and attach to the notice a copy of every document sent to the Minister of National Revenue in connection with the election.

An election to which the first paragraph refers is an election that is made for the purpose of computing, for a taxation year, the income or taxable income of a taxpayer for the purposes of the Income Tax Act and that relates to a deduction in that computation or to the determination of the cost, capital cost or cost amount of a property of the taxpayer, to which section 31 or 694 applies for the purpose of determining, for the tax liability year or a subsequent taxation year, the taxpayer's income or taxable income for the purposes of this Part.

The date to which the first paragraph refers is the filing-due date, for the tax liability year, of the person in respect of whom the election is made or, where the election is made in respect of a partnership, of the member of the partnership who first becomes subject to tax under this Part for the tax liability year.

2012, c. 8, s. 38.

21.4.7. In the event of non-compliance with a requirement of section 21.4.6 or 21.4.6.1, the elector incurs a penalty of $25 a day for every day the omission continues, up to $2,500.

2009, c. 5, s. 32; 2012, c. 8, s. 39.

21.4.8. If, in relation to any subject (in this section referred to as the "subject of an election made for federal purposes") and as a consequence of the application of subsection 3.2 of section 220 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the period within which an elector may make the election under section 21.4.6 has been extended or an election made by the elector under the provision of that Act to which the particular provision refers is amended or rescinded after 19 December 2006, the following rules apply:

(a) the elector shall notify the Minister in writing and attach to the notice a copy of every document sent to the Minister of National Revenue for that purpose;

(b) the elector incurs a penalty equal to $100 for each complete month included in the period beginning on the day on or before which the election or the amended or rescinded election was required to have been made and ending on the day on which the notice referred to in paragraph *a* is sent to the Minister, up to $5,000; and

(c) if a particular valid election has been made before 20 December 2006 under the particular provision in relation to the subject of an election made for federal purposes,

i. in the case of the election made or amended,

(1) the particular provision is to apply in respect of the subject of an election made for federal purposes, as the particular provision reads on 20 December 2006 and not as it read before that date, and

(2) the particular valid election is deemed never to have been made, and

ii. in the case of the rescinded election, the particular valid election is deemed never to have been made.

2009, c. 5, s. 32.

21.4.9. Subject to sections 21.4.5, 21.4.8 and 21.4.11, if, in relation to any subject (in this section referred to as the "subject of an election made for Québec purposes"), an elector made a particular valid election under

the particular provision before 20 December 2006, the particular provision must apply in respect of the subject of an election made for Québec purposes, as the particular provision read before that date, unless, after 19 December 2006, the elector makes, in relation to the subject of an election made for Québec purposes, a valid election under the provision of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) to which the particular provision refers, in which case the following rules apply:

(a) the particular provision must apply in respect of the subject of an election made for Québec purposes, as the particular provision reads on 20 December 2006 and not as it read before that date; and

(b) the particular valid election is deemed never to have been made.

2009, c. 5, s. 32.

21.4.10. If, before 20 December 2006 and in relation to any subject (in this section referred to as the "subject of an election made for federal purposes"), an elector made a particular valid election under the provision of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) to which the particular provision refers and did not rescind it after 19 December 2006 as a consequence of the application of subsection 3.2 of section 220 of that Act, and the elector has not made a valid election under the particular provision, the following rules apply:

(a) if the applicable period within which to make the election under the particular provision in relation to the subject of an election made for federal purposes, as the particular provision read before 20 December 2006, would have ended after 19 December 2006, the particular provision must, if the elector so decides on or before the time at which the period should have ended, apply in respect of the subject of an election made for federal purposes as if the particular valid election had been made on 20 December 2006, and, for that purpose, section 603 applies, with the necessary modifications, in respect of that decision if the particular provision was referred to in section 603, as that section read on 19 December 2006;

(b) if subsection 3.2 of section 220 of the Income Tax Act applies, in relation to the subject of an election made for federal purposes, to the provision of that Act to which the particular provision refers and if section 21.4.8 does not apply,

i. the Minister may allow that the particular provision apply in respect of the subject of an election made for federal purposes as if the particular valid election had been made on 20 December 2006, if

(1) the applicable period within which to make the election under the particular provision in relation to the subject of an election made for federal purposes, as the particular provision read before 20 December 2006, would have ended on or before a particular day of any of the elector's taxation years or fiscal periods, as the case may be, and

(2) the elector files an application with the Minister in that respect on or before the day that is 10 calendar years after the end of the taxation year or fiscal period, and, for that purpose, section 603 applies, with the necessary modifications, in respect of that application if the particular provision was referred to in section 603, as that section read on 19 December 2006, and

ii. if the Minister grants the application filed under subparagraph i, the elector incurs a penalty equal to $100 for each complete month included in the period beginning on the day on or before which the particular valid election was required to have been made and ending on the day on which the application is filed with the Minister, up to $5,000; and

(c) if the particular provision is any of sections 85.5, 194, 215, 250.1, 312.3, 462.16, 688.1.1, 853 and 985.3 and, before 20 December 2006, in the case of sections 85.5, 194 and 215, the elector has not made a valid election under the provision of the Income Tax Act to which section 85.6, 195 or 216, as the case may be, refers in relation to the particular valid election, or, in the case of section 985.3, the Minister of National Revenue has not revoked the particular valid election, the elector may, with the consent of the Minister and on the conditions determined by the Minister, apply the particular provision, for or from a particular taxation year or particular day or from a particular date, as the case may be, as if the particular valid election was a valid

election made after 19 December 2006 in that respect, for or from the particular taxation year or particular day or from the particular date, as the case may be, under the provision of the Income Tax Act to which the particular provision refers.

2009, c. 5, s. 32.

21.4.11. If an elector made a particular valid election under the particular provision before 20 December 2006 in relation to any subject (in this section referred to as the "subject of an election made for Québec purposes"), the following rules apply:

(a) if subsection 3.2 of section 220 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) applies, in relation to the subject of an election made for Québec purposes, to the provision of that Act (in this subparagraph referred to as the "corresponding provision") to which the particular provision refers, if section 21.4.8 does not apply and if the elector made, in relation to the subject of an election made for Québec purposes, a valid election under the corresponding provision before 20 December 2006 that has not been rescinded before that date as a consequence of the application of that subsection 3.2, or the elector did not make such an election or made such an election that was thus rescinded before that date,

i. the Minister may allow that the particular provision, as it reads on 20 December 2006 and not as it read before that date, apply in respect of the subject of an election made for Québec purposes as if the election made for the purposes of the Income Tax Act that was not rescinded had been made on 20 December 2006, or that the particular valid election be revoked in any other case, if

(1) the period within which, in relation to the subject of an election made for Québec purposes, the election under the particular provision was to be made, as the particular provision read before 20 December 2006, would have ended on or before a particular day of any of the elector's taxation years or fiscal periods, as the case may be, and

(2) the elector files an application with the Minister in that respect on or before the day that is 10 calendar years after the end of the taxation year or fiscal period, and, for that purpose, section 603 applies, with the necessary modifications, in respect of that application if the particular provision was referred to in section 603, as that section read on 19 December 2006, and

ii. if the Minister grants the application filed under subparagraph i,

(1) the elector incurs a penalty equal to $100 for each complete month included in the period beginning on the day on or before which the election under the corresponding provision in relation to the subject of an election made for Québec purposes was required to have been made and ending on the day on which the application is filed, up to $5,000, and

(2) the particular valid election is deemed never to have been made;

(b) if the particular provision is any of sections 85.5, 194, 215 and 985.3 and the conditions set out in the second paragraph are met before 20 December 2006, the elector may, with the consent of the Minister and on the conditions determined by the Minister, apply the particular provision, for a particular taxation year or from a particular date, as if the valid election referred to in subparagraph *b* of the second paragraph was a valid election made after 19 December 2006 in that respect, for the particular taxation year or from the particular date, under the provision of the Income Tax Act to which the particular provision refers;

(c) if the particular provision is any of sections 85.5, 194, 215, 284 and 985.3 and the conditions set out in the third paragraph are met before 20 December 2006,

i. in the case of sections 85.5, 194, 215 and 284, the elector may, with the consent of the Minister and on the conditions determined by the Minister, apply section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, for a particular taxation year, as if the valid election referred to in subparagraph *c* of the third paragraph was a valid election made in that respect after 19 December 2006, for the particular

taxation year, under the provision of the Income Tax Act to which section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, refers, and

ii. in the case of section 985.3, the Minister may revoke the particular valid election from the particular date referred to in subparagraph *c* of the third paragraph; and

(d) if the particular provision is any of sections 85.5, 194, 215, 284 and 985.3 and the conditions set out in the fourth paragraph are met before 20 December 2006,

i. in the case of sections 85.5, 194, 215 and 284, the elector may, with the consent of the Minister and on the conditions determined by the Minister, apply section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, for a particular taxation year, as if a valid election had been made in that respect after 19 December 2006, for the particular taxation year, under the provision of the Income Tax Act to which section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, refers, and

ii. in the case of section 985.3, the Minister may revoke the particular valid election from the date the Minister determines.

The conditions to which subparagraph *b* of the first paragraph refers are as follows:

(a) in the case of sections 85.5, 194 and 215, the elector has made a valid election under section 85.6, 195 or 216, as the case may be, in relation to the particular valid election, or, in the case of section 985.3, the Minister has revoked the particular valid election;

(b) the elector has made a valid election, in relation to the subject of an election made for Québec purposes, under the provision of the Income Tax Act to which the particular provision refers; and

(c) in the case of sections 85.5, 194 and 215, the elector has not made a valid election under the provision of the Income Tax Act to which section 85.6, 195 or 216, as the case may be, refers in relation to the valid election referred to in subparagraph *b*, or, in the case of section 985.3, the Minister of National Revenue has not revoked the valid election referred to in subparagraph *b*.

The conditions to which subparagraph *c* of the first paragraph refers are as follows:

(a) in the case of sections 85.5, 194, 215 and 284, the elector has not made a valid election under section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, in relation to the particular valid election, or, in the case of section 985.3, the Minister has not revoked the particular valid election;

(b) the elector has made a valid election, in relation to the subject of an election made for Québec purposes, under the provision of the Income Tax Act to which section 85.5, 194 or 215 or the first paragraph of section 284, as the case may be, refers; and

(c) in the case of sections 85.5, 194, 215 and 284, the elector has made a valid election under the provision of the Income Tax Act to which section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, refers in relation to the valid election referred to in subparagraph *b*, or, in the case of section 985.3, the Minister of National Revenue has revoked the valid election referred to in subparagraph *b* from a particular date.

The conditions to which subparagraph *d* of the first paragraph refers are as follows:

(a) in the case of sections 85.5, 194, 215 and 284, the elector has not made a valid election under section 85.6, 195 or 216 or the second paragraph of section 284, as the case may be, in relation to the particular valid election, or, in the case of section 985.3, the Minister has not revoked the particular valid election; and

(b) the elector has not made a valid election, in relation to the subject of an election made for Québec purposes, under the provision of the Income Tax Act to which section 85.5, 194 or 215 or the first paragraph of section 284, as the case may be, refers.

2009, c. 5, s. 32.

21.4.12. The Minister may determine any penalty payable by a partnership under this chapter and send the partnership a notice of assessment in that respect.

2009, c. 5, s. 32.

21.4.13. The total amount of the penalties incurred by the elector under this chapter in relation to a particular election may not exceed the greatest penalty that would otherwise have been incurred in respect of that election under any of the provisions of this chapter.

2009, c. 5, s. 32.

21.4.14. Under this Part and despite sections 1010 to 1011, the Minister shall make such assessments of tax, interest and penalties as are necessary for any taxation year to take into account any election, any amended, rescinded or revoked election or any election deemed never to have been made, and any application of the particular provision, referred to in any of sections 21.4.5, 21.4.8 and 21.4.9, in paragraph *b* of section 21.4.10 or in subparagraph *a* of the first paragraph of section 21.4.11.

2009, c. 5, s. 32.

21.4.15. If any given provision of this Act refers to this chapter in relation to an operation that consists in the rescinding or revocation of an election, or in an agreement or arrangement, an application, an attribution, a designation, a determination, a distribution or a specification relating to a property, an amount or anything else, this chapter is to be interpreted as if the operation consisted in an election made under the given provision or under the provision of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) to which the given provision refers.

2009, c. 5, s. 32.

CHAPTER V.3

USE OF THE CANADIAN CURRENCY OR OF A FUNCTIONAL CURRENCY

2010, c. 5, s. 11.

21.4.16. In this chapter,

"Canadian currency year" of a taxpayer means a taxation year that precedes the first functional currency year of the taxpayer;

"elected functional currency" of a taxpayer means the currency of a country other than Canada that is the elected functional currency of the taxpayer, within the meaning of subsection 1 of section 261 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), for the purposes of that section;

"functional currency year" of a taxpayer means a taxation year in respect of which the rules set out in section 21.4.19 apply to the taxpayer;

"pre-reversion debt" of a taxpayer means a debt obligation of the taxpayer that was issued by the taxpayer before the beginning of the taxpayer's first reversionary year;

"pre-transition debt" of a taxpayer means a debt obligation of the taxpayer that was issued by the taxpayer before the beginning of the taxpayer's first functional currency year;

"Québec tax results" of a taxpayer for a taxation year means

(a) the amount of the income, taxable income or taxable income earned in Canada of the taxpayer for the taxation year, or any other amount used as a basis for computing an amount that the taxpayer is required to

pay for the taxation year under this Act, other than under Part III.7 or III.7.0.1 (except for the purposes of section 21.4.17);

(b) the amount (other than an amount payable on behalf of another person under section 1015 or, except for the purposes of section 21.4.17, other than an amount payable under Part III.7 or III.7.0.1) of tax or any other amount payable under this Act by the taxpayer in respect of the taxation year;

(c) the amount (other than an amount refundable on behalf of another person in respect of amounts payable on behalf of that person under section 1015) of tax or any other amount refundable under this Act to the taxpayer in respect of the taxation year; and

(d) any amount (including an amount provided for in Chapter V of the Act respecting international financial centres (chapter C-8.3)) that is relevant in computing the amounts described in respect of the taxpayer in paragraphs *a* to *c*;

"relevant spot rate" for a particular day means, in respect of a conversion of an amount from a particular currency to another currency,

(a) if the particular currency or the other currency is Canadian currency, the rate quoted by the Bank of Canada on the particular day (or, if the Bank of Canada ordinarily quotes such a rate, but there is no such rate quoted for the particular day, the closest preceding day for which such a rate is quoted) for the exchange of the particular currency for the other currency, or, for the purposes of paragraph *b* of section 21.4.17 and paragraph *c* of section 21.4.19, any other rate of exchange that is acceptable to the Minister; and

(b) if neither the particular currency nor the other currency is Canadian currency, the rate—calculated by reference to the rates quoted by the Bank of Canada on the particular day (or, if the Bank of Canada ordinarily quotes such rates, but either of such rates is not quoted for the particular day, the closest preceding day for which both such rates are quoted)—for the exchange of the particular currency for the other currency, or, for the purposes of paragraph *b* of section 21.4.17 and paragraph *c* of section 21.4.19, any other rate of exchange that is acceptable to the Minister;

"reversionary year" of a taxpayer means a taxation year that begins after the last functional currency year of the taxpayer;

"tax reporting currency" of a taxpayer for a taxation year, and at any time in the taxation year, means the currency in which the taxpayer's Québec tax results for the taxation year are to be computed.

2010, c. 5, s. 11; 2017, c. 1, s. 79; 2021, c. 14, s. 21.

21.4.17. The following rules apply in computing the Québec tax results of a taxpayer for a taxation year:

(a) subject to this chapter, other than this section, Canadian currency is to be used; and

(b) subject to this chapter, other than this section, sections 167.1.1 and 484.6, subparagraph *l* of the first paragraph of section 485.3 and paragraph *b* of section 851.22.39, if a particular amount that is relevant in computing those Québec tax results is expressed in a currency other than Canadian currency, the particular amount is to be converted to an amount expressed in Canadian currency using the relevant spot rate for the day on which the particular amount arose.

2010, c. 5, s. 11; 2011, c. 34, s. 13; 2019, c. 14, s. 61.

21.4.18. The rules set out in section 21.4.19 apply to a taxpayer in respect of a particular taxation year if, because of subsection 3 of section 261 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), subsection 5 of section 261 of that Act applies to the taxpayer in respect of the particular taxation year for the purposes of that Act.

Chapter V.2 applies in relation to an election made under paragraph *b* of subsection 3 of section 261 of the Income Tax Act and, if applicable, in relation to the revocation of that election made under subsection 4 of section 261 of that Act.

2010, c. 5, s. 11.

21.4.19. The rules to which the first paragraph of section 21.4.18 refers and that apply to a taxpayer in respect of a particular taxation year are the following:

(a) the taxpayer's elected functional currency is to be used for the purpose of computing the taxpayer's Québec tax results for the particular taxation year;

(b) unless the context otherwise requires, each reference in this Act or the regulations made under it to an amount (other than in respect of a penalty or fine) that is described as a particular number of Canadian dollars is, in respect of the taxpayer and the particular taxation year, to be read as a reference to that amount expressed in the taxpayer's elected functional currency using the relevant spot rate for the first day of the particular taxation year;

(c) subject to paragraph *b* of section 21.4.24, sections 21.4.30, 167.1.1 and 484.6, subparagraph *l* of the first paragraph of section 485.3 and paragraph *b* of section 851.22.39, if a particular amount that is relevant in computing the taxpayer's Québec tax results for the particular taxation year is expressed in a currency other than the taxpayer's elected functional currency, the particular amount is to be converted to an amount expressed in the taxpayer's elected functional currency using the relevant spot rate for the day on which the particular amount arose;

(d) the definition of "exchange rate" in section 736.0.0.2 is, in respect of the taxpayer and the particular taxation year, and with the necessary modifications, to be read as follows:

""exchange rate" at a particular time in respect of a particular currency other than the taxpayer's elected functional currency means the relevant spot rate, for the day that includes that time, in respect of the conversion of an amount from the particular currency to the taxpayer's elected functional currency, or a rate of exchange acceptable to the Minister;";

(e) section 262 is, in respect of the taxpayer and the particular taxation year, and with the necessary modifications, to be read as if "one or more foreign currencies relative to Canadian currency" in the portion before paragraph *a* were replaced by "one or more currencies (other than the taxpayer's elected functional currency) relative to the taxpayer's elected functional currency" and as if "Canadian currency" in paragraphs *a* and *b* were replaced by "the taxpayer's elected functional currency";

(f) a reference to "Canadian currency" wherever it appears in the following provisions is, in respect of the taxpayer and the particular taxation year, and with the necessary modifications, to be read as a reference to the "taxpayer's elected functional currency":

i. paragraph *c*.1 of section 21.26,

ii. paragraph *a*.1 of section 21.27,

iii. sections 167.1.1, 474, 483.2, 483.3 and 484.6,

iv. subparagraph l of the first paragraph of section 485.3,

v. section 485.28,

v.1. sections 591 to 591.3,

vi. paragraph *f* of the definition of "tax basis" in section 851.22.7,

vii. paragraph *g* of section 851.22.8,

viii. the portion of subparagraph i of paragraph *b* of section 851.22.39 before subparagraph 1,

ix. subparagraph 2 of subparagraph i of paragraph *b* of section 851.22.39,

x. subparagraph ii of paragraph *b* of section 851.22.39, and

xi. subparagraph iv of subparagraph *a* of the second paragraph of section 1079.1R3 of the Regulation respecting the Taxation Act (chapter I-3, r. 1);

(g) the definition "foreign currency" in section 1 is, in respect of the taxpayer and the particular taxation year, and with the necessary modifications, to be read as follows:

""foreign currency" in respect of a taxpayer, at any time in a taxation year, means a currency other than the taxpayer's elected functional currency;";

(h) this chapter applies, with the necessary modifications, for the purposes of Book II of Part VI in respect of the taxpayer in relation to a particular month, if the particular month is included in the particular taxation year; and

(i) this chapter applies, with the necessary modifications, for the purposes of Part VI.4 in respect of the taxpayer in relation to a particular calendar year, if the last fiscal period of the taxpayer, for the purposes of Part VI.4, that ends in the preceding calendar year is a fiscal period that ends in the particular taxation year or the end of which coincides with the end of that particular taxation year.

2010, c. 5, s. 11; 2011, c. 34, s. 14; 2019, c. 14, s. 62.

21.4.20. For the purpose of computing the Québec tax results of a particular taxpayer for each taxation year that is a functional currency year or a reversionary year of the particular taxpayer, this chapter is to be applied as if each partnership of which the particular taxpayer is a member in the taxation year were a taxpayer that

(a) had as its first functional currency year its first fiscal period that

i. is a fiscal period during which the particular taxpayer is a member of the partnership,

ii. begins after 13 December 2007, and

iii. begins on or after the first day of the particular taxpayer's first functional currency year;

(b) had as its last Canadian currency year its last fiscal period that ends before its first functional currency year;

(c) had as its first reversionary year its first fiscal period that begins after the particular taxpayer's last functional currency year;

(d) is a taxpayer to which section 21.4.19 applies in respect of each of its fiscal periods that is, or begins after, its first functional currency year and that ends before its first reversionary year;

(e) had as its elected functional currency in respect of each fiscal period described in paragraph *d* the elected functional currency of the particular taxpayer; and

(f) had as its last functional currency year its last fiscal period that ends before its first reversionary year.

2010, c. 5, s. 11; 2019, c. 14, s. 63.

21.4.21. For the purpose of computing a taxpayer's income for a particular taxation year that is a functional currency year or a reversionary year of the taxpayer, foreign accrual property income of a foreign affiliate of the taxpayer, in respect of the taxpayer for the particular taxation year, is to be determined in accordance with the regulations made under section 579 after taking into account the application of subsection

6.1 of section 261 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the taxpayer for the particular taxation year.

2010, c. 5, s. 11.

21.4.22. For the purpose of applying this Act to a taxpayer for a functional currency year of the taxpayer (in this section referred to as the "particular taxation year"), the following amounts are to be converted from Canadian currency to the taxpayer's elected functional currency using the relevant spot rate for the last day of the taxpayer's last Canadian currency year:

(a) each amount that

i. is, or is relevant in computing, an amount that may be deducted or is deemed to have been paid to the Minister for the particular taxation year under any of sections 222 to 225, 371, 710, 727 to 737, 772.12, 776.1.9, 1029.8.36.166.46, 1029.8.36.166.60.51, 1029.8.36.171.1 and 1135.2, and

ii. was determined for a Canadian currency year of the taxpayer;

(b) the cost to the taxpayer of a property that was acquired by the taxpayer in a Canadian currency year of the taxpayer;

(c) any amount that was required by section 255 or 257 to be added or deducted in computing, at any time in a Canadian currency year of the taxpayer, the adjusted cost base to the taxpayer of a capital property that was acquired by the taxpayer in such a year;

(d) any amount that

i. is in respect of the taxpayer's undepreciated capital cost of depreciable property of a prescribed class, the taxpayer's cumulative Canadian exploration expenses within the meaning of section 398, the taxpayer's cumulative Canadian development expenses within the meaning of section 411, the taxpayer's cumulative foreign resource expense, in relation to a country other than Canada, within the meaning of section 418.1.3, or the taxpayer's cumulative Canadian oil and gas property expense within the meaning of section 418.5 (each of which is in this paragraph referred to as a "pool amount"), and

ii. was added to or deducted in computing a pool amount of the taxpayer in respect of a Canadian currency year of the taxpayer;

(e) any amount that has been deducted or claimed as a reserve in computing the income of the taxpayer for the taxpayer's last Canadian currency year;

(f) any outlay or expense referred to in section 175.1 or 230.0.0.6 that was made or incurred by the taxpayer in respect of a Canadian currency year of the taxpayer, and any amount that was deducted in respect of the outlay or expense in computing the income of the taxpayer for such a year; and

(g) any other amount (other than an amount referred to in any of sections 21.4.20, 21.4.21 and 21.4.23) determined under the provisions of this Act for or in respect of a Canadian currency year of the taxpayer that is relevant in computing the Québec tax results of the taxpayer for the particular taxation year.

2010, c. 5, s. 11; 2019, c. 14, s. 64; 2021, c. 14, s. 22.

21.4.23. In computing, in a functional currency year of a taxpayer, the amount for which a pre-transition debt of the taxpayer (other than a pre-transition debt denominated in the taxpayer's elected functional currency) was issued and its principal amount at the beginning of the taxpayer's first functional currency year, those amounts are to be converted from the pre-transition debt currency to the taxpayer's elected functional currency using the relevant spot rate for the last day of the taxpayer's last Canadian currency year.

2010, c. 5, s. 11.

21.4.24. A pre-transition debt of a taxpayer that is denominated in a currency other than the taxpayer's elected functional currency is deemed to have been issued immediately before the taxpayer's first functional currency year for the purpose of

(a) computing the amount of the taxpayer's income, gain or loss, for a functional currency year of the taxpayer (other than an amount that section 21.4.25 deems to arise), that is attributable to a fluctuation in the value of a currency; and

(b) applying subparagraph l of the first paragraph of section 485.3 in respect of a functional currency year of the taxpayer.

2010, c. 5, s. 11.

21.4.25. If a taxpayer has, in a taxation year that is a functional currency year or a reversionary year of the taxpayer, made a particular payment on account of the principal amount of a pre-transition debt of the taxpayer, the following rules apply:

(a) if the taxpayer would have made a gain—or, if the pre-transition debt was not on account of capital, would have had income—(in the second paragraph referred to as the "hypothetical gain or income") attributable to a fluctuation in the value of a currency if the pre-transition debt had been settled by the taxpayer's having paid, immediately before the end of the taxpayer's last Canadian currency year, an amount equal to the principal amount (expressed in the currency in which the pre-transition debt is denominated, which currency is in this section referred to as the "debt currency") at that time, the taxpayer is deemed to make a gain or to have income, as the case may be, for the taxation year equal to the amount determined by the formula

A × B / C; and

(b) if the taxpayer would have sustained a loss—or, if the pre-transition debt was not on account of capital, would have had a loss—(in this subparagraph referred to as the "hypothetical loss") attributable to a fluctuation in the value of a currency if the pre-transition debt had been settled by the taxpayer's having paid, immediately before the end of the taxpayer's last Canadian currency year, an amount equal to the principal amount (expressed in the debt currency) at that time, the taxpayer is deemed to sustain or to have a loss in respect of the particular payment for the taxation year equal to the amount that would be determined by the formula in subparagraph *a* if the reference to "hypothetical gain or income" in subparagraph i of subparagraph *a* of the second paragraph were read as a reference to "hypothetical loss".

In the formula in subparagraph *a* of the first paragraph,

(a) A is

i. if the taxation year is a functional currency year of the taxpayer, the amount of the hypothetical gain or income converted to the taxpayer's elected functional currency using the relevant spot rate for the last day of the taxpayer's last Canadian currency year, and

ii. if the taxation year is a reversionary year of the taxpayer, the amount determined under subparagraph i converted to Canadian currency using the relevant spot rate for the last day of the taxpayer's last functional currency year;

(b) B is the amount of the particular payment (expressed in the debt currency); and

(c) C is the principal amount of the pre-transition debt at the beginning of the taxpayer's first functional currency year (expressed in the debt currency).

2010, c. 5, s. 11.

21.4.25.1. For the purpose of determining a taxpayer's gain under section 21.4.25, if at a particular time a pre-transition debt of the taxpayer (in this section referred to as the "debtor") that is denominated in a currency other than Canadian currency becomes a parked obligation (within the meaning assigned by section 262.0.0.2), the debtor is deemed to have made, at that time, a particular payment on account of the principal amount of the debt equal to

(a) if the debt has become a parked obligation at that particular time as a result of its acquisition by the holder of the debt, the portion of the amount paid by the holder to acquire the debt that can reasonably be considered to relate to the principal amount of the debt at the particular time; and

(b) in any other case, the portion of the fair market value of the debt that can reasonably be considered to relate to the principal amount of the debt at the particular time.

2019, c. 14, s. 65.

21.4.26. Despite sections 21.4.19 and 21.4.22, for the purposes of this Act and the Tax Administration Act (chapter A-6.002) in respect of a functional currency year (in this section referred to as the "particular taxation year") of a taxpayer, the following rules apply:

(a) for the purpose of computing the payments that the taxpayer is required to make in relation to the particular taxation year under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*:

i. each estimated amount described in subparagraph i of that subparagraph *a*, or in subparagraph 1 of subparagraph iii of that subparagraph *a*, that is payable by the taxpayer for the particular taxation year is to be determined by converting that amount, as determined in the taxpayer's elected functional currency, to Canadian currency using the relevant spot rate for the day on or before which the amount is required to be paid,

ii. the taxpayer's first basic provisional account referred to in subparagraph i of that subparagraph *a* for the particular taxation year is to be determined, if the particular taxation year is the taxpayer's first functional currency year, without reference to this chapter and, in any other case, as if the tax payable by the taxpayer for the taxpayer's functional currency year (in this paragraph referred to as the "first base year") preceding the particular taxation year were equal to the total of

(1) the aggregate of the payments that the taxpayer is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, as the case may be, determined in accordance with this subparagraph ii or with subparagraph i or iii, as the case may be, in respect of the first base year, and

(2) the remainder of the tax payable by the taxpayer under subparagraph *b* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *b*, as the case may be, determined in accordance with paragraph *b*, in respect of the first base year,

iii. the taxpayer's second basic provisional account described in subparagraph ii of that subparagraph *a* for the particular taxation year is to be determined, if the particular taxation year is the taxpayer's first functional currency year or the taxpayer's taxation year that follows the taxpayer's first functional currency year, without reference to this chapter and, in any other case, as if the tax payable by the taxpayer for the taxpayer's functional currency year (in this subparagraph referred to as the "second base year") preceding the first base year were equal to the total of

(1) the aggregate of the payments that the taxpayer is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, as the case may be, determined in accordance with this subparagraph iii or with subparagraph i or ii, as the case may be, in respect of the second base year, and

(2) the remainder of the tax payable by the taxpayer under subparagraph *b* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *b*, as the case may be, determined in accordance with paragraph *b*, in respect of the second base year, and

iv. those payments must correspond to the payments based on a method described in that subparagraph *a* that is referred to in the fourth paragraph of section 1038 in respect of the taxpayer in relation to the particular taxation year;

(b) the remainder of the tax payable by the taxpayer for the particular taxation year under subparagraph *b* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *b*, is equal to the amount obtained by converting to Canadian currency, using the relevant spot rate for the taxpayer's balance-due day for the particular taxation year, the amount by which the tax payable by the taxpayer under this Part or under any of Parts IV, IV.1, VI and VI.1, as the case may be, for the particular taxation year, expressed in the taxpayer's elected functional currency, exceeds the aggregate of all amounts each of which is the amount obtained by converting the amount of a payment that the taxpayer is required to make in relation to that Part in respect of the particular taxation year, determined under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, as the case may be, and with reference to any of subparagraphs i, ii and iii of subparagraph *a*, to the taxpayer's elected functional currency using the relevant spot rate for the day on or before which the payment is required to be made;

(c) for the purpose of computing an amount (other than tax) that is payable by the taxpayer for the particular taxation year under this Part or under any of Parts IV, IV.1, VI and VI.1, or under the Tax Administration Act in relation to an amount that is payable under any of those Parts, the tax payable by the taxpayer for the particular taxation year under that Part is deemed to be equal to the total of

i. the aggregate of the payments that the taxpayer is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, as the case may be, determined in accordance with any of subparagraphs i, ii and iii of subparagraph *a* in respect of the particular taxation year, and

ii. the remainder of the tax payable by the taxpayer under subparagraph *b* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *b*, as the case may be, determined in accordance with paragraph *b*, in respect of the particular taxation year;

(d) any amount of tax that is payable under this Act (otherwise than under this Part or under any of Parts IV, IV.1, VI and VI.1) by the taxpayer for the particular taxation year is, if applicable, to be determined by converting the amount, as determined in the taxpayer's elected functional currency, to Canadian currency using the relevant spot rate for the day on or before which the amount is required to be paid;

(e) in relation to any particular amount that is deemed under this Part to have been paid at a particular time on account of an amount payable by the taxpayer under this Act for the particular taxation year,

i. if, for the purpose of computing the payments that the taxpayer is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, a particular provision of this Part establishes the portion of the particular amount that the taxpayer is deemed to have paid to the Minister on account of the aggregate of the taxpayer's tax payable for the particular taxation year under this Part and the taxpayer's tax payable for the particular taxation year under Parts IV, IV.1, VI and VI.1, on the date on or before which each of those payments is required to be made,

(1) the first excess amount referred to in the computation, provided for in that particular provision, of the portion of the particular amount in relation to a particular date is to be determined with reference to the

particular amount as determined in the taxpayer's elected functional currency and by converting each portion of the particular amount, referred to in relation to an earlier date in the computation of that excess amount and as determined in Canadian currency, to the taxpayer's elected functional currency using the relevant spot rate for that earlier date, and is equal to the amount obtained by converting that excess amount so determined to Canadian currency using the relevant spot rate for the particular date, and

(2) the amount by which the particular amount, as determined in the taxpayer's elected functional currency, exceeds the aggregate of all amounts each of which is the amount obtained by converting the amount—determined, with reference to subparagraph 1, in Canadian currency under the particular provision in respect of the particular amount in relation to a particular date—to the taxpayer's elected functional currency using the relevant spot rate for the particular date, is to be converted to Canadian currency using the relevant spot rate for the day that includes the particular time, and

ii. if subparagraph i does not apply in respect of the particular amount, the particular amount, as determined in the taxpayer's elected functional currency, is to be converted to Canadian currency using the relevant spot rate for the day that includes the particular time;

(f) for the purpose of applying the second paragraph of section 1135.1 to the taxpayer in respect of the particular taxation year, the excess amount referred to in subparagraph i of subparagraph *b* of that second paragraph in relation to a particular date is to be determined with reference to the amount determined in accordance with the first paragraph of that section, as determined in the taxpayer's elected functional currency and by converting each portion of that amount, referred to in relation to an earlier date in the computation of that excess amount and as determined in Canadian currency, to the taxpayer's elected functional currency using the relevant spot rate for that earlier date, and is equal to the amount obtained by converting that excess amount so determined to Canadian currency using the relevant spot rate for the particular date;

(g) for the purposes of section 1.2.1 of the Tax Administration Act, the amount of the taxpayer's paid-up capital for the particular taxation year, as determined in the taxpayer's elected functional currency and in the manner provided for in that section, is to be converted to Canadian currency using the relevant spot rate for the last day of the particular taxation year;

(h) for the purposes of section 59.2.2 of the Tax Administration Act, the amount of an income referred to in the first paragraph of that section in relation to the particular taxation year, as determined in the taxpayer's elected functional currency, is to be converted to Canadian currency using the relevant spot rate for the taxpayer's balance-due day for the particular taxation year; and

(i) any amount payable by the taxpayer for the particular taxation year under this Act, or under the Tax Administration Act in relation to such an amount, is to be paid in Canadian currency.

2010, c. 5, s. 11; 2010, c. 31, s. 175.

21.4.27. For the purpose of applying this Act to a taxpayer's reversionary year, sections 21.4.22 and 21.4.23 are to be read as if

(a) "Canadian currency year" was replaced in the following provisions by "functional currency year":

i. the portion of section 21.4.22 before paragraph *a*,

ii. subparagraph ii of paragraph *a* of section 21.4.22,

iii. paragraphs *b* and *c* of section 21.4.22,

iv. subparagraph ii of paragraph *d* of section 21.4.22,

v. paragraphs *e* to *g* of section 21.4.22, and

vi. section 21.4.23;

(b) "functional currency year" was replaced wherever it appears in the following provisions by "reversionary year":

i. the portion of section 21.4.22 before paragraph *a*, and

ii. section 21.4.23;

(c) "pre-transition debt" was replaced wherever it appears in section 21.4.23 by "pre-reversion debt";

(d) "the taxpayer's elected functional currency" was replaced wherever it appears in the following provisions by "Canadian currency":

i. the portion of section 21.4.22 before paragraph *a*, and

ii. section 21.4.23; and

(e) "Canadian currency" in the portion of section 21.4.22 before paragraph *a* was replaced by "the taxpayer's elected functional currency".

2010, c. 5, s. 11.

21.4.28. A pre-reversion debt of a taxpayer that is denominated in a currency other than Canadian currency is deemed to have been issued immediately before the taxpayer's first reversionary year for the purpose of

(a) computing the amount of the taxpayer's income, gain or loss, for a reversionary year of the taxpayer (other than an amount that section 21.4.29 deems to arise), that is attributable to a fluctuation in the value of a currency; and

(b) applying subparagraph l of the first paragraph of section 485.3 in respect of a reversionary year of the taxpayer.

2010, c. 5, s. 11.

21.4.29. If a taxpayer has, in a reversionary year of the taxpayer, made a particular payment on account of the principal amount of a pre-reversion debt of the taxpayer, the following rules apply:

(a) if the taxpayer would have made a gain—or, if the pre-reversion debt was not on account of capital, would have had income—(in the second paragraph referred to as the "hypothetical gain or income") attributable to a fluctuation in the value of a currency if the pre-reversion debt had been settled by the taxpayer's having paid, immediately before the end of the taxpayer's last functional currency year, an amount equal to the principal amount (expressed in the currency in which the pre-reversion debt is denominated, which currency is in this section referred to as the "debt currency") at that time, the taxpayer is deemed to make a gain or to have income, as the case may be, for the reversionary year equal to the amount determined by the formula

$A \times B/C$; and

(b) if the taxpayer would have sustained a loss—or, if the pre-reversion debt was not on account of capital, would have had a loss—(in this subparagraph referred to as the "hypothetical loss") attributable to a fluctuation in the value of a currency if the pre-reversion debt had been settled by the taxpayer's having paid, immediately before the end of the taxpayer's last functional currency year, an amount equal to the principal amount (expressed in the debt currency) at that time, the taxpayer is deemed to sustain or to have a loss in respect of the particular payment for the reversionary year equal to the amount that would be determined by

the formula in subparagraph *a* if the reference to "hypothetical gain or income" in subparagraph *a* of the second paragraph were read as a reference to "hypothetical loss".

In the formula in subparagraph *a* of the first paragraph,

(a) A is the amount of the hypothetical gain or income converted to Canadian currency using the relevant spot rate for the last day of the taxpayer's last functional currency year;

(b) B is the amount of the particular payment (expressed in the debt currency); and

(c) C is the principal amount of the pre-reversion debt at the beginning of the taxpayer's first reversionary year (expressed in the debt currency).

2010, c. 5, s. 11.

21.4.29.1. For the purpose of determining a taxpayer's gain under section 21.4.29, if at a particular time a pre-reversion debt of the taxpayer (in this section referred to as the "debtor") that is denominated in a currency other than the taxpayer's functional currency becomes a parked obligation (within the meaning assigned by section 262.0.0.2), the debtor is deemed to have made, at that time, a particular payment on account of the principal amount of the debt equal to

(a) if the debt has become a parked obligation at that particular time as a result of its acquisition by the holder of the debt, the portion of the amount paid by the holder to acquire the debt that can reasonably be considered to relate to the principal amount of the debt at the particular time; and

(b) in any other case, the portion of the fair market value of the debt that can reasonably be considered to relate to the principal amount of the debt at the particular time.

2019, c. 14, s. 66.

21.4.30. For the purpose of computing the amount that may be deducted, or that is deemed to have been paid to the Minister, by a taxpayer, in respect of a particular amount that arises in a subsequent taxation year, under any of sections 727 to 737, 772.12, 776.1.9, 1029.8.36.166.47, 1029.8.36.166.60.52 and 1029.8.36.171.2 in computing the taxpayer's Québec tax results for a particular taxation year, the following rules apply:

(a) if the subsequent taxation year is a functional currency year of the taxpayer and the particular taxation year is a Canadian currency year of the taxpayer, the following amounts (expressed in the taxpayer's elected functional currency) are to be converted to Canadian currency using the relevant spot rate for the last day of the taxpayer's last Canadian currency year:

i. the particular amount, and

ii. any amount so deducted, or so deemed to have been paid to the Minister, in computing the taxpayer's Québec tax results for another functional currency year of the taxpayer;

(b) if the subsequent taxation year is a reversionary year of the taxpayer and the particular taxation year is a functional currency year of the taxpayer,

i. the following amounts (expressed in Canadian currency) are to be converted to the taxpayer's elected functional currency using the relevant spot rate for the last day of the taxpayer's last functional currency year:

(1) the particular amount, and

(2) any amount so deducted, or so deemed to have been paid to the Minister, in computing the taxpayer's Québec tax results for another reversionary year of the taxpayer, and

ii. any amount (expressed in Canadian currency) so deducted, or so deemed to have been paid to the Minister, in computing the taxpayer's Québec tax results for a Canadian currency year of the taxpayer is to be converted to the taxpayer's elected functional currency using the relevant spot rate for the last day of the taxpayer's last Canadian currency year;

(c) if the subsequent taxation year is a reversionary year of the taxpayer and the particular taxation year is a Canadian currency year of the taxpayer, the following amounts (expressed in the taxpayer's elected functional currency) are to be converted to Canadian currency using the relevant spot rate for the last day of the taxpayer's last Canadian currency year:

i. the amount that would be determined under subparagraph 1 of subparagraph i of paragraph *b* in respect of the particular amount if the particular taxation year were a functional currency year of the taxpayer, and

ii. any amount so deducted, or so deemed to have been paid to the Minister, in computing the taxpayer's Québec tax results for a functional currency year of the taxpayer; and

(d) in any other case, this section does not apply.

2010, c. 5, s. 11; 2021, c. 14, s. 23.

21.4.31. If a winding-up described in section 556 begins at a particular time and the parent and the subsidiary referred to in that section would, in the absence of this section, have different tax reporting currencies at that time, the following rules apply for the purpose of computing the subsidiary's Québec tax results for its taxation years that end after the particular time:

(a) if the subsidiary's tax reporting currency is Canadian currency,

i. despite section 21.4.18, section 21.4.19 is deemed to apply to the subsidiary in respect of its taxation year that includes the particular time and each of its subsequent taxation years,

ii. the subsidiary is deemed to have as its elected functional currency the parent's tax reporting currency, and

iii. if the subsidiary's taxation year that includes the particular time would, in the absence of this section, be a reversionary year of the subsidiary, this chapter applies with the necessary modifications; and

(b) if neither the subsidiary's tax reporting currency nor the parent's tax reporting currency is Canadian currency,

i. the subsidiary's first reversionary year is deemed to end at the given time that is immediately after the time at which it began,

ii. a new taxation year of the subsidiary is deemed to begin immediately after the given time,

iii. despite section 21.4.18, section 21.4.19 is deemed to apply to the subsidiary in respect of its taxation year that includes the particular time and each of its subsequent taxation years, and

iv. the subsidiary is deemed to have as its elected functional currency the parent's tax reporting currency.

2010, c. 5, s. 11.

21.4.32. If, in respect of an amalgamation within the meaning of section 544, a predecessor corporation has a tax reporting currency for its last taxation year that is different from that of the new corporation for its first taxation year, paragraphs *a* and *b* of section 21.4.31 apply, for the purpose of computing the predecessor corporation's Québec tax results for its last taxation year, as if the tax reporting currencies referred to in those paragraphs were the tax reporting currencies referred to in this section and as if

(a) "subsidiary" and "subsidiary's" were replaced wherever they appear in the following provisions by "predecessor corporation" and "predecessor corporation's", respectively:

i. the portion of that paragraph *a* before subparagraph iii,

ii. that paragraph *b*;

(b) "the subsidiary's taxation year that includes the particular time" in subparagraph iii of that paragraph *a* was replaced by "the predecessor corporation's last taxation year";

(c) "parent's" was replaced in the following provisions by "new corporation's":

i. subparagraph ii of that paragraph *a*,

ii. the portion of that paragraph *b* before subparagraph i, and

iii. subparagraph iv of that paragraph *b*; and

(d) "its taxation year that includes the particular time and each of its subsequent taxation years" was replaced in the following provisions by "its last taxation year":

i. subparagraph i of that paragraph *a*, and

ii. subparagraph iii of that paragraph *b*.

2010, c. 5, s. 11.

21.4.33. If, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the Canadian tax results of a corporation, within the meaning of subsection 1 of section 261 of that Act, for one or more taxation years are to be computed, under subsection 18 of that section 261, using the particular currency referred to in that subsection 18, the Québec tax results of the corporation for that taxation year or for those taxation years are to be computed, subject to the second paragraph, using that particular currency.

The Québec tax results of a corporation for one or more taxation years are to be computed using a given currency if

(a) at any time (in this paragraph referred to as the "transfer time") one or more properties are directly or indirectly transferred

i. by the corporation to another corporation (in this paragraph referred to as the "transferor" and the "transferee", respectively), or

ii. by another corporation to the corporation (in this paragraph referred to as the "transferor" and the "transferee", respectively);

(b) the transferor and the transferee are related at the transfer time or become related in the course of a series of transactions or events that includes the transfer;

(c) the transfer time

i. is, or would in the absence of sections 21.4.31 and 21.4.32 be, in a functional currency year of the transferor and the transferor and the transferee have, or would in the absence of those sections have, different tax reporting currencies at the transfer time, or

ii. is, or would in the absence of sections 21.4.31 and 21.4.32 be, in a reversionary year of the transferor and is not in a reversionary year of the transferee;

(d) it can reasonably be considered that one of the main purposes of the transfer or of any portion of a series of transactions or events that includes the transfer is to change, or to enable the changing of, the currency in which the Québec tax results in respect of the property, or property substituted for it, for a taxation year would otherwise be determined; and

(e) the Minister directs that those Québec tax results be computed in the given currency.

2010, c. 5, s. 11.

21.4.34. For the purposes of the second paragraph of section 21.4.33, if two or more corporations (each of which is in this section referred to as a "predecessor corporation") are amalgamated or otherwise merged at a particular time to form one corporate entity (in this section referred to as the "new corporation"), the following rules apply:

(a) the predecessor corporation is deemed to have transferred to the new corporation at the time (in this section referred to as the "merger transfer time") that is immediately before the particular time each property that was held at the merger transfer time by the predecessor corporation and at the particular time by the new corporation;

(b) the new corporation is deemed to exist, and to be related to the predecessor corporation, at the merger transfer time; and

(c) the new corporation is deemed to have as its tax reporting currency at the merger transfer time its tax reporting currency at the particular time.

2010, c. 5, s. 11.

21.4.35. The rule set out in section 21.4.36 applies for the purpose of computing a taxpayer's income, gain or loss for a taxation year in respect of a transaction (in this section and section 21.4.36 referred to as a "specified transaction") if

(a) the specified transaction was entered into, directly or indirectly, at any time by the taxpayer and a corporation (in this section referred to as the "related corporation") to which the taxpayer was at that time related;

(b) the taxpayer and the related corporation had different tax reporting currencies during the period (in this section referred to as the "accrual period") in which the income, gain or loss accrued; and

(c) it would, in the absence of this section and section 21.4.36, be reasonable to consider that a fluctuation during the accrual period in the value of the taxpayer's tax reporting currency relative to the value of the related corporation's tax reporting currency

i. increased the taxpayer's loss in respect of the specified transaction,

ii. reduced the taxpayer's income or gain in respect of the specified transaction, or

iii. caused the taxpayer to have a loss, instead of income or a gain, in respect of the specified transaction.

2010, c. 5, s. 11.

21.4.36. The rule to which section 21.4.35 refers is the rule according to which each fluctuation in value referred to in paragraph *c* of that section is, for the purpose of computing a taxpayer's income, gain or loss in respect of the specified transaction and despite any other provision of this Act, deemed not to have occurred.

2010, c. 5, s. 11.

21.4.37. For the purposes of this section and sections 21.4.33 to 21.4.36, the following rules apply:

(a) if a property is directly or indirectly transferred to or by a partnership, the property is deemed to have been transferred to or by, as the case may be, each member of the partnership; and

(b) if a partnership is a party to a transaction, each member of the partnership is deemed to be that party to that transaction.

2010, c. 5, s. 11.

CHAPTER V.4

USE OF CRYPTOASSETS

2023, c. 19, s. 14.

21.4.38. In this chapter, "cryptoasset" means property that is a digital representation of value and that only exists at a digital address of a distributed ledger.

2023, c. 19, s. 14.

21.4.39. A taxpayer or a partnership that, in a taxation year or a fiscal period, as the case may be, owns, receives or disposes of a cryptoasset, or uses a cryptoasset in the context of a transaction, shall enclose the prescribed form containing prescribed information with either of the following documents, as applicable:

(a) in the case of the taxpayer, the fiscal return the taxpayer is required to file under section 1000 for the year; or

(b) in the case of the partnership, the information return it is required to file for the fiscal period under section 1086R78 of the Regulation respecting the Taxation Act (chapter I-3, r. 1).

2023, c. 19, s. 14.

CHAPTER VI

TERM PREFERRED SHARES

1980, c. 13, s. 3.

21.5. A share of a class of the capital stock of a corporation is a term preferred share of the corporation if one of the following conditions is met:

(a) the share was issued or acquired after 28 June 1982 and, at the time the share was issued or acquired, the existence of the corporation is, or there is an existing agreement under which it could be, limited;

(b) it is issued after 16 November 1978, the owner thereof acquired it after 23 October 1979 and is a corporation, trust or partnership described in section 21.5.1 that, either alone or together with any such corporations, partnerships or trusts, controls or has an absolute or contingent right to control or to acquire control of the corporation;

(c) it is issued after 16 November 1978 and, under its terms or conditions, an agreement in respect of the share or a modification of such terms or conditions or such agreement, either in the case of a share issued after 16 November 1978 and before 13 November 1981, or after 12 November 1981 and before 1 January 1983 pursuant to an agreement in writing to do so made before 13 November 1981, the share is convertible, directly or indirectly, into debt or into a share that would, if issued, be a term preferred share, and in any other case, the share is convertible or exchangeable, unless it is convertible into or exchangeable for a consideration described in section 21.5.5, or one of the provisions described in section 21.5.2, 21.5.3 or 21.5.4 applies.

1980, c. 13, s. 3; 1982, c. 5, s. 7; 1984, c. 15, s. 7; 1990, c. 59, s. 11; 1993, c. 16, s. 11; 1997, c. 3, s. 71.

21.5.1. For the purposes of paragraph *b* of section 21.5, the owner of the share must be

(a) a corporation referred to in any of paragraphs *a* to *e*.1 of the definition of "specified financial institution" in section 1;

(b) a corporation that is controlled by one or more corporations referred to in paragraph *a*,

(c) a corporation that acquired the share after 11 December 1979 and is related to a corporation referred to in paragraph *a* or b, or

(d) a partnership or trust of which a corporation referred to in paragraph *a* or *b* or a person related thereto is a member or a beneficiary.

1984, c. 15, s. 7; 1989, c. 5, s. 26; 1990, c. 59, s. 12; 1997, c. 3, s. 71; 2001, c. 53, s. 6.

21.5.2. The provisions referred to in paragraph *c* of section 21.5 are, in the case of a share issued between 16 November 1978 and 24 October 1979, the following:

(a) the owner thereof may, within 10 years after the date of issue, cause the share to be redeemed, acquired or cancelled, otherwise than by reason only of a right to convert or exchange the share, or cause its paid-up capital to be reduced,

(b) the issuing corporation or any person with whom it is not dealing at arm's length is or may be required to redeem, acquire or cancel, in whole or in part, the share or to reduce its paid-up capital, otherwise than pursuant to a requirement of the corporation to redeem, acquire or cancel, annually, not more than 5% of the issued and fully paid shares of that class, or unless the owner may cause the share to be redeemed, acquired or cancelled by reason only of a right to convert or exchange the share, or

(c) a person is or may be required to provide a guarantee or a similar covenant, including the lending of funds to or the placing of amounts on deposit with, or on behalf of, the owner thereof or any person related thereto, with respect to the share.

1984, c. 15, s. 7; 1993, c. 16, s. 12; 1997, c. 3, s. 71.

21.5.3. The provisions referred to in paragraph *c* of section 21.5 are, in the case of a share issued between 23 October 1979 and 13 November 1981 or a share issued between 12 November 1981 and 1 January 1983 pursuant to an agreement in writing to that effect entered into before 13 November 1981, the following:

(a) the owner thereof may, within 10 years after the date of issue, cause the share to be redeemed, acquired or cancelled, otherwise than by reason only of a right to convert or exchange the share, or cause its paid-up capital to be reduced,

(b) a person is or may be required to redeem, acquire or cancel, in whole or in part, the share or to reduce its paid-up capital, within 10 years after the date of issue,

i. otherwise than pursuant to a requirement of the issuing corporation to redeem, acquire or cancel annually not more than 5% of the issued and fully paid shares of that class and, where the requirement was agreed to after 21 April 1980, it provides that such redemption, acquisition or cancellation be in proportion to the number of shares of the class or of the series of the class registered in the name of each shareholder, or

ii. unless the requirement to redeem, acquire or cancel the share arises by reason only of right to convert or exchange the share, or

(c) a person provides or may be required to provide a guarantee or similar indemnity or covenant, including the lending of funds to or the placing of amounts on deposit with, or on behalf of, the owner thereof or any person related thereto, with respect to the share.

1984, c. 15, s. 7; 1993, c. 16, s. 13; 1997, c. 3, s. 71.

21.5.4. The provisions referred to in paragraph *c* of section 21.5 are, in the case of a share issued between 12 November 1981 and 1 January 1983 otherwise than pursuant to an agreement referred to in section 21.5.3 or a share issued after 31 December 1982, one of the following:

(a) the owner thereof may cause the share to be acquired, cancelled or redeemed, otherwise than by reason only of a right to convert or exchange the share, or cause its paid-up capital to be reduced;

(b) a person or partnership is or may be required to acquire, cancel or redeem the share, in whole or in part, otherwise than by reason only of a right to convert or exchange the share, or to reduce its paid-up capital;

(c) a person or partnership provides or may be required to provide a guarantee or similar indemnity or covenant, including the lending of funds to or the placing of amounts on deposit with, or on behalf of, the holder thereof or any person related thereto, with respect to the share.

1984, c. 15, s. 7; 1990, c. 59, s. 13; 1997, c. 3, s. 71.

21.5.5. The consideration for which a share may be converted or exchanged and to which paragraph *c* of section 21.5 refers shall only include

(a) another share of the issuing corporation or a corporation related to it that, if issued, would not be a term preferred share,

(b) a right or warrant that, if exercised, would allow the person exercising it to acquire only a share of the issuing corporation or a corporation related to it that, if issued, would not be a term preferred share, or

(c) both a share described in subparagraph *a* and a right or warrant described in subparagraph *b*.

For the purposes of the first paragraph, where a taxpayer may become entitled, upon the conversion or exchange of a share, to receive any particular consideration, other than consideration described in the first paragraph, in lieu of a fraction of a share, the particular consideration is deemed not to be consideration unless it may reasonably be considered that the particular consideration was receivable as part of a series of transactions or events one of the main purposes of which was to avoid or limit the application of section 21.10, 21.10.1 or 740.1.

1990, c. 59, s. 14; 1997, c. 3, s. 71.

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

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

(b) a share issued as a stock dividend before 22 April 1980 on a share of the capital stock of a public corporation that was not a term preferred share, or after 21 April 1980 on a share that was, at the time such dividend was paid, a share prescribed for the purposes of paragraph *e*;

(c) a share described in section 21.6.1;

(d) a share that is listed on a designated stock exchange located in Canada and was issued before 22 April 1980 by

i. a corporation referred to in any of paragraphs *a* to *d* of the definition of "specified financial institution" in section 1,

ii. a corporation whose principal business is the lending of money or the purchasing of debt obligations or a combination thereof, or

iii. an issuing corporation associated with a corporation described in subparagraph i or ii;

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

(f) a share that is a taxable preferred share held by a specified financial institution that acquired the share before 16 December 1987 or before 1 January 1989 pursuant to an agreement in writing entered into before 16 December 1987, other than a share that is

i. a share deemed, under section 21.9.4.2 or paragraph *a* of section 21.11.12, to have been issued after 15 December 1987, or

ii. a share that would be deemed, under paragraph *c* of section 21.11.16, to have been issued after 15 December 1987 if the reference in the said section to "8:00 p.m. Eastern Daylight Saving Time, 18 June 1987" were read as a reference to "15 December 1987".

1980, c. 13, s. 3; 1982, c. 5, s. 8; 1984, c. 15, s. 8; 1989, c. 5, s. 27; 1990, c. 59, s. 15; 1997, c. 3, s. 71; 2001, c. 7, s. 6; 2010, c. 5, s. 12.

21.6.1. A share is not a term preferred share, for a period of 10 years from the date of its issue, that was issued between 16 November 1978 and 13 November 1981, or for a period of 5 years from the date of its issue, if it was issued after 12 November 1981, and that was issued by a corporation resident in Canada and, in the case of a share issued after 23 October 1979, the proceeds from the issue may be regarded as having been used by the corporation or a corporation with which it was not dealing at arm's length in the financing of its business carried on or, in the case of a share issued after 12 November 1981, carried on in Canada, immediately before the share was issued, and that was issued

(a) as part of a proposal to, or an arrangement with, its creditors that had been approved by a competent court under the Bankruptcy and Insolvency Act (Revised Statutes of Canada, 1985, chapter B-3),

(b) at a time when all or substantially all of its assets were under the control of a receiver, receiver-manager, sequestrator or trustee in bankruptcy, or

(c) at a time when, by reason of financial difficulty, the corporation or another corporation resident in Canada with which it does not deal at arm's length was in default, or could reasonably be expected to default, on a debt obligation held by a person with whom the corporation or the other corporation was dealing at arm's length and the share was issued, wholly or in substantial part, directly or indirectly in exchange or substitution for that obligation or a part thereof.

1984, c. 15, s. 9; 1990, c. 59, s. 16; 1995, c. 49, s. 14; 1997, c. 3, s. 71.

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

1980, c. 13, s. 3.

21.7.1. Where at any particular time after 15 December 1987, otherwise than pursuant to a written arrangement entered into before 16 December 1987, the terms or conditions of a taxable preferred share of the capital stock of a corporation relating to any matter referred to in paragraph *c* of section 21.5 or sections 21.5.2 to 21.5.5 have been established or modified, or any agreement in respect of the share relating to any such matter has been entered into or changed by the corporation or a specified person in relation to it, within the meaning of paragraph *f* of section 21.11.16, the share is deemed after that particular time to have been issued at that particular time.

1990, c. 59, s. 17; 1997, c. 3, s. 71.

21.8. Where the redemption date of a share was extended or the terms or conditions relating to its redemption, acquisition, cancellation or conversion or reduction of its paid-up capital were changed, the share is, for the purposes of determining whether it is a term preferred share, deemed to have been issued at the time

of the extension or change otherwise than pursuant to an agreement referred to in section 21.5.3 or in paragraph *a* of section 21.6

1980, c. 13, s. 3; 1982, c. 5, s. 9; 1984, c. 15, s. 10.

21.9. The rule provided by section 21.8 applies where the change or extension occurs after 16 November 1978 in the case of a share issued before 17 November 1978, or after 12 November 1981 in the case of a share issued between 16 November 1978 and 13 November 1981 or a share issued between 12 November 1981 and 1 January 1983 pursuant to an agreement referred to in section 21.5.3.

1980, c. 13, s. 3; 1982, c. 5, s. 10; 1984, c. 15, s. 10.

21.9.1. Subject to section 21.9.2, the rule provided by section 21.8 also applies, with the necessary modifications, in the following cases:

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

(b) where the owner of a share may, alone or together with one or more taxpayers, require the acquisition, cancellation, conversion or redemption of the share or the reduction of its paid-up capital

i. after 16 November 1978 under the terms or conditions of a share issued before 17 November 1978 and not listed on 16 November 1978 on a Canadian stock exchange that was prescribed on that date, of a share issued pursuant to an agreement referred to in paragraph *a* of section 21.6, of any agreement between the issuer and the owner of such a share, or any agreement relating to such a share made after 23 October 1979;

ii. after 12 November 1981 in the case of a share issued between 16 November 1978 and 13 November 1981, except a share described in section 21.6.1 or a share listed on 13 November 1981 on a Canadian stock exchange that was prescribed on that date, or a share issued between 12 November 1981 and 1 January 1983 pursuant to an agreement referred to in section 21.5.3;

(c) where a specified financial institution or a partnership or trust of which a specified financial institution or a person related thereto is a member or a beneficiary acquires,

i. between 23 October 1979 and 13 November 1981, from a person, a share issued before 17 November 1978 or a share issued pursuant to an agreement referred to in paragraph *a* of section 21.6;

ii. after 12 November 1981, from a person or a partnership, a share issued before 13 November 1981 or a share pursuant to an agreement referred to in section 21.5.3.

1984, c. 15, s. 10; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2001, c. 7, s. 7; 2010, c. 5, s. 13.

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

The same applies, in the case provided for in paragraph *c* of the said section 21.9.1, where

(a) the share described in subparagraph i of that paragraph *c* is

i. a share issued to a corporation that was, at the time of issue,

(1) a corporation referred to in any of paragraphs *a* to *e* of the definition of "specified financial institution" in section 1, or

(2) a corporation controlled by one or more corporations referred to in subparagraph 1,

ii. a share acquired from a person that was, at the time of acquisition, a corporation referred to in subparagraph 1 or 2 of subparagraph i, or

iii. a share acquired under an agreement in writing made before 24 October 1979; and

(b) the share described in subparagraph ii of that paragraph *c* is

i. a share described in section 21.6.1,

ii. a share acquired from a person that was, at the time of acquisition, a corporation referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1,

iii. a share acquired in an acquisition that was not subject to an undertaking, referred to in section 740.2, given after 12 November 1981, or

iv. a share acquired under an agreement in writing made before 24 October 1979 or an agreement referred to in section 21.5.3.

For the purposes of subparagraph 2 of subparagraph i of subparagraph *a* of the second paragraph, one corporation is controlled by another corporation if more than 50% of its issued share capital having full voting rights under all circumstances belongs to the other corporation, to persons with whom the other corporation does not deal at arm's length, or to the other corporation and persons with whom the other corporation does not deal at arm's length.

1984, c. 15, s. 10; 1990, c. 59, s. 18; 1997, c. 3, s. 71; 1998, c. 16, s. 16; 2001, c. 53, s. 7.

21.9.3. Where a share of the capital stock of a corporation is issued or its terms or conditions are modified and it may reasonably be considered, having regard to all circumstances, including the rate of interest on any debt or the dividend provided on any term preferred share, that but for the existence of the debt or the term preferred share, the share would not have been issued or its terms or conditions modified, and one of the main purposes for its issue or for the modification of its terms or conditions was to avoid a limitation provided by section 740.1 or 845 in respect of a deduction, the share is deemed, from 1 January 1983, to be a term preferred share of the corporation.

1984, c. 15, s. 10; 1986, c. 19, s. 5; 1997, c. 3, s. 71.

21.9.4. Where the terms or conditions of a share of the capital stock of a corporation are modified or established after 28 June 1982 and as a consequence thereof the corporation, any person related thereto or any partnership or trust of which the corporation or a person related thereto is a member or a beneficiary, may reasonably be expected to redeem, acquire or cancel, in whole or in part, the share or to reduce its paid-up capital, the share is deemed as from the date of the modification or establishment to be a share described in paragraph *c* of section 21.5.

1984, c. 15, s. 10; 1997, c. 3, s. 71.

21.9.4.1. Where it may reasonably be considered that the dividends that may be declared or paid at any time on a share, other than a prescribed share or a share described in section 21.6.1 during the applicable time period referred to in that section, of the capital stock of a corporation issued after 15 December 1987 or acquired after 15 June 1988 are derived primarily from dividends received on term preferred shares of the capital stock of another corporation, and that the share was issued or acquired as part of a transaction or event or series of transactions or events one of the main purposes of which was to avoid or limit the application of section 740.1 or 845, the share is deemed, at that time, to be a term preferred share acquired in the ordinary course of business.

1990, c. 59, s. 19; 1997, c. 3, s. 71.

21.9.5. *(Repealed).*

1984, c. 15, s. 10; 1990, c. 59, s. 20.

21.10. Where a specified financial institution resident in Canada receives, in a taxation year, from a corporation not resident in Canada an amount as a dividend on a term preferred share, the amount is deemed, for the purposes of paragraphs *c* and *l* of section 87 and sections 746 to 749 and 772.2 to 772.13, to be received in the year as interest and not as a dividend on a share of the capital stock of a corporation.

1980, c. 13, s. 3; 1982, c. 5, s. 11; 1990, c. 59, s. 21; 1993, c. 16, s. 365; 1994, c. 22, s. 649; 1995, c. 63, s. 15; 1997, c. 3, s. 71.

21.10.1. The rule provided in section 21.10 also applies where a particular corporation receives, in a taxation year, from a corporation not resident in Canada a dividend on a share, other than a term preferred share, that is a grandfathered share or was issued before 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987 and was not deemed by section 740.3.1 to have been issued after that time, if the dividend is a dividend in respect of which no deduction could have been made under section 738, 740 or 845 by reason of sections 740.2 to 740.3.1 as they read on 17 June 1987, if the corporation that paid the dividend had been a taxable Canadian corporation.

1982, c. 5, s. 11; 1990, c. 59, s. 21; 1993, c. 16, s. 365; 1994, c. 22, s. 56; 1994, c. 22, s. 649; 1997, c. 3, s. 71.

21.10.2. Section 21.10 does not apply in respect of a dividend described in that section

(a) if the share on which the dividend is paid was not acquired by the specified financial institution in the ordinary course of the business it carried on; or

(b) to the extent that the dividend would be described in subparagraph ii of paragraph *j* of section 257 if the corporation not resident in Canada were not a foreign affiliate of the specified financial institution.

1982, c. 5, s. 11; 2019, c. 14, s. 67.

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

1980, c. 13, s. 3.

CHAPTER VI.1

SHORT-TERM PREFERRED SHARES

1984, c. 15, s. 11.

21.11.1. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.2. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.3. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.4. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.5. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.6. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.7. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.8. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.9. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.10. *(Repealed).*

1984, c. 15, s. 11; 1990, c. 59, s. 22.

21.11.11. A short-term preferred share of a corporation at any particular time is a share, other than a grandfathered share, of the capital stock of the corporation issued after 15 December 1987 that, at that particular time, is

(a) a share where, under the terms and conditions of the share, any agreement relating to the share or any modification of such terms, conditions or agreement, the corporation or a specified person in relation to it is or may, at any time within five years from the date of its issued, be required to acquire, cancel or redeem, in whole or in part, the share or to reduce the paid-up capital of the share, unless the requirement to acquire, cancel or redeem the share arises only in the event of the death of the shareholder or by reason only of a right to convert or exchange the share, or

(b) a share that is convertible or exchangeable at any time within five years from the date of its issue, unless

i. it is convertible into or exchangeable for

(1) another share of the corporation or a corporation related to the corporation that, if issued, would not be a short-term preferred share;

(2) a right or warrant that, if exercised, would allow the person exercising it to acquire only a share of the corporation or a corporation related to the corporation that, if issued, would not be a short-term preferred share, or

(3) both a share described in subparagraph 1 and a right or warrant described in subparagraph 2, and

ii. all the consideration receivable for the share on the conversion or exchange is the share described in subparagraph 1 of subparagraph i or the right or warrant described in subparagraph 2 of the said subparagraph i or both such share and such right or warrant, and, for the purposes of this subparagraph, where a taxpayer may become entitled upon the conversion or exchange of a share to receive any particular consideration, other than consideration described in any of subparagraphs 1 to 3 of subparagraph i, in lieu of a fraction of a share, the particular consideration is deemed not to be consideration unless it may reasonably be considered that the

particular consideration was receivable as part of a series of transactions or events one of the main purposes of which was to avoid or limit the application of Part IV.1 or VI.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1990, c. 59, s. 23; 1997, c. 3, s. 71.

21.11.12. For the purposes of this chapter, the following rules apply:

(a) where at any particular time after 15 December 1987, otherwise than pursuant to a written arrangement entered into before 16 December 1987, the terms or conditions of a share of the capital stock of a corporation that are relevant to any matter referred to in any of paragraphs *a* and *b* of section 21.11.11 or *d* and *f* of this section are established or modified, or any agreement in respect of any such matter to which the corporation or a specified person in relation to it is a party, is entered into or changed, the share is deemed after that particular time to have been issued at that particular time;

(b) where, at any particular time after 15 December 1987, a particular share of the capital stock of a corporation has been issued or its terms or conditions have been modified or an agreement in respect of the share is entered into or modified, the particular share is deemed after that particular time to have been issued at that particular time and to be a short-term preferred share of the corporation, if it may reasonably be considered, having regard to all the circumstances, including the rate of interest on any debt obligation or the dividend provided on any short-term preferred share, that

i. but for the existence at any time of such a debt obligation or such a short-term preferred share, the particular share would not have been issued or its terms or conditions modified or the agreement in respect of the share would not have been entered into or modified;

ii. one of the main purposes for the issue of the particular share or the modification of its terms or conditions or the entering into or modification of the agreement in respect of the share was to avoid or limit the tax payable under subsection 1 of section 191.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

(c) where at any particular time after 15 December 1987, otherwise than pursuant to a written arrangement entered into before 16 December 1987, the terms or conditions of a share of the capital stock of a corporation are established or modified or any agreement in respect of the share has been entered into or changed, and as a consequence thereof the corporation or a specified person in relation to it may reasonably be expected to acquire, cancel or redeem the share, in whole or in part, otherwise than by reason of the death of the shareholder or by reason only of a right to convert or exchange the share that would not cause the share to be a short-term preferred share by reason of paragraph *b* of section 21.11.11, or to reduce its paid-up capital, within five years from the particular time, the share is deemed to have been issued at that particular time and to be a short-term preferred share of the corporation from the particular time until the time that such reasonable expectation ceases to exist;

(d) where a share of the capital stock of a corporation was issued after 15 December 1987 and at the time the share was issued the existence of the corporation was, or there was an arrangement under which it could be, limited to a period that was within five years from the date of its issue, the share is deemed to be a short-term preferred share of the corporation unless

i. the share is a grandfathered share and the arrangement is a written arrangement entered into before 16 December 1987, or

ii. the share is issued to an individual after 14 April 2005 under an agreement referred to in section 48, if at the time the individual last acquired a right under the agreement to acquire a share of the capital stock of the corporation, the existence of the corporation was not, and no arrangement was in effect under which it could be, limited to a period that was within five years from that time;

(e) where a share of the capital stock of a corporation is acquired at any time after 15 December 1987 by the corporation or a specified person in relation to it and the share is at any particular time after that time

acquired from the corporation or a specified person in relation to it by a person with whom the corporation or a specified person in relation to it was dealing at arm's length if this Part were read without reference to paragraph *b* of section 20, the share is deemed after that particular time to have been issued at that particular time;

(f) where at any particular time after 15 December 1987, otherwise than pursuant to a written arrangement entered into before 16 December 1987, as a result of the terms or conditions of a share of the capital stock of a corporation or any agreement entered into by the corporation or a specified person in relation to it, any person, other than the corporation or an individual other than a trust, was obligated, either absolutely or contingently and either immediately or in the future, to effect any undertaking within five years after the date on which the share was issued, including any guarantee, covenant or agreement to purchase or repurchase the share, and including the lending of funds to or the placing of amounts on deposit with, or on behalf of, the shareholder or a specified person in relation to the shareholder, the share is deemed after that particular time to have been issued at the particular time and to be at and immediately after the particular time a short-term preferred share, if the undertaking is given

i. to ensure that any loss that the shareholder or a specified person in relation to the shareholder may sustain by reason of the ownership, holding or disposition of the share or any other property is limited in any respect, and

ii. as part of a transaction or event or series of transactions or events that included the issuance of the share;

(g) for the purposes of paragraph *f* where the undertaking referred to therein in respect of a share is given after 15 December 1987, otherwise than pursuant to a written arrangement entered into before 16 December 1987, the share is deemed to have been issued at that time and the undertaking is deemed to have been given as part of a series of transactions that included the issuance of the share;

(h) a share that is, at the time a dividend is paid thereon, a share described in section 21.6.1 during the applicable time period referred to in that section or a prescribed share is, notwithstanding any other provision of this chapter, deemed not to be a short-term preferred share at that time;

(i) the expression "specified person" has the meaning assigned by paragraph *f* of section 21.11.16.

1990, c. 59, s. 23; 1997, c. 3, s. 71; 2003, c. 2, s. 10; 2015, c. 24, s. 16.

21.11.13. For the purposes of paragraph *a* of section 21.11.11 and paragraph *c* of section 21.11.12,

(a) an agreement in respect of a share of the capital stock of a corporation shall be read without reference to that part of the agreement under which a person agrees to acquire the share for an amount

i. in the case of a share, other than a share that would, but for that part of the agreement, be a taxable preferred share, the agreement in respect of which provides that the share is to be acquired within 60 days after the date on which the agreement was entered into, that does not exceed the greater of the fair market value of the share at the time the agreement was entered into, determined without reference to the agreement, and the fair market value of the share at the time of the acquisition, determined without reference to the agreement;

ii. in any other case, that does not exceed the fair market value of the share at the time of the acquisition, determined without reference to the agreement, or for an amount determined by reference to the assets or earnings of the corporation where such determination may reasonably be considered to be used to determine an amount that does not exceed the fair market value of the share at the time of the acquisition, determined without reference to the agreement;

(b) the expression "shareholder" includes a shareholder of a shareholder.

1990, c. 59, s. 23; 1997, c. 3, s. 71.

CHAPTER VI.2

TAXABLE PREFERRED SHARES

1990, c. 59, s. 23.

21.11.14. A taxable preferred share at any particular time is

(a) a share issued after 15 December 1987 that is a short-term preferred share at that particular time, or

(b) a share, other than a grandfathered share, of the capital stock of a corporation issued after 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987 where, at that particular time, by reason of the terms or conditions of the share or any agreement in respect of the share or its issue to which the corporation, or a specified person in relation to it, is a party,

i. it may reasonably be considered, having regard to all the circumstances, that the amount of the dividends that may be declared or paid on the share, in this chapter referred to as the "dividend entitlement", is, by way of a formula or otherwise, fixed, limited to a maximum, or, if with respect to the dividend that may be declared or paid on the share there is a preference over any other dividend that may be declared or paid on any other share of the capital stock of the corporation, established to be not less than a minimum, including any amount determined on a cumulative basis,

ii. it may reasonably be considered, having regard to all the circumstances, that the amount that the shareholder, which includes a shareholder of the shareholder for the purposes of this subparagraph, is entitled to receive in respect of the share on the dissolution, liquidation or winding-up of the corporation or on the acquisition, cancellation or redemption of the share, unless the requirement to acquire, cancel or redeem the share arises only in the event of the death of the shareholder or by reason only of a right to convert or exchange the share, or on the reduction of the paid-up capital of the share by the corporation or by a specified person in relation to it, in this chapter referred to as the "liquidation entitlement", is, by way of a formula or otherwise, fixed, limited to a maximum, or established to be not less than a minimum,

iii. the share is convertible or exchangeable at any time, unless

(1) it is convertible into or exchangeable for another share of the corporation or a corporation related to it that, if issued, would not be a taxable preferred share, referred to in this subparagraph and in subparagraph 2 as the "particular share", for a right or warrant that, if exercised, would allow the person exercising it to acquire only a share of the corporation or a corporation related to it that, if issued, would not be a taxable preferred share, or for both a particular share and such right or warrant, and

(2) all the consideration receivable for the share on the conversion or exchange is the particular share or the right or warrant described in subparagraph 1 or both such share and such right or warrant, and for the purposes of this subparagraph, where a taxpayer may become entitled upon the conversion or exchange of a share to receive any particular consideration, other than consideration described in subparagraph 1, in lieu of a fraction of a share, the particular consideration is deemed not to be consideration unless it may reasonably be considered that the particular consideration was receivable as part of a series of transactions or events one of the main purposes of which was to avoid or limit the application of Part IV.1 or VI.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), or

iv. any person, other than the corporation, was, at or immediately before that particular time, obligated, either absolutely or contingently and either immediately or in the future, to effect any undertaking, in this chapter referred to as a "guarantee agreement", including any guarantee, covenant or agreement to purchase or repurchase the share, and including the lending of funds to or the placing of amounts on deposit with, or on behalf of, the shareholder or any specified person in relation to the shareholder, given

(1) as part of a transaction or event or series of transactions or events that included the issuance of the share, and

(2) to ensure that any loss that the shareholder or a specified person in relation to the shareholder may sustain by reason of the ownership, holding or disposition of the share or any other property is limited, or allow the shareholder or a specified person in relation to the shareholder to derive earnings by reason of the ownership, holding or disposition of the share or any other property.

For the purposes of subparagraph *b* of the first paragraph, where the guarantee agreement in respect of a share of the capital stock of a corporation is given after 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987, otherwise than pursuant to a written arrangement entered into before 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987, the share is deemed to have been issued at that time and the guarantee agreement is deemed to have been given as part of a series of transactions that included the issuance of the share.

1990, c. 59, s. 23; 1997, c. 3, s. 71.

21.11.15. For the purposes of section 21.11.14, a taxable preferred share does not include a share that is, at the particular time prescribed in that section, a share described in section 21.6.1 during the applicable time period referred to in that section or a prescribed share.

1990, c. 59, s. 23.

21.11.16. For the purposes of this chapter,

(a) the dividend entitlement of a share of the capital stock of a corporation is deemed not to be fixed, limited to a maximum or established to be not less than a minimum where all dividends on the share are determined solely by reference to the dividend entitlement of another share of the capital stock of the corporation or of a corporation that controls the corporation that would not be a taxable preferred share if this chapter were read without reference to paragraph *d*, and if the other share were issued after 18 June 1987 and were not a grandfathered share, a prescribed share or a share described in section 21.6.1;

(b) the liquidation entitlement of a share of the capital stock of a corporation is deemed not to be fixed, limited to a maximum or established to be not less than a minimum where all the liquidation entitlement is determinable solely by reference to the liquidation entitlement of another share of the capital stock of the corporation or of a corporation that controls the corporation that would not be a taxable preferred share if this section were read without reference to paragraph *d*, and if the other share were issued after 18 June 1987 and were not a grandfathered share, a prescribed share or a share described in section 21.6.1;

(c) where at any particular time after 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987, otherwise than pursuant to a written arrangement entered into before 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987, the terms or conditions of a share of the capital stock of a corporation that are relevant to any matter referred to in any of subparagraphs i to iv of subparagraph *b* of the first paragraph of section 21.11.14 or the second paragraph of that section are established or modified, or any agreement in respect of any such matter to which the corporation or a specified person in relation to it is a party, is entered into or changed, the share is, for the purposes of determining whether it is a taxable preferred share after the particular time, deemed to have been issued at that particular time, unless the share is a share described in paragraph *b* of section 21.11.20 and the particular time is before 16 December 1987 and before the time at which the share is first issued;

(d) an agreement in respect of a share of the capital stock of a corporation shall be read without reference to that part of the agreement under which a person agrees to acquire the share for an amount

i. in the case of a share the agreement in respect of which provides that the share is to be acquired within 60 days after the date on which the agreement was entered into, that does not exceed the greater of the fair market value of the share at the time the agreement was entered into, determined without reference to the agreement, and the fair market value of the share at the time of the acquisition, determined without reference to the agreement;

ii. in any other case, that does not exceed the fair market value of the share at the time of the acquisition, determined without reference to the agreement, or for an amount determined by reference to the assets or

earnings of the corporation where such determination may reasonably be considered to be used to determine an amount that does not exceed the fair market value of the share at the time of the acquisition, determined without reference to the agreement;

(e) where it may reasonably be considered that the dividends that may be declared or paid to a shareholder at any time on a share, other than a prescribed share or a share described in section 21.6.1 during the applicable time period referred to in that section, of the capital stock of a corporation issued after 15 December 1987 or acquired after 15 June 1988 are derived primarily from dividends received on taxable preferred shares of the capital stock of another corporation, and that the share was issued or acquired as part of a transaction or event or series of transactions or events one of the main purposes of which was to avoid or limit the application of Part IV.1 or VI.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the share is deemed, at that time, to be a taxable preferred share;

(f) a specified person in relation to any particular person is a person with whom the particular person does not deal at arm's length or any partnership or trust of which the particular person or the person is a member or beneficiary.

1990, c. 59, s. 23; 1997, c. 3, s. 71.

CHAPTER VI.3

Repealed, 1993, c. 16, s. 14.

1990, c. 59, s. 23; 1993, c. 16, s. 14.

21.11.17. *(Repealed).*

1990, c. 59, s. 23; 1993, c. 16, s. 14.

21.11.18. *(Repealed).*

1990, c. 59, s. 23; 1993, c. 16, s. 14.

21.11.19. *(Repealed).*

1990, c. 59, s. 23; 1993, c. 16, s. 14.

CHAPTER VI.4

GRANDFATHERED SHARES

1990, c. 59, s. 23.

21.11.20. A grandfathered share is

(a) a share of the capital stock of a corporation issued after 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987 pursuant to an agreement in writing entered into before that time,

(b) a share of the capital stock of a corporation issued after 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987 and before 1 January 1988 as part of a distribution to the public made in accordance with the terms of a final prospectus, preliminary prospectus, registration statement, offering memorandum or notice filed before 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987 with a public body in accordance with the securities legislation of the jurisdiction in which the shares are distributed,

(c) a share of the capital stock of a corporation the right of exchange and all or substantially all the terms and conditions of which were established in writing before 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987 and that is issued after that time in exchange for

i. a share of a corporation that was issued before 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987 or is a grandfathered share, or

ii. a debt obligation of a corporation that was issued before 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987, or issued after that time pursuant to an agreement in writing entered into before that time, or after that time and before 1 January 1988 as part of a distribution to the public made in accordance with the terms of a final prospectus, preliminary prospectus, registration statement, offering memorandum or notice filed before that time with a public authority pursuant to and in accordance with the securities legislation of the jurisdiction in which the debt obligation is distributed, or

(d) a share of a class of the capital stock of a Canadian corporation listed on a designated stock exchange that was issued after 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987 upon the exercise of a right listed on a designated stock exchange that was issued before that time, that was issued after that time pursuant to an agreement in writing entered into before that time or that was issued after that time and before 1 January 1988 as part of a distribution to the public made in accordance with the terms of a final prospectus, preliminary prospectus, registration statement, offering memorandum or notice filed before that time with a public authority pursuant to and in accordance with the securities legislation of the jurisdiction in which the rights were distributed, where all or substantially all the terms and conditions of the right and the share were established in writing before that time.

1990, c. 59, s. 23; 1993, c. 16, s. 15; 1997, c. 3, s. 71; 1997, c. 14, s. 13l; 2001, c. 7, s. 169; 2001, c. 53, s. 8; 2003, c. 2, s. 11; 2010, c. 5, s. 14.

21.11.21. For the purposes of section 21.11.20, a share that is deemed under Chapter VI, VI.1 or VI.2 or section 740.3.1 to have been issued at any time is, for the purposes of that chapter or section, deemed not to be a grandfathered share after that time.

1990, c. 59, s. 23.

CHAPTER VII

INCOME BONDS

1980, c. 13, s. 3.

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

(a) that was issued before 17 November 1978;

(b) that was issued after 16 November 1978 and before 1980 pursuant to an agreement in writing to do so made before 17 November 1978; or

(c) issued, for a term that in no circumstances may exceed five years, by a corporation that is resident in Canada, the proceeds from the issue of which, in the case of a bond or debenture issued after 12 November 1981, may reasonably be regarded as having been used by the particular corporation or a corporation with which it was not dealing at arm's length in the financing of its business carried on in Canada immediately before it was issued and that was issued

i. as part of a proposal to, or an arrangement with, the creditors of the particular corporation that had been approved by a competent court under the Bankruptcy and Insolvency Act (Revised Statutes of Canada, 1985, chapter B-3),

ii. at a time when all or substantially all of the assets of the particular corporation were under the control of a receiver, receiver-manager, sequestrator or trustee in bankruptcy, or

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

1980, c. 13, s. 3; 1982, c. 5, s. 12; 1984, c. 15, s. 12; 1990, c. 59, s. 24; 1995, c. 49, s. 15; 1997, c. 3, s. 71; 2003, c. 2, s. 12; 2005, c. 23, s. 33.

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

1980, c. 13, s. 3.

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

1980, c. 13, s. 3; 1982, c. 5, s. 13.

21.15. The rule provided in section 21.14 applies also where

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

(b) under the terms or conditions of a bond or debenture acquired in the ordinary course of the business carried on by a specified financial institution or a partnership or trust, other than a testamentary trust, or under the terms or conditions of any agreement relating to any such bond or debenture, other than an agreement made before 24 October 1979 to which the issuer or any person related thereto was not a party, the owner thereof could at a particular time after 16 November 1978 require, either alone or together with one or more taxpayers, the repayment, acquisition, cancellation or conversion of the bond or debenture otherwise than by reason of a failure or default under the terms or conditions of the bond or debenture or of any agreement that related to, and was entered into at the time of, the issuance of the bond or debenture;

(c) at a particular time a specified financial institution, or a partnership or trust of which a specified financial institution or a person related to such an institution is a member or beneficiary, acquires a bond or debenture that

i. was issued before 17 November 1978 or under an agreement in writing referred to in paragraph *b* of section 21.12,

ii. was issued to a person other than a corporation that was, at the time of issue,

(1) a corporation referred to in any of paragraphs *a* to *e* of the definition of "specified financial institution" in section 1, or

(2) a corporation controlled by one or more corporations referred to in subparagraph 1,

iii. was acquired from a person that was, at the particular time and at the time the person last acquired the bond or debenture, a person other than a corporation referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1, and

iv. was acquired otherwise than under an agreement in writing made before 24 October 1979; or

(d) at a particular time after 12 November 1981, a specified financial institution, or a partnership or trust of which a specified financial institution or a person related to such an institution is a member or beneficiary, acquires a bond or debenture that

i. was not a bond or debenture referred to in subparagraph *c*,

ii. was acquired from a person that was, at the particular time, a corporation referred to in any of paragraphs *a* to *f* of the definition of "specified financial institution" in section 1, and

iii. was acquired subject to an undertaking given after 12 November 1981 that would be an undertaking referred to in section 740.2 if that section applied to an income bond or income debenture.

For the purposes of subparagraph 2 of subparagraph ii of subparagraph *c* of the first paragraph, one corporation is controlled by another corporation if more than 50% of its issued share capital having full voting rights under all circumstances belongs to the other corporation, to persons with whom the other corporation does not deal at arm's length, or to the other corporation and persons with whom the other corporation does not deal at arm's length.

1980, c. 13, s. 3; 1982, c. 5, s. 14; 1984, c. 15, s. 13; 1990, c. 59, s. 25; 1997, c. 3, s. 71; 2001, c. 53, s. 9.

21.16. Notwithstanding section 119, where an amount is paid or payable after 31 December 1978 as interest or as an amount in lieu of interest in respect of any interest or dividend payable after 16 November 1978 on an income bond or an income debenture issued before 17 November 1978 or pursuant to an agreement in writing referred to in paragraph *b* of section 21.12, the amount is, for the purposes of section 740.1 and the second paragraph of section 845, deemed to be a dividend received on a term preferred share.

1980, c. 13, s. 3; 1986, c. 19, s. 6.

CHAPTER VIII

SPECIFIED SHAREHOLDERS AND CANADIAN CONTROLLED PRIVATE CORPORATIONS

1986, c. 15, s. 37; 1997, c. 3, s. 16.

21.17. A specified shareholder of a corporation in a taxation year is a taxpayer who owns, directly or indirectly, at any time in the year, not less than 10% of the issued shares of any class of the capital stock of the corporation or of any other corporation that is related to the corporation.

1986, c. 15, s. 37; 1997, c. 3, s. 71.

21.18. The following rules apply for the purpose of determining whether or not a taxpayer is a specified shareholder of a corporation at any time:

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

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

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

(d) an individual who performs services on behalf of a corporation that would be carrying on a personal services business if the individual or any person related to the individual were at that time a specified

shareholder of the corporation is deemed to be a specified shareholder of the corporation at that time if the individual, or any person or partnership with whom the individual does not deal at arm's length, is, or by virtue of any arrangement, may become, entitled, directly or indirectly, to not less than 10% of the assets or the shares of any class of the capital stock of the corporation or any corporation related thereto; and

(e) notwithstanding paragraph *b*, where a beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, the beneficiary is deemed to own each share of the capital stock of a corporation owned at that time by the trust.

1986, c. 15, s. 37; 1994, c. 22, s. 57; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1998, c. 16, s. 17; 2005, c. 1, s. 25.

21.19. "Canadian-controlled private corporation" means a private corporation that is a Canadian corporation other than a corporation

(a) controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada, by one or more public corporations, other than a prescribed corporation, by one or more corporations described in subparagraph *c*, or by any combination thereof;

(b) that would, if each share of the capital stock of a corporation that is owned by a person not resident in Canada, by a public corporation, other than a prescribed corporation, or by a corporation described in subparagraph *c* were owned by a particular person, be controlled by the particular person;

(c) a class of the shares of the capital stock of which is listed on a designated stock exchange; or

(d) that, for the purposes of section 6.1.1 and of subsection 1 of section 771 in respect of a particular taxation year, made a valid election under subsection 11 of section 89 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) to not be considered, for certain purposes, to be a Canadian-controlled private corporation at any time in or after a taxation year that is the particular taxation year or a preceding taxation year, and that did not revoke the election in accordance with subsection 12 of section 89 of that Act as of the end of a taxation year preceding the particular taxation year.

Chapter V.2 applies in relation to an election made under subsection 11 of section 89 of the Income Tax Act and, if applicable, in relation to the revocation of that election made under subsection 12 of section 89 of that Act.

1986, c. 15, s. 37; 1990, c. 59, s. 26; 1997, c. 3, s. 17; 2001, c. 7, s. 8; 2003, c. 2, s. 13; 2009, c. 5, s. 33; 2010, c. 5, s. 15.

CHAPTER IX

ASSOCIATED CORPORATIONS

1989, c. 5, s. 28; 1997, c. 3, s. 71.

21.20. For the purposes of this Part, one corporation is associated with another in a taxation year if at any time in the year,

(a) one of the corporations controlled, directly or indirectly in any manner whatever, the other;

(b) both of the corporations were controlled, directly or indirectly in any manner whatever, by the same person or group of persons;

(c) each of the corporations was controlled, directly or indirectly in any manner whatever, by a person and the person who so controlled one of the corporations was related to the person who so controlled the other, and either of those persons owned, in respect of each corporation, not less than 25% of the issued shares of any class, other than a specified class, of the capital stock thereof;

(d) one of the corporations was controlled, directly or indirectly in any manner whatever, by a person and that person was related to each member of a group of persons that so controlled the other corporation, and that

person owned, in respect of the other corporation, not less than 25% of the issued shares of any class, other than a specified class, of the capital stock thereof; or

(e) each of the corporations was controlled, directly or indirectly in any manner whatever, by a related group and each of the members of one of the related groups was related to all of the members of the other related group, and one person who was a member of both related groups owned alone, or several persons who were members of both related groups owned together, in respect of each corporation, not less than 25% of the issued shares of any class, other than a specified class, of the capital stock thereof.

1989, c. 5, s. 28; 1990, c. 59, s. 27; 1997, c. 3, s. 71.

21.20.1. For the purposes of section 21.20, the expression "specified class" means a class of shares of the capital stock of a corporation where, under the terms or conditions of the shares or any agreement in respect thereof,

(a) the shares are not convertible or exchangeable;

(b) the shares are non-voting;

(c) the amount of each dividend payable on the shares is a fixed amount or is determined by reference to a fixed percentage of the fair market value of the consideration for which the shares were issued;

(d) the annual rate of the dividend on the shares, expressed as a percentage of the fair market value of the consideration for which the shares were issued, cannot in any event exceed the prescribed rate of interest at the time the shares were issued; and

(e) the amount that any holder of the shares is entitled to receive on the redemption, cancellation or acquisition of the shares by the corporation or by any person with whom the corporation does not deal at arm's length cannot exceed the aggregate of the fair market value of the consideration for which the shares were issued and the amount of any unpaid dividends thereon.

1990, c. 59, s. 28; 1997, c. 3, s. 71.

21.20.2. For the purposes of sections 21.20 to 21.24,

(a) a group of persons in respect of a corporation means any two or more persons each of whom owns shares of the capital stock of the corporation;

(b) for greater certainty,

i. a corporation that is controlled by one or more members of a particular group of persons in respect of that corporation is deemed to be controlled by that group of persons, and

ii. a corporation may be controlled by a person or a particular group of persons notwithstanding that the corporation is also controlled or deemed to be controlled by another person or group of persons;

(c) a corporation is deemed to be controlled by another corporation, a person or a group of persons at any time where the other corporation, the person or the group of persons, as the case may be, owns at that time

i. shares of the capital stock of the corporation having a fair market value of more than 50% of the fair market value of all the issued and outstanding shares of the capital stock of the corporation, or

ii. common shares of the capital stock of the corporation having a fair market value of more than 50% of the fair market value of all the issued and outstanding common shares of the capital stock of the corporation;

(d) shares of the capital stock of a corporation that are owned or deemed under this section to be owned at any time by another corporation are deemed to be owned at that time by each shareholder of that other corporation in a proportion equal to the proportion of all such shares that

i. the fair market value of the shares of the capital stock of the other corporation owned at that time by the shareholder is of

ii. the fair market value of all the issued and outstanding shares of the capital stock of the other corporation at that time;

(e) shares of the capital stock of a corporation that are owned or deemed under this section to be owned at any time by a partnership are deemed to be owned at that time by each member of the partnership in a proportion equal to the agreed proportion in respect of the member for the partnership's fiscal period that includes that time;

(f) where shares of the capital stock of a corporation are owned or deemed under this section to be owned at any time by a trust,

i. *(subparagraph repealed);*

ii. where a beneficiary's share of the accumulating income or capital of the trust depends upon the exercise by any person of, or the failure by any person to exercise, a power to appoint, such shares are deemed to be owned at that time by the beneficiary,

iii. in any case where subparagraph ii does not apply, a beneficiary is deemed at that time to own the proportion of such shares that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, and

iv. in the case of a trust referred to in section 467, the person referred to in that section from whom property of the trust or property for which it was substituted was directly or indirectly received is deemed to own such shares at that time; and

(g) in determining the fair market value of a share of the capital stock of a corporation, all issued and outstanding shares of the capital stock of the corporation are deemed to be non-voting.

1990, c. 59, s. 28; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2005, c. 1, s. 26; 2009, c. 15, s. 31; 2017, c. 1, s. 80.

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

1990, c. 59, s. 28; 1993, c. 16, s. 16; 1997, c. 3, s. 71; 1998, c. 16, s. 18.

21.20.4. For the purpose of determining if a corporation is associated with any other corporation with which it is not otherwise associated, where a person or any partnership in which the person has an interest has a right at any time under a contract or otherwise, either immediately or in the future and either absolutely or contingently,

(a) to, or to acquire, shares of the capital stock of a corporation, or to control the voting rights of such shares, the person or partnership is, except where the right cannot be exercised at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, deemed to own the shares at that time and the shares are deemed to be issued and outstanding at that time; or

(b) to cause a corporation to redeem, acquire or cancel any shares of its capital stock owned by other shareholders of a corporation, the person or partnership is, except where the right cannot be exercised at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, deemed at that time to have had the same position in relation to control of the corporation and

ownership of shares of the capital stock of the corporation as if the shares were redeemed, acquired or cancelled by the corporation.

1990, c. 59, s. 28; 1993, c. 16, s. 16; 1997, c. 3, s. 71.

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

1990, c. 59, s. 28; 1997, c. 3, s. 71; 1998, c. 16, s. 19.

21.20.6. For the purposes of section 21.20.2 and notwithstanding section 21.20.4,

(a) any share that is described in section 21.6.1 during one of the periods referred to therein or that is a share of a specified class within the meaning of section 21.20.1 is deemed not to be issued and outstanding and not to be owned by any shareholder;

(b) an amount equal to the greater of the paid-up capital of the share referred to in paragraph *a* and the amount that any holder of the share is entitled to receive on the redemption, cancellation or acquisition of the share by the corporation is deemed to be a liability of the corporation.

1990, c. 59, s. 28; 1997, c. 3, s. 71.

21.20.7. For the purpose of determining if two corporations are associated with each other at any time by reason of both of the corporations being controlled at that time, directly or indirectly, by the same group of persons that includes one or more specified entities, neither the shares of the capital stock of those corporations owned by any specified entity that is a member of the group of persons, nor any right referred to in section 21.20.4 held by any specified entity that is a member of the group of persons, shall be taken into account at that time.

However, where a specified entity is a member at a particular time of a group of persons that controls several corporations, and, at that time, the specified entity acts in concert with one or more members of the group of persons to control those corporations, the specified entity is deemed, for the purposes of the first paragraph in respect of those corporations, not to be a specified entity at that time.

2002, c. 40, s. 18.

21.20.8. For the purpose of determining if a corporation is associated with a specified entity at any time, otherwise than by virtue of section 21.25, neither the fair market value of the shares of the capital stock of the corporation owned by the specified entity, nor any right referred to in section 21.20.4 held by the specified entity, shall be taken into account at that time.

2002, c. 40, s. 18.

21.20.9. In sections 21.20.7 and 21.20.8, “specified entity” means any of the following entities:

(a) the Business Development Bank of Canada;

(b) the Caisse de dépôt et placement du Québec;

(c) Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi;

(d) the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ);

(e) Hydro-Québec CapiTech inc.;

(f) Investissement Québec;

(g) (paragraph repealed);

(h) the Société Innovatech du Grand Montréal;

(i) the Société Innovatech du sud du Québec;

(j) the Société Innovatech Québec et Chaudière-Appalaches;

(k) the Société Innovatech Régions ressources;

(k.1) the entity governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1);

(l) a Québec university; or

(m) a corporation all the issued capital stock of which, except directors' qualifying shares, belongs to one or more entities described in any of subparagraphs *a* to *l* or in this subparagraph.

2002, c. 40, s. 18; 2005, c. 23, s. 34; 2010, c. 37, s. 106; 2015, c. 21, s. 98; 2015, c. 36, s. 8; 2024, c. 11, s. 45.

21.20.10. *(Repealed).*

2003, c. 9, s. 14; 2021, c. 18, s. 15.

21.20.11. For the purposes of section 965.66 and despite section 21.20.4, to determine whether a corporation (in this section referred to as the "issuing corporation") is associated at any time with a particular corporation, otherwise than as a consequence of the application of section 21.25, a right referred to in section 21.20.4 that is held by the particular corporation is not to be taken into account, if

(a) the Minister is of the opinion that the issuing corporation is associated with the particular corporation only because of the application of section 21.20.4; and

(b) the contract granting the particular corporation a right referred to in section 21.20.4 stipulates that the right will cease to exist by reason of a public share issue, within the meaning assigned by section 965.55, made by the issuing corporation.

2009, c. 5, s. 34.

21.21. Subject to the second paragraph of section 771.2.1.3, two corporations that are associated, or deemed by this section to be associated, with the same corporation at any time and that, but for this section, would not be associated with each other at that time, are deemed, for the purposes of this Part, to be associated with each other at that time.

1989, c. 5, s. 28; 1990, c. 59, s. 29; 1992, c. 1, s. 7; 1997, c. 3, s. 17; 1997, c. 14, s. 14; 2000, c. 39, s. 3; 2019, c. 14, s. 68.

21.21.1. For the purposes of this Part, where it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a taxation year is to reduce the amount of tax that would otherwise be payable under this Part, those corporations are deemed to be associated with each other in the year.

1990, c. 59, s. 30; 1997, c. 3, s. 71.

21.22. Where one corporation would, but for this section, be associated with another corporation in a taxation year by reason of both of the corporations being controlled by the same trustee, liquidator of a succession or executor and it is established to the satisfaction of the Minister that the trustee, liquidator or executor did not acquire control of the corporations as a result of one or more trusts created or successions opened by the same individual or two or more individuals not dealing with each other at arm's length, and that the trust or succession under which the trustee, liquidator or executor acquired control of each of the corporations arose only upon the death of the individual who created the trust or whose succession was

opened, the two corporations are deemed, for the purposes of this Part, not to be associated with each other in the year.

1989, c. 5, s. 28; 1994, c. 22, s. 58; 1997, c. 3, s. 71; 2005, c. 1, s. 27.

21.23. Where one corporation would, but for this section, be associated with another corporation in a taxation year, by reason only that the other corporation is a trustee under a trust pursuant to which the corporation is controlled, the two corporations are deemed, for the purposes of this Part, not to be associated with each other in the year unless, at any time in the year, a settlor of the trust controlled or is a member of a related group that controlled the other corporation that is the trustee under the trust.

1989, c. 5, s. 28; 1997, c. 3, s. 71.

21.24. Where a particular corporation would, but for this section, be associated with another corporation in a taxation year by reason of being controlled, directly or indirectly in any manner whatever, by the other corporation or by reason of both of the corporations being controlled, directly or indirectly in any manner whatever, by the same person at a particular time in the year and it is established to the satisfaction of the Minister that the conditions set out in the second paragraph are fulfilled, the two corporations are deemed, for the purposes of this Part, not to be associated with each other in the year.

The conditions referred to in the first paragraph are as follows:

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

(b) the purpose for which the particular corporation was at the particular time so controlled was the safeguarding of rights or interests of the other corporation or the person so controlling the particular corporation in respect of any indebtedness owing to the other corporation or the person so controlling the particular corporation the whole or any part of the principal amount of which was outstanding at the particular time, or in respect of any shares of the capital stock of the particular corporation that were owned by the other corporation or the person so controlling the particular corporation at the particular time and that were, under the enforceable agreement or arrangement referred to in subparagraph *a*, to be redeemed by the particular corporation or purchased by the person or group of persons referred to in subparagraph *a* who are to acquire control of the particular corporation.

1989, c. 5, s. 28; 1990, c. 59, s. 31; 1997, c. 3, s. 71.

21.25. For the purposes of this Part, where the expression "controlled, directly or indirectly in any manner whatever," is used, a corporation is deemed to be so controlled by another corporation, a person or a group of persons at any time where, at that time, the other corporation, the person or the group of persons has any direct or indirect influence that, if exercised, would result in control in fact of the corporation.

Notwithstanding the foregoing, where the corporation and the other corporation, the person or the group of persons are dealing with each other at arm's length and the influence referred to in the first paragraph is derived from a franchise, licence, lease, distribution, supply or management agreement or other similar agreement or arrangement, the main purpose of which is to govern the relationship between the corporation and the other corporation, the person or the group of persons regarding the manner in which the business carried on by the corporation is to be conducted, the corporation shall not be considered to be controlled, directly or indirectly in any manner whatever, by the other corporation, the person or the group of persons by reason only of such agreement or arrangement.

1990, c. 59, s. 32; 1997, c. 3, s. 71.

21.25.1. For the purposes of this Part and for the purpose of determining whether a taxpayer has, in respect of a corporation, any direct or indirect influence that, if exercised, would result in control in fact of the corporation, the following rules apply:

(a) all factors that are relevant in the circumstances must be taken into consideration; and

(b) the determination must not be limited to, and the relevant factors need not include, whether the taxpayer has a legally enforceable right or ability to effect a change in the board of directors of the corporation, or its powers, or to exercise influence over the shareholder or shareholders who have that right or ability.

2020, c. 16, s. 30.

CHAPTER X

AMORTIZED COST OF A LOAN OR LENDING ASSET

1990, c. 59, s. 32.

21.26. Subject to section 838, "amortized cost", to a taxpayer, of a loan or lending asset at a particular time means the amount by which the aggregate of the following amounts exceeds the amount computed at that time in respect of the loan or lending asset under section 21.27:

(a) in the case of a loan made by taxpayer, the aggregate of all amounts advanced in respect of the loan at or before the particular time;

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

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

(c.1) the aggregate of all amounts each of which is an amount in respect of the loan or lending asset that was included in computing the taxpayer's income for a taxation year that ended at or before that time in respect of changes in the value of the loan or lending asset attributable to the fluctuation in the value of a foreign currency relative to Canadian currency;

(d) where the taxpayer is an insurer, any amount in respect of the loan or lending asset that was deemed, by reason of paragraph *a* of section 830 as it read for the taxation year 1977, to be a gain for any taxation year ending at or before the particular time;

(e) the aggregate of all amounts each of which is an amount in respect of the loan or lending asset that was included under paragraph *i* of section 87 in computing the taxpayer's income for any taxation year ending at or before the particular time.

1990, c. 59, s. 32; 1996, c. 39, s. 18; 1998, c. 16, s. 20.

21.27. The amount that must be deducted in computing the amortized cost, to a taxpayer, of a loan or lending asset at the particular time contemplated in section 21.26 is the aggregate of the following amounts:

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

*(a.*1*)* the aggregate of all amounts each of which is an amount in respect of the loan or lending asset that was deducted in computing the taxpayer's income for a taxation year that ended at or before that time in respect of changes in the value of the loan or lending asset attributable to the fluctuation in the value of a foreign currency relative to Canadian currency;

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

(c) where the taxpayer is an insurer, any amount in respect of the loan or lending asset that was deemed, by reason of paragraph *b* of section 830 as it read for the taxation year 1977, to be a loss for any taxation year ending at or before the particular time;

(d) the aggregate of all amounts each of which is an amount in respect of the loan or lending asset that was deducted under section 141 in computing the taxpayer's income for any taxation year ending at or before the particular time.

1990, c. 59, s. 32; 1996, c. 39, s. 19; 1998, c. 16, s. 21.

CHAPTER XI

TRANSFER OR LENDING OF SECURITIES

1991, c. 25, s. 5.

21.28. In this chapter,

"dealer compensation payment" means an amount received by a taxpayer as compensation for an underlying payment from a registered securities dealer resident in Canada who paid the amount in the ordinary course of a business of trading in securities, or for an underlying payment in the ordinary course of such a business of the taxpayer, where the taxpayer is such a dealer resident in Canada;

"qualified security" means

(a) a share of a class of the capital stock of a corporation that is listed on a stock exchange or of a class of the capital stock of a corporation that is a public corporation by reason of the designation of the class for the purposes of subparagraph i or ii of paragraph *b* of the definition of "public corporation" in subsection 1 of section 89 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement),

(b) a bond, debenture, note or similar obligation issued by a corporation described in paragraph *a* or by a corporation that is controlled by such a corporation,

(c) a bond, debenture, note or similar obligation issued or guaranteed by the government of any country, province, state, municipality or other political subdivision, or by a corporation, commission, agency or association controlled by such a government,

(d) a warrant, right, option or similar instrument with respect to a share described in paragraph *a*, or

(e) a qualified trust unit;

"qualified trust unit" means an interest, as a beneficiary under a trust, that is listed on a stock exchange;

"securities lending arrangement" means an arrangement, other than an arrangement one of the main purposes of which may reasonably be considered to be to avoid or defer the inclusion in income of any profit or gain with respect to a qualified security, under which

(a) a person (in this chapter referred to as the "lender") transfers or lends at any particular time a qualified security to another person (in this chapter referred to as the "borrower"),

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

(c) the borrower is obligated to pay to the lender, as compensation for each particular amount paid on the security that would have been received by the borrower if the borrower had held the security throughout the period beginning after the particular time and ending at the time an identical security is transferred or returned to the lender, an amount equal to the particular amount,

(d) the lender's opportunity for gain or profit or risk of loss with respect to the security is not changed in any material respect, and

(e) if the lender and the borrower do not deal with each other at arm's length, it is intended that neither the arrangement nor any series of securities lending arrangements, loans or other transactions of which the arrangement is a part be in effect for more than 270 days;

"security distribution" means

(a) an underlying payment; or

(b) an SLA compensation payment, or a dealer compensation payment, that is deemed under section 21.32 to be an amount received as an amount described in any of subparagraphs *a* to *c* of the first paragraph of that section;

"SLA compensation payment", being a securities lending arrangement compensation payment, means an amount paid pursuant to

(a) a securities lending arrangement as compensation for an underlying payment; or

(b) a specified securities lending arrangement as compensation for an underlying payment, including, if the property transferred or lent is described in subparagraph ii of paragraph *a* of the definition of "specified securities lending arrangement", as compensation for a taxable dividend paid on a share described in subparagraph i of paragraph *a* of that definition;

"specified securities lending arrangement" means an arrangement, other than a securities lending arrangement, under which

(a) a particular person (in this definition referred to as a "transferor") transfers or lends at a particular time a property to another person (in this definition referred to as a "transferee") and the property is

i. a share described in paragraph *a* of the definition of "qualified security", or

ii. a property in respect of which the following conditions are met:

(1) the property is an interest in a partnership or an interest as a beneficiary under a trust, and

(2) all or part of its fair market value, immediately before the particular time, is derived, directly or indirectly, from a share described in subparagraph i;

(b) at the particular time, it may reasonably be expected that the transferee—or a person that does not deal at arm's length with, or is affiliated with, the transferee—will, after that time, transfer or return to the transferor—or a person that does not deal at arm's length with, or is affiliated with, the transferor (in this definition referred to as a "substitute transferor")—a property that is identical or substantially identical to the property transferred or lent by the transferor at the particular time; and

(c) the transferor's (together with any substitute transferor's) opportunity for gain or profit or risk of loss with respect to the property is not changed in any material respect;

"underlying payment" means an amount paid on a qualified security by the issuer of the security.

1991, c. 25, s. 5; 1993, c. 16, s. 17; 1995, c. 49, s. 16; 1997, c. 3, s. 71; 1998, c. 16, s. 22; 2001, c. 7, s. 169; 2010, c. 5, s. 16; 2015, c. 24, s. 17; 2021, c. 18, s. 16.

21.29. For the purposes of this Part, subject to sections 21.30 and 21.31, any transfer or loan by a lender of a security under a securities lending arrangement is deemed not to be a disposition of the security and the security is deemed to continue to be property of the lender.

For the purposes of this section, a security is deemed to include an identical security that has been transferred or returned to the lender under the securities lending arrangement.

1991, c. 25, s. 5.

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

(a) subject to paragraph *b*, the lender is deemed to have disposed, at that time, of the security initially transferred or lent for proceeds of disposition equal to the fair market value of the property received as consideration for the disposition of the right, other than any portion of the proceeds that is deemed to have been received by the lender as a taxable dividend;

(b) Division XIII of Chapter IV of Title IV of Book III, Division VI of Chapter IV of Title IX of Book III and Chapters V and VI of Title IX of Book III, as the case may be, apply in computing the income of the lender with respect to a disposition referred to in paragraph *a* as if the security initially transferred or lent had continued to be property of the lender and the lender had received the property directly.

1991, c. 25, s. 5; 1998, c. 16, s. 23.

21.31. Where, at any time, it may reasonably be considered that a lender would have received proceeds of disposition for a security that was transferred or lent under a securities lending arrangement had the security not been so transferred or lent, the lender is deemed to have disposed of the security at that time for an amount equal to such proceeds.

1991, c. 25, s. 5; 2005, c. 23, s. 35.

21.32. A particular amount that is received by a taxpayer in a taxation year as an SLA compensation payment from a person described in the second paragraph or as a dealer compensation payment, is deemed, to the extent of the underlying payment to which the amount relates, to have been received by the taxpayer in the year as,

(a) where the underlying payment is a taxable dividend paid on a share of the capital stock of a public corporation (other than an underlying payment to which subparagraph *b* applies), a taxable dividend on the share and, if the particular amount has the characteristics described in the third paragraph, an eligible dividend on the share;

(b) where the underlying payment is paid by a trust on a qualified trust unit issued by the trust,

i. to the extent that section 663 applied to the underlying payment, an amount of the trust's income that was paid by the trust to the taxpayer as a beneficiary under the trust and that was designated by the trust in respect of the taxpayer to the extent of a valid designation, if any, by the trust in accordance with this Part in respect of the recipient of the underlying payment, and

ii. to the extent that the underlying payment is a distribution of a property from the trust, a distribution of that property from the trust; or

(c) in any other case, interest.

A person to whom the first paragraph refers is

(a) a person resident in Canada; or

(b) a person not resident in Canada who pays the particular amount in the course of carrying on business in Canada through an establishment.

The characteristics to which the first paragraph refers in respect of the particular amount are the following:

(a) the amount is deemed, under the first paragraph, to be a taxable dividend; and

(b) the amount is received by a person resident in Canada as

i. compensation for an eligible dividend, or

ii. compensation for a taxable dividend, other than an eligible dividend, paid by a corporation to a shareholder not resident in Canada in circumstances where it may reasonably be considered that the corporation would, if that shareholder had been resident in Canada, have designated the dividend as an eligible dividend under subsection 14 of section 89 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for the purposes of that Act.

However, the first paragraph does not apply in respect of an amount received

(a) as proceeds of disposition of a property, or

(b) by a person under an arrangement where it may reasonably be considered that one of the main reasons for the person entering into the arrangement was to enable the person to receive an SLA compensation payment pursuant to a securities lending arrangement, or a dealer compensation payment, that would be deductible in computing the person's taxable income, or not included in computing the person's income, for any taxation year.

1991, c. 25, s. 5; 1996, c. 39, s. 20; 1997, c. 3, s. 71; 2009, c. 5, s. 35; 2015, c. 24, s. 18; 2021, c. 18, s. 17.

21.33. A taxpayer who, in a taxation year, pays a particular amount as an SLA compensation payment or as a dealer compensation payment, may deduct, in computing income from a business or property for the year, an amount equal to

(a) if the taxpayer is a registered securities dealer and the particular amount is deemed under section 21.32 to have been received as a taxable dividend, no more than 2/3 of the particular amount, unless the particular amount is an amount the taxpayer may deduct in computing income under section 21.33.1; or

(b) if the particular amount is in respect of an amount other than an amount that is, or is deemed under section 21.32 to have been, received as a taxable dividend,

i. where the taxpayer disposes of the borrowed security and includes the gain or loss, if any, from the disposition in computing income from a business, the particular amount, or

ii. in any other case, the lesser of the particular amount and the amount, if any, in respect of the security distribution to which the SLA compensation payment or dealer compensation payment relates that is included in computing the income, and not deducted in computing the taxable income, for any taxation year of the taxpayer or of any person to whom the taxpayer is related.

1991, c. 25, s. 5; 1996, c. 39, s. 21; 2015, c. 24, s. 19; 2021, c. 18, s. 18.

21.33.1. There may be deducted in computing a corporation's income from a business or property for a taxation year an amount equal to the lesser of

(a) the aggregate of all amounts each of which is an amount that the corporation becomes obligated in the year to pay to another person under an arrangement described in paragraphs *a* and *b* of the definition of "dividend rental arrangement" in section 1 and that, if paid, would be deemed under section 21.32 to have been received by the other person as a taxable dividend; and

(b) the amount of the dividends received by the corporation under the arrangement referred to in paragraph *a* that were identified in its fiscal return under this Part for the year as dividends in respect of which no amount was deductible because of section 740.4.1 in computing its taxable income.

1996, c. 39, s. 22; 1997, c. 3, s. 71; 2015, c. 24, s. 20; 2021, c. 18, s. 19.

21.33.2. For the purposes of this chapter,

(a) a person includes a partnership; and

(b) a partnership is deemed to be a registered securities dealer if each member of the partnership is a registered securities dealer.

The following rules apply to a corporation that is, in a taxation year, a member of a partnership:

(a) for the purposes of section 21.32, the corporation is deemed to receive, in the year, the agreed proportion in its respect, for each fiscal period of the partnership that ends in the year, of each amount received by the partnership in that fiscal period, and is deemed to be the same person as the partnership in respect of the receipt of the agreed proportion of that amount; and

(b) for the purposes of section 21.33.1, the corporation is deemed to become obligated, in the year, to pay the agreed proportion in its respect, for each fiscal period of the partnership that ends in the year, of the amount the partnership becomes, in that fiscal period, obligated to pay to another person under the arrangement referred to in paragraph *a* of that section.

The following rules apply to an individual who is, in a taxation year, a member of a partnership:

(a) for the purposes of section 21.32, the individual is deemed to receive, in the year, the agreed proportion in respect of the individual, for each fiscal period of the partnership that ends in the year, of each amount received by the partnership in that fiscal period, and is deemed to be the same person as the partnership in respect of the receipt of the agreed proportion of that amount; and

(b) for the purposes of section 497, the individual is deemed to have paid, in the year, the agreed proportion in respect of the individual, for each fiscal period of the partnership that ends in the year, of each amount paid by the partnership in that fiscal period that is deemed under section 21.32 to have been received by another person as a taxable dividend.

2015, c. 24, s. 21.

CHAPTER XII

QUÉBEC SALES TAX AND GOODS AND SERVICES TAX

1991, c. 25, s. 5; 1992, c. 1, s. 8.

21.34. For the purposes of this Part, where a liability for the Québec sales tax or the goods and services tax is incurred in respect of a change of use at any time of a property, the liability so incurred is deemed to have been incurred immediately after that time in respect of the acquisition of the property.

1991, c. 25, s. 5; 1992, c. 1, s. 9.

21.35. For the purposes of this Part, except section 58.2 and this section, an amount claimed by a taxpayer as an input tax credit or rebate with respect to the goods and services tax in respect of a property or service is deemed to be assistance from a government in respect of the property or service that is received by the taxpayer

(a) if the amount was claimed as an input tax credit in a return filed under Part IX of the Excise Tax Act (R.S.C. 1985, c. E-15) for a reporting period under that Act,

i. at the particular time that is the time that the goods and services tax in respect of the credit was paid or, if it is earlier, the time that it became payable if

(1) the particular time is in the reporting period, or

(2) the taxpayer's threshold amount, determined in accordance with subsection 1 of section 249 of the Excise Tax Act, is greater than $500,000 for the taxpayer's fiscal period, within the meaning of that Act, that includes the particular time and the taxpayer claimed the input tax credit at least 120 days before the end of the period described in paragraph *a* or *a*.0.1 of subsection 2 of section 1010, for the taxation year that includes the particular time,

ii. at the end of the reporting period, if

(1) subparagraph i does not apply, and

(2) the taxpayer's threshold amount, determined in accordance with subsection 1 of section 249 of the Excise Tax Act, is $500,000 or less for the taxpayer's fiscal period, within the meaning of that Act, that includes the particular time, and

iii. in any other case, on the last day of the taxpayer's first taxation year that begins after the taxation year that includes the particular time and for which the period described in paragraph *a* or *a*.0.1 of subsection 2 of section 1010 ends at least 120 days after the time that the input tax credit was claimed; or

(b) if the amount was claimed as a rebate with respect to the goods and services tax, at the time the amount was received by, or credited to, the taxpayer.

1991, c. 25, s. 5; 2009, c. 5, s. 36.

21.35.1. For the purposes of this Part, other than section 58.3 and this section, an amount claimed by a taxpayer as an input tax refund or a rebate with respect to the Québec sales tax in respect of a property or service is deemed to be assistance from a government in respect of the property or service that is received by the taxpayer

(a) where the amount is claimed as an input tax refund in a return filed under the Act respecting the Québec sales tax (chapter T-0.1) for a reporting period under that Act,

i. at the particular time that is the time that the Québec sales tax in respect of the refund was paid or, if it is earlier, the time that it became payable if

(1) the particular time is in the reporting period, or

(2) the taxpayer's threshold amount, determined in accordance with section 462 of that Act, is greater than $500,000 for the taxpayer's fiscal period, within the meaning of that Act, that includes the particular time and the taxpayer claimed the input tax refund at least 120 days before the end of the period described in paragraph *a* or *a*.0.1 of subsection 2 of section 1010, for the taxation year that includes the particular time,

ii. at the end of the reporting period, if

(1) subparagraph i does not apply, and

(2) the taxpayer's threshold amount, determined in accordance with section 462 of that Act, is $500,000 or less for the taxpayer's fiscal period, within the meaning of that Act, that includes the particular time, and

iii. in any other case, on the last day of the taxpayer's first taxation year that begins after the taxation year that includes the particular time and for which the period described in paragraph *a* or *a*.0.1 of subsection 2 of section 1010 ends at least 120 days after the time that the input tax refund was claimed; or

(b) where the amount is claimed as a rebate with respect to the Québec sales tax, at the time the amount was received by, or credited to, the taxpayer.

1992, c. 1, s. 10; 1997, c. 14, s. 15; 2009, c. 5, s. 37.

21.36. If the input tax credit of a taxpayer under Part IX of the Excise Tax Act (R.S.C. 1985, c. E-15) in respect of property that is a passenger vehicle, a zero-emission passenger vehicle or an aircraft is determined with reference to subsection 4 of section 202 of that Act, no reference is to be made to subparagraph iii of paragraph *a* of section 21.35, and subparagraphs i and ii of that paragraph *a*, when they apply in respect of such property, are to be read as follows:

"i. at the beginning of the first taxation year or fiscal period of the taxpayer that begins after the end of the taxation year or fiscal period, as the case may be, in which the goods and services tax in respect of such property was considered, for the purpose of determining the input tax credit, to be payable, if the tax was considered, for the purpose of determining the input tax credit, to have become payable in the reporting period, or

ii. at the end of the reporting period, if no such tax was considered, for the purpose of determining the input tax credit, to have become payable in that period; or".

1991, c. 25, s. 5; 2009, c. 5, s. 38; 2021, c. 18, s. 20.

21.36.1. If the input tax refund of a taxpayer under the Act respecting the Québec sales tax (chapter T-0.1) in respect of property that is a passenger vehicle, a zero-emission passenger vehicle or an aircraft is determined with reference to section 252 of that Act, no reference is to be made to subparagraph iii of paragraph *a* of section 21.35.1, and subparagraphs i and ii of that paragraph *a*, when they apply in respect of such property, are to be read as follows:

"i. at the beginning of the first taxation year or fiscal period of the taxpayer that begins after the end of the taxation year or fiscal period, as the case may be, in which the Québec sales tax in respect of such property was considered, for the purpose of determining the input tax refund, to be payable, if the tax was considered, for the purpose of determining the input tax refund, to have become payable in the reporting period, or

ii. at the end of the reporting period, if no such tax was considered, for the purpose of determining the input tax refund, to have become payable in that period; or".

1992, c. 1, s. 11; 2009, c. 5, s. 38; 2021, c. 18, s. 21.

21.36.2. An amount in respect of an input tax credit that is deemed, under subsection 5 of section 296 of the Excise Tax Act (R.S.C. 1985, c. E-15), to have been claimed in a return or application filed under Part IX of that Act is deemed to have been so claimed for the reporting period under that Act that includes the time when an assessment referred to in that subsection is made in respect of a taxpayer.

2009, c. 5, s. 39.

21.36.3. An amount in respect of an input tax refund that is deemed, under section 30.5 of the Tax Administration Act (chapter A-6.002), to have been claimed is deemed to have been so claimed for the reporting period under the Act respecting the Québec sales tax (chapter T-0.1) that includes the day on which an assessment, indicating that the refund has been allocated under that section 30.5, is made in respect of a taxpayer.

2009, c. 5, s. 39; 2010, c. 31, s. 175.

21.37. For the purposes of this Part, where an amount is added at a particular time in determining the net tax of a taxpayer under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of an input tax credit relating to property or a service that had been previously deducted in

determining the net tax of the taxpayer, that amount is deemed to be assistance repaid at the particular time in respect of the property or service pursuant to a legal obligation to repay all or part of that assistance.

1991, c. 25, s. 5; 1993, c. 16, s. 18.

21.38. For the purposes of this Part, where an amount is added at a particular time in determining the net tax of a taxpayer under the Act respecting the Québec sales tax (chapter T-0.1) in respect of an input tax refund relating to property or a service that had been previously deducted in determining the net tax of the taxpayer, that amount is deemed to be assistance repaid at the particular time in respect of the property or service pursuant to a legal obligation to repay all or part of that assistance.

1992, c. 1, s. 12; 1994, c. 22, s. 59; 1997, c. 14, s. 16.

CHAPTER XIII

Repealed, 2000, c. 5, s. 20.

1996, c. 39, s. 23; 2000, c. 5, s. 20.

21.39. *(Repealed).*

1996, c. 39, s. 23; 1997, c. 3, s. 71; 2000, c. 5, s. 20.

CHAPTER XIV

Repealed, 2013, c. 10, s. 15.

2000, c. 5, s. 21; 2013, c. 10, s. 15.

21.40. *(Repealed).*

2000, c. 5, s. 21; 2009, c. 5, s. 40; 2011, c. 34, s. 15; 2013, c. 10, s. 15.

CHAPTER XV

Repealed, 2012, c. 8, s. 40.

2005, c. 23, s. 36; 2012, c. 8, s. 40.

21.41. *(Repealed).*

2005, c. 23, s. 36; 2012, c. 8, s. 40.

21.42. *(Repealed).*

2005, c. 23, s. 36; 2012, c. 8, s. 40.

CHAPTER XVI

QUALIFYING TRUST ANNUITY

2009, c. 15, s. 32.

21.43. A qualifying trust annuity with respect to a taxpayer means

(a) an annuity in respect of which the following conditions are met:

i. it is acquired after 31 December 2005,

ii. the annuitant is a trust that is, at the time the annuity is acquired, a lifetime benefit trust with respect to the taxpayer and the succession of an individual,

iii. it is for the life of the taxpayer (with or without a guaranteed period), or for a fixed term equal to 90 years minus the age in whole years of the taxpayer at the time it is acquired, and

iv. if it is with a guaranteed period or for a fixed term, it requires that, in the event of the death of the taxpayer during the guaranteed period or fixed term, any amounts that would otherwise be payable after the death of the taxpayer be commuted into a single payment;

(b) an annuity in respect of which the following conditions are met:

i. it is acquired after 31 December 1988,

ii. the annuitant is a trust under which the taxpayer is the sole person beneficially interested (determined without regard to any right of a person to receive an amount from the trust only on or after the death of the taxpayer) in amounts payable under the annuity,

iii. it is for a fixed term not exceeding 18 years minus the age in whole years of the taxpayer at the time it is acquired, and

iv. if it is acquired after 31 December 2005, it requires that, in the event of the death of the taxpayer during the fixed term, any amounts that would otherwise be payable after the death of the taxpayer be commuted into a single payment; and

(c) an annuity in respect of which the following conditions are met:

i. it is acquired after 31 December 2000 and before 1 January 2005 at a time at which the taxpayer was mentally or physically infirm, or in the year 2005 at a time at which the taxpayer was mentally infirm,

ii. the annuitant is a trust under which the taxpayer is the sole person beneficially interested (determined without regard to any right of a person to receive an amount from the trust only on or after the death of the taxpayer) in amounts payable under the annuity, and

iii. it is for the life of the taxpayer (with or without a guaranteed period), or for a fixed term equal to 90 years minus the age in whole years of the taxpayer at the time it is acquired.

For the purposes of the first paragraph, a trust is at a particular time a lifetime benefit trust with respect to a taxpayer and the succession of an individual if

(a) immediately before the death of the individual, the taxpayer

i. was both a spouse of the individual and mentally infirm, or

ii. was both a child or grandchild of the individual and dependent on the individual for support because of mental infirmity; and

(b) the trust is, at the particular time, a personal trust under which

i. no person other than the taxpayer may receive or otherwise obtain the enjoyment of, during the taxpayer's lifetime, all or part of the income or capital of the trust, and

ii. the trustees are empowered to pay amounts from the trust to the taxpayer, and are required—in determining whether to pay, or not to pay, an amount to the taxpayer—to consider the needs of the taxpayer, including the comfort, care and maintenance of the taxpayer.

2009, c. 15, s. 32.

BOOK II

LIABILITY FOR TAX

1972, c. 23.

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

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

1972, c. 23, s. 17; 1972, c. 26, s. 34; 1973, c. 17, s. 4; 1984, c. 15, s. 14; 1988, c. 4, s. 18; 1989, c. 5, s. 29; 1993, c. 64, s. 7; 1995, c. 63, s. 16; 1997, c. 3, s. 71; 1998, c. 16, s. 24; 2001, c. 53, s. 10.

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

The taxable income, for the taxation year, of an individual referred to in the first paragraph who was resident in Québec on that day is the amount by which the amount determined under the third paragraph exceeds the aggregate of

(a) the deductions permitted by sections 727, 728.1, 729 and 733.0.0.1 and, to the extent that they relate to amounts included in computing an amount referred to in the third paragraph, the deductions permitted by sections 725, 725.1.2 and 725.2 to 725.4; and

(b) any other deduction permitted by Book IV, to the extent that

i. the deduction can reasonably be considered to be attributable to the part of the year throughout which the individual was resident in Canada, or

ii. if all or substantially all of the individual's income for the part of the year throughout which the individual was not resident in Canada is included in the amount referred to in the third paragraph, the deduction can reasonably be considered to be attributable to that part of the year.

The amount to which the second paragraph refers is the amount that would be the individual's income for the year if, for the part of the year throughout which the individual was not resident in Canada, only the following elements were taken into account:

(a) the elements described in section 1090; and

(b) the income that would be included in computing the individual's income earned in Canada for the year under subparagraph *g* of the first paragraph of section 1090 if the part of the year throughout which the individual was not resident in Canada were a whole taxation year.

1972, c. 23, s. 18; 1972, c. 26, s. 35; 1982, c. 5, s. 15; 1989, c. 5, s. 30; 1993, c. 16, s. 19; 1995, c. 49, s. 17; 1996, c. 39, s. 24; 1998, c. 16, s. 25; 2004, c. 8, s. 13.

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

individual is an individual who became resident in Canada in the year or an individual who ceased to be resident in Canada in the year.

1972, c. 23, s. 19; 1972, c. 26, s. 36; 1985, c. 25, s. 20; 1989, c. 5, s. 31; 1995, c. 49, s. 18; 1998, c. 16, s. 26.

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

The tax payable under section 750 by an individual referred to in the first paragraph is equal to the portion of the tax that the individual would pay, but for this paragraph, under that section on the individual's taxable income determined under section 24 if the individual were resident in Québec, that is the proportion, which is not to exceed 1, that that income earned in Québec is of the amount by which the aggregate of the amount that would have been the individual's income, computed without reference to section 1029.8.50, had the individual been resident in Québec on the last day of the taxation year and the amount that the individual included in computing that taxable income under any of sections 726.43 to 726.43.2, exceeds any amount deducted by the individual under any of sections 726.20.2, 726.28, 737.16, 737.18.10, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7, 737.25 and 737.28 in computing that taxable income.

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

1972, c. 23, s. 20; 1972, c. 26, s. 37; 1973, c. 17, s. 5; 1984, c. 15, s. 15; 1987, c. 21, s. 9; 1988, c. 4, s. 19; 1989, c. 5, s. 32; 1993, c. 64, s. 8; 1995, c. 1, s. 14; 1995, c. 63, s. 17; 1997, c. 14, s. 17; 1997, c. 85, s. 34; 1998, c. 16, s. 27; 1999, c. 83, s. 27; 2000, c. 39, s. 264; 2002, c. 40, s. 19; 2003, c. 9, s. 15; 2004, c. 21, s. 42; 2006, c. 36, s. 23; 2010, c. 25, s. 8; 2013, c. 10, s. 16; 2017, c. 29, s. 28; 2021, c. 14, s. 24; 2022, c. 23, s. 31.

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

The tax payable under sections 750 and 752.12 to 752.16 by an individual referred to in the first paragraph is equal to the proportion, which cannot exceed 1, of the tax that would, but for this paragraph, be payable under those sections on the individual's taxable income earned in Canada as determined under Part II if the individual were resident in Québec, that the individual's income earned in Québec is of the individual's income earned in Canada as determined in accordance with section 1090.

1972, c. 23, s. 21; 1972, c. 26, s. 38; 1988, c. 4, s. 20; 1989, c. 5, s. 33; 1993, c. 64, s. 9; 1998, c. 16, s. 28; 2001, c. 53, s. 11.

26.1. The taxable income of a corporation referred to in section 22 for a taxation year is its income for the year plus the additions provided for in Book IV and minus the deductions permitted by the said Book.

1989, c. 77, s. 8; 1997, c. 3, s. 71.

27. Any corporation not contemplated in section 22 and not resident in Canada that disposes in a taxation year of taxable Québec property shall pay a tax at the rate established in subsection 1 of section 771 on the amounts described in subparagraphs *d*, *e*, *f*, *h* and *l* of the first paragraph of section 1089 that are applicable thereto and on the amount by which the aggregate of its taxable capital gains exceeds the aggregate of its allowable capital losses from the disposition of such property.

Where a corporation contemplated in section 22 has an establishment outside Québec, its tax payable is equal to the proportion of the tax established under subsection 1 of section 771 that the business it carries on

in Québec is of the entire business it carries on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771.

1972, c. 23, s. 22; 1973, c. 17, s. 6; 1975, c. 22, s. 3; 1987, c. 21, s. 10; 1991, c. 8, s. 1; 1992, c. 1, s. 13; 1993, c. 16, s. 20; 1995, c. 1, s. 199; 1997, c. 3, s. 71.

BOOK III

COMPUTATION OF INCOME

1972, c. 23.

TITLE I

BASIC RULES

1972, c. 23.

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

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

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

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

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

(c) subtract from the total so determined

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

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

iii. *(subparagraph replaced)*.

1972, c. 23, s. 23; 1979, c. 18, s. 4; 1982, c. 56, s. 10; 1987, c. 67, s. 8; 1998, c. 16, s. 29.

28.1. Where the amount determined under section 28 for a taxation year in respect of a taxpayer does not exceed zero, the taxpayer is deemed, for the purposes of this Part, to have income for the year in an amount equal to zero.

1993, c. 16, s. 21; 1993, c. 64, s. 10.

29. Where income or loss is from an office, employment, business, property or other source in Canada or in another place, or where income or loss is from an office, employment or business performed or carried on partly in Canada and partly in another place, the taxpayer shall compute separately the income or loss from each source according to the place and shall only apply to it such part of the deductions provided by this Part as may reasonably be applied to such source according to the place.

Notwithstanding the first paragraph, the deductions permitted by sections 334 to 358.0.4 shall, subject to the third paragraph, be applied to the whole income of the taxpayer.

For the purposes of Part II and sections 671, 671.1 and 772.2 to 772.13, in respect of income or loss from a source in Canada or in another place or from an office, employment or business, performed or carried on partly in Canada and partly in another place,

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

(b) the deductions permitted by paragraphs *a* and *b* of section 657 shall not be applied to income from a source in a country other than Canada.

1972, c. 23, s. 24; 1990, c. 59, s. 33; 1994, c. 22, s. 60; 1995, c. 1, s. 15; 1995, c. 63, s. 18; 1997, c. 85, s. 35; 1998, c. 16, s. 30; 2005, c. 38, s. 51; 2011, c. 1, s. 22.

30. *(Repealed).*

1972, c. 23, s. 25; 1973, c. 17, s. 7; 1993, c. 16, s. 22; 1997, c. 31, s. 6.

31. For the purpose of computing a taxpayer's income for a taxation year, and unless otherwise prescribed,

(a) any deduction allowed to the taxpayer under a provision of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in computing the taxpayer's income for a preceding taxation year in respect of which the taxpayer or, in the case of a partnership, each of the members, was not subject to tax under this Part, is deemed to have also been allowed to the taxpayer under the corresponding provision of this Part in computing the taxpayer's income for that preceding year;

(b) where, for the purposes of Part I of the Income Tax Act, the cost, the capital cost or the cost amount of property, to the taxpayer, determined as a consequence of the application of a particular provision of that Act in respect of a transaction or event that occurred during a preceding taxation year described in paragraph *a*, is different from that which it would have been at that time but for that provision, the corresponding provision of this Part is deemed, for the purpose of determining the cost, the capital cost or the cost amount, as the case may be, of the property to the taxpayer for the purposes of this Part, to have applied in respect of the property at the same time and for the same amounts as for the application of the particular provision in respect of the property.

1977, c. 26, s. 2; 1997, c. 85, s. 36.

31.1. The amounts referred to in the fourth paragraph that are to be used for a taxation year subsequent to the taxation year 2007 are to be adjusted annually in such a manner that each amount used for that taxation year is equal to the total of the amount used for the preceding taxation year and the product obtained by multiplying that latter amount by the factor determined by the formula

(A/B) - 1.

In the formula in the first paragraph,

(a) A is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year preceding that for which an amount is to be adjusted; and

(b) B is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year immediately before the year preceding that for which the amount is to be adjusted.

If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.

The amounts to which the first paragraph refers are

(a) the amount of $300 mentioned in paragraph *e*.1 of section 39;

(b) the amount of $1,120 mentioned in the first paragraph of section 39.6;

(c) the amount of $1,000 mentioned in subparagraph *b* of the second paragraph of section 75.2.1; and

(d) the amount of $1,000 mentioned in the first paragraph of section 358.0.3.

If the amount that results from the adjustment provided for in the first paragraph is not a multiple of $5, it is to be rounded to the nearest multiple of $5 or, if it is equidistant from two such multiples, to the higher of the two.

2009, c. 15, s. 33; 2012, c. 8, s. 41; 2015, c. 24, s. 22; 2020, c. 5, s. 214.

TITLE II

INCOME OR LOSS FROM AN OFFICE OR EMPLOYMENT

1972, c. 23.

CHAPTER I

BASIC RULES

1972, c. 23.

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

1972, c. 23, s. 26; 1998, c. 16, s. 31.

33. An individual's loss for a taxation year from an office or employment is the amount of such loss computed, with the necessary modifications, by applying the provisions of this Part respecting computation of income from that source.

1972, c. 23, s. 27; 1995, c. 63, s. 19.

34. Every amount an individual receives from another person while in the employment of the latter is presumed received as remuneration for services rendered. The same applies to every amount received in payment of an obligation arising out of an agreement between two persons immediately prior to, during or immediately after a period that one person is in the employment of the other.

1972, c. 23, s. 28.

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

with reference to what the employee is, or is not, to do before the employee becomes or after the employee ceases to be an employee.

1972, c. 23, s. 29; 1998, c. 16, s. 32.

35.1. If an amount, other than an amount to which section 37 applies because of section 47.11, is receivable at the end of a taxation year by an individual in respect of a covenant, agreed to by the individual more than 36 months before the end of the year, with reference to what the individual is, or is not, to do, and the amount would be included in computing the individual's income for the year under this Title if it were received by the individual in the year, the amount

(a) is deemed to be received by the individual at the end of the year for services rendered as an employee or during the period of employment; and

(b) is deemed not to be received at any other time.

2009, c. 5, s. 41.

CHAPTER II

INCLUSIONS

1972, c. 23.

DIVISION I

GENERALITIES

1972, c. 23.

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

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

1972, c. 23, s. 30; 1983, c. 43, s. 3; 1998, c. 16, s. 33.

36.1. *(Repealed).*

1995, c. 1, s. 16; 1995, c. 63, s. 20; 1997, c. 85, s. 37.

DIVISION II

FRINGE BENEFITS

1972, c. 23.

37. The amounts required to be included in computing an individual's income are the value of board, lodging and other benefits of any kind whatever received or enjoyed by the individual, or by a person who does not deal at arm's length with the individual, because of, or in the course of, the individual's office or employment and the allowances received by the individual, including any amount received, without having to account for its use, for personal or living expenses or for any other purpose.

1972, c. 23, s. 31; 1992, c. 1, s. 14; 1998, c. 16, s. 34; 2015, c. 21, s. 99.

37.0.1. For the purposes of section 37, a benefit is deemed to have been enjoyed by an individual at any time an obligation issued by any debtor, including the individual, is settled or extinguished and the value of that benefit is deemed to be the forgiven amount at that time in respect of the obligation.

In the first paragraph, the "forgiven amount" at any time in respect of an obligation issued by a debtor has the meaning that would be assigned by section 485 if

(a) the obligation were a commercial obligation, within the meaning assigned by section 485, issued by the debtor;

(b) no amount included in computing income because of the obligation being settled or extinguished at that time were taken into account;

(c) the definition of "forgiven amount" in section 485 were read without reference to paragraphs *f* and *h*; and

(d) section 485.3 were read without reference to subparagraphs *b* and *r* of the first paragraph of that section.

1989, c. 77, s. 9; 1996, c. 39, s. 25.

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

(a) in the case of a plan for the insurance of persons which provides coverage through insurance with an insurer, the amount established for the year under sections 37.0.1.2 and 37.0.1.3 in respect of the individual in relation to the plan;

(b) in the case of a plan for the insurance of persons which provides coverage otherwise than through insurance with an insurer, the amount established for the year under sections 37.0.1.4 to 37.0.1.6 in respect of the individual in relation to the plan.

For the purposes of this section and sections 37.0.1.2 to 37.0.1.6, the following rules apply:

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

(b) any amount paid as a dividend, return or refund of premiums, under a plan for the insurance of persons, to a person to whom the employer is related, in relation to the coverage and benefits enjoyed by the employees of the employer under the plan, is deemed to be a dividend, a return or a refund of premiums paid, to the employer and not to the person to whom the employer is related;

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

(d) "tax" does not include tax payable by the employer under Part IV.1 or Part VI, if any.

1993, c. 64, s. 11; 1995, c. 63, s. 261; 1998, c. 16, s. 35.

37.0.1.2. The amount contemplated in subparagraph *a* of the first paragraph of section 37.0.1.1 in respect of an individual for a taxation year in relation to a plan for the insurance of persons, means an amount equal to the amount by which

(a) the aggregate of the premium, other than the portion of the premium which can reasonably be attributed to coverage related to the cost that would be assumed by the Régie de l'assurance maladie du Québec on behalf of an insured person in respect of insured services under the Health Insurance Act (chapter A-29), paid by the employer of the individual in respect of the coverage and benefits enjoyed by the individual for any period of the year under the plan, and the tax relating to that premium, exceeds

(b) the aggregate of

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

ii. the amount determined for the year in respect of the individual in accordance with section 37.0.1.3 in relation to the plan.

However, where, for a particular period, included in the year, throughout which the individual is not entitled to benefit from the provisions of the Health Insurance Act, the benefits enjoyed by the individual in relation to particular coverage under the plan covers at least all the services that would be insured in the individual's respect under the said Act for the particular period if the individual were entitled to benefit from the provisions of that Act at that time, the amount referred to in subparagraph *a* of the first paragraph for the particular period in respect of the individual in relation to the particular coverage is deemed to be the amount that would otherwise be determined under that subparagraph for the particular period in respect of the individual in relation to the particular coverage if the exception provided for therein were disregarded, if the premium referred to therein were reduced by the amount prescribed for the particular period in respect of the individual in relation to the particular coverage and if the tax referred to therein were reduced to the portion of the tax which can reasonably be attributed to the premium so reduced.

1993, c. 64, s. 11; 1995, c. 63, s. 261; 1998, c. 16, s. 36; 1999, c. 89, s. 53.

37.0.1.3. The amount contemplated in subparagraph ii of subparagraph *b* of the first paragraph of section 37.0.1.2 in respect of an individual for a taxation year in relation to a plan for the insurance of persons, is the portion, hereinafter described, of the amount called "particular amount" in this section, that corresponds to the amount by which the aggregate of the amount paid during the year to the employer of the individual as a dividend, return or refund of premiums under the plan and the related tax, exceeds the portion, if any, of that aggregate that can reasonably be attributed to the share of the employer's employees in the cost of the plan that was distributed to the employees in the year:

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

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

1993, c. 64, s. 11; 1995, c. 63, s. 261; 1998, c. 16, s. 37.

37.0.1.4. The amount contemplated in subparagraph *b* of the first paragraph of section 37.0.1.1 in respect of an individual for a taxation year in relation to a plan for the insurance of persons, means the amount by

which the aggregate of the following amounts exceeds the total of the amounts paid by the individual in the year for any period, after 20 May 1993, of the year or of a preceding year as a contribution under the plan:

(a) the aggregate of all amounts each of which corresponds to the amount determined, in respect of the particular coverage and benefits enjoyed by the individual in the year under the plan, by the formula

(A × B) / C;

(b) the amount determined by the formula

(D × E) / F.

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

(a) A is the aggregate of the benefits paid in the year for any period, after 20 May 1993, of the year or of a previous year in respect of all the employees of the employer of the individual who enjoy the particular coverage and benefits under the plan, and the related tax;

(b) B is the number of days of the year during which the individual enjoys the particular coverage and benefits under the plan;

(c) C is the number, for each day of the year, of all the employees of the employer of the individual who enjoy the particular coverage and benefits under the plan;

(d) D is the aggregate of the expenses, except those relating to the establishment of or a modification to the plan, incurred in respect of a third person for the administration or management of the plan for any period of the year, and the related tax, if any;

(e) E is the number of days of the year during which the individual enjoys coverage under the plan;

(f) F is the number, for each day of the year, of all employees of the employer of the individual who enjoy coverage under the plan.

1993, c. 64, s. 11; 1995, c. 63, s. 261.

37.0.1.5. For the purposes of section 37.0.1.4,

(a) the portion of a benefit, which can reasonably be considered to relate to the cost that would be assumed by the Régie de l'assurance maladie du Québec on behalf of an insured person in respect of insured services under the Health Insurance Act (chapter A-29), is deemed not to be a benefit contemplated in subparagraph *a* of the second paragraph of section 37.0.1.4;

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

i. a benefit paid by the insurer under the excess of loss insurance in relation to the particular plan is deemed not to be a benefit contemplated in subparagraph *a* of the second paragraph of section 37.0.1.4 in relation to that plan, and

ii. the portion of the premium paid by the employer, which can reasonably be attributed to particular coverage and benefits under the particular plan, in relation to the excess of loss insurance for any period of a year, is deemed to be a benefit contemplated for the year in subparagraph *a* of the second paragraph of section 37.0.1.4 in relation to such coverage and benefits under the particular plan, except if the excess of loss insurance covers all the coverage and benefits provided under the particular plan, in which case the premium is deemed to constitute expenses contemplated for the year in subparagraph *d* of the second paragraph of the said section 37.0.1.4 in respect of the particular plan;

(c) where, for a particular period, included in the year, throughout which the individual is not entitled to benefit from the provisions of the Health Insurance Act, the particular benefits enjoyed by the individual in relation to particular coverage under the plan covers at least all the services that would be insured in respect of the individual under the said Act for the particular period if the individual were entitled to benefit from the provisions of that Act at that time, subparagraph *a* of the second paragraph of section 37.0.1.4 shall, in respect of such particular coverage and benefits, apply without reference to paragraph *a* and read as follows:

"(*a*) A is the aggregate of the amount by which the benefits paid in the year for any period, after 20 May 1993, of the year or of a previous year in respect of all the employees of the employer of the individual who enjoy the particular coverage and benefits under the plan exceeds the amount prescribed in respect of the particular coverage and benefits, and the portion of the related tax which can reasonably be attributed to the excess amount;".

1993, c. 64, s. 11; 1995, c. 63, s. 261; 1998, c. 16, s. 38; 1999, c. 89, s. 53.

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

(a) actual data relating to all the employees of the employer who enjoy coverage under the plan;

(b) actual data relating to the employer's employees under Québec jurisdiction who enjoy coverage under the plan.

In the first paragraph, the expression "employee under Québec jurisdiction" of an employer means an employee of the employer who reports for work in an establishment of the employer situated in Québec, and an employee of the employer who is not required to report for work at an establishment of the employer but whose wages are paid or deemed to be paid from such an establishment situated in Québec.

1993, c. 64, s. 11; 1995, c. 63, s. 261; 1998, c. 16, s. 39.

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

1991, c. 25, s. 6; 1998, c. 16, s. 40.

37.0.3. Without restricting the generality of sections 36 and 37, an individual shall, in computing the income of the individual for the year from an office or employment, include

(a) the value of any indemnity for meals or transportation between the individual's ordinary place of residence and the individual's work location received by the individual in the year, as an allowance or refund

or under any other form, for overtime worked in the course of performing the duties of the individual's office or employment; and

(b) any amount that is the amount by which the value of a meal or service of transportation between the individual's ordinary place of residence and the individual's work location supplied in the year for overtime worked in performing the duties of the individual's office or employment exceeds the amount the individual pays in respect of the meal or service of transportation.

However, the individual is not required in computing the income of the individual to include an amount referred to in the first paragraph in relation to overtime if it was worked at the request of the employer for a scheduled period of at least two consecutive hours and are infrequent or occasional in nature and if,

(a) in the case of an indemnity for meals or a meal supplied,

i. the value of the indemnity for meals or of the meal supplied is reasonable, and

ii. in the case of an indemnity for meals, the indemnity is the full or partial refund, upon presentation of vouchers, of the meal expenses incurred by the individual because of the overtime; and

(b) in the case of an indemnity for transportation or a service of transportation supplied,

i. public transit is not available or it is reasonable to consider that, under the circumstances, the individual's safety would be jeopardized because of the time at which the transportation is provided, and

ii. in the case of an indemnity for transportation, the indemnity is the full or partial refund, upon presentation of vouchers, of the taxi transportation expenses incurred by the individual because of the overtime to travel between the individual's ordinary place of residence and the individual's work location.

2003, c. 9, s. 16; 2015, c. 21, s. 100.

37.0.4. An individual shall, in computing the income of the individual for the year from an office or employment, include any amount that the individual received from the individual's employer in the year under a public compensation plan and that may not be considered to be an amount received as an income replacement indemnity solely because no employer may obtain the reimbursement of that amount.

2005, c. 38, s. 52.

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

1978, c. 26, s. 4; 1983, c. 44, s. 14; 1998, c. 16, s. 40.

37.1.1. An amount paid or the value of assistance provided by any person because of, or in the course of, an individual's office or employment in respect of the cost of, the financing of, the use of or the right to use, a residence is, for the purposes of this division, a benefit received by the individual because of the office or employment.

2001, c. 53, s. 12.

37.1.2. In this division,

"eligible housing loss" in respect of a residence designated by an individual means a housing loss in respect of an eligible relocation of the individual or a person who does not deal at arm's length with the individual and, for the purposes of this definition, no more than one residence may be so designated in respect of an eligible relocation;

"housing loss" at any time in respect of a residence of an individual means the amount by which the greater of the adjusted cost base of the residence at that time to the individual or to another person who does

not deal at arm's length with the individual and the highest fair market value of the residence within the six-month period that ends at that time exceeds

(a) if the residence is disposed of by the individual or the other person before the end of the first taxation year that begins after that time, the lesser of the proceeds of disposition of the residence and the fair market value of the residence at that time; and

(b) in any other case, the fair market value of the residence at that time.

2001, c. 53, s. 12; 2015, c. 21, s. 101.

37.1.3. For the purposes of section 37, an amount paid at any time in respect of a housing loss other than an eligible housing loss to or on behalf of an individual or a person who does not deal at arm's length with the individual because of, or in the course of, an office or employment is deemed to be a benefit received by the individual at that time because of the office or employment.

2001, c. 53, s. 12.

37.1.4. For the purposes of section 37, an amount paid at any time in a taxation year in respect of an eligible housing loss to or on behalf of an individual or a person who does not deal at arm's length with the individual because of, or in the course of, an office or employment is deemed to be a benefit received by the individual at that time because of the office or employment to the extent of the amount by which one half of the amount by which the aggregate of all amounts each of which is so paid in the year or in a preceding taxation year exceeds $15,000 exceeds the aggregate of all amounts each of which is an amount included in computing the individual's income because of this section for a preceding taxation year in respect of the loss.

2001, c. 53, s. 12.

37.1.5. For the purposes of section 37, the value of the benefit received or enjoyed by an individual for a taxation year because of, or in the course of, the individual's office or employment is deemed to be equal,

(a) for all the gifts, other than excluded gifts, received in the year by the individual from the individual's employer for one or more special occasions, such as Christmas, an anniversary, a wedding or similar occasion, to the amount by which the value otherwise determined of the benefit for the year exceeds the lesser of

i. $500, and

ii. the aggregate of all amounts each of which is the value of such a gift; and

(b) for all the awards, other than excluded awards, received in the year by the individual from the individual's employer in recognition of certain achievements, such as reaching a set number of years of service, meeting or exceeding safety standards or reaching similar objectives, to the amount by which the value otherwise determined of the benefit for the year exceeds the lesser of

i. $500, and

ii. the aggregate of all amounts each of which is the value of such an award.

In the first paragraph, an excluded gift or an excluded award means a gift or an award that

(a) is in cash;

(b) may easily be converted into cash, except a gift coupon or gift certificate, including a smart card and an electronic gift card, that must be used to purchase a property or a service from one or more designated merchants; or

(c) constitutes a benefit that is referred to in another special provision of this chapter or that may reasonably be considered, without reference to section 34, to be a benefit received or enjoyed by the individual as consideration for the individual's performance of work.

2003, c. 9, s. 17; 2023, c. 19, s. 15.

37.2. For the purposes of section 37, where an employer or former employer of an individual makes a top-up disability payment, within the meaning assigned by section 43.0.2, in respect of the individual, the payment is deemed not to be a benefit received or enjoyed by the individual.

2000, c. 5, s. 22.

38. An individual is not required in computing income to include the value of benefits derived from contributions paid in respect of the individual by the individual's employer to or under

(a) a registered pension plan;

*(a.*1*)* a pooled registered pension plan;

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

(b.1*)* an employee life and health trust, to the extent that it may reasonably be considered that those contributions are attributable to coverage against the loss of all or part of the income from an office or employment;

(c) (subparagraph repealed);

(d) a supplementary unemployment benefit plan;

(e) a deferred profit sharing plan; or

(f) (subparagraph repealed);

(g) a multi-employer insurance plan.

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

Furthermore, the individual is not required in computing the individual's income to include the value of any benefit

(a) derived from a retirement compensation arrangement, an employee benefit plan or an employee trust;

(b) derived from a salary deferral arrangement, except to the extent that the value of the benefit is included under section 37 because of section 47.11;

(c) in respect of the use of an automobile, unless the benefit is related to the use of an automobile owned or leased by the individual and is not referred to in section 41.1.2;

(d) derived from counselling services received by the individual or a person related to the individual in respect of stress management or the use or consumption of tobacco, drugs or alcohol, other than a benefit attributable to an outlay or expense to which section 134 applies, or from counselling services in respect of the re-employment or retirement of the individual;

(e) derived from the individual's participation in a training activity the cost of which is borne by the individual's employer, if it is reasonable to consider that the training significantly benefits the individual's employer; or

(f) received or enjoyed by a person, other than the individual, under a program offered by the individual's employer to help persons continue their studies, if the individual deals at arm's length with the employer and it is reasonable to conclude that the benefit is not a substitute for salary, wages or other remuneration of the individual.

1972, c. 23, s. 32; 1972, c. 26, s. 39; 1982, c. 5, s. 16; 1983, c. 44, s. 15; 1986, c. 15, s. 38; 1989, c. 77, s. 10; 1990, c. 59, s. 34; 1991, c. 25, s. 7; 1993, c. 16, s. 23; 1993, c. 64, s. 12; 1995, c. 49, s. 19; 1995, c. 63, s. 261; 1997, c. 31, s. 7; 1998, c. 16, s. 41; 1999, c. 83, s. 28; 2011, c. 6, s. 113; 2015, c. 21, s. 102.

38.1. An individual is not required in computing the individual's income to include the value of benefits received from the individual's employer and derived from

(a) the total or partial reimbursement, after 23 March 2006, of the cost of an eligible transit pass taking the form of a subscription for a minimum period of one month, valid after that date, that the individual acquired with a view to using it to commute between the individual's ordinary place of residence and the individual's work location;

(b) the total or partial reimbursement, after 23 March 2006, of the cost of an eligible paratransit pass, valid after that date, that the individual acquired with a view to using it to commute between the individual's ordinary place of residence and the individual's work location; or

(c) the supply, after 23 March 2006, of an eligible transit pass or eligible paratransit pass, if the pass is supplied to the individual primarily to commute between the individual's ordinary place of residence and the individual's work location.

In this section, "eligible paratransit pass" and "eligible transit pass" have the meaning assigned by section 156.9.

2006, c. 36, s. 24.

38.2. An individual is not required in computing the individual's income to include the value of benefits resulting from the use of a shared transportation service of a taxpayer who is the individual's employer in respect of which the taxpayer may deduct, under section 156.10, an amount in computing the taxpayer's income from a business.

In this section, "shared transportation service" has the meaning assigned by section 156.10.

2013, c. 10, s. 17.

38.3. Despite subparagraph *b* of the first paragraph of section 38, an individual is required in computing the individual's income for the year to include the value of benefits derived from contributions paid in respect of the individual in the year by the individual's employer under a group insurance plan, in relation to coverage against the loss of all or part of the income from an office or employment, to the extent that the benefit arising from that plan is not payable periodically.

2015, c. 21, s. 103.

39. An individual is not required to include in computing the individual's income

(a) travel, personal or living expense allowances

i. expressly established by the laws of Canada,

ii. paid under the Act respecting public inquiry commissions (chapter C-37), or

iii. paid under the authority of the Treasury Board of Canada to a person who was appointed or whose services were engaged pursuant to the Inquiries Act (R.S.C. 1985, c. I-11) in respect of the discharge of the person's duties relating to such appointment or engagement;

(b) travel and separation allowances received by the individual under service regulations as a member of the Canadian Forces;

(c) representation or other special allowances received by the individual in respect of a period of absence from Canada as a person described in paragraph *b*, *c* or *d* of section 8;

(d) representation or other special allowances received by the individual as an agent-general of a province in respect of a period while the individual was in Ottawa in such capacity;

(e) reasonable allowances received by the individual as a minister or clergyman in charge of or ministering to a diocese, parish or congregation for transportation incident to the discharge of the duties of that office or employment;

(e.1) allowances for the board and lodging received by the individual, to a maximum total of $300 for each month of a taxation year, if

i. the individual is, in that month, a registered participant with, or member of, a sports team or recreation program of the employer in respect of which participation or membership is restricted to persons under 21 years of age,

ii. the allowance is paid because of the individual's participation or membership and is not attributable to services of the individual as a coach, instructor, trainer, referee, administrator or other similar occupation,

iii. the employer is a registered charity or a person described in section 996, and

iv. the allowance is reasonably attributable to the cost to the individual of living away from the place where the employee would, but for the employment, ordinarily reside;

(f) (paragraph repealed);

(f.1) allowances not exceeding a reasonable amount received by the individual for the purchase or care of distinctive clothing the individual is required to wear, under the terms of the individual's contract of employment, in the performance of the duties of the employment;

(f.2) allowances received by the individual for expenses incidental to the individual's relocation, by reason of a change in the location of employment with the individual's employer, up to an amount not exceeding an amount equal to two weeks' salary, calculated on the basis of the salary paid to the individual on the date of reassignment; and

(g) prescribed travel, personal, living or representation expense allowances and any other amount prescribed in respect of such expenses.

1972, c. 23, s. 33; 1978, c. 26, s. 5; 1982, c. 5, s. 17; 1993, c. 64, s. 13; 1995, c. 63, s. 21; 1997, c. 85, s. 38; 1998, c. 16, s. 251; 2003, c. 9, s. 18; 2005, c. 38, s. 53; 2009, c. 15, s. 36.

39.1. *(Repealed).*

1993, c. 64, s. 14; 1997, c. 85, s. 39; 1998, c. 16, s. 251; 2005, c. 38, s. 54.

39.2. An individual who is a member of the National Assembly or of the legislature of another province is not required in computing the individual's income for a taxation year to include the portion of the allowance the individual receives in the year for expenses incident to the discharge of the individual's duties, which does not exceed one-half of the maximum fixed amount provided by the laws of a province as payable to the individual by way of salary, indemnity and other remuneration in respect of attendance at a session.

1997, c. 14, s. 18; 1998, c. 16, s. 42; 2005, c. 38, s. 55.

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

1997, c. 14, s. 18; 1998, c. 16, s. 43; 2000, c. 56, s. 218; 2020, c. 1, s. 280.

39.4. An individual who is a member of the council of a regional county municipality or a member of the council of the Kativik Regional Government, constituted under the Act respecting Northern villages and the Kativik Regional Government (chapter V-6.1), is not required to include in computing the individual's income for a taxation year an amount received by the individual in the year from the municipality as an allowance for, or reimbursement of, travel expenses other than those incident to the discharge of the individual's duties as such a member, to the extent that the amount does not exceed a reasonable amount.

1997, c. 14, s. 18; 1997, c. 85, s. 40; 2001, c. 51, s. 18.

39.4.1. An individual who is elected or appointed in a representative capacity to hold an office with a body that is a corporation, association or other similar organization with which the individual was dealing at arm's length is not required to include in computing the individual's income for a taxation year an amount received by the individual in the year from the body as an allowance for, or reimbursement of, travel expenses to enable the individual to attend a meeting of the council or committee of which the individual is a member, other than travel expenses incurred in the performance of the individual's duties, to the extent that the amount does not exceed a reasonable amount and that the meeting is held at a location

(a) not less than 80 kilometres from the individual's ordinary place of residence; and

(b) where the body is a non-profit organization, that may reasonably be considered as being connected to the territory within which that body regularly carries on its activities or, in any other case, is situated within the local municipal territory or the metropolitan area, as the case may be, where the head office or principal place of business of the body is situated.

2001, c. 51, s. 19.

39.5. An individual who had part-time employment with an employer with whom the individual was dealing at arm's length is not required to include in computing the individual's income for a taxation year an amount, not exceeding a reasonable amount, received by the individual in the year from that employer as an allowance for, or reimbursement of, travel expenses other than expenses incurred in the performance of the duties of the individual's part-time employment, if

(a) the individual's part-time employment

i. was during a period throughout which the individual had other employment or was carrying on a business, or

ii. was as a teacher in an educational institution referred to in subparagraph i of paragraph *a* of section 752.0.18.10; and

(b) the duties of the part-time employment were performed at a location not less than 80 kilometres from both the individual's ordinary place of residence and, where the condition set out in subparagraph ii of paragraph *a* is not met, of the principal place of the individual's other employment or the principal place of the individual's business.

1997, c. 14, s. 18; 1997, c. 85, s. 40; 2000, c. 39, s. 4; 2015, c. 21, s. 104.

39.6. An individual who is employed in a taxation year by a government, municipality or public authority, in this section referred to as the "employer", is not required to include in computing the individual's income for the year derived from the performance of the duties provided for in paragraph *a*, an amount received by the individual or the value of a benefit received or enjoyed by the individual in the year, because of the individual's employment with that employer for the performance of those duties, up to an amount of $1,120, where

(a) the individual receives or enjoys the amount for the performance of the individual's duties as a volunteer ambulance technician, a volunteer firefighter or a volunteer assisting in the search and rescue of individuals or in other emergency operations; and

(b) the employer certifies in writing where so requested by the Minister that the individual was in the year an employee of the employer and performed the duties provided for in paragraph *a* and that the individual was at no time in the year an employee of the employer otherwise than as a volunteer, in connection with the performance of any of those duties or of similar duties.

The first paragraph does not apply if the individual deducts an amount under section 752.0.10.0.5 or 752.0.10.0.7 from the individual's tax otherwise payable for the year under this Part.

In this section, "volunteer firefighter" means a person who, for very little or no annual compensation, responds to alarms from a fire safety service or a 9-1-1 emergency centre, issued in particular by radio, telephone, siren or alarm bell, and does not include a person who provides services as a volunteer firefighter or performs duties in this respect, if the person

(a) replaces permanent firefighters for short periods;

(b) is regularly or periodically on duty in a fire station; or

(c) is remunerated for periods of on-call duty in the territory.

2003, c. 2, s. 14; 2004, c. 21, s. 43; 2012, c. 8, s. 42; 2015, c. 24, s. 23; 2017, c. 1, s. 81.

40. An individual is not required to include in computing the individual's income,

(a) reasonable allowances for travel expenses received by the individual from the individual's employer in respect of any period when the individual was employed in connection with the selling of property or negotiating of contracts for the employer;

(b) reasonable allowances for travel expenses, other than allowances for the use of a motor vehicle, received from the employer by the individual as an employee, other than an employee referred to in paragraph *a*, for travelling away from the local municipal territory or the metropolitan area, as the case may be, where the employer's establishment at which the employee ordinarily works or with which the employee is ordinarily connected is located, in the performance of the duties of the employment; or

(c) reasonable allowances for the use of a motor vehicle received by the individual as an employee, other than an employee referred to in paragraph *a*, from the employer for travelling in the performance of the duties of the employment.

1972, c. 23, s. 34; 1977, c. 26, s. 3; 1990, c. 59, s. 35; 1993, c. 16, s. 24; 1995, c. 63, s. 261; 1997, c. 85, s. 41.

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

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

(b) where the individual both receives an allowance in respect of that use and is reimbursed in whole or in part for expenses in respect of that use, except where the reimbursement is in respect of supplementary business insurance or toll or ferry charges and the amount of the allowance was determined without reference to those reimbursed expenses.

1990, c. 59, s. 36; 1993, c. 16, s. 25; 1995, c. 49, s. 20; 1998, c. 16, s. 44; 2003, c. 9, s. 19.

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

1972, c. 23, s. 35; 1973, c. 17, s. 8; 1978, c. 26, s. 6; 1980, c. 13, s. 4; 1983, c. 44, s. 16; 1990, c. 59, s. 37; 1998, c. 16, s. 45.

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

$$A / B [2\% (C \times D) + 2/3 (E - F)].$$

In the formula provided for in the first paragraph,

(a) A is

i. the lesser of the total number of kilometres that the automobile is driven, otherwise than in connection with or in the course of the individual's office or employment, during the total available days, and the product determined for the year under subparagraph *b*, if

(1) the individual is required by the employer to use the automobile in connection with or in the course of the office or employment, and

(2) the distance travelled by the automobile during the total available days is primarily in connection with or in the course of the office or employment, and

ii. in any other case, the product determined for the year under subparagraph *b*;

(b) B is the product obtained by multiplying 1,667 by the quotient obtained by dividing the total available days by 30 and, if the quotient so obtained is not a whole number and exceeds one, by rounding it to the nearest whole number or, where that quotient is equidistant from two consecutive whole numbers, by rounding it to the lower of those two numbers;

(c) C is the cost of the automobile to the employer where the employer owns the vehicle at any time in the year;

(d) D is the quotient obtained by dividing such of the total available days as are days when the employer owns the automobile by 30 and, if the quotient so obtained is not a whole number and exceeds one, by rounding it to the nearest whole number or, where that quotient is equidistant from two consecutive whole numbers, by rounding it to the lower thereof;

(e) E is the aggregate of all amounts that may reasonably be regarded as having been payable by the employer to a lessor for the purpose of leasing the automobile during such of the total available days as are days when the automobile is leased to the employer;

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

The condition in subparagraph 2 of subparagraph i of subparagraph *a* of the second paragraph is deemed to be met for an individual's 2020 or 2021 taxation year, in respect of an employer, if the conditions in subparagraphs 1 and 2 of that subparagraph i are met for the individual's 2019 taxation year in respect of an automobile made available to the individual, or to a person related to the individual, by that employer.

1990, c. 59, s. 38; 1998, c. 16, s. 46; 2005, c. 1, s. 28; 2021, c. 36, s. 51.

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

(a) the reference in the formula therein to 2% were read as a reference to 1.5%, and

(b) the cost of the automobile to the employer were the greater of

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

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

1990, c. 59, s. 38; 1998, c. 16, s. 47.

41.1. *(Repealed).*

1986, c. 15, s. 39; 1990, c. 59, s. 39; 1995, c. 49, s. 21.

41.1.1. Where, in computing the income of the individual for a taxation year as income from an office or employment, a reasonable amount corresponding to the value of the right of use of an automobile is determined under sections 41 to 41.0.2, and an amount in respect of the operation, otherwise than in connection with or in the course of the individual's office or employment, of the automobile for the period or periods in the year during which the automobile was made available to the individual or a person related to

the individual is paid or payable by the individual's employer or a person related to the individual's employer, each of whom is in this section referred to as the "payor", the individual shall, in computing the individual's income for the year from an office or employment, include the amount determined by the formula

A − B.

For the purposes of the formula in the first paragraph,

(a) A is

i. where the automobile is used primarily in the performance of the duties of the individual during the period or periods referred to in the first paragraph and the individual notifies the employer in writing before the end of the year of the individual's intention to have this subparagraph apply, one-half of the reasonable amount corresponding to the value of the right of use determined in respect of the automobile under sections 41 to 41.0.2 in computing the individual's income for the year, and

ii. in any other case, the amount equal to the product obtained when the amount prescribed for the year is multiplied by the total number of kilometres that the automobile is driven, otherwise than in connection with or in the course of the individual's office or employment, during the period or periods referred to in the first paragraph; and

(b) B is the aggregate of all amounts in respect of the operation of the automobile in the year paid in the year or within 45 days after the end of the year to the payor by the individual or by the person related to the individual.

This section does not apply where the aggregate of all amounts each of which is an amount referred to in the first paragraph, paid or payable by the payor, is paid, in the year or within 45 days after the end of the year, to the payor by the individual or by the person related to the individual.

For the purposes of this section in respect of an automobile provided by the payor in 2020 or 2021 (in this paragraph referred to as the "relevant year"), where an individual has met the condition in subparagraph i of subparagraph *a* of the second paragraph for the 2019 taxation year in respect of the use of an automobile made available to the individual, or to a person related to the individual, by the payor, the amount represented by A in the formula in the first paragraph in respect of the automobile for the relevant year is deemed to be equal to the lesser of

(a) one-half of the reasonable amount that corresponds to the value of the right of use determined in respect of the automobile under sections 41 to 41.0.2 for the relevant year; and

(b) the amount determined in respect of the automobile under subparagraph ii of subparagraph *a* of the second paragraph for the relevant year.

1995, c. 49, s. 22; 1998, c. 16, s. 48; 2021, c. 36, s. 52.

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

1995, c. 49, s. 22l; 1998, c. 16, s. 49; 2015, c. 21, s. 105.

41.1.3. An individual who is a member of a police force or of a fire safety service is not required to include, in computing the individual's income for a taxation year from an office or employment, the value of a benefit in respect of the use of a vehicle that is, in the year, made available to the individual by the employer or a person related to the employer, if

(a) a written directive of the employer limits the use, by the individual, of the vehicle for personal purposes and specifies that the vehicle is to be returned to the employer during an extended absence; and

(b) the vehicle is clearly identified with the employer's name or, failing that, the vehicle has special equipment allowing for a prompt intervention in the case of events concerning public safety.

2004, c. 21, s. 44.

41.1.4. If an employer or a person to whom the employer is related makes an automobile, other than a vehicle in respect of which section 41.1.3 applies, available in a taxation year to an employee or to a person related to the employee, the employee shall keep, in respect of trips made with the automobile for the total number of days in the year during which the automobile is so made available to the employee or to a person to whom the employee is related, a logbook in which the employee enters the information provided for in section 41.1.5, and shall give a copy of the logbook to the employer on or before the tenth day following the last day of the year during which the employer or a person related to the employer made such an automobile available to the employee or to a person to whom the employee is related.

2005, c. 23, s. 37.

41.1.5. The information to which section 41.1.4 refers is

(a) the total number of days in the year during which the employer or a person to whom the employer is related made the automobile available to the individual or to a person related to the individual;

(b) on a daily, weekly or monthly basis, the total number of kilometres travelled by the automobile during the total number of days referred to in subparagraph *a*; and

(c) on a daily basis, for each trip made with the automobile in connection with or in the course of the office or employment of the individual, the identification of the place of departure and the place of destination, the number of kilometres travelled by the automobile between those two places, and any information necessary to establish that the trip was made in connection with or in the course of the office or employment of the individual.

However, if the kilometres travelled by the automobile during the total number of days referred to in subparagraph *a* are kilometres exclusively travelled by the automobile otherwise than in connection with or in the course of the office or employment of the individual, the information to which section 41.1.4 refers is

(a) the total number of days in the year during which the employer or a person to whom the employer is related made the automobile available to the individual or to a person related to the individual; and

(b) the kilometres registered on the odometer of the automobile at the beginning and end of each period, within the year, during which the automobile was made available, on a continuous basis, to the individual or a person to whom the individual is related by the employer or a person related to the employer.

2005, c. 23, s. 37.

41.2. *(Repealed).*

1991, c. 25, s. 8; 1994, c. 22, s. 61; 1995, c. 1, s. 17; 1995, c. 49, s. 23; 1997, c. 31, s. 8.

41.2.1. *(Repealed).*

1994, c. 22, s. 62; 1995, c. 1, s. 18; 1995, c. 49, s. 24; 1997, c. 14, s. 19; 1997, c. 31, s. 8.

41.2.2. *(Repealed).*

1994, c. 22, s. 62; 1995, c. 49, s. 25.

41.3. To the extent that the cost to a person of purchasing a property or service or an amount payable by a person for the purpose of leasing property is taken into account in determining an amount required under any of sections 36 to 47.17 to be included in computing the income of an individual for a taxation year, that cost or that amount payable, as the case may be, shall include any tax that was payable by the person in respect of the property or service or that would have been so payable if the person were not exempt from the payment of that tax because of the nature of the person or the use to which the property or service is to be put.

1991, c. 25, s. 8; 1994, c. 22, s. 63; 1995, c. 49, s. 26; 1997, c. 31, s. 9.

41.4. For the purposes of this division, the value of a benefit in respect of the use of a motor vehicle by an individual does not include the value of a benefit related to the parking of the vehicle.

1995, c. 49, s. 27.

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

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

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

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

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

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

ii. the location referred to in subparagraph ii of paragraph *a* and a location in Canada or in the country in which the individual is employed.

1972, c. 23, s. 36; 1982, c. 5, s. 18; 1983, c. 49, s. 10; 1986, c. 19, s. 7; 1990, c. 7, s. 10; 1991, c. 25, s. 9; 1993, c. 16, s. 26; 1995, c. 1, s. 19; 1998, c. 16, s. 50.

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

(a) the transportation of the individual between the individual's ordinary place of residence and the individual's work location, including parking near that location, if the individual is blind or subparagraphs *a*

to *c* of the first paragraph of section 752.0.14 apply in respect of the individual for the year by reason of the individual's mobility impairment; or

(b) an attendant to assist the individual in the performance of the individual's duties if subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply in respect of the individual for the year.

1993, c. 16, s. 27; 1997, c. 85, s. 42; 1998, c. 16, s. 51; 2005, c. 38, s. 56.

DIVISION II.1

GRATUITIES

1983, c. 43, s. 4.

42.1. *(Repealed).*

1983, c. 43, s. 4; 1997, c. 85, s. 43.

42.2. *(Repealed).*

1983, c. 43, s. 4; 1997, c. 85, s. 43.

42.3. *(Repealed).*

1983, c. 43, s. 4; 1997, c. 85, s. 43.

42.4. *(Repealed).*

1983, c. 43, s. 4; 1997, c. 85, s. 43.

42.5. *(Repealed).*

1983, c. 43, s. 4; 1997, c. 85, s. 43.

42.6. In this division,

"regulated establishment" means, subject to section 42.7,

(a) a place situated in Québec specially laid out where lodging or food for consumption on the premises is ordinarily provided in return for payment;

(b) a place situated in Québec where alcoholic beverages are served for consumption on the premises in return for payment;

(c) a railway train or a vessel, operated in connection with a business carried on entirely or almost entirely in Québec and on which food or beverages are served;

(d) a place situated in Québec where, in connection with the carrying on of a business, food or beverages for consumption elsewhere than on the premises are provided in return for payment;

"tippable sale" means a sale in a regulated establishment that, in keeping with the prevailing custom in Québec, is likely to entail tipping by the customer, but does not include a sale of food or beverages for consumption elsewhere than on the premises of the regulated establishment.

1997, c. 85, s. 44.

42.7. For the purposes of the definition of "regulated establishment" in section 42.6, a regulated establishment does not include

(a) a place situated in Québec where mainly lodging or food, or both, are provided by the week, month or year in return for payment;

(b) a place where the activity consisting in the providing of food and beverages is carried on by an educational institution, a hospital institution, a shelter for needy persons or victims of violence or any other similar establishment;

(c) a place where the activity consisting in the providing of food and beverages is carried on by a charity or a similar organization but is not carried on on a regular basis;

(d) a cafeteria;

(e) a fast food outlet in which the employees do not ordinarily receive tips from the majority of customers.

1997, c. 85, s. 44.

42.8. An individual shall, in computing income for the year, include every tip the individual receives or benefits from, and an amount equal to the amount that the employer is deemed, where such is the case, to have paid to the individual in that year because of subparagraph *b* of the first paragraph of section 1019.7, except

(a) a tip remitted to another individual under a tip-sharing arrangement that has been implemented for the employees performing their employment duties for the same regulated establishment as the regulated establishment for which the individual performs employment duties, and that is managed by the employees;

(b) a tip that is otherwise included in computing income for the year; and

(c) where applicable, a tip the individual received or benefited from in the year and that is equal to an amount that the employer is deemed, because of subparagraph *b* of the first paragraph of section 1019.7, to pay to the individual in the following year.

1997, c. 85, s. 44.

42.9. *(Repealed).*

1997, c. 85, s. 44; 2009, c. 5, s. 43.

42.10. An individual shall, in computing income for the year, include all tips attributed to the individual in the year pursuant to section 42.11.

1997, c. 85, s. 44.

42.11. Every person who employs an individual who receives or benefits from tips in the performance of employment duties for a regulated establishment shall, for each pay period, attribute to that individual, at the time referred to in the second paragraph, an amount equal to the amount by which 8% of the total of the amounts of all tippable sales that are attributable to the pay period and to that individual in the performance of employment duties for the regulated establishment exceeds the total of the amounts of each tip in respect of tippable sales that is attributable to the pay period and to the individual in the performance of employment duties for the regulated establishment.

For the purposes of the first paragraph, the attribution of an amount determined under that paragraph in respect of a pay period shall be made at the time the employer pays to the individual referred to therein the individual's salary or wages for that pay period or, where, having regard to the information available at that time and the time required to determine the amount of that attribution, it may reasonably be considered that the employer cannot at that time change the amount of the salary or wages to take into account that attribution owing to the fact that the payment of the salary or wages for that pay period is made at a time that follows too

closely the end of that pay period, at the time the employer pays to the individual the salary or wages for the pay period immediately following that pay period.

1997, c. 85, s. 44.

42.12. Section 42.11 does not apply to an individual in relation to employment duties performed by the individual for a regulated establishment where all or substantially all of the tips the individual receives or benefits from in the performance of employment duties are derived from service charges paid by the customers of the regulated establishment and where

(a) the service charges required from the customer in respect of a tippable sale are, in all or substantially all cases, equal to at least 10% of the amount of the tippable sale;

(b) the customers are informed of the mandatory nature of the service charges and of the percentage charged in relation to the amount of tippable sales; and

(c) the tip-sharing arrangement, if any, is not managed by the employees.

In addition, section 42.11 does not apply, for a pay period, to an individual in relation to employment duties as a cloakroom attendant performed for a regulated establishment or to an individual in relation to employment duties performed for a regulated establishment where

(a) all or substantially all of the tips the individual receives or benefits from during the pay period are derived from a redistribution of tips received or benefited from by other individuals;

(b) the individual is an employee of a corporation that operates the regulated establishment and the shares of the capital stock of which carrying voting rights in all circumstances are more than 40% held, at the end of the pay period, by the individual or the individual's spouse;

(c) the individual is an employee of a partnership that operates the regulated establishment, the individual's spouse is a member of the partnership at the end of the pay period, and the spouse's share, at that time, of the income of the partnership would be equal to more than 40% of the income of the partnership if the partnership's fiscal period ended at that time and the partnership's income for that fiscal period were equal to $1,000,000; or

(d) the individual is an employee of the individual's spouse.

1997, c. 85, s. 44; 2004, c. 21, s. 45.

42.13. For the purposes of this section and sections 42.11 and 42.14, the following rules apply:

(a) subject to paragraph *b*, a tippable sale is attributable to the pay period during which the obligations relating to that sale are fully fulfilled;

(b) where the funds representing the proceeds of a tippable sale in a regulated establishment are not received by the operator of the regulated establishment before the end of the pay period referred to in paragraph *a* in respect of that tippable sale, and where remittance of the tip attributable to that sale to the individual in respect of whom the sale is attributable is deferred to a time after that pay period, the tippable sale is attributable to the pay period during which the funds are received by the operator of the regulated establishment;

(c) a tip in respect of a sale made to a customer that is a tippable sale attributable to an individual, means the tip determined by the customer in respect of the sale, including the portion of the tip to be remitted to another individual under a tip-sharing arrangement in effect in the regulated establishment;

(d) subject to paragraph *e*, a tip in respect of a tippable sale is attributable to the pay period during which the obligations relating to that sale are fully fulfilled;

(e) where the funds representing the proceeds of a tippable sale in a regulated establishment are not received by the operator of the regulated establishment before the end of the pay period referred to in paragraph *d* in respect of that tippable sale, and where remittance of the tip attributable to that sale to the individual in respect of whom the sale is attributable is deferred to a time after that pay period, the tip is attributable to the pay period during which the funds are received by the operator of the regulated establishment;

(f) an individual who receives or benefits from tips in the performance of employment duties for a regulated establishment, other than an individual to whom the first paragraph of section 42.12 applies, shall, except where the individual performs the employment duties referred to in the second paragraph of that section 42.12, report in writing to the employer, in respect of a pay period, every tip in respect of a tippable sale attributable to the individual and to that pay period.

1997, c. 85, s. 44; 2009, c. 5, s. 44.

42.14. Every person who operates a regulated establishment for which an individual performs employment duties without being an employee of the regulated establishment shall declare in writing to the employer of that individual in relation to those duties, at the end of each pay period of that employer, the total of the amounts of each of the tippable sales attributable to the individual and at that pay period.

1997, c. 85, s. 44; 2004, c. 21, s. 46.

42.15. Where the Minister considers it necessary, the Minister may determine, in respect of a regulated establishment or class of sales in a regulated establishment, a percentage that is lesser than the percentage mentioned in section 42.11.

The Minister may determine, in respect of a regulated establishment or a class of sales in a regulated establishment, a percentage that is lesser than the percentage mentioned in section 42.11 if the employer who is to attribute an amount under that section applies therefor or, where that employer refuses to do so, if the majority of individuals performing their employment duties for the regulated establishment or for a class of sales in the regulated establishment apply therefor, and it is established to the satisfaction of the Minister that the percentage of 8% is too high having regard to the circumstances.

The Minister may determine, for a period in a calendar year, the percentage considered to be appropriate by the Minister having regard to the circumstances.

1997, c. 85, s. 44; 2000, c. 39, s. 5.

DIVISION III

INCOME INSURANCE BENEFITS

1972, c. 23.

43. (1) An individual shall, in computing the individual's income, include the amounts payable on a periodic basis that the individual receives in respect of the loss of all or part of the individual's income from an office or employment, pursuant to an insurance plan under which the individual's employer has made a contribution or which is administered or provided by an employee life and health trust to which the individual's employer has made a contribution, not exceeding the limit set under subsection 2.

(2) Such limit shall be established by computing the amount by which

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

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

1972, c. 23, s. 37; 1991, c. 25, s. 176; 1993, c. 64, s. 15; 1998, c. 16, s. 52; 2011, c. 6, s. 114.

43.0.1. For the purposes of section 43, where an employer or former employer of an individual makes a top-up disability payment in respect of the individual, the following rules apply:

(a) the payment is deemed not to be a contribution made by the employer or former employer to or under the insurance plan of which the disability policy in respect of which the payment is made is or was a part; and

(b) if the payment is made to the individual, it is deemed to be an amount received by the individual pursuant to the insurance plan referred to in paragraph *a*.

2000, c. 5, s. 23.

43.0.2. In section 43.0.1 and in this section,

"disability policy" means a group disability insurance policy that provides for periodic payments to individuals in respect of the loss of remuneration from an office or employment;

"top-up disability payment" in respect of an individual means a payment made by an employer or former employer of the individual as a consequence of the insolvency of an insurer that was obligated to make payments to the individual under a disability policy where

(a) the payment is made to an insurer so that periodic payments made to the individual under the disability policy will not be reduced because of the insolvency, or will be reduced by a lesser amount; or

(b) the payment is made to the individual to replace, in whole or in part, periodic payments that would have been made under the disability policy to the individual but for the insolvency and the payment is made under an arrangement by which the individual is required to reimburse the payment to the extent that the individual subsequently receives an amount from an insurer in respect of the portion of the periodic payments that the payment was intended to replace.

For the purposes of paragraphs *a* and *b* of the definition of "top-up disability payment" in the first paragraph, an insurance policy that replaces a disability policy is deemed to be the same policy as, and a continuation of, the disability policy that was replaced.

2000, c. 5, s. 23.

DIVISION III.1

MULTI-EMPLOYER INSURANCE PLAN

1993, c. 64, s. 16; 1995, c. 63, s. 22.

43.1. In this Title, a multi-employer insurance plan means a plan for the insurance of persons which is applicable by operation of law, the regulations or a government order, to an economic sector, an industry, an activity or a part of such a sector, industry or activity, and is offered jointly by employers belonging to the same economic sector, the same industry or the same activity and is managed by a common administrator.

1993, c. 64, s. 16; 1995, c. 63, s. 261.

43.2. An individual shall, in relation to a multi-employer insurance plan, include in computing the income of the individual for a taxation year the portion, which can reasonably be attributed to a plan for the insurance of persons, otherwise than in relation to coverage against the loss of all or part of the income from an office or employment, and which relates to work performed by the individual, of the aggregate of all amounts each of

which is an amount that corresponds to the total contribution which, because of a previous, the current or an intended office or employment of the individual, was paid, for any period of the year, by an employer of the individual to the administrator of the multi-employer insurance plan and the related tax, within the meaning of subparagraph *d* of the second paragraph of section 37.0.1.1.

1993, c. 64, s. 16; 1995, c. 63, s. 261; 1998, c. 16, s. 53.

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

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

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

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

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

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

1993, c. 64, s. 16; 1995, c. 63, s. 23; 1998, c. 16, s. 54.

DIVISION III.2

CANADIAN FORCES MEMBERS AND VETERANS

2006, c. 36, s. 25.

43.4. An individual shall, in computing income for a taxation year from an office or employment, include the total of the following amounts received by the individual in the year on account of

(a) an earnings loss benefit, an income replacement benefit (other than an amount determined under subsection 1 of section 19.1, paragraph *b* of subsection 1 of section 23 or subsection 1 of section 26.1 of the Veterans Well-being Act (S.C. 2005, c. 21), as modified, where applicable, under Part 5 of that Act), a supplementary retirement benefit or a career impact allowance payable to the individual under Part 2 of the Veterans Well-being Act; or

(b) an amount payable under subsection 6 of section 99, subsection 1 of section 109, subsection 5 of section 115 or sections 124 to 126 of the Veterans Well-being Act.

2006, c. 36, s. 25; 2019, c. 14, s. 70; 2020, c. 16, s. 31.

DIVISION IV

Repealed, 1993, c. 64, s. 17.

1993, c. 64, s. 17.

44. *(Repealed).*

1972, c. 23, s. 38; 1975, c. 22, s. 4; 1993, c. 64, s. 17.

45. *(Repealed).*

1972, c. 23, s. 39; 1993, c. 64, s. 17.

46. *(Repealed).*

1972, c. 23, s. 40; 1993, c. 64, s. 17.

DIVISION V

PROFIT SHARING PLANS

1972, c. 23.

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

1972, c. 23, s. 41; 1998, c. 16, s. 55.

DIVISION V.1

EMPLOYEE BENEFIT PLANS AND EMPLOYEE TRUSTS

1982, c. 5, s. 19.

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

1982, c. 5, s. 19; 1998, c. 16, s. 56.

47.1.1. For the purposes of section 47.1, an amount received by a person out of or under an employee benefit plan is deemed to have been received by another person (in this section referred to as the "individual") and not by the person if

(a) the person does not deal at arm's length with the individual;

(b) the amount is received in respect of an office or employment of the individual; and

(c) the individual is living at the time the amount is received by the person.

2015, c. 21, s. 106.

47.2. Despite section 47.1, an individual is not required in computing the individual's income to include an amount received in respect of an employee benefit plan, to the extent that such amount represents a return of amounts contributed to the plan by the individual or a deceased employee of whom the individual is a legatee by particular title or legal representative, a death benefit or an amount that would, but for the deduction provided for in sections 3 and 4, be a death benefit, a pension benefit attributable to services rendered by a person in a period throughout which the person was not resident in Canada, or a designated employee benefit (as defined in section 869.1).

1982, c. 5, s. 19; 1991, c. 25, s. 10; 1998, c. 16, s. 57; 2000, c. 5, s. 293; 2011, c. 6, s. 115.

47.3. For the purposes of section 47.2, an amount included in computing the income of an individual in respect of an employee benefit plan for a taxation year preceding the year in which it is paid, is deemed to be an amount contributed to the plan by the individual.

1982, c. 5, s. 19.

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

1982, c. 5, s. 19; 1998, c. 16, s. 58; 2000, c. 5, s. 293.

47.5. The amounts referred to in section 47.4 are the following:

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

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

1982, c. 5, s. 19; 1998, c. 16, s. 59; 2000, c. 5, s. 293.

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

However, such a plan does not include any part of the arrangement that is a plan referred to in any of subparagraphs *a*, *a.*1, *d* and *e* of the first paragraph of section 38 or in section 43 or 47, a group health or accident insurance plan, a private health services plan, a group term life insurance policy, a trust referred to in paragraph *m* of section 998, an employee trust, an employee life and health trust, an arrangement the sole purpose of which is to provide education or training for employees of the employer to improve their work or

work-related skills and abilities, a salary deferral arrangement in respect of an individual under which a deferred amount must be included as a benefit under section 37 in computing the individual's income, a retirement compensation arrangement or a prescribed arrangement.

1982, c. 5, s. 19; 1987, c. 21, s. 11; 1988, c. 18, s. 4; 1989, c. 77, s. 11; 1991, c. 25, s. 176; 1993, c. 64, s. 18; 1995, c. 49, s. 28; 1995, c. 63, s. 24; 1996, c. 39, s. 26; 1998, c. 16, s. 60; 1999, c. 89, s. 53; 2011, c. 6, s. 116; 2015, c. 21, s. 107.

47.7. For the purposes of this division, "employee trust" means an arrangement in respect of which the trustee of the arrangement makes a valid election under paragraph *c* of the definition of "employee trust" in subsection 1 of section 248 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 and under which

(a) payments are made by one or more employers to a trustee in trust solely to provide for the payment of benefits to employees or former employees of the employer or a person with whom the employer does not deal at arm's length;

(b) the right to a benefit referred to in subparagraph *a* vests only at the time of its payment;

(c) the amount of a benefit referred to in subparagraph *a* does not depend on the individual's position, performance or compensation as an employee; and

(d) the trustee has, since the commencement of the arrangement, each year allocated to individuals who are beneficiaries under the trust, in such manner as is reasonable, an amount equal to the excess described in section 47.8.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *c* of the definition of "employee trust" in subsection 1 of section 248 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1982, c. 5, s. 19; 2009, c. 5, s. 45.

47.8. The excess referred to in subparagraph *d* of the first paragraph of section 47.7 is obtained by subtracting the aggregate of the capital losses of the trust for the year from the disposition of property and of the losses, other than allowable capital losses from the disposition of property, of the trust for the year from any source other than a business, from the aggregate of amounts received under the arrangement by the trustee in the year from an employer or from a person with whom the employer does not deal at arm's length, capital gains of the trust for the year from the disposition of property and amounts that would, but for paragraph *a* of section 657 and section 657.1, be the income of the trust for the year, other than a taxable capital gain from the disposition of property, from any source other than a business.

1982, c. 5, s. 19; 2009, c. 5, s. 46.

47.9. Notwithstanding section 47.7, an employee trust does not include a profit sharing plan, a deferred profit sharing plan or a plan the registration of which is revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1982, c. 5, s. 19; 1991, c. 25, s. 11.

DIVISION V.2

SALARY DEFERRAL ARRANGEMENTS

1988, c. 18, s. 5.

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

(a) the aggregate of all deferred amounts under the arrangement that were included under section 37 as benefits in computing the individual's income for preceding taxation years exceeds

(b) the aggregate of all deferred amounts received by any person in preceding taxation years out of or under the arrangement, and all deferred amounts under the arrangement that were deducted under section 78.2 in computing the individual's income for the year or preceding taxation years.

1988, c. 18, s. 5; 1998, c. 16, s. 61.

47.11. Where at the end of a taxation year any person has a right under a salary deferral arrangement in respect of an individual to receive a deferred amount, an amount equal to the deferred amount is deemed, for the purposes only of section 37, to have been received by the individual as a benefit in the year, to the extent that the amount was not otherwise included in computing the individual's income for the year or any preceding taxation year.

1988, c. 18, s. 5.

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

1988, c. 18, s. 5; 1998, c. 16, s. 62.

47.13. Section 47.11 does not apply in respect of a deferred amount under a salary deferral arrangement in respect of an individual that was established primarily for the benefit of one or more employees not resident in Canada in respect of services to be rendered in a country other than Canada, to the extent that the deferred amount

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

(b) cannot reasonably be regarded as being in respect of services rendered or to be rendered during a period, other than an excluded period, when the employee was resident in Canada.

1988, c. 18, s. 5; 1997, c. 14, s. 20; 1998, c. 16, s. 63.

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

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

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

i. the aggregate of all deferred amounts under that arrangement that were included under section 37 as benefits in computing the individual's income for taxation years ending before that time exceeds

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

1988, c. 18, s. 5; 1998, c. 16, s. 64.

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

The right referred to in the first paragraph includes a right that is subject to one or more conditions unless there is a substantial risk that any one of those conditions will not be satisfied.

1988, c. 18, s. 5; 1998, c. 16, s. 65.

47.16. For the purposes of section 47.15, a salary deferral arrangement does not include

(a) a registered pension plan;

(a.1) a pooled registered pension plan;

(b) a disability or income maintenance insurance plan under a policy with an insurance corporation;

(c) a deferred profit sharing plan;

(d) a profit sharing plan;

(e) an employee trust;

(e.1) an employee life and health trust;

(f) a group sickness or accident insurance plan;

(g) a supplementary unemployment benefit plan;

(h) a trust described in paragraph *m* of section 998;

(i) a plan or arrangement the sole purpose of which is to provide education or training for employees of an employer to improve their work or work-related skills and abilities;

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

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

(l) a prescribed plan or arrangement.

1988, c. 18, s. 5; 1991, c. 25, s. 12; 1997, c. 3, s. 71; 1998, c. 16, s. 66; 2011, c. 6, s. 117; 2015, c. 21, s. 108.

47.17. For the purposes of this division, a deferred amount at the end of a taxation year under a salary deferral arrangement in respect of an individual means

(a) in the case of a trust governed by the arrangement, any amount that a person has a right under the arrangement at the end of the year to receive after the end of the year where the amount has been received, is receivable or may at any time become receivable by the trust as salary or wages of the individual for services rendered in the year or a preceding taxation year;

(b) in the case where no trust is governed by the arrangement, any amount that a person has a right under the arrangement at the end of the year to receive after the end of the year.

The right referred to in the first paragraph includes a right that is subject to one or more conditions unless there is a substantial risk that any one of those conditions will not be satisfied.

1988, c. 18, s. 5.

DIVISION VI

AGREEMENT TO ISSUE SECURITIES TO EMPLOYEES

1972, c. 23; 2001, c. 53, s. 13.

47.18. In this division and in section 259.0.1,

"qualifying person" means a corporation or a mutual fund trust;

"security" of a qualifying person means

(a) if the qualifying person is a corporation, a share of the capital stock of the corporation; and

(b) if the qualifying person is a mutual fund trust, a unit of the trust.

2001, c. 53, s. 14; 2003, c. 2, s. 15; 2009, c. 15, s. 41.

48. This division applies where a particular qualifying person agrees to sell or issue one of its securities or a security of a qualifying person with which it does not deal at arm's length to one of its employees or to an employee of a qualifying person with which it does not deal at arm's length.

1972, c. 23, s. 42; 1987, c. 67, s. 9; 1988, c. 4, s. 21; 1992, c. 1, s. 15; 1997, c. 3, s. 71; 2001, c. 53, s. 15.

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

1972, c. 23, s. 43; 1986, c. 15, s. 40; 1988, c. 4, s. 22; 1992, c. 1, s. 15; 1993, c. 16, s. 28; 1997, c. 3, s. 71; 1998, c. 16, s. 67; 2001, c. 53, s. 15; 2003, c. 2, s. 16; 2011, c. 34, s. 16.

49.1. *(Repealed).*

1986, c. 15, s. 40; 1987, c. 67, s. 10; 1988, c. 4, s. 22; 1992, c. 1, s. 16.

49.2. Where section 49 applies in respect of a security that is a share of the capital stock of a corporation, it shall be read with the words "in which the employee acquires the security" replaced by the words "in which the employee disposes of or exchanges the security" where

(a) the agreement contemplated in section 48 is made with a particular Canadian-controlled private corporation that has agreed to sell or issue a share of its capital stock or of the capital stock of a Canadian-controlled private corporation with which it is not dealing at arm's length, to one of its employees or to an employee of a Canadian-controlled private corporation with which it does not deal at arm's length;

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

1986, c. 15, s. 40; 1987, c. 67, s. 11; 1988, c. 4, s. 22; 1992, c. 1, s. 17; 1997, c. 3, s. 18; 1998, c. 16, s. 68; 2001, c. 53, s. 16.

49.2.1. For the purposes of this division, a mutual fund trust is deemed not to deal at arm's length with a corporation only if the trust controls the corporation.

2001, c. 53, s. 17.

49.2.2. For the purposes of this section, section 49.2, Title IV, sections 725.2.2 and 725.2.3, paragraph *a* of section 725.3 and section 888.1, and subject to section 49.2.3, a taxpayer is deemed to dispose of securities that are identical properties in the order in which the taxpayer acquired them and the following rules apply for that purpose:

(a) if the taxpayer acquires a particular security (other than under the circumstances to which section 49.2 or 886 applies) at a time when the taxpayer also acquires or holds one or more other securities that are identical to the particular security and are, or were, acquired under circumstances to which any of those sections applied, the taxpayer is deemed to have acquired the particular security at the time immediately preceding the earliest of the times at which the taxpayer acquired those other securities; and

(b) if the taxpayer acquires, at the same time, two or more identical securities under the circumstances to which section 49.2 applied, the taxpayer is deemed to have acquired the securities in the order in which the agreements under which the taxpayer acquired the rights to acquire the securities were made.

2003, c. 2, s. 17; 2011, c. 34, s. 17.

49.2.3. Where a taxpayer acquires, at a particular time, a particular security under an agreement referred to in section 48 and, on a day that is no later than 30 days after the day that includes the particular time, the taxpayer disposes of a security that is identical to the particular security, the particular security is deemed to be the security that is so disposed of if

(a) no other securities that are identical to the particular security are acquired, or disposed of, by the taxpayer after the particular time and before the disposition;

(b) after 19 December 2006, the taxpayer identifies, in accordance with subsection 1.31 of section 7 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the particular security as the security so disposed of; and

(c) the particular security has not been identified under subparagraph *b* by the taxpayer in relation to the disposition of another security.

Chapter V.2 of Title II of Book I applies in relation to an identification made under subsection 1.31 of section 7 of the Income Tax Act or in relation to an identification made under this section before 20 December 2006.

2003, c. 2, s. 17; 2009, c. 5, s. 47.

49.3. *(Repealed).*

1986, c. 15, s. 40; 1987, c. 67, s. 12.

49.4. For the purposes of this division, the rules provided for in the fourth paragraph apply where a taxpayer disposes of rights under an agreement referred to in section 48 to acquire securities of the particular qualifying person that made the agreement or of a qualifying person with which the particular qualifying person does not deal at arm's length, which rights and securities are referred to in this section as the "exchanged option" and the "old securities", respectively, and where

(a) the taxpayer receives no consideration for the disposition of the exchanged option other than rights under an agreement with any of the following persons to acquire securities of any such person or of a qualifying person with which any such person does not deal at arm's length, which rights and securities are referred to in this section as the "new option" and the "new securities", respectively:

i. the particular qualifying person,

ii. a qualifying person with which the particular qualifying person does not deal at arm's length immediately after the disposition of the exchanged option,

iii. a corporation formed on the amalgamation or merger of the particular qualifying person and one or more other corporations,

iv. a qualifying person with which the corporation referred to in subparagraph iii does not deal at arm's length immediately after the disposition of the exchanged option,

v. a mutual fund trust to which the particular qualifying person has transferred property in circumstances to which Title I.2 of Book VI applied, or

vi. if the disposition occurs before 1 January 2013 and each of the old securities were an investment in a SIFT wind-up entity that was at the time of the disposition a mutual fund trust, a SIFT wind-up corporation in respect of the SIFT wind-up entity; and

(b) the amount by which the total value of the new securities immediately after the disposition exceeds the amount determined under the second paragraph does not exceed the amount by which the total value of the old securities immediately before the disposition exceeds the amount determined under the third paragraph.

The first amount to which subparagraph *b* of the first paragraph refers is equal to the total amount payable by the taxpayer to acquire the new securities under the new option.

The second amount to which subparagraph *b* of the first paragraph refers is equal to the amount payable by the taxpayer to acquire the old securities under the exchanged option.

The rules to which the first paragraph refers are as follows:

(a) the taxpayer is deemed, except for the purposes of subparagraph ii of paragraph *d* of section 58.0.2, as it read before being repealed, not to have disposed of the exchanged option and not to have acquired the new option;

(b) the new option is deemed to be the same option as, and a continuation of, the exchanged option; and

(c) the person described in any of subparagraphs ii to v of subparagraph *a* of the first paragraph is deemed to be the same person as, and a continuation of, the particular qualifying person.

1986, c. 19, s. 8; 1989, c. 77, s. 12; 1993, c. 16, s. 29; 1997, c. 3, s. 71; 2001, c. 53, s. 18; 2003, c. 2, s. 18; 2010, c. 25, s. 10; 2011, c. 34, s. 18.

49.5. For the purposes of this division and sections 725.2, 725.2.2 and 725.3, where a taxpayer disposes of or exchanges securities of a particular qualifying person that were acquired by the taxpayer under circumstances to which section 49.2 applied, in this section referred to as the "exchanged securities", the taxpayer receives no consideration for the disposition or exchange of the exchanged securities other than securities, in this section referred to as the "new securities" of any of the persons described in the second paragraph, and the total value of the new securities immediately after the disposition or exchange does not exceed the total value of the exchanged securities immediately before the disposition or exchange, the following rules apply:

(a) the taxpayer is deemed not to have exchanged or disposed of the exchanged securities and not to have acquired the new securities;

(b) the new securities are deemed to be the same securities as, and a continuation of, the exchanged securities, except for the purpose of determining if the new securities are identical to any other securities;

(c) the qualifying person that issued the new securities is deemed to be the same person as, and a continuation of, the qualifying person that issued the exchanged securities; and

(d) where the exchanged securities were issued under an agreement, the new securities are deemed to have been issued under that agreement.

The persons to which the first paragraph refers are the following:

(a) the particular qualifying person;

(b) a qualifying person with which the particular qualifying person does not deal at arm's length immediately after the disposition or exchange of the exchanged securities;

(c) a corporation formed on the amalgamation or merger of the particular qualifying person and one or more other corporations;

(d) a qualifying person with which the corporation referred to in subparagraph *c* does not deal at arm's length immediately after the disposition or exchange of the exchanged securities; and

(e) a mutual fund trust to which the particular qualifying person has transferred property in circumstances to which Title I.2 of Book VI applied.

1986, c. 19, s. 8; 1987, c. 67, s. 13; 1992, c. 1, s. 18; 1993, c. 16, s. 30; 1995, c. 49, s. 29; 1997, c. 3, s. 71; 2003, c. 2, s. 19; 2011, c. 34, s. 19.

49.6. For the purposes of this division and section 725.3, a taxpayer is deemed not to have disposed of a share acquired under circumstances to which section 49.2 applied solely because of section 785.2.

2003, c. 2, s. 20.

49.7. For the purposes of sections 50 and 725.2, where a taxpayer receives at a particular time one or more particular amounts in respect of rights of the taxpayer to acquire securities under an agreement referred to in section 48 ceasing to be exercisable in accordance with the terms of the agreement, and the cessation would not, but for this section, constitute a transfer or disposition of those rights by the taxpayer, the following rules apply:

(a) the taxpayer is deemed to have disposed of those rights at the particular time to a person with whom the taxpayer was dealing at arm's length and to have received the particular amounts as consideration for the disposition; and

(b) for the purpose of determining the amount, if any, of the benefit that the taxpayer is deemed by section 50 to have received as a consequence of the disposition referred to in paragraph *a*, the taxpayer is deemed to have paid an amount to acquire those rights equal to the amount by which the amount paid by the taxpayer to acquire those rights, determined without reference to this section, exceeds the aggregate of all amounts each of which is an amount received by the taxpayer before the particular time in respect of the cessation.

2003, c. 2, s. 20.

50. An employee who transfers or disposes of rights under the agreement referred to in section 48 in respect of securities to a person with whom the employee is dealing at arm's length, is deemed to receive because of the employee's office or employment, in the taxation year in which the employee makes the

transfer or disposition, a benefit equal to the amount by which the value of the consideration for the transfer or disposition exceeds the amount paid by the employee to acquire those rights.

1972, c. 23, s. 44; 1993, c. 16, s. 31; 1998, c. 16, s. 69; 2001, c. 53, s. 19.

50.1. An employee who transfers or disposes of rights under the agreement referred to in section 48 in respect of some or all of the securities to the particular qualifying person (or a qualifying person with which the particular qualifying person is not dealing at arm's length) with which the employee is not dealing at arm's length is deemed to receive, because of the employee's office or employment, in the taxation year in which the employee makes the transfer or disposition, a benefit equal to the amount by which the value of the consideration for the transfer or disposition exceeds the amount paid by the employee to acquire those rights.

2011, c. 34, s. 20.

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

Where the employee was deceased at the time the person acquired the security, the benefit is deemed to have been received by the person, in the taxation year in which the person acquired the security, as income from the duties of an office or employment performed by the person in that year in the country in which the employee primarily performed the duties of the employee's office or employment.

1972, c. 23, s. 45; 1993, c. 16, s. 31; 1997, c. 3, s. 71; 1998, c. 16, s. 70; 2001, c. 53, s. 19.

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

Where the employee was deceased at the time the other person acquired the employee's rights, the benefit is deemed to have been received by the particular person, in the taxation year in which the particular person transferred or disposed of the employee's rights, as income from the duties of an office or employment performed by the particular person in that year in the country in which the employee primarily performed the duties of the employee's office or employment.

1972, c. 23, s. 46; 1993, c. 16, s. 31; 1998, c. 16, s. 71.

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

Where the employee was deceased at the time the particular person transferred or disposed of the employee's rights, the benefit is deemed to have been received by the particular person, in the taxation year in which the particular person transferred or disposed of the employee's rights, as income from the duties of an

office or employment performed by the particular person in that year in the country in which the employee primarily performed the duties of the employee's office or employment.

2011, c. 34, s. 21.

52.1. Where an employee has died and, immediately before the death, the employee owned a right to acquire a security under the agreement referred to in section 48, the employee is deemed to have received because of the employee's office or employment, in the taxation year in which the employee died, a benefit equal to the amount by which the value of the right immediately after the death exceeds the amount paid by the employee to acquire the right, and sections 50 to 52.0.1 do not apply.

1993, c. 16, s. 32; 1998, c. 16, s. 72; 2001, c. 53, s. 20; 2011, c. 34, s. 22.

53. If a security is held by a trustee, in any manner whatever, for an employee, the employee is deemed, for the purposes of this division and sections 725.2, 725.2.2 and 725.3, to acquire the security at the time the trustee begins so to hold it and to exchange or dispose of the security at the time the trustee exchanges it or disposes of it to any person other than the employee.

1972, c. 23, s. 47; 1987, c. 67, s. 14; 1998, c. 16, s. 72; 2001, c. 53, s. 21; 2003, c. 2, s. 21.

54. If a particular qualifying person has agreed to sell or issue one of its securities, or a security of a qualifying person with which it does not deal at arm's length, to one of its employees or to an employee of the qualifying person with which it does not deal at arm's length, the employee is deemed to receive no benefit under or because of the agreement other than as provided in this division.

1972, c. 23, s. 48; 2001, c. 53, s. 21.

55. If a particular qualifying person has agreed to sell or issue one of its securities, or a security of a qualifying person with which it does not deal at arm's length, to one of its employees or to an employee of the qualifying person with which it does not deal at arm's length, the income for a taxation year of any person is deemed to be not less than it would have been for the year if no benefit had been conferred on the employee by the sale or issue of the security.

1972, c. 23, s. 49; 1986, c. 19, s. 9; 1997, c. 3, s. 71; 2001, c. 53, s. 21.

56. Where a person to whom sections 48 to 52.1 would otherwise apply ceases to be an employee before all conditions have been fulfilled that would make such sections applicable, those sections apply as though the person were still an employee and as though the office or employment were still in existence.

1972, c. 23, s. 50; 2001, c. 53, s. 21.

57. This division does not apply where the benefit conferred under the agreement contemplated in section 48 was not received by reason of the office or employment.

1972, c. 23, s. 51.

58. For the purposes of this division, except section 53, and of sections 725.2, 725.2.2 and 725.3, if a particular qualifying person has entered into an arrangement under which one of its securities, or a security of a qualifying person with which it does not deal at arm's length, is sold or issued by either person to a trustee to be held by the trustee in trust for sale to an employee of the particular qualifying person or of a qualifying person with which it does not deal at arm's length, the following rules apply:

(a) any particular right of the employee under the arrangement in respect of the security is deemed to be a right under a particular agreement referred to in section 48;

(b) any security acquired under the arrangement by the employee or by a person in whom the particular right has become vested is deemed to be a security acquired under the particular agreement referred to in section 48; and

(c) any amount paid or agreed to be paid to the trustee for any security acquired under the arrangement by the employee or by a person in whom the particular right has become vested is deemed to be an amount paid or agreed to be paid to the particular qualifying person for a security acquired under the particular agreement referred to in section 48.

However, section 53 does not apply to the case contemplated by this section.

1972, c. 23, s. 52; 1993, c. 16, s. 33; 1997, c. 3, s. 71; 1997, c. 14, s. 21; 2001, c. 53, s. 22; 2003, c. 2, s. 22.

58.0.1. *(Repealed).*

2003, c. 2, s. 23; 2011, c. 34, s. 23.

58.0.2. *(Repealed).*

2003, c. 2, s. 23; 2009, c. 15, s. 42; 2010, c. 5, s. 18; 2011, c. 34, s. 23.

58.0.3. *(Repealed).*

2003, c. 2, s. 23; 2011, c. 34, s. 23.

58.0.4. *(Repealed).*

2003, c. 2, s. 23; 2011, c. 34, s. 23.

58.0.5. *(Repealed).*

2003, c. 2, s. 23; 2011, c. 34, s. 23.

58.0.6. *(Repealed).*

2003, c. 2, s. 23; 2011, c. 34, s. 23.

58.0.7. Where, at any time in a taxation year, a taxpayer holds a security that was acquired under the circumstances to which section 58.0.1, as it read before being repealed, applied, the taxpayer shall enclose with the fiscal return the taxpayer is required to file for the year under section 1000, or would be required to so file if tax were payable by the taxpayer under this Part, a copy of every document sent to the Minister of National Revenue under subsection 16 of section 7 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2003, c. 2, s. 23; 2011, c. 34, s. 24.

DIVISION VII

Repealed, 2007, c. 12, s. 25.

1985, c. 25, s. 21; 2007, c. 12, s. 25.

58.1. *(Repealed).*

1985, c. 25, s. 21; 1998, c. 16, s. 73; 2007, c. 12, s. 25.

DIVISION VIII

GOODS AND SERVICES TAX OR QUÉBEC SALES TAX REBATE

1991, c. 25, s. 13; 1992, c. 1, s. 19.

58.2. Where an amount in respect of a particular outlay or particular expense is deducted under Chapter III in computing the income of a taxpayer for a taxation year from an office or employment, or an amount is included in the capital cost to the taxpayer of a particular property described in section 64 or 78.4, and a particular amount is paid to the taxpayer in a particular taxation year as a rebate under the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of any goods and services tax included in the amount of the particular outlay or particular expense or the capital cost of the particular property, as the case may be, the particular amount,

(a) to the extent that it relates to the particular outlay or particular expense, shall be included in computing the taxpayer's income from an office or employment for the particular year; and

(b) to the extent that it relates to the capital cost of the particular property, is deemed, for the purposes of section 101, to have been received by the taxpayer in the particular year as assistance from a government for the acquisition of the particular property.

1991, c. 25, s. 13; 2004, c. 8, s. 14.

58.3. Where an amount in respect of a particular outlay or particular expense is deducted under Chapter III in computing the income of a taxpayer for a taxation year from an office or employment, or an amount is included in the capital cost to the taxpayer of a particular property described in section 64 or 78.4, and a particular amount is paid to the taxpayer in a particular taxation year as a rebate under the Act respecting the Québec sales tax (chapter T-0.1) in respect of any Québec sales tax included in the amount of the particular outlay or particular expense or the capital cost of the particular property, as the case may be, the particular amount,

(a) to the extent that it relates to the particular outlay or particular expense, shall be included in computing the taxpayer's income from an office or employment for the particular year; and

(b) to the extent that it relates to the capital cost of the particular property, is deemed, for the purposes of section 101, to have been received by the taxpayer in the particular year as assistance from a government for the acquisition of the particular property.

1992, c. 1, s. 20; 1997, c. 14, s. 22; 2004, c. 8, s. 15.

CHAPTER III

DEDUCTIONS

1972, c. 23.

DIVISION I

RULES OF APPLICATION

1972, c. 23.

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

1972, c. 23, s. 53; 1998, c. 16, s. 74.

59.1. For the purposes of this Title, other than sections 32 and 33 and Division VI of Chapter II, the amount of any rebate paid or payable to a taxpayer under the Act respecting the Québec sales tax (chapter T-0.1) in respect of the Québec sales tax or under the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the goods and services tax is deemed not to be an amount that is reimbursed to the taxpayer or to which the taxpayer is entitled.

1991, c. 25, s. 14; 1992, c. 1, s. 21; 1997, c. 14, s. 23.

DIVISION II

Repealed, 1993, c. 64, s. 19.

1993, c. 64, s. 19.

60. *(Repealed).*

1972, c. 23, s. 54; 1975, c. 22, s. 5; 1983, c. 44, s. 17; 1986, c. 15, s. 41; 1993, c. 64, s. 19.

61. *(Repealed).*

1972, c. 23, s. 55; 1983, c. 44, s. 18; 1986, c. 15, s. 42; 1993, c. 64, s. 19.

DIVISION III

SALESMEN'S EXPENSES AND TRAVEL EXPENSES

1972, c. 23; 1997, c. 85, s. 45.

62. (1) An individual whose office or employment is connected with the selling of property or negotiating of contracts for the individual's employer may, in accordance with this division, deduct the amounts expended by the individual in the year to earn the income from the office or employment, if the individual is required, under the contract of employment, to pay the individual's own expenses, if the individual is required to carry on all or part of the duties of the office or employment away from the employer's place of business, and if the individual is remunerated in whole or in part by commissions or other similar amounts fixed by reference to the volume of the sales made or the contracts negotiated.

(2) An individual shall not claim a deduction under this section if the individual receives an allowance for travel expenses that is not required to be included in computing the individual's income under paragraph *a* of section 40.

(3) The deduction under this section must not exceed the sum of the commissions and other similar amounts, fixed by reference to the volume of the sales made or the contracts negotiated, that the individual receives in the year, and shall only be made to the extent to which the amounts expended are not

(a) outlays, losses or replacements of capital or payments on account of capital, except amounts described in section 64,

(b) outlays or expenses that, under section 134, would not be deductible in computing the individual's income for the year if the office or employment were a business carried on by the individual, or

(c) amounts the payment of which reduced the amount that would otherwise be included in computing the individual's income for the year under section 41.

1972, c. 23, s. 56; 1977, c. 26, s. 4; 1983, c. 49, s. 11; 1993, c. 16, s. 34; 1997, c. 85, s. 46.

62.0.1. *(Repealed).*

1993, c. 64, s. 20; 1998, c. 16, s. 75; 2005, c. 38, s. 57.

62.1. Notwithstanding section 62, no amount may be deducted in computing an individual's income for a taxation year from an office or employment in respect of any part, in this section and sections 62.2 and 62.3 referred to as the "work space", of the self-contained domestic establishment in which the individual resides, except to the extent that the work space is either

(a) the place where the individual principally performs the duties of the office or employment, or

(b) used

i. exclusively during the period in respect of which the amount relates for the purposes of earning income from the office or employment, and

ii. on a regular and continuous basis for meeting customers or other persons in the ordinary course of performing the duties of the office or employment.

1993, c. 16, s. 35.

62.2. Where the conditions set out in paragraph *a* or *b* of section 62.1 are met in respect of the work space described in that section, the amount in respect of the work space that may be deducted in computing the individual's income for a taxation year from the office or employment shall not exceed the individual's income for the year from the office or employment, computed without reference to any deduction in respect of the work space.

1993, c. 16, s. 35.

62.3. Any amount in respect of a work space that was, by reason only of section 62.2, not deductible in computing the individual's income for the preceding taxation year from an office or employment is deemed to be an amount in respect of a work space that is otherwise deductible and that, subject to section 62.2, may be deducted in computing the individual's income for the taxation year from the office or employment.

1993, c. 16, s. 35.

63. An individual may deduct amounts expended by the individual in the year, other than motor vehicle expenses, for travelling in the course of the individual's office or employment, if the individual is required to perform all or part of the duties of the office or employment away from the employer's place of business or in different places and is required under the contract of employment to pay the travel expenses incurred by the individual in the performance of the duties of the office or employment.

An individual shall not claim any deduction under this section if the individual receives an allowance for travel expenses that is not required to be included in computing the individual's income for the year because of paragraph *e* of section 39 or paragraph *a* or *b* of section 40, or if the individual claims a deduction for the year under section 62, 65.1, 66 or 67.

1972, c. 23, s. 57; 1977, c. 26, s. 5; 1979, c. 18, s. 5; 1983, c. 49, s. 12; 1993, c. 16, s. 36; 1997, c. 85, s. 47; 1998, c. 16, s. 76.

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

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

1993, c. 16, s. 37; 1998, c. 16, s. 77.

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

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

1972, c. 23, s. 58; 1978, c. 26, s. 7; 1982, c. 5, s. 20; 1984, c. 35, s. 9; 1990, c. 59, s. 40; 1993, c. 16, s. 38; 1998, c. 16, s. 77.

64.1. *(Repealed).*

1978, c. 26, s. 8; 1979, c. 38, s. 4; 1984, c. 35, s. 10; 1990, c. 59, s. 41.

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

1982, c. 5, s. 21; 1998, c. 16, s. 78.

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

1990, c. 59, s. 42; 1993, c. 16, s. 39; 1998, c. 16, s. 78; 2003, c. 2, s. 24.

65. An individual shall not, in computing a deduction under section 62 or 63, deduct an amount expended for a meal unless the meal is consumed during a period while the individual was required by the individual's duties to be away, for not less than 12 hours, from the local municipal territory or the metropolitan area, as the case may be, where the employer's establishment to which the individual ordinarily reports for work is located.

Despite the first paragraph, an individual may, in computing a deduction under section 62, deduct an amount expended for a meal if it is consumed with a client.

1972, c. 23, s. 59; 1995, c. 63, s. 261; 1998, c. 16, s. 79; 2009, c. 15, s. 43.

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

1979, c. 18, s. 6; 1995, c. 63, s. 261; 1998, c. 16, s. 79.

66. Where an individual is an employee of a person whose principal business is transport and the individual's duties require the individual, regularly, to travel away from the local municipal territory or the metropolitan area, as the case may be, where the employer's establishment to which the individual ordinarily reports for work is located, on vehicles used by the employer for transport, the individual may deduct the amounts disbursed by the individual in the year for meals and lodging while the individual is so away from

that territory or metropolitan area, to the extent that the individual is not reimbursed and is not entitled to be reimbursed in respect thereof.

1972, c. 23, s. 60; 1973, c. 17, s. 9; 1995, c. 63, s. 261; 1998, c. 16, s. 79; 2004, c. 21, s. 47.

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

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

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

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

The amounts contemplated in this section are deductible to the extent that the individual is not reimbursed and is not entitled to be reimbursed in respect thereof.

1972, c. 23, s. 61; 1989, c. 77, s. 13; 1995, c. 63, s. 261; 1998, c. 16, s. 80; 2004, c. 21, s. 48.

DIVISION IV

Repealed, 1997, c. 14, s. 24.

1991, c. 25, s. 176; 1997, c. 14, s. 24.

68. *(Repealed).*

1972, c. 23, s. 62; 1978, c. 26, s. 9; 1979, c. 38, s. 5; 1986, c. 89, s. 50; 1987, c. 67, s. 15; 1988, c. 4, s. 23; 1992, c. 65, s. 43; 1994, c. 14, s. 34; 1997, c. 14, s. 24.

69. *(Repealed).*

1972, c. 23, s. 63; 1972, c. 26, s. 40; 1978, c. 26, s. 10; 1987, c. 67, s. 16; 1988, c. 4, s. 24; 1990, c. 59, s. 43; 1997, c. 14, s. 24.

DIVISION V

PENSION, RETIREMENT AND EMPLOYMENT INSURANCE PLANS

1972, c. 23; 1997, c. 14, s. 290.

70. An individual may deduct any amount:

(a) (paragraph repealed);

(b) (paragraph repealed);

(c) deductible by him, in respect of a contribution to a registered pension plan, in computing his income for the year to the extent provided in section 965.0.3.

1972, c. 23, s. 64; 1991, c. 25, s. 15; 1993, c. 15, s. 93; 1993, c. 64, s. 21; 1993, c. 64, s. 247.

70.1. An individual may deduct the amount that is deductible in computing his income for the year by reason of section 864.

1995, c. 49, s. 30.

70.1.1. An individual may deduct an amount that is an excess profit sharing plan amount (as defined in section 1129.66.9) of the individual for the year, other than any portion of the excess profit sharing plan amount for which the individual's tax for the year under section 1129.66.10 is waived or cancelled.

2015, c. 21, s. 109.

70.2. An individual may deduct an amount contributed by him in the year to a pension plan in respect of services rendered by him where the plan is a prescribed plan or where

(a) the plan is a retirement compensation arrangement;

(b) the amount was paid to a custodian, within the meaning of subparagraph *b* of the first paragraph of section 890.1, of the arrangement who is resident in Canada; and

(c) either

i. the individual was required, by the terms of the individual's office or employment, to contribute the amount, and the aggregate of the amounts contributed to the plan in the year by him does not exceed the aggregate of the amounts contributed to the plan in the year by any other person in respect of the individual, or

ii. the plan is a pension plan the registration of which was revoked under the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), other than a plan the registration of which was revoked as of the effective date of its registration, and the amount was contributed in accordance with the terms of the plan as last registered.

1997, c. 14, s. 25.

71. *(Repealed).*

1972, c. 23, s. 65; 1976, c. 18, s. 1; 1979, c. 38, s. 6; 1991, c. 25, s. 16.

72. *(Repealed).*

1972, c. 23, s. 66; 1976, c. 18, s. 2; 1979, c. 38, s. 7; 1991, c. 25, s. 16.

72.1. *(Repealed).*

1988, c. 4, s. 25; 1991, c. 25, s. 16.

73. *(Repealed).*

1972, c. 23, s. 67; 1991, c. 25, s. 16.

74. *(Repealed).*

1972, c. 23, s. 68; 1991, c. 25, s. 16.

74.1. *(Repealed).*

1986, c. 15, s. 43; 1991, c. 25, s. 16.

74.2. For the application of paragraph *c* of section 70 and section 71 to the taxation year 1986, such part as a taxpayer designates in his fiscal return for that year of the aggregate of all amounts contributed by the

taxpayer after 31 December 1985 and before 9 October 1986 as additional voluntary contributions is deemed to have been contributed in respect of services rendered by the taxpayer before 1 January 1986.

1991, c. 25, s. 17.

75. An individual who may deduct the salary paid to another person under section 78, may also deduct any amount payable by him in the year in respect of the salary of such person as an employer's premium under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23) or under the Act respecting parental insurance (chapter A-29.011), or as an employer's contribution under the Act respecting the Québec Pension Plan (chapter R-9) or under any similar plan within the meaning of paragraph *u* of section 1 of the Act respecting the Québec Pension Plan or under the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5).

1975, c. 21, s. 2; 1979, c. 18, s. 7; 1993, c. 15, s. 94; 1993, c. 64, s. 248; 1997, c. 14, s. 290; 1999, c. 89, s. 53; 2005, c. 38, s. 58.

DIVISION V.1

PROFESSIONAL OR MALPRACTICE LIABILITY INSURANCE

1997, c. 14, s. 26.

75.1. An individual may deduct an amount paid by him in the year as professional or malpractice liability insurance if the payment was necessary to maintain a professional status recognized by statute.

1997, c. 14, s. 26.

DIVISION V.2

TRADESPERSONS AND APPRENTICE MECHANICS

2004, c. 8, s. 16; 2007, c. 12, s. 26.

75.2. In this division,

"eligible apprentice mechanic", at any time in a taxation year, means an individual who, at that time,

(a) is registered in a program established in accordance with the laws of Canada or of a province that leads to designation under those laws as a mechanic licensed to repair self-propelled motorized vehicles; and

(b) is employed as an apprentice mechanic;

"eligible tool" of an individual means a tool, including ancillary equipment, that

(a) is acquired by the individual for use in connection with the individual's employment as an eligible apprentice mechanic or as a tradesperson;

(b) has not been used for any purpose before it is acquired by the individual;

(c) is certified in a prescribed form signed by the individual's employer to be required to be provided by the individual as a condition of, and for use in, the individual's employment as an eligible apprentice mechanic or as a tradesperson; and

(d) is, unless the device or equipment can be used only for the purpose of measuring, locating or calculating, not an electronic communication device or electronic data processing equipment.

For the purposes of paragraph *a* of the definition of "eligible apprentice mechanic" in the first paragraph, an individual is considered to be registered in a program established in accordance with the laws of a province that leads to designation under those laws as a mechanic licensed to repair self-propelled motorized vehicles if the individual holds an apprenticeship card issued by a parity committee of the automobile industry formed

pursuant to the laws of a province, to obtain from that committee designation as a mechanic licensed to repair self-propelled motorized vehicles.

2004, c. 8, s. 16; 2007, c. 12, s. 27.

75.2.1. An individual who is employed as a tradesperson, at any time in the year, may deduct an amount not exceeding the lesser of $1,000 and the amount determined by the formula

A − B.

In the formula in the first paragraph,

(a) A is the lesser of

i. the aggregate of all amounts each of which is the cost to the individual of an eligible tool acquired by the individual after 1 May 2006 and in the year, and

ii. the aggregate of

(1) the amount that would be the individual's income for the year from employment as a tradesperson if this chapter were read without reference to this division, and

(2) the amount, if any, by which the amount included in computing the individual's income for the year under paragraph i of section 312 exceeds the amount deducted in computing the individual's income for the year under paragraph *d*.3.0.1 of section 336; and

(b) B is an amount of $1,000.

An individual may deduct an amount for the year under the first paragraph only if the individual sends the Minister the prescribed form referred to in paragraph *c* of the definition of "eligible tool" in the first paragraph of section 75.2 with the fiscal return the individual is required to file for the year under this Part.

2007, c. 12, s. 28; 2024, c. 11, s. 46.

75.3. An individual who is an eligible apprentice mechanic at any time in the year after 31 December 2001 may deduct an amount not exceeding the lesser of

(a) the individual's income for the year computed without reference to this section; and

(b) the amount determined by the formula

(A − B) + C.

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

(a) A is the aggregate of all amounts each of which is the cost to the individual of an eligible tool acquired in the year by the individual or, if the individual first becomes employed as an eligible apprentice mechanic in the year, the cost to the individual of an eligible tool acquired by the individual in the last three months of the preceding taxation year;

(b) B is the lesser of

i. the aggregate determined for the year under subparagraph *a* in respect of the individual, and

ii. the greater of

(1) the total of the amount in dollars mentioned in the portion of the first paragraph of section 75.2.1 before the formula and the amount determined for the year for B in the formula in the first paragraph of that section, and

(2) 5% of the amount determined under the third paragraph; and

(c) C is the amount by which the amount determined under subparagraph *b* of the first paragraph for the preceding taxation year in respect of the individual exceeds the amount deducted under this section for that preceding taxation year by the individual.

The amount to which subparagraph 2 of subparagraph ii of subparagraph *b* of the second paragraph refers is equal to the aggregate of

(a) the aggregate of all amounts each of which is the individual's income for the year from employment as an eligible apprentice mechanic, computed without reference to this section; and

(b) the amount, if any, by which the amount included in computing the individual's income for the year under paragraph i of section 312 exceeds the amount deducted in computing the individual's income for the year under paragraph *d*.3.0.1 of section 336.

No amount may be deducted for the year by an individual under the first paragraph, unless the individual files with the Minister, together with the individual's fiscal return for the year under this Part, the prescribed form referred to in paragraph *c* of the definition of "eligible tool" in the first paragraph of section 75.2.

2004, c. 8, s. 16; 2007, c. 12, s. 29; 2024, c. 11, s. 47.

75.4. An individual who, at any time in the year, is not an eligible apprentice mechanic and has an excess amount determined under subparagraph *c* of the second paragraph of section 75.3 is, for that year, entitled to deduct an amount under section 75.3 as if that excess amount were wholly applicable to an employment of the individual.

2004, c. 8, s. 16.

75.5. Except for the purposes of subparagraph i of subparagraph *a* of the second paragraph of section 75.2.1 and subparagraph *a* of the second paragraph of section 75.3, the cost to an individual of an eligible tool the cost of which was included in computing the aggregate determined under either of those provisions in respect of the individual for a taxation year is equal to the amount determined by the formula

$$A - (A \times B / C).$$

In the formula provided for in the first paragraph,

(a) A is the cost to the individual of the eligible tool, computed without reference to this section;

(b) B is

i. if the tool is an eligible tool in respect of which only section 75.2.1 applies for the year, the amount that is deductible by the individual for the year under that section,

ii. if the tool is an eligible tool in respect of which only section 75.3 applies for the year, the amount that would be determined under subparagraph *b* of the first paragraph of section 75.3 in respect of the individual for the year if the excess amount determined under subparagraph *c* of the second paragraph of that section were nil, and

iii. if the tool is an eligible tool in respect of which sections 75.2.1 and 75.3 apply for the year, the aggregate of

(1) the amount that is deductible by the individual for the year under section 75.2.1, and

(2) the amount that would be determined under subparagraph *b* of the first paragraph of section 75.3 in respect of the individual for the year if the excess amount determined under subparagraph *c* of the second paragraph of that section were nil; and

(c) C is

i. if the tool is an eligible tool in respect of which only section 75.2.1 applies for the year, the aggregate determined under subparagraph i of subparagraph *a* of the second paragraph of that section in respect of the individual for the year,

ii. if the tool is an eligible tool in respect of which only section 75.3 applies for the year, the aggregate determined under subparagraph *a* of the second paragraph of that section in respect of the individual for the year, and

iii. if the tool is an eligible tool in respect of which sections 75.2.1 and 75.3 apply for the year, the greater of the aggregate determined under subparagraph i of subparagraph *a* of the second paragraph of section 75.2.1 in respect of the individual for the year and the aggregate determined under subparagraph *a* of the second paragraph of section 75.3 in respect of the individual for the year.

2004, c. 8, s. 16; 2007, c. 12, s. 30.

75.6. *(Repealed).*

2007, c. 12, s. 31; 2009, c. 5, s. 48; 2009, c. 15, s. 45.

DIVISION VI

MISCELLANEOUS

1972, c. 23.

76. An individual who, in the year, is a member of the clergy or of a religious order or a regular minister of a religious denomination, and is in charge of or ministering to a diocese, parish or congregation or engaged exclusively in full-time administrative service by appointment of a religious order or religious denomination, may deduct the amount, not exceeding the individual's remuneration for the year from the office or employment, equal to

(a) the aggregate of all amounts including amounts in respect of utilities, included in computing the individual's income for the year under Chapter II in relation to the residence or other living accommodation occupied by the individual because of the individual's office or employment; or

(b) an amount, not exceeding the amount determined under the second paragraph, that is equal to the total of the rent and expenses in respect of utilities paid by the individual for the individual's principal place of residence or for another principal living accommodation ordinarily occupied during the year by the individual,

or the fair rental value of such a residence or living accommodation, including the value of utilities, owned by the individual or the individual's spouse, to the extent that the individual is required to use that place of residence or other living accommodation in performing the duties of the individual's office or employment.

The amount to which subparagraph *b* of the first paragraph refers is the lesser of

(a) the greater of

i. $1,000 multiplied by the number of months in the year during which the individual is a member or a minister referred to in the first paragraph, not exceeding $10,000, and

ii. one-third of the individual's remuneration for the year from the office or employment; and

(b) the amount by which the total of the rent paid or the fair rental value of the residence or living accommodation and expenses in respect of utilities exceeds the aggregate of all amounts each of which is an amount deducted, in respect of the residence or accommodation, in computing a particular individual's income from an office or employment or from a business, other than an amount deducted under the first paragraph by the individual, to the extent that the amount can reasonably be considered to relate to the period, or a portion of the period, in respect of which the individual deducted an amount under the first paragraph.

No amount may be deducted for the year by an individual under the first paragraph, unless the individual files with the Minister, together with the individual's fiscal return for the year under this Part, a prescribed form signed by the individual's employer certifying that the conditions set out in that paragraph were met in the year in respect of the individual.

1972, c. 23, s. 69; 2003, c. 2, s. 25; 2007, c. 12, s. 32.

76.1. *(Repealed)*.

1985, c. 25, s. 22; 2007, c. 12, s. 33.

77. In computing income for a taxation year from an office or employment, an individual may deduct judicial or extrajudicial expenses paid by the individual in the year to collect, or to establish a right to, an amount owed to the individual that, if received by the individual, would be required by this Title to be included in computing the individual's income.

1972, c. 23, s. 71; 1991, c. 25, s. 18; 2000, c. 39, s. 6; 2009, c. 15, s. 47; I.N. 2016-01-01 (NCCP); 2017, c. 29, s. 29.

77.1. If, in a taxation year, an employee is deemed by reason of section 53 to have disposed of a security, as defined in section 47.18, held by a trust, the trust disposed of the security to the person that issued the security, the disposition occurred as a result of the employee not meeting the conditions necessary for title to the security to vest in the employee, and the amount paid by the person to acquire the security from the trust or to redeem or cancel the security did not exceed the amount paid to the person for the security, the following rules apply:

(a) there may be deducted in computing the employee's income for the year from an office or employment the amount by which the amount of the benefit deemed by section 49 to have been received by the employee in the year or a preceding taxation year in respect of the security exceeds any amount deducted under section 725.2 or 725.3 in computing the employee's taxable income for the year or a preceding taxation year in respect of that benefit; and

(b) notwithstanding any other provision of this Part, any gain or loss of the employee otherwise determined from the disposition of the security is deemed to be nil, and Division I of Chapter III of Title IX does not apply to deem a dividend to have been received in respect of the disposition.

1993, c. 16, s. 40; 1997, c. 3, s. 71; 2001, c. 53, s. 23; 2010, c. 25, s. 11.

78. An individual may deduct, in computing the individual's income for a taxation year, any amount paid by the individual in the year, or on behalf of the individual in the year if the amount paid on behalf of the individual is required to be included in computing the individual's income for the year, as office rent or salary to an assistant or substitute or for supplies consumed directly in the performance of duties if the individual's contract of employment requires the individual to pay such amounts and, as the case may be, furnish such supplies.

However, no such amounts may be deducted for the year by the individual unless the individual submits to the Minister, with the fiscal return filed for the year by the individual under this Part, a prescribed form signed by the individual's employer certifying that the conditions set out in the first paragraph were met in the year in respect of the individual.

The rules set forth in sections 62.1 to 62.3 apply, with the necessary modifications, for the purpose of computing the amount that may be deducted by an individual under this section in respect of any part, in those sections referred to as the "work space", of a self-contained domestic establishment in which the individual resides.

1972, c. 23, s. 72; 1990, c. 59, s. 44; 1993, c. 16, s. 41; 1995, c. 63, s. 261; 2003, c. 2, s. 26; 2015, c. 21, s. 110.

78.1. An individual may deduct an amount paid by or on behalf of the individual in the year pursuant to an arrangement, other than an arrangement described in paragraph *b* of the definition of "top-up disability payment" in the first paragraph of section 43.0.2, under which the individual is required to reimburse any amount paid to the individual for a period throughout which the individual did not perform the duties of the individual's office or employment, to the extent that the amount so paid to the individual for the period was included in computing the individual's income from an office or employment.

Notwithstanding the foregoing, the individual shall not deduct that part of amounts so reimbursed which exceeds the aggregate of amounts received by him for such a period.

1984, c. 15, s. 16; 1999, c. 83, s. 29; 2000, c. 5, s. 24; 2005, c. 23, s. 38.

78.1.1. An individual may deduct the amount determined in respect of the individual for the year under the second paragraph where, as a consequence of the receipt of an amount, in this section referred to as the "deferred amount", from an insurer, an amount is reimbursed by or on behalf of the individual to an employer or former employer of the individual pursuant to an arrangement described in paragraph *b* of the definition of "top-up disability payment" in the first paragraph of section 43.0.2, and the reimbursement is made

(a) in the year, other than within the first 60 days of the year if the deferred amount was received in the preceding taxation year; or

(b) within 60 days after the end of the year, if the deferred amount was received in the year.

The amount to which the first paragraph refers in respect of an individual for the year is the lesser of

(a) the amount included under section 43 in respect of the deferred amount in computing the individual's income for any taxation year; and

(b) the amount of the reimbursement referred to in the first paragraph in respect of the individual for the year.

2000, c. 5, s. 25.

78.2. An individual may deduct the amount determined under section 78.3 where at the end of the year the rights of any person to receive benefits under a salary deferral arrangement in respect of the individual have been extinguished or no person has any further right to receive any amount under the arrangement.

1988, c. 18, s. 6.

78.3. The amount referred to in section 78.2 is equal to the amount by which the aggregate of all deferred amounts under the arrangement included in computing the individual's income for the year and preceding taxation years as benefits under section 37 exceeds the aggregate of

(a) all such deferred amounts received by any person in that year or preceding taxation years out of or under the arrangement,

(b) all such deferred amounts receivable by any person in subsequent taxation years out of or under the arrangement, and

(c) all amounts deducted under section 78.2 in computing the individual's income for preceding taxation years in respect of deferred amounts under the arrangement.

1988, c. 18, s. 6.

78.4. An individual who is employed in the year as a musician and, as a term of the employment, is required to provide a musical instrument for a period in the year may deduct an amount not exceeding his income for the year from the employment, computed without reference to this section, equal to the aggregate of

(a) amounts disbursed by him before the end of the year for the maintenance, rental and insurance of the instrument for that period, except where the amounts are otherwise deducted in computing his income for any taxation year, and

(b) such part of the capital cost of the musical instrument as is allowed by regulation.

1990, c. 59, s. 45.

78.5. *(Repealed).*

1993, c. 64, s. 22; 1997, c. 14, s. 27; 2005, c. 38, s. 59.

78.6. Where the amount contemplated in section 43.2 for a taxation year in respect of an individual in relation to a multi-employer insurance plan exceeds the amount established for the year in accordance with the second paragraph of section 43.3 in respect of the individual in relation to that plan, the individual may deduct the excess amount in computing his income for the year.

1993, c. 64, s. 22; 1995, c. 63, s. 261.

78.7. *(Repealed).*

1997, c. 85, s. 48; 2003, c. 2, s. 27.

78.8. *(Repealed).*

2001, c. 51, s. 20; 2003, c. 2, s. 28; 2005, c. 38, s. 60.

78.9. *(Repealed).*

2001, c. 51, s. 20; 2003, c. 2, s. 29; 2005, c. 38, s. 60.

79. An individual may deduct an amount not exceeding $250 in respect of all his employments as a teacher, paid by him in the year to a fund established by the Canadian Education Association for the benefit of teachers from Commonwealth countries present in Canada under a teacher's exchange arrangement.

1972, c. 23, s. 73.

79.0.1. *(Repealed).*

1986, c. 15, s. 44; 1995, c. 1, s. 20.

79.0.2. *(Repealed).*

1986, c. 15, s. 44; 1995, c. 1, s. 20.

79.0.3. *(Repealed).*

1986, c. 15, s. 44; 1995, c. 1, s. 20.

79.1. *(Repealed).*

1982, c. 5, s. 22; 1983, c. 44, s. 19; 1986, c. 15, s. 45; 1993, c. 16, s. 42; 1995, c. 1, s. 20.

79.1.1. *(Repealed).*

1986, c. 15, s. 45; 1995, c. 1, s. 20.

79.2. *(Repealed).*

1982, c. 5, s. 22; 1983, c. 44, s. 19; 1993, c. 16, s. 43; 1995, c. 1, s. 20.

79.3. *(Repealed).*

1982, c. 5, s. 22; 1983, c. 44, s. 19; 1993, c. 16, s. 44; 1995, c. 1, s. 20.

TITLE III

INCOME OR LOSS FROM A BUSINESS OR PROPERTY

1972, c. 23.

CHAPTER I

BASIC RULES

1972, c. 23.

80. Subject to this Part, a taxpayer's income from a business or property is his profit therefrom.

The income a taxpayer must include under this Title in computing his income for a taxation year from businesses or property is his income therefrom for that year, unless this Title provides otherwise.

1972, c. 23, s. 74.

81. A taxpayer's loss for a taxation year from a business or property is the amount of such loss computed, with the necessary modifications, by applying the provisions of this Part respecting computation of income from that source.

1972, c. 23, s. 75; 1995, c. 63, s. 25.

82. For the purposes of this Part, income or loss from a property does not include, respectively, any capital gain or any capital loss resulting from the disposition of the property.

1972, c. 23, s. 76; 1985, c. 25, s. 23; 1987, c. 67, s. 17.

83. For the purpose of computing a taxpayer's income for a taxation year from a business that is not an adventure or concern in the nature of trade, property described in an inventory shall be valued at the end of the year at the cost at which the taxpayer acquired the property or its fair market value at the end of the year, whichever is lower, or in a prescribed manner.

1972, c. 23, s. 77; 1975, c. 22, s. 6; 1980, c. 13, s. 5; 2000, c. 5, s. 26.

83.0.1. For the purpose of computing a taxpayer's income from a business that is an adventure or concern in the nature of trade, property described in an inventory shall be valued at the cost at which the taxpayer acquired the property.

2000, c. 5, s. 27.

83.0.2. Where, at the end of a taxpayer's taxation year that is the last year in which property described in an inventory of a business that is an adventure or concern in the nature of trade was valued in accordance with section 83, the property was valued at an amount that is less than the cost at which the taxpayer acquired the property, after that time the cost to the taxpayer at which the property was acquired is, subject to section 83.0.3, deemed to be equal to that amount.

2000, c. 5, s. 27.

83.0.3. Despite section 83.0.1, property described in an inventory of a taxpayer's business that is an adventure or concern in the nature of trade at the end of the taxpayer's taxation year that ends immediately before the time at which the taxpayer is subject to a loss restriction event is to be valued at the cost at which the taxpayer acquired the property, or its fair market value at the end of the year, whichever is lower, and, after that time, the cost at which the taxpayer acquired the property is deemed to be equal to that lower amount.

2000, c. 5, s. 27; 2017, c. 1, s. 82.

83.0.4. Where at a particular time a taxpayer not resident in Canada ceases to use, in relation to a business or part of a business carried on by the taxpayer in Canada immediately before that time, a property that was immediately before that time described in the inventory of the business or the part of the business, other than a property that was disposed of by the taxpayer at that time, the following rules apply:

(a) the taxpayer is deemed to have disposed of the property immediately before that time for proceeds of disposition equal to its fair market value at that time; and

(b) the taxpayer is deemed to have received those proceeds immediately before that time in the course of carrying on the business or the part of the business.

2004, c. 8, s. 17.

83.0.5. Where at a particular time a property becomes described in the inventory of a business or part of a business that a taxpayer not resident in Canada carries on in Canada after that time, other than a property that was, otherwise than because of this section, acquired by the taxpayer at that time, the taxpayer is deemed to have acquired the property at that time at a cost equal to its fair market value at that time.

2004, c. 8, s. 17.

83.0.6. *(Repealed).*

2004, c. 8, s. 17; 2021, c. 36, s. 53.

83.0.7. For the purposes of sections 83 to 85.6, property of a taxpayer that is a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement, or any similar agreement is deemed not to be property described in an inventory of the taxpayer.

2019, c. 14, s. 71.

83.1. For the purposes of sections 83, 83.0.1 and 83.0.3, where land is described in an inventory of a business of a taxpayer, the cost at which the taxpayer acquired the land shall include each amount that

(a) is the amount of an expense referred to in the first paragraph of section 164, in respect of the land and for which no deduction is permitted to the taxpayer, or to another person or partnership that is

i. a person or partnership with whom or with which the taxpayer does not deal at arm's length,

ii. if the taxpayer is a corporation, a person or partnership that is a specified shareholder of the taxpayer, or

iii. if the taxpayer is a partnership, a person or partnership whose share of any income or loss of the taxpayer is 10% or more; and

(b) is not included in or added to the cost to that other person or partnership of any property otherwise than because of paragraph *e*.1 of section 255 or subparagraph xi of paragraph *i* of that section.

1990, c. 59, s. 46; 1993, c. 16, s. 45; 1997, c. 3, s. 71; 2000, c. 5, s. 28.

84. Notwithstanding section 83, for the purpose of computing income for a taxation year from a business, the taxpayer shall value the property described in his inventory at the commencement of the year at the same amount as that at which it was valued at the end of the preceding year for the purpose of computing income for that preceding year.

1972, c. 23, s. 78.

84.1. Where property described in an inventory of a taxpayer's business that is not an adventure or concern in the nature of trade is valued at the end of a taxation year in accordance with a method permitted under sections 83 to 85.6, that method shall, subject to section 85.5, be used in the valuation of property described in the inventory of that business at the end of the following taxation year for the purpose of computing the taxpayer's income from the business unless the taxpayer, with the concurrence of the Minister and on any terms and conditions that are specified by the Minister, adopts another method permitted under those sections.

1993, c. 16, s. 46; 2000, c. 5, s. 29.

85. Where, according to the method adopted by the taxpayer for computing income from a business for a taxation year, the property described in his inventory at the commencement of that year has not been valued as required by section 83, such property is nevertheless deemed to have been valued in that manner, if the Minister so directs.

1972, c. 23, s. 79.

85.1. For the purposes of section 83, the fair market value of the property described in the inventory of a taxpayer means, in the case of work in progress at the end of a taxation year of a business that is a profession, the amount that can reasonably be expected to become receivable in respect thereof after the end of the year and, in other cases, the replacement cost of the property.

1982, c. 5, s. 23; 1984, c. 15, s. 17.

85.2. Section 85.1 does not apply to property that is obsolete, damaged or defective or that is held for sale or lease or for the purpose of being processed, fabricated, manufactured, incorporated into, attached to, or otherwise converted into property for sale or lease.

1982, c. 5, s. 23.

85.3. Without restricting the generality of this chapter,

(a) property, other than capital property, of a taxpayer that is work in progress of a business that is a profession, advertising or packaging material, parts or supplies must be included in his inventory;

(b) property used primarily for the purposes of advertising or packaging property that is included in the inventory of a taxpayer shall be deemed not to be property held for sale or lease or for any of the purposes referred to in section 85.2; and

(c) property of a taxpayer, the cost to him of which was deductible by virtue of paragraph *n* of section 157 must be included in his inventory having a cost to him, except for the purposes of that paragraph, of nil.

1982, c. 5, s. 23; 1984, c. 15, s. 18; 1986, c. 15, s. 46; 1997, c. 14, s. 28.

85.3.0.1. *(Repealed).*

2021, c. 14, s. 25; 2021, c. 36, s. 54.

85.3.1. Without restricting the generality of this Title, for the purposes of computing the income of a taxpayer derived for a taxation year from a metal recycling business, the cost of a property owned by the taxpayer as is described in the inventory of the business is deemed to be nil, unless the taxpayer,

(a) where the property is acquired by the taxpayer from a person or a partnership who or which is registered for the purposes of the Québec sales tax, obtains from that person or partnership, at the time of the acquisition, the registration number that is assigned to the person or partnership in accordance with the Act respecting the Québec sales tax (chapter T-0.1); or

(b) in any other case, fills out, at the time of the acquisition of the property, a document signed by the individual who delivers the property to the taxpayer and containing the information required by section 85.3.2 in relation to the acquisition.

2000, c. 39, s. 7; 2001, c. 51, s. 21.

85.3.2. For the purposes of paragraph *b* of section 85.3.1, the information that must be included in the document filled out by the taxpayer is the following:

(a) the name, address, date of birth and Social Insurance Number of the individual who delivers the property to the taxpayer to whom that paragraph *b* refers;

(b) the description of the goods acquired, the purchase price and the method of payment;

(c) if the individual who delivers the property to the taxpayer is not the vendor of the property, the name and address of the vendor and the vendor's Social Insurance Number or, as the case may be, the vendor's Québec business number assigned under the Act respecting the legal publicity of enterprises (chapter P-44.1).

The individual referred to in subparagraph *a* of the first paragraph shall produce one of the following supporting documents to confirm the individual's name, address and Social Insurance Number, and the document containing that information must specify the supporting document so produced:

(a) the individual's health insurance card issued by the Régie de l'assurance maladie du Québec;

(b) the individual's birth certificate;

(c) the individual's driver's licence issued by the Société de l'assurance automobile du Québec;

(d) the registration certificate of the vehicle used for the transportation of the property that is issued by the Société de l'assurance automobile du Québec.

2001, c. 51, s. 22; 2005, c. 14, s. 51; 2010, c. 7, s. 212.

85.4. For the purposes of sections 83 to 85.6, the expression "artistic endeavour" of an individual means the business of creating paintings, prints, etchings, drawings, sculptures or similar works of art, where such works of art are created by the individual, but does not include a business of reproducing works of art.

1987, c. 67, s. 18.

85.5. Despite section 83, for the purpose of computing the income of an individual other than a trust for a taxation year from an artistic endeavour, the value of the property in the individual's inventory for the year is deemed to be nil if the individual makes, in relation to the year, a valid election under subsection 6 of section 10 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of the artistic endeavour.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 10 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1987, c. 67, s. 18; 2009, c. 5, s. 49.

85.6. If the value of the property in an individual's inventory in relation to an artistic endeavour is deemed to be nil for a taxation year because of an election referred to in the first paragraph of section 85.5 made in relation to that year, the value of the property in the individual's inventory in relation to the artistic endeavour is deemed to be nil for each subsequent taxation year, unless the taxation year is a year in relation to which a revocation, made by the individual under subsection 7 of section 10 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006, of an election made under subsection 6 of section 10 of that Act in respect of the artistic endeavour, is valid.

Any condition determined by the Minister of National Revenue for the revocation referred to in the first paragraph applies, with the necessary modifications, in computing the income from the artistic endeavour.

Chapter V.2 of Title II of Book I applies in relation to a revocation made under subsection 7 of section 10 of the Income Tax Act or in relation to a revocation made under this section before 20 December 2006.

1987, c. 67, s. 18; 2009, c. 5, s. 49.

85.7. Where a taxpayer has made a valid election under subsection 1 of section 10.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the following rules apply in respect of the taxation years to which the election applies for the purposes of that Act (each such taxation year being referred to in this section as a "particular taxation year"):

(a) where the taxpayer is a financial institution, within the meaning of section 851.22.1, in the particular taxation year, each eligible derivative held by the taxpayer in the particular year is, for the purposes of this Act and with the necessary modifications, deemed to be mark-to-market property, within the meaning of section 851.22.1, of the taxpayer for the particular year; and

(b) in any other case, the taxpayer is deemed

i. to have disposed, immediately before the end of the particular taxation year, of each eligible derivative held by the taxpayer at the end of that year and received proceeds of disposition or paid an amount, as the case may be, equal to the fair market value of the eligible derivative at the time of disposition, and

ii. to have reacquired, or reissued or renewed, at the end of the taxation year, each of the eligible derivatives referred to in subparagraph i at an amount equal to the proceeds of disposition or the amount paid, as the case may be, referred to in subparagraph i, in respect of the eligible derivative.

For the purposes of the first paragraph, where a taxpayer revokes, under subsection 2 of section 10.1 of the Income Tax Act and for the purposes of that Act, an election made under subsection 1 of that section 10.1, a taxation year in relation to which the revocation applies for the purposes of that Act is not a particular taxation year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 10.1 of the Income Tax Act or an application for revocation made under subsection 2 of that section 10.1.

2020, c. 16, s. 32.

85.8. For the purposes of sections 85.7 and 85.9 to 85.12, an eligible derivative of a taxpayer for a taxation year means a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement or a similar agreement, held in the year by the taxpayer, where

(a) the agreement is not a capital property, a Canadian resource property, a foreign resource property or an obligation on account of capital of the taxpayer;

(b) either

i. the taxpayer has produced audited financial statements prepared in accordance with generally accepted accounting principles for the taxation year, or

ii. if the taxpayer has not produced financial statements described in subparagraph i, the agreement has a readily ascertainable fair market value; and

(c) if the agreement is held by a financial institution within the meaning of section 851.22.1, the agreement is not a tracking property within the meaning of that section (other than an excluded property within the meaning of that section) of the financial institution.

2020, c. 16, s. 32.

85.9. Where a taxpayer holds an eligible derivative at the beginning of its first taxation year in respect of which an election provided for in section 85.7 applies (in this section referred to as the "election year") and, in the taxation year immediately preceding the election year, the taxpayer did not compute its profit or loss in respect of that eligible derivative in accordance with a method of profit computation that produces a substantially similar effect to that provided for in subparagraph *b* of the first paragraph of section 85.7, the following rules apply:

(a) the taxpayer is deemed

i. to have disposed of the eligible derivative immediately before the beginning of the election year and received proceeds of disposition or paid an amount, as the case may be, equal to the fair market value of the eligible derivative at that time, and

ii. to have reacquired, or reissued or renewed, the eligible derivative at the beginning of the election year at an amount equal to the proceeds of disposition or the amount paid, as the case may be, referred to in subparagraph i;

(b) the profit or loss that would arise, but for this paragraph, on the deemed disposition under subparagraph i of paragraph *a*

i. is deemed not to arise in the taxation year immediately preceding the election year, and

ii. is deemed to arise in the taxation year in which the taxpayer disposes of the eligible derivative (otherwise than under subparagraph i of subparagraph *b* of the first paragraph of section 85.7 or paragraph *a* of section 851.22.15); and

(c) for the purposes of section 175.9, in respect of the disposition of the eligible derivative referred to in subparagraph ii of paragraph *b*, the profit or loss deemed to arise because of the application of that subparagraph is included in determining the amount of the transferor's loss, if any, from the disposition.

2020, c. 16, s. 32.

85.10. Where section 85.7 does not apply to a taxpayer referred to in subparagraph *b* of the first paragraph of that section in respect of a taxation year, the taxpayer shall not use a method of profit computation that produces a substantially similar effect to that provided for in that subparagraph *b* for the purpose of computing the taxpayer's income from a business or property in respect of a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement or a similar agreement for the year.

2020, c. 16, s. 32.

85.11. For the purposes of sections 85.7 to 85.9, if an agreement that is an eligible derivative of a taxpayer is not a property of the taxpayer, the taxpayer is deemed

(a) to hold the eligible derivative at any time while the taxpayer is a party to the agreement; and

(b) to have disposed of the eligible derivative when it is settled or extinguished in respect of the taxpayer.

2020, c. 16, s. 32.

85.12. Where there has been an amalgamation, within the meaning of section 544, of two or more corporations and subparagraph *b* of the first paragraph of section 85.7 applies to a predecessor corporation, within the meaning of section 544, in its last taxation year, each eligible derivative of the predecessor corporation immediately before the end of its last taxation year is deemed to have been reacquired, or reissued or renewed, as the case may be, by the new corporation, within the meaning of section 544, at its fair market value immediately before the amalgamation.

Where the rules set out in sections 556 to 564.1 and 565 apply to the winding-up of a subsidiary, within the meaning of section 556, the subsidiary's taxation year in which an eligible derivative was distributed to, or assumed by, the parent, within the meaning of section 556, on the winding-up is deemed, for the purposes of subparagraph *b* of the first paragraph of section 85.7, to have ended immediately before the time when the eligible derivative was distributed or assumed.

2020, c. 16, s. 32.

86. Subject to sections 217.2 to 217.9.1, where an individual is a proprietor of a business, the individual's income from the business for a taxation year is deemed to be the income from the business for the fiscal periods of the business that end in the year.

Where an individual's income for a taxation year includes income from a business the fiscal period of which does not coincide with the calendar year, any reference in respect of the business to the taxation year or the year, in this Title and in sections 487 to 487.0.4, is to be read as a reference to the fiscal period ending in the year, unless the context otherwise requires.

1972, c. 23, s. 80; 1991, c. 25, s. 19; 1995, c. 49, s. 31; 1997, c. 31, s. 10; 2000, c. 5, s. 293; 2015, c. 24, s. 24.

CHAPTER II

INCLUSIONS

1972, c. 23.

DIVISION I

SPECIFIC AMOUNTS

1972, c. 23.

87. A taxpayer shall include in computing his income from a business or property for a taxation year,

(a) any amount he receives in the year in the course of a business, even if such amount

i. is paid him for services not rendered or goods not delivered before the end of the year, or may be regarded as not having been earned in the year or a previous year, or

ii. is, under an arrangement or understanding, repayable in whole or in part on the return or resale to the taxpayer of articles in or by means of which goods were delivered to a customer;

(b) any amount receivable in respect of property sold or services rendered in the course of a business in the year, even if that amount or any part thereof is not due until a subsequent year, unless the method adopted for computing his income from the business and accepted for the purposes of this Part does not require him to include, in computing his income for a taxation year, an amount not received in the year and, for the purposes of this paragraph, an amount is deemed to have become receivable in respect of services rendered in the course of a business on a day that is the earlier of the day upon which the account in respect of the services was rendered and the day upon which that account would have been rendered had there been no undue delay;

(c) subject to sections 92 and 92.1.1, any amount received or receivable by the taxpayer in the year as interest, depending on the method regularly followed by the taxpayer in computing the taxpayer's income, to the extent that the interest was not included in computing the taxpayer's income for a preceding taxation year;

(d) any amount deducted under section 140 as a reserve in computing his income for the preceding taxation year;

(d.1) any amount deducted under section 140.2 as a reserve in computing his income for the preceding taxation year;

(d.2) any amount deducted under section 150.2 as a reserve in computing the taxpayer's income for the preceding taxation year;

(e) any amount deducted in computing his income from a business for the preceding year

i. under section 150, including any amount substituted under section 151,

ii. under sections 150.1 and 152, or

iii. under section 153;

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

(f) any amount received or receivable under an insurance policy or otherwise, as compensation for damage to his depreciable property, that he expends for repair of the damage within the year and within a reasonable time after the damage;

(g) any amount received by the taxpayer in the year and established in respect of the use of or production from property, even if that amount is an instalment of the sale price of such property, but not including an instalment of the sale price of agricultural land;

(g.1) any proceeds of disposition in respect of which section 158.6 applies;

(h) any amount deducted as an allowance for the quadrennial or special inspection of a vessel under section 154 in computing his income for the previous year;

(i) any amount, other than an amount referred to in paragraph *i*.1, received in the year on account of a debt or a loan or lending asset in respect of which a deduction for bad debts or uncollectible loans or lending assets had been made in computing his income for a preceding taxation year;

(i.1) that proportion of 1/2 of the amount received in the year on account of a debt in respect of which a deduction for a bad debt under section 142.1 had been made in computing the taxpayer's income for a preceding taxation year that the amount deducted under that section in respect of that debt is of the aggregate of the amount so deducted and the amount deemed under section 142.1 or 142.2 to be an allowable capital loss in respect of that debt;

(j) any amount received by him in the year out of or under an employee trust or a profit sharing plan established for the benefit of employees of the taxpayer or of a person with whom the taxpayer does not deal at arm's length;

(j.1) the amount by which the aggregate of amounts received by him in the year out of or under an employee benefit plan to which he has contributed as an employer, other than amounts included in computing his income by virtue of paragraph *n*, exceeds the amount by which the aggregate of all amounts so contributed by him to the plan, or included in computing his income for any preceding taxation year by virtue of this paragraph, exceeds the aggregate of all amounts deducted by him in respect of his contributions to the plan in computing his income for the year or any preceding taxation year, or received by him out of or under the plan in any preceding taxation year, other than amounts included in computing his income by virtue of paragraph *n*;

(j.2) any amount in respect of deferred amounts under a salary deferral arrangement in respect of another person, that was deductible under section 78.2 in computing the income of that other person for a taxation year ending in the year where the deferred amounts have been deducted under paragraph *p* of section 157 in computing the taxpayer's income for preceding taxation years;

(j.3) any amount he must include in computing his income for the year under section 890.11;

(k) any amount he must include in computing his income for the year under Title IX in respect of a dividend paid by a corporation resident in Canada on a share of its capital stock;

(l) any amount required by Title X to be included in computing the taxpayer's income for the year;

(m) any amount that is, under Title XI, income from a business or property of the taxpayer;

(m.1) the aggregate of all amounts each of which is an amount determined, in relation to a partnership, in accordance with section 87.0.1;

(n) any amount he must include in computing his income for the year under Title XII or section 1121.1, except

i. any amount deemed to be a taxable capital gain of the taxpayer under that Title, and

ii. any amount paid or payable to the taxpayer out of or under an RCA trust within the meaning assigned by section 890.1;

(o) any amount received by the taxpayer in the year as a stabilization payment, or as a refund of a levy, under the Western Grain Stabilization Act (R.S.C. 1985, c. W-7) or as a payment, or a refund of a premium, in respect of the gross revenue insurance program established under the Farm Income Protection Act (S.C. 1991, c. 22);

(p) any prescribed amount deducted by him for the year as employment tax credit;

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

(r) (paragraph repealed);

(s) the amount of any grant received by him in the year under a prescribed program relating to home insulation or energy conversion in respect of a property used by him principally for the purpose of gaining or producing income from a business or property;

(t) the amount by which the aggregate of amounts determined at the end of the year in respect of him under section 225 exceeds the aggregate of amounts determined at that time in respect of him under sections 222 to 224;

(u) the prescribed amount deducted in respect of a property acquired or an expenditure made in a preceding taxation year in computing the taxpayer's tax payable for a preceding taxation year under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), to the extent that such amount was not included in computing his income for a preceding taxation year under this paragraph or is not included in an amount determined under subparagraph *f* of the second paragraph of section 93, section 101 or 225, subparagraph vi of paragraph *l* of section 257, subparagraph ii of paragraph *n* of section 257 or paragraph *g* of section 399;

(v) (paragraph repealed);

(w) any particular amount, other than a prescribed amount, received by the taxpayer in the year, in the course of earning income from a business or property, from a government, municipality or other public authority, a person or partnership in this paragraph referred to as the "particular person", who pays the particular amount in the course of earning income from a business or property, or in order to achieve a benefit for the particular person or for persons with whom the particular person does not deal at arm's length, or in circumstances where it is reasonable to conclude that the particular person would not have paid the particular amount but for the receipt by the particular person of amounts from another particular person referred to in this paragraph or a government, municipality or public authority, where the particular amount can reasonably be considered to have been received as a refund, reimbursement, contribution or allowance or as assistance, whether as a grant, subsidy, forgivable loan, deduction from tax, allowance or any other form of assistance, in respect of an amount included in, or deducted as, the cost of property or in respect of an outlay or expense, or as an inducement, whether as a grant, subsidy, forgivable loan, deduction from tax, allowance or any other form of inducement, to the extent that the particular amount

i. was not otherwise included in computing the taxpayer's income, or deducted in computing, for the purposes of this Part, any balance of undeducted outlays, expenses or other amounts, for the year or a preceding taxation year,

ii. except as provided by any provision of any of Titles III.3 to III.5 of Book V or of Chapter III.1 of Title III of Book IX, does not reduce, for the purposes of this Part, the cost or capital cost of the property or the amount of the outlay or expense, as the case may be,

iii. does not reduce, pursuant to paragraph *f*.2 of section 257 or section 87.4 or 101.6, the cost or capital cost of the property or the amount of the outlay or expense, as the case may be,

iv. may not reasonably be considered to be a payment made in respect of the acquisition by the particular person or the public authority of an interest in the taxpayer, a right in the taxpayer's business or a real right in the taxpayer's property, or

v. is not an amount received by the taxpayer in respect of a restrictive covenant, within the meaning assigned by section 333.4, that was included under section 333.5 in computing the income of a person related to the taxpayer;

(w.1) where the year ends after 31 December 2006, any amount, other than an amount otherwise included in computing the taxpayer's income for the year or a preceding taxation year, that was received by the taxpayer, including by way of a deduction from tax, in the year as a refund, reimbursement, contribution or allowance, in respect of an amount that was at any time receivable, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or of a province, other than Québec, in relation to the acquisition, development or ownership of a Canadian resource property or the production in Canada from a mineral resource, a natural accumulation of petroleum or natural gas, or an oil or gas well, except that, where the year includes 31 December 2006,

i. this paragraph shall be read with "the proportion that the number of days in the year that follow that date is of the number of days in the year, of" inserted before "any amount, other than an amount" in the portion before this subparagraph, and

ii. this paragraph shall not be taken into account for the purposes of the regulations made under paragraph *z*.4 or section 145 or 360;

(x) an amount that, where the taxpayer is an individual who is a member of a partnership or an employee of a member of a partnership and the partnership makes an automobile available in the year to the taxpayer or to a person related to the taxpayer, would be included, by reason of section 41, in computing the taxpayer's income for the year if the taxpayer were employed by the partnership;

(y) any amount in respect of an amateur athlete trust required by section 851.35 to be included in computing his income for the year;

(z) any amount received by the taxpayer in the year as a beneficiary under an environmental trust, whether or not the amount is included because of section 692.1 in computing the taxpayer's income for any taxation year;

(z.1) the consideration received by the taxpayer in the year for the disposition to another person or partnership of all or part of the taxpayer's interest as a beneficiary under an environmental trust, other than consideration that is the assumption of a reclamation obligation in respect of the trust;

(z.2) any amount required because of section 485.13 to be included in computing the taxpayer's income for the year;

(z.3) any amount required because of section 979.21 to be included in computing the taxpayer's income for the year;

(z.4) where the year begins before 1 January 2007, 25% of the taxpayer's resource loss for the year, as determined by regulation, except that, where the year includes that date, that percentage shall be replaced by the percentage obtained by multiplying 25% by the proportion that the number of days in the year that precede that date is of the number of days in the year;

(z.5) any amount received by the taxpayer in the year in respect of a refund of an amount that was deducted under paragraph *u* of section 157 in computing the taxpayer's income for any taxation year;

(z.6) any amount required by section 935.26.1 or section 207.061 of the Income Tax Act to be included in computing the taxpayer's income for the year; and

(z.7) the total of all amounts each of which is

i. where the taxpayer acquires a property under a derivative forward agreement in the year, the portion of the amount by which the fair market value of the property at the time it is acquired by the taxpayer exceeds the cost to the taxpayer of the property that is attributable to an underlying interest other than an underlying interest referred to in any of subparagraphs i to iii of paragraph *b* of the definition of "derivative forward agreement" in section 1, or

ii. where the taxpayer disposes of a property under a derivative forward agreement in the year, the portion of the amount by which the proceeds of disposition, within the meaning of section 251, of the property exceeds the fair market value of the property at the time the agreement is entered into by the taxpayer that is attributable to an underlying interest other than an underlying interest referred to in any of subparagraphs 1 to 3 of subparagraph i of paragraph *c* of the definition of "derivative forward agreement" in section 1.

1972, c. 23, s. 81; 1973, c. 18, s. 3; 1975, c. 22, s. 7; 1977, c. 26, s. 6; 1978, c. 26, s. 11; 1980, c. 13, s. 6; 1982, c. 5, s. 24; 1984, c. 15, s. 19; 1985, c. 25, s. 24; 1987, c. 67, s. 19; 1988, c. 18, s. 7; 1989, c. 5, s. 34; 1989, c. 77, s. 14; 1990, c. 59, s. 47; 1991, c. 25, s. 20; 1992, c. 1, s. 22; 1994, c. 22, s. 64; 1995, c. 1, s. 21; 1995, c. 49, s. 32; 1995, c. 63, s. 26; 1996, c. 39, s. 27; 1997, c. 3, s. 71; 1997, c. 14, s. 29; 1997, c. 31, s. 11; 1997, c. 85, s. 49; 1998, c. 16, s. 81; 1999, c. 83, s. 30; 2000, c. 5, s. 30; 2001, c. 7, s. 9; 2001, c. 51, s. 23; 2001, c. 53, s. 24; 2003, c. 2, s. 30; 2005, c. 1, s. 29; 2007, c. 12, s. 34; 2009, c. 5, s. 50; 2010, c. 5, s. 19; 2011, c. 6, s. 118; 2015, c. 21, s. 111; 2015, c. 24, s. 25; 2015, c. 36, s. 9; 2017, c. 1, s. 83; 2020, c. 16, s. 33; 2021, c. 14, s. 26; 2021, c. 18, s. 22.

87.0.1. The amount that a taxpayer is required to include under paragraph *m*.1 of section 87 in computing the taxpayer's income for a taxation year in respect of a partnership is determined by the formula

A × B - C.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount of interest that is

i. deductible by the partnership, and

ii. paid by the partnership in, or payable by the partnership in respect of, the taxation year of the taxpayer (depending on the method regularly followed by the taxpayer in computing the taxpayer's income) on a debt amount included, in accordance with section 171, in the taxpayer's outstanding debts to specified persons not resident in Canada;

(b) B is the proportion determined under section 170 in respect of the taxpayer for the taxation year; and

(c) C is the aggregate of all amounts each of which is an amount included under section 580 in computing the income of the taxpayer for the taxation year or a subsequent taxation year, or of the partnership for a fiscal period, that may reasonably be considered to be in respect of an amount of interest described in subparagraph *a*.

For the purposes of subparagraph ii of subparagraph *a* of the second paragraph,

"debt amount" has the meaning assigned by paragraph *a* of section 174.1;

"specified person not resident in Canada" has the meaning assigned by subparagraph *c* of the first paragraph of section 172.

2015, c. 21, s. 112.

87.1. *(Repealed).*

1982, c. 5, s. 25; 1991, c. 25, s. 21.

87.2. A corporation carrying on in the year a personal services business or that carried on such a business in a previous taxation year is required to include in computing its income for the year every amount deemed in section 487.1 to be a benefit it receives in that year.

1983, c. 44, s. 20; 1997, c. 3, s. 71; 1997, c. 14, s. 30.

87.2.1. Paragraph *g* of section 87 does not defer the inclusion in computing the income of any amount that would, but for that paragraph, have been included in computing the income of a taxpayer in accordance with sections 80 to 82.

2015, c. 21, s. 113.

87.2.2. For the purposes of this Act, if an amount is included in computing the income of a taxpayer for a taxation year because of paragraph *m*.1 of section 87 in relation to interest that is deductible by a partnership in computing its income from a particular source or from sources in a particular place, the amount is deemed to be from the particular source or from sources in the particular place, as the case may be.

2015, c. 24, s. 26.

87.3. For the purposes of paragraph *w* of section 87, where at a particular time a taxpayer who is a beneficiary of a trust or a member of a partnership has received an amount in respect of the activities of the trust or partnership, or in respect of the cost of property or in respect of an outlay or expense of the trust or partnership, on any basis contemplated in that paragraph, the amount is deemed to have been received at that time by the trust or partnership, as the case may be, on the same basis.

1987, c. 67, s. 20; 1991, c. 25, s. 22; 1997, c. 3, s. 71.

87.3.1. For the purposes of section 87.3, the amount that, in relation to expenses described in paragraphs *a*.1 and *c*.1 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, is received at a particular time by a corporation that is a member of a partnership under Division II.6.15 of Chapter III.1 of Title III of Book IX shall be computed without reference to the second paragraph of section 1029.8.36.169, the third paragraph of section 1029.8.36.171 and sections 1029.8.36.171.1 and 1029.8.36.171.2.

2004, c. 21, s. 49.

87.4. A taxpayer who has in a taxation year received an amount that would, but for this section, be included in computing his income for the year under paragraph *w* of section 87 in respect of an outlay or expense made or incurred by him before the end of the following taxation year, other than an outlay or expense in respect of the cost of property of the taxpayer, may elect under this section, on or before the taxpayer's filing-due date for the year or, where the outlay or expense is made or incurred in the following taxation year, for that following year, that the amount of the outlay or expense be deemed, for the purpose of computing his income, other than for the purposes of this section, paragraph *w* of section 87 and paragraph *o* of section 157, to have always been the amount by which the amount of the outlay or expense exceeds the lesser of the amount elected by the taxpayer under this section and the amount so received by the taxpayer.

Notwithstanding sections 1010 to 1011, the Minister shall make, under this Part, such assessment or reassessment of the tax, interest and penalties of the taxpayer referred to in the first paragraph as is necessary for any taxation year to give effect to the election made by the taxpayer under the first paragraph.

1991, c. 25, s. 23; 1994, c. 22, s. 65; 1997, c. 31, s. 12.

88. Notwithstanding any other provision of this Act, where, in a taxation year, a taxpayer receives a cash bonus that the Gouvernement du Québec or the Government of Canada has undertaken to pay in respect of a

Québec or Canada Savings Bond, he shall, in computing his income for the year, include as interest in respect of the Québec or Canada Savings Bond one-half of the cash bonus so received.

This section does not apply to a bonus that the Gouvernement du Québec or the Government of Canada has agreed to pay at the time of the issue of the bond under the terms of the bond.

1975, c. 21, s. 3; 1977, c. 5, s. 14; 1987, c. 67, s. 21.

89. A taxpayer shall, in computing the income of the taxpayer from a business or property for a taxation year that begins before 1 January 2007, include any amount that becomes receivable in the year by a person referred to in section 90 and that can reasonably be considered to be a royalty, tax, rental or bonus, or to be in respect of the late receipt or non-receipt of such an amount, in relation to

(a) the acquisition, development or ownership of a Canadian resource property of the taxpayer; or

(b) the production in Canada

i. of petroleum, natural gas or related hydrocarbons from a natural accumulation of petroleum or natural gas other than a mineral resource or from an oil or gas well,

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

ii. to any stage that is not beyond the prime metal stage or its equivalent, of metal, minerals other than iron or petroleum or related hydrocarbons, or coal from a mineral resource,

iii. to any stage that is not beyond the pellet stage or its equivalent, of iron from a mineral resource, or

iv. to any stage that is not beyond the crude oil stage or its equivalent, of petroleum or related hydrocarbons from a deposit of bituminous sands or oil shales.

For the purposes of subparagraph *b* of the first paragraph, the natural accumulation of petroleum or natural gas, the oil or gas well, the mineral resource and the deposit of bituminous sands or oil shales referred to in that subparagraph must be property situated in Canada in respect of which the taxpayer has an interest.

Where the taxation year referred to in the first paragraph includes 1 January 2007, the first paragraph, except for the purposes of the regulations made under paragraph *z*.4 of section 87 or section 145 or 360, applies only in respect of the proportion of each amount referred to in the first paragraph that the number of days in the year that precede that date is of the number of days in the year.

1975, c. 22, s. 8; 1977, c. 26, s. 7; 1978, c. 26, s. 12; 1984, c. 15, s. 20; 1985, c. 25, s. 25; 1986, c. 19, s. 10; 1987, c. 67, s. 22; 1993, c. 16, s. 47; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1998, c. 16, s. 82; 2005, c. 1, s. 30.

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

1975, c. 22, s. 8; 1978, c. 26, s. 13; 1990, c. 59, s. 48; 1997, c. 3, s. 71; 1998, c. 16, s. 83; 2001, c. 7, s. 10.

91. Section 89 does not apply to an amount described in subsection 1 of section 144, to a tax or portion thereof that may reasonably be considered to be a school or municipal tax, or to a prescribed amount.

1975, c. 22, s. 8; 1977, c. 26, s. 8; 1978, c. 26, s. 14; 1984, c. 15, s. 21; 2005, c. 1, s. 31.

91.1. There shall be included in computing a taxpayer's income for a taxation year any amount that is, in relation to a foreign oil and gas business of the taxpayer, the taxpayer's production tax amount for the year.

In the first paragraph, "foreign oil and gas business" and "production tax amount" have the meaning assigned by section 772.2.

2003, c. 2, s. 31.

91.2. For the purposes of this Act, where, in the absence of this section and section 271, a taxpayer would have a gain from the disposition, after 31 December 2022, of a flipped property, the following rules apply throughout the period that the taxpayer owned the flipped property:

(a) the taxpayer is deemed to carry on a business that is an adventure or concern in the nature of trade with respect to the flipped property;

(b) the flipped property is deemed to be a property described in the inventory of the taxpayer's business; and

(c) the flipped property is deemed not to be a capital property of the taxpayer.

2023, c. 19, s. 16.

91.3. For the purposes of sections 91.2 and 91.4, a flipped property of a taxpayer means a property of the taxpayer (other than a property, or a right to acquire a property, that would be a property described in the taxpayer's inventory if the definition of "inventory" in section 1 were applied without reference to section 91.2) in respect of which the following conditions are met:

(a) prior to its disposition by the taxpayer, the property was either

i. a housing unit located in Canada, or

ii. a right to acquire a housing unit located in Canada; and

(b) the property was owned by the taxpayer for less than 365 consecutive days prior to its disposition, unless it can reasonably be considered that the disposition occurred due to, or in anticipation of, one or more of the following events:

i. the death of the taxpayer or a person related to the taxpayer,

ii. one or more persons related to the taxpayer becoming members of the taxpayer's household or the taxpayer becoming a member of a related person's household,

iii. the breakdown of the marriage of the taxpayer if the taxpayer has been living separate and apart from the taxpayer's spouse for at least 90 days prior to the disposition,

iv. a threat to the personal safety of the taxpayer or a related person,

v. the taxpayer or a related person suffering from a serious disability or illness,

vi. an eligible relocation of the taxpayer or the taxpayer's spouse if the definition of "eligible relocation" in section 349.1 were applied without reference to the requirements for the new work location and the new residence to be in Canada,

vii. an involuntary termination of the employment of the taxpayer or the taxpayer's spouse,

viii. the insolvency of the taxpayer, or

ix. the destruction or expropriation of the housing unit.

2023, c. 19, s. 16; 2024, c. 11, s. 48.

91.4. For the purposes of this Part, a taxpayer's loss from a business in respect of a flipped property is deemed to be nil.

2023, c. 19, s. 16.

92. Subject to section 92.1.1, in computing its income for a taxation year, a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary shall include any interest on a debt obligation that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, to the extent that the interest was not included in computing its income for a preceding taxation year.

However, the first paragraph does not apply to interest accrued, received or that became receivable in respect of a net income stabilization account, a farm income stabilization account, an income bond, an income debenture, a small business bond, an indexed debt obligation or a development bond.

1975, c. 22, s. 8; 1982, c. 5, s. 26; 1984, c. 15, s. 21; 1994, c. 22, s. 66; 1995, c. 49, s. 33; 1997, c. 3, s. 71; 2001, c. 7, s. 11; 2004, c. 21, s. 50.

92.1. Subject to section 92.1.1, where in a taxation year a taxpayer, other than a taxpayer to whom section 92 applies, holds an interest in an investment contract on any anniversary day of the contract, the taxpayer shall include in computing the taxpayer's income for the year the interest that accrued to the taxpayer to the end of that day with respect to the investment contract, to the extent that the interest was not otherwise included in computing the taxpayer's income for the year or any preceding taxation year.

1982, c. 5, s. 26; 1984, c. 15, s. 21; 1991, c. 25, s. 24; 2001, c. 7, s. 12.

92.1.1. Paragraph *c* of section 87 and sections 92 and 92.1 do not apply to a taxpayer in respect of a debt obligation for the part of a taxation year throughout which the obligation is impaired where an amount in respect of the obligation is deductible because of paragraph *b* of section 140 in computing the taxpayer's income for the year.

2001, c. 7, s. 13.

92.2. *(Repealed).*

1982, c. 5, s. 26; 1984, c. 15, s. 21; 1991, c. 25, s. 25.

92.3. *(Repealed).*

1982, c. 5, s. 26; 1984, c. 15, s. 21; 1991, c. 25, s. 25.

92.4. *(Repealed).*

1984, c. 15, s. 21; 1986, c. 19, s. 11; 1991, c. 25, s. 25.

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

1984, c. 15, s. 21; 1985, c. 25, s. 26; 1991, c. 25, s. 26; 1993, c. 16, s. 48; 2020, c. 16, s. 34.

92.5.1. Where a taxpayer disposes of a right in a debt obligation that is a debt obligation in respect of which the proportion of the payments of principal to which the taxpayer is entitled is not equal to the proportion of the payment of interest to which the taxpayer is entitled, such portion of the proceeds of disposition received by the taxpayer as may reasonably be considered to represent a recovery of the cost to the taxpayer of the right in the debt obligation must not, despite any other provision of this Part, be included in computing the taxpayer's income.

A debt obligation referred to in the first paragraph includes, for greater certainty, all of the issuer's obligations to pay principal and interest under that debt obligation.

1986, c. 19, s. 12; 1994, c. 22, s. 67; 2020, c. 16, s. 35.

92.5.2. There shall be included in computing the income of a taxpayer for a taxation year from a property the aggregate of all amounts each of which is the amount determined by the formula

A - B.

For the purposes of the formula in the first paragraph,

(a) A is an amount paid at a particular time in the year out of the taxpayer's NISA Fund No. 2; and

(b) B is the amount by which

i. the aggregate of all amounts each of which is deemed to have been paid before the particular time out of the NISA Fund No. 2

(1) of the taxpayer under section 92.5.2.1 or section 656.3 or 660.1, as it read in its application to the taxpayer's taxation year 2015, or

(2) of another person under section 437.1 or 462.0.1, on being transferred to the taxpayer's NISA Fund No. 2, exceeds

ii. the aggregate of all amounts each of which is the amount by which an amount otherwise determined under this section in respect of a payment out of the taxpayer's NISA Fund No. 2, before the particular time, was reduced because of the letter described in this subparagraph.

1994, c. 22, s. 68; 2009, c. 15, s. 48; 2017, c. 1, s. 84.

92.5.2.1. If at any time there is an acquisition of control of a corporation, the balance of the corporation's NISA Fund No. 2 at that time is deemed to be paid out to the corporation immediately before that time.

2009, c. 15, s. 49.

92.5.3. Notwithstanding any other provision of this Part, an amount added or credited to a taxpayer's NISA Fund No. 2 shall not be included in computing the taxpayer's income solely because of that adding or crediting.

1994, c. 22, s. 68.

92.5.3.1. There shall be included in computing the income of a taxpayer for a taxation year from a business the aggregate of all amounts each of which is an amount determined by the formula

A − B.

For the purposes of the formula in the first paragraph,

(a) A is an amount paid at a particular time in the year out of the taxpayer's farm income stabilization account; and

(b) B is the amount by which the aggregate described in the third paragraph is exceeded by the aggregate of all amounts each of which is an amount deemed to have been paid before the particular time out of the farm income stabilization account

i. of the taxpayer under section 656.3.1 or 660.2, as it read in its application to the taxpayer's taxation year 2015, or

ii. of another person under section 437.2 or 462.0.2, on being transferred to the taxpayer's farm income stabilization account.

The aggregate to which subparagraph *b* of the second paragraph refers is the aggregate of all amounts each of which is the amount by which an amount otherwise determined under this section in respect of a payment out of the taxpayer's farm income stabilization account, before the particular time, was reduced because of that subparagraph *b*.

2004, c. 21, s. 51; 2017, c. 1, s. 85.

92.5.3.2. Notwithstanding any other provision of this Part, an amount added or credited to a taxpayer's farm income stabilization account shall not be included in computing the taxpayer's income solely because of that adding or crediting.

2004, c. 21, s. 51.

92.5.3.3. For the purposes of this Act and the regulations, a taxpayer who ceased to carry on a farming business in Québec in respect of which the taxpayer owns a farm income stabilization account is, until the account balance is nil, deemed to continue carrying on that farming business and to have an establishment in Québec in relation to that farming business.

2004, c. 21, s. 51.

92.5.4. *(Repealed).*

2000, c. 39, s. 8; 2009, c. 5, s. 51.

92.6. *(Repealed).*

1984, c. 15, s. 21; 1991, c. 25, s. 27.

92.7. For the purposes of sections 92 to 92.7,

(a) "investment contract", in relation to a taxpayer, means any debt obligation other than

i. a salary deferral arrangement or a plan or arrangement that, but for any of paragraphs *a*, *b* and *d* to *l* of section 47.16, would be a salary deferral arrangement,

ii. a retirement compensation arrangement or a plan or arrangement that, but for any of subparagraphs *a*, *b*, *d* and *f* to *n* of the second paragraph of section 890.1, would be a retirement compensation arrangement,

iii. an employee benefit plan or a plan or arrangement that, but for the second paragraph of section 47.6, would be an employee benefit plan,

iv. a foreign retirement arrangement,

iv.1. a tax-free savings account,

v. an income bond or debenture,

vi. a development bond,

vii. a small business bond,

viii. an obligation in respect of which the taxpayer has, otherwise than by reason of section 92.1, at periodic intervals of not more than one year included, in computing his income throughout the period in which he held a right in the obligation, the income accrued thereon for such intervals,

viii.1. an obligation in respect of a net income stabilization account,

viii.1.1. an obligation in respect of a farm income stabilization account,

viii.2. an indexed debt obligation, and

ix. a prescribed contract;

(b) "anniversary day" of an investment contract means the day that is one year after the day immediately preceding the date of issue of the contract, the day that occurs at every successive one year interval from the anniversary day determined in the first instance under this paragraph, and the day on which the contract was disposed of.

1984, c. 15, s. 21; 1985, c. 25, s. 27; 1986, c. 19, s. 13; 1988, c. 18, s. 8; 1991, c. 25, s. 28; 1993, c. 16, s. 49; 1994, c. 22, s. 69; 1995, c. 49, s. 34; 2001, c. 53, s. 25; 2004, c. 21, s. 52; 2010, c. 5, s. 20; 2020, c. 16, s. 188.

92.8. *(Repealed).*

1984, c. 15, s. 21; 1989, c. 77, s. 15; 1991, c. 25, s. 29.

92.9. *(Repealed).*

1984, c. 15, s. 21; 1986, c. 19, s. 14; 1993, c. 16, s. 50.

92.10. *(Repealed).*

1984, c. 15, s. 21; 1986, c. 19, s. 15; 1991, c. 25, s. 30.

92.11. Where in a taxation year a taxpayer holds an interest in a life insurance policy last acquired after 31 December 1989, on any anniversary day of the policy, the taxpayer shall include in computing his income for the year the amount by which the accumulating fund on that day, as determined in prescribed manner, in respect of the interest in the policy exceeds the adjusted cost basis to the taxpayer of the interest in the policy on that day.

The first paragraph does not apply to an interest in

(a) an exempt policy,

(b) a prescribed annuity contract, or

(c) an annuity contract received, as proceeds from a life insurance policy that was not an annuity contract and that was last acquired before 2 December 1982, by the policyholder under the terms and conditions of the policy.

1984, c. 15, s. 21; 1986, c. 19, s. 16; 1991, c. 25, s. 31; 1993, c. 16, s. 51.

92.12. *(Repealed).*

1984, c. 15, s. 21; 1986, c. 15, s. 47; 1986, c. 19, s. 17; 1991, c. 25, s. 32.

92.12.1. *(Repealed).*

1986, c. 19, s. 18; 1991, c. 25, s. 32.

92.13. Where in a taxation year section 92.11 applies with respect to a taxpayer's interest in an annuity contract, or would apply if the contract had an anniversary day in the year at the time when the taxpayer held the interest, and at the end of the year the aggregate determined under section 976.1 in respect of the interest exceeds the aggregate determined under section 976 in respect of the interest, the taxpayer shall include the excess in computing his income for the year.

1984, c. 15, s. 21; 1991, c. 25, s. 33; 1993, c. 16, s. 52.

92.14. *(Repealed).*

1984, c. 15, s. 21; 1991, c. 25, s. 34.

92.15. *(Repealed).*

1984, c. 15, s. 21; 1991, c. 25, s. 34.

92.16. For the purposes of sections 92.11 to 92.19, where the first premium under an annuity contract last acquired by a taxpayer before 1 January 1990 was not fixed before that date and was paid after 31 December 1989 by or on behalf of the taxpayer, the premium is deemed to have been paid to acquire, at the time the premium was paid, an interest in a separate annuity contract issued at that time, to the extent that the amount of the premium was not fixed before 1 January 1990, and each subsequent premium paid under the contract is deemed to have been paid under the separate contract, to the extent that the amount of that subsequent premium was not fixed before 1 January 1990.

The first paragraph does not apply in respect of an annuity contract described in subparagraph *b* of the second paragraph of section 92.9 or to which section 92.9 or 92.12 applies, as that subparagraph and those sections read in their application to life insurance policies last acquired before 1 January 1990, or to which section 92 applies.

1984, c. 15, s. 21; 1991, c. 25, s. 35; 1993, c. 16, s. 53; 2001, c. 53, s. 26.

92.17. *(Repealed).*

1984, c. 15, s. 21; 1991, c. 25, s. 36.

92.18. For the purposes of this Part, a rider added at any time after 31 December 1989 to a life insurance policy last acquired before 1 January 1990 that provides additional life insurance is deemed to be a separate life insurance policy issued at that time, unless the only additional life insurance provided by the rider is an accidental death benefit or the life insurance policy is an exempt policy last acquired before 1 December 1982 or an annuity contract.

1984, c. 15, s. 21; 1991, c. 25, s. 37; 2001, c. 7, s. 14; 2001, c. 53, s. 27.

92.19. For the purposes of sections 92.11 to 92.19, 160 and 161, paragraph *c* of section 312 and sections 966 to 977.1,

(a) "exempt policy" has the meaning prescribed by regulation; and

(b) "anniversary day" of a life insurance policy means the day that is one year after the day immediately preceding the day on which the policy was issued and each day that occurs at each successive one-year interval after the anniversary day determined firstly under this paragraph.

1984, c. 15, s. 21; 1991, c. 25, s. 38; 1993, c. 16, s. 54; 2001, c. 53, s. 28.

92.20. *(Repealed).*

1984, c. 15, s. 21; 1991, c. 25, s. 39.

92.21. *(Repealed).*

1990, c. 59, s. 49; 1996, c. 39, s. 28; 2015, c. 21, s. 114.

92.22. Where, in a taxation year, a taxpayer disposes of a property described in his inventory and an amount has been deducted under section 141 in respect of the property in computing his income for the year or a preceding taxation year, he shall include in computing his income for the year from the business in which the property was used or held, the amount by which

(a) the aggregate of all amounts each of which is an amount deducted by him under section 141 in respect of the property in computing his income for the year or a preceding taxation year, exceeds

(b) the aggregate of all amounts each of which is an amount included by him under paragraph *i* of section 87 in respect of the property in computing his income for the year or a preceding taxation year.

1990, c. 59, s. 49.

92.23. In this section and sections 92.24 to 92.30,

"base year" of an insurer means the insurer's taxation year that precedes its transition year;

"insurance business" of an insurer means an insurance business carried on by the insurer, other than a life insurance business;

"reserve transition amount" of an insurer, in respect of an insurance business carried on by it in Canada in its transition year, is the positive or negative amount determined by the formula

A - B;

"transition year" of an insurer means the insurer's first taxation year that begins after 30 September 2006.

In the formula in the definition of "reserve transition amount" in the first paragraph,

(a) A is the maximum amount that the insurer would be permitted to claim under the second paragraph of section 152 as a reserve for its base year in respect of its insurance policies if

i. the generally accepted accounting principles that applied to the insurer in valuing its assets and liabilities for its transition year had applied to it for its base year, and

ii. the regulations made under the second paragraph of section 152, as they read for the insurer's transition year, applied to its base year; and

(b) B is the maximum amount that the insurer is permitted to claim under the second paragraph of section 152 as a reserve for its base year.

2010, c. 25, s. 12.

92.24. There must be included in computing an insurer's income for its transition year from an insurance business carried on by it in Canada in the transition year, the positive amount of the insurer's reserve transition amount in respect of that insurance business.

2010, c. 25, s. 12.

92.25. If an amount has been deducted under section 175.2.17 in computing an insurer's income for its transition year from an insurance business carried on by it in Canada, there must be included in computing the insurer's income, for each particular taxation year of the insurer that ends after the beginning of the transition year, from that insurance business, the amount determined by the formula

A × B/1,825.

In the formula in the first paragraph,

(a) A is the amount deducted under section 175.2.17 in computing the insurer's income for its transition year from that insurance business; and

(b) B is the number of days in the particular taxation year that are before the day that is 1,825 days after the first day of the transition year.

2010, c. 25, s. 12.

92.26. If an insurer has, in a winding-up to which section 556 has applied, been wound up into another corporation (in this section referred to as the "parent"), and immediately after the winding-up the parent carries on an insurance business, in applying sections 92.25 and 175.2.18 in computing the incomes of the insurer and of the parent for the particular taxation years that end on or after the first day (in this section referred to as the "start day") on which assets of the insurer were distributed to the parent on the winding-up, the following rules apply:

(a) the parent is, on and after the start day, deemed to be the same corporation as and a continuation of the insurer in respect of

i. any amount included under section 92.24 or deducted under section 175.2.17 in computing the insurer's income from an insurance business for its transition year,

ii. any amount included under section 92.25 or deducted under section 175.2.18 in computing the insurer's income from an insurance business for a taxation year of the insurer that begins before the start day, and

iii. any amount that would—in the absence of this section and if the insurer existed and carried on an insurance business on each day that is the start day or a subsequent day and on which the parent carries on an insurance business—be required to be included under section 92.25 or deducted under section 175.2.18, in respect of any of those days, in computing the insurer's income from an insurance business; and

(b) the insurer is, in respect of each of its particular taxation years, to determine the number of days that is referred to in subparagraph *b* of the second paragraph of sections 92.25 and 175.2.18 without reference to the start day and days after the start day.

2010, c. 25, s. 12.

92.27. The rules in section 92.28 apply if, at any time, an insurer (in this section and section 92.28 referred to as the "transferor") transfers, to a corporation (in this section and section 92.28 referred to as the "transferee") that is related to the transferor, property in respect of an insurance business carried on by the transferor in Canada (in this section and section 92.28 referred to as the "transferred business") and

(a) section 832.3 or 832.9 applies to the transfer; or

(b) section 518 applies to the transfer, the transfer includes all or substantially all of the property and liabilities of the transferred business and, immediately after the transfer, the transferee carries on an insurance business.

2010, c. 25, s. 12.

92.28. The rules to which section 92.27 refers and that apply to the transfer of property at any time are as follows:

(a) the transferee is, at and after that time, deemed to be the same corporation as and a continuation of the transferor in respect of

i. any amount included under section 92.24 or deducted under section 175.2.17 in computing the transferor's income for its transition year that can reasonably be attributed to the transferred business,

ii. any amount included under section 92.25 or deducted under section 175.2.18 in computing the transferor's income for a taxation year of the transferor that begins before that time that can reasonably be attributed to the transferred business,

iii. any amount that would—in the absence of this section and if the transferor existed and carried on an insurance business on each day that includes that time or is a subsequent day and on which the transferee carries on an insurance business—be required to be included under section 92.25 or deducted under section 175.2.18, in respect of any of those days, in computing the transferor's income that can reasonably be attributed to the transferred business; and

(b) for the purpose of determining, in respect of the day that includes that time or any subsequent day, any amount that is required to be included under section 92.25 or deducted under section 175.2.18 in computing the transferor's income for each particular taxation year from the transferred business, the amount referred to in subparagraph *a* of the second paragraph of those sections is deemed to be nil.

2010, c. 25, s. 12.

92.29. If at any time an insurer ceases (otherwise than as a result of an amalgamation within the meaning of subsections 1 and 2 of section 544) to carry on all or substantially all of an insurance business (in this section referred to as the "discontinued business"), and neither section 92.26 nor 92.27 applies, there must be included in computing the insurer's income from the discontinued business for the insurer's taxation year that includes the time that is immediately before that time, the amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is the amount deducted under section 175.2.17 in computing the insurer's income from the discontinued business for its transition year; and

(b) B is the aggregate of all amounts each of which is an amount included under section 92.25 in computing the insurer's income from the discontinued business for a taxation year that began before that time.

2010, c. 25, s. 12.

92.30. If at any time an insurer that carried on an insurance business ceases to exist (otherwise than as a result of a winding-up described in section 92.26 or of an amalgamation within the meaning of subsections 1 and 2 of section 544), for the purposes of sections 92.29 and 175.2.19, the insurer is deemed to have ceased to carry on the insurance business at the time (determined without reference to this section) at which the insurer

ceased to carry on the insurance business or, if it is earlier, the time that is immediately before the end of the last taxation year of the insurer that ended at or before the time at which the insurer ceased to exist.

2010, c. 25, s. 12.

92.31. The second paragraph applies for a taxation year of an entity in respect of a security of the entity if

(a) the security becomes, at a particular time in the taxation year, a stapled security of the entity and, as a consequence, section 158.18 applies to deny the deductibility of amounts described in paragraphs *a* and *b* of that section;

(b) the security (or any security for which the security was substituted) ceased, at an earlier time, to be a stapled security of any entity and, as a consequence, section 158.18 ceased to apply to deny the deductibility of amounts that would have been described in paragraphs *a* and *b* of that section if the security had not ceased to be a stapled security; and

(c) throughout the period that began immediately after the most recent time referred to in subparagraph *b* and that ends at the particular time, the security (or any security for which the security was substituted) was not a stapled security of any entity.

Where this paragraph applies for a taxation year of an entity in respect of a security of the entity, the entity must include in computing its income for the year each amount that

(a) was deducted by the entity (or by another entity that issued a security for which the security was substituted) in computing its income for a taxation year that includes any part of the period described in subparagraph *c* of the first paragraph; and

(b) would not have been so deductible if section 158.18 had applied in respect of the amount.

The definitions in section 158.16 apply to this section and section 92.32.

2017, c. 1, s. 86.

92.32. For the purposes of section 1037, where the second paragraph of section 92.31 provides for the inclusion of a particular amount described in subparagraph *a* of that second paragraph in computing the income of an entity for a taxation year, the entity is deemed to have an amount of unpaid tax immediately after the entity's balance-due day for the year computed as if

(a) the entity had been resident in Canada throughout the year;

(b) the entity's tax payable for the year were equal to the tax payable by the entity on its taxable income for the year;

(c) the particular amount were the entity's only taxable income for the year;

(d) the entity had claimed no deductions under Book V for the year;

(e) the entity had not paid any amounts on account of its tax payable for the year; and

(f) the tax payable to which paragraph *b* applies had been an amount of unpaid tax throughout the period that begins immediately after the end of the taxation year for which the particular amount was deducted and that ends on the entity's balance-due day for the year.

2017, c. 1, s. 86.

DIVISION II

DISPOSITION OF DEPRECIABLE PROPERTY

1972, c. 23.

93. In this division, in sections 130.1, 142 and 149 and in the regulations made under paragraph *a* of section 130, the expression

(a) (subparagraph repealed);

(b) "total depreciation" allowed to a taxpayer before any time for property of a prescribed class means the aggregate of all amounts each of which is an amount deducted by the taxpayer by reason of paragraph *a* of section 130 in respect of property of that class or an amount deducted under section 130.1, or that would have been so deducted but for the fifth paragraph of section 130.1, in computing his income for the taxation years ending before that time;

(c) "depreciable property" of a taxpayer as of any time in a taxation year means property acquired by the taxpayer in respect of which he has been allowed, or would, if he owned the property at the end of the year and if this Part were read without reference to section 93.6, be entitled to, a deduction under paragraph *a* of section 130 in computing his income for that taxation year or a previous taxation year;

(d) "timber resource property" of a taxpayer means:

i. a right or licence to cut or remove timber from a limit or area in Canada, hereinafter referred to as an "original right", if that original right is acquired by the taxpayer after 6 May 1974 and not in the manner referred to in subparagraph ii and if at the time of the acquisition the taxpayer may either reasonably be regarded as having directly or indirectly acquired the right to extend or renew that right or to acquire a similar one in substitution therefor, or reasonably expect, in the ordinary course of events, to be able to extend, renew or acquire that right, or

ii. any right or licence owned by the taxpayer to cut or remove timber from a limit or area in Canada if that right or licence may reasonably be regarded as an extension or renewal of an original right of the taxpayer, or as having been acquired in substitution for or as one of a series of substitutions of an original right of the taxpayer or for such an extension or renewal;

(e) "undepreciated capital cost" of depreciable property of a prescribed class of a taxpayer as of any time means the amount that is equal to the amount by which the aggregate of the following amounts exceeds the amount determined under the second paragraph:

i. the aggregate of all amounts each of which is the capital cost to the taxpayer of a depreciable property of that class acquired before that time,

ii. the aggregate of all amounts included in computing the taxpayer's income under sections 93 to 104 for a taxation year ending before that time, to the extent that those amounts relate to depreciable property of that class,

ii.1. the aggregate of all amounts each of which is an amount of assistance that has been repaid by the taxpayer, pursuant to an obligation to repay, in respect of a depreciable property of that class subsequent to the disposition thereof by the taxpayer that would have been included in computing the capital cost of the property under section 101 had the repayment been made before the disposition,

ii.2. the aggregate of all amounts each of which is an amount repaid in respect of a property of that class subsequent to the disposition thereof by the taxpayer that would have been an amount described in paragraph *b* of section 101.6 had the repayment been made before the disposition,

ii.3. the aggregate of all amounts each of which is an amount paid by the taxpayer before that time as or on account of an existing or proposed countervailing or anti-dumping duty in respect of depreciable property of that class,

iii. *(subparagraph repealed)*,

iii.1. *(subparagraph repealed)*,

iv. *(subparagraph repealed)*,

v. *(subparagraph repealed)*,

vi. *(subparagraph repealed)*,

vi.1. *(subparagraph repealed)*,

vii. *(subparagraph repealed)*;

(f) "proceeds of disposition" of property includes:

i. the sale price of property disposed of,

ii. compensation for property unlawfully appropriated,

iii. compensation for property destroyed and any amount received or receivable under an insurance policy in respect of the loss or destruction of property,

iv. compensation for property appropriated by a person under statutory authority or in respect of which he has given notice of his intention to appropriate,

v. compensation for acts and omissions of a person whether or not acting in the exercise of a right, under statutory authority or otherwise, that injuriously affect property,

vi. compensation for property damaged and any amount received or receivable under an insurance policy covering such damage, except to the extent that such compensation or amount, as the case may be, is expended on repairing the damage within a reasonable delay after the damage is caused,

vii. the amount by which the liability of a taxpayer to a hypothecary creditor or mortgagee is reduced as a result of the sale of the hypothecated or mortgaged property under a provision of the hypothec or mortgage, plus any amount received by the taxpayer out of the proceeds of such sale, and

viii. any amount included, because of sections 484 to 484.6, in computing a taxpayer's proceeds of disposition of property.

For the purpose of determining the undepreciated capital cost of depreciable property of a prescribed class of a taxpayer as of any time, the amount to which subparagraph *e* of the first paragraph refers is equal to the aggregate of

(a) the amount of the total depreciation allowed to the taxpayer for property of that class before that time, including, if the taxpayer is an insurer, depreciation deemed to have been allowed before that time under section 101.1 or 101.2 as they applied to the taxpayer's last taxation year that began before 1 November 2011;

(b) the aggregate of all amounts each of which is an amount by which the undepreciated capital cost to the taxpayer of depreciable property of that class is required, otherwise than because of a reduction in the capital cost to the taxpayer of depreciable property, to be reduced at or before that time because of section 485.6;

(c) for each disposition by the taxpayer before that time of property of that class, other than a timber resource property, the lesser of the proceeds of disposition of the property minus any expenses made or incurred by the taxpayer for the purpose of making the disposition, and the capital cost to the taxpayer of the property;

(d) for each disposition by the taxpayer before that time of a timber resource property of that class, the proceeds of disposition of the property minus any expenses made or incurred by the taxpayer for the purpose of making the disposition;

(e) where property of that class was acquired by the taxpayer for the purpose of gaining or producing income from a mine and the taxpayer so elects in the prescribed manner and within the prescribed time in respect of that property, the amount equal to that portion of the income derived from the operation of the mine that is, by virtue of the provisions of the Act respecting the application of the Taxation Act (chapter I-4) relating to income from the operation of new mines, not included in computing income of the taxpayer or any other person;

(f) the aggregate of all amounts each of which is an amount, other than a prescribed amount, deducted under subsection 5 or 6 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in respect of a depreciable property of that class, in computing the tax payable under that Act by the taxpayer for a taxation year ending before that time and subsequent to the disposition of that property by the taxpayer;

(g) the aggregate of all amounts each of which is an amount of assistance that the taxpayer received or was entitled to receive before that time, in respect of or for the acquisition of a depreciable property of that class subsequent to the disposition of that property by the taxpayer, that would have been included, under section 101, in the amount of assistance that the taxpayer received or was entitled to receive in respect of that property had the amount been received before the disposition; and

(h) the aggregate of all amounts each of which is an amount received by the taxpayer before that time in respect of a refund of an amount added to the undepreciated capital cost of depreciable property of that class because of the application of subparagraph ii.3 of subparagraph *e* of the first paragraph.

1972, c. 23, s. 82; 1975, c. 22, s. 9; 1977, c. 26, s. 9; 1978, c. 26, s. 15; 1982, c. 5, s. 27; 1987, c. 67, s. 23; 1990, c. 59, s. 50; 1992, c. 1, s. 23; 1993, c. 16, s. 55; 1996, c. 39, s. 29; 2001, c. 53, s. 29; 2003, c. 2, s. 32; 2005, c. 1, s. 32; 2019, c. 14, s. 72.

93.1. For the purposes of subparagraph *c* of the second paragraph of section 93 and of Title IV, sections 93.2 and 93.3 apply, notwithstanding sections 99 and 251, where at any particular time in a taxation year a taxpayer disposes of a building of a prescribed class and the proceeds of disposition of the building determined without reference to this section and sections 93.2 to 93.3.1 are less than the lesser of the cost amount and the capital cost to the taxpayer of the building immediately before the disposition.

1984, c. 15, s. 22; 1986, c. 19, s. 19; 2000, c. 5, s. 31; 2001, c. 53, s. 30.

93.2. Where in the taxation year referred to in section 93.1 the taxpayer or a person with whom the taxpayer does not deal at arm's length disposes of the land subjacent to, or immediately contiguous to and necessary for the use of, the building, the following rules apply:

(a) the proceeds of disposition of the building are deemed to be equal to the lesser of

i. the amount by which the aggregate of the fair market value of the building at the particular time referred to in section 93.1 and the fair market value of the land immediately before its disposition exceeds the lesser of

(1) the fair market value of the land immediately before its disposition, and

(2) the amount by which the cost amount to the vendor of the land, determined without reference to this section and sections 93.1 and 93.3, exceeds the aggregate of the capital gains, determined without reference to

subparagraph *b* of the first paragraph and the second paragraph of section 234, in respect of dispositions of the land within three years before the particular time by the taxpayer or by a person with whom the taxpayer was not dealing at arm's length to the taxpayer or to another person with whom the taxpayer was not dealing at arm's length, and

ii. the greater of the fair market value of the building at the particular time and the lesser of the cost amount and the capital cost to the taxpayer of the building immediately before its disposition;

(b) notwithstanding any other provision of this Part, the proceeds of disposition of the land are deemed to be equal to the amount by which the aggregate of the proceeds of disposition of the building and of the land determined without reference to this section and sections 93.1, 93.3 and 93.3.1 exceeds the proceeds of disposition of the building as determined under paragraph *a*; and

(c) the cost to the purchaser of the land shall be determined without reference to this section and sections 93.1 and 93.3.

1984, c. 15, s. 22; 1986, c. 19, s. 20; 2000, c. 5, s. 31.

93.3. Where section 93.2 does not apply with respect to the disposition referred to in section 93.1 and, before the disposition, the taxpayer or a person with whom the taxpayer did not deal at arm's length owned the land subjacent to, or immediately contiguous to and necessary for the use of, the building, the proceeds of disposition of the building are deemed to be equal to the aggregate of the proceeds of disposition of the building determined without reference to this section and sections 93.1, 93.2 and 93.3.1, and, subject to the second paragraph, 1/2 of the amount by which the greater of the cost amount to the taxpayer of the building immediately before its disposition and the fair market value of the building immediately before its disposition exceeds the proceeds of disposition of the building determined without reference to this section and sections 93.1, 93.2 and 93.3.1.

However, where the disposition occurs in a taxation year of the taxpayer that includes 28 February 2000 or 17 October 2000, or that begins after 28 February 2000 and ends before 17 October 2000, the fraction "1/2" in the first paragraph shall be replaced by the fraction obtained when the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the taxpayer for the year is subtracted from 1.

1984, c. 15, s. 22; 1990, c. 59, s. 51; 2000, c. 5, s. 31; 2003, c. 2, s. 33.

93.3.1. The rules in the second paragraph apply where

(a) a person or partnership, in this section referred to as the "transferor", disposes at a particular time, otherwise than in a disposition described in any of paragraphs *a* to *e* of section 238, of a particular depreciable property of a particular prescribed class of the transferor;

(b) the lesser of the following amounts exceeds the amount that would otherwise be the transferor's proceeds of disposition of the particular property at the particular time:

i. the capital cost to the transferor of the particular property, and

ii. the proportion of the undepreciated capital cost to the transferor of all property of the particular class immediately before the particular time that the fair market value of the particular property at the particular time is of the fair market value of all property of the particular class immediately before the particular time; and

(c) on the thirtieth day after the particular time, a particular person or partnership, who is the transferor or a person affiliated with the transferor, owns or has a right to acquire the particular property, other than a right, as security only, derived from a hypothec, mortgage, agreement of sale or similar obligation.

The rules to which the first paragraph refers are as follows:

(a) sections 518 to 533 and 614 to 617 do not apply in respect of the disposition of the particular property;

(b) for the purpose of applying this division, sections 130 and 130.1 and any regulations made for the purposes of paragraph *a* of section 130 in respect of the transferor for taxation years that end after the particular time,

i. the transferor is deemed to have disposed of the particular property for proceeds of disposition equal to the lesser of the amounts determined in subparagraphs i and ii of subparagraph *b* of the first paragraph with respect to the particular property,

ii. if two or more properties of a prescribed class of the transferor are disposed of at the same time, subparagraph i applies in their respect as if each property so disposed of had been separately disposed of in the following order:

(1) if an order is designated after 19 December 2006 in their respect under subparagraph ii of paragraph *e* of subsection 21.2 of section 13 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the order so designated, and

(2) if subparagraph 1 does not apply, the order designated by the transferor or, if the transferor does not designate an order, in the order designated by the Minister,

iii. the transferor is deemed to own a property that was acquired before the beginning of the taxation year that includes the particular time at a capital cost equal to the amount of the excess described in subparagraph *b* of the first paragraph with respect to the particular property, and that is property of the particular class, until the time that is immediately before the first time, after the particular time,

(1) at which a 30-day period begins throughout which neither the transferor nor a person affiliated with the transferor owns or has a right to acquire the particular property, other than a right, as security only, derived from a hypothec, mortgage, agreement of sale or similar obligation,

(2) at which the particular property is not used by the transferor or a person affiliated with the transferor for the purpose of earning income and is used for another purpose,

(3) at which the particular property would, if it were owned by the transferor, be deemed under Chapter I of Title I.1 of Book VI or section 999.1 to have been disposed of by the transferor,

(4) that is immediately before the transferor is subject to a loss restriction event, or

(5) at which the winding-up of the transferor begins, other than a winding-up referred to in section 556, where the transferor is a corporation, and

iv. the property described in subparagraph iii is considered to have become available for use by the transferor at the time at which the particular property is considered to have become available for use by the particular person or partnership referred to in subparagraph *c* of the first paragraph;

(c) for the purposes of subparagraphs iii and iv of subparagraph *b*, where a partnership otherwise ceases to exist at any time after the particular time,

i. the partnership is deemed not to have ceased to exist until the time that is immediately after the first time described in subparagraphs 1 to 5 of subparagraph iii of subparagraph *b*, and

ii. each person who was a member of the partnership immediately before the partnership would, but for this subparagraph *c*, have ceased to exist is deemed to remain a member of the partnership, until the time that is immediately after the first time described in subparagraphs 1 to 5 of subparagraph iii of subparagraph *b*; and

(d) for the purpose of applying this division, sections 130 and 130.1 and any regulations made for the purposes of paragraph *a* of section 130 in respect of the particular person or partnership referred to in subparagraph *c* of the first paragraph,

i. that person's or partnership's capital cost of the particular property is deemed to be equal to the amount that was the transferor's capital cost of that property, and

ii. the amount by which the transferor's capital cost of the particular property exceeds the lesser of its fair market value at the particular time and the amount that would otherwise be the transferor's proceeds of disposition of the property at the particular time is deemed to have been allowed as depreciation to the particular person or partnership in respect of property of the prescribed class that includes that property for taxation years ending before the particular time.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subparagraph ii of paragraph *e* of subsection 21.2 of section 13 of the Income Tax Act or in relation to a designation made under subparagraph ii of subparagraph *b* of the second paragraph before 20 December 2006 and must, if the order referred to in subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph was designated by the Minister of National Revenue, apply, with the necessary modifications, as if the designation had been made by the transferor.

2000, c. 5, s. 32; 2004, c. 8, s. 18; 2004, c. 21, s. 53; 2005, c. 1, s. 33; 2009, c. 5, s. 52; 2017, c. 1, s. 87.

93.4. For the purposes of subparagraph i of subparagraph *e* of the first paragraph of section 93, where, at a particular time, a taxpayer is subject to a loss restriction event and, within the 12-month period that ended immediately before that time, the taxpayer, a partnership of which the taxpayer was a majority-interest partner or a trust of which the taxpayer was a majority-interest beneficiary, within the meaning of section 21.0.1, acquired depreciable property that was not used, or acquired for use, by the taxpayer, partnership or trust in a business that was carried on by it immediately before the 12-month period began,

(a) the property is deemed, subject to subparagraph *b*, to have been acquired by the taxpayer, partnership or trust immediately after the particular time and not to have been acquired by it before that time; and

(b) where the property was disposed of by the taxpayer, partnership or trust before the particular time and was not reacquired by it before that time, the property is deemed to have been acquired by it immediately before the property was disposed of.

However, the first paragraph does not apply in the case of an acquisition of property that was owned by the taxpayer, partnership or trust or by a person that would, but for the definition of "controlled" in section 21.0.1, have been affiliated with the taxpayer throughout the period that began immediately before the 12-month period referred to in the first paragraph and ended at the time the property was acquired by the taxpayer, partnership or trust.

1989, c. 77, s. 16; 1997, c. 3, s. 71; 2000, c. 5, s. 33; 2001, c. 53, s. 260; 2017, c. 1, s. 88.

93.5. For the purposes of section 93.4, where the taxpayer referred to in that section was formed or created in the 12-month period referred to in the first paragraph of that section, the taxpayer is deemed to have been

(a) in existence throughout the period that began immediately before that 12-month period and ended immediately after it was formed or created; and

(b) affiliated, throughout the period referred to in paragraph *a*, with every person with whom it was affiliated, otherwise than because of a right referred to in paragraph *b* of section 20, throughout the period that began when it was formed or created and ended immediately before the time at which the taxpayer was subject to the loss restriction event referred to in that section.

1989, c. 77, s. 16; 1997, c. 3, s. 71; 2000, c. 5, s. 33; 2017, c. 1, s. 88.

93.6. In applying subparagraph *e* of the first paragraph of section 93 in respect of paragraph *a* of section 130 and any regulations made under that paragraph *a*, for the purpose of computing a taxpayer's income for a taxation year from a business or property, no amount shall be included in calculating the undepreciated capital cost to the taxpayer of depreciable property of a prescribed class in respect of the capital cost to the taxpayer of a property of that class, other than prescribed property or property that is a certified Québec film, a Québec film production or a certified production, within the meaning of the regulations made under paragraph *a* of section 130, before the time at which the property is considered to have become available for use by the taxpayer.

1993, c. 16, s. 56; 1997, c. 14, s. 31; 2001, c. 53, s. 260.

93.7. For the purposes of section 93.6 and subject to section 93.9, property, other than a building or part thereof, acquired by a taxpayer shall be considered to have become available for use by the taxpayer at the time that is the earliest of

(a) the time at which the property is first used by the taxpayer for the purpose of earning income,

(b) the time that is immediately after the commencement of the first taxation year of the taxpayer commencing more than 357 days after the end of the taxation year of the taxpayer in which the property was acquired by the taxpayer,

(c) the time that is immediately before the disposition of the property by the taxpayer,

(d) the time at which the property

i. has been delivered to the taxpayer, or to a person or partnership that will use the property for the benefit of the taxpayer, or, where the property is not of a type that is deliverable, is made available to the taxpayer or the person or partnership, and

ii. is capable, either alone or in combination with other property in the possession at that time of the taxpayer or the person or partnership referred to in subparagraph i, of being used by or for the benefit of the taxpayer or that person or partnership to produce a commercially saleable product or to perform a commercially saleable service, including an intermediate product or service that is used or consumed, or to be used or consumed, by or for the benefit of the taxpayer or the person or partnership in producing or performing any such product or service,

(e) in the case of property acquired by the taxpayer for the prevention, reduction or elimination of air or water pollution created by operations carried on by the taxpayer or that would be created by such operations if the property had not been acquired, the time at which the property is installed and capable of performing the function for which it was acquired,

(f) in the case of property acquired by a corporation a class of shares of the capital stock of which is listed on a designated stock exchange, a corporation that is a public corporation by reason of an election made under subparagraph i of paragraph *b* of the definition of "public corporation" in subsection 1 of section 89 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or a designation made by the Minister of Revenue of Canada in a notice to the corporation under subparagraph ii of paragraph *b* of that definition, or a subsidiary wholly-owned corporation of any such corporation, the end of the taxation year for which depreciation in respect of the property is first deducted in computing the earnings of the corporation in accordance with generally accepted accounting principles and for the purposes of the financial statements of the corporation for the year presented to its shareholders,

(g) in the case of property acquired by the taxpayer in the course of carrying on a business of farming or fishing, the time at which the property has been delivered to the taxpayer and is capable of performing the function for which it was acquired,

(h) in the case of property of a taxpayer that is a motor vehicle, trailer, trolleybus, aircraft or vessel for which one or more permits, certificates or licences evidencing that the property may be operated by the

taxpayer in accordance with any laws regulating the use of such property are required to be obtained, the time at which all such permits, certificates or licences have been obtained,

(i) in the case of property that is a spare part intended to replace a part of another property of the taxpayer if required due to the breakdown of that other property, the time at which that other property became available for use by the taxpayer,

(j) in the case of a concrete gravity base structure and topside modules intended to be used at an oil production facility in a commercial discovery area, within the meaning assigned by the Canada Petroleum Resources Act (Revised Statutes of Canada, 1985, chapter 36, 2nd Supplement), on which the drilling of the first well that indicated the discovery commenced before 5 March 1982, in a prescribed offshore region, the time at which the gravity base structure deballasts and lifts the assembled topside modules, and

(k) where the property is, within the meaning of subsection 3 of section 96, a replacement for a former property described in paragraph *a* of subsection 1 of that section that was acquired before 1 January 1990 or that had become available for use at or before the time at which the replacement property is acquired, the time at which the replacement property is acquired.

For the purposes of subparagraph *f* of the first paragraph, where the depreciation referred to therein in respect of property is calculated by reference to a proportion of the cost of the property, only that portion of the property shall be considered to have become available for use at the end of the taxation year referred to in that subparagraph.

1993, c. 16, s. 56; 1995, c. 49, s. 35; 1997, c. 3, s. 71; 2000, c. 5, s. 293; 2001, c. 7, s. 15; 2010, c. 5, s. 21.

93.8. For the purposes of section 93.6 and subject to section 93.9, property that is a building or part thereof of a taxpayer shall be considered to have become available for use by the taxpayer at the time that is the earliest of

(a) the time at which all or substantially all of the building is first used for the purpose for which it was acquired,

(b) the time at which the construction of the building is complete,

(c) the time that is immediately after the commencement of the first taxation year of the taxpayer commencing more than 357 days after the end of the taxation year of the taxpayer in which the property was acquired by the taxpayer,

(d) the time that is immediately before the disposition of the property by the taxpayer, and

(e) where the property is, within the meaning of subsection 3 of section 96, a replacement for a former property described in paragraph *a* of subsection 1 of that section that was acquired before 1 January 1990 or that had become available for use at or before the time at which the replacement property is acquired, the time at which the replacement property is acquired.

For the purposes of this section, a renovation, alteration or addition to a particular building shall be considered to be a building separate from the particular building.

1993, c. 16, s. 56.

93.9. For the purposes of section 93.6, where a taxpayer has acquired property, other than a building that is used or is to be used by the taxpayer principally for the purpose of gaining or producing gross revenue that is rent, in the taxpayer's first taxation year, in this section referred to as the "particular year", commencing more than 357 days after the end of the taxpayer's taxation year in which the taxpayer first acquired property after 31 December 1989 that is part of a project of the taxpayer, or in a taxation year subsequent to the particular year, and at the end of any taxation year, in this section referred to as the "inclusion year", of the taxpayer, the property may reasonably be considered to be part of the project and has not otherwise become available for

use, if the taxpayer so elects in prescribed form filed with the taxpayer's fiscal return under this Part for the particular year, that particular portion of the property the capital cost of which does not exceed the amount determined under the second paragraph is deemed to have become available for use immediately before the end of the inclusion year.

The amount referred to in the first paragraph is equal to the amount by which the aggregate of all amounts each of which is the capital cost to the taxpayer of a depreciable property, other than a building that is used or is to be used by the taxpayer principally for the purpose of gaining or producing gross revenue that is rent, that is part of the project referred to in the first paragraph, that was acquired by the taxpayer after 31 December 1989 and before the end of the taxpayer's last taxation year ending more than 357 days before the commencement of the inclusion year and that has not become available for use at or before the end of the inclusion year, except where the property has first become available for use before the end of the inclusion year by reason of subparagraph *b* of the first paragraph of section 93.7, subparagraph *c* of the first paragraph of section 93.8 or this section, exceeds the aggregate of all amounts each of which is the capital cost to the taxpayer of a depreciable property, other than the particular portion of the property, that is part of the project to the extent that the property is considered, by reason of this section, to have become available for use before the end of the inclusion year.

1993, c. 16, s. 56; 1996, c. 39, s. 273.

93.10. For the purposes of section 93.6 and notwithstanding sections 93.7 to 93.9, property of a taxpayer is deemed to have become available for use by the taxpayer at the earlier of the time the property was acquired by the taxpayer and, if applicable, a prescribed time, where

(a) the property was acquired from a person with whom the taxpayer was not dealing at arm's length, otherwise than by reason of a right referred to in paragraph *b* of section 20, at the time the property was acquired by the taxpayer, or in the course of a reorganization in respect of which, if a dividend were received by a corporation in the course of the reorganization, section 308.1 would not apply to the dividend by reason of the application of section 308.3; and

(b) before the property was acquired by the taxpayer, the property became available for use, determined without reference to subparagraph *c* of the first paragraph of section 93.7 and subparagraph *d* of the first paragraph of section 93.8, by the person from whom it was acquired.

1993, c. 16, s. 56; 1994, c. 22, s. 70; 1997, c. 3, s. 71.

93.11. For the purposes of subparagraph *b* of the first paragraph of section 93.7, subparagraph *c* of the first paragraph of section 93.8 and section 93.9, where a property of a taxpayer was acquired from a person, the taxpayer is deemed to have acquired the property at the time it was acquired by the person, where

(a) the taxpayer was, at the time the taxpayer acquired the property, not dealing at arm's length with the person, otherwise than by reason of a right referred to in paragraph *b* of section 20, or

(b) the property was acquired in the course of a reorganization in respect of which, if a dividend were received by a corporation in the course of the reorganization, section 308.1 would not apply to the dividend by reason of the application of section 308.3.

1993, c. 16, s. 56; 1997, c. 3, s. 71.

93.12. Where a taxpayer has leased property that is depreciable property of a person with whom the taxpayer does not deal at arm's length, the amount determined under the second paragraph is deemed to be the cost to the taxpayer of a property included in Class 13 in Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) and not to be an amount paid or payable for the use of, or the right to use, the property.

The amount referred to in the first paragraph is equal to the amount by which the aggregate of any amounts paid or payable by the taxpayer for the use of, or the right to use, the property in a particular taxation year and before the time at which the property would have been considered to have become available for use by the

taxpayer if the taxpayer had acquired the property, and that, but for this section, would be deductible in computing the taxpayer's income for any taxation year exceeds the aggregate of any amounts received or receivable by the taxpayer for the use of, or the right to use, the property in the particular taxation year and before that time and that are included in the income of the taxpayer for any taxation year.

1993, c. 16, s. 56; 1994, c. 22, s. 71.

93.13. Where a person acquires a depreciable property for consideration that can reasonably be considered to include another property, the portion of the cost to the person of the depreciable property attributable to the other property is deemed not to exceed the fair market value of that other property.

1995, c. 49, s. 36.

93.14. Where a taxpayer carries on a particular business, the following rules apply:

(a) there is deemed to be a single goodwill property in respect of the particular business;

(b) if at a particular time the taxpayer acquires goodwill as part of an acquisition of all or a part of another business that is carried on, after the acquisition, as part of the particular business—or is deemed in accordance with section 93.15 to acquire goodwill at a particular time in respect of the particular business—the cost of the goodwill is added at that time to the cost of the goodwill property in respect of the particular business;

(c) where at a particular time the taxpayer disposes of goodwill as part of the disposition of part of the particular business, receives proceeds of disposition a portion of which is attributable to goodwill and continues to carry on the particular business or is deemed in accordance with section 93.17 to dispose of goodwill at a particular time in respect of the particular business,

i. the taxpayer is deemed to dispose at that time of a portion of the goodwill property in respect of the particular business having a cost equal to the lesser of the cost of the goodwill property otherwise determined in respect of the particular business and the portion of the proceeds attributable to goodwill, and

ii. the cost of the goodwill property in respect of the particular business is reduced at that time by the amount determined under subparagraph i; and

(d) if subparagraph *c* applies to more than one disposition of goodwill at the same time, that subparagraph *c* and section 93.19 apply as if each disposition had occurred separately in the order determined in its respect in accordance with paragraph *d* of subsection 34 of section 13 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)).

Chapter V.2 of Title II of Book I applies to each of the dispositions referred to in subparagraph *d* of the first paragraph in relation to the order determined in its respect in accordance with paragraph *d* of subsection 34 of section 13 of the Income Tax Act.

2004, c. 8, s. 19; 2009, c. 15, s. 50; 2019, c. 14, s. 73.

93.15. Where at a particular time a taxpayer makes or incurs an outlay or expense on account of capital for the purpose of earning income from a business carried on by the taxpayer, the taxpayer is deemed to acquire at that time goodwill in respect of the business with a cost equal to the amount of the outlay or expense if no portion of the amount is

(a) the cost, or any part of the cost, of a property;

(b) but for this section, deductible in computing the taxpayer's income from the business;

(c) non-deductible in computing the taxpayer's income from the business because of any provision of this Part (other than section 129) or the Regulation respecting the Taxation Act (chapter I-3, r. 1);

(d) paid or payable to a creditor of the taxpayer as, on account of or in lieu of full or partial payment of any debt, or on account of the redemption, cancellation or purchase of any bond or debenture; or

(e) where the taxpayer is a corporation, partnership or trust, paid or payable to a person as a shareholder, member or beneficiary, as the case may be, of the taxpayer.

2019, c. 14, s. 74.

93.16. No amount paid or payable may be included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) if the amount is

(a) in consideration for the purchase of shares; or

(b) in consideration for the cancellation or assignment of an obligation to pay consideration referred to in paragraph *a*.

2019, c. 14, s. 74.

93.17. Where at a particular time in a taxation year a taxpayer has or may become entitled to receive a particular amount on account of capital in respect of a business that is or was carried on by the taxpayer, the taxpayer is deemed to dispose, at that time, of goodwill in respect of the business for proceeds of disposition equal to the amount by which the particular amount exceeds the aggregate of all outlays or expenses that were made or incurred by the taxpayer for the purpose of obtaining the particular amount and that were not otherwise deductible in computing the taxpayer's income, if, but for this section, the following conditions were satisfied:

(a) for the purposes of this Part, the particular amount is not included in computing the taxpayer's income or deducted in computing any balance of undeducted outlays, expenses or other amounts for the taxation year or a preceding taxation year;

(b) the particular amount does not reduce the cost or capital cost of a property or the amount of an outlay or expense; and

(c) the particular amount is not included in computing any gain or loss of the taxpayer from a disposition of a capital property.

2019, c. 14, s. 74.

93.18. Where a taxpayer has incurred an incorporeal capital amount in respect of a business before 1 January 2017, the following rules apply:

(a) at the beginning of 1 January 2017, the total capital cost of all property of the taxpayer included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of the business, each of which was an incorporeal capital property of the taxpayer immediately before that day or is the goodwill property in respect of the business, is deemed to be equal to the amount determined by the formula

$4/3 \times (A + B - C)$;

(b) at the beginning of 1 January 2017, the capital cost of each property of the taxpayer included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act in respect of the business, each of which was an incorporeal capital property of the taxpayer immediately before that day or is the goodwill property in respect of the business, is to be determined as follows:

i. the order for determining the capital cost of each property that is not the goodwill property is identical to the order that is determined for the same purposes under subparagraph i of paragraph *b* of subsection 38 of section 13 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)),

ii. the capital cost of a particular property that is not the goodwill property in respect of the business is deemed to be equal to the lesser of the incorporeal capital amount of the taxpayer in respect of the particular property and the amount by which the total capital cost of property of the class determined under subparagraph *a* exceeds the aggregate of all amounts each of which is an amount deemed under this subparagraph ii to be the capital cost of a property that is determined in advance of the determination of the capital cost of the particular property, and

iii. the capital cost of the goodwill property is deemed to be equal to the amount by which the total capital cost of property of that Class 14.1 exceeds the aggregate of all amounts each of which is an amount deemed under subparagraph ii to be the capital cost of a property;

(c) an amount equal to the amount by which the aggregate of the total capital cost of property of that Class 14.1 and the amount determined under subparagraph *c* of the second paragraph exceeds the amount determined under subparagraph *a* of the second paragraph is deemed to have been allowed to the taxpayer as depreciation in respect of property of that class under paragraph a of section 130 in computing the taxpayer's income for taxation years ending before 1 January 2017; and

(d) if no taxation year of the taxpayer ends immediately before 1 January 2017 and the taxpayer would have had a particular amount included, because of paragraph *b* of section 105, as it read before being repealed, in computing the taxpayer's income from the business for the particular taxation year that includes that day if the particular year had ended immediately before that day,

i. for the purposes of the formula in subparagraph *a*, 3/2 of the particular amount is to be included in computing the amount determined under subparagraph *b* of the first paragraph of section 107, as it read before being repealed,

ii. the taxpayer is deemed to dispose of a capital property in respect of the business immediately before 1 January 2017 for proceeds of disposition equal to twice the particular amount,

iii. if the taxpayer makes a valid election under subparagraph iii of paragraph *d* of subsection 38 of section 13 of the Income Tax Act, subparagraph ii does not apply and an amount equal to the particular amount is to be included in computing the taxpayer's income from the business for the particular year,

iv. if, after 31 December 2016 and in the particular year, the taxpayer acquires a property included in that Class 14.1 in respect of the business or is deemed under section 93.15 to acquire goodwill in respect of the business, and the taxpayer makes a valid election under subparagraph iv of paragraph *d* of subsection 38 of section 13 of the Income Tax Act,

(1) for the purposes of subparagraphs ii and iii, the particular amount must be reduced by the lesser of the particular amount otherwise determined and 1/2 of the capital cost of the property or goodwill acquired (determined without reference to subparagraph 2), and

(2) the capital cost of the property or goodwill acquired, as the case may be, must be reduced by twice the amount of the reduction under subparagraph 1, and

v. if, in the part of the particular year preceding that day, the taxpayer disposed of a qualified farm or fishing property (as defined in subparagraph *a*.0.2 of the first paragraph of section 726.6) that was an incorporeal capital property of the taxpayer, the capital property disposed of by the taxpayer under subparagraph ii is deemed to be such a property to the extent of the lesser of

(1) the proceeds of disposition of the capital property, and

(2) the amount by which the proceeds of disposition of the qualified farm or fishing property exceed its cost.

In the formula in subparagraph *a* of the first paragraph,

(a) A is the eligible incorporeal capital amount of the taxpayer in respect of the business at the beginning of 1 January 2017;

(b) B is the excess amount determined under subparagraph *a* of the second paragraph of section 107, as it read before being repealed, in respect of the business at the beginning of 1 January 2017; and

(c) C is the amount by which the amount determined under the second paragraph of section 107, as it read before being repealed, in respect of the business exceeds the aggregate of all amounts each of which is an amount determined under any of subparagraphs *a* to *e* of the first paragraph of that section in respect of the business at the beginning of 1 January 2017, with reference to any adjustment provided for in subparagraph i of subparagraph *d* of the first paragraph.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph and subparagraphs iii and iv of subparagraph *d* of that paragraph, Chapter V.2 of Title II of Book I applies in relation to the order for determining the capital cost of a property in accordance with subparagraph i of paragraph *b* of subsection 38 of section 13 of the Income Tax Act and in relation to an election referred to in subparagraphs iii and iv of paragraph *d* of that subsection 38.

2019, c. 14, s. 74.

93.19. Where at a particular time a taxpayer disposes of a particular property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of a business and none of sections 189, 437, 460 to 462, 521 to 526, 528, 556 to 564.1, 565, 620 to 632, 688 and 692.8 apply in respect of the disposition, the taxpayer is deemed, for the purpose of determining the undepreciated capital cost of the class, to have acquired a property of the class immediately before that time for a capital cost equal to the least of 1/4 of the proceeds of disposition of the particular property, 1/4 of the capital cost of the particular property and

(a) if the particular property is not goodwill and is acquired before 1 January 2017 by the taxpayer, 1/4 of the capital cost of the particular property;

(b) if the particular property is not goodwill, is acquired after 31 December 2016 by the taxpayer and an amount is deemed to have been allowed as depreciation under section 93.20 in respect of the taxpayer's acquisition of the particular property under paragraph *a* of section 130, that amount;

(c) if the particular property (other than a property to which paragraph *b* applies) is not goodwill and is acquired after 31 December 2016 by the taxpayer—in circumstances under which any of sections 189, 437, 460 to 462, 521 to 526, 528, 556 to 564.1, 565, 620 to 632, 688 and 692.8 apply—from a person or partnership that would have been deemed under this section to have acquired a property if none of those sections had applied, the capital cost of the property that would have been deemed under this section to have been acquired by the person or partnership;

(d) if the particular property is goodwill, the amount by which the aggregate of all amounts each of which is the capital cost of a property deemed under this section to have been acquired by the taxpayer at or before the particular time in respect of another disposition of goodwill property in respect of the business is exceeded by the aggregate of all amounts each of which is

i. 1/4 of the amount determined under subparagraph iii of subparagraph *b* of the first paragraph of section 93.18 in respect of the business,

ii. if goodwill is acquired after 31 December 2016 by the taxpayer and an amount is deemed to have been allowed as depreciation under section 93.20 in respect of the taxpayer's acquisition of the goodwill under paragraph *a* of section 130, that amount, and

iii. if goodwill is acquired (other than an acquisition in respect of which subparagraph ii applies) after 31 December 2016 by the taxpayer—in circumstances under which any of sections 189, 437, 460 to 462, 521 to 526, 528, 556 to 564.1, 565, 620 to 632, 688 and 692.8 apply—from a person or partnership that would have been deemed under this section to have acquired a property if none of those sections had applied, the capital cost of the property that would have been deemed under this section to have been acquired by the person or partnership; or

(e) in any other case, nil.

2019, c. 14, s. 74.

93.20. Where at a particular time a taxpayer acquires a particular property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of a business, the acquisition of the particular property is part of a transaction or series of transactions or events that includes a disposition (in this section referred to as the "prior disposition") at or before that time of the particular property, or a similar property, by the taxpayer or a person or partnership that does not deal at arm's length with the taxpayer and section 93.19 applies in respect of the prior disposition, an amount is deemed, for the purpose of determining the undepreciated capital cost of property of the class, to have been allowed to the taxpayer as depreciation in respect of the particular property under paragraph *a* of section 130 in computing the taxpayer's income for taxation years ending before the acquisition equal to the lesser of the capital cost of the property deemed under section 93.19 to be acquired in respect of the prior disposition and 1/4 of the capital cost of the particular property.

2019, c. 14, s. 74.

93.21. For the purposes of sections 93.18 to 93.20 and 93.22, "incorporeal capital amount" , "eligible incorporeal capital amount" , "exempt gains balance" and "incorporeal capital property" have the meaning assigned by sections 106, 107, 107.2 and 250, respectively, as they read before being repealed.

2019, c. 14, s. 74.

93.22. Where a taxpayer owns property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of a business at the beginning of the calendar year 2017 and the property was an incorporeal capital property in respect of the business immediately before 1 January 2017, the following rules apply:

(a) for the purposes of this Part and its regulations (other than sections 93 to 104, 130 and 130.1 and any regulations made under paragraph *a* of section 130), if the amount determined under subparagraph *a* of the first paragraph of section 107, as it read before being repealed, would have been increased immediately before 1 January 2017 if the property had been disposed of immediately before that time, the capital cost of the property is deemed to be increased by 4/3 of the amount of that increase;

(b) for the purposes of sections 93 to 104, 130 and 130.1 and any regulations made under paragraph *a* of section 130, where the taxpayer was deemed under subparagraphs *a* and *b* of the second paragraph of section 106.4, as it read before being repealed, to continue to own incorporeal capital property in respect of the business and not to have ceased to carry on the business until a time that is after 31 December 2016, the taxpayer is deemed to continue to own the incorporeal capital property and to continue to carry on the business until the time that is immediately before the time from among those described in subparagraphs i to v of subparagraph *a* of the second paragraph of that section 106.4 that would occur first if subparagraph ii of that subparagraph *a* were read as if "incorporeal capital property" were replaced by "incorporeal capital property or capital property";

(c) for the purposes of subparagraph ii.3 of subparagraph *e* of the first paragraph of section 93 and subparagraph *h* of the second paragraph of that section, the taxpayer is deemed not to have paid or received an amount before 1 January 2017 as or on account of an existing or proposed countervailing or anti-dumping duty in respect of depreciable property of the class; and

(d) section 101 does not apply to assistance that a taxpayer received or is entitled to receive before 1 January 2017 in respect of a property that was an incorporeal capital property immediately before 1 January 2017.

2019, c. 14, s. 74.

94. Where, at the end of a taxation year, the amount determined under the second paragraph of section 93 in respect of a taxpayer's depreciable property of a prescribed class exceeds the aggregate of the amounts determined under subparagraphs i to ii.3 of subparagraph *e* of the first paragraph of that section in respect thereof, the excess shall be included in computing the taxpayer's income for the year.

1972, c. 23, s. 83; 1975, c. 22, s. 10; 1977, c. 26, s. 10; 1982, c. 5, s. 28; 1990, c. 59, s. 52; 2001, c. 53, s. 31.

94.1. Despite section 94, the excess determined at the end of a taxation year under that section is not to be included in computing a taxpayer's income for the year where it is in respect of a passenger vehicle in respect of which paragraph *d*.3 or *d*.4 of section 99 or section 525.1 applied to the taxpayer, unless it was, at any time, designated immediate expensing property, within the meaning assigned by section 130R3 of the Regulation respecting the Taxation Act (chapter I-3, r. 1).

However, the excess referred to in the first paragraph is deemed, for the purposes of subparagraph ii of subparagraph *e* of the first paragraph of section 93, to be an amount included in computing the taxpayer's income for the year under sections 93 to 104.

1990, c. 59, s. 53; 2001, c. 53, s. 260; 2023, c. 2, s. 4.

95. Where a taxpayer is an individual and his income for a taxation year includes income from a business the fiscal period of which does not coincide with the calendar year, and the taxpayer has disposed of depreciable property acquired for the purpose of gaining or producing income from the business,

(a) each reference in sections 94, 94.1 and 130.1 to "year" and "taxation year" shall read as a reference to "fiscal period", except so far as the said sections apply to a disposition by a taxpayer, after ceasing to operate a business, of depreciable property of a prescribed class he had acquired to gain income from the business and had subsequently used for no other purpose; and

(b) the expression "the taxpayer's income", in section 94, means "the taxpayer's income from the business".

1972, c. 23, s. 85; 1977, c. 26, s. 12; 1978, c. 26, s. 16; 1991, c. 25, s. 40.

96. (1) Subsection 2 applies where an amount in respect of the disposition in a taxation year of depreciable property of a prescribed class of a taxpayer, in this section and section 96.0.2 referred to as the "former property", would, but for this section, be the amount determined under subparagraph *c* or *d* of the second paragraph of section 93 in respect of the disposition of the former property that is either

(a) property the proceeds of disposition of which were compensation or an amount described in subparagraph ii, iii or iv of subparagraph *f* of the first paragraph of section 93; or

(b) a property that was, immediately before the disposition, a former business property of the taxpayer.

(2) If the taxpayer acquires, in a taxation year, a depreciable property of a prescribed class of the taxpayer that is a replacement property for a former property of the taxpayer and the taxpayer makes a valid election under subsection 4 of section 13 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December

2006 in respect of the former property or, if section 96.0.1 applies, the taxpayer so elects in the taxpayer's fiscal return filed in accordance with section 1000 for the taxation year, the following rules apply:

(a) the amount determined under subparagraph *c* or *d* of the second paragraph of section 93, in respect of the disposition of the former property, must be reduced by the lesser of the amount by which the amount otherwise determined under that subparagraph *c* or *d*, in respect of that disposition, exceeds the undepreciated capital cost to the taxpayer of property of the prescribed class to which the former property belonged at the time immediately before the time that the former property was disposed of, and the amount that has been used by the taxpayer to acquire, in the case of a former property referred to in paragraph *a* of subsection 1, before the end of the second taxation year following the year referred to in subsection 1 or, if it is later, before the end of the 24-month period following the year referred to in subsection 1, or, in any other case, before the end of the first taxation year following the year referred to in subsection 1 or, if it is later, before the end of the 12-month period following the year referred to in subsection 1, a replacement property that has not been disposed of by the taxpayer before the time at which the taxpayer disposed of the former property; and

(b) the amount of the reduction determined under paragraph *a* is deemed to be proceeds of disposition of a depreciable property of the taxpayer that had a capital cost equal to that amount and that was property of the same class as the replacement property, from a disposition made on the day on which the replacement property was acquired by the taxpayer or, if it is later, on the day on which the former property was disposed of by the taxpayer.

(3) For the purposes of this section, a depreciable property of a prescribed class of a taxpayer is a replacement property for the taxpayer's former property where

(a) it is reasonable to conclude that the property was acquired by the taxpayer to replace the former property;

(a.1) it was acquired by the taxpayer and used by the taxpayer or a person related to the taxpayer for a use that is the same as or similar to the use to which the taxpayer or a person related to the taxpayer put the former property;

(b) where the former property was used by the taxpayer or a person related to the taxpayer for the purpose of gaining or producing income from a business, the property was acquired by the taxpayer either for the purpose of gaining or producing income from that or a similar business or for use by a person related to the taxpayer for such a purpose;

(c) where the former property was a taxable Canadian property of the taxpayer, the property is a taxable Canadian property of the taxpayer; and

(d) where the former property was a taxable Canadian property, other than tax-agreement-protected property, of the taxpayer, the property is a taxable Canadian property, other than tax-agreement-protected property, of the taxpayer.

(4) Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 13 of the Income Tax Act or in relation to an election made under this section before 20 December 2006 but otherwise than as a consequence of the application of section 96.0.1.

1972, c. 23, s. 86; 1975, c. 22, s. 11; 1977, c. 26, s. 13; 1978, c. 26, s. 17; 1993, c. 16, s. 57; 1994, c. 22, s. 72; 2001, c. 7, s. 16; 2001, c. 53, s. 32; 2009, c. 5, s. 53; 2009, c. 15, s. 51.

96.0.1. For the purposes of paragraph *a* of subsection 2 of section 96, if a taxpayer acquires a replacement property after the end of the period provided for in that paragraph *a* for the acquisition, and, in the Minister's opinion, the taxpayer was unable to acquire the replacement property before the end of the period because of the specific nature of the former property referred to in section 96, the taxpayer is deemed to have acquired the replacement property before the end of the period.

2002, c. 40, s. 20; 2009, c. 15, s. 52.

96.0.2. The rules set out in the second paragraph apply if

(a) a taxpayer (in this section referred to as the "transferor") has, pursuant to a written agreement with a person or partnership (in this section referred to as the "transferee"), disposed of or terminated a former property that is a franchise, concession or licence for a limited period that is wholly attributable to the carrying on of a business at a fixed place;

(b) the transferee acquired the former property from the transferor or, on the termination, acquired a similar property in respect of the same fixed place from another person or partnership; and

(c) the transferor and the transferee make a valid election under paragraph *c* of subsection 4.2 of section 13 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of the acquisition and the disposition or termination.

The rules to which the first paragraph refers in respect of an acquisition and a disposition or termination are as follows:

(a) if the transferee acquires a similar property referred to in subparagraph *b* of the first paragraph, the transferee is deemed to have also acquired the former property at the time that the former property was terminated and to own the former property until the transferee no longer owns the similar property;

(b) if the transferee acquires the former property referred to in subparagraph *b* of the first paragraph, the transferee is deemed to own the former property until such time as the transferee owns neither the former property nor a similar property in respect of the same fixed place to which the former property related;

(c) for the purpose of calculating the amount deductible under paragraph *a* of section 130 in respect of the former property in computing the transferee's income, the useful life of the former property remaining on its acquisition by the transferee is deemed to be equal to the period that was the useful life of the former property remaining on its acquisition by the transferor; and

(d) any amount that would, but for this paragraph, be included in the cost of a property of the transferor included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) (including a deemed acquisition under section 93.15) or included in the proceeds of disposition of a property of the transferee included in that class (including a deemed disposition under section 93.17) in respect of the disposition or termination of the former property by the transferor is deemed to be

i. neither included in the cost nor in the proceeds of disposition of property included in that class,

ii. an amount required to be included in computing the capital cost to the transferee of the former property, and

iii. an amount required to be included in computing the proceeds of disposition to the transferor in respect of a disposition of the former property.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *c* of subsection 4.2 of section 13 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2009, c. 15, s. 53; 2019, c. 14, s. 75.

96.1. Notwithstanding sections 1010 to 1011, where a taxpayer has made an election under subsection 2 of section 96, the Minister shall make such reassessments of tax, interest and penalties under this Part as are necessary for any taxation year to take into account that election.

1979, c. 18, s. 8; 2002, c. 40, s. 21; 2009, c. 5, s. 54.

96.2. For the purpose of determining whether property meets the prescribed criteria in respect of prescribed energy conservation property, the Technical Guide to Class 43.1 and 43.2, as amended from time to time and published by the Department of Natural Resources of Canada, applies conclusively, with the necessary modifications, with respect to engineering and scientific matters.

1998, c. 16, s. 84; 2000, c. 39, s. 9; 2015, c. 36, s. 10.

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

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

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

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

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

1972, c. 23, s. 87; 1975, c. 22, s. 12; 1990, c. 59, s. 54; 1998, c. 16, s. 85; 2001, c. 53, s. 260.

97.1. Where at any time in a taxation year, a taxpayer acquires a particular property in respect of which, immediately before that time, he had a leasehold interest that was included in a prescribed class, for the purposes of this division, sections 130.1, 142 and 149 and the regulations made under paragraph *a* of section 130, the following rules apply:

(a) the leasehold interest is deemed to have been disposed of by the taxpayer at that time for proceeds of disposition equal to the amount by which the capital cost of the leasehold interest, immediately before that time, exceeds the aggregate of all amounts claimed by the taxpayer in respect of the leasehold interest that were deductible under paragraph *a* of section 130 in computing his income for previous taxation years;

(b) the property is deemed to be depreciable property of a prescribed class of the taxpayer acquired by him at that time and the taxpayer shall add to the capital cost of that property an amount equal to the capital cost referred to in paragraph *a*; and

(c) the taxpayer shall add the aggregate referred to in paragraph *a* to the total depreciation allowed to the taxpayer before that time in respect of the class to which that property belongs.

1978, c. 26, s. 18; 2005, c. 23, s. 39.

97.2. Where, at any time, a taxpayer acquires a capital property that is depreciable property or immovable property in respect of which, before that time, the taxpayer or any person with whom he was not dealing at

arm's length was entitled to a deduction in computing his income in respect of any amount paid or payable for the use of, or the right to use, the property and the cost or the capital cost, determined without reference to this section, at that time of the property to the taxpayer is less than the fair market value thereof at that time determined without reference to any option with respect to that property, for the purposes of this division, sections 130, 130.1, 142 and 149 and any regulations made under paragraph *a* of section 130 or under section 130.1, the following rules apply:

(a) the taxpayer is deemed to acquire the property at that time at a cost equal to the lesser of the fair market value of the property at that time determined without reference to any option with respect to that property, and the aggregate of the cost or the capital cost, determined without reference to this section, of the property to the taxpayer and all amounts each of which is an outlay or expense made or incurred by the taxpayer or by a person with whom he was not dealing at arm's length at any time for the use of, or the right to use, the property, other than amounts paid or payable to a person with whom the taxpayer was not dealing at arm's length;

(b) the taxpayer shall add, to the total depreciation allowed to him before that time in respect of the prescribed class to which the property belongs, the amount by which the cost of the property determined under paragraph *a* exceeds the cost or the capital cost thereof, determined without reference to this section; and

(c) where the property would, but for this paragraph, not be depreciable property of the taxpayer, it is deemed to be depreciable property of a separate prescribed class of the taxpayer.

1982, c. 5, s. 29; 2020, c. 16, s. 190.

97.3. Where, in a taxation year, a taxpayer disposes of a capital property that is an option with respect to depreciable property or immovable property in respect of which the taxpayer or any person with whom he is not dealing at arm's length is entitled to a deduction in computing his income in respect of any amount paid for the use of, or the right to use, the property, for the purposes of this division, the amount, if any, by which the proceeds of disposition to the taxpayer of the option exceed his cost in respect thereof is deemed to be an excess referred to in section 94 in respect of the taxpayer for the year.

1982, c. 5, s. 29; 2020, c. 16, s. 190.

97.4. For the purposes of paragraph *a* of section 97.2 and section 97.3, where a particular corporation has been incorporated or otherwise formed after the time any other corporation, with which the particular corporation would not have been dealing at arm's length had the particular corporation been in existence before such time, was formed, the particular corporation is deemed to have been in existence from the time of the formation of the other corporation and to have been not dealing at arm's length with the other corporation.

1982, c. 5, s. 29; 1997, c. 3, s. 71.

97.5. Where, before the disposition of a capital property that was depreciable property of a taxpayer, the taxpayer, or any person with whom he was not dealing at arm's length, was entitled to a deduction in computing his income in respect of any outlay or expense made or incurred for the use of, or the right to use, during a period of time, that capital property, other than an outlay or expense made or incurred by the taxpayer or a person with whom he was not dealing at arm's length before the acquisition of the property, except where the taxpayer disposes of the property to a person with whom he is not dealing at arm's length and that person is subject to the provisions of sections 97.2 and 97.4 with respect to the acquisition by him of the property, the following rules apply:

(a) the person who owned the property immediately before the disposition shall at that time add to the capital cost of the property the lesser of

i. the aggregate of all amounts, other than amounts paid or payable to the taxpayer or a person with whom the taxpayer was not dealing at arm's length, each of which was a deductible outlay or expense made or

incurred before the disposition by the taxpayer, or by a person with whom he was not dealing at arm's length, for the use of, or the right to use, during the period of time, the property, and

ii. the amount by which the fair market value of the property at the earlier of the expiration of the last period of time in respect of which the deductible outlay or expense referred to in subparagraph i was made or incurred, and the time of the disposition exceeds the capital cost to the taxpayer of the property immediately before that time; and

(b) the taxpayer shall add, immediately before the disposition, to the total depreciation allowed to him before the disposition in respect of the prescribed class to which the property belongs, the amount added to the capital cost to him of the property pursuant to paragraph *a*.

1984, c. 15, s. 23; 1997, c. 14, s. 32.

97.6. For the purposes of section 97.5, an amount deductible by a taxpayer under paragraph *g* or *g*.1 of section 157 is deemed not to be an outlay or expense that was made or incurred by him for the use of, or the right to use, the property.

1984, c. 15, s. 23.

98. Where, in calculating the amount of a deduction allowed under section 130.1 or regulations made under paragraph *a* of section 130 in respect of depreciable property of a prescribed class, in this section referred to as the "particular class", there has been added to the capital cost of depreciable property of the particular class the capital cost of depreciable property, in this section referred to as "added property", of another prescribed class, for the purposes of this division, sections 130.1, 142 and 149 and any regulations made under paragraph *a* of section 130, the added property is, if the Minister so directs with respect to any taxation year for which the Minister may make any assessment, reassessment or additional assessment, in accordance with section 1010, deemed to have been, at all times before the beginning of that year, property of the particular class and not of the other class.

Except to the extent that the added property or any part thereof has been disposed of by the taxpayer before the beginning of the year, the added property is deemed to have been transferred from the particular class to the other class at the beginning of that year.

1972, c. 23, s. 88; 1974, c. 18, s. 4; 1978, c. 26, s. 19; 1997, c. 14, s. 33.

99. Subject to section 450.10, for the purposes of this division, Chapter III, sections 64 and 78.4 and any regulations made under paragraph *a* of section 130, the following rules apply:

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

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

i. its fair market value at that time;

ii. the aggregate of its cost to the taxpayer at that time determined without reference to this paragraph, paragraph *a* and subparagraph ii of paragraph *d*, and, subject to section 99.1, 1/2 of the amount by which the fair market value of the property at that time exceeds the aggregate of the cost to the taxpayer of the property at that time determined without reference to this paragraph, paragraph *a* and subparagraph ii of paragraph *d*, and, subject to section 99.1, twice the amount deducted by the taxpayer under Title VI.5 of Book IV in respect of the amount by which the fair market value of the property at that time exceeds the cost to the taxpayer of the property at that time determined without reference to this paragraph, paragraph *a* and subparagraph ii of paragraph *d*;

(c) where property has, since it was acquired by a taxpayer, been regularly used in part to gain income and in part for some other purpose, the proportion of the property acquired by the taxpayer to gain such income, the proportion of its capital cost and the proportion of the proceeds of disposition of such property, as the case may be, are deemed to be the same as the proportion that its use to gain income is of its whole use;

(d) where there has been a change in the relation between the proportion of the use made of the property to gain income and the proportion of the use made of it for some other purpose, the following rules apply:

i. where the proportion of the use made of the property to gain income has increased at a particular time, the taxpayer is deemed to have acquired at that time depreciable property of that class at a capital cost equal to the aggregate of the proportion of the lesser of its fair market value at that time, and its cost to the taxpayer at that time determined without reference to this subparagraph, subparagraph ii and paragraph *a* that the amount of the increase in the use regularly made by the taxpayer of the property to gain income is of the whole of the use regularly made of the property, and, subject to section 99.1, 1/2 of the amount by which the amount deemed under section 283 to be the taxpayer's proceeds of disposition of the property in respect of the change in the use made of the property exceeds the aggregate of that proportion of the cost to the taxpayer of the property at that time determined without reference to this subparagraph, subparagraph ii and paragraph *a*, that the amount of the increase in the use regularly made by the taxpayer of the property to gain income is of the whole of the use regularly made of the property, and, subject to section 99.1, twice the amount deducted by the taxpayer under Title VI.5 of Book IV in respect of the amount by which the amount deemed under section 283 to be the taxpayer's proceeds of disposition of the property in respect of the change in the use made of the property exceeds that proportion of the cost to the taxpayer of the property at that time determined without reference to this subparagraph, subparagraph ii and paragraph *a* that the amount of the increase in the use regularly made by the taxpayer of the property to gain income is of the whole of the use regularly made of the property;

i.1. for greater certainty, where the property is a passenger vehicle in respect of which paragraph *d*.3 or *d*.4 applies or a zero-emission passenger vehicle in respect of which paragraph *d*.5 applies, the capital cost established under subparagraph i must in no case be greater than the proportion referred to in that subparagraph i of the capital cost of the property established under paragraph *d*.3, *d*.4 or *d*.5, as the case may be;

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

(d.1) notwithstanding any other provision of this Part except section 450.10, where at any time a particular person or partnership has, in any manner whatever, acquired, otherwise than as a consequence of the death of the transferor, a depreciable property of a prescribed class, other than a timber resource property or a passenger vehicle in respect of which paragraph *d*.3 or *d*.4 or section 525.1 applies, from a transferor being a person or partnership with whom the particular person or partnership did not deal at arm's length and the property was, immediately before the transfer, a capital property of the transferor, the following rules apply:

i. where the transferor was an individual resident in Canada or a partnership any member of which was either an individual resident in Canada or another partnership and the cost of the property to the particular person or partnership at that time determined without reference to this paragraph exceeds the cost or, where the property was depreciable property, the capital cost of the property to the transferor immediately before the transferor disposed of it, the capital cost of the property to the particular person or partnership at that time is deemed to be the amount, in this subparagraph referred to as "the particular amount", that is equal to the aggregate of the cost or capital cost, as the case may be, of the property to the transferor immediately before that time and, subject to section 99.1, 1/2 of the amount by which the transferor's proceeds of disposition of the property exceed the aggregate of the cost or capital cost, as the case may be, of the property to the transferor immediately before that time, the amount required by section 726.9.4 to be deducted in computing the capital cost to the particular person or partnership of the property at that time, and, subject to section 99.1,

twice the amount deducted by any person under Title VI.5 of Book IV in respect of the amount by which the transferor's proceeds of disposition of the property exceed the cost or capital cost, as the case may be, of the property to the transferor immediately before that time and, for the purposes of paragraph *b* and subparagraph i of paragraph *d*, the cost of the property to the particular person or partnership is deemed to be equal to the particular amount,

ii. where the transferor was not a transferor described in subparagraph i, the rules provided in that subparagraph, which shall be read as if the reference therein to "exceed the aggregate of the cost or capital cost" were a reference to "exceed the cost or capital cost" and without reference to ", the amount required by section 726.9.4 to be deducted in computing the capital cost to the particular person or partnership of the property at that time, and, subject to section 99.1, twice the amount deducted by any person under Title VI.5 of Book IV in respect of the amount by which the transferor's proceeds of disposition of the property exceed the cost or capital cost, as the case may be, of the property to the transferor immediately before that time", apply in the same manner, and

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

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

(d.2*)* where a taxpayer is deemed under subparagraph *c* of the second paragraph of section 736 to have disposed of and reacquired depreciable property, other than a timber resource property, the capital cost to the taxpayer of the property at the time of the reacquisition is deemed to be equal to the aggregate of

i. the capital cost to the taxpayer of the property at the time of the disposition, and

ii. subject to section 99.1, 1/2 of the amount by which the taxpayer's proceeds of disposition of the property exceed the capital cost to the taxpayer of the property at the time of the disposition;

(d.3*)* where the cost to a taxpayer of a passenger vehicle exceeds $20,000 or such other amount as may be prescribed, the capital cost to the taxpayer of the passenger vehicle is deemed to be equal to $20,000 or to that other amount, as the case may be;

(d.4*)* notwithstanding paragraph *d*.3, where a passenger vehicle is acquired at any time by a taxpayer from a person with whom the taxpayer does not deal at arm's length and this paragraph, paragraph *d*.3 or section 525.1 applies to the person in respect of that passenger vehicle, the capital cost thereof to the taxpayer is deemed to be equal to the least of the following amounts:

i. the fair market value of the passenger vehicle at that time,

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

iii. $20,000 or such other amount as may be prescribed for the purposes of paragraph *d*.3;

(d.5) where the cost to a taxpayer of a zero-emission passenger vehicle exceeds the prescribed amount that is determined, in respect of the taxpayer, under section 99R1.1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), or where the cost to a taxpayer of a passenger vehicle that was, at any time, designated immediate expensing property, within the meaning of section 130R3 of that Regulation, exceeds the prescribed amount that is determined in its respect under section 99R1 of that Regulation, the following rules apply:

i. the capital cost to the taxpayer of the vehicle is deemed to be equal to the prescribed amount that is determined, in respect of the taxpayer, under section 99R1 or 99R1.1 of that Regulation, as the case may be, and

ii. for the purposes of subparagraph *c* of the second paragraph of section 93, the proceeds of disposition of the vehicle are deemed to be equal to the amount determined under section 99.2;

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

(f) where any part of a self-contained domestic establishment (in this paragraph referred to as the "work space") in which an individual resides is the principal place of business of the individual or a partnership of which the individual is a member, or is used exclusively for the purpose of earning income from a business and on a regular and continuous basis for meeting clients, customers or patients of the individual or partnership in the course of the business, as the case may be, except a work space that relates to the operation of a private residential home or a tourist accommodation establishment that is a principal residence establishment, bed and breakfast establishment or tourist home, within the meaning of the regulations made under the Tourist Accommodation Act (chapter H-1.01), where the tourist accommodation establishment is duly registered under that Act, the following rules apply:

i. the capital cost at any time of the work space to the individual or partnership is deemed to be equal to the aggregate of

(1) 50% of the portion of the capital cost of the work space to the individual or partnership, determined without reference to this subparagraph i, that cannot reasonably be considered to be attributable to the amount of an expenditure of a capital nature relating solely to the work space that the individual or partnership made before that time, and

(2) the portion of the capital cost of the work space to the individual or partnership, determined without reference to this subparagraph i, that may reasonably be considered to be attributable to the amount of an expenditure of a capital nature relating solely to the work space that the individual or partnership made before that time,

ii. the proceeds of disposition of the work space to the individual or partnership, reduced by the total of all expenditures made or incurred by the individual or partnership for the purpose of making the disposition, are deemed to be equal to the aggregate of

(1) 50% of such proportion of the proceeds of disposition to the individual or partnership of the work space so reduced, determined without reference to this subparagraph ii, as the portion of the capital cost of the work space to the individual or partnership immediately before the disposition, determined without reference to this paragraph, that cannot reasonably be considered to be attributable to the amount of an expenditure of a capital nature relating solely to the work space that the individual or partnership made is of the capital cost of the work space to the individual or partnership immediately before the disposition, determined without reference to this paragraph, and

(2) such proportion of the proceeds of disposition to the individual or partnership of the work space so reduced, determined without reference to this subparagraph ii, as the portion of the capital cost of the work

space to the individual or partnership immediately before the disposition, determined without reference to this paragraph, that may reasonably be considered to be attributable to the amount of an expenditure of a capital nature relating solely to the work space that the individual or partnership made is of the capital cost of the work space to the individual or partnership immediately before the disposition, determined without reference to this paragraph, and

iii. each of the amounts that increased or reduced the undepreciated capital cost to an individual or a partnership of the class that includes the work space, for a taxation year or a fiscal period, as the case may be, that begins before 10 May 1996, otherwise than because of subparagraph i of subparagraph *e* of the first paragraph of section 93 or subparagraph *c* of the second paragraph of that section, to the extent that it may reasonably be considered that the amount is attributable to an expenditure of a capital nature which does not relate solely to the work space that the individual or partnership made, is deemed, for a taxation year or a fiscal period, as the case may be, that begins after 9 May 1996, to be equal to 50% of that amount.

1972, c. 23, s. 89; 1975, c. 22, s. 13; 1977, c. 26, s. 14; 1978, c. 26, s. 20; 1987, c. 67, s. 24; 1989, c. 77, s. 17; 1990, c. 59, s. 55; 1993, c. 16, s. 58; 1994, c. 22, s. 73; 1995, c. 49, s. 37; 1996, c. 39, s. 30; 1997, c. 3, s. 71; 1998, c. 16, s. 86; 2000, c. 5, s. 34; 2000, c. 39, s. 10; 2001, c. 53, s. 33; 2003, c. 2, s. 34; 2006, c. 13, s. 28; 2017, c. 1, s. 89; 2017, c. 29, s. 30; 2021, c. 18, s. 23; 2023, c. 2, s. 5.

99.1. For the purposes of paragraphs *b*, *d*, *d*.1 and *d*.2 of section 99, the rules provided for in the second paragraph apply where

(a) in the case of paragraphs *b* and *d*, the change in use of property occurs during a taxpayer's taxation year that includes 28 February 2000 or 17 October 2000, or that begins after 28 February 2000 and ends before 17 October 2000;

(b) in the case of paragraph *d*.1, the acquisition of property occurs during a transferor's taxation year that includes 28 February 2000 or 17 October 2000, or that begins after 28 February 2000 and ends before 17 October 2000; and

(c) in the case of paragraph *d*.2, the acquisition of property occurs during a corporation's taxation year that includes 28 February 2000 or 17 October 2000, or that begins after 28 February 2000 and ends before 17 October 2000.

The fraction "1/2" and the word "twice" in paragraphs *b*, *d* and *d*.1 of section 99, and the fraction "1/2" in paragraph *d*.2 of that section shall be replaced, with the necessary modifications, by

(a) in the case of the fraction "1/2" in paragraphs *b* and *d*, the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the taxpayer for the year in which the change in use of property occurs;

(b) in the case of the fraction "1/2" in paragraph *d*.1, the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the transferor of the property for the year in which the transferor disposed of the property;

(c) in the case of the fraction "1/2" in paragraph *d*.2, the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the corporation for the year in which the acquisition of the property occurs;

(d) in the case of the word "twice" in paragraphs *b* and *d*, the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the taxpayer for the year in which the change in use of property occurs; and

(e) in the case of the word "twice" in paragraph *d*.1, the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the transferor of the property for the year in which the transferor disposed of the property.

2003, c. 2, s. 35.

99.2. The amount to which subparagraph ii of paragraph *d*.5 of section 99 refers in respect of a zero-emission passenger vehicle of a taxpayer is equal to the amount determined by the formula

A × B/C.

In the formula in the first paragraph,

(a) A is the amount that would, in the absence of subparagraph ii of paragraph *d*.5 of section 99, be the proceeds of disposition of the vehicle;

(b) B is

i. where the vehicle is disposed of to a person or partnership with which the taxpayer deals at arm's length, the capital cost to the taxpayer of the vehicle, and

ii. in any other case, the amount determined under subparagraph *c*; and

(c) C is the amount determined by the formula

D + (E + F) − (G + H).

In the formula in subparagraph *c* of the second paragraph,

(a) D is the cost to the taxpayer of the vehicle;

(b) E is the amount of repaid assistance referred to in the portion of section 101 before paragraph *a* and determined in respect of the vehicle at the time of the disposition;

(c) F is the maximum amount determined under subparagraph ii.1 of subparagraph *e* of the first paragraph of section 93 in respect of the vehicle;

(d) G is the amount of assistance referred to in paragraph *b* of section 101 and determined in respect of the vehicle at the time of the disposition; and

(e) H is the maximum amount determined under subparagraph *g* of the second paragraph of section 93 in respect of the vehicle.

2021, c. 18, s. 24; 2021, c. 36, s. 55.

100. For the purposes of paragraphs *a* to *d* of section 99, where a taxpayer is not resident in Canada, the expression "to gain income", in relation to a business, shall be construed as meaning to gain income from a business wholly carried on in Canada or from such part of a business as is so carried on.

1972, c. 23, s. 90; 1990, c. 59, s. 56.

101. For the purposes of this Part, where the capital cost to a taxpayer of a depreciable property was reduced, because of sections 485 to 485.18 or a taxpayer deducted a particular amount, other than a prescribed amount, under subsection 5 or 6 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of a depreciable property in computing his tax payable under the said Act or received or is entitled to receive assistance, other than prescribed assistance, from a government, municipality or other public authority in respect of, or for the acquisition of, depreciable property, whether as a subsidy, grant, forgivable loan, deduction from tax, investment allowance or as any other form, the capital

cost of the property to the taxpayer at any particular time is deemed to be the amount by which the aggregate of the capital cost of the property, determined without reference to this section and sections 101.6, 101.7 and 485 to 485.18 and the amount of the assistance, in respect of that property, repaid by the taxpayer, pursuant to an obligation to do so, before the disposition of the property and before the particular time, exceeds the aggregate of

(a) where the property was acquired in a taxation year ending before the particular time, all particular amounts deducted under the said subsections 5 and 6 by the taxpayer, in respect of that property, for a taxation year ending before the particular time and before the disposition of that property;

(b) the amount of assistance the taxpayer has received or is entitled, before the particular time, to receive in respect of that property before the disposition thereof; and

(c) any amount by which the capital cost of the property to the taxpayer is required, because of sections 485 to 485.18, to be reduced at or before that particular time.

1975, c. 22, s. 14; 1982, c. 5, s. 30; 1987, c. 67, s. 25; 1990, c. 59, s. 57; 1992, c. 1, s. 24; 1996, c. 39, s. 31; 2001, c. 53, s. 260.

101.1. *(Repealed).*

1978, c. 26, s. 21; 2001, c. 53, s. 34; 2019, c. 14, s. 76.

101.2. *(Repealed).*

1978, c. 26, s. 21; 2001, c. 53, s. 35; 2019, c. 14, s. 76.

101.3. For the purposes of section 101, where a prescribed amount must be taken into account to determine a prescribed tax deduction to which a member of a partnership or beneficiary of a trust, as the case may be, is entitled at the end of his taxation year, such portion of that amount as can reasonably be considered to relate to depreciable property is deemed to have been received by the partnership or trust, as the case may be, at the end of its fiscal period ending in that taxation year, as assistance from a government for the acquisition of depreciable property.

1982, c. 5, s. 31; 1984, c. 15, s. 24; 1997, c. 3, s. 71; 1997, c. 31, s. 13.

101.4. For the purposes of section 101, where at a particular time a taxpayer who is a beneficiary of a trust or a member of a partnership has received or is entitled to receive assistance from a government, municipality or other public authority whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, the amount of the assistance that may reasonably be considered to be in respect of, or for the acquisition of, depreciable property of the trust or partnership is deemed to have been received at that time by the trust or partnership, as the case may be, as assistance from the government, municipality or other public authority for the acquisition of depreciable property.

1986, c. 19, s. 21; 1997, c. 3, s. 71; 1997, c. 14, s. 34; 2001, c. 53, s. 260.

101.5. For the purposes of paragraph *d*.1 of section 99, two corporations are deemed not to be related to each other at a particular time where, but for this section, they would be related to one another by reason of their being controlled by the same trustee, liquidator of a succession or executor and it is established that

(a) the trustee, liquidator of a succession or executor did not acquire control of the corporations as a result of one or more trusts or successions created by the same individual or by two or more individuals not dealing with each other at arm’s length; and

(b) the trust or succession under which the trustee, liquidator of a succession or executor acquired control of each of the corporations arose only on the death of the individual creating the trust or succession.

1987, c. 67, s. 26; 1994, c. 22, s. 74; 1997, c. 3, s. 71; 1998, c. 16, s. 87; 2005, c. 1, s. 34.

101.6. Notwithstanding section 101, where a taxpayer has in a taxation year received an amount that would, but for this section, be included in his income under paragraph *w* of section 87 in respect of the cost of a depreciable property acquired by him in the year, in the three taxation years immediately preceding the year or in the taxation year immediately following the year, he may elect under this section on or before his filing-due date for the year, or, where the property is acquired in the taxation year immediately following the year, for that following year, that the capital cost of the property to him be deemed to be the amount by which the aggregate of the following amounts exceeds the amount elected by him under this section:

(a) the capital cost of the property to him otherwise determined, applying section 101, where necessary;

(b) such part, if any, of the amount so received by the taxpayer as has been repaid by him pursuant to a legal obligation to repay all or any part of that amount, in respect of that property and before the disposition thereof by him, and as may reasonably be considered to be in respect of the amount elected under this section in respect of the property.

1987, c. 67, s. 26; 1993, c. 16, s. 59; 1997, c. 31, s. 14.

101.7. For the purposes of section 101.6, in no case shall the amount elected by the taxpayer under this section exceed the least of

(a) the amount received by the taxpayer and to which that section refers;

(b) the capital cost of the property to the taxpayer otherwise determined;

(c) where the taxpayer has disposed of the property before the year, nil.

1987, c. 67, s. 26.

101.7.1. Section 93.18 applies in respect of an amount repaid after 31 December 2016 as if that amount was repaid immediately before 1 January 2017, if

(a) the amount is repaid by the taxpayer under a legal obligation to repay all or part of an amount the taxpayer received or was entitled to receive that was assistance from a government, municipality or other public authority (whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance) in respect of, or for the acquisition of, property the cost of which was an incorporeal capital amount of the taxpayer in respect of a business, within the meaning of section 106, as it read before being repealed;

(b) the incorporeal capital amount of the taxpayer in respect of the business was reduced in accordance with paragraph *b* of section 106.2, as it read before being repealed, because of the assistance referred to in paragraph *a*; and

(c) paragraph *o*.1 of section 157 does not apply in respect of the amount repaid.

2019, c. 14, s. 77.

101.7.2. No amount may be deducted under paragraph *a* of section 130 in respect of an amount of repaid assistance referred to in section 101.7.1 for any taxation year prior to the taxation year in which the assistance is repaid.

2019, c. 14, s. 77.

101.8. For the purposes of this Part,

(a) where a taxpayer, to acquire a property prescribed in respect of the taxpayer, is required under the terms of a contract entered into after 6 March 1996 to make a payment to the State, to Her Majesty in right of Canada or a province, other than Québec, or to a Canadian municipality in respect of costs incurred or to be incurred by the recipient of the payment, the taxpayer is deemed to have acquired the property at the later of

the time the payment is made and the time at which those costs are incurred at a capital cost equal to the portion of that payment made by the taxpayer that can reasonably be regarded as being in respect of those costs;

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

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

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

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

$$A \times B / C;$$

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

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

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

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

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

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

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

1998, c. 16, s. 88; 2001, c. 7, s. 169; 2005, c. 1, s. 35.

102. For the purposes of this division, every deduction as amortization made under section 64 or 78.4, section 12 of the Corporation Tax Act (Revised Statutes, 1964, chapter 67) or section 13 of the Provincial Income Tax Act (Revised Statutes, 1964, chapter 69) is deemed to have been made in accordance with the regulations made under paragraph *a* of section 130.

1972, c. 23, s. 91; 1972, c. 26, s. 41; 1987, c. 21, s. 12; 1990, c. 59, s. 58.

103. The amount deducted under section 155 or for which a deduction is made under section 156 is deemed, if it is a payment on account of the capital cost of depreciable property, to have been allowed the

taxpayer in respect of such property, under regulations made under paragraph *a* of section 130, in computing his income for the year, or for the year in which the property was acquired, whichever is more recent.

1972, c. 23, s. 92.

104. The rules contained in this division apply to the disposition of a vessel that is a depreciable property, subject to the regulations.

1972, c. 23, s. 93.

DIVISION II.I

INCLUSIONS IN RESPECT OF CERTAIN INVESTMENTS

1989, c. 5, s. 35.

104.1. Where an amount in respect of depreciable property of a prescribed class is included under section 94 in computing the income for a taxation year of a taxpayer, whether that taxpayer is an individual or a corporation, and an amount was deducted or is deemed, pursuant to section 104.3, to have been deducted under section 156.1 or 156.1.1 in respect of that property in computing the taxpayer's income from a business for a preceding taxation year, there shall be included in computing the taxpayer's income from a business for the year an amount equal to the product obtained by multiplying the aggregate of the amounts determined in accordance with any of sections 156.2 to 156.3.1 in respect of the property for a preceding taxation year by the amount determined by the formula

A / B × C / D.

For the purposes of the formula provided in the first paragraph,

(a) the letter A represents the amount included under section 94 in computing the income of the taxpayer for the year in respect of the property referred to in the first paragraph;

(b) the letter B represents the total depreciation, within the meaning of subparagraph *b* of the first paragraph of section 93, allowed to the taxpayer in respect of the property referred to in the first paragraph;

(c) the letter C represents

i. where the taxpayer is an individual, the aggregate of the income earned in Québec and elsewhere by the individual for the year;

ii. where the taxpayer is a corporation, the aggregate of the business carried on in Canada or in Québec and elsewhere by the corporation in the year;

(d) the letter D represents

i. where the taxpayer is an individual, the income earned in Québec by the individual for the year;

ii. where the taxpayer is a corporation, the business carried on in Québec by the corporation in the year.

1989, c. 5, s. 35; 1993, c. 16, s. 60; 1995, c. 1, s. 199; 1997, c. 3, s. 71; 1999, c. 83, s. 31; 2001, c. 53, s. 36.

104.1.1. A partnership shall include in computing the partnership's income from a business for a fiscal period, in this section referred to as the "particular fiscal period", the amount determined under the second paragraph, if

(a) an amount in respect of depreciable property of a prescribed class is included under section 94 in computing the partnership's income for the particular fiscal period; and

(b) an amount was deducted or is deemed, pursuant to section 104.3, to have been deducted, in respect of the property referred to in subparagraph *a*, in computing the partnership's income from a business for a fiscal period preceding the particular fiscal period under any of sections 156.1 and 156.1.1.

The amount to which the first paragraph refers that the partnership is required to include in computing its income for the particular fiscal period is equal to the amount determined by the formula

$$A \times B / C.$$

In the formula provided for in the second paragraph,

(a) A is the product obtained by multiplying the aggregate of the amounts determined under any of sections 156.2 to 156.3.1, in respect of the depreciable property for a fiscal period preceding the particular fiscal period, by the quotient obtained by dividing the amount included in computing the partnership's income for the particular fiscal period under section 94 in respect of the property by the total depreciation, within the meaning of subparagraph *b* of the first paragraph of section 93, allowed to the partnership in respect of the property;

(b) B is the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the particular fiscal period;

(c) C is the business carried on in Québec by the partnership in the particular fiscal period.

1993, c. 16, s. 61; 1995, c. 1, s. 199; 1997, c. 3, s. 71; 1999, c. 83, s. 32; 2001, c. 53, s. 37.

104.2. For the purposes of sections 104.1 and 104.1.1, the following rules apply:

(a) the computation of income earned in Québec and of income earned in Québec and elsewhere is made in the manner prescribed in the regulations made pursuant to section 22, with the necessary modifications; and

(b) the computation of business carried on in Canada, of business carried on in Québec and of business carried on in Québec and elsewhere by a corporation is made in the manner prescribed by the regulations made pursuant to section 771, with the necessary modifications, and the computation of business carried on in Canada, of business carried on in Québec and of business carried on in Québec and elsewhere by a partnership is made in the manner so prescribed by those regulations, with the necessary modifications, as if the partnership were a corporation and its fiscal period were a taxation year.

1989, c. 5, s. 35; 1993, c. 16, s. 62; 1995, c. 1, s. 22; 1995, c. 63, s. 261; 2001, c. 53, s. 38.

104.3. For the purposes of this division, where at any time a taxpayer or a partnership has, in any manner whatever, acquired depreciable property of a prescribed class from a transferor, any of sections 7.6, 99, 439, 444, 450, 455, 462, 527, 565, 617, 624, 630, 688, 690.1 to 690.3 and 832.4 applied in respect of the acquisition, the property was, immediately before its acquisition by the taxpayer or the partnership, a capital property of the transferor and an amount was deducted under section 156.1 or 156.1.1 in respect of the property in computing the income of the transferor for any taxation year or fiscal period, the taxpayer or the

partnership, as the case may be, is deemed to have deducted under section 156.1 or 156.1.1, as the case may be, in respect of the property in computing his or its income from a business for the taxation years or the fiscal periods preceding the taxation year or the fiscal period in which the taxpayer or the partnership, as the case may be, acquired the property, an amount equal to the amount so allowed as a deduction under those sections 156.1 and 156.1.1 in respect of the property in computing the income of the transferor.

1989, c. 5, s. 35; 1993, c. 16, s. 63; 1999, c. 83, s. 33.

DIVISION II.2

AMOUNT TO BE INCLUDED IN RESPECT OF THE SUPPLEMENTARY DEDUCTION FOR CERTAIN INVESTMENTS

2000, c. 39, s. 11.

104.4. A taxpayer, who is an individual or a corporation, shall include in computing the taxpayer's income for a taxation year from a business the amount referred to in the second paragraph, if

(a) an amount was deducted, in respect of depreciable property of a prescribed class, in computing the taxpayer's income from a business for a preceding taxation year under section 156.5; and

(b) an amount in respect of the depreciable property, in this section referred to as the "particular amount", that is an amount of assistance described in section 101 or an amount deducted by the taxpayer in respect of the property under subsection 5 or 6 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), is taken into account for the first time for the purpose of determining, at any time in the year, the capital cost to the taxpayer of the property or the undepreciated capital cost of the taxpayer's property of that class.

The amount referred to in the first paragraph that the taxpayer is required to include in computing the taxpayer's income for the year is equal to 25% of the amount determined by the formula

$$A \times (B / C).$$

In the formula provided for in the second paragraph,

(a) A is the lesser of

i. the aggregate of all amounts each of which is, for the taxpayer, a particular amount in respect of the depreciable property for the year, and

ii. the amount included in computing the taxpayer's income for the year under section 94 in respect of the depreciable property;

(b) B is

i. where the taxpayer is an individual, the aggregate of the individual's income earned in Québec and elsewhere for the year, and

ii. where the taxpayer is a corporation, the aggregate of the business carried on in Canada or in Québec and elsewhere by the corporation in the year; and

(c) C is

i. where the taxpayer is an individual, the individual's income earned in Québec for the year, and

ii. where the taxpayer is a corporation, the business carried on in Québec by the corporation in the year.

2000, c. 39, s. 11.

104.5. A partnership shall include in computing the partnership's income from a business for a fiscal period, in this section referred to as the "particular period", the amount referred to in the second paragraph, if

(a) an amount was deducted, in respect of depreciable property of a prescribed class, in computing the partnership's income from a business for a preceding fiscal period under section 156.5.1; and

(b) an amount in respect of the depreciable property, in this section referred to as the "particular amount", that is an amount of assistance described in section 101 or an amount that is deemed to be such an amount of assistance because of the application of section 101.3 or 101.4, is taken into account for the first time for the purpose of determining, at any time in the particular period, the capital cost to the partnership of the property or the undepreciated capital cost of the partnership's property of that class.

The amount to which the first paragraph refers that the partnership is required to include in computing its income for the particular period is equal to 25% of the amount determined by the formula

$$A \times B / C.$$

In the formula provided for in the second paragraph,

(a) A is the lesser of

i. the aggregate of all amounts each of which is, for the partnership, a particular amount in respect of the depreciable property for the particular period, and

ii. the amount included in computing the partnership's income for the particular period under section 94 in respect of the depreciable property;

(b) B is the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the particular period; and

(c) C is the business carried on in Québec by the partnership in the particular period.

2000, c. 39, s. 11.

104.6. For the purposes of sections 104.4 and 104.5, the following rules apply:

(a) the computation of income earned in Québec and of income earned in Québec and elsewhere is made in the manner prescribed in the regulations made pursuant to section 22, with the necessary modifications; and

(b) the computation of business carried on in Canada, of business carried on in Québec and of business carried on in Québec and elsewhere by a corporation is made in the manner prescribed by the regulations made pursuant to subsection 2 of section 771, with the necessary modifications, and the computation of business carried on in Canada, of business carried on in Québec and of business carried on in Québec and elsewhere by a partnership is made in the manner so prescribed by those regulations, with the necessary modifications, as if the partnership were a corporation and its fiscal period were a taxation year.

2000, c. 39, s. 11.

DIVISION III

(Repealed).

1972, c. 23; 2005, c. 1, s. 36; 2019, c. 14, s. 78.

105. *(Repealed).*

1972, c. 23, s. 94; 1978, c. 26, s. 22; 1990, c. 59, s. 59; 1993, c. 16, s. 64; 1994, c. 22, s. 75; 1996, c. 39, s. 32; 1997, c. 3, s. 71; 2000, c. 5, s. 35; 2003, c. 2, s. 36; 2019, c. 14, s. 78.

105.1. *(Repealed).*

1995, c. 49, s. 38; 2003, c. 2, s. 37; 2019, c. 14, s. 78.

105.2. *(Repealed).*

1996, c. 39, s. 33; 2003, c. 2, s. 38; 2019, c. 14, s. 78.

105.2.1. *(Repealed).*

2003, c. 2, s. 39; 2004, c. 21, s. 54; 2005, c. 1, s. 37; 2007, c. 12, s. 35; 2017, c. 29, s. 31; 2019, c. 14, s. 78.

105.2.2. *(Repealed).*

2007, c. 12, s. 36; 2017, c. 29, s. 32; 2019, c. 14, s. 78.

105.2.3. *(Repealed).*

2007, c. 12, s. 36; 2019, c. 14, s. 78.

105.3. *(Repealed).*

2000, c. 5, s. 36; 2003, c. 2, s. 40; 2005, c. 1, s. 38; 2017, c. 29, s. 33; 2019, c. 14, s. 78.

105.4. *(Repealed).*

2004, c. 21, s. 55; 2005, c. 1, s. 39; 2007, c. 12, s. 37; 2017, c. 29, s. 34.

106. *(Repealed).*

1972, c. 23, s. 95; 1973, c. 17, s. 10; 1974, c. 18, s. 5; 1996, c. 39, s. 34; 1997, c. 3, s. 71; 2005, c. 1, s. 40; 2019, c. 14, s. 78.

106.1. *(Repealed).*

1990, c. 59, s. 60; 1993, c. 16, s. 65; 1997, c. 3, s. 71; 2003, c. 2, s. 41; 2005, c. 1, s. 41; 2007, c. 12, s. 38; 2009, c. 5, s. 55; 2019, c. 14, s. 78.

106.2. *(Repealed).*

1996, c. 39, s. 35; 2001, c. 53, s. 260; 2005, c. 1, s. 42; 2019, c. 14, s. 78.

106.3. *(Repealed).*

1996, c. 39, s. 35; 1997, c. 3, s. 71; 2001, c. 53, s. 260; 2005, c. 1, s. 43; 2019, c. 14, s. 78.

106.4. *(Repealed).*

2000, c. 5, s. 37; 2004, c. 8, s. 20; 2005, c. 1, s. 44; 2017, c. 1, s. 90; 2019, c. 14, s. 78.

106.5. *(Repealed).*

2004, c. 8, s. 21; 2005, c. 1, s. 45; 2019, c. 14, s. 78.

106.6. *(Repealed).*

2004, c. 8, s. 21; 2005, c. 1, s. 46; 2019, c. 14, s. 78.

107. *(Repealed).*

1972, c. 23, s. 96; 1978, c. 26, s. 23; 1990, c. 59, s. 61; 1993, c. 16, s. 66; 1996, c. 39, s. 36; 2003, c. 2, s. 42; 2005, c. 1, s. 47; 2007, c. 12, s. 39; 2019, c. 14, s. 78.

107.0.1. *(Repealed).*

2009, c. 5, s. 56; 2019, c. 14, s. 78.

107.1. *(Repealed).*

1990, c. 59, s. 62; 1997, c. 3, s. 71; 2015, c. 21, s. 115; 2019, c. 14, s. 78.

107.2. *(Repealed).*

1996, c. 39, s. 37; 2005, c. 1, s. 48; 2019, c. 14, s. 78.

107.3. *(Repealed).*

1996, c. 39, s. 37; 2005, c. 1, s. 49; 2019, c. 14, s. 78.

108. *(Repealed).*

1972, c. 23, s. 97; 1978, c. 26, s. 24; 2019, c. 14, s. 78.

109. *(Repealed).*

1972, c. 23, s. 98; 1974, c. 18, s. 6; 1978, c. 26, s. 25; 2019, c. 14, s. 78.

110. *(Repealed).*

1972, c. 23, s. 99; 2019, c. 14, s. 78.

110.1. *(Repealed).*

1978, c. 26, s. 26; 1982, c. 5, s. 32; 1990, c. 59, s. 63; 1993, c. 16, s. 67; 2001, c. 7, s. 17; 2003, c. 2, s. 43; 2005, c. 1, s. 50; 2009, c. 5, s. 57; 2009, c. 15, s. 54; 2019, c. 14, s. 78.

DIVISION IV

BENEFITS CONFERRED ON A SHAREHOLDER

1972, c. 23; 1990, c. 59, s. 64.

111. Where, at any time, a benefit is conferred by a corporation on a shareholder of the corporation, on a member of a partnership that is a shareholder of the corporation or on a contemplated shareholder of the

corporation, the amount or value of the benefit must be included in computing the income of the shareholder, member or contemplated shareholder, as the case may be, for its taxation year that includes the time.

1972, c. 23, s. 100; 1982, c. 5, s. 33; 1990, c. 59, s. 65; 1994, c. 22, s. 76; 1997, c. 3, s. 71; 2015, c. 21, s. 116.

111.1. For the purposes of section 111, the value of the benefit where an obligation issued by a debtor is settled or extinguished at any time is deemed to be the forgiven amount at that time in respect of the obligation.

In the first paragraph, the "forgiven amount" at any time in respect of an obligation issued by a debtor has the meaning that would be assigned by section 485 if

(a) the obligation were a commercial obligation, within the meaning assigned by section 485, issued by the debtor;

(b) no amount included in computing income, otherwise than pursuant to section 37, because of the obligation being settled or extinguished at that time were taken into account;

(c) the definition of "forgiven amount" in section 485 were read without reference to paragraphs *f* and *h*; and

(d) section 485.3 were read without reference to subparagraphs *b* and *r* of the first paragraph of that section.

1989, c. 77, s. 18; 1996, c. 39, s. 38.

112. Section 111 does not apply in respect of a benefit conferred by a corporation to the extent that the amount or value of the benefit is deemed to be a dividend under Chapter III of Title IX or if it arises out of,

(a) where the corporation is resident in Canada at the time referred to in section 111:

i. the reduction of the paid-up capital of the corporation,

ii. the acquisition, cancellation or redemption by the corporation of shares of its capital stock,

iii. the winding-up, discontinuance or reorganization of the corporation's business, or

iv. a transaction to which Chapter VII or VIII of Title IX applies,

(a.1) where the corporation is not resident in Canada at the time referred to in section 111:

i. a distribution to which section 578.4 applies,

ii. a reduction of the paid-up capital of the corporation to which subparagraph 2 of subparagraph i of paragraph *j* of section 257 would apply if that subparagraph 2 were read without reference to "after 31 December 1971 and before 20 August 2011, or" or to which subparagraph ii of that paragraph *j* applies,

iii. the acquisition, cancellation or redemption by the corporation of shares of its capital stock, or

iv. the winding-up, or liquidation and dissolution, of the corporation,

(b) the payment of a dividend or a stock dividend;

(c) the conferring, on all owners of common shares of the capital stock of the corporation at the time referred to in section 111, of a right in respect of each common share, that is identical to every other right conferred at that time in respect of each other such share, to acquire additional shares of the capital stock of the corporation; or

(d) a transaction described in any of paragraphs *d* to *f* of subsection 2 of section 504.

For the purposes of subparagraph *c* of the first paragraph,

(a) where the voting rights attached to a particular class of common shares of the capital stock of a corporation differ from the voting rights attached to another class of common shares of the capital stock of the corporation and there are no other differences between the terms and conditions of the classes of shares that could cause the fair market value of a share of the particular class to differ materially from the fair market value of a share of the other class, the common shares of the particular class are deemed to be identical to those of the other class; and

(b) rights are not considered identical if the cost of acquiring the rights differs.

1972, c. 23, s. 101; 1974, c. 18, s. 7; 1978, c. 26, s. 27; 1979, c. 18, s. 9; 1982, c. 5, s. 34; 1990, c. 59, s. 66; 1993, c. 16, s. 68; 1994, c. 22, s. 77; 1995, c. 49, s. 39; 1997, c. 3, s. 71; 2015, c. 21, s. 117.

112.1. Notwithstanding sections 111 and 112, a person shall include in computing his income for a taxation year the fair market value of a stock dividend paid to him by a corporation in the year, except to the extent that it is otherwise included in computing that person's income under the first paragraph of section 497, if it may reasonably be considered that one of the purposes of such payment was to significantly alter the value of the interest of any specified shareholder of the corporation.

1987, c. 67, s. 27; 1997, c. 3, s. 71; 2001, c. 7, s. 18.

112.2. *(Repealed).*

1991, c. 25, s. 41; 1994, c. 22, s. 78; 1995, c. 1, s. 23; 1995, c. 49, s. 40; 1997, c. 3, s. 71; 1997, c. 31, s. 15.

112.2.1. *(Repealed).*

1994, c. 22, s. 79; 1995, c. 1, s. 24; 1997, c. 3, s. 71; 1997, c. 14, s. 35; 1997, c. 31, s. 15.

112.3. To the extent that the cost to a person of purchasing a property or service or an amount payable by a person for the purpose of leasing property is taken into account in determining an amount required under this division to be included in computing a taxpayer's income for a taxation year, other than such an amount that is the value of a benefit determined under section 117, that cost or that amount payable, as the case may be, shall include any tax that was payable by the person in respect of the property or service or that would have been so payable if the person were not exempt from the payment of that tax because of the nature of the person or the use to which the property or service is to be put.

1991, c. 25, s. 41; 1994, c. 22, s. 80; 1997, c. 3, s. 71; 1997, c. 31, s. 16.

112.3.1. For the purposes of this section and sections 111 and 112, the following rules apply:

(a) a contemplated shareholder of a corporation is

i. a person or partnership on whom a benefit is conferred by the corporation in contemplation of the person or partnership becoming a shareholder of the corporation, or

ii. a member of a partnership on whom a benefit is conferred by the corporation in contemplation of the partnership becoming a shareholder of the corporation;

(b) a person or partnership that is (or is deemed by this subparagraph to be) a member of a particular partnership that is a member of another partnership is deemed to be a member of the other partnership;

(c) a benefit conferred by a corporation on an individual is a benefit conferred on a shareholder of the corporation, a member of a partnership that is a shareholder of the corporation or a contemplated shareholder of the corporation–except to the extent that the amount or value of the benefit is included in computing the

income of the individual or any other person–if the individual is an individual, other than an excluded trust in respect of the corporation, who does not deal at arm's length with, or is affiliated with, the shareholder, member of the partnership or contemplated shareholder, as the case may be; and

(d) (subparagraph repealed).

For the purposes of subparagraph *c* of the first paragraph, an excluded trust in respect of a corporation is a trust in which no individual (other than an excluded trust in respect of the corporation) who does not deal at arm's length with, or is affiliated with, a shareholder of the corporation, a member of a partnership that is a shareholder of the corporation or a contemplated shareholder of the corporation, is beneficially interested.

2015, c. 21, s. 118; 2021, c. 18, s. 25.

112.3.2. If a corporation that is not resident in Canada (in this section referred to as the "original corporation") and that is governed by the laws of a foreign jurisdiction undergoes a division under those laws that results in all or part of its property and liabilities becoming the property and liabilities of one or more other corporations not resident in Canada (each of which is referred to in this section as a "new corporation") and, as a consequence of the division, a shareholder of the original corporation acquires one or more shares (in this section referred to as "new shares") of the capital stock of a new corporation at a particular time, the following rules apply:

(a) except to the extent that any of subparagraphs i to iii of subparagraph *a*.1 of the first paragraph of section 112 or subparagraph *b* of that first paragraph applies, without reference to this section, to the acquisition of the new shares

i. in the case where, for each class of shares of the capital stock of the original corporation of which shares are held by the shareholder immediately before the division, new shares are received at the particular time by shareholders of that class on a pro rata basis in respect of all the shares (in this section referred to as the "original shares") of that class, the following presumptions apply:

(1) at the particular time, the original corporation is deemed to have distributed, and the shareholder is deemed to have received, as a dividend in kind in respect of the original shares, the new shares acquired by the shareholder at that time, and

(2) the amount of the dividend in kind received by the shareholder in respect of an original share is deemed to be equal to the fair market value, immediately after the particular time, of the new shares acquired by the shareholder at the particular time in respect of the original share, and

ii. in any case where subparagraph i does not apply, the original corporation is deemed, at the particular time, to have conferred a benefit on the shareholder equal to the fair market value, at that time, of the new shares acquired by the shareholder as a consequence of the division;

(b) any gain or loss of the original corporation from a distribution of the new shares as a consequence of the division is deemed to be nil; and

(c) each property of the original corporation that becomes at any time property of the new corporation as a consequence of the division is deemed

i. to have been disposed of by the original corporation immediately before that time for proceeds of disposition equal to the property's fair market value, and

ii. to have been acquired by the new corporation at that time at a cost equal to the proceeds of disposition determined in accordance with subparagraph i.

2021, c. 18, s. 26.

113. Where a person or a partnership is a shareholder of a corporation, is a person or a partnership that does not deal at arm's length with, or is affiliated with, a shareholder of a corporation, or is a member of a partnership, or a beneficiary of a trust, that is a shareholder of a corporation and the person or partnership has in a taxation year received a loan from or become indebted to the corporation, any other corporation related to the corporation or a partnership of which the corporation or a corporation related to the corporation is a member, the amount of the loan or indebtedness (other than a pertinent loan or indebtedness) must be included in computing the income for the year of the person or partnership.

1972, c. 23, s. 102; 1978, c. 26, s. 28; 1984, c. 15, s. 25; 1994, c. 22, s. 80; 1997, c. 3, s. 71; 2015, c. 21, s. 119; 2017, c. 29, s. 35.

113.1. For the purposes of section 113 and subject to section 127.19, "pertinent loan or indebtedness" means a loan received, or an indebtedness incurred, at any time, by a corporation not resident in Canada (in this section referred to as the "subject corporation"), or by a partnership of which the subject corporation is, at that time, a member, if the loan or indebtedness is an amount owing to a corporation resident in Canada (in this section and sections 113.2 and 113.3 referred to as the "Canadian corporation") or to a qualifying Canadian partnership in respect of a Canadian corporation and if

(a) section 113 would, in the absence of this section, apply to the amount owing;

(b) the amount becomes owing after 28 March 2012;

(c) at that time, the Canadian corporation is controlled by

i. the subject corporation, or

ii. a corporation not resident in Canada that does not deal at arm's length with the subject corporation; and

(d) a valid election has been made, in relation to the amount owing, under subparagraph i or ii of paragraph *d* of subsection 2.11 of section 15 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) by

i. where the amount is owing to the Canadian corporation, the Canadian corporation and a corporation not resident in Canada that controls the Canadian corporation, or

ii. where the amount is owing to the qualifying Canadian partnership, all the members of the qualifying Canadian partnership and a corporation not resident in Canada that controls the Canadian corporation.

Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph i or ii of paragraph *d* of subsection 2.11 of section 15 of the Income Tax Act.

2017, c. 29, s. 36.

113.2. Where an election referred to in subparagraph *d* of the first paragraph of section 113.1 is, as a consequence of the application of subsection 2.12 of section 15 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), deemed to have been made on or before the date on which it had to be made, the Canadian corporation that is one of the electors incurs a penalty of $100 for each month or part of a month during the period beginning on that date and ending on the day on which the election was actually made.

2017, c. 29, s. 36.

113.3. For the purposes of this section and section 113.1:

(a) "qualifying Canadian partnership", at any time, in respect of a Canadian corporation, means a partnership each member of which is, at that time, the Canadian corporation or another corporation resident in Canada to which the Canadian corporation is, at that time, related; and

(b) any person who is (or is deemed under this paragraph to be) a member of a partnership that is a member of a particular partnership is deemed to be a member of the particular partnership.

2017, c. 29, s. 36.

113.4. Where, at a particular time, a person or partnership (in this section and sections 113.5 to 113.7 referred to as the "intended borrower") owes an amount as or on account of a debt or other obligation to pay an amount (in this section and sections 113.5 to 113.7 referred to as the "shareholder debt") to another person or partnership (in this section and sections 113.5 to 113.7 referred to as the "immediate funder") and the conditions of the second paragraph are met at that time, the intended borrower is, for the purposes of this division and sections 487.1 to 487.5.4, deemed to receive a loan at that time from each particular ultimate funder to whom the second paragraph refers, the amount of which is equal to the amount determined by the formula

$$(A \times B / C) - (D - E).$$

The conditions referred to in the first paragraph are as follows:

(a) in the absence of this section, section 113 would not apply in respect of the shareholder debt;

(b) at the particular time, a funder, in respect of a particular funding arrangement,

i. owes an amount to a person or partnership as or on account of a debt or other obligation to pay an amount that is not a debt or other obligation in respect of which section 113 applies, or would apply if it were not a pertinent loan or indebtedness within the meaning of section 113.1, and that is a debt or other obligation in respect of which either of the following conditions is met:

(1) recourse in respect of the debt or other obligation is limited in whole or in part, either immediately or in the future and either absolutely or contingently, to a funding arrangement, or

(2) it can reasonably be concluded that all or a portion of the particular funding arrangement was entered into or was permitted to remain owing because all or a portion of the debt or other obligation was entered into or was permitted to remain owing, or the funder anticipated that all or a portion of the debt or other obligation would become owing or remain owing, or

ii. has a specified right in respect of a particular property that was granted directly or indirectly by a person or partnership and

(1) the existence of the specified right is required under the terms and conditions of the particular funding arrangement, or

(2) it can reasonably be concluded that all or a portion of the particular funding arrangement was entered into, or was permitted to remain in effect, because the specified right was granted or the funder anticipated that it would be granted; and

(c) at the particular time, one or more funders is an ultimate funder.

In the formula in the first paragraph,

(a) A is the lesser of

i. the amount owing as or on account of the shareholder debt at the particular time, and

ii. the aggregate of all amounts each of which is, at the particular time,

(1) an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to an ultimate funder under a funding arrangement in respect of the shareholder debt, or

(2) the fair market value of a particular property in respect of which an ultimate funder has granted a specified right to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt;

(b) B is the aggregate of all amounts each of which is, at the particular time,

i. an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to the particular ultimate funder under a funding arrangement in respect of the shareholder debt, or

ii. the fair market value of a particular property in respect of which the particular ultimate funder has granted a specified right to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt;

(c) C is the aggregate determined under subparagraph ii of subparagraph *a*;

(d) D is the aggregate of all amounts each of which is, in respect of the shareholder debt, an amount that the intended borrower has been deemed under this section to have received from the particular ultimate funder as a loan at any time before the particular time; and

(e) E is the aggregate of all amounts each of which is a repayment deemed, under section 113.5 or 113.6, to have occurred before the particular time, in respect of a loan that has been deemed to have been received from the particular ultimate funder and that is referred to in subparagraph *d*.

2020, c. 16, s. 36.

113.5. Where section 113.4 has applied, before a particular time, in respect of a shareholder debt to deem one or more loans to have been received by an intended borrower from a particular ultimate funder and, at that time, any of the conditions of the second paragraph is met, the intended borrower is, for the purposes of this division and sections 177 and 487.1 to 487.5.4, deemed to repay at that time, in whole or in part, one or more of the deemed loans, and the total amount of the deemed repayments is determined by the formula

$$A - B - (C \times D / E).$$

The conditions to which the first paragraph refers are as follows:

(a) an amount owing in respect of the shareholder debt is repaid in whole or in part;

(b) an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to the particular ultimate funder under a funding arrangement in respect of the shareholder debt is repaid in whole or in part; and

(c) either

i. there is a decrease in the fair market value of a property in respect of which a specified right was granted by the particular ultimate funder to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt, or

ii. a right described in subparagraph i is extinguished.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is the amount of a loan deemed, under section 113.4, to have been received, at any time before the particular time, by an intended borrower from the particular ultimate funder in respect of the shareholder debt;

(b) B is the aggregate of all amounts deemed under this section to have been repaid, at any time before the particular time, by the intended borrower in respect of a loan referred to in subparagraph *a*;

(c) C is the lesser of

i. the amount owing as or on account of the shareholder debt, immediately after the particular time, and

ii. the aggregate of all amounts each of which is, immediately after the particular time,

(1) an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to an ultimate funder under a funding arrangement in respect of the shareholder debt, or

(2) the fair market value of a particular property in respect of which an ultimate funder has granted a specified right to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt;

(d) D is the aggregate of all amounts each of which is, immediately after the particular time,

i. an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to the particular ultimate funder under a funding arrangement in respect of the shareholder debt, or

ii. the fair market value of a particular property in respect of which the particular ultimate funder has granted a specified right to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt; and

(e) E is the aggregate determined under subparagraph ii of subparagraph *c*.

2020, c. 16, s. 36.

113.6. Where the amount determined, at a particular time, by the formula in the first paragraph of section 113.4 would, but for section 7.5, be less than zero, the intended borrower is, for the purposes of this division and sections 177 and 487.1 to 487.5.4, deemed to repay, in whole or in part, one or more of the loans deemed under section 113.4 to have been received, before that time, by the intended borrower from the particular ultimate funder and the total amount of the deemed repayments is equal to the absolute value of that negative amount.

2020, c. 16, s. 36.

113.7. In this section and sections 113.4 to 113.6,

"funder", in respect of a funding arrangement, means

(a) if the funding arrangement is described in paragraph *a* of the definition of that expression, the immediate funder;

(b) if the funding arrangement is described in paragraph *b* of the definition of that expression, the creditor in respect of the debt or other obligation or the grantor of the specified right, as the case may be; or

(c) a person or partnership who does not deal at arm's length with a person or partnership referred to in paragraph *a* or *b*;

"funding arrangement" means

(a) the shareholder debt; and

(b) each debt or other obligation or specified right, owing by or granted to a funder, in respect of a particular funding arrangement, if the conditions of subparagraph i or ii, as the case may be, of subparagraph *b* of the second paragraph of section 113.4 are met in respect of the debt or other obligation or specified right;

"specified right" has the meaning assigned by subparagraph *b*.5.1 of the first paragraph of section 172, with the necessary modifications;

"ultimate funder" means a funder whose substitution to the immediate funder as creditor of the shareholder debt would result in the application of section 113 in respect of the shareholder debt.

2020, c. 16, s. 36.

114. Section 113 does not apply if the loan was made or the indebtedness arose in the ordinary course of the lender's or creditor's business, and *bona fide* arrangements were made, at the time the loan was made or the indebtedness arose, for repayment thereof within a reasonable time and, in the case of a loan, if the lending of money was part of the lender's ordinary business.

Section 113 does not apply if the conditions set out in the third paragraph are met and the loan was made or the indebtedness arose

(a) in respect of a person who is an employee of the lender or creditor to enable or assist the person to acquire a motor vehicle to be used by him in the performance of his duties;

(a.1*)* in respect of a person who is an individual and an employee of the lender or creditor but not a specified employee of the lender or creditor;

(b) where the lender or creditor is a corporation, in respect of a person who is an employee of the lender or creditor or of another corporation that is related to the lender or creditor, to enable or assist the person to acquire shares, described in any of the following subparagraphs, to be held by the person for the person's own benefit:

i. a previously unissued fully paid share of the capital stock of the lender or creditor, which share is acquired from the lender or creditor, or

ii. a previously unissued fully paid share of the capital stock of a corporation related to the lender or creditor, which share is acquired from the related corporation,

iii. *(subparagraph repealed)*;

(c) in respect of a person who is an employee of the lender or creditor or who is the spouse of an employee of the lender or creditor to enable or assist the person to acquire a dwelling or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a dwelling owned by the cooperative, where the dwelling is for the person's habitation.

The conditions to which the second paragraph refers are as follows:

(a) at the time the loan was made or the indebtedness arose, *bona fide* arrangements were made for repayment of the loan or debt within a reasonable time; and

(b) it is reasonable to conclude that the employee or the employee's spouse received the loan, or became indebted, because of the employee's employment and not because of any person's share-holdings.

1972, c. 23, s. 103; 1978, c. 26, s. 28; 1979, c. 18, s. 10; 1982, c. 5, s. 35; 1984, c. 15, s. 25; 1988, c. 4, s. 26; 1990, c. 59, s. 67; 1993, c. 16, s. 69; 1994, c. 22, s. 81; 1997, c. 3, s. 71; 1997, c. 85, s. 330; 1999, c. 83, s. 34; 2000, c. 5, s. 38.

114.1. Section 113 does not apply to a loan made or a debt that arose in respect of a trust where

(a) the lender or creditor is a private corporation;

(b) the corporation is the settlor and sole beneficiary of the trust;

(c) the sole purpose of the trust is to facilitate the purchase and sale of the shares of the corporation, or of another corporation related to the corporation, for an amount equal to their fair market value at the time of the purchase or sale, as the case may be, from or to the employees of the corporation or of the related corporation, other than employees who are specified employees of the corporation or of another corporation related to the corporation, as the case may be; and

(d) at the time the loan was made or the indebtedness arose, *bona fide* arrangements were made for repayment of the loan or debt within a reasonable time.

2000, c. 5, s. 39.

115. Section 113 does not apply if the loan or indebtedness was repaid within one year from the end of the taxation year of the lender or creditor in which it was made or incurred and it is established that the repayment was not made as part of a series of transactions and repayments.

1972, c. 23, s. 104; 1978, c. 26, s. 28; 1984, c. 15, s. 25; 1994, c. 22, s. 82.

116. Section 113 does not apply where the loan was made to

(a) a corporation resident in Canada or a partnership each member of which is such a corporation;

(b) a person not resident in Canada, if the lender is also such a person; or

(c) a person that does not deal at arm's length with, or is affiliated with, a shareholder of a corporation, if that person is a foreign affiliate of the corporation or a foreign affiliate of a person resident in Canada that does not deal at arm's length with that corporation.

In addition, section 113 does not apply where the debtor is a person or partnership described in subparagraph *a* or *c* of the first paragraph or a person not resident in Canada, if the creditor is also such a person.

1972, c. 23, s. 105; 1978, c. 26, s. 28; 1984, c. 15, s. 25; 1994, c. 22, s. 82; 1997, c. 3, s. 71; 2015, c. 21, s. 120.

116.1. For the purposes of this division, an individual who is an employee of a partnership is deemed to be a specified employee of the partnership where the individual is a specified shareholder of one or more corporations that, in total, are entitled, directly or indirectly, to a share of any income or loss of the partnership, which share is not less than 10% of the income or loss.

2000, c. 5, s. 40.

117. If a corporation has made, in the year, an automobile available to a shareholder, or a person related to the shareholder, the value of the benefit to be included in computing the shareholder's income for the year under section 111 is, except when an amount has been included in computing the shareholder's income under section 41 in respect of the automobile, computed on the assumption that Divisions I and II of Chapter II of Title II, except section 41.0.2, apply in respect of that benefit, with the necessary modifications, and by replacing any reference to an employer by a reference to the corporation.

1972, c. 23, s. 106; 1984, c. 15, s. 25; 1986, c. 15, s. 48; 1995, c. 49, s. 41; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2021, c. 14, s. 27.

118. Sections 111 to 117 apply to the computing, for the purposes of this Part, of the income of a shareholder, of a person or of a partnership, whether or not the corporation or the creditor, as the case may be, has resided or carried on business in Canada.

1972, c. 23, s. 107; 1978, c. 26, s. 29; 1984, c. 15, s. 25; 1997, c. 3, s. 71.

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

The same applies if the corporation is not resident in Canada unless the amount so paid is, under the laws of the country in which that corporation resides, deductible in computing the amount for the year on which the corporation is liable to pay income tax to the government of that country.

1972, c. 23, s. 108; 1980, c. 13, s. 7; 1997, c. 3, s. 71.

119.1. For the purposes of section 111, a person or a partnership referred to in section 487.3 is deemed to receive the benefit provided for in the said section 487.3 as a shareholder.

1978, c. 26, s. 30; 1983, c. 44, s. 21, 1997, c. 3, s. 71.

DIVISION IV.1

DEVELOPMENT BONDS

1982, c. 5, s. 36.

119.2. In this division,

"development bond" at any time means an obligation that is at that time a qualifying debt obligation issued

(a) after 31 December 1981 and before 1 January 1988 by a Canadian-controlled private corporation and in respect of which a joint election was made within 90 days after the later of its issue date and 30 March 1983;

(b) after 25 February 1992 by a Canadian-controlled private corporation and in respect of which a joint election was made within 90 days after its issue date; or

(c) by a Canadian-controlled private corporation if

i. it is reasonable to consider that the corporation and the holder of the obligation intended that this division apply to the obligation, having regard to such factors as may be relevant, including the rate of interest stipulated under the terms of the obligation and the manner in which the corporation and the holder have treated the obligation for the purposes of this Part, and

ii. the holder files with the Minister a joint election in respect of the obligation within 90 days from the date of notification by the Minister that a joint election in respect of the obligation has not been filed;

"joint election" in respect of any obligation means an election that is made in prescribed form, containing prescribed information, jointly by the issuer corporation of the obligation and the person who is the holder of the obligation at the time of the election, that is filed with the Minister by the holder and in which the holder and the issuer corporation elect that this division apply to the obligation;

"qualified corporation" has the meaning assigned by the regulations;

"qualifying debt obligation" of a corporation at a particular time means an obligation that is a bond, debenture, bill, note, hypothecary claim, mortgage or similar obligation issued between 25 February 1992 and

1 January 1995 and not more than five years before the particular time, the principal amount of which is not less than $10,000 nor more than $500,000, that is issued for a term of not more than five years and, except in the event of a failure or default under the terms or conditions of the obligation, not less than one year, if the obligation is issued by the corporation

(a) as part of a proposal to, or an arrangement with, its creditors that has been approved by a competent court under the Bankruptcy and Insolvency Act (Revised Statutes of Canada, 1985, chapter B-3);

(b) at a time when all or substantially all of its assets are under the control of a receiver, receiver-manager, sequestrator or trustee in bankruptcy; or

(c) in whole or in part, directly or indirectly in exchange or substitution for a debt held by a person with whom the corporation was dealing at arm's length at a time when, by reason of financial difficulties, the corporation

i. is in default on that debt, or

ii. could reasonably be expected to default on that debt.

1982, c. 5, s. 36; 1984, c. 15, s. 26; 1985, c. 25, s. 28; 1987, c. 67, s. 28; 1989, c. 5, s. 36; 1994, c. 22, s. 83; 1995, c. 49, s. 42; 1995, c. 63, s. 27; 1996, c. 39, s. 39; 1997, c. 3, s. 19; 2000, c. 5, s. 41; 2005, c. 1, s. 51.

119.3. Where a corporation pays an amount to a taxpayer as interest on a development bond it has issued, that amount is deemed to have been received by the taxpayer as a taxable dividend.

1982, c. 5, s. 36; 1997, c. 3, s. 71.

119.4. Notwithstanding any other provision of this Part, where a corporation has issued an obligation that is at any time a development bond, the following rules apply:

(a) no deduction may be made in computing its income for a taxation year in respect of an amount paid or payable as interest on that bond, depending on the method regularly followed by the corporation in computing its income for a period that includes that time;

(b) any amount paid by the corporation as interest on the bond, to the extent that it is not allowed as a deduction by virtue of paragraph *a* is, when paid, deemed to have been paid as a taxable dividend.

1982, c. 5, s. 36; 1987, c. 67, s. 29; 1997, c. 3, s. 71.

119.5. Notwithstanding any other provision of this Part, except for the purposes of subparagraph i of paragraph *d*.2 of subsection 1 of section 771 and sections 771.2.1.2, 771.8.3 and 771.8.5, the taxable income of a corporation that has issued an obligation that is at any time a development bond is deemed, for a taxation year that includes a period throughout which the obligation was a development bond, to be an amount equal to the aggregate of its taxable income otherwise determined for the year and the amount paid or payable, depending on the method regularly followed in computing the income of the corporation, as interest on the obligation in respect of that period, at a time when

(a) the corporation was not a qualified corporation; or

(b) (paragraph repealed);

(c) all or substantially all of the proceeds from the issue of the obligation cannot reasonably be regarded as having been used by the corporation or a corporation with which it was not dealing at arm's length in the financing of a qualified business carried on in Canada immediately before the time of the issue of the obligation.

1982, c. 5, s. 36; 1984, c. 15, s. 27; 1987, c. 67, s. 30; 1989, c. 5, s. 37; 1992, c. 1, s. 25; 1994, c. 22, s. 84; 1995, c. 63, s. 28; 1997, c. 3, s. 71; 1997, c. 85, s. 50; 2000, c. 39, s. 12; 2005, c. 38, s. 61.

119.6. *(Repealed).*

1982, c. 5, s. 36; 1994, c. 22, s. 85.

119.7. Notwithstanding any other provision of this Act, an amount paid or payable by a taxpayer pursuant to a legal obligation to pay interest on borrowed money used for the purpose of acquiring a development bond is deemed to be an amount paid or payable, as the case may be, on borrowed money used for the purpose of earning income from a business or property.

1982, c. 5, s. 36.

119.8. Where the Minister establishes that a corporation has, knowingly or under circumstances amounting to gross negligence, made a false declaration in a joint election in respect of an obligation it has issued, the reference in section 119.5 to "the amount paid" shall be read, in respect of that obligation, as a reference to "three times the amount paid".

1982, c. 5, s. 36; 1994, c. 22, s. 86; 1997, c. 3, s. 71.

119.9. Where at any particular time a corporation makes a joint election in respect of an obligation it has issued and at or before that time the corporation or a person or partnership described in the second paragraph made a joint election in respect of any development bond or small business bond, as the case may be, the corporation, for the purposes of this division, is deemed not to be a qualified corporation in respect of the obligation.

The person or partnership referred to in the first paragraph is a corporation associated with the corporation at the time the obligation was issued, an individual who controls or is a member of a related group that controls the corporation, or a partnership any member of which, who is a majority-interest partner of the partnership, controls or is a member of a related group that controls the corporation.

1982, c. 5, s. 36; 1989, c. 5, s. 38; 1994, c. 22, s. 86; 1995, c. 63, s. 261; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

119.10. *(Repealed).*

1982, c. 5, s. 36; 1994, c. 22, s. 87.

119.11. Section 119.9 does not apply to an obligation issued at any time where the issue price of the obligation does not exceed the amount by which $500,000 exceeds the aggregate of all amounts each of which is the principal amount outstanding, immediately after that time, of

(a) another development bond issued by the corporation or a corporation associated with the corporation; or

(b) a small business bond issued by an individual who controls or is a member of a related group that controls the corporation, or by a partnership any member of which, who is a majority-interest partner of the partnership, controls or is a member of a related group that controls the corporation.

1984, c. 15, s. 28; 1987, c. 67, s. 31; 1989, c. 5, s. 39; 1994, c. 22, s. 88; 1997, c. 3, s. 71.

119.12. *(Repealed).*

1984, c. 15, s. 28; 1994, c. 22, s. 89.

119.13. *(Repealed).*

1984, c. 15, s. 28; 1994, c. 22, s. 89.

119.14. *(Repealed).*

1984, c. 15, s. 28; 1994, c. 22, s. 89.

DIVISION IV.2

SMALL BUSINESS BOND

1984, c. 15, s. 28.

119.15. In this division,

"eligible issuer" at any time means

(a) an individual, other than a trust, who is resident in Canada and who

i. has not made a joint election before that time in respect of a small business bond,

ii. is not a majority-interest partner of a partnership that has made a joint election before that time in respect of a small business bond, and

iii. neither controls nor is a member of a related group that controls a corporation that has made a joint election before that time in respect of a small business development bond, or a corporation that is associated with such a corporation; or

(b) a partnership

i. each member of which is an individual, other than a trust, who is resident in Canada,

ii. each majority-interest partner, if any, of which is an eligible issuer, and

iii. that has not made a joint election before that time in respect of a small business bond;

"joint election" in respect of any obligation means an election that is made in prescribed form, containing prescribed information, jointly by the issuer of the obligation and the person who is the holder of the obligation at the time of the election, that is filed with the Minister by the holder and in which the holder and the issuer elect that this division apply to the obligation;

"qualifying debt obligation" of an individual or a partnership at a particular time means an obligation that is a bill, note, hypothecary claim, mortgage or similar obligation issued between 25 February 1992 and 1 January 1995 and not more than five years before the particular time, the principal amount of which is not less than $10,000 nor more than $500,000, that is issued for a term of not more than five years and, except in the event of a failure or default under the terms or conditions of the obligation, not less than one year, if the proceeds from the issue of the obligation are used in Canada in a business the individual or partnership carried on immediately before the time of issue, and if the obligation is issued by the individual or partnership

(a) as part of a proposal to, or an arrangement with, his or its creditors that has been approved by a competent court under the Bankruptcy and Insolvency Act (Revised Statutes of Canada, 1985, chapter B-3);

(b) at a time when all or substantially all of his or its assets are under the control of a receiver, receiver-manager, sequestrator or trustee in bankruptcy; or

(c) in whole or in part, directly or indirectly in exchange or substitution for a debt incurred in the course of the business of the individual or partnership and held by a person with whom the individual or each member of the partnership was dealing at arm's length, at a time when, because of financial difficulty, the individual or partnership

i. is in default on that debt, or

ii. could reasonably be expected to default on that debt;

"small business bond" at any time means an obligation that is at that time a qualifying debt obligation issued by

(a) an individual or a partnership in respect of which a joint election was made within 90 days after its issue date; or

(b) an individual or a partnership if

i. it is reasonable to consider that the holder of the obligation and the individual or partnership, as the case may be, intended that this division apply to the obligation, having regard to such factors as may be relevant, including the rate of interest stipulated under the terms of the obligation and the manner in which the holder and the individual or partnership, as the case may be, have treated the obligation for the purposes of this Part, and

ii. the holder files with the Minister a joint election in respect of the obligation within 90 days from the date of notification by the Minister that a joint election in respect of the obligation has not been filed in accordance with paragraph *a*.

1984, c. 15, s. 28; 1985, c. 25, s. 29; 1987, c. 67, s. 32; 1994, c. 22, s. 90; 1995, c. 49, s. 43; 1996, c. 39, s. 40; 1997, c. 3, s. 71; 2000, c. 5, s. 41; 2005, c. 1, s. 52.

119.16. Where an individual or partnership pays any amount to a taxpayer as or on account of interest in respect of a small business bond, the amount is deemed to have been received by the taxpayer as a taxable dividend from a taxable Canadian corporation.

1984, c. 15, s. 28; 1997, c. 3, s. 71.

119.17. Where an individual or partnership has issued an obligation that is at any time a small business bond, notwithstanding any other provision of this Part, in computing his or its income for a taxation year, no deduction may be made in respect of any amount paid or payable as or on account of interest on the bond, depending on the method regularly followed by the individual or the partnership in computing his or its income, for a period that includes that time.

1984, c. 15, s. 28; 1987, c. 67, s. 33; 1997, c. 3, s. 71.

119.18. Notwithstanding any other provision of this Part, where an issuer that is an individual or partnership has issued an obligation that is at any time a small business bond, the issuer shall add to his or its tax otherwise payable for a taxation year under this Part an amount equal to 24% of the amount of interest paid or payable in respect of the obligation, depending on the method regularly followed by the issuer in computing his or its income, in respect of a period of the taxation year throughout which the obligation was a small business bond and throughout which

(a) the issuer is not an eligible issuer, or

(b) all or substantially all of the proceeds from the issue of the obligation are not used by the eligible issuer in the financing of a qualified business carried on by him or it in Canada immediately before the time of the issue of the obligation.

1984, c. 15, s. 28; 1987, c. 67, s. 34; 1989, c. 5, s. 40; 1994, c. 22, s. 91; 1997, c. 3, s. 71.

119.19. Notwithstanding any other provision of this Part, an amount paid or payable by a taxpayer pursuant to a legal obligation to pay interest on borrowed money used for the purpose of acquiring a small business bond is deemed to be an amount paid or payable, on borrowed money used for the purpose of earning income from a business or property.

1984, c. 15, s. 28.

119.20. Where the Minister establishes that an individual or partnership has, knowingly or under circumstances amounting to gross negligence, made a false declaration in a joint election in respect of an

obligation that was issued by the individual or partnership, the reference in section 119.18 to "24%" shall be read, in respect of that obligation, as a reference to "72%".

1984, c. 15, s. 28; 1987, c. 67, s. 35; 1994, c. 22, s. 92; 1997, c. 3, s. 71.

119.21. For the purposes of section 119.18, where the issuer is a partnership, the reference therein to "the issuer shall add" shall be read as a reference to "each member of the partnership shall add", and each member shall add to his tax otherwise payable under this Part for the taxation year that includes the period described in section 119.18 the amount that can reasonably be regarded as his share of the amount determined under that section 119.18 in respect of the partnership.

1984, c. 15, s. 28; 1994, c. 22, s. 92; 1997, c. 3, s. 71.

119.22. Where, but for subparagraphs i to iii of paragraph *a* and subparagraph ii of paragraph *b* of the definition of "eligible issuer" in section 119.15, an individual or a partnership would be an eligible issuer, the individual or partnership is deemed to be an eligible issuer in respect of a small business bond at any time where the issue price of the bond does not exceed the amount by which $500,000 exceeds the aggregate determined in the second paragraph.

The aggregate referred to in the first paragraph is

(a) where the issuer is an individual, the aggregate of all amounts each of which is the principal amount outstanding immediately after that time in respect of

i. another obligation that is a small business bond issued by the individual, or by a partnership of which the individual is a majority-interest partner, or

ii. a development bond issued by a corporation that is controlled by the individual or by a related group of which the individual is a member, or by a corporation that is associated with such a corporation; or

(b) where the issuer is a partnership, the aggregate of all amounts each of which is the principal amount outstanding immediately after that time in respect of

i. another obligation that is a small business bond issued by

(1) the partnership,

(2) an individual who is a majority-interest partner of the partnership, or

(3) a partnership of which the individual referred to in subparagraph 2 is a majority-interest partner, or

ii. a development bond issued by a corporation that is controlled by the individual referred to in subparagraph 2 of subparagraph i or by a related group of which the individual is a member, or by a corporation that is associated with such a corporation.

1984, c. 15, s. 28; 1987, c. 67, s. 36; 1989, c. 5, s. 41; 1994, c. 22, s. 92; 1997, c. 3, s. 71.

119.23. *(Repealed).*

1984, c. 15, s. 28; 1994, c. 22, s. 93.

119.24. *(Repealed).*

1984, c. 15, s. 28; 1994, c. 22, s. 93.

DIVISION V

AMOUNTS INCLUDING CAPITAL AND INTEREST

1972, c. 23; 1990, c. 59, s. 68.

120. Except in the cases in which section 123 applies, where, under a contract or other arrangement, an amount can reasonably be regarded as being in part an amount of capital and in part interest or other amount of an income nature, the following rules apply:

(a) the part of the amount that can reasonably be regarded as interest is, irrespective of when the contract or arrangement was made or the form or legal effect thereof, deemed to be interest on a debt obligation held by the person to whom the amount is paid or payable;

(b) the part of the amount that can reasonably be regarded as an amount of an income nature, other than interest, shall, irrespective of when the contract or arrangement was made or the form or legal effect thereof, be included in computing the income of the taxpayer to whom the amount is paid or payable for the taxation year in which the amount is received or has become due, to the extent that it has not otherwise been included in computing the taxpayer's income.

1972, c. 23, s. 109; 1984, c. 15, s. 29; 1990, c. 59, s. 69.

121. Section 120 does not apply to any amount received by a taxpayer

(a) as an annuity payment;

(b) in satisfaction of his rights under an annuity contract.

1972, c. 23, s. 110; 1978, c. 26, s. 31; 1984, c. 15, s. 30.

122. For the purposes of sections 123 to 125, "obligation" means a bond, debenture, bill, hypothecary claim, mortgage or other similar obligation issued by a person exempt from tax under sections 980 to 998, a person not resident in Canada who is not carrying on business in Canada, or a government, municipality or public body performing a function of government.

1972, c. 23, s. 111; 1996, c. 39, s. 41; 1997, c. 14, s. 36; 2005, c. 1, s. 53.

123. Where an obligation is issued at a discount, the first owner of the obligation who is resident in Canada, who is not a person exempt, because of sections 980 to 998, from tax on part or on all of the person's taxable income and of whom the obligation is a capital property shall include, in computing his income for the taxation year in which he has become the owner of the obligation, the amount by which the principal amount of the obligation exceeds the amount for which the obligation was issued,

(a) in the case of an obligation issued after 20 December 1960 and before 19 June 1971, if the stipulated rate of interest payable on the obligation is less than 5% annually and if the yield from the obligation, expressed in terms of an annual rate on the amount for which the obligation was issued, exceeds such annual rate of interest by more than one-third; or

(b) in the case of an obligation issued after 18 June 1971, other than an obligation that is a prescribed debt obligation for the purposes of section 92.5, if the yield from the obligation, expressed in the same manner, exceeds by more than one-third the stipulated rate of interest payable on such obligation.

1972, c. 23, s. 112; 1973, c. 17, s. 11; 1994, c. 22, s. 94; 1995, c. 49, s. 44; 1996, c. 39, s. 42.

124. For the purposes of section 123, the stipulated rate of interest means the annual percentage rate payable on the principal amount of the obligation if no amount is payable as principal before the maturity of such obligation or on the amount outstanding as principal in other cases.

1972, c. 23, s. 113; 1996, c. 39, s. 43.

125. For the purposes of section 123, the annual yield rate must, if the terms of the obligations or any related contract would empower its holder to require payment of the principal amount of the obligation or the amount outstanding as principal before such obligation comes to maturity, be calculated on the basis of the yield that produces the highest annual rate obtainable either on the maturity of the obligation or conditional upon the exercise of the right mentioned in this section.

1972, c. 23, s. 114; 1996, c. 39, s. 44.

125.0.1. For the purposes of this Part and subject to section 125.0.3, where at any time in a taxpayer's taxation year an interest in an indexed debt obligation is held by the taxpayer, the following rules apply:

(a) an amount determined in prescribed manner is deemed to be received or receivable by the taxpayer in the year as interest in respect of the obligation; and

(b) an amount determined in prescribed manner is deemed to be paid or payable in respect of the year by the taxpayer as interest pursuant to a legal obligation of the taxpayer to pay interest on borrowed money used for the purpose of earning income from a business or property.

1994, c. 22, s. 95; 2001, c. 7, s. 19.

125.0.2. For the purposes of this Part, where at any time in a taxation year of a taxpayer an indexed debt obligation is an obligation of the taxpayer,

(a) an amount determined in prescribed manner is deemed to be payable in respect of the year by the taxpayer as interest in respect of the obligation; and

(b) an amount determined in prescribed manner is deemed to be received or receivable by the taxpayer in the year as interest in respect of the obligation.

Where the taxpayer pays or credits an amount in respect of an amount determined under subparagraph *a* of the first paragraph in respect of an indexed debt obligation, the payment or crediting is deemed to be a payment or crediting of interest on the obligation.

1994, c. 22, s. 95.

125.0.3. Section 125.0.1 does not apply to a taxpayer in respect of an indexed debt obligation for the part of a taxation year throughout which the obligation is impaired where an amount in respect of the obligation is deductible because of paragraph *b* of section 140 in computing the taxpayer's income for the year.

2001, c. 7, s. 20.

DIVISION V.1

LEASING PROPERTIES

1991, c. 25, s. 42.

125.1. Where a taxpayer, in this division referred to as the "lessee", has leased corporeal property, other than prescribed property, that would, if the lessee had acquired the property, have been depreciable property of the lessee, from a person resident in Canada other than a person whose taxable income is exempt from tax under this Part, or from a person not resident in Canada who holds the lease in the course of carrying on a

business through an establishment in Canada any income from which is subject to tax under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), who owns the property and with whom the lessee was dealing at arm's length, in this division referred to as the "lessor", for a term of more than one year, the following rules apply for the purpose of computing the income of the lessee for the taxation year that includes the particular time when the lease began and for all subsequent taxation years, if the lessee and the lessor have jointly so elected in a prescribed form filed with their fiscal returns under this Part for their respective taxation years that include the particular time:

(a) in respect of any amount paid or payable for the use of, or for the right to use, the property, the lease is deemed not to be a lease;

(b) the lessee is deemed to have acquired the property from the lessor at the particular time at a cost equal to its fair market value at that time;

(c) the lessee is deemed to have borrowed money from the lessor at the particular time, for the purpose of acquiring the property, in a principal amount equal to the fair market value of the property at that time;

(d) interest, capitalized semi-annually, not in advance, is deemed to accrue on the principal amount of the borrowed money outstanding from time to time, at the prescribed rate in effect at the beginning of the period for which the interest is being calculated, where the lease provides that the amount payable by the lessee for the use of, or the right to use, the property varies according to prevailing interest rates in effect from time to time, and the lessee so elects, in respect of all of the property that is subject to the lease, in his fiscal return under this Part for his taxation year in which the lease commenced, or at the prescribed rate in effect on the earlier of the particular time and the time, before the particular time, at which the lessee last entered into an agreement to lease the property;

(e) the amounts paid or payable by or on behalf of the lessee for the use of, or the right to use, the property in the year are deemed to be blended payments, paid or payable by the lessee, of principal and interest on the borrowed money outstanding from time to time, calculated in accordance with paragraph *d*, applied firstly on account of interest on principal, secondly on account of interest on unpaid interest and thirdly on account of unpaid principal, if any, and the amount by which the aggregate of such amounts paid or payable exceeds the aggregate of the amounts so applied is deemed to be paid or payable on account of interest, and any amount deemed by reason of this paragraph to be a payment of interest is deemed to have been an amount paid or payable, as the case may be, pursuant to a legal obligation to pay interest in respect of the year on the borrowed money;

(f) at the time of the expiration or cancellation of the lease, the assignment of the lease or the sublease of the property by the lessee, the lessee is deemed, except where section 125.4 applies, to dispose of the property at that time for proceeds of disposition equal to the amount by which the aggregate of the amount referred to in paragraph *c* and the amounts received or receivable by the lessee in respect of the cancellation or assignment of the lease or the sublease of the property exceeds the aggregate of the amounts deemed under paragraph *e* to have been paid or payable, as the case may be, by the lessee on account of the principal amount of the borrowed money and the amounts paid or payable by or on behalf of the lessee in respect of the cancellation or assignment of the lease or the sublease of the property;

(g) for the purposes of sections 97.2 to 97.4, each amount paid or payable by or on behalf of the lessee that would, but for this section, have been an amount paid or payable for the use of, or the right to use of, the property is deemed to have been deducted in computing the lessee's income as an amount paid or payable by the lessee for the use of, or the right to use, the property after the particular time;

(h) any amount paid or payable by or on behalf of the lessee in respect of the granting or assignment of the lease or the sublease of the property that would, but for this paragraph, be the capital cost to the lessee of a leasehold interest in the property is deemed to be an amount paid or payable, as the case may be, by the lessee for the use of, or the right to use, the property for the remaining term of the lease;

(i) where the lessee has made an election under this section in respect of a property and, at any time after the lease was entered into, the owner of the property is a person not resident in Canada who does not hold the

lease in the course of carrying on a business through an establishment in Canada any income from which is subject to tax under Part I of the Income Tax Act, the lease is deemed, for the purposes of this section, to have been cancelled at that time.

1991, c. 25, s. 42; 1993, c. 16, s. 70; 1994, c. 22, s. 96; 1996, c. 39, s. 45; 2001, c. 53, s. 39; 2005, c. 1, s. 54; 2005, c. 23, s. 40.

125.2. Subject to sections 125.3 and 125.4, where at any particular time a lessee who has made an election under section 125.1 in respect of a leased property assigns the lease or subleases the property to another person, in this division referred to as the "assignee", the following rules apply:

(a) section 125.1 does not apply in computing the income of the lessee in respect of the lease for any period after the particular time;

(b) if the lessee and the assignee have jointly so elected by filing the prescribed form with their fiscal returns under this Part for their respective taxation years that include the particular time, section 125.1 applies to the assignee as if

i. the assignee had leased the property at the particular time from the owner of the property for a term of more than one year, and

ii. the assignee and the owner of the property had jointly elected under the said section 125.1 in respect of the property by filing the prescribed form with their fiscal returns under this Part for their respective taxation years that include the particular time.

1991, c. 25, s. 42; 1993, c. 16, s. 71; 1994, c. 22, s. 97; 1996, c. 39, s. 46.

125.3. Subject to section 125.4, where at any particular time a lessee who has made an election under section 125.1 in respect of a leased property assigns the lease or subleases the property to another person with whom he is not dealing at arm's length, the other person is deemed, for the purposes of section 125.1 and for the purposes of computing his income in respect of the lease for any period after the particular time, to be the same person as, and the continuation of, the lessee.

However, notwithstanding paragraph *b* of section 125.1, that other person is deemed to have acquired the property from the lessee at the time that it was acquired by the lessee, at a cost equal to the lessee's proceeds of disposition of the property that would be determined under paragraph *f* of section 125.1 if the said paragraph *f* were read without reference to "and the amounts received or receivable by the lessee in respect of the cancellation or assignment of the lease or the sublease of the property" and to "and the amounts paid or payable by or on behalf of the lessee in respect of the cancellation or assignment of the lease or the sublease of the property", with the necessary modifications.

1991, c. 25, s. 42; 1994, c. 22, s. 98; 1995, c. 63, s. 261.

125.4. Notwithstanding section 125.2, where at any time a particular corporation that has made an election under section 125.1 in respect of a lease assigns the lease by reason of an amalgamation, within the meaning of subsections 1 and 2 of section 544, or in the course of the winding-up of a Canadian corporation in respect of which sections 556 to 564.1 and 565 apply, to another corporation with which it does not deal at arm's length, the other corporation is deemed, for the purposes of section 125.1 and for the purposes of computing its income in respect of the lease after that time, to be the same person as, and a continuation of, the particular corporation.

1991, c. 25, s. 42; 1997, c. 3, s. 71.

125.5. For the purposes of section 125.1, property that is provided at any time by a lessor to a lessee as a replacement for a similar property of the lessor that was leased by the lessor to the lessee is deemed to be the same property as the similar property where the amount payable by the lessee for the use of, or the right to use, the replacement property is the same as the amount that was payable in respect of the similar property.

1993, c. 16, s. 72; 1994, c. 22, s. 99.

125.6. For the purposes of section 125.1, where at any particular time, an addition or alteration, in this section referred to as the "additional property", is made by a lessor to a property, in this section referred to as the "original property", of the lessor that is the subject of a lease, the lessor and the lessee of the original property have filed the joint election referred to in section 125.1 in respect of the original property, and, as a consequence of the addition or alteration, the total amount payable by the lessee for the use of, or the right to use, the original property and the additional property exceeds the amount so payable in respect of the original property, the following rules apply:

(a) the lessee is deemed to have leased the additional property from the lessor at the particular time,

(b) the term of the lease of the additional property is deemed to be greater than one year,

(c) the lessor and the lessee are deemed to have jointly elected in accordance with section 125.1 in respect of the additional property,

(d) the prescribed rate in effect at the particular time in respect of the additional property is deemed to be equal to the prescribed rate in effect in respect of the original property at the particular time,

(e) the additional property is deemed, for the purposes of section 125.1, not to be prescribed property, and

(f) the amount by which the total amount payable by the lessee for the use of, or the right to use, the original property and the additional property exceeds the amount so payable in respect of the original property is deemed to be an amount payable by the lessee for the use of, or the right to use, the additional property.

1993, c. 16, s. 72; 1994, c. 22, s. 100.

125.7. For the purposes of section 125.1, where at any time a lease, in this section referred to as the "original lease", is renegotiated in the course of a *bona fide* renegotiation and, as a result of the renegotiation, the amount payable by the lessee for the use of, or the right to use, the property that is the subject of the lease is altered in respect of a period after that time, otherwise than by reason of an addition or alteration in respect of which section 125.6 applies, the original lease is deemed to have expired and the renegotiated lease is deemed to be a new lease of the property entered into at that time.

1993, c. 16, s. 72.

DIVISION VI

Repealed, 2001, c. 53, s. 40.

1997, c. 14, s. 37; 2001, c. 53, s. 40.

126. *(Repealed).*

1972, c. 23, s. 115; 1978, c. 26, s. 32; 1986, c. 19, s. 22; 1997, c. 3, s. 71; 1997, c. 14, s. 38; 2001, c. 53, s. 40.

127. *(Repealed).*

1972, c. 23, s. 116; 1973, c. 17, s. 12; 1997, c. 3, s. 71; 2001, c. 53, s. 40.

DIVISION VII

AMOUNT OWING BY A PERSON NOT RESIDENT IN CANADA

2001, c. 53, s. 41.

127.1. In this division,

"active business" has the meaning assigned by subsection 1 of section 95 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

"controlled foreign affiliate", at any time, of a taxpayer resident in Canada, means a corporation that would, at that time, be a controlled foreign affiliate of the taxpayer within the meaning of section 572 if that section were read as if "resident in Canada" were inserted after "any person" in subparagraphs ii and iv of its paragraph *b*;

"exempt loan or transfer" means

(a) a loan made by a corporation resident in Canada where the interest rate charged on the loan is not less than the interest rate that a lender and a borrower would have been willing to agree to if they were dealing with each other at arm's length at the time the loan was made;

(b) a transfer of property by a corporation resident in Canada, other than a transfer of property made for the purpose of acquiring shares of the capital stock of a foreign affiliate of a corporation or a foreign affiliate of a person resident in Canada with whom the corporation was not dealing at arm's length, or payment of an amount by a corporation resident in Canada pursuant to an agreement made on terms and conditions that persons who were dealing with each other at arm's length at the time the agreement was entered into would have been willing to agree to;

(c) a dividend paid by a corporation resident in Canada on shares of a class of its capital stock; or

(d) a payment made by a corporation resident in Canada on a reduction of the paid-up capital in respect of shares of a class of its capital stock, not exceeding the total amount of the reduction;

"income from an active business" has the meaning assigned by subsection 1 of section 95 of the Income Tax Act;

"non-discretionary trust", at any time, means a trust in which all interests were vested indefeasibly at the beginning of the trust's taxation year that includes that time;

"settlor" in respect of a trust, at any time, means any person or partnership that has made a loan or transfer of property, either directly or indirectly in any manner whatever, to or for the benefit of the trust at or before that time, other than, where the person or partnership deals at arm's length with the trust at that time,

(a) a loan made by the person or partnership to the trust at a reasonable rate of interest; or

(b) a transfer of property made by the person or partnership to the trust for fair market value consideration.

2001, c. 53, s. 41; 2004, c. 8, s. 22; 2010, c. 25, s. 13.

127.2. For the purposes of this division, the following rules apply in determining whether persons are related to each other and whether a corporation not resident in Canada is a controlled foreign affiliate of a corporation resident in Canada at any time:

(a) each member of a partnership is deemed to own that proportion of the number of shares of a class of the capital stock of a corporation that are owned by the partnership at that time that the fair market value at that time of the member's interest in the partnership is of the fair market value at that time of the interests of all members in the partnership; and

(b) each beneficiary of a non-discretionary trust is deemed to own that proportion of the number of shares of a class of the capital stock of a corporation that are owned by the trust at that time that the fair market value at that time of the beneficiary's beneficial interest in the trust is of the fair market value at that time of all the beneficial interests in the trust.

2001, c. 53, s. 41.

127.3. For the purposes of this division, in determining whether persons are related to each other at any time, each settlor in respect of a trust, other than a non-discretionary trust, is deemed to own the shares of a class of the capital stock of a corporation owned by the trust at that time.

2001, c. 53, s. 41.

127.3.1. For the purposes of this division, in determining whether persons are related to each other at any time, any rights referred to in paragraph *b* of section 20 that exist at that time are deemed not to exist at that time to the extent that the exercise of those rights is prohibited at that time under a law of the country under the jurisdiction of which the corporation was formed or last continued and is governed, that restricts the foreign ownership or control of the corporation.

2004, c. 8, s. 23.

127.3.2. For the purposes of section 127.7 and paragraph *b* of section 127.8, where an intermediate lender makes a loan to an intended borrower, and that loan arises out of another loan which the intermediate lender received from an initial lender, the following rules apply:

(a) the loan made by the intermediate lender to the intended borrower is deemed to have been made by the initial lender to the intended borrower, to the extent of the lesser of the amount of that loan and the amount of the loan made by the initial lender to the intermediate lender, under the same terms and conditions and at the same time as it was made by the intermediate lender; and

(b) the loan made by the initial lender to the intermediate lender and the loan made by the intermediate lender to the intended borrower are deemed not to have been made to the extent of the amount of the loan deemed to have been made under subparagraph *a*.

For the purposes of the first paragraph, the expressions “intermediate lender”, “intended borrower” and “initial lender” refer to a person not resident in Canada or a partnership each member of which is not resident in Canada.

2004, c. 8, s. 23.

127.3.3. For the purpose of applying paragraph *b* of section 127.8 in respect of a corporation resident in Canada, in determining whether persons described in subparagraph i of that paragraph *b* are related to each other at any time, any rights referred to in paragraph *b* of section 20 that otherwise exist at that time are deemed not to exist at that time where, if the rights were exercised immediately before that time,

(a) all of those persons would at that time be controlled foreign affiliates of the corporation resident in Canada; and

(b) because of section 127.13, section 127.6 would not apply to the corporation in respect of the amount that would, but for this section, have been deemed to have been owing at that time to the corporation by the person not resident in Canada described in subparagraph i of paragraph *b* of section 127.8.

2004, c. 8, s. 23.

127.4. For the purposes of this division, in determining whether a person who is not resident in Canada is a controlled foreign affiliate of a corporation resident in Canada at any time, each settlor in respect of a trust, other than a non-discretionary trust, is deemed to own that proportion of the number of shares of a class of the capital stock of a corporation owned by the trust at that time that one is of the number of settlors in respect of the trust at that time.

2001, c. 53, s. 41.

127.5. For the purposes of this division, where, at any time, two corporations resident in Canada are related, otherwise than because of a right referred to in paragraph *b* of section 20, any corporation that is a

controlled foreign affiliate of one of the corporations at that time is deemed to be a controlled foreign affiliate of the other corporation at that time.

2001, c. 53, s. 41.

127.6. Where the conditions of the third paragraph are met in respect of a corporation resident in Canada in relation to an amount owing to the corporation (in this section referred to as the "debt"), the corporation shall include in computing its income for a taxation year the amount determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is the amount of interest that would be included in computing the corporation's income for the year in respect of the debt if interest on the debt were computed at the prescribed rate for the period in the year during which the debt was outstanding; and

(b) B is the aggregate of all amounts each of which is

i. an amount included in computing the corporation's income for the year as, on account of, in lieu of or in satisfaction of, interest in respect of the debt,

ii. an amount received or receivable by the corporation from a trust that is included in computing the corporation's income for the year or a subsequent year and that can reasonably be attributed to interest on the debt for the period in the year during which the debt was outstanding, or

iii. an amount included in computing the corporation's income for the year or a subsequent taxation year under section 580 that can reasonably be attributed to interest on an amount owing (in this section referred to as the "original debt")—or if the amount of the original debt exceeds the amount of the debt, a portion of the original debt that is equal to the amount of the debt—for the period in the year during which the debt was outstanding if

(1) without the existence of the original debt, section 127.7 would not have deemed the debt to be owed by a person not resident in Canada and referred to in subparagraph *a* of the third paragraph,

(2) the original debt was owed by a person not resident in Canada or a partnership each member of which is such a person, and

(3) where section 127.3.2 applies in respect of the original debt, an amount determined under subparagraph *a* or *b* of the first paragraph of that section in respect of the original debt is an amount referred to in paragraph *a* of section 127.7 and, because of the amount referred to in that paragraph *a*, the debt is deemed to be owed by the person not resident in Canada and referred to in subparagraph *a* of the third paragraph, and the original debt was owing by an intermediate lender to an initial lender or by an intended borrower to an intermediate lender, within the meaning assigned to those expressions by the second paragraph of section 127.3.2.

The conditions to which the first paragraph refers in relation to a debt contracted with a corporation resident in Canada are met if at any time in a taxation year of the corporation,

(a) a person not resident in Canada owes the amount to the corporation;

(b) the amount has been or remains outstanding for more than a year; and

(c) the amount that would be determined under subparagraph *b* of the second paragraph, if the first and second paragraphs of this section applied, for the year in respect of a debt is less than the amount of interest that would be included in computing the corporation's income for the year in respect of the debt if that interest were computed at a reasonable rate for the period in the year during which the amount was outstanding.

2001, c. 53, s. 41; 2017, c. 1, s. 91.

127.7. For the purposes of this division and subject to section 127.8, a person not resident in Canada is deemed at any time to owe to a corporation resident in Canada an amount equal to the amount, or a portion of the amount, as the case may be, owing to a particular person or partnership where

(a) the person not resident in Canada owes an amount at that time to the particular person or partnership, other than a corporation resident in Canada; and

(b) it may reasonably be considered that the amount or a portion of the amount became owing, or was permitted to remain owing, to the particular person or partnership because a corporation resident in Canada made a loan or transfer of property, or the particular person or partnership anticipated that a corporation resident in Canada would make a loan or transfer of property, either directly or indirectly in any manner whatever, to or for the benefit of any person or partnership (other than an exempt loan or transfer).

2001, c. 53, s. 41; 2017, c. 1, s. 92.

127.8. Section 127.7 does not apply to an amount owing at any time by a person not resident in Canada to a particular person or partnership where

(a) at that time, the person not resident in Canada and the particular person or each member of the particular partnership, as the case may be, are controlled foreign affiliates of the corporation resident in Canada; or

(b) at that time,

i. the person not resident in Canada and the particular person are not related or the person not resident in Canada and each member of the particular partnership are not related, as the case may be,

ii. the terms and conditions made or imposed in respect of the amount owing, determined without reference to any loan or transfer of property by a corporation resident in Canada described in paragraph *b* of section 127.7 in respect of the amount owing, are such that persons dealing at arm's length would have been willing to enter into them at the time that they were entered into, and

iii. if there were an amount of interest payable on the amount owing at that time that would be required to be included in computing the income of a foreign affiliate of the corporation resident in Canada for a taxation year, that amount of interest would not be required to be included in computing the foreign accrual property income, within the meaning of section 579, of the foreign affiliate for that year.

2001, c. 53, s. 41.

127.9. For the purposes of this division, where a person not resident in Canada owes a particular amount at any time to a partnership and section 127.7 does not deem the person not resident in Canada to owe an amount equal to that particular amount to a corporation resident in Canada, the person not resident in Canada is deemed to owe at that time to each member of the partnership, on the same terms and conditions as those that apply in respect of the amount owing to the partnership, that proportion of the amount owing to the partnership at that time that the fair market value at that time of the member's interest in the partnership is of the fair market value at that time of the interests of all members in the partnership.

2001, c. 53, s. 41.

127.10. For the purposes of this division, where a person not resident in Canada owes a particular amount at any time to a trust and section 127.7 does not deem that person to owe an amount equal to that particular amount to a corporation resident in Canada, the following rules apply:

(a) where the trust is a non-discretionary trust at that time, the person not resident in Canada is deemed to owe at that time to each beneficiary of the trust, on the same terms and conditions as those that apply in respect of the amount owing to the trust, an amount equal to that proportion of the amount owing to the trust at that time that the fair market value at that time of the beneficiary's beneficial interest in the trust is of the fair market value at that time of all the beneficial interests in the trust; and

(b) in any other case, the person not resident in Canada is deemed to owe at that time to each settlor in respect of the trust, on the same terms and conditions as those that apply in respect of the amount owing to the trust, an amount equal to the amount owing to the trust.

2001, c. 53, s. 41.

127.11. For the purposes of this division, where a particular partnership owes an amount at any time to any person or any other partnership, in this section referred to as the "lender", each member of the particular partnership is deemed to owe at that time to the lender, on the same terms and conditions as those that apply in respect of the amount owing by the particular partnership to the lender, an amount equal to that proportion of the amount owing to the lender at that time that the fair market value at that time of the member's interest in the particular partnership is of the fair market value at that time of the interests of all members in the particular partnership.

2001, c. 53, s. 41.

127.12. Section 127.6 does not apply to an amount owing to a corporation resident in Canada by a person not resident in Canada if a prescribed tax has been paid on the amount owing.

For the purposes of this section, a prescribed tax is deemed not to have been paid on that portion of the amount owing in respect of which an amount was repaid or applied in accordance with subsection 6.1 of section 227 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

2001, c. 53, s. 41.

127.13. Section 127.6 does not apply to a corporation resident in Canada for a taxation year of the corporation in respect of an amount owing to the corporation by a person not resident in Canada if that person is a controlled foreign affiliate of the corporation throughout the period in the year during which the amount is owing to the extent that it is established that the amount owing

(a) arose as a loan or advance of money to the affiliate that the affiliate has used, throughout the period that began when the loan or advance was made and that ended at the earlier of the end of the year and the time at which the amount was repaid,

i. for the purpose of earning income from an active business of the affiliate or income that was included under subsection 2 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) in computing the income from an active business of the affiliate, or

ii. for the purpose of making a loan or advance to another controlled foreign affiliate of the corporation where, if interest became payable on the loan or advance at any time in the period and the affiliate was required to include the interest in computing its income for a taxation year, that interest would not be required to be included in computing the affiliate's foreign accrual property income, within the meaning of section 579, for that year; or

(b) arose in the course of an active business carried on by the affiliate throughout the period that began when the amount owing arose and that ended at the earlier of the end of the year and the time at which the amount was repaid.

2001, c. 53, s. 41; 2010, c. 25, s. 14.

127.13.1. The presumption in the second paragraph applies in respect of money (in this section referred to as "new borrowings") that a controlled foreign affiliate of a particular corporation resident in Canada has borrowed from the particular corporation to the extent that the affiliate has used the new borrowings

(a) to repay money (in this section referred to as "previous borrowings") previously borrowed from any person or partnership, if

i. the previous borrowings became owing after the last time at which the affiliate became a controlled foreign affiliate of the particular corporation, and

ii. the previous borrowings were, at all times after they became owing, used for any of the purposes described in subparagraphs i and ii of paragraph *a* of section 127.13; or

(b) to pay an amount owing (in this section referred to as the "unpaid purchase price") by the affiliate for a property previously acquired from any person or partnership, if

i. the property was acquired, and the unpaid purchase price became owing, by the affiliate after the last time at which it became a controlled foreign affiliate of the particular corporation,

ii. the unpaid purchase price is in respect of the property, and

iii. throughout the period that began when the unpaid purchase price became owing by the affiliate and ended when the unpaid purchase price was so paid, the property was used principally to earn income described in subparagraph i of paragraph *a* of section 127.13.

For the purposes of section 127.13, the new borrowings are deemed to have been used for the purposes for which the previous borrowings were used or were deemed by this paragraph to have been used, or to acquire the property in respect of which the unpaid purchase price was payable, as the case may be.

2010, c. 25, s. 15.

127.14. Section 127.6 does not apply to a corporation resident in Canada for a taxation year of the corporation in respect of an amount owing to the corporation by a person not resident in Canada if

(a) the corporation is not related to the person not resident in Canada throughout the period in the year during which the amount owing remains outstanding;

(b) the amount owing arose in respect of goods sold or services provided to the person not resident in Canada by the corporation in the ordinary course of the business carried on by the corporation; and

(c) the terms and conditions in respect of the amount owing are such that persons dealing at arm's length would have been willing to enter into them at the time that they were entered into.

2001, c. 53, s. 41.

127.15. For the purposes of this division,

(a) where any person or partnership has a right under a contract or otherwise, either immediately or in the future and either absolutely or contingently, to, or to acquire, shares of the capital stock of a corporation, that person or partnership is deemed to own those shares if it can reasonably be considered that the principal purpose for the existence of the right is to avoid or reduce the amount of income that a corporation would otherwise be required to include in computing its income for a taxation year under section 127.6; and

(b) where any person or partnership acquires or disposes of shares of the capital stock of a corporation, either directly or indirectly, and it can reasonably be considered that the principal purpose for the acquisition or disposition of the shares is to avoid or reduce the amount of income that a corporation would otherwise be required to include in computing its income for a taxation year under section 127.6, those shares are deemed not to have been acquired or disposed of, as the case may be, and where the shares were unissued by the corporation immediately before the acquisition, those shares are deemed not to have been issued.

2001, c. 53, s. 41.

DIVISION VIII

DEEMED INTEREST INCOME

2017, c. 29, s. 37.

127.16. In this division,

"Canadian corporation" means a corporation resident in Canada;

"qualifying Canadian partnership", at any time, in respect of a Canadian corporation, means a partnership each member of which is, at that time, the Canadian corporation or another corporation resident in Canada to which the Canadian corporation is, at that time, related.

For the purposes of this division,

(a) either of the following is a pertinent loan or indebtedness:

i. a pertinent loan or indebtedness within the meaning of section 113.1, or

ii. a pertinent loan or indebtedness within the meaning of subsection 11 of section 212.3 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)); and

(b) any person who is (or is deemed under this subparagraph to be) a member of a partnership that is a member of a particular partnership is deemed to be a member of the particular partnership.

Where a loan or indebtedness is a pertinent loan or indebtedness within the meaning of subparagraph ii of subparagraph *a* of the second paragraph, Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *c* of subsection 11 of section 212.3 of the Income Tax Act in respect of the loan or indebtedness.

2017, c. 29, s. 37.

127.16.1. For the purposes of this division in respect of a pertinent loan or indebtedness, within the meaning of subparagraph ii of subparagraph *a* of the second paragraph of section 127.16, the following rules apply:

(a) any transaction entered into, or event participated in, by a partnership is deemed to have been entered into, or participated in, as the case may be, by each member of the partnership in the proportion that the fair market value, at the time of the transaction or event, of the member's interest—held directly or indirectly through one or more other partnerships—in the partnership is of the fair market value, at that time, of the interests in the partnership held directly by all the members of the partnership;

(b) a property that, based on the assumptions contained in paragraph *c* of section 600, would be owned at a particular time by a partnership, is deemed to be owned at the particular time by each member of the partnership in the proportion that the fair market value, at the particular time, of the member's interest—held directly or indirectly through one or more other partnerships—in the partnership is of the fair market value, at that time, of the interests in the partnership held directly by all the members of the partnership;

(c) where the portion of a property that is deemed under paragraph *b* to be owned by a member of a partnership increases at a particular time (with the understanding that such an increase includes that resulting from the acquisition of an interest in a partnership in which, immediately prior to the acquisition, the member did not have an interest), the member is deemed at the particular time to acquire the additional portion of the property;

(d) an amount that, based on the assumptions contained in paragraph *c* of section 600, would be owing by a partnership at a particular time is deemed to be owed by each member of the partnership in the proportion that the fair market value, at the particular time, of the member's interest—held directly or indirectly through one or more other partnerships—in the partnership is of the fair market value, at that time, of the interests in the partnership held directly by all the members of the partnership; and

(e) if a member of a partnership enters into a transaction, or participates in an event, with the partnership, paragraph *a* does not apply in respect of the transaction or event to the extent that the transaction or event would be deemed, under paragraph *a* if this section were read without reference to this paragraph, to have been entered into, or participated in, as the case may be, by the member.

2021, c. 36, s. 56.

127.16.2. For the purposes of this division in respect of a pertinent loan or indebtedness, within the meaning of subparagraph ii of subparagraph *a* of the second paragraph of section 127.16, and for the purpose of determining, for the purposes of this division, whether two persons are related to each other and consequently, under paragraph *a* of section 18, do not deal with each other at arm's length, the following rules apply:

(a) for the purpose of determining, at any time, whether two persons are related to each other or whether any person is controlled by any other person or group of persons, the following presumptions apply:

i. each trust is deemed to be a corporation having a capital stock of a single class of voting shares divided into 100 issued shares, and

ii. each beneficiary under a trust is deemed to own at that time a number of issued shares of that class of shares equal to the proportion of 100 that the fair market value at that time of the beneficiary's interest in the trust is of the fair market value at that time of all beneficiaries' interests in the trust;

(b) for the purpose of determining, at any time, the extent to which any person owns shares of the capital stock of a corporation, if at that time a trust resident in Canada owns, but for this subparagraph, shares of the capital stock of the corporation, each beneficiary of the trust is deemed to own, and the trust is deemed not to own, at that time, the shares of each class of the capital stock of the corporation that are owned, but for this subparagraph, by the trust, the number of which is equal to the proportion of the total number of shares of the class of the capital stock of the corporation that are owned, but for this subparagraph, by the trust at that time that the fair market value, at that time, of the beneficiary's interest in the trust is of the fair market value, at that time, of all beneficiaries' interests in the trust; and

(c) where a beneficiary's share of the income or capital of a trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, the proportion to which subparagraph ii of subparagraph *a* and subparagraph *b* refer is deemed to be equal to 1, unless

i. the trust is resident in Canada, and

ii. it cannot reasonably be considered that one of the main purposes of the power to appoint is to avoid or limit the application of paragraph *c*.3 of subsection 1 of section 128.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or of subsection 2 of sections 212.3 and 219.1 of that Act.

2021, c. 36, s. 56.

127.17. Where, at any time in a taxation year of a Canadian corporation or in a fiscal period of a qualifying Canadian partnership in respect of a Canadian corporation, a corporation not resident in Canada, or a partnership of which a corporation not resident in Canada is a member, owes an amount to the Canadian corporation or the qualifying Canadian partnership, as the case may be, and the amount owing is a pertinent loan or indebtedness, the following rules apply:

(a) Division VII does not apply in respect of the amount owing; and

(b) subject to section 127.18, the amount, if any, determined by the following formula is to be included in computing the income of the Canadian corporation for the year or of the qualifying Canadian partnership for the fiscal period, as the case may be:

A − B.

In the formula in the first paragraph,

(a) A is the amount that is the greater of

i. the amount of interest that should be included in computing the income of the Canadian corporation for the year or of the qualifying Canadian partnership for the fiscal period, as the case may be, in respect of the amount owing for the period in the year, or the fiscal period, during which the amount owing was a pertinent loan or indebtedness (in this paragraph referred to as the "particular period") if that interest were computed at the prescribed rate for that period, and

ii. the aggregate of all amounts of interest payable for the particular period by the Canadian corporation, the qualifying Canadian partnership, a particular person resident in Canada with which the Canadian corporation did not, at the time the amount owing arose, deal at arm's length or a partnership of which the Canadian corporation or the particular person is a member, in respect of a debt obligation—arisen as part of a series of transactions or events that includes the transaction by which the amount owing arose—to the extent that the proceeds of the debt obligation may reasonably be considered to have directly or indirectly funded, in whole or in part, the amount owing; and

(b) B is an amount included in computing the income of the Canadian corporation for the year or of the qualifying Canadian partnership for the fiscal period, as the case may be, as, or in lieu of, full or partial payment of interest on the amount owing for the particular period.

2017, c. 29, s. 37.

127.18. No amount is to be included under section 127.17 in computing the income of a Canadian corporation in respect of a pertinent loan or indebtedness, within the meaning of subparagraph ii of subparagraph *a* of the second paragraph of section 127.16, for the 180-day period that begins at any time a parent or group of parents referred to in section 212.3 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) acquires control of the Canadian corporation, if the Canadian corporation was not controlled by a person not resident in Canada, or a group of persons not resident in Canada and not dealing with each other at arm's length, immediately before that time.

2017, c. 29, s. 37; 2021, c. 36, s. 57.

127.19. A particular loan or indebtedness is deemed not to be a pertinent loan or indebtedness if, because of a provision of a tax agreement, the amount that would, but for this section, be included in computing the income of the Canadian corporation for any taxation year or of the qualifying Canadian partnership for any

fiscal period, as the case may be, in respect of the particular loan or indebtedness is less than it would be if no tax agreement applied.

2017, c. 29, s. 37.

CHAPTER III

DEDUCTIONS

1972, c. 23.

DIVISION I

GENERALITIES

1972, c. 23.

128. A taxpayer may deduct, in computing his income from a business or property for a taxation year, only the outlays or expenses made or incurred by him during such year or payable in respect of such year, to the extent that they may reasonably be regarded as being related to such business or property and that they were made or incurred to gain income from such business or property and to the extent provided in this chapter, unless otherwise provided in this Part.

1972, c. 23, s. 117; 1997, c. 85, s. 330.

129. Such amounts shall not include any loss or replacement of capital, a payment or amount disbursed on account of capital or an allowance in respect of depreciation, obsolescence or depletion except as expressly permitted by this Part.

1972, c. 23, s. 118.

130. A taxpayer may however deduct:

(a) subject to section 130.0.1, the prescribed part or amount of the capital cost of property to the taxpayer; and

(b) the lesser of

i. the portion of the amount (that is not otherwise deductible in computing the income of the taxpayer) that is an expense incurred in the year for the incorporation of a corporation, and

ii. the amount by which $3,000 exceeds the aggregate of all amounts each of which is an amount deducted by another taxpayer in respect of the incorporation of the corporation.

1972, c. 23, s. 119; 1989, c. 5, s. 42; 1990, c. 59, s. 70; 2003, c. 2, s. 44; 2005, c. 1, s. 55; 2019, c. 14, s. 79.

130.0.1. An individual shall not however deduct under paragraph *a* of section 130, in computing his income from a business or property for a taxation year subsequent to his taxation year 1987, the prescribed part or amount of the capital cost of property that is a certified Québec film within the meaning of the regulations under the said section.

1989, c. 5, s. 43.

130.1. Notwithstanding sections 128, 129 and 133, no amount may be deducted by a taxpayer in computing the taxpayer's income for a taxation year under paragraph *a* of section 130 in respect of the taxpayer's depreciable property of a prescribed class where, at the end of the year, the aggregate of the amounts determined under subparagraphs i to ii.3 of subparagraph *e* of the first paragraph of section 93

exceeds the amount determined under the second paragraph of that section in respect of the taxpayer's depreciable property of that class and, at that time, the taxpayer no longer owns any property of that class.

However, subject to the third and fourth paragraphs, the taxpayer shall deduct that excess amount in computing his income for the year.

Where the excess amount referred to in the first paragraph concerns a prescribed class that includes an automobile acquired by the taxpayer before 18 June 1987 or after 17 June 1987 pursuant to an obligation in writing entered into before 18 June 1987, no amount shall be deducted by the taxpayer in computing his income for the year other than an amount equal to what the excess amount would be if the capital cost of the automobile did not exceed the prescribed amount and, subject to the fifth paragraph, where the excess amount referred to in the first paragraph concerns a prescribed class that includes either an automobile, other than an automobile used under a permit for the transportation of passengers for remuneration, acquired by the taxpayer before 18 June 1987 or after 17 June 1987 pursuant to an obligation in writing entered into before 18 June 1987, or an automobile that would have been such an automobile had it been acquired by the taxpayer before 18 June 1987 and that is a passenger vehicle acquired by him in his taxation year 1987, and the taxpayer is an individual who used the automobile partly to gain income from a business or property and partly for his personal use, no amount shall be deducted by the taxpayer in computing his income for the year other than an amount equal to the prescribed part of the excess amount.

Where the excess amount referred to in the first paragraph concerns a prescribed class and includes a certified Québec film within the meaning of the regulations under section 130, a taxpayer shall not deduct that excess amount in computing his income from a business or property for a taxation year subsequent to his taxation year 1987.

This section does not apply

(a) in respect of a prescribed class that includes a passenger vehicle of a taxpayer in respect of which paragraph *d*.3 or *d*.4 of section 99 or section 525.1 applied to the taxpayer; or

(b) in respect of a taxation year in relation to a property that was a former property deemed by subparagraph *a* or *b* of the second paragraph of section 96.0.2 to be owned by a taxpayer, if

i. within 24 months after the taxpayer last owned the former property, the taxpayer or a person not dealing at arm's length with the taxpayer acquires a similar property in respect of the same fixed place to which the former property related, and

ii. at the end of the taxation year, the taxpayer or the person owns the similar property or another similar property in respect of the same fixed place to which the former property related;

(c) in respect of a taxation year in relation to a property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), unless the taxpayer has ceased to carry on the business to which the class relates.

1978, c. 26, s. 33; 1982, c. 5, s. 37; 1989, c. 5, s. 44; 1990, c. 59, s. 71; 1991, c. 25, s. 187; 1993, c. 16, s. 73; 1994, c. 22, s. 101; 2001, c. 53, s. 42; 2009, c. 15, s. 55; 2019, c. 14, s. 80.

131. No outlay or expense may be deducted to the extent that it may reasonably be regarded as having been made or incurred to gain or produce exempt income or in connection with property the income from which is exempt.

1972, c. 23, s. 120.

132. The annual value of property shall not be deducted except rent for property leased by the taxpayer for use in his business.

The same applies to any amount as, or in full or partial payment of, a reserve, a contingent liability or amount or a sinking fund, except as expressly permitted by this Part.

1972, c. 23, s. 121; 1990, c. 59, s. 72.

132.1. A taxpayer who is an insurer shall not deduct, in computing his income from a business or property for a taxation year, an amount in respect of claims that were received by him before the end of the year under insurance policies and that are unpaid at the end of the year, except as expressly permitted by this Part.

1990, c. 59, s. 73; 1994, c. 22, s. 102.

132.2. A taxpayer shall not deduct, in computing his income from a business or property for a taxation year, an amount in respect of any loss, depreciation or reduction in the value or amortized cost of a loan or lending asset made or acquired by him in the ordinary course of his business of insurance or the lending of money and not disposed of by him in the taxation year, except as expressly permitted by this Part.

1990, c. 59, s. 73; 1993, c. 16, s. 74.

132.3. A taxpayer shall not deduct, in computing the taxpayer's income from a business or property for a taxation year, an amount in respect of which a valid election was made by or on behalf of the taxpayer under subsection 1.1 of section 110 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2011, c. 34, s. 25.

132.4. A taxpayer shall not deduct, in computing the taxpayer's income from a business or property for a taxation year, the amount of a contribution the taxpayer paid, directly or indirectly, for political purposes.

2017, c. 1, s. 93.

133. A taxpayer shall not deduct, in computing the taxpayer's income from a business or property for a taxation year, personal or living expenses of the taxpayer, other than travel expenses incurred by the taxpayer while away from home in the course of carrying on the taxpayer's business.

1972, c. 23, s. 122; 1990, c. 59, s. 74; 1997, c. 85, s. 51.

133.1. *(Repealed).*

1978, c. 26, s. 34; 1979, c. 38, s. 8; 1984, c. 35, s. 11; 1990, c. 59, s. 75.

133.2. *(Repealed).*

1978, c. 26, s. 34; 1990, c. 59, s. 75.

133.2.1. A taxpayer shall not deduct, in computing his income from a business or property for a taxation year, any portion in excess of the prescribed amount of an amount paid or payable by him as an allowance for the use by an individual of an automobile, except where the amount so paid or payable is required to be included in computing the individual's income.

1990, c. 59, s. 76.

133.3. *(Repealed).*

1978, c. 26, s. 34; 1984, c. 15, s. 31; 1994, c. 22, s. 103; 1998, c. 16, s. 89; 2005, c. 1, s. 56.

133.4. A taxpayer shall not, in computing the income of the taxpayer from a business or property for a taxation year, deduct any amount paid or payable by the taxpayer for services in respect of a retirement

savings plan, retirement income fund, tax-free savings account or first home savings account under or of which the taxpayer is the annuitant or holder.

1998, c. 16, s. 90; 2009, c. 15, s. 56; 2023, c. 19, s. 17.

133.5. An individual, other than a performing artist, shall not deduct any amount in computing the individual's income from a business or property, in respect of an outlay or an expense made or incurred by the individual in respect of an article of clothing to be worn by the individual, except where it may reasonably be considered that the article of clothing cannot be worn by the individual otherwise than for the purpose of earning income from a business or property, or of earning income from a business or property and from another source.

For the purposes of the first paragraph, "performing artist" means an individual who is an artist within the meaning of the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts (chapter S-32.1) and who is engaged in activities as a program host or who performs in a field that is, for the purposes of that Act, any of the following fields of artistic endeavour:

(a) the stage, including the theater, the opera, music, dance and variety entertainment;

(b) multimedia;

(c) the making of films;

(d) dubbing; or

(e) the recording of commercial advertisements.

2000, c. 39, s. 13; 2005, c. 38, s. 62; 2021, c. 18, s. 27; 2022, c. 20, s. 34.

133.6. A taxpayer that is an authorized foreign bank, shall not deduct an amount in respect of interest that would otherwise be deductible in computing the taxpayer's income from a business the taxpayer carries on in Canada, except as provided in sections 175.2.8 to 175.2.11.

2004, c. 8, s. 24.

133.7. A taxpayer shall not deduct, in computing the taxpayer's income from a business or property for a taxation year, an amount that is deemed under section 21.32 to have been received by another person as an amount described in any of subparagraphs *a* to *c* of the first paragraph of that section, except as expressly permitted by this Part.

2015, c. 24, s. 27.

133.8. A taxpayer shall not deduct, in computing the taxpayer's income from a business or property for a taxation year, an amount that corresponds to a reduction in the year in the value of a property if

(a) the method used by the taxpayer to value the property at the end of the year for the purpose of computing the taxpayer's profit from a business or property consists in valuing the property at the cost at which the taxpayer acquired it or its fair market value at the end of the year, whichever is lower;

(b) the property is described in section 83.0.7; and

(c) the property is not disposed of by the taxpayer in the year.

2019, c. 14, s. 81.

133.9. A taxpayer shall not deduct, in computing the taxpayer's income from a business or property for a taxation year, an amount referred to in section 93.16.

2019, c. 14, s. 81.

134. No amount disbursed or expended by the taxpayer after 1971 for the use or maintenance of a yacht, a lodge, a camp or a golf course or facility may be deducted unless the taxpayer's business provides any of the foregoing for hire or reward and such outlay or expense is made or incurred in the ordinary course of such business.

The same applies to such an amount when expended or disbursed as fees or dues, whether membership dues, initiation fees or otherwise, in any club the main purpose of which is to provide dining, recreational or sporting facilities for its members.

However, this section does not apply to such an amount that is a gift or award referred to in section 37.1.5.

1972, c. 23, s. 123; 1986, c. 19, s. 23; 2003, c. 9, s. 20.

134.1. An individual shall not deduct, in computing his income for a taxation year, any amount paid by him in the year, or payable by him in respect of that year, as

(a) annual professional membership dues the payment of which was necessary to maintain a professional status recognized by statute;

(a.1) dues the individual is required to pay to a recognized association under the Act respecting the representation of certain home educational childcare providers and the negotiation process for their group agreements (chapter R-24.0.1) as a home educational childcare provider represented by that association;

(b) annual dues the payment of which was necessary to maintain membership in an artists' association recognized by the Minister on the recommendation of the Minister of Culture and Communications;

(c) a contribution the individual was required to pay under section 10 of the Act to amend the Professional Code (1995, chapter 50) or section 196.2 of the Professional Code (chapter C-26).

The dues described in any of subparagraphs *a* to *b* of the first paragraph do not include the portion thereof that is, in effect, levied under a retirement plan, a plan for annuities, insurance or similar benefits, or for any other purpose not directly related to the ordinary operating expenses of the entity to which they were paid, or that corresponds to the Québec sales tax or the goods and services tax in respect of such dues.

1997, c. 14, s. 39; 2008, c. 11, s. 185; 2009, c. 36, s. 72; 2010, c. 25, s. 16; 2022, c. 9, s. 97.

134.2. A partnership shall not deduct, in computing its income for a taxation year, any amount paid by it in the year, or payable by it in respect of the year, on behalf of an individual who is a member of the partnership, as

(a) annual professional membership dues the payment of which was necessary for the individual to maintain a professional status recognized by statute;

(b) annual dues the payment of which was necessary for membership of the individual in an artists' association recognized by the Minister on the recommendation of the Minister of Culture and Communications;

(c) a contribution the individual was required to pay under section 10 of the Act to amend the Professional Code (1995, chapter 50) or section 196.2 of the Professional Code (chapter C-26).

The annual dues described in subparagraph *a* or *b* of the first paragraph do not include the portion thereof that is, in effect, levied under a retirement plan, a plan for annuities, insurance or similar benefits, or for any

other purpose not directly related to the ordinary operating expenses of the entity to which they were paid, or that corresponds to the Québec sales tax or the goods and services tax in respect of such dues.

1997, c. 14, s. 39; 2008, c. 11, s. 185.

134.3. Where an amount would, but for section 134.2, be deductible in computing the income of a partnership for a particular taxation year as dues described in subparagraph *a* or *b* of the first paragraph of that section or as a contribution described in subparagraph *c* of that paragraph, the following rules apply:

(a) where a corporation is a member of the partnership at the end of the particular taxation year, the corporation's share of the amount shall be deductible in computing the corporation's income for the taxation year in which the particular taxation year ends;

(b) where a particular partnership is a member of the partnership at the end of the particular taxation year, the particular partnership's share of the amount is deemed to be an amount paid by the particular partnership in the particular partnership's taxation year in which the particular taxation year ends, or an amount payable by the particular partnership in respect of the particular partnership's taxation year in which the particular taxation year ends, as dues described in subparagraph *a* or *b* of the first paragraph of section 134.2 or as a contribution described in subparagraph *c* of that paragraph, as the case may be;

(c) where an individual is a member of the partnership at the end of the particular taxation year, the individual's share of the amount is deemed to be an amount paid by the individual in the individual's taxation year in which the particular taxation year ends, or an amount payable by the individual in respect of the individual's taxation year in which the particular taxation year ends, as dues described in subparagraph *a* or *b* of the first paragraph of section 134.1 or as a contribution described in subparagraph *c* of that paragraph, as the case may be.

1997, c. 14, s. 39.

135. A taxpayer shall not deduct:

(a) (paragraph repealed);

(b) an amount paid in respect of patronage dividends granted to his customers, except as provided in section 786;

(c) an amount paid or payable as a contribution to an employee benefit plan;

(d) an outlay or expense made or incurred under a salary deferral arrangement in respect of another person, except as expressly permitted by paragraphs *p* and *q* of section 157;

(e) except as expressly permitted by section 139.1, contributions made under a retirement compensation arrangement;

(f) except as expressly permitted by section 139.2, contributions made to an employee life and health trust.

1972, c. 23, s. 124; 1979, c. 18, s. 11; 1982, c. 5, s. 38; 1987, c. 67, s. 37; 1988, c. 18, s. 9; 1989, c. 5, s. 45; 1989, c. 77, s. 19; 1991, c. 25, s. 176; 1993, c. 16, s. 75; 2011, c. 6, s. 119.

135.1. Paragraph *c* of section 135 does not apply in respect of a contribution made to an employee benefit plan, to the extent that

(a) the contribution

i. is made in respect of services performed by an employee who is not resident in Canada and is regularly employed in a country other than Canada, and

ii. cannot reasonably be regarded as having been made in respect of services performed or to be performed during a period when the employee is resident in Canada;

(b) when the custodian of the plan is not resident in Canada, the contribution

i. is made in respect of an employee who is not resident in Canada at the time the contribution is made, and

ii. cannot reasonably be regarded as having been made in respect of services performed or to be performed during a period when the employee is resident in Canada; or

(c) when the custodian of the plan is not resident in Canada, the contribution can reasonably be regarded as having been made in respect of services performed by an employee during a particular month, if the employee

i. was resident in Canada throughout no more than 60 of the 72 calendar months ending with the particular month, and

ii. became a member of the plan before the end of the month after the month in which he became resident in Canada.

For the purposes of subparagraph *c* of the first paragraph, where the benefits provided in respect of an employee under a particular employee benefit plan are replaced by the benefits provided under another employee benefit plan, the other plan is deemed, in respect of the employee, to be the same plan as the particular plan.

1982, c. 5, s. 39; 1991, c. 25, s. 176; 1995, c. 49, s. 45.

135.1.1. Paragraph *d* of section 135 does not apply to an outlay or expense made or incurred under a salary deferral arrangement that was established primarily for the benefit of one or more employees not resident in Canada in respect of services to be rendered outside Canada.

1988, c. 18, s. 10; 1993, c. 16, s. 76.

135.2. A corporation which carries on a personal services business may deduct in respect of that business under this chapter, only the following amounts to the extent that they would otherwise be deductible:

(a) a salary, wages or other remuneration paid in the year to its incorporated employee;

(b) the cost to the corporation of an allowance or a benefit granted in the year to an incorporated employee;

(c) an expense which, had it been made by an individual, would have been deductible in computing his income for the year under section 62;

(d) an amount it pays during the year as judicial or extrajudicial expenses to recover an amount owing to it for services it provided.

1983, c. 44, s. 22; 1997, c. 3, s. 20; 1997, c. 14, s. 40; I.N. 2016-01-01 (NCCP); 2017, c. 29, s. 38.

135.3. A taxpayer shall not deduct an amount paid or payable for the cancellation of a lease of property of the taxpayer leased by him to another person, except to the extent permitted by paragraph *g* or *g*.1 of section 157.

1984, c. 15, s. 32.

135.3.1. A taxpayer shall not deduct any amount paid or payable under Part VI.1, or under Part I.3 or VI of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1990, c. 59, s. 77; 1991, c. 25, s. 43; 1997, c. 14, s. 41.

135.3.2. No individual may deduct, in computing the individual's income from a business or property for a taxation year, an amount paid in that year or payable in respect of that year as safety deposit box rental fees with a financial institution.

1997, c. 85, s. 52.

135.3.3. A taxpayer who, under section 350.49 of the Act respecting the Québec sales tax (chapter T-0.1), is required to file an information return in respect of a supply referred to in that section, may not deduct or otherwise take into account in computing the taxpayer's income for a taxation year, an amount that the taxpayer is required to declare in the information return if the taxpayer has not filed the information return in accordance with that section 350.49 or if, in the information return, the taxpayer did not declare the amount or did not furnish any of the other information required in respect of the amount.

2002, c. 9, s. 6.

135.4. Notwithstanding any other provision of this Part, in computing a taxpayer's income for a taxation year, no deduction shall be made in respect of any outlay or expense made or incurred by the taxpayer, other than an amount deductible by reason of paragraph *a* of section 130, paragraphs *h*, *h*.1 and *h*.1.1 of section 157 or section 157.14, that may reasonably be regarded as a cost attributable to the period of the construction, renovation or alteration of a building by or on behalf of the taxpayer, a person with whom the taxpayer does not deal at arm's length, a corporation of which the taxpayer is a specified shareholder or a partnership of which the taxpayer's share of any income or loss is 10% or more and relating to the construction, renovation or alteration, or a cost attributable to that period and relating to the ownership during that period of land that is subjacent to the building or that is contiguous land necessary for the use or intended use of the building and used or intended to be used for a parking area, driveway, yard or garden or any similar use.

1984, c. 15, s. 32; 1985, c. 25, s. 30; 1986, c. 19, s. 24; 1990, c. 59, s. 78; 1993, c. 16, s. 77; 1997, c. 3, s. 71; 2006, c. 36, s. 26.

135.5. The amount referred to in section 135.4 shall, to the extent that it would, but for section 135.4, be deductible in computing the taxpayer's income for the year, be included in the cost or the capital cost, as the case may be, of the building to the taxpayer, to a person with whom the taxpayer does not deal at arm's length, to a corporation of which the taxpayer is a specified shareholder or to a partnership of which the taxpayer's share of any income or loss is 10% or more, as the case may be.

1984, c. 15, s. 32; 1990, c. 59, s. 78; 1997, c. 3, s. 71; 2004, c. 8, s. 25.

135.6. For the purposes of sections 135.4 and 135.5, costs relating to the construction, renovation or alteration of a building or to the ownership of land include

(a) interest paid or payable by a taxpayer in respect of borrowed money that cannot be identified with a particular building or particular land, but that can reasonably be considered, having regard to all the circumstances, as interest on borrowed money used by the taxpayer in respect of the construction, renovation or alteration of a building or the ownership of land; and

(b) interest paid or payable by a taxpayer in respect of borrowed money that can reasonably be considered, having regard to all the circumstances, to have been used to assist, directly or indirectly, a person with whom the taxpayer does not deal at arm's length, a corporation of which the taxpayer is a specified shareholder, or a partnership of which the taxpayer's share of any income or loss is 10% or more, to construct, renovate or alter a building or to purchase land, except where the assistance is in the form of a loan to that person, corporation or partnership and a reasonable rate of interest thereon is charged by the taxpayer.

1984, c. 15, s. 32; 1986, c. 15, s. 49; 1990, c. 59, s. 79; 1997, c. 3, s. 71.

135.7. For the purposes of sections 135.4 and 135.5, the construction, renovation or alteration of a building is completed at the earlier of the day on which the construction, renovation or alteration is actually completed and the day on which all or substantially all of the building is used for the purpose for which it was constructed, renovated or altered.

1984, c. 15, s. 32.

135.8. Sections 135.4 and 135.5 do not apply to prohibit a deduction in a taxation year of an amount corresponding to the product obtained by multiplying by the percentage specified in the second paragraph any outlay or expense made or incurred before 1 January 1992 by

(a) a corporation whose principal business is throughout the year the leasing, rental or sale, or the development for lease, rental or sale, or any combination thereof, of immovable property owned by it, to or for a person with whom it is dealing at arm's length, or

(b) a partnership each member of which is a corporation described in subparagraph *a* if the principal business of the partnership is throughout the year the leasing, rental or sale, or the development for lease, rental or sale, or any combination thereof, of immovable property held by it, to or for a person with whom each member of the partnership is dealing at arm's length.

The percentage to which the first paragraph refers is equal to

(a) 80%, in respect of an outlay or expense made or incurred after 31 December 1987 and before 1 January 1989;

(b) 60%, in respect of an outlay or expense made or incurred after 31 December 1988 and before 1 January 1990;

(c) 40%, in respect of an outlay or expense made or incurred after 31 December 1989 and before 1 January 1991;

(d) 20%, in respect of an outlay or expense made or incurred after 31 December 1990 and before 1 January 1992.

1984, c. 15, s. 32; 1990, c. 59, s. 80; 1997, c. 3, s. 71.

135.9. Sections 135.4 and 135.5 do not apply in respect of an outlay or expense made or incurred in respect of a building or land described in section 135.4 in respect of the building

(a) where the construction, renovation or alteration of the building was in progress on 12 November 1981;

(b) where the installation of the footings or other base support of the building commenced between 12 November 1981 and 1 January 1982;

(c) if, in the case of a new building being constructed in Canada or an existing building being renovated or altered in Canada, arrangements, evidenced in writing, for such construction, renovation or alteration were substantially advanced before 13 November 1981 and the installation of footings or other base support for the new building or the renovation or alteration of the existing building, as the case may be, commenced before 1 June 1982; or

(d) if, in the case of a new building being constructed in Canada, the taxpayer was obligated to construct the building under the terms of an agreement in writing entered into before 13 November 1981, and arrangements, evidenced in writing, respecting the construction of the building were substantially advanced before 1 June 1982 and the installation of footings or other base support therefor commenced before 1 January 1983.

The first paragraph applies only if the construction, renovation or alteration of the building proceeds after 31 December 1982 without undue delay, having regard to superior force, labour disputes, fire, accidents or unusual delay by common carriers or suppliers of materials or equipment.

1984, c. 15, s. 32; 1993, c. 16, s. 78; 1997, c. 3, s. 21; 1997, c. 31, s. 17.

135.10. For the purposes of section 135.9, where more than one building is being constructed under any of the circumstances described in that section on one site or on contiguous sites, no undue delay is regarded as occurring in the construction of any such building if construction of at least one such building proceeds after 31 December 1982 without undue delay and continuous construction of all other such buildings proceeds after 31 December 1983 without undue delay.

1984, c. 15, s. 32.

135.11. For the purposes of sections 135.4 to 135.10, the installation of footings or other base support for a building is deemed to commence on the first placement of concrete, pilings or other material that is to provide permanent support for the building.

1984, c. 15, s. 32.

DIVISION II

RETIREMENT PLANS

1972, c. 23.

136. No employer may deduct an amount paid under a retirement plan except as provided in this division.

1972, c. 23, s. 125.

137. There may be deducted in computing an employer's income for a taxation year such amount as is deductible in computing that income for the year to the extent provided in section 965.0.2 or 965.0.23.

1972, c. 23, s. 126; 1976, c. 18, s. 3; 1979, c. 38, s. 9; 1991, c. 25, s. 44; 2015, c. 21, s. 121.

137.1. *(Repealed).*

1972, c. 5, s. 40; 1991, c. 25, s. 45.

138. *(Repealed).*

1972, c. 23, s. 127; 1982, c. 5, s. 41.

139. *(Repealed).*

1972, c. 23, s. 128; 1972, c. 26, s. 42; 1982, c. 5, s. 42; 1991, c. 25, s. 46.

DIVISION II.1

RETIREMENT COMPENSATION ARRANGEMENT

1989, c. 77, s. 20.

139.1. A taxpayer may deduct, in computing his income for a taxation year, the amount deductible under section 890.12 in computing his income for the year.

1989, c. 77, s. 20.

DIVISION II.2

EMPLOYEE LIFE AND HEALTH TRUST

2011, c. 6, s. 120.

139.2. An employer may deduct, in computing the employer's income for a taxation year, an amount in respect of employer contributions paid to a trustee under an employee life and health trust as is permitted by sections 869.4 to 869.7.

2011, c. 6, s. 120.

DIVISION III

DOUBTFUL OR BAD DEBTS AND CREDIT RISKS

1972, c. 23; 1990, c. 59, s. 81; 1995, c. 63, s. 29.

140. A taxpayer may deduct in computing the taxpayer's income for a taxation year, as a reserve, the aggregate of

(a) a reasonable amount in respect of doubtful debts, other than a debt in respect of which paragraph *b* applies, that have been included in computing the taxpayer's income for the year or a preceding taxation year, and

(b) where the taxpayer is a financial institution, within the meaning of section 851.22.1, in the year or a taxpayer whose ordinary business includes the lending of money, an amount not exceeding the particular amount determined for the year under section 140.1 in respect of properties, other than mark-to-market properties, as defined in the first paragraph of that section 851.22.1, that are impaired loans or lending assets that are specified debt obligations, as defined in that paragraph, of the taxpayer, or impaired loans or lending assets that were made or acquired by the taxpayer in the ordinary course of the taxpayer's business of insurance or the lending of money.

1972, c. 23, s. 129; 1990, c. 59, s. 82; 2001, c. 7, s. 21.

140.1. The particular amount, referred to in paragraph *b* of section 140, for a taxation year in respect of impaired loans or lending assets of a taxpayer is equal to the aggregate of

(a) the percentage, not exceeding 100%, that the taxpayer claims of the prescribed reserve amount for the taxpayer for the year, and

(b) in respect of loans, lending assets or specified debt obligations that are impaired and for which no amount was deductible for the year under subparagraph *a*, each of which in this paragraph is referred to as a "particular loan", the taxpayer's specified percentage for the year of the lesser of

i. the aggregate of all amounts each of which is a reasonable amount as a reserve, other than any portion of which is in respect of a sectoral reserve, for a particular loan in respect of the amortized cost of the particular loan to the taxpayer at the end of the year, and

ii. the amount determined by the formula

$$0.9\ A - B.$$

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

(a) A is the amount that is the taxpayer's reserve or allowance for impairment, other than any portion of the amount that is in respect of a sectoral reserve, for all of the taxpayer's particular loans that is determined for the year in accordance with generally accepted accounting principles; and

(b) B is the aggregate of all amounts each of which is the specified reserve adjustment for a particular loan, other than an income bond, an income debenture, a small business bond or small business development bond, for the year or a preceding taxation year.

1990, c. 59, s. 83; 2001, c. 7, s. 22.

140.1.1. For the purposes of subparagraph i of subparagraph *b* of the first paragraph of section 140.1, a sectoral reserve is a reserve or an allowance for impairment for a loan that is determined on a sector-by-sector basis, including a geographic sector, an industrial sector or a sector of any other nature, and not on a property-by-property basis.

2001, c. 7, s. 23.

140.1.2. For the purposes of subparagraph *b* of the first paragraph of section 140.1, a taxpayer's specified percentage for a taxation year is

(a) where the taxpayer has a prescribed reserve amount for the year for the purposes of subparagraph *a* of the first paragraph of section 140.1, the percentage that is the percentage of the prescribed reserve amount of the taxpayer for the year claimed by the taxpayer under that subparagraph *a* for the year; and

(b) in any other case, 100%.

2001, c. 7, s. 23.

140.1.3. For the purposes of subparagraph *b* of the second paragraph of section 140.1, the specified reserve adjustment for a loan of a taxpayer for a taxation year is the amount determined by the formula

$$0.1 (A \times B \times C / 365).$$

In the formula provided for in the first paragraph,

(a) A is the carrying amount of the impaired loan that is used or would be used in determining the interest income on the loan for the taxation year in accordance with generally accepted accounting principles;

(b) B is the effective interest rate on the loan for the year determined in accordance with generally accepted accounting principles; and

(c) C is the number of days in the taxation year on which the loan is impaired.

2001, c. 7, s. 23.

140.2. A taxpayer who is an insurer or whose ordinary business includes the lending of money may deduct in computing the taxpayer's income for a taxation year, as a reserve in respect of credit risks under guarantees, indemnities, letters of credit or other credit facilities, bankers' acceptances, interest rate or currency swaps, foreign exchange or other future or option contracts, interest rate protection agreements, risk participations and other similar instruments or commitments issued, made or assumed by the taxpayer in the ordinary course of the taxpayer's business of insurance or the lending of money in favour of persons with whom the taxpayer deals at arm's length, an amount not exceeding the lesser of

(a) a reasonable amount as a reserve for credit risk losses of the taxpayer expected to arise after the end of the year in respect of those instruments or commitments, and

(b) 90% of the reserve for credit risk losses referred to in paragraph *a* determined for the year in accordance with generally accepted accounting principles.

1990, c. 59, s. 83; 2001, c. 7, s. 24.

141. A taxpayer may deduct in computing the taxpayer's income for a taxation year the aggregate of

(a) all debts owing to the taxpayer that have been included by the taxpayer in computing the taxpayer's income for the year or a preceding taxation year and that are established by the taxpayer to have become bad debts in the year, and

(b) all amounts each of which is that part of the amortized cost to the taxpayer at the end of the year of a loan or lending asset, other than a mark-to-market property, as defined in section 851.22.1, that is established in the year by the taxpayer to have become uncollectible and that,

i. where the taxpayer is an insurer or a taxpayer whose ordinary business includes the lending of money, was made or acquired in the ordinary course of the taxpayer's business of insurance or the lending of money, or

ii. where the taxpayer is a financial institution, within the meaning of section 851.22.1, in the year, is a specified debt obligation, as defined in the first paragraph of that section, of the taxpayer.

1972, c. 23, s. 130; 1990, c. 59, s. 84; 1995, c. 49, s. 236; 2001, c. 7, s. 25.

141.1. For the purposes of computing a deduction under sections 140 to 141 from the income of a taxpayer for a taxation year who is an insurer or whose ordinary business includes the lending of money, an instrument or commitment described in section 140.2 or a loan or lending asset acquired by the taxpayer from a person with whom he is not dealing at arm's length for an amount equal to its fair market value is deemed to have been acquired by the taxpayer in the ordinary course of his business of insurance or the lending of money where

(a) the person from whom the instrument or commitment or loan or lending asset is acquired carries on the business of insurance or the lending of money; and

(b) the instrument or commitment has been issued, made or assumed, or the loan or lending asset has been made or acquired, by the person in the ordinary course of his business of insurance or the lending of money.

1990, c. 59, s. 85.

142. Where a taxpayer to whom an amount is owing as proceeds of disposition of depreciable property of a prescribed class of the taxpayer, other than a passenger vehicle to which paragraph *d*.3 of section 99 applies or a zero-emission passenger vehicle to which paragraph *d*.5 of section 99 applies, establishes that the amount has become a bad debt in a taxation year, there may be deducted, in computing the taxpayer's income for the year, the lesser of the amount so owing to the taxpayer and the amount by which the capital cost to the taxpayer of that property exceeds the aggregate of the amounts realized by the taxpayer as proceeds of disposition.

However, in the case of a bad debt resulting from the disposition of a timber resource property, the taxpayer may deduct the amount so owing to him.

1972, c. 23, s. 131; 1975, c. 22, s. 15; 1993, c. 16, s. 79; 1995, c. 49, s. 236; 2021, c. 18, s. 28.

142.0.1. Where a taxpayer to whom an amount is owing as proceeds of disposition of a zero-emission passenger vehicle to which paragraph *d*.5 of section 99 applies establishes that the amount has become a bad debt in a taxation year, there may be deducted, in computing the taxpayer's income for the year, the lesser of

(a) the amount that would be determined by the formula in the first paragraph of section 99.2 in respect of the disposition if the amount determined under subparagraph *a* of the second paragraph of that section were the amount owing to the taxpayer; and

(b) the amount by which the capital cost to the taxpayer of the vehicle exceeds the amount that would be determined by the formula in the first paragraph of section 99.2 in respect of the disposition if the amount determined under subparagraph *a* of the second paragraph of that section were the total amount realized by the taxpayer as proceeds of disposition.

2021, c. 18, s. 29.

142.1. Where an amount is deductible under section 142 in respect of the disposition of a depreciable property to which section 93.19 applied, the amount deductible under section 142 is equal to 3/4 of the amount that would be deductible, but for this section.

1990, c. 59, s. 86; 1995, c. 49, s. 236; 1996, c. 39, s. 47; 2003, c. 2, s. 45; 2004, c. 21, s. 56; 2005, c. 1, s. 57; 2017, c. 29, s. 39; 2019, c. 14, s. 82.

142.2. *(Repealed).*

2003, c. 2, s. 46; 2005, c. 1, s. 58; 2019, c. 14, s. 83.

DIVISION IV

INCOME TAX, DUTIES AND OTHER PAYMENTS

1972, c. 23; 1975, c. 22, s. 16.

143. A taxpayer may deduct any amount allowed by regulation in respect of taxes on income for the year from mining operations.

1972, c. 23, s. 132.

144. (1) A taxpayer shall not, in computing the income of the taxpayer from a business or property for a taxation year that begins before 1 January 2008, deduct any amount paid or payable in the year to a person referred to in section 90 and that can reasonably be considered to be a royalty, tax, rental or bonus, or to be in respect of the late receipt or non-receipt of such an amount, in relation to

(a) the acquisition, development or ownership of a Canadian resource property; or

(b) the production in Canada of

i. petroleum, natural gas or related hydrocarbons from a natural accumulation of petroleum or natural gas in Canada other than a mineral resource or from an oil or gas well in Canada;

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

ii. metal, minerals other than iron, petroleum or other related hydrocarbons, or coal from a mineral resource in Canada to any stage that is not beyond the prime metal stage or its equivalent;

iii. iron from a mineral resource in Canada to any stage that is not beyond the pellet stage or its equivalent;

iv. petroleum or related hydrocarbons from a deposit of bituminous sands or oil shales in Canada to any stage that is not beyond the crude oil stage or its equivalent.

(2) Subsection 1 does not apply to a prescribed amount for the purposes of section 91 or to a tax or part thereof that may reasonably be considered to be a municipal or school tax.

(3) Where the taxation year referred to in subsection 1 ends after 31 December 2006, subsection 1, except for the purposes of the regulations made under paragraph *z*.4 of section 87 or section 145 or 360, applies despite section 143 and only in respect of the proportion of each amount referred to in subsection 1 that the number of days in the year that precede 1 January 2007 is of the number of days in the year.

1975, c. 22, s. 17; 1978, c. 26, s. 35; 1984, c. 15, s. 33; 1986, c. 19, s. 25; 1987, c. 67, s. 38; 1993, c. 16, s. 80; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1998, c. 16, s. 91; 2005, c. 1, s. 59; 2015, c. 24, s. 28.

144.1. *(Repealed).*

1982, c. 5, s. 43; 2005, c. 1, s. 60.

145. A taxpayer may, in computing the taxpayer's income from a business or property for a taxation year that begins before 1 January 2007, deduct the amount determined under the regulations in respect of a natural accumulation of petroleum or natural gas, an oil or gas well or mineral resource in Canada.

Such regulations may allow an amount for any or all accumulations, wells or mineral resources and the Government may prescribe a formula to determine such amount.

Where the taxation year referred to in the first paragraph includes 1 January 2007, that paragraph shall be read with "the proportion that the number of days in the year that precede that date is of the number of days in the year, of" inserted before "the amount".

1975, c. 22, s. 17; 1987, c. 67, s. 39; 2005, c. 1, s. 61.

146. An individual may, in computing his income from property other than immovable property for a taxation year after 1975 and from a source outside Canada, deduct such part of all the income or profits tax for the year that he paid to the government of a country other than Canada as may reasonably be regarded as having been paid in respect of an amount that has been included in computing his income for the year from the property, to the extent that such part exceeds 15% of that amount.

1972, c. 23, s. 134; 1977, c. 26, s. 15; 2020, c. 16, s. 190.

146.1. Subject to section 772.6.1, a taxpayer who is resident in Canada at any time in a taxation year may deduct, in computing the taxpayer's income for the year from a business or property, such amount not exceeding the non-business-income tax, within the meaning assigned by section 772.2 read without reference to paragraph *c* and subparagraphs iii and v of paragraph *d* of the definition of "non-business-income tax", paid by the taxpayer for the year to the government of a foreign country or political subdivision of a foreign country in respect of the income from a business or property, to the extent that such tax

(a) cannot reasonably be regarded as having been paid by a corporation in respect of income from a share of the capital stock of a foreign affiliate of the corporation; and

(b) is not deducted under section 126 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) nor an amount determined under subsection 2 of section 127.54 of that Act and deducted, in computing any tax payable by the taxpayer for the year under that Act.

1979, c. 18, s. 12; 1982, c. 5, s. 44; 1994, c. 22, s. 104; 1995, c. 1, s. 25; 1995, c. 63, s. 30; 1997, c. 3, s. 71; 2003, c. 2, s. 47; 2004, c. 8, s. 26; 2015, c. 21, s. 122.

146.2. Subject to section 772.6.1, a taxpayer may deduct, in computing the taxpayer's income from a business for a taxation year, an amount not exceeding the lesser of

(a) the amount of income or profits tax described in section 772.5.1 that

i. is in respect of a property used in the business for a period of ownership by the taxpayer or in respect of a related transaction, as defined in section 772.2,

ii. is paid by the taxpayer for the year,

iii. is, because of section 772.5.1, not included in computing the taxpayer's business-income tax or non-business-income tax, as defined in section 772.2, and

iv. where the taxpayer is a corporation, is not an amount that can reasonably be regarded as having been paid in respect of income from a share of the capital stock of a foreign affiliate of the taxpayer; and

(b) the portion of the taxpayer's income for the year from the business that is attributable to the property for the period or to a related transaction, as defined in section 772.2.

2001, c. 53, s. 43; 2004, c. 8, s. 27.

DIVISION V

EXPENSES IN RESPECT OF CERTAIN SECURITIES

1972, c. 23; 1980, c. 13, s. 8.

147. Subject to section 147.1, a taxpayer may deduct the portion of an amount, other than an amount referred to in the second paragraph of section 176, that is not otherwise deductible in computing the taxpayer's income and that is an expense incurred in the year or a preceding taxation year in the course of an issuance or sale of a unit of a trust or of a share of the capital stock of a corporation, if the taxpayer is a unit trust or a corporation, or in the course of an issuance or sale, by a partnership, of an interest in the partnership or, by a syndicate, of a share in the syndicate.

For the purposes of the first paragraph, an expense incurred in a particular taxation year or any preceding taxation year by a taxpayer does not include an expense to which relates

(a) an amount renounced under section 726.4.17.12 or 716.4.17.13, as the case may be, by the taxpayer at or before the end of the year that follows the particular year, in respect of an issue of flow-through shares or an issue of securities that are interests in a partnership; or

(b) an amount, not greater than the amount that would be determined under the second paragraph of section 965.31.5 in respect of a qualified investment made by a Québec business investment company entirely out of the proceeds of a share issue if the amount of the qualified investment were equal to the amount, in respect of the share issue, by which the aggregate referred to in subparagraph *b* of the first paragraph of section 965.31.5 exceeds the aggregate referred to in subparagraph *a* of the first paragraph of the said section 965.31.5, renounced under the said section 965.31.5 by the taxpayer at or before the end of the particular year, in respect of the share issue.

1972, c. 23, s. 135; 1980, c. 13, s. 8; 1990, c. 59, s. 87; 1992, c. 1, s. 26; 1997, c. 3, s. 71; 2000, c. 5, s. 42; 2007, c. 12, s. 40.

147.1. The amount deductible under section 147 shall not exceed the lesser of

(a) that proportion of 20% of the expense that the number of days in the year is of 365, and

(b) the amount by which the amount of the expense exceeds the aggregate of all amounts each of which is an amount deductible, in respect of the expense, in computing the taxpayer's income for a preceding taxation year.

1990, c. 59, s. 88.

147.2. For the purposes of sections 147 and 147.1, where a partnership has ceased to exist at any particular time in a fiscal period of the partnership,

(a) no amount may be deducted by the partnership under section 147 in computing its income for the fiscal period, and

(b) any person or partnership that was a member of the partnership immediately before that time may deduct, for a taxation year ending at or after that time, that proportion of the amount that would, but for this section, have been deductible under section 147 by the partnership in the fiscal period in the year had it continued to exist and had the partnership interest not been redeemed, acquired or cancelled, that the fair market value of such member's interest in the partnership immediately before that time is of the fair market value of all the interests in the partnership immediately before that time.

1990, c. 59, s. 88; 1997, c. 3, s. 71.

148. A corporation may deduct:

(a) an amount payable as a fee for services rendered by a person as an agent for the transfer of the shares of its capital stock or as an agent for the remittance to its shareholders of the dividends declared by it;

(b) an amount payable as a fee to a stock exchange for the listing of the shares of its capital stock; and

(c) an expense incurred for the printing and issuing of a financial report to its shareholders or to any other person entitled by law to receive such report.

1972, c. 23, s. 136; 1997, c. 3, s. 71.

DIVISION VI

SALE OF CERTAIN PROPERTY

1972, c. 23.

149. Where a taxpayer has in a taxation year disposed of depreciable property to a person with whom he was dealing at arm's length and the proceeds of disposition, within the meaning assigned by subparagraph *f* of the first paragraph of section 93, include an agreement to sell, or a hypothecary claim or mortgage on, land that the taxpayer has, in a subsequent taxation year, sold to a person with whom he was dealing at arm's length, he may deduct in computing his income for the subsequent year the lesser of

(a) the amount by which the principal amount of the agreement to sell or the obligation outstanding at the time of the sale exceeds the consideration paid by the purchaser to the taxpayer for the agreement to sell or the obligation; and

(b) the amount determined under subparagraph *a* less the amount by which the proceeds of disposition of the depreciable property exceed the capital cost of that property.

However, in the case of the disposition of a timber resource property, the taxpayer may deduct the amount described in subparagraph *a* of the first paragraph.

1972, c. 23, s. 137; 1975, c. 22, s. 18; 1996, c. 39, s. 48; 2001, c. 53, s. 260; 2005, c. 1, s. 62.

DIVISION VII

RESERVES

1972, c. 23; 1997, c. 14, s. 42.

150. Where amounts contemplated in paragraph *a* of section 87 have been included in computing the income from a business of the taxpayer for the year or a previous year, he may deduct a reasonable amount as a reserve in respect of

(a) goods or services that it is reasonably anticipated will be delivered or rendered after the end of the year;

(b) periods for which rent or other amounts for the possession or use of land or movable property have been paid in advance; or

(c) repayments under arrangements or understandings contemplated in subparagraph ii of paragraph *a* of section 87 that it is reasonably anticipated will have to be made after the end of the year on the return or resale to the taxpayer of articles other than bottles.

1972, c. 23, s. 138; 1997, c. 14, s. 43.

150.1. Where an amount described in paragraph *a* of section 87 has been included in computing a taxpayer's income from a business for the year or a preceding taxation year, the taxpayer may deduct a reasonable amount as a reserve in respect of goods or services that it is reasonably anticipated will have to be delivered or rendered after the end of the year pursuant to an agreement for an extended warranty entered into by the taxpayer with a person with whom he was dealing at arm's length, and under which the only obligation of the taxpayer is to provide such goods or services with respect to property manufactured by the taxpayer or by a corporation related to the taxpayer.

In no case may the reserve exceed that portion of the amount paid or payable by the taxpayer to an insurer that carries on an insurance business in Canada to insure his liability under the agreement in respect of an outlay or expense made or incurred after 11 December 1979 and in respect of the period after the end of the year.

1984, c. 15, s. 34; 1997, c. 3, s. 71.

150.2. In computing income for a taxation year, a taxpayer may deduct the undepreciated amount at the end of the taxation year in respect of the amount received in excess of the principal amount of a bond (in this section referred to as the "premium") which the taxpayer received as an issuer in the year, or a previous year, for issuing the bond (in this section referred to as the "new bond") if

(a) the terms of the new bond are identical to the terms of bonds previously issued by the taxpayer (in this section referred to as the "old bonds"), except for the date of issuance and total principal amount of the bonds;

(b) the old bonds were part of an issuance (in this section referred to as the "original issuance") of bonds by the taxpayer;

(c) the interest rate on the old bonds was reasonable at the time of the original issuance;

(d) the new bond is issued on the reopening of the original issuance;

(e) the amount of the premium at the time of issuance of the new bond is reasonable; and

(f) the amount of the premium has been included in computing the taxpayer's income for the year or a previous year.

2021, c. 18, s. 30.

151. Where an amount is deductible under section 150 in respect of articles of food or drink or transportation that it is reasonably anticipated will have to be delivered or provided after the end of the year, there shall be substituted for the amount determined thereunder an amount not exceeding the aggregate of amounts included in computing the taxpayer's income from the business for the year that were received or receivable in the year, depending on the method regularly followed by the taxpayer in computing his income from the business, in respect of articles of food or drink or transportation not delivered or provided before the end of the year, as the case may be.

1972, c. 23, s. 139; 1997, c. 14, s. 44.

152. No deduction is allowed under section 150 in respect of guarantees or indemnities, in respect of a reclamation obligation, or in the case of a farming business if the taxpayer uses the cash method of accounting in accordance with section 194.

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

1972, c. 23, s. 140; 1997, c. 14, s. 45; 1998, c. 16, s. 92; 2015, c. 21, s. 123.

153. Where an amount included in computing the taxpayer's income from a business for the year or for a preceding taxation year in respect of a property sold in the course of the business is payable to the taxpayer after the end of the year and, except where the property is immovable property, all or part of the amount was, at the time of the sale, not due until at least two years after that time, the taxpayer may deduct a reasonable amount as a reserve in respect of such part of the amount so included in computing his income as can reasonably be regarded as a portion of the profit from the sale.

However, no deduction is allowed to a taxpayer under this section in respect of a property sold in the course of a business if

(a) the taxpayer, at the end of the taxation year or in the following year,

i. is exempt from tax under this Part, or

ii. is not resident in Canada and does not carry on the business in Canada;

(b) the sale of the property occurred more than 36 months before the end of the year;

(c) the purchaser of the property sold is a corporation that, immediately after the sale,

i. is controlled, directly or indirectly, in any manner whatever, by the taxpayer,

ii. is controlled, directly or indirectly, in any manner whatever, by a person or group of persons that controls the taxpayer, directly or indirectly, in any manner whatever, or

iii. controls the taxpayer, directly or indirectly, in any manner whatever; or

(d) the purchaser of the property sold is a partnership in which the taxpayer is, immediately after the sale, a majority-interest partner.

1972, c. 23, s. 141; 1975, c. 22, s. 19; 1984, c. 15, s. 35; 1986, c. 19, s. 26; 1996, c. 39, s. 49; 2009, c. 5, s. 58; 2020, c. 16, s. 190.

154. A taxpayer may deduct any amount prescribed as an allowance for expenses to be incurred by him by reason of quadrennial or special surveys concerning a vessel, if such surveys are required under the law.

1972, c. 23, s. 142.

154.1. *(Repealed).*

1985, c. 25, s. 31; 2007, c. 12, s. 41.

154.2. *(Repealed).*

2000, c. 39, s. 14; 2003, c. 8, s. 6; 2006, c. 3, s. 35; 2009, c. 5, s. 59.

DIVISION VIII

REPRESENTATION EXPENSES

1972, c. 23.

155. A taxpayer may deduct any amount the taxpayer pays as expenses incurred in making any representation relating to a business carried on by the taxpayer or to obtain a license, permit, franchise or trademark relating to that business if such representation is made

(a) to the government of a country, province or state or to a municipal or public body performing a function of government in Canada; or

(b) to a mandatary of a government or body mentioned in paragraph *a*, if such a mandatary is authorized by law to make rules or regulations relating to the business carried on by the taxpayer.

1972, c. 23, s. 143; 2017, c. 29, s. 40.

156. Instead of deducting any amount deductible under section 155, the taxpayer may, if he so elects in prescribed manner, deduct one-tenth of that amount in computing his income for that year and make a similar deduction in computing his income for each of the nine subsequent years.

1972, c. 23, s. 144.

DIVISION VIII.1

ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN INVESTMENTS

1989, c. 5, s. 46.

156.1. A taxpayer, other than a trust, may deduct, in computing the taxpayer's income from a business for a taxation year,

(a) where the taxpayer is an individual, the proportion of the amount determined for the year in his respect under section 156.2 that the aggregate of the income earned in Québec and elsewhere by the individual for the year is of the income earned in Québec by the individual for the year;

(b) where the taxpayer is a corporation, the proportion of the amount determined for the year in its respect under section 156.3 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the corporation in the year is of the business carried on in Québec by the corporation in the year.

1989, c. 5, s. 46; 1993, c. 16, s. 81; 1995, c. 1, s. 199; 1997, c. 3, s. 71; 1999, c. 83, s. 35.

156.1.1. A partnership may deduct, in computing the partnership's income from a business for a fiscal period, the proportion of the amount determined in its respect for the period under section 156.3.1 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the period is of the business carried on in Québec by the partnership in the period.

1999, c. 83, s. 36.

156.2. The amount referred to in paragraph *a* of section 156.1 is, in respect of an individual for a taxation year, equal to 20% of the amount determined in respect of the individual for the year according to the following formula:

A × (B / C).

For the purposes of the formula provided in the first paragraph,

(a) the letter A represents the amount deducted by the individual, in computing his income for the year, under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a prescribed depreciable property;

(b) the letter B represents the amount by which the aggregate of the income earned in Québec and elsewhere by the individual for the year exceeds the income earned in Québec by the individual for the year;

(c) the letter C represents the aggregate of the income earned in Québec and elsewhere by the individual for the year.

1989, c. 5, s. 46; 1993, c. 19, s. 18; 1997, c. 85, s. 53.

156.3. The amount referred to in paragraph *b* of section 156.1 is, in respect of a corporation for a taxation year, equal to 20% of the amount determined in respect of the corporation for the year according to the following formula:

A × (B / C).

For the purposes of the formula provided in the first paragraph,

(a) the letter A represents the amount deducted by the corporation, in computing its income for the year, under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a prescribed depreciable property;

(b) the letter B represents the amount by which the aggregate of the business carried on in Canada or in Québec and elsewhere by the corporation in the year exceeds the business carried on in Québec by the corporation in the year;

(c) the letter C represents the aggregate of the business carried on in Canada or in Québec and elsewhere by the corporation in the year.

1989, c. 5, s. 46; 1993, c. 19, s. 19; 1995, c. 1, s. 199; 1997, c. 3, s. 71; 1997, c. 85, s. 54.

156.3.1. The amount to which section 156.1.1 refers is, in respect of a partnership for a fiscal period, equal to 20% of the amount determined for the fiscal period in respect of the partnership according to the formula

$$A \times (B / C).$$

In the formula provided for in the first paragraph,

(a) A is the amount deducted by the partnership, in computing its income for the fiscal period, under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a property that would, if the partnership were a corporation, be a prescribed depreciable property for the purposes of subparagraph *a* of the second paragraph of section 156.3;

(b) B is the amount by which the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the fiscal period exceeds the business carried on in Québec by the partnership in the fiscal period; and

(c) C is the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the fiscal period.

1999, c. 83, s. 37.

156.4. For the purposes of sections 156.1 to 156.3.1, the following rules apply:

(a) the computation of income earned in Québec and of income earned in Québec and elsewhere is made in the manner prescribed in the regulations made pursuant to section 22, with the necessary modifications; and

(b) the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a corporation is made in the manner prescribed in the regulations made under subsection 2 of section 771, with the necessary modifications, and the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a partnership is made in the manner so prescribed in those regulations, with the necessary modifications, as if the partnership were a corporation and if its fiscal period were a taxation year.

1989, c. 5, s. 46; 1995, c. 1, s. 26; 1995, c. 63, s. 261; 1999, c. 83, s. 38.

DIVISION VIII.2

SUPPLEMENTARY DEDUCTION IN RESPECT OF CERTAIN INVESTMENTS

1997, c. 85, s. 55.

156.5. Subject to the second paragraph, a taxpayer other than a trust may deduct, in computing the taxpayer's income from a business for a taxation year,

(a) where the taxpayer is an individual, the proportion of the amount determined for the year in respect of the individual under the first paragraph of section 156.6 that the aggregate of the income earned in Québec and elsewhere by the individual for the year is of the income earned in Québec by the individual for the year;

(b) where the taxpayer is a corporation, the proportion of the amount determined for the year in respect of the corporation under the first paragraph of section 156.6 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the corporation in the year is of the business carried on in Québec by the corporation in the year;

(c) (subparagraph repealed).

No deduction may be made by a taxpayer under the first paragraph, in computing the taxpayer's income from a business for a taxation year, in respect of property acquired from a person or partnership with whom or with which the taxpayer was not dealing at arm's length at the time of acquisition if

(a) the property is property acquired by the person or partnership before 26 March 1997 or after 25 March 1997 pursuant to an obligation in writing entered into before 26 March 1997 or the construction of which, by or on behalf of the person or partnership, had begun by 25 March 1997;

(b) the person or partnership was entitled to deduct, for a taxation year or fiscal period, as the case may be, preceding the taxation year or fiscal period in which the property was disposed of, an amount in computing the person's or partnership's income from a business under the first paragraph or under the first paragraph of section 156.5.1, as the case may be, in respect of the property; or

(c) this paragraph or the second paragraph of section 156.5.1 applied to the person or partnership in respect of the property.

1997, c. 85, s. 55; 1999, c. 83, s. 39; 2001, c. 51, s. 24; 2004, c. 21, s. 57.

156.5.1. Subject to the second paragraph, a partnership may deduct, in computing its income from a business for a fiscal period the proportion of the amount determined for the fiscal period in its respect under the second paragraph of section 156.6 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the fiscal period is of the business carried on in Québec by the partnership in the fiscal period.

No deduction may be made by a partnership under the first paragraph, in computing the partnership's income from a business for a fiscal period, in respect of property acquired from a person or partnership with whom or with which the partnership was not dealing at arm's length at the time of acquisition if

(a) the property is property acquired by the person or partnership before 26 March 1997 or after 25 March 1997 pursuant to an obligation in writing entered into before 26 March 1997 or the construction of which, by or on behalf of the person or partnership, had begun by 25 March 1997;

(b) the person or partnership was entitled to deduct, for a taxation year or fiscal period, as the case may be, preceding the taxation year or fiscal period in which the property was disposed of, an amount in computing the person's or partnership's income from a business under the first paragraph or under the first paragraph of section 156.5, as the case may be, in respect of the property; or

(c) this paragraph or the second paragraph of section 156.5 applied to the person or partnership in respect of the property.

1999, c. 83, s. 40; 2004, c. 21, s. 58.

156.6. The amount to which subparagraphs *a* and *b* of the first paragraph of section 156.5 refer in relation to a taxpayer for a taxation year, is equal to 25% of the aggregate of all amounts each of which is an amount deducted by the taxpayer under paragraph *a* of section 130 or the second paragraph of section 130.1, in computing the taxpayer's income for the year, in respect of property which is prescribed depreciable property for the purpose, where the taxpayer is an individual, of subparagraph *a* of the second paragraph of section 156.2, and where the taxpayer is a corporation, of subparagraph *a* of the second paragraph of section 156.3.

The amount to which the first paragraph of section 156.5.1 refers, in relation to a partnership for a fiscal period, is equal to 25% of the aggregate of all amounts each of which is an amount deducted by the partnership under paragraph *a* of section 130 or the second paragraph of section 130.1 in computing the partnership's income for the fiscal period, in respect of property that would be prescribed depreciable property

for the purpose of subparagraph *a* of the second paragraph of section 156.3 if the partnership were a corporation.

1997, c. 85, s. 55; 1999, c. 83, s. 41; 2000, c. 39, s. 15; 2001, c. 51, s. 25; 2004, c. 21, s. 59.

156.7. For the purposes of sections 156.5 and 156.5.1, the following rules apply:

(a) the computation of income earned in Québec and of income earned in Québec and elsewhere is made in the manner prescribed in the regulations made under section 22, with the necessary modifications; and

(b) the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a corporation is made in the manner prescribed in the regulations made under subsection 2 of section 771, with the necessary modifications, and the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a partnership is made in the manner so prescribed in those regulations as if the partnership were a corporation and if its fiscal period were a taxation year, and with the necessary modifications.

1997, c. 85, s. 55; 1999, c. 83, s. 42.

DIVISION VIII.2.1

OTHER DEDUCTION IN RESPECT OF CERTAIN INVESTMENTS

2011, c. 1, s. 23.

156.7.1. A taxpayer, other than a trust, may deduct, in computing the taxpayer's income from a business for a taxation year, an amount equal to 85% of the aggregate of all amounts each of which is an amount deducted by the taxpayer in computing the taxpayer's income for the year under paragraph *a* of section 130 or the second paragraph of section 130.1, in respect of the taxpayer's prescribed depreciable property.

2011, c. 1, s. 23.

DIVISION VIII.2.2

ADDITIONAL DEDUCTION RELATING TO CANADIAN VESSELS

2015, c. 21, s. 124.

156.7.2. For the purposes of this division,

"eligible work" means work that a taxpayer has carried out by a corporation under a contract entered into after 4 June 2014 and before 1 January 2024 in a qualified shipyard that the corporation operates;

"qualified shipyard" has the meaning assigned by section 979.24.

2015, c. 21, s. 124.

156.7.3. In computing a taxpayer's income for a taxation year from a business, there may be deducted an amount equal to 50% of the aggregate of all amounts each of which is the portion of the amount deducted in computing the taxpayer's income for the year under paragraph a of section 130 or the second paragraph of section 130.1, in respect of the taxpayer's prescribed depreciable property, that relates to the cost of eligible work.

2015, c. 21, s. 124.

DIVISION VIII.2.3

ADDITIONAL DEDUCTION OF 35% OR 60% IN RESPECT OF CERTAIN INVESTMENTS

2020, c. 16, s. 37.

156.7.4. Subject to section 156.7.5, a taxpayer may deduct, in computing the taxpayer's income from a business for a taxation year, an amount equal to the amount determined, in respect of a prescribed depreciable property, by the formula

$A \times (B / C)$.

In the formula in the first paragraph,

(a) A is an amount equal to the product obtained by multiplying the amount deducted by the taxpayer in computing the taxpayer's income for the year under paragraph *a* of section 130 in respect of the prescribed class that includes the property by

i. 35%, where the property is acquired after 28 March 2017 and before 28 March 2018, or

ii. 60%, where the property is acquired after 27 March 2018 and before

(1) 1 July 2019, if the property was acquired pursuant to an obligation in writing entered into before 4 December 2018 or if the construction of the property, by or on behalf of the taxpayer, began before 4 December 2018, or

(2) 4 December 2018, in any other case;

(b) B is

i. where the taxation year includes the time at which the property is considered to have become available for use, within the meaning of section 93.7, either of the following amounts:

(1) if the property is acquired after 20 November 2018, the amount attributable to the property that is added to the undepreciated capital cost of the prescribed class that includes the property, determined for the purpose of computing the amount that is deductible by the taxpayer in computing the taxpayer's income for the year under paragraph *a* of section 130, or

(2) in any other case, one half of the capital cost of the property at the end of the year,

ii. where the taxation year is the particular year that follows the year referred to in subparagraph i, the amount by which the capital cost of the property at the end of the particular year exceeds the portion of the amount deducted by the taxpayer in computing the taxpayer's income for the preceding year under paragraph *a* of section 130 that is attributable to the property, or

iii. in any other case, zero; and

(c) C is the undepreciated capital cost at the end of the year of property of the prescribed class that includes the property, determined for the purpose of computing the amount that is deductible by the taxpayer in computing the taxpayer's income for the year under paragraph *a* of section 130 before any deduction under that paragraph *a* for the year.

2020, c. 16, s. 37.

156.7.5. The amount that a taxpayer may deduct in computing the taxpayer's income from a business for a particular taxation year under section 156.7.4, in respect of a property acquired after 20 November 2018, may not exceed

(a) where the particular year includes the time at which the property is considered to have become available for use, within the meaning of section 93.7,

i. in the case where the property is included in Class 50 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), the product obtained by multiplying 16.5% of the capital cost of the property at the end of the particular year by the proportion that the number of days in the particular year is of 365, or

ii. in the case where the property is included in Class 53 of Schedule B to the Regulation respecting the Taxation Act, the product obtained by multiplying 15% of the capital cost of the property at the end of the particular year by the proportion that the number of days in the particular year is of 365; or

(b) where the particular year is the year following the year referred to in subparagraph *a*, the lesser of

i. the total of

(1) the amount by which the amount computed under section 156.7.4 in respect of the property for the year referred to in subparagraph *a* exceeds the amount determined under that subparagraph in respect of the property for that year, and

(2) the amount computed under section 156.7.4 in respect of the property for the particular year, and

ii. the total of

(1) the amount by which the amount computed under subparagraph *a* in respect of the property for the year referred to in that subparagraph exceeds the amount computed under section 156.7.4 in respect of the property for that year, and

(2) the product obtained by multiplying the amount determined under the second paragraph in respect of the property by the proportion that the number of days in the particular year is of 365.

The amount to which subparagraph 2 of subparagraph ii of subparagraph *b* of the first paragraph refers is

(a) 23.9% of the capital cost of the property at the end of the particular year, if it is included in Class 50 of Schedule B to the Regulation respecting the Taxation Act; or

(b) 22.5% of the capital cost of the property at the end of the particular year, if it is included in Class 53 of Schedule B to the Regulation respecting the Taxation Act.

2020, c. 16, s. 37.

DIVISION VIII.2.4

ADDITIONAL DEDUCTION OF 30% IN RESPECT OF CERTAIN INVESTMENTS

2020, c. 16, s. 37.

156.7.6. A taxpayer may deduct, in computing a taxpayer's income from a business for a taxation year, an amount equal to 30% of the aggregate of all amounts each of which is an amount deducted by the taxpayer in computing income for the preceding taxation year under paragraph *a* of section 130 or the second paragraph of section 130.1, in respect of a prescribed depreciable property acquired after 3 December 2018.

2020, c. 16, s. 37.

DIVISION VIII.3

ADDITIONAL DEDUCTION RELATING TO PUBLIC TRANSIT PASSES

2006, c. 36, s. 27.

156.8. A taxpayer may deduct, in computing the taxpayer's income from a business for a taxation year, the aggregate of all amounts each of which is an amount otherwise deductible in computing that income for that taxation year and that is

(a) an amount paid to an employee, after 23 March 2006, as the total or partial reimbursement of the cost of an eligible transit pass taking the form of a subscription for a minimum period of one month, valid after that date, that the employee acquired with a view to using it to commute between the employee's ordinary place of residence and the employee's work location;

(b) an amount paid to an employee, after 23 March 2006, as the total or partial reimbursement of the cost of an eligible paratransit pass, valid after that date, that the employee acquired with a view to using it to commute between the employee's ordinary place of residence and the employee's work location; or

(c) the cost to the taxpayer of an eligible transit pass or eligible paratransit pass that is supplied, after 23 March 2006, to an employee primarily to commute between the employee's ordinary place of residence and the employee's work location.

2006, c. 36, s. 27.

156.9. In section 156.8,

"eligible paratransit pass" means a transit pass that allows the use of a paratransit service provided by a public entity authorized under an Act of Québec to organize such a service;

"eligible transit pass" means a transit pass that allows the use of a public transit service, other than paratransit, provided by a public entity authorized under an Act of Québec to organize such a service.

2006, c. 36, s. 27.

DIVISION VIII.4

ADDITIONAL DEDUCTION RELATING TO THE ORGANIZATION OF AN INTERMUNICIPAL SHARED TRANSPORTATION SERVICE

2013, c. 10, s. 18.

156.10. A taxpayer may deduct, in computing the taxpayer's income from a business for a taxation year, the aggregate of all amounts each of which is an amount otherwise deductible in computing that income for that taxation year in respect of the setting up or operation of a shared transportation service of the taxpayer.

For the purposes of the first paragraph, a shared transportation service of a taxpayer means a transportation service organized by the taxpayer, alone or jointly with others, for the benefit of employees whose place of residence is outside the local municipal territory where their employer's establishment to which they ordinarily report for work is located, if

(a) the shared transportation service is provided at least five days a week, except during holiday periods or a slowdown in the business' activities;

(b) employees are transported in a coach, minibus or van or any other vehicle with a design capacity of at least 15 people; and

(c) employees can get on and off the vehicle only at predetermined places.

2013, c. 10, s. 18.

DIVISION VIII.5

ADDITIONAL DEDUCTION FOR TRANSPORTATION COSTS INCURRED BY REMOTE SMALL AND MEDIUM-SIZED BUSINESSES

2015, c. 21, s. 125; 2017, c. 29, s. 41.

156.11. In this division,

"additional deduction rate" that applies to a qualified corporation or a manufacturing corporation for a taxation year means, in the case of a qualified corporation for the year, 10% and, in the case of a manufacturing corporation for the year, subject to sections 156.12 and 156.13,

(a) 0%, if the major portion of the corporation's cost of manufacturing and processing capital for the year is attributable to property it uses outside the central area, the intermediate area, the remote area and the special remote area;

(a.1) 1%, if the major portion of the corporation's cost of manufacturing and processing capital for the year is attributable to property it uses in the central area;

(b) 3%, if the major portion of the corporation's cost of manufacturing and processing capital for the year is attributable to property it uses in the intermediate area;

(c) 5%, if the major portion of the corporation's cost of manufacturing and processing capital for the year is attributable to property it uses in the remote area; or

(d) 10%, if the major portion of the corporation's cost of manufacturing and processing capital for the year is attributable to property it uses in the special remote area;

"central area" means an area that includes the part of the territory of Québec that is not included in the intermediate area, the remote area and the special remote area;

"cost of capital" of a qualified corporation for a taxation year means the amount determined in respect of the corporation for the year under the definition of "cost of capital" in section 5202 of the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

"cost of labour" of a qualified corporation for a taxation year means the amount determined in respect of the corporation for the year under the definition of "cost of labour" in section 5202 of the Income Tax Regulations made under the Income Tax Act;

"cost of manufacturing and processing capital" of a manufacturing corporation for a taxation year means the amount determined in respect of the corporation for the year under the definition of "cost of manufacturing and processing capital" in section 5202 of the Income Tax Regulations made under the Income Tax Act;

"intermediate area" means an area that is

(a) the territory of any of the following regions described in the Décret concernant la révision des limites des régions administratives du Québec (chapter D-11, r. 1), or any part of such a region:

i. administrative region 03 Capitale-Nationale, except the part of the territory comprising the territory of the municipalities in the Québec census metropolitan area as described in the Standard Geographical Classification (SGC) 2011 published by Statistics Canada and the territory of Municipalité régionale de comté de Charlevoix-Est,

ii. the southern part of administrative region 04 Mauricie that includes the territory of the cities of Trois-Rivières and Shawinigan and the territory of the regional county municipalities of Chenaux and Maskinongé,

iii. the western part of administrative region 05 Estrie that includes the territory of Ville de Sherbrooke and of the regional county municipalities of Memphrémagog, Val-Saint-François, des Sources and Coaticook,

iv. administrative region 12 Chaudière-Appalaches, except the part of the territory comprising the territory of the municipalities in the Québec census metropolitan area as described in the Standard Geographical Classification (SGC) 2011 published by Statistics Canada,

v. administrative region 14 Lanaudière, except the part of the territory comprising the territory of the municipalities in the Montréal census metropolitan area as described in the Standard Geographical Classification (SGC) 2011 published by Statistics Canada,

vi. administrative region 15 Laurentides, except the part of the territory comprising the territory of the municipalities in the Montréal census metropolitan area as described in the Standard Geographical Classification (SGC) 2011 published by Statistics Canada, and the territory of Municipalité régionale de comté d'Antoine-Labelle,

vii. administrative region 16 Montérégie, except the part of the territory comprising the territory of the municipalities in the Montréal census metropolitan area as described in the Standard Geographical Classification (SGC) 2011 published by Statistics Canada, and

viii. administrative region 17 Centre-du-Québec; or

(b) the territory of Municipalité régionale de comté de Papineau;

"manufacturing corporation" for a taxation year means a Canadian-controlled private corporation the proportion of the manufacturing or processing activities of which for the year is greater than 25%;

"proportion of the manufacturing or processing activities" of a manufacturing corporation for a taxation year means the proportion that the amount determined in respect of the corporation for the year under paragraph *a* of section 5200 of the Income Tax Regulations made under the Income Tax Act is of the amount determined in respect of the corporation for the year under paragraph *b* of section 5200 of those Regulations;

"qualified corporation" for a taxation year means a Canadian-controlled private corporation more than 50% of the cost of labour or cost of capital of which for the taxation year is attributable to a business that it operates in a special remote area;

"remote area" means an area that is

(a) the territory of any of the following regions described in the Décret concernant la révision des limites des régions administratives du Québec, or any part of such a region:

i. administrative region 01 Bas-Saint-Laurent,

ii. administrative region 02 Saguenay–Lac-Saint-Jean,

iii. the eastern part of administrative region 05 Estrie that includes the territory of the regional county municipalities of Granit and Haut-Saint-François,

iv. administrative region 08 Abitibi-Témiscamingue,

v. administrative region 09 Côte-Nord, except the part of the region within the territory of Municipalité de l'Île-d'Anticosti and of Municipalité régionale de comté du Golfe-du-Saint-Laurent,

vi. administrative region 10 Nord-du-Québec, except the part of the region within the territory of the Kativik Regional Government, and

vii. the part of administrative region 11 Gaspésie–Îles-de-la-Madeleine comprising the territory of the regional county municipalities of Avignon, Bonaventure, Côte-de-Gaspé, Haute-Gaspésie and Rocher-Percé;

(b) the territory of any of the following regional county municipalities:

i. Municipalité régionale de comté d'Antoine-Labelle,

ii. Municipalité régionale de comté de Charlevoix-Est,

iii. Municipalité régionale de comté de La Vallée-de-la-Gatineau,

iv. Municipalité régionale de comté de Mékinac, and

v. Municipalité régionale de comté de Pontiac; or

(c) the territory of the urban agglomeration of La Tuque as described in section 8 of the Act respecting certain municipal powers in certain urban agglomerations (chapter E-20.001);

"special remote area" means an area that is

(a) the territory of Municipalité de l'Île-d'Anticosti;

(b) the territory of the urban agglomeration of Îles-de-la-Madeleine as described in section 9 of the Act respecting certain municipal powers in certain urban agglomerations;

(c) the territory of Municipalité régionale de comté du Golfe-du-Saint-Laurent; or

(d) the territory of the Kativik Regional Government.

2015, c. 21, s. 125; 2015, c. 24, s. 29; 2017, c. 29, s. 42.

156.12. For the purposes of the definition of "additional deduction rate" in section 156.11, a manufacturing corporation for a taxation year may determine the part of its cost of manufacturing and processing capital for the year attributable to goods it uses in a particular area by adding to it the portion of the corporation's cost of manufacturing and processing capital for the year attributable to goods it uses in another area for which a higher additional deduction rate for the year is provided.

2015, c. 21, s. 125.

156.13. Despite the definition of "additional deduction rate" in section 156.11, the additional deduction rate applicable to a manufacturing corporation for a taxation year is, for the year, equal to the rate determined by the formula

$$A \times [(B - 25\%)/25\%].$$

In the formula in the first paragraph,

(a) A is the additional deduction rate applicable to the manufacturing corporation for the year, determined without reference to this section; and

(b) B is the lesser of 50% and the proportion of the manufacturing or processing activities of the manufacturing corporation for the year.

For the taxation year of a manufacturing corporation that ends after 4 June 2014 and that includes that date, the additional deduction rate applicable to the corporation for the year is equal to the rate of the deduction, determined for the year with reference to the first and second paragraphs, multiplied by the proportion that the number of days in the year that follow 4 June 2014 is of the number of days in the year.

2015, c. 21, s. 125.

156.14. Subject to section 156.15, a manufacturing corporation for a taxation year may deduct, in computing its income from a business for the year, an amount equal to

(a) the amount obtained by multiplying its gross revenue for the year by the additional deduction rate applicable to it for the year, if 10% is the additional deduction rate that would be applicable to it for the year in the absence of section 156.13; or

(b) in any other case, the lesser of

i. the amount obtained by multiplying its gross revenue for the year by the additional deduction rate applicable to it for the year, and

ii. the regional limit that is applicable to it for the year.

In this section and in section 156.14.1, "regional limit" applicable to a manufacturing corporation for a taxation year means

(a) $50,000, if 1% is the additional deduction rate that would be applicable to the corporation for the year in the absence of section 156.13;

(b) $150,000, if 3% is the additional deduction rate that would be applicable to the corporation for the year in the absence of section 156.13; or

(c) $350,000, if 5% is the additional deduction rate that would be applicable to the corporation for the year in the absence of section 156.13.

For the purposes of the definition of "regional limit" in the second paragraph, if the number of days in the manufacturing corporation's taxation year is less than 365, the amount of $50,000, $150,000 or $350,000, as the case may be, is to be replaced by the proportion of that amount that the number of days in the year is of 365.

2015, c. 21, s. 125; 2015, c. 24, s. 30; 2017, c. 29, s. 43.

156.14.1. For the purposes of section 156.14, if a manufacturing corporation for a taxation year to which a regional limit is applicable for the year is associated in the year with one or more other manufacturing corporations for the year to which a regional limit is applicable for the year, the regional limit that is applicable to each of those corporations for the year is equal to zero, unless all of those corporations file with the Minister in the prescribed form containing prescribed information an agreement whereby, for the purposes of this division, they allocate a particular percentage to one or more of them, in which case the following rules apply:

(a) where the percentage or the aggregate of the percentages so allocated, as the case may be, does not exceed 100%, the regional limit applicable to each of those corporations for the year is deemed to be equal to the product obtained by multiplying the amount corresponding to the regional limit that is applicable to it for the year, determined without reference to this section, by the percentage so allocated to it; and

(b) in any other case, the regional limit applicable to the corporation for the year is deemed to be equal to zero.

If one of the corporations fails to file with the Minister the agreement within 30 days after notice in writing by the Minister has been sent to any of them that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this division, allocate a percentage to one or more of those corporations for the taxation year, which percentage or the aggregate of which percentages, as the case may be, is to be equal to 100% and, in such a case, the regional limit that is applicable to each of those corporations for the year is deemed to be equal to the product obtained by

multiplying the amount corresponding to the regional limit applicable to it for the year, determined without reference to this section, by the percentage so allocated to it by the Minister.

2015, c. 24, s. 31.

156.14.2. Subject to section 156.15, a qualified corporation for a taxation year that does not deduct any amount under section 156.14 for the year may deduct, in computing its income from a business for the year, an amount equal to the amount obtained by multiplying its gross revenue for the year by the additional deduction rate applicable to it for the year.

2017, c. 29, s. 44.

156.15. Despite sections 156.14 and 156.14.2, the amount of the deduction to which a corporation is entitled under each of those sections is equal, for a taxation year that ends in a calendar year, to the amount by which the amount of the deduction, determined without reference to this section, exceeds the amount determined by the formula

$$A \times [(B - \$10{,}000{,}000)/\$40{,}000{,}000].$$

In the formula in the first paragraph,

(a) A is the amount of the deduction to which the corporation is entitled for the taxation year under section 156.14 or 156.14.2, as the case may be, determined without reference to this section; and

(b) B is,

i. if the corporation is not associated with any other corporation in the taxation year for the purposes of section 771.2.1.8, the corporation's paid-up capital determined as provided in section 771.2.1.9 for its preceding taxation year or, if the corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of the fiscal period in accordance with generally accepted accounting principles, and

ii. if the corporation is associated with one or more other corporations in the taxation year for the purposes of section 771.2.1.8, the aggregate of all amounts each of which is, for the corporation or any of the other corporations, the amount of its paid-up capital determined as provided in section 771.2.1.9 for its last taxation year ending in the preceding calendar year or, if the corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of the fiscal period in accordance with generally accepted accounting principles.

2015, c. 21, s. 125; 2017, c. 29, s. 45; 2023, c. 19, s. 18.

DIVISION IX

OTHER DEDUCTIONS

1972, c. 23; 1977, c. 26, s. 16.

157. A taxpayer may deduct:

(a) (paragraph repealed);

(b) (paragraph repealed);

(c) despite section 128, an amount that the taxpayer pays to attend, in connection with the taxpayer's business, not more than two conventions held during the year by a business or professional organization at a place that may reasonably be regarded as consistent with the territorial scope of its activities;

(d) an amount, other than a commission, that is paid by the taxpayer to a person or a partnership for advice as to the advisability for the taxpayer of purchasing or selling a specific share or security or for services in respect of the administration or management of the taxpayer's shares or securities, if that person's or partnership's principal business is to so advise or includes the provision of such services;

(e) an amount that the taxpayer pays for investigating the suitability of a site for a building or other structure planned by the taxpayer for use in connection with a business carried on by the taxpayer;

(f) an amount that the taxpayer pays to a person with whom the taxpayer deals at arm's length for the purpose of making a service connection to the taxpayer's place of business for the supply, by means of wires, pipes or conduits, of water, electricity, gas, telephone service or sewers supplied by that person, to the extent that such amount is not paid to enable the taxpayer to acquire property or as consideration for the goods or services for the supply of which the service connection has been made;

(g) the proportion of an amount not otherwise deductible that was paid or that became payable by the taxpayer before the end of the year to a person for the cancellation of a lease of property of the taxpayer leased by the taxpayer to that person that the number of days that remained in the term of the lease, including all renewal periods of the lease, not exceeding 40 years, immediately before its cancellation and that were in the year is of the total number of days in any case if the property was owned at the end of the year by the taxpayer or by a person with whom the taxpayer was not dealing at arm's length and no part of the amount was deductible by the taxpayer under paragraph *g*.1 in computing the taxpayer's income for a preceding taxation year;

(g.1*)* an amount not otherwise deductible that was paid or that became payable by the taxpayer before the end of the year to a person for the cancellation of a lease of property of the taxpayer leased by the taxpayer to that person, to the extent of that amount or, in the case of capital property, 1/2 of that amount that was not deductible by the taxpayer under paragraph *g* in computing the taxpayer's income for any preceding taxation year in any case if the property was not owned at the end of the year by the taxpayer or by a person with whom the taxpayer was not dealing at arm's length, and no part of the amount was deductible by the taxpayer under this paragraph in computing the taxpayer's income for any preceding taxation year;

(h) an amount paid by the taxpayer for the landscaping of grounds around a building or other structure owned by the taxpayer and that the taxpayer uses primarily to gain income from it or from a business;

(h.1*)* an amount paid by the taxpayer in the year for prescribed renovations or alterations to a building that is used by the taxpayer primarily for the purpose of gaining or producing income from the property or from a business that are made to enable individuals who have a mobility impairment to gain access to the building or be mobile within it, to the extent that the amount was not deducted in computing the taxpayer's income for the year or in computing the taxpayer's income for a preceding taxation year under paragraph *h*. 1.1;

(h.1.1*)* the portion of an amount paid by the taxpayer in the year for renovations or alterations to a building that is used by the taxpayer primarily for the purpose of gaining or producing income from the property or from a business, in respect of which an architect, an engineer or a professional technologist certifies in the prescribed form that the renovation or alteration work was carried out in accordance with the barrier-free design standards set out in the Construction Code (chapter B-1.1, r. 2);

(h.2*)* an amount paid by the taxpayer in the year for any prescribed disability-specific device or equipment;

(i) an amount paid by the taxpayer in the year as a levy under the Western Grain Stabilization Act (R.S.C. 1985, c. W-7), as a premium in respect of the gross revenue insurance program established under the Farm

Income Protection Act (S.C. 1991, c. 22) or as an administration fee in respect of a net income stabilization account;

(i.1) an amount that is paid by the taxpayer in the year as a contribution under the Farm Income Stabilization Account program established under the Act respecting La Financière agricole du Québec (chapter L-0.1) and that is

i. a contribution referred to in section 15 of that program,

ii. an additional contribution referred to in section 16 of that program,

iii. a special contribution referred to in section 16.1 or 50 of that program, or

iv. a special contribution referred to in the first paragraph of section 50.1 of that program, where the special contribution is made by a partnership;

(j) (paragraph repealed);

(k) (paragraph repealed);

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

(l) any amount included by the taxpayer under paragraph *q* of section 87 in computing the taxpayer's income for the preceding taxation year;

(l.1) such part of any amount paid in the year by the taxpayer on an amount payable by the taxpayer under section 32 of the Tax Administration Act (chapter A-6.002) if that section applies to an excess in relation to this Part, or under a prescribed disposition and as may reasonably be considered to be a repayment of interest that the taxpayer included in computing the taxpayer's income for the year or a preceding taxation year;

(m) the amount of any assistance or benefit received by the taxpayer in the year as a deduction from or reimbursement of an expense that is either a tax, other than the Québec sales tax or the goods and services tax, or royalty to the extent that

i. the tax or royalty is, by reason of the receipt of the amount by the taxpayer, not deductible in computing the taxpayer's income for a taxation year, and

ii. the deduction or reimbursement was included by the taxpayer in the amount determined under paragraph *e* of section 399, paragraph *h* of section 412 or paragraph *e* of section 418.6;

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

(n.1) the tax, if any, under Part III.14, under Part XII.6 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or under a law of a province other than Québec under which tax similar to that payable under Part III. 14 is imposed, paid in the year or payable in respect of the year by the taxpayer, depending on the method regularly followed by the taxpayer in computing the taxpayer's income;

(o) an amount repaid by the taxpayer in the year pursuant to a legal obligation to repay all or part of a particular amount

i. included under paragraph *w* of section 87 in computing the taxpayer's income for the year or a preceding taxation year, or

ii. that is, by reason of subparagraph ii of paragraph *w* of section 87 or section 87.4, not included in computing the taxpayer's income under paragraph *w* for the year or a preceding taxation year, if the particular amount relates to an outlay or expense, other than an outlay or expense described in section 157.2.1, that would have been deductible in computing the taxpayer's income for the year or a preceding taxation year were it not for the receipt of the particular amount;

(o.1) 3/4 of any amount repaid by the taxpayer in the year, on or after the time the taxpayer ceases to carry on a business, pursuant to a legal obligation to repay all or part of an amount the taxpayer received or was entitled to receive that was assistance from a government, municipality or other public authority (whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance) in respect of, or for the acquisition of, property the cost of which was an incorporeal capital amount of the taxpayer in respect of the business, within the meaning of section 106, as it read before being repealed, if the incorporeal capital amount of the taxpayer in respect of the business was reduced under paragraph *b* of section 106.2, as it read before being repealed, because of the amount of the assistance the taxpayer received or was entitled to receive;

(p) any deferred amount under a salary deferral arrangement in respect of another person to the extent that the deferred amount is in respect of services rendered to the taxpayer and is included under section 37 as a benefit in computing the income of the other person for the taxation year of the other person that ends in the taxpayer's taxation year;

(q) any amount under a salary deferral arrangement in respect of another person, other than an arrangement established primarily for the benefit of one or more employees not resident in Canada in respect of services to be rendered outside Canada, to the extent that the amount was in respect of services rendered to the taxpayer and was included under section 47.10 in computing the income of the other person for the taxation year of the other person that ends in the taxpayer's taxation year;

(r) a contribution made in the year by the taxpayer to an environmental trust under which the taxpayer is a beneficiary;

(s) the consideration paid by the taxpayer in the year for the acquisition from another person or partnership of all or part of the taxpayer's interest as a beneficiary under an environmental trust, other than consideration that is the assumption of a reclamation obligation in respect of the trust;

(t) any amount deducted in computing the taxpayer's income for the year because of paragraph *a* of section 485.15 or section 485.27; and

(u) an amount paid in the year by the taxpayer as or on account of an existing or proposed countervailing or anti-dumping duty in respect of property other than depreciable property.

1972, c. 23, s. 145; 1975, c. 21, s. 4; 1977, c. 26, s. 16; 1978, c. 26, s. 36; 1980, c. 13, s. 9; 1982, c. 5, s. 45; 1984, c. 15, s. 36; 1985, c. 25, s. 32; 1986, c. 15, s. 50; 1986, c. 19, s. 27; 1987, c. 21, s. 13; 1987, c. 67, s. 40; 1988, c. 18, s. 11; 1989, c. 5, s. 47; 1990, c. 59, s. 89; 1991, c. 25, s. 47; 1992, c. 1, s. 27; 1993, c. 16, s. 82; 1994, c. 22, s. 105; 1995, c. 49, s. 46; 1996, c. 39, s. 50; 1997, c. 3, s. 71; 1998, c. 16, s. 93; 2000, c. 5, s. 43; 2001, c. 53, s. 44; 2003, c. 2, s. 48; 2004, c. 21, s. 60; 2006, c. 36, s. 28; 2009, c. 5, s. 60; 2009, c. 15, s. 58; 2010, c. 31, s. 175; 2015, c. 21, s. 126; 2019, c. 14, s. 84.

157.1. *(Repealed).*

1982, c. 5, s. 46; 1998, c. 16, s. 94; 2015, c. 21, s. 127.

157.2. *(Repealed).*

1982, c. 5, s. 46; 1997, c. 3, s. 71; 1998, c. 16, s. 95; 2005, c. 1, s. 63; 2015, c. 21, s. 127.

157.2.0.1. For the purposes of paragraph *n* of section 157, where the year referred to therein is less than 51 weeks, the amount that may be claimed under the said paragraph by the taxpayer for the year shall not exceed the greater of

(a) that proportion of the maximum amount that may otherwise be claimed under the said paragraph *n* by the taxpayer for the year that the number of days in the year is of 365, and

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

1993, c. 16, s. 83; 1998, c. 16, s. 96.

157.2.1. For the purposes of subparagraph ii of paragraph *o* of section 157, an outlay or expense does not include an outlay or expense that is in respect of the cost of property of the taxpayer or that is deductible under any of Divisions II to IV.1 of Chapter X of Title VI, except sections 360 and 361, or would be deductible if the amount so deductible by the taxpayer were not limited by reason of paragraph *b* of section 371, section 400, subparagraph ii of subparagraph *a* of the first paragraph of section 413, the percentage of 30% provided for in subparagraph 2 of subparagraph ii of paragraph *a* of section 418.1.10, subparagraph 3 or 4 of subparagraph ii of paragraph *a* of section 418.1.10 or subparagraph ii of subparagraph *a* of the first paragraph of section 418.7.

1991, c. 25, s. 48; 1995, c. 49, s. 47; 2004, c. 8, s. 28; 2021, c. 18, s. 31.

157.2.2. There may be deducted in computing a taxpayer's income for a taxation year in respect of a derivative forward agreement, the amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is the lesser of

i. the total of all amounts each of which is

(1) if the taxpayer acquires a property under the agreement in the year or a preceding taxation year, the portion of the amount by which the cost to the taxpayer of the property exceeds the fair market value of the property at the time it is acquired by the taxpayer that is attributable to an underlying interest other than an underlying interest referred to in any of subparagraphs i to iii of paragraph *b* of the definition of "derivative forward agreement" in section 1, or

(2) if the taxpayer disposes of a property under the agreement in the year or a preceding taxation year, the portion of the amount by which the fair market value of the property at the time the agreement is entered into by the taxpayer exceeds the proceeds of disposition, within the meaning of section 251, of the property that is attributable to an underlying interest other than an underlying interest referred to in any of subparagraphs 1 to 3 of subparagraph i of paragraph *c* of the definition of "derivative forward agreement" in section 1, and

ii. the amount that is,

(1) if final settlement of the agreement occurs in the year and it cannot reasonably be considered that one of the main reasons for entering into the agreement is to obtain a deduction under this section, the amount determined under subparagraph i, or

(2) in any other case, the total of all amounts included in computing the taxpayer's income under paragraph *z*.7 of section 87 in respect of the agreement for the year or a preceding taxation year; and

(b) B is the total of all amounts deducted under this section in respect of the agreement for a preceding taxation year.

2015, c. 24, s. 32; 2021, c. 14, s. 28.

157.3. Where a taxpayer in a particular taxation year receives an amount under an annuity contract in respect of which an amount was by virtue of section 92 included in computing his income for a taxation year commencing before 1 January 1983, there may be deducted in computing his income for the particular year such amount as is allowed by regulation.

1982, c. 5, s. 46; 1984, c. 15, s. 37.

157.4. A taxpayer who has acquired as the first purchaser a film certified as a Québec film within the meaning of the regulations made under section 130, may deduct, in computing his income for a taxation year at the end of which he is the owner of that film and has been so without interruption from that acquisition, an amount not exceeding the amount by which 50% of the aggregate of the amounts deducted by him in computing his income for that year or for a previous taxation year, in respect of the film, under paragraph *a* of section 130 exceeds any amount deducted under this section, in respect of the film, in computing his income for a previous taxation year.

Furthermore, where the taxpayer disposes of the film for the first time, he may deduct, in computing his income for the taxation year in which he disposes of the film, the amount by which 50% of the aggregate of the amount he could have deducted in such computation, in respect of the film, under paragraph *a* of section 130, had it not been for the disposition, and the amounts deducted by him in computing his income for a previous taxation year, in respect of the film, under the said paragraph *a*, exceeds any amount deducted under this section, in respect of the film, in computing his income for a previous taxation year.

1983, c. 44, s. 23; 1984, c. 35, s. 12.

157.4.1. Where a taxpayer is a member of a partnership at the end of a particular fiscal period of that partnership during which it acquired as the first purchaser a film certified as a Québec film within the meaning of the regulations made under section 130, he may deduct, in computing his income for a taxation year in which a fiscal period of the partnership ends and at the end of which he is a member thereof and has been a member without interruption from the end of the particular fiscal year, an amount not exceeding the amount by which his share of 50% of the aggregate of the amounts deducted by the partnership in computing its income for that fiscal period or a previous fiscal period, in respect of the film, under paragraph *a* of section 130, exceeds any amount deducted by the taxpayer under this section or section 157.4, in respect of the film, in computing his income for a previous taxation year.

Furthermore, where the partnership disposes of the film for the first time, the taxpayer contemplated in the first paragraph may deduct, in computing his income for the taxation year in which the fiscal period of the partnership ends and during which the disposition occurs, the amount by which his share of 50% of the aggregate of the amount that the partnership could have deducted in computing its income for that fiscal period, in respect of the film, under paragraph *a* of section 130, had it not been for the disposition, and the amounts deducted by the partnership in computing its income for a previous fiscal period, in respect of the film, under the said paragraph *a*, exceeds any amount deducted by the taxpayer under this section or section 157.4, in respect of the film, in computing his income for a previous taxation year.

For the purposes of this section, the share of a taxpayer is deemed to be equal to the lesser of:

(a) his share in the profits of the partnership determined in the absence of this paragraph; and

(b) his share in the profits of the partnership determined in respect of the fiscal period of the partnership during which it acquired the film.

1984, c. 35, s. 12; 1997, c. 3, s. 71.

157.4.2. Notwithstanding sections 157.4 and 157.4.1, no amount may be deducted under those sections in computing the income of a taxpayer in respect of a film certified as a Québec film, within the meaning of the regulations under section 130, acquired after 31 December 1986, except in respect of the first purchaser of such a film certified as a Québec film by the Société générale du cinéma du Québec not later than 31 December 1987 where

(a) production work on the film was sufficiently advanced on 11 December 1986, or

(b) the sums collected for that purpose were collected through the sale of units in respect of which the receipt for the final prospectus was issued not later than 31 December 1986 and the receipt for the preliminary prospectus was issued before 11 December 1986.

1988, c. 4, s. 27.

157.4.3. Notwithstanding sections 157.4 to 157.4.2, no individual may deduct any amount under the said sections in computing his income for a taxation year from his taxation year 1988.

1989, c. 5, s. 48.

157.5. Where a taxpayer disposes of an interest in a life insurance policy that is not an annuity contract, otherwise than as a consequence of a death, or of an interest in an annuity contract, other than a prescribed annuity contract, there may be deducted in computing his income for the taxation year in which the disposition occurs an amount equal to the lesser of

(a) the aggregate of all amounts each of which is an amount that was included by virtue of sections 92.11 to 92.19 or paragraph *c*.1 of section 312 in respect of that interest in computing his income for the year or any preceding taxation year, and

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

1984, c. 15, s. 38; 1985, c. 25, s. 33; 1986, c. 19, s. 28; 1991, c. 25, s. 49; 1993, c. 16, s. 84.

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

(a) such portion of an amount that was received or became receivable by him in the year or in a preceding taxation year as can reasonably be considered to be in respect of an amount that was included in computing his income for the year or a preceding taxation year as interest on the property and that was not repaid by the taxpayer to the issuer of the debt obligation because of an adjustment in respect of interest received before the time of disposition by the taxpayer, or

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

1984, c. 15, s. 38; 1985, c. 25, s. 33; 1993, c. 16, s. 85; 1994, c. 22, s. 106; 2020, c. 16, s. 38.

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

1998, c. 16, s. 97.

157.7. *(Repealed).*

1984, c. 15, s. 38; 1991, c. 25, s. 50.

157.8. *(Repealed).*

1984, c. 15, s. 38; 1991, c. 25, s. 50.

157.9. *(Repealed).*

1984, c. 15, s. 38; 1991, c. 25, s. 50.

157.10. Where an amount is included under paragraph *a* of section 87 in computing a taxpayer's income for a taxation year in respect of an undertaking to which subparagraph i or ii of that paragraph applies and the taxpayer paid a reasonable amount in a particular taxation year to another person as consideration for the assumption by that other person of the taxpayer's obligations in respect of the undertaking, the following rules apply if the taxpayer and the other person make a valid election under subsection 24 of section 20 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the undertaking:

(a) the payment may be deducted in computing the taxpayer's income for the particular year;

(b) no amount is deductible under section 150 or 150.1 in computing the taxpayer's income for the particular year or any subsequent taxation year in respect of the undertaking; and

(c) where the amount was received by the other person in carrying on a business, it is deemed to be an amount described in subparagraph i or ii of paragraph *a* of section 87.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 24 of section 20 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1986, c. 19, s. 29; 1994, c. 22, s. 107; 2009, c. 5, s. 61.

157.11. *(Repealed).*

1986, c. 19, s. 29; 1997, c. 31, s. 18; 2009, c. 5, s. 62.

157.12. *(Repealed).*

1990, c. 59, s. 90; 1996, c. 39, s. 51; 2015, c. 21, s. 128.

157.13. In computing a taxpayer's income from a business or property for a taxation year ending before the time at which a building or a part thereof acquired after 31 December 1989 by the taxpayer has become available for use by the taxpayer, there may be deducted an amount not exceeding the amount by which

(a) the lesser of

i. the amount that would have been deductible under paragraph *a* of section 130 for the year in respect of the building if section 93.6 were not applicable, and

ii. the taxpayer's income for the year from renting the building, computed without reference to this section and before deducting any amount in respect of the building under paragraph *a* of section 130, exceeds

(b) the amount deductible for the year under paragraph *a* of section 130 in respect of the building, computed without reference to this section.

The amount deducted under the first paragraph is deemed to be an amount deducted by the taxpayer by reason of paragraph *a* of section 130 in computing the taxpayer's income for the year.

1993, c. 16, s. 86.

157.14. Where, by reason of section 135.4, no amount would, but for this section, be deductible by a taxpayer in respect of an outlay or expense in respect of a building, or part thereof, and the outlay or expense would, but for section 135.4 and this section, be deductible in computing the taxpayer's income for a taxation year, there may be deducted in respect of such an outlay or expense in computing the taxpayer's income for the year an amount equal to the lesser of

(a) the aggregate of all amounts each of which is such an outlay or expense, and

(b) the taxpayer's income for the year from renting the building or the part thereof, computed without reference to section 157.13 and this section.

1993, c. 16, s. 86.

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

1995, c. 63, s. 31; 1998, c. 16, s. 98.

157.16. A corporation may, in computing its income for a taxation year, deduct an additional amount equal to half the contribution, otherwise deductible in computing its income from a business, that is made in the year by the corporation to the Réseau d'investissement social du Québec.

1999, c. 83, s. 43.

157.17. Where a corporation is a member of a partnership at the end of a fiscal period of the partnership during which the partnership made a contribution to the Réseau d'investissement social du Québec, the corporation may, in computing its income for a taxation year in which that fiscal period ends, deduct an amount equal to half the corporation's share of the contribution, otherwise deductible in computing the income of the partnership from a business.

For the purposes of the first paragraph, the share of a corporation in a contribution made by a partnership of which the corporation is a member is equal to the agreed proportion of the contribution in respect of the corporation for the fiscal period of the partnership that ends in the taxation year of the corporation.

1999, c. 83, s. 43; 2009, c. 15, s. 59.

157.17.1. For the purposes of section 157.17, the following rules apply in respect of a corporation if one or more partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between the corporation and a given partnership, for a given fiscal period of the given partnership:

(a) the corporation is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the corporation's taxation year in which ends the fiscal period of the interposed partnership of which it is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period (in this section referred to as the "interposed fiscal period") of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the corporation is a member, or deemed to be a member under this paragraph, of the interposed partnership described in subparagraph i at the end of the interposed partnership's interposed fiscal period; and

(b) for the purpose of determining the corporation's share in an amount in respect of the given partnership for the given fiscal period, the agreed proportion in respect of the corporation for that fiscal period of the given partnership is deemed to be equal to the product obtained by multiplying the agreed proportion in respect of the corporation for the interposed fiscal period of the interposed partnership of which it is directly a member, by

i. if there is only one interposed partnership, the agreed proportion in respect of the interposed partnership for the given partnership's given fiscal period, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the agreed proportion in respect of an interposed partnership for the particular fiscal period of the particular partnership referred to in paragraph *a* of which the interposed partnership is a member at the end of that particular fiscal period.

2009, c. 15, s. 60.

157.17.2. Section 157.17.1 does not apply in respect of a corporation, in relation to a given partnership, if the Minister is of the opinion that the interposition, between the corporation and the given partnership, of one or more other partnerships is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to cause the corporation to be able to deduct, in computing its income for a taxation year under section 157.17, an amount greater than the amount that the corporation could have so deducted for that taxation year, but for that interposition.

2009, c. 15, s. 60.

157.18. *(Repealed).*

2001, c. 51, s. 26; 2003, c. 2, s. 49; 2005, c. 38, s. 63.

157.19. *(Repealed).*

2001, c. 51, s. 26; 2003, c. 2, s. 50; 2005, c. 38, s. 63.

DIVISION X

SOCIAL BENEFIT PLANS

1972, c. 23.

158. An employer shall not deduct, for the purposes of this chapter, an amount which he pays to a trustee:

(a) under a supplementary unemployment benefit plan, except to the extent allowed under section 964;

(b) under a deferred profit sharing plan, except to the extent provided in section 881;

(c) on behalf of his employees or those of a corporation with whom he does not deal at arm's length under a profit sharing plan except to the extent provided for in section 856.

1972, c. 23, s. 146; 1973, c. 17, s. 13; 1991, c. 25, s. 51; 1997, c. 3, s. 71.

DIVISION X.1

EXPENDITURES MATCHABLE WITH A RIGHT TO RECEIVE PRODUCTION

2001, c. 7, s. 26.

158.1. In this division,

"matchable expenditure" of a taxpayer means the amount of an expenditure that is made by the taxpayer to

(a) acquire a right to receive production;

(b) fulfil a covenant or obligation in circumstances in which it is reasonable to consider that a relationship exists between the covenant or obligation and a right to receive production; or

(c) preserve or protect a right to receive production;

"right to receive production" means a right under which a taxpayer is entitled, either immediately or in the future and either absolutely or contingently, to receive an amount all or a portion of which is established by reference to use of property, production, revenue, profit, cash flow, commodity price, cost or value of property or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares where the amount is in respect of another taxpayer's activity, property or business but such a right does not include an income interest in a trust, a Canadian resource property or a foreign resource property;

"tax benefit" means a reduction, avoidance or deferral of tax or other amount payable under this Act or an increase in a refund of tax or other amount under this Act;

"tax shelter" means a property that would be a tax shelter, as defined in section 1079.1, if

(a) the cost of a right to receive production were equal to the aggregate of all amounts each of which is a matchable expenditure to which the right relates; and

(b) sections 158.2 to 158.12 did not apply for the purpose of computing an amount, or in the case of a partnership a loss, represented to be deductible;

"taxpayer" includes a partnership.

For the purposes of the definition of "matchable expenditure" in the first paragraph, the amount of an expenditure that a taxpayer may deduct in computing the taxpayer's income for a taxation year under this chapter, otherwise than under this division, is not a matchable expenditure.

2001, c. 7, s. 26; 2003, c. 2, s. 51.

158.2. Subject to section 158.3, no amount of a matchable expenditure may be deducted by a taxpayer in computing the taxpayer's income from a business or property for a taxation year.

2001, c. 7, s. 26.

158.3. If a taxpayer's matchable expenditure would, but for section 158.2 and this section, be deductible in computing the taxpayer's income for a taxation year, the taxpayer may deduct in respect of the matchable expenditure in computing the taxpayer's income for a taxation year the amount that is determined under section 158.4 for the year in respect of the expenditure.

2001, c. 7, s. 26.

158.4. The amount to which section 158.3 refers for a taxation year in respect of a taxpayer's matchable expenditure is the amount that is the least of

(a) the aggregate of the amount by which the amount determined under this subparagraph for the preceding taxation year in respect of the matchable expenditure exceeds the amount of the matchable expenditure deductible in computing the taxpayer's income for that preceding year and the lesser of

i. 1/5 of the matchable expenditure, and

ii. the amount determined by the formula

(A / B) × C;

(b) the aggregate of all amounts each of which is included in computing the taxpayer's income for the year, other than any portion of such amount that is the subject of a reserve claimed by the taxpayer for the year under this Act, in respect of the right to receive production to which the matchable expenditure relates and the amount by which the amount determined under this subparagraph for the preceding taxation year in respect of the matchable expenditure exceeds the amount of the matchable expenditure deductible in computing the taxpayer's income for that preceding year; and

(c) the amount by which the aggregate of all amounts each of which is the amount of the matchable expenditure that would, but for this division, have been deductible in computing the taxpayer's income for the year or a preceding taxation year exceeds the aggregate of all amounts each of which is the amount of the matchable expenditure deductible under section 158.3 in computing the taxpayer's income for a preceding taxation year.

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

(a) A is the number of months that are in the taxation year and after the day on which the right to receive production to which the matchable expenditure relates is acquired;

(b) B is the lesser of 240 and the number of months that are in the period that begins on the day on which the right to receive production to which the matchable expenditure relates is acquired and that ends on the day the right is to terminate; and

(c) C is the amount of the matchable expenditure.

2001, c. 7, s. 26.

158.5. For the purposes of this division, the following rules apply:

(a) where a taxpayer's matchable expenditure is made before the day on which the related right to receive production is acquired by the taxpayer, the expenditure is deemed to have been made on that day;

(b) where a taxpayer has one or more rights to renew a particular right to receive production to which a matchable expenditure relates for one or more additional terms, after the term that includes the time at which the particular right was acquired, the particular right is deemed to terminate on the latest day on which the latest possible such term could terminate if all rights to renew the particular right were exercised;

(c) where a taxpayer has more than one right to receive production that can reasonably be considered to be related to each other, the rights are deemed to be one right; and

(d) where the term of a taxpayer's right to receive production is for an indeterminate period, the right is deemed to terminate 20 years after it is acquired.

2001, c. 7, s. 26.

158.6. Where in a taxation year a taxpayer disposes of all or part of a right to receive production to which a matchable expenditure relates, the proceeds of the disposition shall be included in computing the taxpayer's income for the year.

2001, c. 7, s. 26.

158.7. Subject to sections 158.8 and 158.9, the amount that a taxpayer may deduct, under section 158.3, in computing the taxpayer's income for a taxation year, in respect of a matchable expenditure, other than a matchable expenditure no portion of which would, if this division were read without reference to this section, be deductible under section 158.3 in computing the taxpayer's income, is deemed to be the amount determined under subparagraph *c* of the first paragraph of section 158.4 for the year in respect of the matchable expenditure where in the year

(a) the taxpayer disposes, otherwise than in a disposition to which subsections 1 and 2 of section 544 or sections 556 to 564.1 and 565 apply, of all of the taxpayer's right to receive production to which the matchable expenditure relates; or

(b) the taxpayer's right to receive production to which the matchable expenditure relates has expired.

2001, c. 7, s. 26.

158.8. Section 158.9 applies where a taxpayer's particular right to receive production to which a matchable expenditure, other than a matchable expenditure no portion of which would, if this division were read without reference to sections 158.7 and 158.9, be deductible under section 158.3 in computing the taxpayer's income, relates has expired or the taxpayer has disposed of all of the right, otherwise than in a disposition to which subsections 1 and 2 of section 544 or sections 556 to 564.1 and 565 apply, and

(a) where

i. during the period that begins 30 days before and ends 30 days after the disposition or expiry, the taxpayer or a person affiliated, or who does not deal at arm's length, with the taxpayer acquires a right to receive production, in this section and section 158.9 referred to as the "substituted property", that is, or is identical to, the particular right, and

ii. at the end of the period referred to in subparagraph i, the taxpayer or a person affiliated, or who does not deal at arm's length, with the taxpayer owns the substituted property; or

(b) during the period that begins at the time of the disposition or expiry and ends 30 days after that time, a taxpayer that had an interest, directly or indirectly, in the right to receive production has another interest, directly or indirectly, in another right to receive production, which other interest is a tax shelter or a tax shelter investment as defined by section 851.38.

2001, c. 7, s. 26; 2020, c. 16, s. 39.

158.9. Where this section applies because of section 158.8 to a disposition or expiry in a taxation year or a preceding taxation year of a taxpayer's right to receive production to which a matchable expenditure relates, the following rules apply:

(a) the amount that may be deducted under section 158.3 in respect of the expenditure in computing the taxpayer's income for a taxation year that ends at or after the disposition or expiry of the right is the amount determined under section 158.4 for the year in respect of the expenditure; and

(b) the amount determined under section 158.4 in respect of the expenditure for a taxation year is deemed to be the amount determined under subparagraph *c* of the first paragraph of section 158.4 in respect of the expenditure for the year where the year includes the time that is immediately before the first time, after the disposition or expiry,

i. at which the right would, if it were owned by the taxpayer, be deemed by Chapter I of Title I.1 of Book VI or section 999.1 to have been disposed of by the taxpayer,

ii. that is immediately before the taxpayer is subject to a loss restriction event,

iii. at which winding-up of the taxpayer begins, other than a winding-up to which sections 556 to 564.1 and 565 apply, if the taxpayer is a corporation,

iv. where section 158.8 applies otherwise than because of paragraph *b* thereof, at which a 30-day period begins throughout which neither the taxpayer nor a person affiliated, or who does not deal at arm's length, with the taxpayer owns the substituted property, or a property that is identical to the substituted property and that was acquired after the day that is 31 days before the period began, or

v. where section 158.8 applies otherwise than because of paragraph *a* thereof, at which a 30-day period begins throughout which no taxpayer who had an interest, directly or indirectly, in the right has an interest, directly or indirectly, in another right to receive production if one or more of those direct or indirect interests in the other right is a tax shelter or tax shelter investment as defined by section 851.38.

2001, c. 7, s. 26; 2004, c. 8, s. 29; 2017, c. 1, s. 94.

158.10. For the purposes of paragraph *b* of section 158.9, where a partnership ceases to exist at any time after a disposition or expiry referred to in section 158.9, the partnership is deemed not to have ceased to exist, and each taxpayer who was a member of the partnership immediately before the partnership would, but for this section, have ceased to exist is deemed to remain a member of the partnership until the time that is immediately after the first of the times described in subparagraphs i to v of paragraph *b* of section 158.9.

2001, c. 7, s. 26.

158.11. For the purpose of applying section 158.8, otherwise than because of paragraph *b* thereof, and section 158.9, a right to acquire a particular right to receive production, other than a right, as security only, derived from a hypothec, mortgage, agreement of sale or similar obligation, is deemed to be a right to receive production that is identical to the particular right.

2001, c. 7, s. 26; 2005, c. 1, s. 64.

158.12. For the purpose of applying Title VIII of Book VI to an amount that would, if this division were read without reference to this section, be a matchable expenditure any portion of the cost of which is deductible under section 158.3, the expenditure is deemed to be a tax shelter investment and that Title VIII shall be read without reference to paragraph *b* of section 851.41.

2001, c. 7, s. 26.

158.13. Where the rate of return on a taxpayer's right to receive production to which a matchable expenditure, other than a matchable expenditure no portion of which would, if this division were read without reference to this section, be deductible under section 158.3 in computing the taxpayer's income, relates is reasonably certain at the time the taxpayer acquires the right, the following rules apply:

(a) for the purposes of section 92.5 and the regulations made under that section,

i. the right is deemed to be a debt obligation in respect of which no interest is stipulated to be payable in respect of the principal amount, and

ii. the obligation is deemed to be satisfied at the time the right terminates for an amount equal to the total of the return on the debt obligation and the amount that would otherwise be the matchable expenditure that is related to the right; and

(b) notwithstanding section 158.3, no amount may be deducted in computing the taxpayer's income in respect of any matchable expenditure that relates to the right.

2001, c. 7, s. 26.

158.14. Sections 158.2 to 158.12 do not apply to a taxpayer's matchable expenditure in respect of a right to receive production if

(a) no portion of the expenditure can reasonably be considered to have been paid to another taxpayer, or to a person or partnership with whom the other taxpayer does not deal at arm's length, to acquire the right to receive production from the other taxpayer and

i. no portion of the expenditure can reasonably be considered to relate to a tax shelter or a tax shelter investment, within the meaning of section 851.38, and

ii. none of the main purposes for making the expenditure can reasonably be considered to have been to obtain a tax benefit for the taxpayer, a person or partnership with whom the taxpayer does not deal at arm's length, or a person or partnership that holds, directly or indirectly, an interest in the taxpayer; or

(b) the expenditure is in respect of commissions or other expenses related to the issuance of an insurance policy for which all or a portion of a risk has been ceded to the taxpayer and both the taxpayer and the person to whom the expenditure is made or is to be made are insurers subject to the supervision of the Superintendent of Financial Institutions of Canada, in the case of an insurer that is required by law to report to the Superintendent of Financial Institutions of Canada, or where the insurer is an insurance corporation incorporated under the laws of a province, the superintendent of insurance or another officer or authority of that province or the Autorité des marchés financiers.

2001, c. 7, s. 26; 2003, c. 2, s. 52; 2004, c. 37, s. 90; 2009, c. 5, s. 63.

158.15. Subparagraph *a* of the first paragraph of section 158.4 does not apply in determining the amount that a taxpayer may deduct for a taxation year in respect of a matchable expenditure in respect of a right to receive production if

(a) before the end of the taxation year in which the expenditure is made, the aggregate of all amounts each of which is included in computing the taxpayer's income for the year, other than the portion of such an amount that is the subject of a reserve claimed by the taxpayer for the year under this Act, in respect of the right to receive production that relates to the matchable expenditure exceeds 80% of the expenditure; and

(b) no portion of the expenditure can reasonably be considered to have been paid to another taxpayer, or to a person or partnership with whom the other taxpayer does not deal at arm's length, to acquire the right to receive production from the other taxpayer.

2009, c. 5, s. 64.

DIVISION X.2

STAPLED SECURITIES

2017, c. 1, s. 95.

158.16. In this division,

"entity" has the meaning assigned by the first paragraph of section 1129.70;

"equity value" has the meaning assigned by the first paragraph of section 1129.70;

"real estate investment trust" has the meaning assigned by the first paragraph of section 1129.70;

"security", of an entity, means

(a) a liability of the entity;

(b) if the entity is a corporation,

i. a share of the capital stock of the corporation, and

ii. a right to control in any manner whatever the voting rights of a share of the capital stock of the corporation if it can reasonably be concluded that one of the reasons that a person or partnership holds the right to control is to avoid the application of the second paragraph of section 92.31 or section 158.18;

(c) if the entity is a trust, a capital or income interest in the trust; and

(d) if the entity is a partnership, an interest as a member of the partnership;

"stapled security", of a particular entity at a particular time, means a particular security of the particular entity if at that time

(a) another security (in this division referred to as the "reference security")

i. is or may be required to be transferred together or concurrently with the particular security as a term or condition of the particular security, the reference security, or an agreement or arrangement to which the particular entity (or if the reference security is a security of another entity, the other entity) is a party, or

ii. is listed or traded with the particular security on a stock exchange or other public market under a single trading symbol;

(b) the particular security or the reference security is listed or traded on a stock exchange or other public market; and

(c) any of the following subparagraphs applies:

i. the particular security and the reference security are securities of the particular entity and the particular entity is a corporation, SIFT partnership or SIFT trust,

ii. the reference security is a security of another entity, one of the particular entity or the other entity is a subsidiary of the other, and the particular entity or the other entity is a corporation, SIFT partnership or SIFT trust, or

iii. the reference security is a security of another entity and the particular entity or the other entity is a real estate investment trust or a subsidiary of a real estate investment trust;

"subsidiary", of a particular entity at a particular time, means

(a) any entity in which the particular entity holds at the particular time securities that have a total fair market value greater than the amount that is 10% of the equity value of the entity; or

(b) an entity that at that time is a subsidiary of an entity that is a subsidiary of the particular entity;

"transition period", in relation to an entity, means

(a) if one or more securities of the entity would have been stapled securities of the entity on 31 October 2006 and 19 July 2011 had the definition of "stapled security" had effect from 31 October 2006, the period that begins on 20 July 2011 and ends on the earliest of

i. 1 January 2016,

ii. the first day after 20 July 2011 on which any of those securities is materially altered, and

iii. the day described in the second paragraph;

(b) if paragraph *a* does not apply in respect of the entity and one or more securities of the entity would have been stapled securities on 19 July 2011 had the definition of "stapled security" had effect from that date, the period that begins on 20 July 2011 and ends on the earliest of

i. 20 July 2012,

ii. the first day after 20 July 2011 on which any of those securities is materially altered, and

iii. the day described in the second paragraph; and

(c) in any other case, if the entity is a subsidiary of another entity on 20 July 2011 and the other entity has a transition period, the period that begins on 20 July 2011 and ends on the earliest of

i. the day on which the other entity's transition period ends,

ii. the first day after 20 July 2011 on which the entity ceases to be a subsidiary of the other entity, and

iii. the day described in the second paragraph.

The day to which subparagraph iii of paragraphs *a* to *c* of the definition of "transition period" in the first paragraph refers is the first day after 20 July 2011 on which a security of the entity becomes a stapled security other than by way of

(a) a transaction that is completed under the terms of an agreement in writing entered into before 20 July 2011 if no party to the agreement may be excused from completing the transaction as a result of amendments to the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), and that is not the issuance of a security in satisfaction of a right to enforce payment of an amount by the entity; or

(b) the issuance of the security in satisfaction of a right to enforce payment of an amount that became payable by the entity on another security of the entity before 20 July 2011, if the other security was a stapled security on 20 July 2011 and the issuance was made under a term or condition of the other security in effect on that date.

2017, c. 1, s. 95.

158.17. Where a receipt or similar property (in this section referred to as the "receipt") represents all or a portion of a particular security of an entity and the receipt would be described in paragraphs *a* and *b* of the definition of "stapled security" in the first paragraph of section 158.16 if it were a security of the entity, the following rules apply for the purpose of determining whether the particular security is a stapled security:

(a) the particular security is deemed to be described in those paragraphs *a* and *b*; and

(b) any security that would be a reference security in respect of the receipt is deemed to be a reference security in respect of the particular security.

2017, c. 1, s. 95.

158.18. Despite any other provision of this Act, in computing the income of a particular entity for a taxation year from a business or property, no deduction may be made in respect of an amount

(a) that is paid or payable after 19 July 2011, unless the amount is paid or payable in respect of the particular entity's transition period; and

(b) that is

i. interest paid or payable on a liability of the particular entity that is a stapled security, unless each reference security in respect of the stapled security is a liability, or

ii. if a security of the particular entity, a subsidiary of the particular entity or an entity of which the particular entity is a subsidiary is a reference security in respect of a stapled security of a real estate investment trust or a subsidiary of a real estate investment trust, an amount paid or payable to

(1) the real estate investment trust,

(2) a subsidiary of the real estate investment trust, or

(3) any person or partnership on condition that any person or partnership pays or makes payable an amount to the real estate investment trust or a subsidiary of the real estate investment trust.

2017, c. 1, s. 95.

DIVISION XI

RESTRICTIONS ON ADVERTISING EXPENSES

1972, c. 23.

§ 1. — *Canadian newspapers*

2003, c. 2, s. 53.

159. In this subdivision,

"Canadian citizen" includes the following persons and entities:

(a) a corporation or trust described in paragraph *c*.1 or *d* of section 998 formed in connection with a pension plan that exists for the benefit of individuals a majority of whom are Canadian citizens;

(b) a trust described in paragraph *h* or *i*.1 of section 998 the annuitant in respect of which is a Canadian citizen;

(c) a mutual fund trust, other than a mutual fund trust the majority of the units of which are held by citizens or subjects of a country other than Canada;

(d) a trust, each beneficiary of which is a person, partnership, association or society described in any of paragraphs *a* to *e* of the definition of "Canadian newspaper" ; and

(e) an association, society or person described in paragraph *c* or *d* of the definition of "Canadian newspaper" ;

"Canadian issue" of a newspaper means an issue, including a special issue, that is typeset, printed and published in Canada and that is edited in Canada by individuals resident in Canada;

"Canadian newspaper" means a newspaper the exclusive right to produce and publish issues of which is held by one or more of the following persons or entities:

(a) a Canadian citizen;

(b) a partnership in which interests representing in value at least 3/4 of the total value of the partnership property are beneficially owned by one or more corporations described in paragraph *e*, one or more Canadian citizens or any combination thereof, and at least 3/4 of each income or loss of the partnership from any source is included in computing the income of one or more of those persons;

(c) an association or society of which at least 3/4 of the members are Canadian citizens;

(d) the State, Her Majesty in right of Canada or a province, other than Québec, or a municipality in Canada;

(e) a corporation that is incorporated under the laws of Canada or a province of which the chairperson or other presiding officer and at least 3/4 of the directors or other similar officers are Canadian citizens and that, if it is a corporation having capital stock, is

i. a public corporation a class or classes of shares of the capital stock of which are listed on a designated stock exchange located in Canada other than a corporation controlled by citizens or subjects of a country other than Canada, or

ii. a corporation of which at least 3/4 of the shares having full voting rights under all circumstances, and shares having a fair market value of at least 3/4 of the fair market value of all of the issued shares of the corporation, are beneficially owned by Canadian citizens or by public corporations a class or classes of shares of the capital stock of which are listed on a designated stock exchange located in Canada, other than a public corporation controlled by citizens or subjects of a country other than Canada;

"United States" means

(a) the United States of America, but does not include Puerto Rico, the Virgin Islands, Guam or any other United States territory or possession; and

(b) any areas beyond the territorial seas of the United States within which, in accordance with international law and its domestic laws, the United States may exercise rights with respect to the sea-bed and subsoil and the natural resources of those areas.

For the purposes of the definition of "Canadian issue" in the first paragraph, a newspaper issue is a Canadian issue of that newspaper even if the type for the advertisements and features is not set in Canada and if the comics supplements of that issue are not printed in Canada.

For the purposes of subparagraph ii of paragraph *e* of the definition of "Canadian newspaper" in the first paragraph, the following rules apply:

(a) where shares of a class of the capital stock of a corporation are owned, or deemed under this paragraph to be owned, at any time by another corporation, other than a public corporation a class or classes of shares of the capital stock of which are listed on a designated stock exchange located in Canada, each shareholder of that other corporation shall be deemed to own at that time that proportion of the number of such shares of that class that the fair market value of the shares of the capital stock of the other corporation owned at that time by the shareholder is of the fair market value of all the issued shares of the capital stock of the other corporation outstanding at that time; and

(b) where at any time shares of a class of the capital stock of a corporation are owned, or deemed under this paragraph to be owned, by a partnership, each member of the partnership shall be deemed to own at that time the least proportion of the number of such shares of that class that the member's share of the income or loss of the partnership from any source for its fiscal period that includes that time is of the income or loss of the partnership from that source for its fiscal period that includes that time.

For the purposes of subparagraph *b* of the third paragraph, where the income and loss of a partnership from any source for a fiscal period are nil, the partnership shall be deemed to have had income from that source for that fiscal period in the amount of $1,000,000.

1972, c. 23, s. 147; 1977, c. 26, s. 17; 1997, c. 31, s. 19; 2003, c. 2, s. 54; 2010, c. 5, s. 22.

159.1. Where the right to produce or publish a newspaper is held by a person, partnership, association or society described in the definition of "Canadian newspaper" in section 159 on behalf of a trust or a succession, the newspaper is not a Canadian newspaper unless each beneficiary under the trust or succession is a person, partnership, association or society described in that definition.

2003, c. 2, s. 55; 2020, c. 16, s. 41.

159.2. A newspaper is deemed to be a Canadian newspaper until the end of the twelfth month that follows the month in which it would, but for this section, cease to be a Canadian newspaper.

2003, c. 2, s. 55.

159.3. Where at any time one or more persons or entities that are not described in any of paragraphs *a* to *e* of the definition of "Canadian newspaper" in section 159 have any direct or indirect influence that, if exercised, would result in control in fact of a person or entity that holds a right to produce or publish issues of a newspaper, the newspaper is deemed not to be a Canadian newspaper at that time.

2003, c. 2, s. 55.

159.4. In computing income, no deduction shall be made by a taxpayer in respect of an otherwise deductible outlay or expense of the taxpayer for advertising space in an issue of a newspaper for an advertisement directed primarily to a market in Canada unless

(a) the issue is a Canadian issue of a Canadian newspaper; and

(b) the issue would be a Canadian issue of a Canadian newspaper were it not that the issue was typeset or printed entirely in the United States or partly in the United States and partly in Canada.

2003, c. 2, s. 55.

159.5. Section 159.4 does not apply in respect of an advertisement in a special issue or edition of a newspaper that is edited in whole or in part and printed and published outside Canada if that special issue or edition is devoted to features or news related primarily to Canada and the publishers thereof publish such issue or edition not more frequently than twice a year.

2003, c. 2, s. 55.

§ 2. — *Periodicals*

2003, c. 2, s. 55.

159.6. In this subdivision,

"advertisement directed at the Canadian market" has the meaning assigned by subsection 1 of section 19.01 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

"author" includes a writer, a journalist, an illustrator and a photographer;

"original editorial content" of an issue of a periodical means non-advertising content

(a) the author of which is a Canadian citizen or a permanent resident within the meaning of the Immigration and Refugee Protection Act (Statutes of Canada, 2001, chapter 27); or

(b) that is created for the Canadian market and has not been published in any other edition of that issue published outside Canada;

"periodical" has the meaning assigned by subsection 1 of section 19.01 of the Income Tax Act.

For the purposes of the definition of "original editorial content" in the first paragraph, the following rules apply:

(a) where an issue of a periodical is published in several versions, each version is an edition of that issue; and

(b) where an issue of a periodical is published in only one version, that version is an edition of that issue.

2003, c. 2, s. 55; 2007, c. 12, s. 42.

159.7. A taxpayer may deduct in computing income, in respect of an outlay or expense of the taxpayer for advertising space in an issue of a periodical for an advertisement directed at the Canadian market, only 1/2 of the amount of that outlay or expense if

(a) the space occupied by the original editorial content in the issue is less than 80% of the space occupied by the total non-advertising content in the issue; and

(b) the outlay or expense would, but for this section, be deductible in computing the taxpayer's income.

2003, c. 2, s. 55.

§ 3. — *Broadcasting*

2003, c. 2, s. 55.

159.8. In this subdivision,

"foreign broadcasting undertaking" means a broadcasting undertaking or a network operation located outside Canada or on a ship or aircraft not registered in Canada;

"operation of a broadcasting network" includes any activity involving two or more broadcasting undertakings whereby control over all or any part of the programs or program schedules of any of the broadcasting undertakings is delegated to a network operator.

2003, c. 2, s. 55.

159.9. In computing income, no deduction shall be made by a taxpayer in respect of an outlay or expense of the taxpayer for an advertisement directed primarily to a market in Canada and broadcast by a foreign broadcasting undertaking.

2003, c. 2, s. 55.

DIVISION XII

INTEREST AND CERTAIN PROPERTY TAXES

1972, c. 23; 2004, c. 21, s. 61.

160. A taxpayer may deduct the lesser of a reasonable amount and the amount paid in the year or payable in respect of the year, depending on the method that he regularly follows in computing his income, pursuant to a legal obligation to pay interest on:

(a) borrowed money used to earn income from a business or property;

(b) an amount payable for property acquired to gain or produce income from it or from a business;

(c) an amount paid to the taxpayer under a law to advance or sustain the technological capacity of any industry or for any other reason, to the extent prescribed; or

(d) borrowed money used to acquire an interest in an annuity contract in respect of which sections 92.11 to 92.19 apply, or would apply if the contract had an anniversary day in the year at a time when the taxpayer held the interest, except that, where annuity payments have commenced under the contract in a preceding taxation year, the amount of interest paid or payable in the year shall not be deducted to the extent that it exceeds the amount included under the said sections in computing the taxpayer's income for the year with respect to his interest in the contract.

1972, c. 23, s. 148; 1984, c. 15, s. 39; 1986, c. 19, s. 30; 1991, c. 25, s. 52; 1993, c. 16, s. 87; 2005, c. 1, s. 65.

161. No amount may be deducted under paragraphs *a* and *b* of section 160 to the extent that it represents interest on

(a) borrowed money used to acquire property the income from which would be exempt from tax or to acquire a life insurance policy which does not include a policy that is an annuity contract issued before 1 January 1978 providing for annuity payments to commence not later than the day on which the policy holder attains 75 years of age, a policy that is a registered pension plan, a pooled registered pension plan, a registered retirement savings plan, a deferred profit sharing plan, an income-averaging annuity contract or a policy issued under any such plan or contract, or a policy that is an annuity contract all or part of the insurer's reserves for which vary in amount depending on the fair market value of a specified group of properties;

(b) an amount payable for property referred to in paragraph *a* or for property representing an interest in a life insurance policy referred to in the said paragraph; or

(c) borrowed money used to acquire a share of the capital stock of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1), a class "A" or class "B" share issued by the corporation governed by the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (chapter F-3.1.2) or a class "A" share issued by the corporation governed by the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) (chapter F-3.2.1), or an amount payable for such shares.

1972, c. 23, s. 149; 1978, c. 26, s. 37; 1980, c. 13, s. 10; 1984, c. 35, s. 13; 1991, c. 25, s. 53; 1993, c. 16, s. 88; 2001, c. 53, s. 45; 2004, c. 21, s. 62; 2005, c. 1, s. 66; 2010, c. 25, s. 17; 2015, c. 21, s. 129; 2024, c. 11, s. 49.

162. For the purposes of section 160, where a person borrows money in consideration of a promise by him to repay a larger amount and pay interest on the larger amount, the amount borrowed is deemed the larger amount. However, where the amount actually borrowed has been used in part only to earn income from a business or property, the amount so used is deemed the proportion of the larger amount that the amount actually so used is of the amount actually borrowed.

1972, c. 23, s. 150.

163. There shall be deductible an amount paid in the year pursuant to a legal obligation to pay interest on an amount that would be deductible under section 160 if it were paid in the year or payable in respect of the year.

1972, c. 23, s. 151.

163.0.1. For the purposes of sections 160 and 163, an amount is not an amount paid or payable as interest if

(a) the amount

i. is paid, after 20 March 2013 in respect of a period that begins after 31 December 2013, in respect of a life insurance policy that is, at the time of the payment, a leveraged insurance policy, and

ii. is described in paragraph *a* of the definition of "leveraged insurance policy" in section 1; or

(b) the amount

i. is payable, in respect of a life insurance policy, after 20 March 2013 in respect of a period that begins after 31 December 2013 during which the policy is a leveraged insurance policy, and

ii. is described in paragraph *a* of the definition of "leveraged insurance policy" in section 1.

2017, c. 1, s. 96.

163.1. For the purposes of sections 160 and 163, an amount paid in the year by a taxpayer pursuant to a legal obligation to pay interest includes an amount paid by the taxpayer in the year, after 1980 and in respect of a period commencing after 1980, which is an interest, within the meaning of subparagraph *i* of the first paragraph of section 835, in respect of a policy loan, within the meaning that it would be given under subparagraph *h* of the first paragraph of the same section if that subparagraph did not refer to an advance granted in accordance with the terms and conditions of an annuity contract granted by an insurer to the extent that the amount is verified by the insurer in prescribed form and within the prescribed time to be

(a) such an interest paid in the year on the loan;

(b) such an interest that is not included in the computation of the adjusted cost basis, within the meaning of sections 976 and 976.1, to the taxpayer, of his interest in the policy; and

(c) an interest that is not paid on money borrowed before 1978 to acquire a life insurance policy that is an annuity contract issued before 1978 under which pension payments are to begin not later than on the day the policyholder reaches 75 years of age or on an amount payable in respect of property acquired before 1978 which is an interest in such a contract.

1981, c. 12, s. 1; 1986, c. 19, s. 31; 1996, c. 39, s. 273; 2001, c. 53, s. 46; 2005, c. 1, s. 67; 2010, c. 25, s. 18.

163.2. *(Repealed).*

1984, c. 35, s. 14; 1990, c. 59, s. 91.

164. Notwithstanding section 160, no amount shall be deducted by a taxpayer in computing his income for a particular taxation year in respect of an expense incurred by him in the year as, or in lieu of, full or partial payment of interest on debt relating to the acquisition of land or as, or in lieu of, full or partial payment of property taxes paid or payable by him in respect of land to a province or to a Canadian municipality, except to the extent of the amount determined in the second paragraph, unless, having regard to all the circumstances, including the cost to the taxpayer of the land in relation to his gross revenue therefrom for the particular year or any preceding taxation year, the land can reasonably be considered to have been, in the year,

(a) used in the course of a business carried on in the particular year by the taxpayer, other than a business in the ordinary course of which land is held primarily for the purposes of resale or development, or

(b) held primarily by the taxpayer for the purposes of gaining or producing income therefrom for the particular year.

The amount referred to in the first paragraph is equal to the aggregate of

(a) the amount by which the taxpayer's gross revenue from the land for the particular year exceeds the aggregate of all other amounts deducted in computing his income from the land for the year;

(b) where the taxpayer is a corporation whose principal business is the leasing, rental or sale, or the development for lease, rental or sale, or any combination thereof, of immovable property owned by it, to or for a person with whom it is dealing at arm's length, the corporation's base level deduction for the particular year.

1972, c. 23, s. 152; 1975, c. 22, s. 20; 1980, c. 13, s. 11; 1990, c. 59, s. 92; 1997, c. 3, s. 71.

165. For the purposes of section 164:

(a) the word "land", except to the extent that it is used for the provision of parking facilities for a fee or charge, does not include:

i. any building or other structure affixed to land;

ii. the land subjacent to any property described in subparagraph i; or

iii. the land immediately contiguous to the land contemplated in subparagraph ii that is a parking area, driveway, yard, garden or similar land necessary for the use of any property described in subparagraph i;

(b) the expression "property taxes" does not include an income or profits tax or a tax relating to the transfer of property;

(c) the expression "interest on debt relating to the acquisition of land" includes interest paid or payable in the year in respect of borrowed money that may reasonably be considered, having regard to all the circumstances:

i. to be borrowed money used in respect of the acquisition of land, even if it cannot be identified with particular land; or

ii. to have been used to assist, directly or indirectly, any person with whom the taxpayer does not deal at arm's length, a corporation of which the taxpayer is a specified shareholder or a partnership of which the taxpayer's share of any income or loss is 10% or more, to acquire land to be used or held by that person, corporation or partnership otherwise than as provided for in subparagraph *a* or *b* of the first paragraph of section 164, except where the assistance is in the form of a loan to that person, corporation or partnership and a reasonable rate of interest thereon is charged by the taxpayer.

1972, c. 23, s. 153; 1975, c. 22, s. 21; 1990, c. 59, s. 93; 1997, c. 3, s. 71.

165.1. Where a taxpayer who is a member of a partnership is obligated to pay an amount as interest or in full or partial payment of interest on money that was borrowed by him before 1 April 1977 and that was used by him to acquire land owned by the partnership before that day or pursuant to an obligation entered into by him before 1 April 1977 to pay for such land, and, in a taxation year of the taxpayer, the partnership disposes of all or part of the land, or the taxpayer disposes of all or part of his interest in the partnership, to a person other than a person with whom the taxpayer does not deal at arm's length, the taxpayer may, in computing his income for the year or any subsequent taxation year, deduct such part of the amount as may reasonably be attributed to the part of the land or interest in the partnership, as the case may be, that is so disposed of and that was not

(a) deductible under section 164 in computing the income of the taxpayer for any previous year,

(b) deductible in computing the income of another taxpayer for any taxation year,

(c) included in computing the adjusted cost base to the taxpayer of any property, nor

(d) deductible, under this section, in computing the income of the taxpayer for a previous taxation year.

1978, c. 26, s. 38; 1995, c. 49, s. 48; 1997, c. 3, s. 71.

165.2. For the purposes of this division, a corporation's base level deduction for a taxation year is equal to the amount that would be the amount of interest for the year, computed at the prescribed rate, in respect of a loan of $1,000,000 outstanding throughout the year, unless the corporation is associated in the year with one or more other corporations in which case, subject to sections 165.3 to 165.5, its base level deduction for the year is nil.

1990, c. 59, s. 94; 1997, c. 3, s. 71.

165.3. Notwithstanding section 165.2, where none of the corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and all of those corporations have filed with the Minister, in prescribed form, an agreement whereby, for the purposes of this division, they allocate an amount to one or more of them for the taxation year and the amount so allocated or the aggregate of the amounts so allocated, as the case may be, does not exceed $1,000,000, the base level deduction for each of the corporations for the year is equal to the base level deduction that would be

computed under section 165.2 in respect of the corporation if the reference in that section to an amount of $1,000,000 were read as a reference to the amount so allocated to it.

1990, c. 59, s. 94; 1997, c. 3, s. 71; 1999, c. 83, s. 44.

165.4. Where any of the corporations referred to in section 165.3 has failed to file with the Minister an agreement referred to in that section within 30 days after notice in writing by the Minister has been forwarded to any of them that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this division, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall be equal to $1,000,000 and, in any such case, the amount so allocated to any such corporation is deemed to be an amount allocated to the corporation pursuant to section 165.3.

1990, c. 59, s. 94; 1997, c. 3, s. 71; 1999, c. 83, s. 44; 2010, c. 25, s. 19.

165.4.1. Notwithstanding section 165.2, where one of the corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and an amount is, pursuant to subsection 2.3 of section 18 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), allocated to one or more such corporations for the year, the base level deduction for the year for each such corporation shall be equal to its base level deduction determined for that year for the purposes of paragraph *f* of subsection 2 of the said section 18.

Where, for a taxation year, a corporation referred to in the first paragraph files an agreement with the Minister of Revenue of Canada in accordance with paragraph 2.3 of section 18 of the Income Tax Act, the corporation shall file with the Minister, for that year, a copy of that agreement.

1999, c. 83, s. 45; 2000, c. 5, s. 293.

165.5. Notwithstanding any other provision of this division,

(a) where a corporation to which section 165.3 or 165.4 applies, in this section referred to as "the first corporation", has more than one taxation year ending in the same calendar year and is associated in two or more of those taxation years with another corporation that has a taxation year ending in that calendar year, the base level deduction of the first corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to paragraph *b*, an amount equal to its base level deduction for the first such taxation year determined without reference to paragraph *b*; and

(b) where a corporation to which any of sections 165.2 to 165.4 applies, other than a corporation to which section 165.4.1 applies, has a taxation year that is less than 51 weeks, its base level deduction for the year is equal to that proportion of its base level deduction for the year, determined without reference to this paragraph, that the number of days in the year is of 365.

1990, c. 59, s. 94; 1997, c. 3, s. 71; 1999, c. 83, s. 46.

166. A corporation shall not deduct an amount paid as interest or otherwise to the holders of its income bonds or income debentures unless they have been issued or their provisions in respect of interest have been adopted since 1930 to provide the debtor with assistance in meeting his financial difficulties and to replace or alter bonds or debentures which, at the end of 1930, were bearing a fixed unconditional rate of interest.

1972, c. 23, s. 154; 1997, c. 3, s. 71; 1997, c. 14, s. 46.

167. Where, by virtue of the disposition of a debt obligation other than an income bond, an income debenture, a development bond or a small business bond, the transferee has become entitled to an amount of interest that accrued thereon for a period ending at the time of the disposition and that is not payable until after that time, such amount shall be included as interest in computing the transferor's income for his taxation year in which the disposition occurred, except to the extent that it was otherwise included in computing his income for the year or a preceding taxation year.

In that case, the transferee may, in computing his income for a taxation year, deduct the amount of any interest accrued at the time of the disposition to the extent that the amount was included as interest in computing his income for the year.

1972, c. 23, s. 155; 1984, c. 15, s. 40; 1996, c. 39, s. 273.

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

(a) for the purposes of sections 87, 87.2, 89 to 92.7 and 167, the issue of the debt obligation is deemed to be a disposition of the debt obligation from the issuer, as transferor, to the person to whom the obligation is issued, as transferee, and that interest is deemed to be interest that accrued on the debt obligation for a period ending at the time of the disposition; and

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

1985, c. 25, s. 34; 1991, c. 25, s. 54.

167.1.1. For the purposes of section 167, the amount determined by the following formula is deemed to be interest that accrued on a disposed debt obligation—that is, at any time, described in section 92.5R3 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) because of subparagraph *d* of the first paragraph of that section—that the transferee has become entitled to receive for a period commencing before the time of the disposition (in this section referred to as the "particular time") and ending at the particular time and that is not payable until after the particular time:

A – B.

In the formula in the first paragraph,

(a) A is the price for which the debt obligation was disposed of at the particular time; and

(b) B is the amount by which the price (converted to Canadian currency using the exchange rate prevailing at the particular time, if the debt obligation is denominated in a foreign currency) for which the debt obligation was issued exceeds the portion of the principal amount of the debt obligation (converted to Canadian currency using the exchange rate prevailing at the particular time, if the debt obligation is denominated in a foreign currency) that was repaid by the issuer on or before the particular time.

2019, c. 14, s. 85.

168. *(Repealed).*

1972, c. 23, s. 156; 1984, c. 15, s. 41.

169. Despite any other provision of this Act (other than section 174.2), a corporation or a trust shall not make any deduction in respect of the proportion, determined in accordance with section 170, of any amount otherwise deductible in computing its income from a business (other than the Canadian banking business of an authorized foreign bank) or property for a taxation year, in respect of interest paid or payable by it on outstanding debts to specified persons not resident in Canada.

1972, c. 23, s. 157; 1997, c. 3, s. 71; 2015, c. 21, s. 130; 2015, c. 24, s. 33.

170. The proportion to which section 169 refers is the proportion that the amount described in the second paragraph is of the average (in this section referred to as the "average outstanding debts") of all amounts each of which is, in respect of a month that ends in the year, the greatest amount at any time in the month of the corporation's or trust's outstanding debts to specified persons not resident in Canada.

The amount to which the first paragraph refers is equal to the amount by which the corporation's or trust's average outstanding debts for the year exceeds the amount equal to 150% of the corporation's or trust's equity amount for the year.

1972, c. 23, s. 158; 1997, c. 3, s. 71; 2003, c. 2, s. 56; 2015, c. 21, s. 131; 2015, c. 24, s. 34.

171. For the purposes of sections 169, 170 and 172, a corporation's or trust's outstanding debts at any particular time in a taxation year to specified persons not resident in Canada are the aggregate of all amounts each of which is an amount outstanding at that time in respect of any debt or other obligation to pay an amount payable by the corporation or trust to a person who is, in the year, a specified person not resident in Canada, on which interest paid or payable is or would be, but for section 169, deductible in computing the corporation's or trust's income for the year.

However, the outstanding debts referred to in sections 169 and 170 do not include an amount outstanding at the particular time in relation to a debt or other obligation that is

(a) an obligation to pay an amount to

i. an insurance corporation not resident in Canada to the extent that the amount outstanding was, for the insurance corporation's taxation year that included the particular time, designated insurance property in relation to an insurance business carried on in Canada through an establishment, or

ii. an authorized foreign bank, if the bank uses or holds the amount outstanding at the particular time in its Canadian banking business; or

(b) a debt obligation described in subparagraph ii of subparagraph *a* of the second paragraph of section 127.17, to the extent that the proceeds of the debt obligation can reasonably be considered to directly or indirectly fund at the particular time, in whole or in part, a pertinent loan or indebtedness (as defined in subparagraph ii of subparagraph *a* of the second paragraph of section 127.16) owing to the corporation or another corporation resident in Canada that does not, at the particular time, deal at arm's length with the corporation.

1972, c. 23, s. 159; 1975, c. 22, s. 22; 1984, c. 15, s. 42; 1990, c. 59, s. 95; 1994, c. 22, s. 108; 1997, c. 3, s. 71; 1998, c. 16, s. 99; 2004, c. 8, s. 30; 2015, c. 24, s. 35; 2017, c. 29, s. 46.

172. Despite any other provision of this Act, other than section 173.1, for the purposes of this section, sections 169 to 171 and 173.2 to 174.0.1,

(a) "specified shareholder" of a corporation at any time means a person who at that time, either alone or together with persons with whom that person is not dealing at arm's length, owns shares of the capital stock of the corporation

i. that give the holders thereof 25% or more of the votes that could be cast at an annual meeting of the shareholders of the corporation, or

ii. that have a fair market value of 25% or more of the fair market value of all of the issued and outstanding shares of the capital stock of the corporation;

(b) "specified shareholder not resident in Canada" of a corporation at any time means a specified shareholder of the corporation who was at that time a person not resident in Canada or an investment corporation owned by persons not resident in Canada;

(b.1*)* "equity contribution", to a trust, means a transfer of property to the trust that is made

i. in exchange for an interest as a beneficiary under the trust,

ii. in exchange for a right to acquire an interest as a beneficiary under the trust, or

iii. gratuitously by a person beneficially interested in the trust;

(b.2*)* "tax-paid earnings", of a trust resident in Canada for a taxation year, means the aggregate of all amounts each of which is the amount, in respect of a particular taxation year of the trust that ended before the year, determined by the formula

A - B;

(b.3*)* "beneficiary" means a beneficiary within the meaning of the second paragraph of section 646;

(b.4*)* "specified beneficiary", of a trust at any time, means a person who at that time, either alone or together with persons with whom that person does not deal at arm's length, has an interest as a beneficiary under the trust with a fair market value that is not less than 25% of the fair market value of all interests as a beneficiary under the trust;

(b.5*)* "specified beneficiary not resident in Canada", of a trust at any time, means a specified beneficiary of the trust who at that time is a person not resident in Canada;

(b.5.1*)* "specified right", at any time in respect of a property, means a right to, at that time, hypothecate, mortgage, assign, pledge or in any way encumber the property to secure payment of an obligation—other than a particular debt or other particular obligation described in paragraph *a* of section 174 or a debt or other obligation described in subparagraph ii of paragraph *d* of that section—or to use, invest, sell or otherwise dispose of the property unless it is established by the taxpayer that all of the proceeds (net of costs) received, or that would be received, from exercising the right must first be applied to reduce an amount described in subparagraph i or ii of paragraph *d* of section 174;

(b.5.2*)* "security interest", in respect of a property, means a right in the property that secures payment of an obligation;

(b.6*)* "equity amount", of a corporation or a trust for a taxation year, means

i. in the case of a corporation resident in Canada, the aggregate of

(1) the retained earnings of the corporation at the beginning of the year, except to the extent that those earnings include retained earnings of any other corporation,

(2) the average of all amounts each of which is the corporation's contributed surplus (other than any portion of that contributed surplus that arose at a time when the corporation was not resident in Canada, or that arose in connection with a disposition to which subsection 1.1 of section 212.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) applies or an investment to which subsection 2 of section 212.3 of that Act applies) at the beginning of a month that ends in the year, to the extent that it was contributed by a specified shareholder not resident in Canada of the corporation, and

(3) the average of all amounts each of which is the corporation's paid-up capital at the beginning of a month that ends in the year, excluding the paid-up capital in respect of shares of any class of the capital stock of the corporation owned by a person other than a specified shareholder not resident in Canada of the corporation,

ii. in the case of a trust resident in Canada, the amount determined by the formula

C - D, or

iii. in the case of a corporation or trust that is not resident in Canada, the amount determined by the formula

40% × (E - F);

(c) "specified person not resident in Canada" in respect of a corporation or a trust means

i. a specified shareholder not resident in Canada of the corporation or a specified beneficiary not resident in Canada of the trust, or

ii. a person not resident in Canada not dealing at arm's length with a specified shareholder of the corporation or with a specified beneficiary of the trust, as the case may be.

In the formulas in subparagraphs *b*.2 and *b*.6 of the first paragraph,

(a) A is the taxable income of the trust under this Part for the particular year;

(b) B is the total of tax payable under this Part by the trust for the particular year, tax payable by the trust for the particular year under Part I of the Income Tax Act and all income taxes payable by the trust for the particular year under the laws of a province, other than Québec;

(c) C is the total of the average of all amounts each of which is the total amount of all equity contributions to the trust made before a month that ends in the year, to the extent that the contributions were made by a specified beneficiary not resident in Canada of the trust, and the tax-paid earnings of the trust for the year;

(d) D is the average of all amounts each of which is the total of all amounts that were paid or became payable by the trust to a beneficiary of the trust in respect of the beneficiary's interest under the trust before a month that ends in the year except to the extent that the amount is

i. included in computing the beneficiary's income for a taxation year because of section 663,

ii. an amount in respect of which tax was deducted under Part XIII of the Income Tax Act because of paragraph *c* of subsection 1 of section 212 of that Act, or

iii. paid or payable to a person other than a specified beneficiary not resident in Canada of the trust;

(e) E is the average of all amounts each of which is the cost of a property, other than an interest as a member of a partnership, owned by the corporation or trust at the beginning of a month that ends in the year, that is used by the corporation or trust in the year in, or held by it in the year in the course of, carrying on a business in Canada; and

(f) F is the average of all amounts each of which is the total of all amounts outstanding, at the beginning of a month that ends in the year, in relation to a debt or other obligation to pay an amount that was payable by the corporation or trust and that may reasonably be regarded as relating to a business carried on by it in

Canada, other than a debt or obligation that is included in the outstanding debts to specified persons not resident in Canada of the corporation or trust.

For the purpose of determining whether a particular person is a specified shareholder of a corporation at any time, the particular person or the person with whom the particular person is not dealing at arm's length, as the case may be, is deemed at that time to own the shares referred to in subparagraph *a* of the first paragraph and the corporation referred to in subparagraph *b* of the first paragraph is deemed at that time to have redeemed, acquired or cancelled the shares referred to in the said subparagraph *b*, where the particular person or the person with whom the particular person is not dealing at arm's length has at that time a right under a contract or otherwise, either immediately or in the future and either absolutely or contingently, other than a right that is not exercisable at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual,

(a) to, or to acquire, shares in a corporation or to control the voting rights of shares in a corporation; or

(b) to cause a corporation to redeem, acquire or cancel any of its shares, other than shares held by the particular person or the person with whom the particular person is not dealing at arm's length.

For the purpose of determining whether a particular person is a specified beneficiary of a trust at any time, the following rules apply:

(a) if the particular person, or a person with whom the particular person does not deal at arm's length, has at that time a right under a contract or otherwise, either immediately or in the future and either absolutely or contingently, to acquire an interest as a beneficiary under the trust, the particular person or the person with whom the particular person does not deal at arm's length, as the case may be, is deemed at that time to own the interest;

(b) if the particular person, or a person with whom the particular person does not deal at arm's length, has at that time a right under a contract or otherwise, either immediately or in the future and either absolutely or contingently, to cause a trust to redeem, acquire or cancel any interest in it as a beneficiary (other than an interest held by the particular person or a person with whom the particular person does not deal at arm's length), the trust is deemed at that time to have redeemed, acquired or cancelled the interest, unless the right is not exercisable at that time because the exercise of the right is contingent on the death, bankruptcy or permanent disability of an individual; and

(c) if the amount of income or capital of the trust that the particular person, or a person with whom the particular person does not deal at arm's length, may receive as a beneficiary of the trust depends on the exercise by any person of, or the failure by any person to exercise, a discretionary power, that person is deemed to have fully exercised, or to have failed to exercise, the power, as the case may be.

For the purposes of subparagraph *e* of the second paragraph, the following rules apply:

(a) if a property is partly used or held by a taxpayer in a taxation year in the course of carrying on a business in Canada, the cost of the property to the taxpayer is deemed for the year to be equal to the proportion of the cost to the taxpayer of the property (determined without reference to this paragraph) that the proportion of the use or holding made of the property in the course of carrying on a business in Canada in the year is of the whole use or holding made of the property in the year; and

(b) if a corporation or trust is deemed to own a portion of a property of a partnership because of section 174.1 at any time,

i. the property is deemed to have, at that time, a cost to the corporation or trust equal to the proportion of the cost of the property to the partnership that is the proportion that the debts and other obligations to pay an amount of the partnership allocated to it under section 174.1 is of the total amount of all debts and other obligations to pay an amount of the partnership, and

ii. in the case of a partnership that carries on a business in Canada, the corporation or trust is deemed to use or hold the property in the course of carrying on a business in Canada to the extent the partnership uses or holds the property in the course of carrying on a business in Canada for the fiscal period of the partnership that includes that time.

1972, c. 23, s. 160; 1973, c. 18, s. 5; 1984, c. 15, s. 42; 1986, c. 15, s. 51; 1994, c. 22, s. 109; 1997, c. 3, s. 71; 2003, c. 2, s. 57; 2015, c. 24, s. 36; 2017, c. 29, s. 47; 2020, c. 16, s. 42; 2021, c. 14, s. 29.

173. *(Repealed).*

1973, c. 18, s. 6; 1997, c. 3, s. 71; 2003, c. 2, s. 58.

173.1. For the purposes of this section and sections 169 to 172 and 173.2 to 174, where a particular person would, but for this section, be a specified shareholder of a corporation or a specified beneficiary of a trust at any time, the particular person is deemed not to be a specified shareholder of the corporation or a specified beneficiary of the trust, as the case may be, at that time if

(a) there was in effect at that time an agreement or arrangement under which, on the satisfaction of a condition or the occurrence of an event that it is reasonable to expect will be satisfied or will occur, the particular person ceases to be a specified shareholder of the corporation or a specified beneficiary of the trust; and

(b) the purpose for which the particular person became a specified shareholder of the corporation or a specified beneficiary of the trust was the safeguarding of rights or interests of the particular person or a person with whom the particular person is not dealing at arm's length in respect of any indebtedness owing at any time to the particular person or a person with whom the particular person is not dealing at arm's length.

1994, c. 22, s. 110; 1997, c. 3, s. 71; 2003, c. 2, s. 59; 2015, c. 24, s. 37.

173.2. For the purposes of sections 169 to 173.1, 173.3 and 174, a corporation not resident in Canada is deemed to be a specified shareholder not resident in Canada of itself and a trust not resident in Canada is deemed to be a specified beneficiary not resident in Canada of itself.

2015, c. 24, s. 38.

173.3. For the purposes of this Act, where a trust that is resident in Canada designates, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), an amount for a taxation year in accordance with subsection 5.4 of section 18 of that Act in respect of all or any portion of an amount paid or credited as interest by the trust, or by a partnership, in the year to a person not resident in Canada, the amount so designated is deemed to be income of the trust that has been paid to the person not resident in Canada as a beneficiary of the trust, and not to have been paid or credited by the trust or the partnership as interest, to the extent that an amount in respect of the interest

(a) is included in computing the income of the trust for the year under paragraph *m*.1 of section 87; or

(b) is not deductible in computing the income of the trust for the year because of section 169.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 5.4 of section 18 of the Income Tax Act.

2015, c. 24, s. 38.

174. For the purposes of sections 169 to 172, the rules set out in section 174.0.1 apply at any time in respect of a taxpayer if at that time

(a) the taxpayer owes a particular amount as or on account of a particular debt or other particular obligation to pay an amount to a person (in this section and section 174.0.1 referred to as the "intermediary");

(b) the intermediary is neither

i. a person resident in Canada with whom the taxpayer does not deal at arm's length, nor

ii. a person that is, in respect of the taxpayer, a specified person not resident in Canada;

(c) the intermediary or a person that does not deal at arm's length with the intermediary

i. owes an amount to a particular person that is, in respect of the taxpayer, a specified person not resident in Canada as or on account of a debt or other obligation to pay an amount (in this section and section 174.0.1 referred to as the "intermediary debt"), in respect of which any of the following conditions is met:

(1) recourse in respect of the debt or other obligation is limited in whole or in part, either immediately or in the future and either absolutely or contingently, to the particular debt or other particular obligation, or

(2) it can reasonably be concluded that all or a portion of the particular amount became owing, or was permitted to remain owing, because all or a portion of the debt or other obligation was entered into or was permitted to remain owing, or the intermediary anticipated that all or a portion of the debt or other obligation would become owing or remain owing, or

ii. has a specified right in respect of a particular property that was granted directly or indirectly by a particular person that is, in respect of the taxpayer, a specified person not resident in Canada and in respect of which any of the following conditions is met:

(1) the existence of the specified right is required under the terms and conditions of the particular debt or other particular obligation, or

(2) it can reasonably be concluded that all or a portion of the particular amount became owing, or was permitted to remain owing, because the specified right was granted or the intermediary anticipated that it would be granted; and

(d) the aggregate of all amounts—each of which is, in respect of the particular debt or other particular obligation, an amount owing as or on account of an intermediary debt or the fair market value of a particular property described in subparagraph ii of paragraph *c*—is equal to at least 25% of the total of

i. the particular amount, and

ii. the aggregate of all amounts each of which is an amount (other than the particular amount) that the taxpayer, or a person that does not deal at arm's length with the taxpayer, owes to the intermediary as or on account of a debt or other obligation to pay an amount under the agreement, or an agreement that is connected to the agreement, under which the particular debt or other particular obligation was entered into if

(1) the intermediary is granted a security interest in respect of a property that is the intermediary debt or the particular property, as the case may be, and the security interest secures the payment of two or more debts or other obligations that include the debt or other obligation and the particular debt or other particular obligation, and

(2) each security interest that secures the payment of a debt or other obligation referred to in subparagraph 1 secures the payment of every debt or other obligation referred to in that subparagraph.

1972, c. 23, s. 161; 1977, c. 26, s. 18; 1984, c. 15, s. 43; 1986, c. 19, s. 32; 1997, c. 3, s. 71; 2015, c. 24, s. 39; 2017, c. 29, s. 48; 2020, c. 16, s. 43.

174.0.1. The rules to which section 174 refers in respect of a taxpayer at any time are as follows:

(a) the portion of the particular amount, at that time, referred to in paragraph *a* of section 174 that is equal to the lesser of the following amounts is deemed to be an amount owing as or on account of a debt or other

obligation to pay an amount to the particular person referred to in subparagraph i or ii of paragraph *c* of section 174 and not to the intermediary:

i. the amount owing as or on account of the intermediary debt or the fair market value of the particular property referred to in subparagraph ii of paragraph *c* of section 174, as the case may be, and

ii. the proportion of the particular amount that the amount owing or the fair market value, as the case may be, is of the aggregate of all amounts each of which is

(1) an amount owing as or on account of an intermediary debt in respect of the particular debt or other particular obligation that is owed to the particular person or any other person that is, in respect of the taxpayer, a specified person not resident in Canada, or

(2) the fair market value of a particular property referred to in subparagraph ii of paragraph *c* of section 174 in respect of the particular debt or other particular obligation, and

(b) the portion of the interest paid or payable by the taxpayer, in respect of a period throughout which subparagraph *a* applies, on the particular debt or other particular obligation referred to in paragraph *a* of section 174 that is equal to the amount determined by the following formula is deemed to be paid or payable by the taxpayer to the particular person, and not to the intermediary, as interest for the period on the amount that is deemed under subparagraph *a* to be owing to the particular person:

A × B/C.

In the formula in subparagraph *b* of the first paragraph,

(a) A is the interest paid or payable;

(b) B is the average of all amounts each of which is an amount that is deemed under subparagraph *a* of the first paragraph to be owing to the particular person at a time during the period; and

(c) C is the average of all amounts each of which is the particular amount owing at a time during the period.

2017, c. 29, s. 49; 2020, c. 16, s. 44.

174.1. For the purposes of sections 87.0.1 and 169 to 174.0.1 and this section, each member of a partnership at a particular time is deemed at that time

(a) to owe the portion (in this section referred to as the "debt amount") of any debt or other obligation to pay an amount of the partnership and to own the portion of each property of the partnership that is equal to the following proportion of the debt or other obligation:

i. the agreed proportion, in respect of the member of the partnership, determined for the partnership's last fiscal period ending at or before the end of the taxation year referred to in section 169 and at a time when the member is a member of the partnership, and

ii. if no agreed proportion may be determined, in respect of the member of the partnership, in accordance with subparagraph i, the proportion that the fair market value of the member's interest in the partnership at the particular time is of the fair market value of all interests in the partnership at the particular time;

(b) to owe the debt amount to the person to whom the partnership owes the debt or other obligation to pay an amount; and

(c) to have paid interest on the debt amount that is deductible in computing the member's income to the extent that an amount in respect of interest paid or payable on the debt amount by the partnership is deductible in computing the partnership's income.

2015, c. 21, s. 132; 2015, c. 24, s. 40; 2017, c. 29, s. 50.

174.2. Any amount in respect of interest paid or payable to a controlled foreign affiliate of a corporation resident in Canada that would otherwise not be deductible by the corporation for a taxation year because of section 169 may be deducted to the extent that an amount included under section 580 in computing the corporation's income for the year or a subsequent year can reasonably be considered to be in respect of the interest.

2015, c. 21, s. 132.

175. *(Repealed).*

1972, c. 23, s. 162; 1982, c. 5, s. 47; 1986, c. 19, s. 33.

175.1. (1) Notwithstanding any other provision of this Act, a taxpayer shall not, in computing the taxpayer's income for a taxation year from a business or property other than income from a business computed in accordance with the method authorized by section 194, make any deduction in respect of an outlay or expense to the extent that it can reasonably be regarded as having been made or incurred

(a) as consideration for services to be rendered after the end of the year;

(b) as consideration for insurance in respect of a period after the end of the year, other than, where the taxpayer is an insurer, consideration for reinsurance;

(c) as, or in lieu of, full or partial payment of interest, tax or taxes, other than taxes payable by an insurer in relation to the insurance premiums of a non-cancellable or guaranteed renewable accident and sickness insurance policy or of a life insurance policy other than a group term life insurance policy that provides coverage for a period of 12 months or less, rent or royalty in respect of a period that is after the end of the year; or

(d) as consideration, subject to sections 869.4 to 869.7, for a "designated employee benefit" (as defined in section 869.1) required to be provided after the end of the year (other than consideration payable in the year, to a corporation that is licensed to provide insurance, for coverage in respect of the year).

(2) The portion of any outlay or expense, other than an outlay or expense of a corporation, partnership or trust as, or in lieu of, full or partial payment of interest, that, but for subsection 1, would have been deductible in computing a taxpayer's income for a taxation year is deductible in computing the taxpayer's income for the subsequent taxation year to which it can reasonably be considered to relate.

(3) For the purposes of subsection 1, an outlay or expense is deemed not to include a payment that is referred to in paragraph *d* or *e* of subsection 1 of section 222 and that

(a) is made by the taxpayer to a person or partnership with which the taxpayer deals at arm's length; and

(b) is not an expenditure in respect of scientific research and experimental development related to a business of the taxpayer and undertaken in Canada on behalf of the taxpayer.

(4) For the purposes of this section, an outlay or expense made or incurred by an insurer in a taxation year on account of the acquisition of an insurance policy at any time prior to the issuance of the policy is deemed to be an expense incurred as consideration for services rendered in the taxation year in which the policy is issued.

1982, c. 5, s. 47; 1988, c. 18, s. 12; 1990, c. 59, s. 96; 1994, c. 22, s. 111; 1997, c. 3, s. 71; 1997, c. 31, s. 20; 2004, c. 8, s. 31; 2011, c. 6, s. 121; 2015, c. 21, s. 133; 2023, c. 19, s. 19.

175.1.1. Subject to section 851.22.13.1, where, at any time, a payment is made to a person or partnership by a taxpayer in the course of carrying on a business or earning income from property in respect of borrowed money or on an amount payable for property acquired by the taxpayer, in this section referred to as a "debt obligation", as consideration for a reduction in the rate of interest payable by the taxpayer on the debt obligation, or as a penalty or bonus payable by the taxpayer by reason of the repayment by the taxpayer of all or part of the principal amount of the debt obligation before its maturity, the payment is deemed, to the extent that it may reasonably be considered to relate to, and does not exceed the value at that time of, an amount that, but for the reduction or the repayment, would have been paid or payable by the taxpayer as interest on the debt obligation for a taxation year of the taxpayer ending after that time,

(a) for the purposes of this Part, to have been paid by the taxpayer and received by the person or partnership at that time as interest on the debt obligation, and

(b) for the purpose of computing the taxpayer's income in respect of the business or property for the year, to have been paid or payable by the taxpayer in that year as interest pursuant to a legal obligation to pay interest,

i. in the case of any such reduction, on the debt obligation, and

ii. in the case of any such repayment, where the repayment was in respect of all or part of the principal amount of the debt obligation that was

(1) borrowed money, except to the extent that the borrowed money was used by the taxpayer to acquire property, on borrowed money used in the year for the purpose for which the borrowed money that was repaid was used, or

(2) either borrowed money used to acquire property or an amount payable for property acquired by the taxpayer, on the debt obligation to the extent that the property or property substituted therefor is used by the taxpayer in the year for the purpose of earning income therefrom or for the purposes of gaining and producing income from a business.

The first paragraph does not apply where the payment

(a) may reasonably be considered to have been made in respect of the extension of the term of a debt obligation or in respect of the substitution or conversion of a debt obligation to another debt obligation or share, or

(b) is contingent or dependent on the use of or production from property or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation.

1993, c. 16, s. 89; 1995, c. 49, s. 49; 1997, c. 3, s. 71; 2001, c. 7, s. 27; 2003, c. 2, s. 60.

175.1.2. For the purposes of this Part, the amount of interest payable on borrowed money or on an amount payable for property, in this section and sections 175.1.3 to 175.1.8 referred to as the "debt obligation", by a corporation, partnership or trust, in this section and sections 175.1.3 to 175.1.7 referred to as the "borrower", in respect of a taxation year is, notwithstanding subparagraph i of paragraph *b* of section 175.1.1, deemed to be an amount equal to the lesser of

(a) the amount of interest, not in excess of a reasonable amount, that would have been payable on the debt obligation by the borrower in respect of the year if no amount had been paid before the end of the year in satisfaction of the obligation to pay interest on the debt obligation in respect of the year and if the amount outstanding at each particular time in the year that is after 31 December 1991 on account of the principal amount of the debt obligation were the amount by which the amount outstanding at the particular time on account of the principal amount of the debt obligation exceeds the total of

i. the aggregate of all amounts each of which is an amount paid before the particular time in satisfaction, in whole or in part, of the obligation to pay interest on the debt obligation in respect of a period or part thereof that is after 31 December 1991, after the beginning of the year, and after the time the amount was so paid, other than a period or part thereof that is in the year where no such amount has been paid before the particular time in respect of a period or part thereof that is after the end of the year, and

ii. the amount by which

(1) the aggregate of all amounts each of which is the amount of interest payable on the debt obligation, determined without reference to this section, by the borrower in respect of a taxation year ending after 31 December 1991 and before the year, to the extent that such interest does not exceed a reasonable amount, exceeds

(2) the aggregate of all amounts each of which is the amount of interest deemed by this section to have been payable on the debt obligation by the borrower in respect of a taxation year ending before the year; and

(b) the amount by which

i. the aggregate of all amounts each of which is an amount of interest payable on the debt obligation, determined without reference to this section, by the borrower in respect of the year or a taxation year ending after 31 December 1991 and before the year, to the extent that such interest does not exceed a reasonable amount, exceeds

ii. the aggregate of all amounts each of which is the amount of interest deemed by this section to be payable on the debt obligation by the borrower in respect of a taxation year ending before the year.

1994, c. 22, s. 112; 1997, c. 3, s. 71.

175.1.3. Where at any time in a taxation year of a borrower a debt obligation of the borrower is settled or extinguished or the holder of the obligation acquires or reacquires property of the borrower in circumstances in which sections 484 to 484.6 apply in respect of the debt obligation and, at that time, the aggregate determined in the second paragraph exceeds the aggregate determined in the third paragraph, which excess is in this section referred to as the "excess amount", the following rules apply:

(a) for the purpose of applying sections 484 to 484.6 in respect of the borrower, the principal amount at that time of the debt obligation is deemed to be equal to the amount by which the principal amount at that time of the debt obligation exceeds the excess amount; and

(b) the excess amount shall be deducted at that time in computing the forgiven amount in respect of the obligation, within the meaning assigned by section 485.

The aggregate first referred to in the first paragraph, at any particular time, is equal to the total of the following amounts:

(a) the aggregate of all amounts each of which is an amount paid at or before that time in satisfaction, in whole or in part, of the obligation to pay interest on the debt obligation in respect of a period or part of a period that is after the particular time; and

(b) the aggregate of all amounts each of which is the amount of interest payable on the debt obligation, determined without reference to section 175.1.2, by the borrower in respect of a taxation year ending after 31 December 1991 and before the particular time, or in respect of a period or part thereof that is in the year and before the particular time, to the extent that such interest does not exceed a reasonable amount.

The second aggregate referred to in the first paragraph, at any particular time, is equal to the total of the following amounts:

(a) the aggregate of all amounts each of which is an amount of interest deemed by section 175.1.2 to have been payable on the debt obligation by the borrower in respect of a taxation year ending before the particular time; and

(b) the amount of interest that would be deemed by section 175.1.2 to have been payable on the debt obligation by the borrower in respect of the year if the year had ended immediately before the particular time.

1994, c. 22, s. 112; 1996, c. 39, s. 52.

175.1.4. Where an amount is paid at any time by a person or partnership in respect of a debt obligation of a borrower as, or in lieu of, full or partial payment of interest on the debt obligation in respect of a period or part thereof that is after 31 December 1991 and after the time the amount was so paid, or as consideration for a reduction in the rate of interest payable on the debt obligation, excluding a payment described in the second paragraph of section 175.1.1, in respect of a period or part thereof that is after 31 December 1991 and after the time the amount was so paid, that amount is deemed,

(a) for the purposes of section 175.1.5 and, subject to that section, for the purposes of subparagraph 1 of subparagraph ii of paragraph *a* of section 175.1.2, subparagraph i of paragraph *b* of that section, subparagraph *b* of the second paragraph of section 175.1.3 and section 175.1.6, to be an amount of interest payable on the debt obligation by the borrower in respect of that period or part thereof; and

(b) for the purposes of subparagraph i of paragraph *a* of section 175.1.2 and subparagraph *a* of the second paragraph of section 175.1.3, to be an amount paid at that time in satisfaction of the obligation to pay interest on the debt obligation in respect of that period or part thereof.

1994, c. 22, s. 112; 1997, c. 3, s. 71.

175.1.5. Where an amount of interest payable on a debt obligation, determined without reference to section 175.1.2, by a borrower in respect of a particular period or part thereof that is after 31 December 1991 can reasonably be regarded as an amount payable as consideration for a reduction in the amount of interest that would otherwise be payable on the debt obligation in respect of a subsequent period, or a reduction in the amount that was or may be paid before the beginning of a subsequent period in satisfaction of the obligation to pay interest on the debt obligation in respect of that subsequent period, such reductions being determined without reference to the existence of, or the amount of any interest paid or payable on, any other debt obligation, that amount,

(a) for the purposes of subparagraph 1 of subparagraph ii of paragraph *a* of section 175.1.2, subparagraph i of paragraph *b* of that section, subparagraph *b* of the second paragraph of section 175.1.3 and section 175.1.6, is deemed to be an amount of interest payable on the debt obligation by the borrower in respect of the subsequent period and not to be an amount of interest payable on the debt obligation by the borrower in respect of the particular period; and

(b) when paid, is deemed for the purposes of subparagraph i of paragraph *a* of section 175.1.2 and subparagraph *a* of the second paragraph of section 175.1.3 to be an amount paid in satisfaction of the obligation to pay interest on the debt obligation in respect of the subsequent period.

1994, c. 22, s. 112.

175.1.6. Where liability in respect of a debt obligation of a person or partnership is assumed by a borrower at any time,

(a) the amount of interest payable on the debt obligation, determined without reference to section 175.1.2, by any person or partnership in respect of a period is, to the extent that that period is included in a taxation year of the borrower ending after 31 December 1991, deemed, for the purposes of subparagraph 1 of subparagraph ii of paragraph *a* of section 175.1.2, subparagraph i of paragraph *b* of that section and subparagraph *b* of the second paragraph of section 175.1.3, to be an amount of interest payable on the debt obligation by the borrower in respect of that year; and

(b) the application of sections 175.1.2 and 175.1.3 to the borrower in respect of the debt obligation after that time shall be determined on the assumption that section 175.1.2 applied to the borrower in respect of the debt obligation before that time.

For the purposes of this section, where the borrower came into existence at a particular time that is after the beginning of the particular period commencing at the beginning of the first period in respect of which interest was payable on the debt obligation by any person or partnership and ending at the particular time, the borrower is deemed to have been in existence throughout the particular period, and to have had, throughout the particular period, taxation years ending on the day of the year on which its first taxation year ended.

1994, c. 22, s. 112; 1997, c. 3, s. 71.

175.1.7. Where the amount paid by a borrower at any particular time, in satisfaction of the obligation to pay a particular amount of interest on a debt obligation in respect of a subsequent period or part thereof, exceeds the particular amount of that interest, discounted for the particular period beginning at the particular time and ending at the end of the subsequent period or part thereof, and at the rate or rates of interest applying under the debt obligation during the particular period or, where the rate of interest in respect of any part of the particular period is not fixed at the particular time, at the prescribed rate of interest in effect at the particular time, such excess is deemed

(a) for the purposes of sections 175.1.2 to 175.1.6 and 175.1.8, to be neither an amount of interest payable on the debt obligation nor an amount paid in satisfaction of the obligation to pay interest on the debt obligation; and

(b) to be a payment as a penalty or bonus, described in section 175.1.1, in respect of the debt obligation.

1994, c. 22, s. 112.

175.1.8. Notwithstanding sections 175.1.2 to 175.1.7, the aggregate of all amounts each of which is an amount of interest payable on a debt obligation by an individual, other than a trust, or deemed by section 175.1.2 to be payable on the debt obligation by a corporation, partnership or trust, in respect of a taxation year ending after 31 December 1991 and before any particular time, shall not exceed the aggregate of all amounts each of which is an amount of interest payable on the debt obligation, determined without reference to section 175.1.2, by a person or partnership in respect of a taxation year ending after 31 December 1991 and before that particular time.

1994, c. 22, s. 112; 1997, c. 3, s. 71.

175.2. Notwithstanding any other provision of this Part, a taxpayer shall not, in computing his income for a taxation year, deduct any amount under section 147, 160, 163, 176, 176.4 or 179 in respect of borrowed money, or other property acquired by the taxpayer, in respect of any period after which the money or other property is used by the taxpayer for the purpose of

(a) making a payment after 12 November 1981 as consideration for an income-averaging annuity contract, unless such contract was acquired pursuant to an agreement in writing entered into before 13 November 1981;

(a.1) making a payment to acquire an income-averaging annuity respecting income from artistic activities;

(b) paying a premium referred to in paragraph *b* of subsection 11 of section 18 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(c) making a contribution to a registered pension plan, a pooled registered pension plan or a deferred profit sharing plan, other than a contribution described in paragraph *b* or *c* of section 71, as they read for the taxation year 1990, that was required to be made pursuant to an obligation entered into before 13 November

1981, or an amount deductible under section 137 or paragraph *b* of section 158 in computing the taxpayer's income;

(d) making a payment as consideration for an annuity the payment for which deductible in computing his income by virtue of paragraph *f* of section 339;

(d.1) making a contribution to a net income stabilization account;

(d.1.0.1) paying an amount as a contribution to a farm income stabilization account;

(d.1.1) making a contribution to a retirement compensation arrangement where the contribution was deductible under section 70.2 in computing his income;

(d.2) (paragraph repealed);

(d.3) making a contribution to a registered education savings plan;

(d.4) making a contribution to a registered disability savings plan;

(d.5) making a contribution to a tax-free savings account;

(d.5.1) making a contribution to a first home savings account; and

(d.6) allocating an amount to a tax-free reserve within the meaning of section 979.25;

(e) (paragraph repealed);

(f) (paragraph repealed);

(g) (paragraph repealed);

(h) (paragraph repealed).

1984, c. 15, s. 44; 1985, c. 25, s. 35; 1987, c. 67, s. 41; 1990, c. 59, s. 97; 1991, c. 25, s. 55; 1993, c. 16, s. 90; 1994, c. 22, s. 113; 1995, c. 49, s. 50; 1997, c. 14, s. 47; 2000, c. 5, s. 44; 2004, c. 21, s. 63; 2005, c. 23, s. 41; 2009, c. 15, s. 61; 2013, c. 10, s. 19; 2015, c. 21, s. 134; 2023, c. 19, s. 20.

175.2.1. For the purposes of section 175.2, to the extent that an indebtedness is incurred by a taxpayer in respect of a property and at any time that property or a property substituted therefor is used for any of the purposes referred to in the said section, the indebtedness is deemed to be incurred at that time and for that purpose.

1993, c. 16, s. 91; 1994, c. 22, s. 114.

175.2.2. Where at any time after 31 December 1993 borrowed money ceases to be used by a taxpayer for the purpose of earning income from a capital property, other than depreciable property or immovable property, and the amount of the borrowed money that was so used by the taxpayer immediately before that time exceeds the amount determined under the second paragraph, the amount of the excess, to the extent that it is outstanding after that time, is deemed to be borrowed money used by the taxpayer for the purpose of earning income from the property.

The amount referred to in the first paragraph as being determined in the second paragraph is the aggregate of

(a) where the taxpayer disposed of the property at the particular time for an amount of consideration that is not less than the fair market value of the property at that time, the amount of the borrowed money used to acquire the consideration;

(b) where the taxpayer disposed of the property at the particular time and paragraph *a* does not apply, the amount of the borrowed money that, if the taxpayer had received as consideration an amount of money equal to the amount by which the fair market value of the property at that time exceeds the amount included in the aggregate determined under this paragraph by reason of paragraph *c*, would be considered to be used to acquire the consideration;

(c) where the taxpayer disposed of the property at the particular time for consideration that includes a reduction in the amount of the borrowed money, the amount of the reduction; and

(d) where the taxpayer did not dispose of the property at the particular time, the amount of the borrowed money that, if the taxpayer had disposed of the property at that time and received as consideration an amount of money equal to the fair market value of the property at that time, would be considered to be used to acquire the consideration.

1995, c. 49, s. 51.

175.2.3. Where at any particular time after 31 December 1993 a taxpayer ceases to carry on a business and, as a consequence, borrowed money ceases to be used by the taxpayer for the purpose of earning income from the business, the following rules apply:

(a) where, at any time, in this paragraph referred to as the "time of disposition", at or after the particular time, the taxpayer disposes of property that was last used by the taxpayer in the business, an amount of the borrowed money equal to the lesser of the following amounts is deemed to have been used by the taxpayer immediately before the time of disposition to acquire the property:

i. the fair market value of the property at the time of disposition, and

ii. the amount of the borrowed money outstanding at the time of disposition that is not deemed by this paragraph to have been used before the time of disposition to acquire any other property;

(b) subject to paragraph *a*, the borrowed money is deemed, after the particular time, not to have been used to acquire property that was used by the taxpayer in the business;

(c) the amount of the borrowed money outstanding at any time after the particular time that is not deemed by paragraph *a* to have been used before that subsequent time to acquire property is deemed to be used by the taxpayer at that subsequent time for the purpose of earning income from the business; and

(d) the business is deemed to have fiscal periods after the particular time that coincide with the taxation years of the taxpayer, except that the first such fiscal period is deemed to begin at the end of the business's last fiscal period that began before the particular time.

1995, c. 49, s. 51.

175.2.4. For the purposes of paragraph *a* of section 175.2.3,

(a) where a property was used by a taxpayer in a business that the taxpayer has ceased to carry on, the taxpayer is deemed to dispose of the property at the time at which the taxpayer begins to use the property in another business or for any other purpose;

(b) where a taxpayer, who has at any particular time ceased to carry on a business, regularly used a property in part in the business and in part for some other purpose,

i. the taxpayer is deemed to have disposed of the property at that time, and

ii. the fair market value of the property at that time is deemed to equal the proportion of the fair market value of the property at that time that the use regularly made of the property in the business was of the whole use regularly made of the property; and

(c) where the taxpayer is a trust, sections 653 to 656.3.1 do not apply.

1995, c. 49, s. 51; 2004, c. 21, s. 64.

175.2.5. Where an amount is payable by a taxpayer for property, the amount is deemed, for the purposes of sections 175.2.2 to 175.2.7 and, where section 175.2.3 applies with respect to the amount, for the purposes of this Part, to be payable in respect of borrowed money used by the taxpayer to acquire the property.

1995, c. 49, s. 51.

175.2.6. For the purposes of sections 175.2.2 to 175.2.7, where borrowed money that has been used to acquire an interest in a partnership is, as a consequence, considered to be used at any time for the purpose of earning income from a business or property of the partnership, the borrowed money is deemed to be used at that time for the purpose of earning income from property that is the interest in the partnership and not to be used for the purpose of earning income from the business or property of the partnership.

1995, c. 49, s. 51; 1997, c. 3, s. 71.

175.2.7. Where at any time a taxpayer uses borrowed money to repay money previously borrowed that was deemed by paragraph *c* of section 175.2.3 immediately before that time to be used for the purpose of earning income from a business, the following rules apply:

(a) paragraphs *a* to *c* of section 175.2.3 apply with respect to the borrowed money; and

(b) section 183 does not apply with respect to the borrowed money.

1995, c. 49, s. 51.

175.2.8. For the purposes of this section and sections 175.2.9 to 175.2.11,

"branch advance" of an authorized foreign bank means an amount allocated or provided by, or on behalf of, the bank to, or for the benefit of, its Canadian banking business under terms that were documented, before the amount was so allocated or provided, to the same extent as, and in a form similar to the form in which, the bank would ordinarily document a loan by it to a person with whom it deals at arm's length;

"branch financial statements" of an authorized foreign bank for a taxation year means the unconsolidated statements of assets and liabilities and of income and expenses, in relation to its Canadian banking business,

(a) that form part of the bank's annual report for the year filed with the Superintendent of Financial Institutions of Canada as required under section 601 of the Bank Act (Statutes of Canada, 1991, chapter 46), and accepted by the Superintendent; and

(b) if such a report is not required to be filed for the year, that are prepared in a manner consistent with the statements in the annual report or reports so filed and accepted for the period or periods in which the year falls;

"calculation period" of an authorized foreign bank for a taxation year means any one of a series of regular periods into which the year is divided in a designation by the bank in its fiscal return for the year or, in the absence of such a designation, by the Minister,

(a) none of which is longer than 31 days;

(b) the first of which commences at the beginning of the year and the last of which ends at the end of the year; and

(c) that are, unless the Minister otherwise agrees in writing, consistent with the calculation periods designated by the bank for its preceding taxation year.

If the Minister demonstrates that the statements referred to in the definition of "branch financial statements" in the first paragraph are not prepared in accordance with generally accepted accounting

principles in Canada as modified by any specifications applicable to the bank made by the Superintendent of Financial Institutions of Canada under subsection 4 of section 308 of the Bank Act, in this paragraph referred to as "modified accounting principles", the expression "branch financial statements" means the statements subject to such modifications as are required to make them comply with modified accounting principles.

2004, c. 8, s. 32.

175.2.9. In computing the income of an authorized foreign bank from its Canadian banking business for a taxation year, there may be deducted on account of interest for each calculation period of the bank for the year,

(a) where the total amount at the end of the period of its branch advances and debts to other persons and partnerships is 95% or more of the amount of its assets at that time, an amount not exceeding

i. if the amount of debts to other persons and partnerships at that time is less than 95% of the amount of its assets at that time, the amount determined by the formula

$$E + D \times (0.95 \times A - C) / B, \text{ and}$$

ii. if the amount of debts to other persons and partnerships at that time is equal to or greater than 95% of the amount of its assets at that time, the amount determined by the formula

$$E \times (0.95 \times A) / C; \text{ and}$$

(b) in any other case, the aggregate of

i. the amount determined by the formula

$$D + E, \text{ and}$$

ii. the product obtained by multiplying the average, based on daily observations, of the Bank of Canada bank rate for the period by the lesser of the amount claimed by the authorized foreign bank in its fiscal return it is required to file for the year under section 1000 and the amount determined by the formula

$$(0.95 \times A) - (B + C).$$

In the formulas provided for in the first paragraph,

(a) A is the amount of the bank's assets at the end of the period;

(b) B is the amount of the bank's branch advances at the end of the period;

(c) C is the amount of the bank's debts to other persons and partnerships at the end of the period;

(d) D is the aggregate of all amounts each of which is a reasonable amount on account of notional interest for the period, in respect of a branch advance, that would be deductible in computing the bank's income for the year if it were interest payable by, and the advance were indebtedness of, the bank to another person and if this Act were read without reference to sections 133.6 and 175.2.8 to 175.2.11; and

(e) E is the aggregate of all amounts each of which is an amount on account of interest for the period in respect of a debt of the bank to another person or partnership that would be deductible in computing the bank's income for the year if this Act were read without reference to sections 133.6 and 175.2.8 to 175.2.11.

2004, c. 8, s. 32.

175.2.10. Only amounts that are in respect of an authorized foreign bank's Canadian banking business, and that are entered in the accounting records of the business in a manner consistent with the manner in which they are required to be treated for the purposes of the branch financial statements, shall be used to determine the amounts referred to in the first paragraph of section 175.2.9 of an authorized foreign bank's assets, debts to other persons and partnerships, and branch advances, and the amounts in the second paragraph of section 175.2.9.

2004, c. 8, s. 32.

175.2.11. For the purposes of subparagraph *d* of the second paragraph of section 175.2.9, a reasonable amount on account of notional interest for a calculation period in respect of a branch advance is the amount that would be payable on account of interest for the period by a notional borrower, having regard to the duration of the advance, the currency in which repayment is required and all other terms, as determined with reference to paragraph *c*, of the advance, if

(a) the borrower were a person that carried on the bank's Canadian banking business, that dealt at arm's length with the bank and that had the same credit-worthiness and borrowing capacity as the bank;

(b) the advance were a loan by the bank to the borrower; and

(c) any of the terms of the advance, excluding the rate of interest, but including the structure of the interest calculation, such as whether the rate is fixed or floating and the choice of any reference rate referred to, that are not terms that would be made between the bank as lender and the borrower, having regard to all the circumstances, including the nature of the Canadian banking business, the use of the advanced funds in the business and normal risk management practices for banks, were instead terms that would be agreed to by the bank and the borrower.

2004, c. 8, s. 32.

175.2.12. For the purposes of this section and sections 175.2.13 to 175.2.15,

"exchange date" in respect of a debt of a taxpayer that is at any time a weak currency debt means,

(a) if the debt is incurred or assumed by the taxpayer in relation to borrowed money that is denominated in the final currency, the day that the debt is incurred or assumed by the taxpayer; and

(b) if the debt is incurred or assumed by the taxpayer in relation to borrowed money that is not denominated in the final currency, or in relation to the acquisition of property, the day on which the taxpayer uses the borrowed money or the acquired property, directly or indirectly, to acquire funds that are, or to settle an obligation that is, denominated in the final currency;

"hedge" in respect of a debt of a taxpayer that is at any time a weak currency debt means any agreement entered into by the taxpayer

(a) that can reasonably be regarded as having been entered into by the taxpayer primarily to reduce the taxpayer's risk, in relation to payments of principal or interest in respect of the debt, of fluctuations in the value of the weak currency; and

(b) that is designated by the taxpayer as a hedge in respect of the debt in prescribed form filed with the Minister on or before the 30th day after the day on which the taxpayer entered into the agreement;

"weak currency debt" of a taxpayer at a particular time means a particular debt in a foreign currency, in this section and sections 175.2.13 to 175.2.15 referred to as the "weak currency", incurred or assumed by the taxpayer at a time, in this section and sections 175.2.13 to 175.2.15 referred to as the "commitment time", after 27 February 2000, in relation to borrowed money or an acquisition of property, where

(a) any of the following applies, namely,

i. the borrowed money is denominated in a currency, in this section and sections 175.2.13 to 175.2.15 referred to as the "final currency", other than the weak currency, is used for the purpose of earning income from a business or property and is not used to acquire funds in a currency other than the final currency,

ii. the borrowed money or the acquired property is used, directly or indirectly, to acquire funds that are denominated in a currency, in this section and sections 175.2.13 to 175.2.15 also referred to as the "final currency", other than the weak currency, that are used for the purpose of earning income from a business or property and that are not used to acquire funds in a currency other than the final currency,

iii. the borrowed money or the acquired property is used, directly or indirectly, to settle an obligation that is denominated in a currency, in this section and sections 175.2.13 to 175.2.15 also referred to as the "final currency", other than the weak currency, that is incurred or assumed for the purpose of earning income from a business or property and that is not incurred or assumed to acquire funds in a currency other than the final currency, or

iv. the borrowed money or the acquired property is used, directly or indirectly, to settle another debt of the taxpayer that is at any time a weak currency debt in respect of which the final currency is a currency other than the currency of the particular debt and is deemed to be the final currency in respect of the particular debt;

(b) the amount of the particular debt together with any other debt that would, but for this paragraph, be at any time a weak currency debt, and that can reasonably be regarded as having been incurred or assumed by the taxpayer as part of a series of transactions that includes the incurring or assumption of the particular debt, exceeds $500,000; and

(c) either of the following applies, namely,

i. if the rate at which interest is payable at the particular time in the weak currency in respect of the particular debt is determined under a formula based on the value from time to time of a reference rate, other than a reference rate the value of which is established or materially influenced by the taxpayer, the interest rate at the commitment time, as determined under the formula as though interest were then payable, exceeds by more than two percentage points the rate at which interest would have been payable at the commitment time in the final currency if

(1) the taxpayer had, at the commitment time, instead incurred or assumed an equivalent amount of debt in the final currency on the same terms as the particular debt, excluding the rate of interest but including the structure of the interest calculation, such as whether the rate is fixed or floating, with those modifications that the difference in currency requires, and

(2) interest on the equivalent amount of debt referred to in subparagraph 1 was payable at the commitment time, and

ii. in any other case, the rate at which interest is payable at the particular time in the weak currency in respect of the particular debt exceeds by more than two percentage points the rate at which interest would have been payable at the particular time in the final currency if at the commitment time the taxpayer had instead incurred or assumed an equivalent amount of debt in the final currency on the same terms as the

particular debt, excluding the rate of interest but including the structure of the interest calculation, such as whether the rate is fixed or floating, with those modifications that the difference in currency requires.

2004, c. 8, s. 32.

175.2.13. Notwithstanding any other provision of this Act, the following rules apply in respect of a particular debt of a taxpayer, other than a corporation described in any of paragraphs *a*, *b*, *c* and *e* of the definition of "specified financial institution" in section 1, that is at any time a weak currency debt:

(a) no deduction on account of interest that accrues on the debt for any period that begins after the day that is the later of 30 June 2000 and the exchange date during which it is a weak currency debt shall exceed the amount of interest that would, if at the commitment time the taxpayer had instead incurred or assumed an equivalent amount of debt in the final currency on the same terms as the particular debt, excluding the rate of interest but including the structure of the interest calculation, such as whether the rate is fixed or floating, have accrued on the equivalent debt during that period, with those modifications that the difference in currency requires;

(b) the amount of the taxpayer's gain or loss, in this section and section 175.2.14 referred to as a "foreign exchange gain" or "foreign exchange loss", for a taxation year on the settlement or extinguishment of the debt that is due to the fluctuation in the value of any currency shall be included or deducted, as the case may be, in computing the taxpayer's income from the business or the property to which the debt relates; and

(c) the amount of any interest on the debt that is, because of this section, not deductible is deemed, for the purpose of computing the taxpayer's foreign exchange gain or foreign exchange loss on the settlement or extinguishment of the debt, to be an amount paid by the taxpayer to settle or extinguish the debt.

2004, c. 8, s. 32.

175.2.14. In applying section 175.2.13 in circumstances where a taxpayer has entered into a hedge in respect of a debt of the taxpayer that is at any time a weak currency debt, the amount paid or payable in the weak currency for a taxation year on account of interest on the debt, or paid in the weak currency for a taxation year on account of the debt's principal, shall be decreased by the amount of any foreign exchange gain, or increased by the amount of any foreign exchange loss, on the hedge in respect of the amount so paid or payable.

2004, c. 8, s. 32.

175.2.15. Where the amount, expressed in the weak currency, outstanding on account of principal in respect of a debt that is at any time a weak currency debt is reduced before maturity, whether by repayment or otherwise, the amount, expressed in the weak currency, of the reduction is deemed, except for the purpose of determining the rate of interest that would have been charged on an equivalent debt in the final currency and applying paragraph *b* of the definition of "weak currency debt" in section 175.2.12, to have been a separate debt from the commitment time.

2004, c. 8, s. 32.

DIVISION XII.0.1

TRANSITIONAL RULES RELATING TO AN INSURER

2010, c. 25, s. 20.

175.2.16. In sections 175.2.17 to 175.2.19, "insurance business", "reserve transition amount" and "transition year" have the meaning assigned by section 92.23.

2010, c. 25, s. 20.

175.2.17. If an insurer's reserve transition amount in respect of an insurance business carried on by it in Canada is negative, the reserve transition amount, expressed as a positive number, must be deducted in computing the insurer's income for its transition year from the insurance business.

2010, c. 25, s. 20.

175.2.18. If an amount has been included under section 92.24 in computing an insurer's income for its transition year from an insurance business carried on by it in Canada, there must be deducted in computing the insurer's income, for each particular taxation year of the insurer that ends after the beginning of the transition year, from that insurance business, the amount determined by the formula

A × B/1,825.

In the formula in the first paragraph,

(a) A is the amount included under section 92.24 in computing the insurer's income for its transition year from that insurance business; and

(b) B is the number of days in the particular taxation year that are before the day that is 1,825 days after the first day of the transition year.

2010, c. 25, s. 20.

175.2.19. If at any time an insurer ceases (otherwise than as a result of an amalgamation within the meaning of subsections 1 and 2 of section 544) to carry on all or substantially all of an insurance business (in this section referred to as the "discontinued business"), and neither section 92.26 nor 92.27 applies, there must be deducted in computing the insurer's income from the discontinued business for the insurer's taxation year that includes the time that is immediately before that time, the amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is the amount included under section 92.24 in computing the insurer's income from the discontinued business for its transition year; and

(b) B is the aggregate of all amounts each of which is an amount deducted under section 175.2.18 in computing the insurer's income from the discontinued business for a taxation year that began before that time.

2010, c. 25, s. 20.

175.3. *(Repealed).*

1985, c. 25, s. 36; 1987, c. 67, s. 42.

DIVISION XII.1

WORKSPACE IN HOME

1990, c. 59, s. 98; 1999, c. 83, s. 47.

175.4. Notwithstanding any other provision of this Act, an individual or a partnership of which the individual is a member shall not, in computing his or its income from a business for a taxation year or a fiscal

period, as the case may be, deduct an amount in respect of an amount otherwise deductible for any part, in this division referred to as the "work space", of a self-contained domestic establishment in which the individual resides, except to the extent that the work space is either

(a) the principal place of business of the individual or partnership, as the case may be; or

(b) used

i. exclusively for the purposes of earning income from a business, and

ii. on a regular and continuous basis for meeting clients, customers or patients of the individual or partnership in respect of the business, as the case may be.

1990, c. 59, s. 98; 1996, c. 39, s. 273; 1997, c. 14, s. 48; 1997, c. 31, s. 21.

175.5. Where a work space is described in paragraph *a* or *b* of section 175.4, the amount in respect of the work space that is deductible by the individual or partnership referred to in that section in computing the income of the individual or partnership from the business referred to in that section for a taxation year or fiscal period, as the case may be, shall not exceed the lesser of

(a) the aggregate of all amounts each of which is,

i. where the individual or the partnership has made an expenditure, other than an expenditure of a capital nature, that may reasonably be considered to relate

(1) both to the part of the establishment, other than the work space, and to the work space, the product obtained by multiplying the amount that would, but for this section, be deductible in computing the income of the individual or partnership from the business for the taxation year or the fiscal period, as the case may be, in respect of the expenditure, by 50%, or

(2) solely to the work space, the amount that would, but for this section, be deductible in computing the income of the individual or partnership from the business for the taxation year or the fiscal period, as the case may be, in respect of the expenditure, and

ii. the amount deducted by the individual or the partnership in computing the income of the individual or partnership from the business for the taxation year or the fiscal period, as the case may be, under paragraph *a* of section 130 or the second paragraph of section 130.1, in respect of the work space; and;

(b) the income of the individual or partnership from the business for the taxation year or the fiscal period, as the case may be, computed before deducting any amount referred to in subparagraphs i and ii of subparagraph *a* and without reference to sections 217.2 to 217.9.1.

For the purposes of subparagraph i of subparagraph *a* of the first paragraph,

(a) an amount paid or payable by the individual or partnership as rent pertaining to the work space is deemed to be an expenditure that may reasonably be considered to relate to both the part of the establishment, other than the work space, and the work space;

(b) an expenditure, other than an expenditure of a capital nature, made by the individual or partnership, that may reasonably be considered to relate to both the work space in connection with the operation of a tourist accommodation establishment that is a principal residence establishment, bed and breakfast establishment or tourist home, within the meaning of the regulations made under the Tourist Accommodation Act (chapter H-1.01), and the part of the establishment, other than the work space, is deemed to be an expenditure relating solely to the work space if the tourist accommodation establishment is duly registered under that Act;

*(b.*1*)* an expenditure, other than an expenditure of a capital nature, made by the individual or partnership, that may reasonably be considered to relate to both the work space in connection with the operation of a private residential home and the part of the establishment, other than the work space, is deemed to be an expenditure relating solely to the work space; and

(c) an expenditure, other than an expenditure of a capital nature, made by the individual or partnership, that may reasonably be considered to relate both to the part of the establishment, other than the work space, and to the work space, including an amount paid or payable by the individual or partnership as lighting or heating costs, and that is not an expenditure in relation to the maintenance of the establishment, is deemed to be an expenditure that may reasonably be considered to relate solely to the work space.

For the purposes of subparagraph *c* of the second paragraph, an amount paid or payable by the individual or partnership as maintenance and repairs costs, rent, interest on a hypothecary loan, property and school taxes or insurance premiums, relating to both the part of the establishment, other than the work space, and the work space, is deemed to be an expenditure relating to the maintenance of the establishment.

1990, c. 59, s. 98; 1997, c. 14, s. 49; 1997, c. 31, s. 22; 1999, c. 83, s. 48; 2000, c. 5, s. 293; 2000, c. 39, s. 16; 2001, c. 51, s. 27; 2002, c. 9, s. 7; 2006, c. 13, s. 29; 2015, c. 24, s. 41; 2017, c. 29, s. 51; 2023, c. 2, s. 6.

175.6. Where the amount determined under subparagraph *a* of the first paragraph of section 175.5, in respect of a business of an individual or partnership for the taxation year or fiscal period, as the case may be, preceding a particular taxation year or fiscal period, as the case may be, exceeds the amount determined under subparagraph *b* of that first paragraph, in respect of the business of the individual or partnership for that preceding taxation year or fiscal period, as the case may be, the following rules apply:

(a) for the purposes of section 175.4, the excess amount is deemed, for the purpose of computing the income of the individual or partnership from the business for the particular taxation year or fiscal period, as the case may be, to be an amount otherwise deductible for the particular taxation year or fiscal period, as the case may be, in respect of a work space that is described in paragraph *a* or *b* of section 175.4 for the particular taxation year or fiscal period, as the case may be;

(b) in applying section 175.5, the excess amount is deemed to be an expenditure, other than an expenditure of a capital nature, that may reasonably be considered to relate solely to the work space and that is deductible in computing the income of the individual or partnership from the business for the particular taxation year or the particular fiscal period, as the case may be.

1990, c. 59, s. 98; 1997, c. 14, s. 49; 1997, c. 31, s. 22; 2000, c. 39, s. 17.

DIVISION XII.1.1

EXPENSES FOR FOOD, BEVERAGES AND ENTERTAINMENT

2004, c. 21, s. 65.

175.6.1. The aggregate of all amounts that a taxpayer may deduct in computing income from a business or property for a taxation year, each of which is an amount to which section 421.1 applies for the year, shall not exceed

(a) in respect of a business of the taxpayer that consists in acting as an intermediary in selling property included in the inventory of another taxpayer,

i. if the taxpayer's deemed gross revenue for the year from the business referred to in this subparagraph does not exceed $32,500, the amount determined by the formula

$$[2\% \times (A/B)] + [2\% \times (C - A)],$$

ii. if the taxpayer's deemed gross revenue for the year from the business referred to in this subparagraph exceeds $32,500 but does not exceed $51,999, $650, and

iii. if the taxpayer's deemed gross revenue for the year from the business referred to in this subparagraph exceeds $51,999, the amount determined by the formula

$$[1.25\% \times (A/B)] + [1.25\% \times (C - A)];$$

(b) in any other case,

i. if the taxpayer's gross revenue for the year from the business or property does not exceed $32,500, an amount equal to 2% of that gross revenue,

ii. if the taxpayer's gross revenue for the year from the business or property exceeds $32,500 but does not exceed $51,999, $650, and

iii. if the taxpayer's gross revenue for the year from the business or property exceeds $51,999, an amount equal to 1.25% of that gross revenue.

For the purposes of subparagraphs i to iii of subparagraph *a* of the first paragraph, the taxpayer's deemed gross revenue for the year from the business referred to in that subparagraph *a* is the amount determined by the formula

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

In the formulas in subparagraphs i and iii of subparagraph *a* of the first paragraph and in the second paragraph,

(a) A is the aggregate of all amounts each of which is the amount of a commission that the taxpayer included in computing income for the year from the business referred to in that subparagraph *a*;

(b) B is the average percentage of the aggregate of all the commissions in respect of which the taxpayer included the amount in computing income for the year from the business referred to in that subparagraph *a*; and

(c) C is the taxpayer's gross revenue for the year from the business referred to in that subparagraph *a*.

If the number of days in the taxation year of the taxpayer is less than 365, the following rules apply:

(a) for the purposes of subparagraphs *a* and *b* of the first paragraph, the taxpayer's deemed gross revenue or gross revenue for the year from a business or property is deemed to be equal to the amount obtained by multiplying that revenue by the proportion that 365 is of the number of days in the year; and

(b) the amount determined under subparagraph *a* or *b* of the first paragraph is deemed to be equal to that amount, otherwise determined, multiplied by the proportion that the number of days in the year is of 365.

However, an amount to which section 421.1 applies for a taxation year must not be included in computing the aggregate referred to in the first paragraph, in relation to a business of the taxpayer, where it is an amount in respect of food or beverages consumed by a person in a place that is at least 40 km from the taxpayer's place of business where that person ordinarily works or to which that person is ordinarily attached and to the extent that the amount is paid or payable in connection with activities related to the business that are ordinarily carried on by a person in a place so remotely located from that place of business.

In addition, no taxpayer who is a member of a partnership at the end of a fiscal period of the partnership may, in respect of a business carried on by the partnership or of property owned by the partnership, deduct an amount incurred by the taxpayer and to which section 421.1 applies, in computing income from the business or property for the taxpayer's taxation year in which that fiscal period ends.

2004, c. 21, s. 65; 2005, c. 23, s. 42; 2011, c. 1, s. 24; 2012, c. 8, s. 43.

DIVISION XII.2

SUPERFICIAL LOSSES

1990, c. 59, s. 98.

175.7. Section 175.9 applies, subject to section 851.22.28, where

(a) a taxpayer, in this section and section 175.9 referred to as the "transferor", disposes of a particular property;

(b) the disposition is not described in any of paragraphs *a* to *e* of section 238;

(c) the transferor is not an insurer;

(d) the ordinary business of the transferor includes the lending of money and the particular property was used or held in the course of that business;

(e) the particular property is a share, or a loan, bond, debenture, note, hypothecary claim, mortgage, agreement of sale or any other indebtedness;

(f) the particular property was, immediately before the disposition, not a capital property of the transferor;

(g) during the period that begins 30 days before and ends 30 days after the time of disposition, the transferor or a person affiliated with the transferor acquires a property, in this section and section 175.9 referred to as the "substituted property", that is, or is identical to, the particular property; and

(h) at the end of the 30 days following the time of disposition, the transferor or a person affiliated with the transferor owns the substituted property.

1990, c. 59, s. 98; 1996, c. 39, s. 53; 1997, c. 3, s. 71; 2000, c. 5, s. 45; 2005, c. 1, s. 68.

175.8. Section 175.9 also applies where

(a) a person, in this section and section 175.9 referred to as the "transferor", disposes of a particular property;

(b) the particular property is described in an inventory of a business that is an adventure or concern in the nature of trade;

(c) the disposition is not a disposition that is deemed to have occurred under subparagraph *b* of the first paragraph of section 85.7, paragraph *a* of section 85.9, any of Divisions I to III of Chapter III of Title VII,

section 653, Chapter I of Title I.1 of Book VI, paragraph *a* or *c* of section 785.5, or any of sections 832.1, 851.22.0.4 and 999.1;

(d) during the period that begins 30 days before and ends 30 days after the time of disposition, the transferor or a person affiliated with the transferor acquires property, in this section and section 175.9 referred to as the "substituted property", that is, or is identical to, the particular property; and

(e) at the end of the 30 days following the time of disposition, the transferor or a person affiliated with the transferor owns the substituted property.

2000, c. 5, s. 46; 2004, c. 8, s. 33; 2015, c. 36, s. 11; 2020, c. 16, s. 45.

175.9. If this section applies because of section 175.7 or 175.8 in respect of a disposition of a particular property,

(a) the transferor's loss from the disposition is deemed to be nil; and

(b) the transferor's loss from the disposition, determined without reference to this section, is deemed to be a loss of the transferor from a disposition of the particular property at the first time, after the time of disposition,

i. at which a 30-day period begins throughout which neither the transferor nor a person affiliated with the transferor owns the substituted property, or a property that is identical to the substituted property and that was acquired after the day that is 31 days before the period begins,

ii. at which the substituted property would, if it were owned by the transferor, be deemed under Chapter I of Title I.1 of Book VI or section 999.1 to have been disposed of by the transferor,

iii. that is immediately before the transferor is subject to a loss restriction event, or

iv. at which the winding-up of the transferor begins, other than a winding-up referred to in section 556, where the transferor is a corporation.

For the purposes of subparagraph *b* of the first paragraph, where a partnership otherwise ceases to exist at any time after the time of disposition,

(a) the partnership is deemed not to have ceased to exist until the time that is immediately after the first time described in subparagraphs i to iv of subparagraph *b*; and

(b) each person who was a member of the partnership immediately before the partnership would, but for this section, have ceased to exist is deemed to remain a member of the partnership, until the time that is immediately after the first time described in subparagraphs i to iv of subparagraph *b*.

2000, c. 5, s. 46; 2004, c. 8, s. 34; 2017, c. 1, s. 97.

175.10. For the purposes of sections 175.7 to 175.9, a right to acquire a property, other than a right, as security only, derived from a hypothec, mortgage, agreement of sale or similar obligation, is deemed to be a property that is identical to the property.

2000, c. 5, s. 46; 2005, c. 1, s. 69.

DIVISION XII.3

STRADDLE LOSSES

2020, c. 16, s. 46.

175.11. For the purposes of this division,

"offsetting position", in respect of a particular position of a person or partnership (in this definition referred to as the "holder"), means one or more positions that

(a) are held by

i. the holder,

ii. another person or partnership that does not deal at arm's length with, or is affiliated with, the holder (that other person or partnership being referred to in this section and sections 175.13 and 175.15 as the "connected person"), or

iii. any combination of the holder and one or more connected persons;

(b) have the effect, or would have the effect if each of the positions held by a connected person were held by the holder, of eliminating all or substantially all of the holder's risk of loss and opportunity for gain or profit in respect of the particular position; and

(c) if held by a connected person, can reasonably be considered to have been held with the purpose of obtaining the effect described in paragraph *b*;

"position", of a person or partnership, means one or more properties, obligations or liabilities of the person or partnership, where

(a) each property, obligation or liability is

i. a share of the capital stock of a corporation,

ii. an interest in a partnership,

iii. an interest in a trust,

iv. a commodity,

v. foreign currency,

vi. a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement or a similar agreement,

vii. a debt owed to or owing by the person or partnership that, at any time,

(1) is denominated in a foreign currency,

(2) would be described in subparagraph *d* of the first paragraph of section 92.5R3 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) if that subparagraph were read without reference to ", other than one described in any of subparagraphs *a* to *c*,", or

(3) is convertible into or exchangeable for a right in any property that is described in any of subparagraphs i to iv,

viii. an obligation to transfer or return to another person or partnership a property identical to a particular property described in any of subparagraphs i to vii that was previously transferred or lent to the person or partnership by that other person or partnership, or

ix. a right in any property that is described in any of subparagraphs i to vii; and

(b) it is reasonable to conclude that, if there is more than one property, obligation or liability, each of them is held in connection with each other;

"successor position", in respect of a position (in this definition referred to as the "initial position"), means a particular position if

(a) the particular position is an offsetting position in respect of a second position;

(b) the second position was an offsetting position in respect of the initial position that was disposed of at a particular time; and

(c) the particular position was entered into during the period that begins 30 days before, and ends 30 days after, the particular time;

"unrecognized loss", in respect of a position of a person or partnership at a particular time in a taxation year, means the loss, if any, that would be deductible in computing the income of the person or partnership for the year with respect to the position if it were disposed of immediately before the particular time for proceeds of disposition equal to its fair market value at the time of disposition;

"unrecognized profit", in respect of a position of a person or partnership at a particular time in a taxation year, means the profit, if any, that would be included in computing the income of the person or partnership for the year with respect to the position if it were disposed of immediately before the particular time for proceeds of disposition equal to its fair market value at the time of disposition.;

2020, c. 16, s. 46.

175.12. Subject to section 175.13, the rule set out in the second paragraph applies in respect of the disposition of a particular position by a person or partnership (in this section and sections 175.13 and 175.15 referred to as the "transferor"), if

(a) the disposition is not a deemed disposition under any of Divisions I to III of Chapter III of Title VII, section 653, Chapter I of Title I.1 of Book VI or section 832.1 or 999.1;

(b) the transferor is not a financial institution (within the meaning of section 851.22.1), a mutual fund corporation or a mutual fund trust; and

(c) the particular position was, immediately before its disposition, not a capital property, or an obligation or liability on account of capital, of the transferor.

Where the conditions of the first paragraph are met in respect of the disposition of a particular position by a transferor, the portion of the transferor's loss, if any, from the disposition of the particular position that is deductible in computing the transferor's income for a particular taxation year is equal to the amount determined by the formula

$$A + B - C.$$

In the formula in the second paragraph,

(a) A is

i. if the particular taxation year is the taxation year in which the disposition occurs, the amount of the loss determined with reference to section 175.9 but without reference to this section, and

ii. in any other taxation year, nil;

(b) B is

i. if the disposition occurred in a taxation year preceding the particular taxation year, the amount determined under subparagraph *c* in respect of the disposition for the taxation year preceding the particular taxation year, and

ii. in any other case, nil; and

(c) C is the lesser of

i. the amount determined under subparagraph *a* for the taxation year in which the disposition occurs, and

ii. the amount determined by the formula

D − (E + F).

In the formula in subparagraph ii of subparagraph *c* of the third paragraph,

(a) D is the aggregate of all amounts each of which is equal to the amount of unrecognized profit at the end of the particular taxation year in respect of

i. the particular position,

ii. positions that are offsetting positions in respect of the particular position or those that would be such offsetting positions, to the extent that there is no successor position in respect of the particular position, if the particular position continued to be held by the transferor,

iii. successor positions in respect of the particular position, and

iv. positions that are offsetting positions in respect of any successor position referred to in subparagraph iii or those that would be such offsetting positions if any such successor position continued to be held by the transferor;

(b) E is the aggregate of all amounts each of which is equal to the amount of unrecognized loss at the end of the particular taxation year in respect of positions referred to in subparagraphs i to iv of subparagraph *a*; and

(c) F is the aggregate of all amounts each of which is equal to the amount determined by the formula

G − H.

In the formula in subparagraph *c* of the fourth paragraph,

(a) G is the amount determined under subparagraph *a* of the third paragraph for the taxation year in which the disposition occurs in respect of another position that was disposed of prior to the disposition of the particular position, if

i. the particular position was a successor position in respect of the other position, and

ii. the other position was

(1) an offsetting position in respect of the particular position,

(2) an offsetting position in respect of a position in respect of which the particular position was a successor position, or

(3) the particular position; and

(b) H is the aggregate of all amounts each of which is, in respect of another position described in subparagraph *a*, an amount determined under the second paragraph for the particular taxation year or a preceding taxation year.

For the purposes of subparagraph iii of subparagraph *a* of the fourth paragraph, subparagraph i of subparagraph *a* of the fifth paragraph and subparagraph 2 of subparagraph ii of that subparagraph *a*, a successor position in respect of a position includes a successor position that is in respect of a successor position in respect of the position.

2020, c. 16, s. 46.

175.13. Section 175.12 does not apply in respect of a particular position of a transferor if

(a) the following conditions are met:

i. either the particular position, or the offsetting position in respect of the particular position, consists of

(1) commodities that the holder of the position manufactures, produces, grows, extracts or processes, or

(2) debt that the holder of the position incurs in the course of a business that consists of one or any combination of the activities described in subparagraph 1, and

ii. it can reasonably be considered that the position not described in subparagraph i—the particular position if the position that is described in subparagraph i is the offsetting position, or the offsetting position if the position that is described in that subparagraph i is the particular position—is held to reduce the risk, with respect to the position described in subparagraph i, from

(1) in the case of a position described in subparagraph i that consists of commodities described in subparagraph 1 of that subparagraph i, price changes or fluctuations in the value of currency with respect to such commodities, or

(2) in the case of a position described in subparagraph i that consists of a debt described in subparagraph 2 of that subparagraph i, fluctuations in interest rates or in the value of currency with respect to the debt;

(b) the transferor or a connected person (in this subparagraph referred to as the "holder") continues to hold a position—that would be an offsetting position in respect of the particular position if the particular position continued to be held by the transferor—throughout a 30-day period beginning on the date of disposition of the particular position, and at no time during the period

i. is the holder's risk of loss or opportunity for gain or profit with respect to the position reduced in any material respect by another position entered into or disposed of by the holder, or

ii. would the holder's risk of loss or opportunity for gain or profit with respect to the position be reduced in any material respect by another position entered into or disposed of by a connected person, if the other position were entered into or disposed of by the holder; or

(c) it can reasonably be considered that none of the main purposes of the series of transactions or events, or any of the transactions or events in the series, of which the holding of both the particular position and offsetting position are part, is to avoid, reduce or defer tax that would otherwise be payable under this Act.

2020, c. 16, s. 46.

175.14. For the purposes of this division,

(a) if a position of a person or partnership is not a property of the person or partnership, the person or partnership is deemed

i. to hold the position at any time while it is a position of the person or partnership, and

ii. to have disposed of the position when the position is settled or extinguished in respect of the person or partnership;

(b) the disposition of a position is deemed to include the disposition of a portion of the position;

(c) a first position held by one or more persons or partnerships referred to in paragraph *a* of the definition of "offsetting position" in section 175.11 is deemed to be an offsetting position in respect of a particular position of a person or partnership if

i. there is a high degree of negative correlation between changes in value of the first position and that of the particular position, and

ii. it can reasonably be considered that the principal purpose of the series of transactions or events, or any of the transactions in the series, of which the holding of both the first position and the particular position are part, is to avoid, reduce or defer tax that would otherwise be payable under this Act; and

(d) one or more positions held by one or more persons or partnerships referred to in paragraph *a* of the definition of "offsetting position" in section 175.11 are deemed to be a successor position in respect of a particular position of a person or partnership if

i. a portion of the particular position was disposed of at a particular time,

ii. the position is, or the positions include, as the case may be, a position that consists of the portion of the particular position that was not disposed of (in this paragraph referred to as the "remaining portion of the particular position"),

iii. where there is more than one position, any position that does not consist of the remaining portion of the particular position was entered into during the period that begins 30 days before, and ends 30 days after, the particular time referred to in subparagraph i,

iv. the position is, or the positions taken together would be, as the case may be, an offsetting position in respect of a second position (within the meaning assigned by the definition of "successor position" in section 175.11),

v. the second position described in subparagraph iv was an offsetting position in respect of the particular position, and

vi. it can reasonably be considered that the principal purpose of the series of transactions or events, or any of the transactions in the series, of which the disposition of a portion of the particular position and the holding of one or more positions are part, is to avoid, reduce or defer tax that would otherwise be payable under this Act.

2020, c. 16, s. 46.

175.15. The presumption provided for in the second paragraph applies where

(a) at any time in a particular taxation year of a transferor, a position referred to in any of subparagraphs ii to iv of subparagraph *a* of the fourth paragraph of section 175.12 (in this section referred to as the "gain position") is held by a connected person;

(b) the connected person disposes of the gain position in the particular taxation year; and

(c) the taxation year of the connected person in which the disposition referred to in subparagraph *b* occurs ends after the end of the particular taxation year.

Where the conditions of the first paragraph are met, the portion of the profit, if any, realized from the disposition of the gain position referred to in subparagraph *b* of the first paragraph that is determined by the following formula is deemed, for the purposes of the definition of "unrecognized profit" in section 175.11 and the second paragraph of section 175.12, to be unrecognized profit in respect of the gain position until the end of the taxation year of the connected person in which the disposition occurs:

$$A \times B / C.$$

In the formula in the second paragraph,

(a) A is the amount of the profit otherwise determined;

(b) B is the number of days in the taxation year of the connected person in which the disposition referred to in subparagraph *b* of the first paragraph occurs that are after the end of the particular taxation year; and

(c) C is the total number of days in the taxation year of the connected person in which the disposition referred to in subparagraph *b* of the first paragraph occurs.

2020, c. 16, s. 46.

DIVISION XIII

BORROWINGS

1972, c. 23.

176. Subject to section 176.1, a taxpayer may deduct such part of an amount, other than an amount referred to in the second paragraph, that is not otherwise deductible in computing the income of the taxpayer and that is an expense incurred by the taxpayer in the year or a preceding taxation year

(a) in the course of a borrowing of money used by the taxpayer for the purpose of earning income from a business or property, other than money used by the taxpayer for the purpose of acquiring property the income from which is exempt from tax;

(b) in the course of incurring indebtedness that is an amount payable for property acquired for the purpose of earning income therefrom or for the purpose of earning income from a business, other than property the income from which would be exempt from tax or property that is an interest in a life insurance policy; or

(c) in the course of a rescheduling or restructuring of a debt obligation of the taxpayer or an assumption of a debt obligation by the taxpayer, where

(1) the debt obligation is in respect of a borrowing described in paragraph *a* or in respect of an amount payable described in paragraph *b*, and

(2) in the case of a rescheduling or restructuring, the rescheduling or restructuring, as the case may be, provides for the modification of the terms or conditions of the debt obligation or the substitution or conversion of the debt obligation with or to another debt obligation or a share.

The amount to which the first paragraph refers is

(a) an amount paid or payable as or on account of the principal amount of a debt obligation or interest in respect of a debt obligation;

(b) an amount that is contingent or dependent on the use of, or production from, property; or

(c) an amount that is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation.

1972, c. 23, s. 163; 1980, c. 13, s. 12; 1990, c. 59, s. 99; 1995, c. 49, s. 53; 2001, c. 7, s. 28; 2003, c. 2, s. 61.

176.1. The amount deductible under section 176 shall not exceed the lesser of

(a) that proportion of 20% of the expense that the number of days in the year is of 365, and

(b) the amount by which the expense exceeds the aggregate of all amounts each of which is an amount deductible in respect of the expense in computing the taxpayer's income for a preceding taxation year.

1990, c. 59, s. 100.

176.2. For the purposes of sections 176, 176.1 and 176.3, where in a taxation year all debt obligations in respect of a borrowing of money described in subparagraph *a* of the first paragraph of section 176 or in respect of an amount payable described in subparagraph *b* of that first paragraph are settled or extinguished by the taxpayer, otherwise than in a transaction made as part of a series of borrowings or other transactions and repayments, for consideration that does not include any property described in the second paragraph, of the taxpayer or any person with whom the taxpayer does not deal at arm's length or any partnership or trust of which the taxpayer or any person with whom the taxpayer does not deal at arm's length is a member or beneficiary, section 176.1 shall be read without reference to the words "the lesser of" and to paragraph *a*.

The property referred to in the first paragraph is a unit of a unit investment trust, an interest in a partnership, a share in a syndicate, a share in the capital stock of a corporation or a debt obligation.

1990, c. 59, s. 100; 1995, c. 49, s. 54; 1997, c. 3, s. 71.

176.3. For the purposes of sections 176 to 176.2, where a partnership has ceased to exist at any particular time in a fiscal period of the partnership,

(a) no amount may be deducted by the partnership under section 176 in computing its income for that fiscal period, and

(b) any person or partnership that was a member of the partnership immediately before that time may deduct, for a taxation year ending at or after that time, that proportion of the amount that would, but for this section, have been deductible under section 176 by the partnership in the fiscal period ending in the year had it continued to exist and had the partnership interest not been redeemed, acquired or cancelled, that the fair market value of such member's interest in the partnership immediately before that time is of the fair market value of all the interests in the partnership immediately before that time.

1990, c. 59, s. 100; 1997, c. 3, s. 71.

176.4. A taxpayer may deduct an amount payable by him, other than an amount referred to in section 176.5, as a registrar fee, transfer agent fee, standby charge, guarantee fee, filing fee, service fee or any similar fee, that may reasonably be considered to relate solely to the year and that is incurred by the taxpayer

(a) in the course of a borrowing of money to be used by the taxpayer for the purpose of earning income from a business or property, other than money used by the taxpayer for the purpose of acquiring property the income from which is exempt from tax;

(b) in the course of incurring indebtedness that is an amount payable for property acquired for the purpose of earning income therefrom or for the purpose of earning income from a business, other than property the income from which is exempt from tax or property that is an interest in a life insurance policy; or

(c) in the course of rescheduling or restructuring a debt obligation of the taxpayer or an assumption of a debt obligation by the taxpayer, where

(1) the debt obligation is in respect of a borrowing described in paragraph *a*, or in respect of an amount payable described in paragraph *b*, and

(2) in the case of a rescheduling or restructuring, the rescheduling or restructuring, as the case may be, provides for the modification of the terms or conditions of the debt obligation or the substitution or conversion of the debt obligation with or to another debt obligation or a share.

1990, c. 59, s. 100; 1995, c. 49, s. 55.

176.5. The amount to which section 176.4 refers is

(a) a payment that is contingent or dependent upon the use of or production from property,

(b) a payment that is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion, or

(c) a payment that is computed by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation.

1990, c. 59, s. 100; 1997, c. 3, s. 71; 2003, c. 2, s. 62.

176.6. A taxpayer may deduct the least of the following amounts in respect of a life insurance policy (other than an annuity contract or a leveraged insured annuity policy):

(a) the premium payable by the taxpayer under the life insurance policy in respect of the year, where

i. an interest in the policy is assigned to a restricted financial institution in the course of a borrowing from the institution,

ii. the interest payable in respect of the borrowing is or would, but for sections 135.4, 164, 180 to 182 and 194 to 197, be deductible in computing the taxpayer's income for the year, and

iii. the assignment referred to in subparagraph i is required by the restricted financial institution as collateral for the borrowing;

(b) the net cost of pure insurance in respect of the year (other than in respect of a period that begins after 31 December 2013 during which the policy is a leveraged insurance policy), as determined in accordance with the regulations, in respect of the interest in the policy referred to in subparagraph i of paragraph *a*; and

(c) the portion, of the lesser of the amounts determined in accordance with paragraphs *a* and *b* in respect of the policy, that can reasonably be considered to relate to an amount owing from time to time during the year by the taxpayer to the restricted financial institution under the borrowing.

1993, c. 16, s. 92; 1995, c. 49, s. 56; 2017, c. 1, s. 98.

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

This section applies only to the extent that the amount of the loan or indebtedness was not deductible for the purpose of computing the taxpayer's taxable income for that preceding taxation year.

1972, c. 23, s. 164; 1973, c. 17, s. 15; 1984, c. 15, s. 45; 1985, c. 25, s. 37; 1994, c. 22, s. 115.

178. *(Repealed).*

1972, c. 23, s. 165; 1990, c. 59, s. 101.

179. (1) A taxpayer may deduct an amount paid in the year to pay the principal amount of a bond, debenture, bill, hypothecary claim, mortgage or other similar obligation, but only if they have been issued by the taxpayer after 18 June 1971 and call for the payment of interest and only to the extent that the amount so paid does not exceed:

(a) where such security has been issued for an amount not less than 97% of its principal amount, and its yield, expressed in yearly percentage on the amount for which it has been issued does not exceed 4/3 of the annual rate of interest stipulated, the amount according to which the lesser of the principal amount of such security and the aggregate of amounts paid in the year or in a previous year to repay its principal amount exceeds the amount for which it has been issued; and

(b) in all other cases, the lesser of 1/2 of the amount so paid and 1/2 of the amount by which the lesser of the principal amount of the security and the aggregate of the amounts paid in the year or in any preceding taxation year in satisfaction of the principal amount thereof exceeds the amount for which it has been issued.

(2) Sections 124 and 125 apply to this section.

1972, c. 23, s. 166; 1973, c. 17, s. 16; 1990, c. 59, s. 102; 1996, c. 39, s. 54; 2003, c. 2, s. 63; 2005, c. 1, s. 70.

180. A taxpayer who during a taxation year acquires depreciable property may elect, in his fiscal return filed under this Part for the year, to have the following rules apply:

(a) in computing his income for the year and for such of the three immediately preceding taxation years as the taxpayer had, sections 160, 163, 176 and 176.4 do not apply to the amount specified in his election that, but for the election, would have been deductible in computing his income, other than exempt income, for any such year in respect of borrowed money used to acquire the depreciable property or the amount payable for the depreciable property;

(b) the amount referred to in paragraph *a* shall be included in computing the capital cost to him of the depreciable property.

1972, c. 23, s. 167; 1982, c. 5, s. 48; 1984, c. 15, s. 46; 1986, c. 19, s. 34; 1993, c. 16, s. 93.

181. Where in a taxation year a taxpayer has used borrowed money for the purpose of exploration, development or the acquisition of property and the expenses incurred by the taxpayer in respect of those activities are Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses, foreign resource expenses in relation to a country or Canadian oil and gas property expenses, as the case may be, the taxpayer may elect in the taxpayer's fiscal return filed under this Part for the year, to have the following rules apply:

(a) in computing the taxpayer's income for the year and for such of the three immediately preceding taxation years as the taxpayer had, sections 160, 163, 176 and 176.4 do not apply to the amount specified in the taxpayer's election that, but for that election, would be deductible in computing the taxpayer's income, other than exempt income or income that is exempt from tax under this Part, for any such year in respect of the borrowed money used for the exploration, development or acquisition of property, as the case may be; and

(b) the amount described in paragraph *a* is deemed to be Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses, foreign resource expenses in relation to a country or Canadian oil and gas property expenses, as the case may be, incurred by the taxpayer in the year.

1972, c. 23, s. 168; 1975, c. 22, s. 23; 1977, c. 26, s. 19; 1982, c. 5, s. 48; 1986, c. 19, s. 34; 1993, c. 16, s. 94; 2004, c. 8, s. 35.

182. A taxpayer described in the second paragraph may elect, in the taxpayer's fiscal return filed under this Part for a particular taxation year, to have rules similar to those provided by paragraphs *a* and *b* of section 180 or of section 181, as the case may be, apply for the purpose of computing the taxpayer's income for the particular year in respect of an amount that, but for this section, would be deductible in computing the taxpayer's income, other than exempt income or, if subparagraph iii of subparagraph *a* of the second paragraph applies to the taxpayer, income that is exempt from tax under this Part, for the particular year, in respect of the borrowed money or payable amount referred to in the second paragraph.

The first paragraph applies to a taxpayer who

(a) in any taxation year preceding the particular year,

i. made an election under section 180 in respect of borrowed money used to acquire depreciable property or the amount payable for the depreciable property;

ii. was required under section 135.4 to include, in respect of the construction of depreciable property for the acquisition of which he borrowed money or for which an amount was payable by him, an amount in computing the cost to him of the depreciable property; or

iii. made an election under section 181 in respect of borrowed money used for the exploration, development or acquisition of property; and

(b) in each taxation year, if any, after the preceding taxation year referred to in subparagraph *a* and before the particular year, made an election under this section covering the total amount that, but for this section, would have been deductible in computing the taxpayer's income, other than exempt income or, if subparagraph iii of subparagraph *a* applies to the taxpayer, income that is exempt from tax under this Part, for each such year in respect of the borrowed money used to acquire the depreciable property, the amount payable for the depreciable property or the borrowed money used for the exploration, development or acquisition of property.

1972, c. 23, s. 169; 1984, c. 15, s. 47; 1986, c. 19, s. 34; 2004, c. 8, s. 36.

183. Subject to section 175.2.7, borrowed money used by a taxpayer to repay money previously borrowed or to pay an amount payable for property referred to in paragraph *b* of section 160 or 161 and previously acquired (which previously borrowed money or amount payable in respect of previously acquired property is, in this section, referred to as the "previous indebtedness") is deemed, for the purposes of this division and sections 160, 161, 175.2.2 and 175.2.3, to be used for the purposes for which the previous indebtedness was used or incurred, or was deemed, under this section, to have been used or incurred.

1972, c. 23, s. 170; 1990, c. 59, s. 103; 1995, c. 49, s. 57; 2010, c. 5, s. 23.

CHAPTER IV

CEASING TO CARRY ON BUSINESS

1972, c. 23.

184. If the sale of all or substantially all the property of a business includes debts that have been or will be included in computing the vendor's income for a previous year or for the taxation year or debts arising from loans made in the ordinary course of the business if part of the vendor's ordinary business has been the lending of money, the purchaser proposes to continue to carry on the business, and the vendor and the purchaser make a valid election under subsection 1 of section 22 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the sale, the following rules apply:

(a) the vendor may deduct and the buyer must include, in computing their income for the taxation year, an amount equal to the excess of the face value of the debts so sold, other than debts in respect of which a deduction has already been made under section 141 by the vendor over the consideration paid by the purchaser for such debts;

(b) for the purposes of sections 140 and 141, the debts so sold are deemed to have been included in computing the income of the purchaser for the taxation year or a previous year, but the latter shall not make any deduction under section 141 respecting a debt in respect of which the vendor has previously made a deduction;

(c) for the purposes of paragraph *i* of section 87 the purchaser is deemed to have himself deducted the amount deducted by the vendor under section 141 in computing his income for a previous year in respect of any of the debts sold.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 22 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1972, c. 23, s. 171; 1974, c. 18, s. 10; 1994, c. 22, s. 116; 2009, c. 5, s. 65.

185. Subject to section 422, a declaration made by the vendor and the purchaser, in respect of the amount paid for the debts assigned, under this section, as it read before 20 December 2006, or, in the case of a valid election made under subsection 1 of section 22 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006, under subsection 2 of section 22 of that Act, is binding on the parties as against the Minister to the extent that it may be relevant in respect of any matter arising under this Part.

1972, c. 23, s. 172; 1975, c. 22, s. 24; 2009, c. 5, s. 66.

186. When a taxpayer ceases to carry on a business or sells all or part of it and thereupon or subsequently sells any property included in the inventory of such business, he is deemed to have sold such property in the course of carrying on the business.

1972, c. 23, s. 173.

187. For the purposes of section 186, any property that would have been included in the inventory of a business if the income from it had not been computed in accordance with the method authorized by section 194 or by section 215, as it read before being repealed, is deemed to have been so included.

1972, c. 23, s. 176; 1975, c. 22, s. 26; 1986, c. 19, s. 35; 2021, c. 36, s. 58.

188. *(Repealed).*

1972, c. 23, s. 177; 1993, c. 16, s. 95; 2003, c. 2, s. 64; 2005, c. 1, s. 71; 2019, c. 14, s. 86.

189. Where, at any time, an individual ceases to carry on a business and the individual's spouse, or a corporation controlled directly or indirectly in any manner whatever by the individual, subsequently carries on

the business and acquires all of the property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of the business owned by the individual immediately before that time and that had value at that time, the following rules apply:

(a) the individual is deemed to have, immediately before that time, disposed of the property and received proceeds of disposition equal to the lesser of the capital cost and the cost amount to the individual of the property immediately before the disposition;

(b) the spouse or corporation, as the case may be, is deemed to have acquired the property at a cost equal to those proceeds; and

(c) for the purposes of sections 93 to 104, Chapter III of Title III and any regulations enacted under paragraph *a* of section 130, if the amount that was the capital cost to the individual of the property exceeds the amount determined under section 436 to be the cost to the person that acquired the property,

i. the capital cost to the person of the property is deemed to be the amount that was the capital cost to the individual of the property, and

ii. the excess is deemed to have been allowed to the person as depreciation under paragraph *a* of section 130 in respect of the property for taxation years that ended before the person acquired the property.

1972, c. 23, s. 178; 1990, c. 59, s. 104; 1993, c. 16, s. 96; 1994, c. 22, s. 117; 1996, c. 39, s. 55; 1997, c. 3, s. 71; 2003, c. 2, s. 65; 2005, c. 1, s. 72; 2019, c. 14, s. 87.

189.0.1. *(Repealed).*

1994, c. 22, s. 118; 1997, c. 3, s. 71; 2019, c. 14, s. 88.

189.1. *(Repealed).*

1986, c. 15, s. 52; 1986, c. 19, s. 36; 1997, c. 31, s. 23.

190. Where an individual who was the sole proprietor of a business disposed of it during a fiscal period of the business, the fiscal period is referred to in the third or fourth paragraph of section 7 and the individual makes a valid election under subsection 1 of section 25 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) after 19 December 2006 in relation to the fiscal period, Division II of Chapter II is to be read without reference to the exception provided for in paragraph *a* of section 95, for the purpose of computing the individual's income for the fiscal period.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 25 of the Income Tax Act.

1972, c. 23, s. 179; 1984, c. 15, s. 48; 1986, c. 19, s. 37; 1997, c. 31, s. 24; 2009, c. 5, s. 67; 2019, c. 14, s. 89.

CHAPTER V

SPECIAL CASES

1972, c. 23.

DIVISION I

BANKS

1972, c. 23.

191. *(Repealed).*

1972, c. 23, s. 180; 1982, c. 5, s. 49; 1989, c. 77, s. 21; 1990, c. 59, s. 105; 1997, c. 31, s. 25.

191.1. A bank shall include in computing its income for its first taxation year that commences after 17 June 1987 and ends after 31 December 1987, referred to in sections 191.2 and 191.3 as the "first year", the aggregate of

(a) all the specific provisions of the bank at the end of its preceding taxation year, as determined, or as would have been determined if such a determination had been required, under the Minister's rules,

(b) all general provisions of the bank at the end of its preceding taxation year, as determined, or as would have been determined if such a determination had been required, under the Minister's rules,

(c) the amount by which

i. the amount of the special provision for losses on transborder claims of the bank, as determined, or as would have been determined if such a determination had been required, under the Minister's rules, that was deductible under section 191 in computing its income for its preceding taxation year, exceeds

ii. that part of the amount determined under subparagraph i that was a realized loss of the bank for its preceding taxation year, and

(d) the amount of the tax allowable appropriations account of the bank at the end of its preceding taxation year, as determined, or as would have been determined if such a determination had been required, under the Minister's rules.

1990, c. 59, s. 106.

191.2. A bank may deduct in computing its income for a taxation year an amount not exceeding the aggregate of

(a) that part, that is specified by the bank for the year and was not deducted by the bank in computing its income for any preceding taxation year, of the aggregate of the amounts of the five-year average loan loss experiences of the bank, as determined, or as would have been determined if such a determination had been required, under the Minister's rules, for all taxation years before its first year,

(b) that part, that is specified by the bank for the year and was not deducted by the bank in computing its income for any preceding taxation year, of the aggregate of the amounts transferred by the bank to its tax allowable appropriations account, as permitted under the Minister's rules, for all taxation years before its first year,

(c) that part, that is specified by the bank for the year and was not deducted by the bank in computing its income for any preceding taxation year, of the amount by which

i. the amount of the special provision for losses on transborder claims, as determined, or as would have been determined if such a determination had been required, under the Minister's rules, that was deductible by the bank under section 191 in computing its income for its last taxation year before its first year, exceeds

ii. that part of the amount determined under subparagraph i that was a realized loss of the bank for its last taxation year before its first year,

(d) where the tax allowable appropriations account of the bank at the end of its last taxation year before its first year, as determined, or as would have been determined if such a determination had been required, under the Minister's rules, is a negative amount, that part of such amount expressed as a positive number that is specified by the bank for the year and was not deducted by the bank in computing its income for any preceding taxation year, and

(e) that part, that is specified by the bank for the year and was not deducted by the bank in computing its income for any preceding taxation year, of the aggregate of the amounts calculated in respect of the bank for the purposes of the Minister's rules, or that would have been calculated if such a calculation had been required, under Procedure 8 of the Procedures for the Determination of the Provision for Loan Losses as set out in Appendix 1 of those rules, for all taxation years before its first year.

1990, c. 59, s. 106; 1995, c. 63, s. 32.

191.3. For the purposes of computing the income of a bank, the following rules apply:

(a) for the purposes of paragraph *i* of section 87 and section 92.22, any amount that was recorded by the bank as a realized loss or a write-off of an asset and that was included by the bank in the calculation of an amount deductible under the Minister's rules, or would have been included therein if such a calculation had been required, for any taxation year before its first year is deemed to have been deducted under section 141 in computing its income for the year for which it was so recorded;

(b) for the purposes of section 92.22, any amount that was recorded by the bank as a recovery of a realized loss or a write-off of an asset and that was included by the bank in the calculation of an amount deductible under the Minister's rules, or would have been included if such a calculation had been required, for any taxation year before its first year is deemed to have been included under paragraph *i* of section 87 in computing its income for the year for which it was so recorded.

1990, c. 59, s. 106.

191.4. In this division, "Minister's rules" means the "Rules for the Determination of the Appropriations for Contingencies of a Bank" issued under the authority of the Minister of Finance of Canada pursuant to section 308 of the Bank Act (Revised Statutes of Canada, 1985, chapter B-1), as it read before its repeal, for the purposes of subsections 1 and 2 of section 26 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1990, c. 59, s. 106; 1997, c. 31, s. 26.

DIVISION II

STATE AND FEDERAL CROWN BODIES

1972, c. 23; 1997, c. 3, s. 22; 1998, c. 16, s. 100.

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

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

1972, c. 23, s. 181; 1977, c. 5, s. 14; 1980, c. 13, s. 13; 1987, c. 21, s. 14; 1997, c. 3, s. 22; 1998, c. 16, s. 101; 2000, c. 5, s. 47.

192.1. For the purposes of this Part,

(a) any income or loss of a State body or a federal Crown body from a business carried on, respectively, by the State body or the Crown body as a mandatary of the State or of Her Majesty, as the case may be, or from a property of the State or of Her Majesty administered, respectively, by the State body or the federal Crown body shall be treated as if it were an income or loss of the State body or federal Crown body from the business or the property, as the case may be; and

(b) any property, obligation or debt of any kind whatever held, administered, entered into or incurred, as the case may be, by a State body or a federal Crown body as a mandatary of the State or of Her Majesty, as the case may be, shall be treated as if it were a property, obligation or debt, as the case may be, of the State body or federal Crown body.

2000, c. 5, s. 48.

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

1972, c. 23, s. 182; 1997, c. 3, s. 22; 1998, c. 16, s. 102; 2000, c. 5, s. 49.

DIVISION II.1

EMISSION ALLOWANCES

2019, c. 14, s. 90.

193.1. Despite sections 83 to 85.6, for the purpose of computing a taxpayer's income from a business, an emission allowance must be valued at the cost at which the taxpayer acquired it.

2019, c. 14, s. 90.

193.2. Where a taxpayer that owns one emission allowance, or two or more identical emission allowances, acquires, at a particular time, one or more other emission allowances (in this section referred to as "newly-acquired emission allowances"), each of which is identical to each of the previously-acquired emission allowances, the following rules apply for the purpose of computing, at any subsequent time, the cost to the taxpayer of each of the identical emission allowances:

(a) the taxpayer is deemed to have disposed of each of the previously-acquired emission allowances immediately before the particular time for proceeds of disposition equal to its cost to the taxpayer immediately before the particular time; and

(b) the taxpayer is deemed to have acquired each of the identical emission allowances at the particular time at a cost equal to the amount determined by the formula

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

In the formula in the first paragraph,

(a) A is the total cost to the taxpayer immediately before the particular time of the previously-acquired emission allowances;

(b) B is the total cost to the taxpayer (determined without reference to this division) of the newly-acquired emission allowances; and

(c) C is the number of identical emission allowances owned by the taxpayer immediately after the particular time.

For the purposes of this section, emission allowances are considered identical if they can be used to settle the same emission obligations.

2019, c. 14, s. 90.

193.3. Despite any other provision of this Act, in computing a taxpayer's income from a business for a taxation year, the total amount deductible in respect of a particular emission obligation for the year is not to exceed the amount determined by the formula

$$A + (B \times C).$$

In the formula in the first paragraph,

(a) A is the total cost of emission allowances either

i. used by the taxpayer to settle the particular emission obligation in the year, or

ii. held by the taxpayer at the end of the year that can be used to satisfy the particular emission obligation in respect of the year;

(b) B is the amount determined by the formula

$$D - (E + F);$$ and

(c) C is the fair market value of an emission allowance at the end of the year that could be used to satisfy the particular emission obligation in respect of the year.

In the formula in subparagraph *b* of the second paragraph,

(a) D is the number of emission allowances required to satisfy the particular emission obligation in respect of the year;

(b) E is the number of emission allowances used by the taxpayer to settle the particular emission obligation in the year; and

(c) F is the number of emission allowances held by the taxpayer at the end of the year that can be used to satisfy the particular emission obligation in respect of the year.

2019, c. 14, s. 90.

193.4. The amount deducted by a taxpayer in computing the taxpayer's income from a business for a particular taxation year, in respect of an emission obligation referred to in section 193.3, must be included in

computing the taxpayer's income from the business for the subsequent taxation year, to the extent that the emission obligation was not settled in the particular taxation year.

2019, c. 14, s. 90.

193.5. If a taxpayer surrenders an emission allowance to settle an emission obligation, the taxpayer's proceeds from the disposition of the emission allowance are deemed to be equal to the taxpayer's cost of the emission allowance.

2019, c. 14, s. 90.

193.6. Despite section 193.1, each emission allowance held at the end of a taxpayer's taxation year that ends immediately before the time at which the taxpayer is subject to a loss restriction event is to be valued at the cost at which the taxpayer acquired the property, or its fair market value at the end of the year, whichever is lower, and after that time the cost at which the taxpayer acquired the property is, subject to a subsequent application of section 193.2 and this section, deemed to be equal to that lower amount.

2019, c. 14, s. 90.

DIVISION III

FARMING BUSINESSES

1972, c. 23.

194. A taxpayer shall compute income from a farming business or fishing business for a taxation year in accordance with the cash method, by which the income from the business is deemed to be equal to the aggregate determined in the second paragraph minus the aggregate determined in the third paragraph, if the taxpayer makes, in relation to the year, a valid election under subsection 1 of section 28 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 of the method provided for in that subsection 1 for computing the taxpayer's income from a farming business or fishing business.

The first aggregate referred to in the first paragraph in respect of a farming business or fishing business for a taxation year is equal to the total of the following amounts:

(a) all amounts received in the year or deemed by this Part to have been received in the year, in the course of carrying on the business described in the first paragraph, in payment of or on account of an amount that would be included in computing income from the business for that or any other taxation year if that income were not computed in accordance with this cash method;

(b) in respect of a farming business, the amount specified by the taxpayer in respect of the business in his fiscal return filed under this Part for the year, not exceeding the amount by which the fair market value, at the end of the year, of inventory owned by him at that time in connection with the business exceeds the amount determined under subparagraph *c* for the year;

(c) in respect of a farming business, the amount equal to the lesser of

i. the taxpayer's loss from the business for the year, computed without reference to this subparagraph and to subparagraph *b*, and

ii. the value of inventory purchased by the taxpayer and owned by him in connection with the business at the end of the year;

(d) the aggregate of all amounts each of which is an amount included in computing the taxpayer's income for the year from the business because of section 94 or 485.13, the second paragraph of section 487 or section 487.0.3.

The second aggregate referred to in the first paragraph in respect of a farming business or fishing business for a taxation year is equal to the total of the following amounts:

(a) all amounts, other than an amount described in section 198, that were paid in the year, or are deemed by this Part to have been paid in the year, in the course of carrying on the business,

i. in the case of amounts paid, or deemed by this Part to have been paid, for the inventory relating to the business, in payment of or on account of an amount that would be deductible in computing the income from the business for the year or any other taxation year if that income were not computed in accordance with this cash method, and

ii. in any other case, in payment of or on account of an amount that would be deductible in computing the income from the business for a preceding taxation year, the year or the following taxation year if that income were not computed in accordance with this cash method;

(a.1) all amounts, other than an amount described in section 198, that would be deductible in computing the income from the business for the year if that income were not computed in accordance with this cash method, that are not deductible in computing the income from the business for any other taxation year, and that were paid in a preceding taxation year in the course of carrying on the business;

(b) the aggregate of all amounts each of which is an amount included under subparagraph *b* or *c* of the second paragraph in computing the taxpayer's income from the business for the preceding taxation year;

(c) the aggregate of all amounts each of which is an amount deducted for the year under paragraph *a* of section 130, section 130.1, paragraph *t* of section 157, section 198, the first paragraph of section 487 or section 487.0.2 in respect of the business.

If a farming business or fishing business is carried on by several persons, an election referred to in the first paragraph is not valid for any of those persons in respect of the business unless each of them makes such an election in respect of the business.

Subparagraphs *b* and *c* of the second paragraph do not apply in computing the income of the taxpayer for the taxation year in which he died.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 28 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1972, c. 23, s. 183; 1973, c. 17, s. 17; 1982, c. 5, s. 50; 1990, c. 59, s. 107; 1991, c. 25, s. 56; 1993, c. 16, s. 97; 1996, c. 39, s. 56; 2000, c. 5, s. 50; 2001, c. 7, s. 29; 2009, c. 5, s. 68; 2017, c. 1, s. 99; 2019, c. 14, s. 91.

194.0.1. For the purposes of sections 194 to 197, where at any time a taxpayer has, in circumstances where section 422 applies by reason of the application of paragraph *a* or *b* thereof, acquired inventory in connection with a farming business the income from which is computed in accordance with the cash method,

(a) the taxpayer is deemed to have purchased the inventory at the time it was so acquired,

(b) the taxpayer is deemed to have paid at that time, in the course of carrying on that business, an amount equal to the cost to him of the inventory, and

(c) the amount referred to in paragraph *b* is deemed to be the only amount paid for the inventory by the taxpayer.

1993, c. 16, s. 98.

194.1. *(Repealed).*

1990, c. 59, s. 108; 1993, c. 16, s. 99.

194.2. For the purposes of subparagraph *c* of the second paragraph of section 194 and notwithstanding sections 83 to 85.6, inventory of a taxpayer in connection with a farming business shall be valued at any time at the lesser of the amount paid by the taxpayer at or before that time to acquire it, in this section and in section 194 referred to as the "cash cost", and its fair market value.

Notwithstanding the first paragraph, an animal, in this section and in section 194 referred to as a "specified animal", that is a horse or, where the taxpayer so elects in respect thereof for the taxation year that includes the time referred to in the first paragraph or for any preceding taxation year, is a bovine animal registered under the Animal Pedigree Act (Revised Statutes of Canada, 1985, chapter 8, 4th Supplement) shall be valued

(a) at any time in the taxation year in which the specified animal is acquired, at such amount as is designated by the taxpayer not exceeding its cash cost and not less than 70% of that cost;

(b) at any time in any subsequent taxation year, at such amount as is designated by the taxpayer not exceeding its cash cost and not less than 70% of the aggregate of its value determined under this section at the end of the preceding taxation year, and the total amount paid on account of the purchase price of the animal during the year.

1990, c. 59, s. 108; 1993, c. 16, s. 100.

194.3. For each taxation year that is less than 51 weeks, the references to "70" in subparagraphs *a* and *b* of the second paragraph of section 194.2 shall read as references to the number determined by the formula

$$100 - (30 \times A / 365).$$

For the purposes of the formula set forth in the first paragraph, A is the number of days in the taxation year referred to therein.

1990, c. 59, s. 108.

195. If a taxpayer has used, for a taxation year, in respect of a farming business or fishing business, the cash method provided for in section 194 because of an election referred to in the first paragraph of that section made in relation to the year, the income from the business for a subsequent taxation year must be computed in accordance with the same method, subject to the other provisions of this Part, unless the taxpayer makes a valid election under subsection 3 of section 28 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 of a method other than the method provided for in subsection 1 of section 28 of that Act, in which case that income must instead be computed in accordance with that other method.

Any condition determined by the Minister of National Revenue for the election referred to in the first paragraph made under subsection 3 of section 28 of the Income Tax Act applies, with the necessary modifications, in computing the income from the farming business or fishing business.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3 of section 28 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1972, c. 23, s. 184; 2009, c. 5, s. 69.

196. Notwithstanding sections 194 and 197, where at the end of a taxation year a taxpayer who carried on a business the income from which was computed in accordance with the cash method is not resident in Canada and does not carry on that business in Canada, an amount equal to the aggregate of all amounts each of which is the fair market value of an amount outstanding in the year on account of a debt owing to the taxpayer that resulted from the carrying on of the business and that would have been included in computing the taxpayer's income for the year if the amount had been received by the taxpayer during the year, shall, to

the extent that the amount was not otherwise included in computing the taxpayer's income for the year or a preceding taxation year, be included in computing the taxpayer's income from the business for the year or, if the taxpayer was resident in Canada at any time in the year, for the part of the year throughout which the taxpayer was resident in Canada.

1972, c. 23, s. 185; 1974, c. 18, s. 11; 1993, c. 16, s. 101; 2004, c. 8, s. 37.

196.1. *(Repealed).*

1993, c. 16, s. 102; 2004, c. 8, s. 38.

197. A taxpayer shall include in computing his income for a taxation year an amount he receives as payment for debts that resulted from carrying on the business, to the extent that they would have been included in computing his income if he had been paid for them while he was still carrying on the business.

1972, c. 23, s. 186.

198. A taxpayer may deduct in computing his income from a farming business for a taxation year any amount paid by him before the end of the year for clearing land, levelling land or installing a land drainage system for the purposes of the business, to the extent that such amount has not been deducted in computing his income for a preceding taxation year.

1972, c. 23, s. 187; 1990, c. 59, s. 109.

DIVISION IV

BASIC HERD

1972, c. 23.

199. The rules set out in this division apply if a taxpayer who has a basic herd of a particular class of animals and disposes of an animal of that class in carrying on a farming business in a taxation year makes, in relation to that year, a valid election under subsection 1 of section 29 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to that business.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 29 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1972, c. 23, s. 188; 2009, c. 5, s. 70.

200. In the case of a disposition referred to in the first paragraph of section 199 of an animal of a class, the taxpayer shall deduct

(a) in counting the taxpayer's basic herd of that class at the end of the year, the least of the number the taxpayer designates in relation to the basic herd, under paragraph *a* of subsection 1 of section 29 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), in the election referred to in the first paragraph of section 199, the taxpayer's basic herd of that class of animals at the end of the preceding taxation year, the number of animals of that class disposed of by the taxpayer in the year, and one-tenth of the taxpayer's basic herd of that class on 31 December 1971; and

(b) in computing his income from the farming business for the taxation year, the product obtained by multiplying the number determined under paragraph *a* by the quotient obtained when the fair market value on 31 December 1971 of such animals of that class is divided by the number of such animals of that class on that day.

1972, c. 23, s. 189; 2009, c. 5, s. 71.

201. Where the basic herd of a class at the end of the year preceding the taxation year minus the deduction required at the end of the year under paragraph *a* of section 200 exceeds the number of animals of that class owned by the taxpayer at the end of the year, he shall deduct:

(a) in computing his basic herd of that class at the end of the year, the number of animals comprising the excess, and

(b) in computing his income from the farming business for the taxation year, the product obtained by multiplying the number of animals determined under paragraph *a* by the quotient obtained when the fair market value of the animals of that class on 31 December 1971 is divided by the number of the animals of that class on the same day.

1972, c. 23, s. 190.

202. In this division:

(a) a taxpayer's "basic herd" of any class of animals at a particular time means such number of the animals of that class that he had on hand at the end of his 1971 taxation year as were, for the purpose of assessing his tax for that year, accepted by the Minister, on an application by the taxpayer, to be capital properties minus the number of animals required under this division to be deducted in computing his basic herd of that class at the end of the taxation years before the particular time;

(b) "class of animals" means animals of one of the following species: cattle, horses, sheep or swine, if they are:

i. purebred animals of that species for which a certificate of registration has been issued by a person recognized by the breeders in Canada of purebred animals of that species to be the registrar of the breed to which such animals belong, or issued by the Registrar of the Canadian National Livestock Records, or

ii. animals of that species other than purebred animals described in subparagraph i.

1972, c. 23, s. 191; 1973, c. 17, s. 18; 1997, c. 14, s. 290.

203. Each group of animals contemplated in subparagraphs i and ii of paragraph *b* of section 202 is deemed to be of a separate class, unless the number of animals of the same species described in one of those subparagraphs is not greater than 10 per cent of the total number of the animals of that species. In this case, all such animals together are deemed to be of a single class.

1972, c. 23, s. 192.

204. In determining the number of animals of any class on hand at any time, the taxpayer shall include neither an animal acquired for a feeder operation, nor animals of the same class whose age is less than two years for cattle, three years for horses or one year for sheep or swine; in the case of an animal whose age is less than such ages two of such animals of the same class shall be counted as one.

1972, c. 23, s. 193.

DIVISION V

CERTAIN FARMING LOSSES

1972, c. 23.

205. Where a taxpayer's chief source of income for a taxation year is neither farming nor a combination of farming and some other source of income that is a subordinate source of income for the taxpayer, the loss from all farming businesses carried on by the taxpayer is deemed to be the aggregate of

(a) the lesser of the following amounts:

i. the amount by which the aggregate of the taxpayer's losses, determined without reference to this division and before any deduction under sections 222 to 230, from all farming businesses carried on by the taxpayer during the year exceeds the aggregate of the taxpayer's incomes, so determined, of the same nature for the same year, and

ii. $2,500 plus the lesser of $15,000 and one-half of the amount by which the amount determined under subparagraph i exceeds $2,500; and

(b) the amount by which the amount that would be computed under subparagraph i of paragraph *a*, if subparagraph i were read without reference to "and before any deduction under sections 222 to 230", exceeds the amount computed under that subparagraph.

1972, c. 23, s. 194; 1973, c. 17, s. 19; 1980, c. 13, s. 14; 1990, c. 59, s. 110; 2000, c. 5, s. 51; 2015, c. 36, s. 12.

206. Section 205 does not apply to a taxpayer for a taxation year if the taxpayer's chief source of income for the year is a combination of farming and manufacturing or processing in Canada of goods for sale and all or substantially all output from all farming businesses carried on by the taxpayer is used in the manufacturing or processing.

1972, c. 23, s. 195; 2015, c. 36, s. 12.

207. For the purposes of this Part, a taxpayer's restricted farm loss for a taxation year is the amount by which the amount determined under subparagraph i of paragraph *a* of section 205 in respect of the taxpayer for the year exceeds the aggregate of the amount determined under subparagraph ii of that paragraph *a* in respect of the taxpayer for the year and all amounts each of which is an amount by which the taxpayer's restricted farm loss for the year is required to be reduced because of sections 485 to 485.18.

1972, c. 23, s. 196; 1973, c. 17, s. 20; 1996, c. 39, s. 57.

DIVISION VI

INSURANCE AGENTS AND BROKERS

1972, c. 23; 1989, c. 48, s. 257.

208. In computing the income of a taxpayer from the taxpayer's business as an insurance agent or broker, there may be deducted, as a reserve in respect of unearned commissions from that business, only an amount equal to the lesser of

(a) the aggregate of all amounts each of which is that proportion of an amount that has been included in computing the taxpayer's income for the year or a previous year as a commission in respect of an insurance contract other than a life insurance contract, that the number of days in the period provided for in the insurance contract that fall after the end of the taxation year is of the total number of days in that period, and

(b) the aggregate of all amounts each of which is the amount that would, but for this section, be deductible under section 150 for the year in respect of a commission referred to in paragraph *a*.

1972, c. 23, s. 197; 1989, c. 48, s. 257; 1993, c. 16, s. 103; 1994, c. 22, s. 119.

209. An insurance agent or broker shall include in computing his income from his business every amount deducted under section 208 for the preceding taxation year.

1972, c. 23, s. 198; 1989, c. 48, s. 257.

209.0.1. In computing the income of a taxpayer for a taxation year ending after 31 December 1990 from a business carried on by the taxpayer throughout the year as an insurance agent or broker, there may be deducted as an additional reserve in respect of unearned commissions an amount not exceeding

(a) where the year ends in 1991, 90%,

(b) where the year ends in 1992, 80%,

(c) where the year ends in 1993, 70%,

(d) where the year ends in 1994, 60%,

(e) where the year ends in 1995, 50%,

(f) where the year ends in 1996, 40%,

(g) where the year ends in 1997, 30%,

(h) where the year ends in 1998, 20%,

(i) where the year ends in 1999, 10%, and

(j) where the year ends after 31 December 1999, 0%

of the amount by which the reserve that was deducted by the taxpayer under section 208 for the taxpayer's last taxation year ending before 1 January 1991 exceeds the amount deductible by the taxpayer under section 208 for the taxpayer's first taxation year ending after 31 December 1990.

For the purposes of section 209, any amount deducted by the taxpayer under the first paragraph for a taxation year is deemed to have been deducted for that year pursuant to section 208.

1993, c. 16, s. 104; 1994, c. 22, s. 120.

DIVISION VI.1

EMPLOYEE BENEFIT PLANS

1982, c. 5, s. 51.

209.1. A taxpayer who makes contributions to an employee benefit plan in respect of his employees or former employees may deduct, in computing his income for a taxation year, the amount allocated to him for the year under section 209.3 by the custodian of the plan that does not, however, exceed the amount by which the aggregate of all contributions made by him to the plan for the year or a preceding year exceeds the aggregate of all amounts deducted by him, in respect of the plan, in computing his income for a preceding year and all amounts received by him in the year or a preceding year as a return of his contributions to the plan.

1982, c. 5, s. 51; 1991, c. 25, s. 176.

209.2. A taxpayer contemplated in section 209.1 may also deduct, where at the end of the year all of the obligations of the plan to his employees and former employees have been satisfied and no property of the plan will thereafter be paid or otherwise be available for the benefit of the taxpayer, the amount equal to the amount by which the aggregate of the contributions paid by him to the plan for the year or a preceding year exceeds the aggregate of all amounts deducted by him in respect of the plan in computing his income for a

preceding year or, under section 209.1, for the year, and all amounts received by him in the year or a preceding year as a return of his contributions to the plan.

1982, c. 5, s. 51; 1991, c. 25, s. 176.

209.3. The custodian of an employee benefit plan shall each year allocate to persons who have made contributions to the plan in respect of their employees or former employees the amount by which the aggregate of all payments made in the year out of or under the plan to or for the benefit of their employees or former employees, other than the portion thereof that, by virtue of section 47.2, is not required to be included by the taxpayer in computing the taxpayer's income and that is a return of amounts paid by the taxpayer or a deceased employee of whom the taxpayer is a legatee by particular title or legal representative, and all payments made in the year out of or under the plan to the legatees by particular title or the legal representatives of their employees or former employees, exceeds the income of the plan for the year.

1982, c. 5, s. 51; 1984, c. 15, s. 49; 1991, c. 25, s. 176; 2000, c. 5, s. 52.

209.4. For the purposes of section 209.3, the income of an employee benefit plan for a year is the aggregate of all amounts each of which is the amount by which a payment under the plan by the custodian thereof in the year exceeds, in the case of an annuity, that part of the payment determined in prescribed manner to have been a return of capital and, in any other case, that part of the payment that could, but for sections 47.1 and 47.2, reasonably be regarded as being a payment of a capital nature.

Despite the first paragraph, in the case of a plan that is a trust, the income of the plan for a year is the amount that would be its income for the year but for sections 652, 653 to 657.3, 659, 663 to 663.2, 664, 666 to 668.3, 671 to 671.4, 680 and 681.

1982, c. 5, s. 51; 1996, c. 39, s. 58; 2004, c. 21, s. 66; 2009, c. 5, s. 72; 2017, c. 1, s. 100.

DIVISION VII

Repealed, 1990, c. 59, s. 111.

1990, c. 59, s. 111.

210. *(Repealed).*

1972, c. 23, s. 199; 1975, c. 22, s. 27; 1989, c. 77, s. 22; 1990, c. 59, s. 111.

211. *(Repealed).*

1972, c. 23, s. 200; 1975, c. 22, s. 28; 1990, c. 59, s. 111.

212. *(Repealed).*

1975, c. 22, s. 29; 1990, c. 59, s. 111.

213. *(Repealed).*

1972, c. 23, s. 201; 1975, c. 22, s. 30; 1990, c. 59, s. 111.

214. *(Repealed).*

1972, c. 23, s. 202; 1975, c. 22, s. 31; 1990, c. 59, s. 111.

DIVISION VIII

Repealed, 2021, c. 36, s. 59.

1972, c. 23; 2021, c. 36, s. 59.

215. *(Repealed).*

1972, c. 23, s. 203; 1973, c. 17, s. 21; 1984, c. 15, s. 50; 1986, c. 19, s. 38; 1997, c. 14, s. 50; 2009, c. 5, s. 73; 2021, c. 14, s. 30; 2021, c. 36, s. 59.

216. *(Repealed).*

1972, c. 23, s. 204; 1986, c. 19, s. 38; 2009, c. 5, s. 73; 2021, c. 14, s. 31; 2021, c. 36, s. 59.

217. *(Repealed).*

1972, c. 23, s. 205; 1986, c. 19, s. 39.

217.1. *(Repealed).*

1984, c. 15, s. 51; 1986, c. 19, s. 39.

DIVISION VIII.1

ADDITIONAL BUSINESS INCOME OF AN INDIVIDUAL

1997, c. 31, s. 27; 2013, c. 10, s. 20.

217.2. If an individual, other than a succession that is a graduated rate estate, carries on a business in a taxation year, a particular fiscal period of the business begins in the year and ends after the end of the year, and the individual has made an election referred to in the first paragraph of section 7.0.3 in respect of the business, where the particular fiscal period is a fiscal period referred to in the second paragraph of section 7, or has made an election under subsection 4 of section 249.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the business, where the particular fiscal period is a fiscal period referred to in the third or fourth paragraph of section 7, the individual shall, if the election has not been revoked, include, in computing the individual's income for the year from the business, the amount determined by the formula

$$(A - B) \times (C / D).$$

For the purposes of the formula in the first paragraph,

(a) A is the total of the individual's income from the business for the fiscal periods of the business that end in the year;

(b) B is the lesser of

i. the aggregate of all amounts each of which is an amount included in the total determined under subparagraph *a* in respect of the business and that is deemed to be a taxable capital gain for the purposes of Title VI.5 of Book IV, and

ii. the aggregate of all amounts deducted under the said Title VI.5 in computing the individual's taxable income for the year;

(c) C is the number of days on which the individual carries on the business that are both in the year and in the particular fiscal period; and

(d) D is the number of days on which the individual carries on the business that are in fiscal periods of the business that end in the year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 249.1 of the Income Tax Act in relation to a fiscal period referred to in the third or fourth paragraph of section 7.

1997, c. 31, s. 27; 2009, c. 5, s. 74; 2017, c. 1, s. 101.

217.3. If an individual, other than a succession that is a graduated rate estate, begins carrying on a business in a taxation year but not earlier than the beginning of the first fiscal period of the business that begins in the year and ends after the end of the year (in this section referred to as the "particular fiscal period") and the individual has made an election referred to in the first paragraph of section 7.0.3 in respect of the business, where the particular fiscal period is a fiscal period referred to in the second paragraph of section 7, or has made an election under subsection 4 of section 249.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the business, where the particular fiscal period is a fiscal period referred to in the third or fourth paragraph of section 7, the individual shall, if the election has not been revoked, include, in computing the individual's income for the year from the business, the lesser of

(a) the amount designated in the individual's fiscal return under this Part for the year; and

(b) the amount determined by the formula

(A - B) × (C / D).

For the purposes of the formula in subparagraph *b* of the first paragraph,

(a) A is the individual's income from the business for the particular fiscal period;

(b) B is the lesser of

i. the aggregate of all amounts each of which is an amount included in the amount determined under subparagraph *a* in respect of the business and that is deemed to be a taxable capital gain for the purposes of Title VI.5 of Book IV, and

ii. the aggregate of all amounts deducted under the said Title VI.5 in computing the individual's taxable income for the individual's taxation year that includes the end of the particular fiscal period;

(c) C is the number of days on which the individual carries on the business that are both in the year and in the particular fiscal period; and

(d) D is the number of days on which the individual carries on the business that are in the particular fiscal period.

1997, c. 31, s. 27; 2009, c. 5, s. 75; 2017, c. 1, s. 102.

217.4. An individual shall deduct in computing the individual's income for a taxation year from a business the amount included under section 217.2 or 217.3 in computing the individual's income for the preceding taxation year from the business.

1997, c. 31, s. 27.

217.5. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 42.

217.6. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 42.

217.7. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 42.

217.8. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 42.

217.9. Sections 217.2 and 217.3 do not apply in computing an individual's income for a taxation year from a business where

(a) the individual dies or otherwise ceases to carry on the business in the taxation year; or

(b) the individual becomes a bankrupt in the calendar year in which the taxation year ends.

1997, c. 31, s. 27.

217.9.1. Where an individual carries on a business in a taxation year, the individual dies in the year and after the end of a fiscal period of the business that ends in the year, another fiscal period of the business ends because of the individual's death, in this section referred to as the "short period", and the individual's legal representative elects that this section apply in computing the individual's income for the year or files a separate fiscal return under section 1003 in respect of the individual's business, notwithstanding section 217.9, there shall be included in computing the individual's income for the year from the business, the amount determined by the formula

$$(A - B) \times (C / D).$$

In the formula provided for in the first paragraph,

(a) A is the total of the individual's income from the business for fiscal periods, other than the short period, of the business that end in the year;

(b) B is the lesser of

i. the aggregate of all amounts each of which is an amount included in the total determined under subparagraph *a* in respect of the business that is deemed to be a taxable capital gain for the purposes of Title VI.5 of Book IV, and

ii. the aggregate of all amounts deducted under Title VI.5 of Book IV in computing the individual's taxable income for the year;

(c) C is the number of days in the short period; and

(d) D is the number of days in fiscal periods of the business, other than the short period, that end in the year.

2000, c. 5, s. 53.

DIVISION VIII.2

Repealed, 2015, c. 24, s. 43.

1997, c. 31, s. 27; 2015, c. 24, s. 43.

217.10. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 43.

217.11. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 43.

217.12. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 43.

217.13. *(Repealed).*

1997, c. 31, s. 27; 2000, c. 5, s. 54; 2002, c. 40, s. 22; 2004, c. 21, s. 67; 2015, c. 24, s. 43.

217.14. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 43.

217.15. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 43.

217.16. *(Repealed).*

1997, c. 31, s. 27; 2015, c. 24, s. 43.

217.17. *(Repealed).*

2000, c. 5, s. 55; 2015, c. 24, s. 43.

DIVISION VIII.3

ADDITIONAL BUSINESS INCOME OF A CORPORATION

2013, c. 10, s. 21.

§ 1. — *Limitation on the deferral of corporate tax through the use of a partnership*

2013, c. 10, s. 21.

217.18. In this division,

"adjusted stub period accrual" of a corporation in respect of a partnership—in which the corporation has a significant interest at the end of the last fiscal period of the partnership that ends in the corporation's taxation year in circumstances where another fiscal period (in subparagraphs *c* and *e* of the second paragraph and in

section 217.33 referred to as the "particular fiscal period") begins in the year and ends after the end of the year—means

(a) if paragraph *b* does not apply, the amount determined by the formula

[(A - B) × C/D] - (E + F); or

(b) if a fiscal period of the partnership ends in the corporation's taxation year and the year is the first taxation year in which the fiscal period of the partnership (in this paragraph and subparagraphs *j* to *m* of the second paragraph referred to as the "eligible fiscal period") is aligned with the fiscal period of one or more other partnerships under a multi-tier alignment,

i. where a fiscal period of the partnership ends in the year and before the eligible fiscal period, the amount determined by the formula

[(G - H) × C/I] - (E + F), and

ii. where the eligible fiscal period of the partnership is the first fiscal period of the partnership that ends in the corporation's taxation year, the amount determined by the formula

[(J - K - L) × C/M] - (E + F);

"eligible alignment income", of a corporation, means

(a) if a partnership is subject to a single-tier alignment, the first aligned fiscal period of the partnership ends in the first taxation year of the corporation ending after 22 March 2011 (in this paragraph and subparagraphs *n* to *p* of the second paragraph referred to as the "eligible fiscal period") and the corporation is a member of the partnership at the end of the eligible fiscal period,

i. where the eligible fiscal period is preceded by another fiscal period of the partnership that ends in the corporation's first taxation year that ends after 22 March 2011 and the corporation is a member of the partnership at the end of that preceding fiscal period, the amount determined by the formula

N - O - P, or

ii. where the eligible fiscal period is the first fiscal period of the partnership that ends in the corporation's first taxation year ending after 22 March 2011, an amount equal to zero; or

(b) if a partnership is subject to a multi-tier alignment, the first aligned fiscal period of the partnership ends in the taxation year of the corporation (in this paragraph and subparagraphs *q* to *s* of the second paragraph referred to as the "eligible fiscal period") and the corporation is a member of the partnership at the end of the eligible fiscal period, the amount determined by the formula

Q - R - S;

“multi-tier alignment”, in respect of a partnership, means the alignment of the fiscal period of the partnership and the fiscal period of one or more other partnerships that results from a valid alignment election the members of the partnership make under subsection 9 of section 249.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or from the deemed alignment election under subsection 11 of that section;

“qualified resource expense”, of a corporation for a taxation year in respect of a fiscal period of a partnership that begins in the year and ends after the end of the year, means an expense incurred by the partnership in the portion of the fiscal period that is in the year and that is a Canadian exploration expense, a Canadian development expense, a foreign resource expense or a Canadian oil and gas property expense;

“qualifying transitional income”, of a corporation that is a member of a partnership on 22 March 2011, means the amount that is the aggregate of the following amounts, computed in accordance with section 217.31,

(a) the corporation’s eligible alignment income in respect of the partnership; and

(b) the corporation’s adjusted stub period accrual in respect of the partnership for

i. if there is a multi-tier alignment in respect of the partnership, the corporation’s taxation year during which ends the fiscal period of the partnership that is aligned with the fiscal period of one or more other partnerships under the multi-tier alignment, or

ii. in any other case, the corporation’s first taxation year that ends after 22 March 2011;

“significant interest”, of a corporation in a partnership at any time, means an interest of the corporation in the partnership if the corporation, or the corporation together with one or more persons or partnerships related to or affiliated with the corporation, is entitled at that time to more than 10% of

(a) the income or loss of the partnership; or

(b) the net assets of the partnership if it were to cease to exist;

“single-tier alignment”, in respect of a partnership, means the determination of the partnership’s fiscal period end date as part of a valid alignment election the members of the partnership make under subsection 8 of section 249.1 of the Income Tax Act;

“specified percentage”, of a corporation for a particular taxation year in respect of a partnership, means

(a) if the first taxation year in respect of which the corporation has qualifying transitional income ends in the calendar year 2011 and the particular year ends in

i. the calendar year 2011, 100%,

ii. the calendar year 2012, 85%,

iii. the calendar year 2013, 65%,

iv. the calendar year 2014, 45%,

v. the calendar year 2015, 25%, and

vi. the calendar year 2016, 0%;

(b) if the first taxation year in respect of which the corporation has qualifying transitional income ends in the calendar year 2012 and the particular year ends in

i. the calendar year 2012, 100%,

ii. the calendar year 2013, 85%,

iii. the calendar year 2014, 65%,

iv. the calendar year 2015, 45%,

v. the calendar year 2016, 25%, and

vi. the calendar year 2017, 0%; and

(c) if the first taxation year in respect of which the corporation has qualifying transitional income ends in the calendar year 2013 and the particular year ends in

i. the calendar year 2013, 85%,

ii. the calendar year 2014, 65%,

iii. the calendar year 2015, 45%,

iv. the calendar year 2016, 25%, and

v. the calendar year 2017, 0%.

In the formulas in the definitions of "adjusted stub period accrual" and "eligible alignment income" in the first paragraph,

(a) A is the aggregate of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for a fiscal period of the partnership that ends in the year (other than any amount in respect of which a deduction is available under sections 738 to 749);

(b) B is the aggregate of all amounts each of which is the corporation's share of a loss or allowable capital loss—to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the aggregate described in subparagraph *a*—of the partnership for a fiscal period of the partnership that ends in the year;

(c) C is the number of days that are in both the year and the particular fiscal period;

(d) D is the number of days in fiscal periods of the partnership that end in the year;

(e) E is the amount of the qualified resource expense in respect of the particular fiscal period of the partnership that is designated by the corporation for the year under section 217.23 in its fiscal return for the year filed with the Minister on or before its filing-due date for the year;

(f) F is an amount (other than an amount included in the amount described in subparagraph *e*) designated by the corporation in its fiscal return for the year filed with the Minister on or before its filing-due date for the year;

(g) G is the aggregate of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the first fiscal period of the partnership that ends in the year (other than any amount in respect of which a deduction is available under sections 738 to 749);

(h) H is the aggregate of all amounts each of which is the corporation's share of a loss or allowable capital loss—to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the aggregate described in subparagraph *g*—of the partnership for the first fiscal period of the partnership that ends in the year;

(i) I is the number of days in the first fiscal period of the partnership that ends in the year;

(j) J is the aggregate of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the eligible fiscal period (other than any amount in respect of which a deduction is available under sections 738 to 749);

(k) K is the aggregate of all amounts each of which is the corporation's share of a loss or allowable capital loss—to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the aggregate described in subparagraph *j*—of the partnership for the eligible fiscal period;

(l) L is the corporation's eligible alignment income for the eligible fiscal period;

(m) M is the number of days that are in the eligible fiscal period that ends in the year;

(n) N is the aggregate of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the eligible fiscal period (other than any amount in respect of which a deduction is available under sections 738 to 749);

(o) O is the aggregate of all amounts each of which is the corporation's share of a loss or allowable capital loss—to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the aggregate described in subparagraph *n*—of the partnership for the eligible fiscal period;

(p) P is, where an outlay or expense of the partnership is deemed by section 359.18 to have been made or incurred by the corporation at the end of the eligible fiscal period, the aggregate of all amounts each of which is an amount that would be deductible by the corporation for the taxation year under any of Divisions III to IV.1 of Chapter X of Title VI if each such outlay or expense were the only amount used in determining the amount deductible;

(q) Q is the aggregate of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the eligible fiscal period, other than any amount

i. in respect of which a deduction is available under sections 738 to 749, or

ii. that would be included in computing the income of the corporation for the year if there were no multi-tier alignment;

(r) R is the aggregate of all amounts each of which is the corporation's share of a loss or allowable capital loss—to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the aggregate described in subparagraph *q*—of a partnership for the eligible fiscal period; and

(s) S is, where an outlay or expense of the partnership is deemed by section 359.18 to have been made or incurred by the corporation at the end of the eligible fiscal period, the aggregate of all amounts each of which is an amount that would be deductible by the corporation for the taxation year under any of Divisions III to IV.1 of Chapter X of Title VI if each such outlay or expense were the only amount used in determining the amount deductible.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 8 or 9 of section 249.1 of the Income Tax Act.

2013, c. 10, s. 21.

217.19. Subject to sections 217.22 and 217.25, a corporation (other than a professional corporation) shall include in computing its income for a taxation year its adjusted stub period accrual in respect of a partnership if

(a) the corporation has a significant interest in the partnership at the end of the last fiscal period of the partnership that ends in the year;

(b) another fiscal period of the partnership begins in the year and ends after the end of the year; and

(c) at the end of the year, the corporation is entitled to a share of an income, loss, taxable capital gain or allowable capital loss of the partnership for the fiscal period referred to in paragraph *b*.

2013, c. 10, s. 21.

217.20. Subject to section 217.22, if a corporation (other than a professional corporation) becomes a member of a partnership during a fiscal period of the partnership (in this section referred to as the "particular fiscal period") that begins in the corporation's taxation year and ends after the end of the taxation year but on or before its filing-due date for the taxation year and the corporation has a significant interest in the partnership at the end of the particular fiscal period, the corporation may include in computing its income for the taxation year the lesser of

(a) the amount designated by the corporation in its fiscal return for the taxation year; and

(b) the amount determined by the formula

A × B/C.

In the formula in subparagraph *b* of the first paragraph,

(a) A is the corporation's income from the partnership for the particular fiscal period (other than any amount in respect of which a deduction is available under sections 738 to 749);

(b) B is the number of days that are both in the corporation's taxation year and the particular fiscal period; and

(c) C is the number of days in the particular fiscal period.

2013, c. 10, s. 21.

217.21. The following rules apply for a particular taxation year if an amount was included in computing the income of a corporation in respect of a partnership for the preceding taxation year under section 217.19 or 217.20:

(a) the portion of the amount that, because of subparagraph i or ii of paragraph *a* of section 217.22, was income for that preceding taxation year is deductible in computing the income of the corporation for the particular year; and

(b) the portion of the amount that, because of subparagraph i or ii of paragraph *a* of section 217.22, was a taxable capital gain for that preceding taxation year is deemed to be an allowable capital loss of the corporation for the particular year from the disposition of property.

2013, c. 10, s. 21; 2015, c. 24, s. 44.

217.22. For the purposes of this Act, the following rules apply:

(a) in computing the income of a corporation for a taxation year,

i. an adjusted stub period accrual included under section 217.19 in respect of a partnership for the year is deemed to be income, and taxable capital gains from the disposition of property, having the same character and to be in the same proportions as the income and taxable capital gains that were allocated by the partnership to the corporation for all fiscal periods of the partnership ending in the year,

ii. an amount included under section 217.20 in respect of a partnership for the year is deemed to be income, and taxable capital gains from the disposition of property, having the same character and to be in the same proportions as the income and taxable capital gains that were allocated by the partnership to the corporation for the particular fiscal period referred to in that section,

iii. an amount, a portion of which is deductible or is an allowable capital loss under section 217.21 in respect of a partnership for the year, is deemed to have the same character and to be in the same proportions as the income and taxable capital gains included in computing the corporation's income for the preceding taxation year under section 217.19 or 217.20 in respect of the partnership,

iv. an amount claimed as a reserve under section 217.27 in respect of a partnership for the year is deemed to have the same character and to be in the same proportions as the qualifying transitional income in respect of the partnership for the year, and

v. an amount, a portion of which is included in computing income under paragraph *a* of section 217.28, or is deemed to be a taxable capital gain under paragraph *b* of section 217.28, in respect of a partnership for the year, is deemed to have the same character and to be in the same proportions as the amount claimed as a reserve under section 217.27 in respect of the partnership for the preceding taxation year; and

(b) the reference in subparagraph i.4 of paragraph *l* of section 257 to an amount deducted under section 217.27 includes an amount that is deemed to be an allowable capital loss under subparagraph *c* of the first paragraph of section 217.27.

2013, c. 10, s. 21; 2015, c. 24, s. 45.

217.23. A corporation may designate an amount for a taxation year in respect of a qualified resource expense for the purposes of the definition of "adjusted stub period accrual" in section 217.18, subject to the following rules:

(a) the corporation cannot designate an amount for the year in respect of a qualified resource expense in respect of a partnership except to the extent the corporation obtains from the partnership, before the corporation's filing-due date for the year, information in writing identifying the qualified resource expenses described in paragraph *d* of section 395 or 408, paragraph *e* of section 418.1.1 or paragraph *b* of section 418.2 and determined as if those expenses had been incurred by the partnership in its last fiscal period that ended in the year; and

(b) the amount designated for the year by the corporation is not to exceed the maximum amount that would be deductible by the corporation under any of Divisions III to IV.1 of Chapter X of Title VI in computing its income for the year if

i. the amounts referred to in paragraph *a* in respect of the partnership were the only amounts used in determining the maximum amount, and

ii. the fiscal period of the partnership that begins in the year and ends after the year had ended at the end of the year and each qualified resource expense were deemed under section 359.18 to be incurred by the corporation at the end of the year.

2013, c. 10, s. 21.

217.24. Sections 217.19 and 217.20 do not apply in computing a corporation's income for a taxation year in respect of a partnership if the corporation becomes a bankrupt in the year.

2013, c. 10, s. 21.

217.25. If a corporation is a member of a partnership subject to a multi-tier alignment, section 217.19 does not apply to the corporation in respect of the partnership for taxation years preceding the taxation year that includes the end of the first aligned fiscal period of the partnership under the multi-tier alignment.

2013, c. 10, s. 21.

217.26. Once a corporation makes a designation in calculating its adjusted stub period accrual in respect of a partnership for a taxation year under subparagraph *e* or *f* of the second paragraph of section 217.18, the designation cannot be amended or revoked.

2013, c. 10, s. 21.

217.27. Where a corporation has qualifying transitional income in respect of a partnership for a particular taxation year, the following rules apply:

(a) the corporation may, in computing its income for the particular year, claim an amount, as a reserve, not exceeding the least of

i. the specified percentage for the particular year of the corporation's qualifying transitional income in respect of the partnership,

ii. if, for the preceding taxation year, an amount was claimed under this section in computing the corporation's income in respect of the partnership, the amount that is the aggregate of

(1) the amount included under section 217.28 in computing the corporation's income for the particular year in respect of the partnership, and

(2) the amount by which the corporation's qualifying transitional income in respect of the partnership is increased in the particular year because of the application of sections 217.32 and 217.33, and

iii. the amount determined by the formula

A - B;

(b) the portion of the amount claimed under subparagraph *a* for the particular year that, because of subparagraph iv of paragraph *a* of section 217.22, has a character other than capital is deductible in computing the income of the corporation for the particular year; and

(c) the portion of the amount claimed under subparagraph *a* for the particular year that, because of subparagraph iv of paragraph *a* of section 217.22, has the character of capital is deemed to be an allowable capital loss for the particular year from the disposition of property.

In the formula in subparagraph iii of subparagraph *a* of the first paragraph,

(a) A is the corporation's income for the particular year computed before deducting or claiming any amount under this section in respect of the partnership or under sections 346.2 to 346.4; and

(b) B is the aggregate of all amounts each of which is an amount deductible by the corporation for the year under sections 738 to 749 as a dividend received by the corporation after 20 December 2012.

2013, c. 10, s. 21; 2015, c. 24, s. 46.

217.28. Subject to section 217.22, the following rules apply for a particular taxation year if a reserve was claimed by a corporation under section 217.27 in respect of a partnership for the preceding taxation year:

(a) the portion of the reserve that was deducted under subparagraph *b* of the first paragraph of section 217.27 for that preceding year is to be included in computing the income of the corporation for the particular year; and

(b) the portion of the reserve that was deemed by subparagraph *c* of the first paragraph of section 217.27 to be an allowable capital loss of the corporation for that preceding year is deemed to be a taxable capital gain of the corporation for the particular year from the disposition of property.

2013, c. 10, s. 21; 2015, c. 24, s. 46.

217.29. No claim may be made under section 217.27 in computing a corporation's income for a taxation year in respect of a partnership

(a) unless, in the case of a corporation that is a member of a partnership in respect of which there is a multi-tier alignment, the corporation has been a member of the partnership continuously since before 22 March 2011 to the end of the year;

(b) unless, in the case of a corporation that is a member of a partnership in respect of which there is no multi-tier alignment, the corporation is a member of the partnership

i. at the end of the partnership's fiscal period that begins before 22 March 2011 and ends in the taxation year of the corporation that includes that date,

ii. at the end of the partnership's fiscal period commencing immediately after the fiscal period referred to in subparagraph i and continues to be a member until after the end of the taxation year of the corporation that includes 22 March 2011, and

iii. continuously since before 22 March 2011 until the end of the year;

(c) if at the end of the year or at any time in the following taxation year,

i. the corporation's income is exempt from tax under this Part, or

ii. the corporation is not resident in Canada and the partnership does not carry on business through an establishment in Canada; or

(d) if the year ends immediately before another taxation year

i. at the beginning of which the partnership no longer principally carries on the activities to which the reserve relates,

ii. in which the corporation becomes a bankrupt, or

iii. in which the corporation is dissolved or wound up (other than in circumstances to which the rules in sections 556 to 564.1 and 565 apply).

2013, c. 10, s. 21; 2015, c. 24, s. 47.

217.30. A corporation that cannot claim an amount under section 217.27 for a taxation year in respect of a partnership solely because it has disposed of its interest in the partnership is deemed for the purposes of paragraphs *a* and *b* of section 217.29 to be a member of the partnership continuously until the end of the taxation year if

(a) the corporation disposed of its interest to another corporation related to, or affiliated with, the corporation at the time of the disposition; and

(b) a corporation related to, or affiliated with, the corporation has the partnership interest referred to in paragraph *a* at the end of the taxation year.

2013, c. 10, s. 21; 2015, c. 24, s. 48.

217.31. For the purpose of determining a corporation's qualifying transitional income, the income or loss of a partnership for a fiscal period must be computed as if

(a) the partnership had deducted for the fiscal period the maximum amount deductible in respect of any expense, reserve or other amount;

(b) this Act were read without reference to subparagraph *b* of the second paragraph of section 194; and

(c) the partnership had made a valid election for the purposes of paragraph *a* of section 34 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2013, c. 10, s. 21.

217.32. Section 217.33 applies for a particular taxation year of a corporation and for each subsequent taxation year for which the corporation may claim an amount under section 217.27 in respect of a partnership if the particular year is the first taxation year

(a) that is after the taxation year in which the corporation has, or would have if the partnership had income, an adjusted stub period accrual that is included in the corporation's qualifying transitional income in respect of the partnership because of paragraph *b* of the definition of "qualifying transitional income" in the first paragraph of section 217.18; and

(b) in which ends the fiscal period of the partnership that began in the taxation year referred to in paragraph *a*.

2013, c. 10, s. 21; 2015, c. 24, s. 49.

217.33. If, because of section 217.32, this section applies in respect of a partnership for a taxation year of a corporation, the adjusted stub period accrual included in the corporation's qualifying transitional income in respect of the partnership for the year must be computed as if subparagraphs *a*, *b*, *d* and *f* to *m* of the second paragraph of section 217.18 were read as follows:

"(*a*) A is the aggregate of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the particular fiscal period (other than any amount in respect of which a deduction is available under sections 738 to 749);

"(*b*) B is the aggregate of all amounts each of which is the corporation's share of a loss or allowable capital loss—to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the aggregate described in subparagraph *a*—of the partnership for the particular fiscal period;

"(*d*) D is the number of days in the particular fiscal period;

"(*f*) F is an amount equal to zero;

"(*g*) G is the aggregate of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the particular fiscal period (other than any amount in respect of which a deduction is available under sections 738 to 749);

"(*h*) H is the aggregate of all amounts each of which is the corporation's share of a loss or allowable capital loss—to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital

gains included in the aggregate described in subparagraph *g*—of the partnership for the particular fiscal period;

"(*i*) I is the number of days in the particular fiscal period;

"(*j*) J is the aggregate of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the particular fiscal period (other than any amount in respect of which a deduction is available under sections 738 to 749);

"(*k*) K is the aggregate of all amounts each of which is the corporation's share of a loss or allowable capital loss—to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the aggregate described in subparagraph *j*—of the partnership for the particular fiscal period;

"(*l*) L is an amount equal to zero;

"(*m*) M is the number of days in the particular fiscal period;".

2013, c. 10, s. 21; 2015, c. 24, s. 50.

217.34. If it is reasonable to conclude that one of the main reasons a corporation is a member of a partnership in a taxation year is to avoid the application of section 217.29, the corporation is deemed not to be a member of the partnership for the purposes of that section.

2013, c. 10, s. 21.

§ 2. — *Income shortfall adjustment*

2013, c. 10, s. 21.

217.35. In this subdivision,

"actual stub period accrual", of a corporation in respect of a qualifying partnership for a taxation year, means the positive or negative amount determined by the formula

$$(A - B) \times C/D - E;$$

"base year", of a corporation in respect of a qualifying partnership for a taxation year, means the preceding taxation year of the corporation in which began a fiscal period of the partnership that ends in the corporation's taxation year;

"income shortfall adjustment", of a corporation in respect of a qualifying partnership for a particular taxation year, means the positive or negative amount determined by the formula

$$(F - G) \times H \times I;$$

"qualifying partnership", in respect of a corporation for a particular taxation year, means a partnership a fiscal period of which began in a preceding taxation year and ends in the particular taxation year, and in respect of which the corporation was required to calculate an adjusted stub period accrual for the preceding taxation year.

In the formulas in the definitions of "actual stub period accrual" and "income shortfall adjustment" in the first paragraph,

(a) A is the aggregate of all amounts each of which is the corporation's share of an income or taxable capital gain of the qualifying partnership for the last fiscal period of the partnership that began in the base year (other than any amount in respect of which a deduction was available under sections 738 to 749);

(b) B is the aggregate of all amounts each of which is the corporation's share of a loss or allowable capital loss of the qualifying partnership for the last fiscal period of the partnership that began in the base year (to the extent that the total of all allowable capital losses included in the aggregate described in this subparagraph in respect of all qualifying partnerships for the taxation year does not exceed the corporation's share of all taxable capital gains of all qualifying partnerships for the taxation year);

(c) C is the number of days that are in both the base year and the fiscal period;

(d) D is the number of days in the fiscal period;

(e) E is the amount of the qualified resource expense in respect of the qualifying partnership that was designated by the corporation for the base year under section 217.23 in its fiscal return for the base year filed with the Minister on or before its filing-due date for the base year;

(f) F is the amount that is the lesser of

i. the actual stub period accrual in respect of the qualifying partnership, and

ii. the amount that would be the corporation's adjusted stub period accrual for the base year in respect of the qualifying partnership if, for the purposes of paragraph *a* of the definition of "adjusted stub period accrual" in the first paragraph of section 217.18, the amount determined under subparagraph *f* of the second paragraph of that section were equal to zero;

(g) G is the amount included under section 217.19 in computing the corporation's income for the base year in respect of the qualifying partnership;

(h) H is the number of days in the period that begins on the day after the day on which the base year ends and ends on the day on which the taxation year ends; and

(i) I is the average daily rate of interest determined by reference to the rate of interest prescribed under section 28 of the Tax Administration Act (chapter A-6.002) for the period referred to in subparagraph *h*.

2013, c. 10, s. 21.

217.36. Section 217.37 applies to a corporation for a taxation year if

(a) the corporation has designated an amount for the purposes of subparagraph *f* of the second paragraph of section 217.18 in calculating its adjusted stub period accrual for the base year in respect of a qualifying partnership for the taxation year; and

(b) where the corporation has qualifying transitional income, the taxation year is after the first taxation year of the corporation to which section 217.33 applies.

2013, c. 10, s. 21.

217.37. If, because of section 217.36, this section applies to a corporation for a taxation year, the corporation shall include in computing its income for the taxation year the amount determined by the formula

$$A + 0.50 \times (A - B).$$

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is the corporation's income shortfall adjustment in respect of a qualifying partnership for the year; and

(b) B is the lesser of the aggregate described in subparagraph *a* and the aggregate of all amounts each of which is 25% of the positive amount that would be the income shortfall adjustment in respect of a qualifying partnership for the year if the amount referred to in subparagraph *g* of the second paragraph of section 217.35 were equal to zero.

2013, c. 10, s. 21.

DIVISION IX

PROSPECTORS

1972, c. 23.

218. Where a prospector receives a share of the capital stock of a corporation as consideration for the disposition to the corporation of a mining property or right in that property acquired by him as a result of his efforts as a prospector, the following rules apply:

(a) he shall not include any amount in respect of the receipt of the share in computing his income, except as provided in paragraph *b* , or in computing the amount contemplated in paragraph *b* of section 412;

(b) he shall include in respect of the receipt of the share in computing his income for the year in which the share is disposed of or exchanged an amount equal to the lesser of the following amounts:

i. the fair market value of the share at the time of its acquisition;

ii. the fair market value of the share at the time of its disposition or exchange;

(c) he shall not include any amount in computing the cost of the share in respect of the disposition of the mining property or the right therein, as the case may be;

(d) the corporation shall not include any amount in respect of the share in computing the cost of the mining property or the right therein;

(e) for the purpose of paragraph *b*, a prospector is deemed to have disposed of or exchanged shares that are identical properties in the order in which they were acquired.

1972, c. 23, s. 206; 1977, c. 26, s. 20; 1987, c. 67, s. 43; 1997, c. 3, s. 71; 2020, c. 16, s. 188.

219. In this division,

(a) a prospector is an individual who prospects or explores for minerals or develops a property for minerals on behalf of himself, on behalf of himself and others, or as an employee;

(b) a mining property means

i. a right, licence or privilege to prospect, explore, drill or mine for minerals in a mineral resource in Canada, or

ii. immovable property in Canada, other than depreciable property, the principal value of which depends on its mineral resource content.

1972, c. 23, s. 207; 2004, c. 8, s. 39.

220. The rule provided in section 218 applies to any person other than a prospector if:

(a) that person, under an arrangement with a prospector made before the prospecting or exploration for minerals or development of a property for minerals, or as an employer of a prospector, advanced money for or paid part or all of the expenses incurred in such work; and

(b) the share was received as consideration for the disposition to the corporation by the person referred to in paragraph *a* of a mining property or right in that property acquired by him under the arrangement contemplated in that paragraph, or if the prospector was his employee, acquired by him through his employee's efforts.

Notwithstanding the foregoing, the rules provided in paragraphs *b* and *e* of section 218 do not apply to such person unless he is an individual or a partnership other than a partnership each member of which is a taxable Canadian corporation.

1972, c. 23, s. 208; 1987, c. 67, s. 44; 1997, c. 3, s. 71; 2020, c. 16, s. 188.

DIVISION X

Repealed, 2015, c. 24, s. 51.

1972, c. 23; 2015, c. 24, s. 51.

221. *(Repealed).*

1972, c. 23, s. 209; 1977, c. 26, s. 21; 1991, c. 25, s. 57; 2015, c. 24, s. 51.

DIVISION XI

SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

1972, c. 23; 1987, c. 67, s. 45.

222. (1) A taxpayer who carries on a business in Canada in a taxation year may deduct, in computing the taxpayer's income from the business for the year, an amount not exceeding the aggregate of all amounts each of which is an expenditure of a current nature made by the taxpayer in the year or in a preceding taxation year ending after 31 December 1973

(a) on scientific research and experimental development that is related to a business of the taxpayer and directly undertaken in Canada by the taxpayer;

(b) on scientific research and experimental development that is related to a business of the taxpayer and directly undertaken in Canada on behalf of the taxpayer;

(c) by payments to a corporation resident in Canada to be used for scientific research and experimental development undertaken in Canada that is related to a business of the taxpayer, where the taxpayer is entitled to exploit the results of that scientific research and experimental development;

(d) by payments to be used for scientific research and experimental development undertaken in Canada that is related to a business of the taxpayer, if the taxpayer is entitled to exploit the results of that scientific research and experimental development and if the payment was made to

i. an association recognized by the Minister to undertake scientific research and experimental development,

ii. a university, college, research institute or other similar institution recognized by the Minister,

iii. a corporation resident in Canada and exempt from tax under section 991, or

iv. an organization recognized by the Minister that makes payments to an association, institution or corporation described in any of subparagraphs i to iii; or

(e) where the taxpayer is a corporation, by payments to an entity described in subparagraph iii of paragraph *d*, for scientific research and experimental development undertaken in Canada that is basic research or applied research the primary purpose of which is the use of results therefrom by the taxpayer in conjunction with other scientific research and experimental development activities undertaken or to be undertaken by or on behalf of the taxpayer that relate to a business of the taxpayer, and that has the technological potential for application to other businesses of a type unrelated to that carried on by the taxpayer.

(2) In this division, "scientific research and experimental development" means, subject to subsection 4, systematic investigation or search that is carried out in a field of science or technology by means of

(a) basic research or applied research undertaken for the advancement of scientific knowledge; or

(b) experimental development undertaken for the purpose of achieving technological advancement for the purpose of creating new, or improving existing, materials, products, devices or processes, including incremental improvements thereto.

(3) For the purposes of the definition of "scientific research and experimental development" in subsection 2 in respect of a taxpayer, scientific research and experimental development include work undertaken by or on behalf of the taxpayer with respect to engineering, design, operations research, mathematical analysis, computer programming, data collection, testing and psychological research, where the work is directly in support of research referred to in paragraph *a* of subsection 2 that is undertaken in Canada by or on behalf of the taxpayer, or experimental development referred to in paragraph *b* of that subsection that is undertaken in Canada by or on behalf of the taxpayer, and is commensurate with the needs of such research or experimental development.

(4) For the purposes of the definition of "scientific research and experimental development" in subsection 2, scientific research and experimental development do not include work related to

(a) market research or sales promotion;

(b) quality control or routine testing of materials, products, devices or processes;

(c) research in the social sciences or the humanities;

(d) prospecting, exploring or drilling for, or producing, minerals, petroleum or natural gas;

(e) the commercial production of a new or improved material, device or product, or the commercial use of a new or improved process;

(f) style changes; or

(g) routine data collection.

1972, c. 23, s. 210; 1975, c. 22, s. 32; 1987, c. 67, s. 45; 1988, c. 18, s. 13; 1989, c. 5, s. 49; 1993, c. 16, s. 105; 1996, c. 39, s. 59; 1997, c. 3, s. 71; 1997, c. 31, s. 28; 2000, c. 5, s. 56; 2015, c. 21, s. 135.

222.1. *(Repealed).*

1993, c. 16, s. 106; 1997, c. 3, s. 71; 1997, c. 31, s. 29; 2015, c. 21, s. 136.

223. *(Repealed).*

1972, c. 23, s. 211; 1974, c. 18, s. 12; 1987, c. 67, s. 46; 1989, c. 5, s. 50; 1995, c. 49, s. 236; 2015, c. 21, s. 136.

223.0.1. For the purposes of section 223, as it read before being repealed, in respect of a property, an expenditure made by a taxpayer in respect of the property is deemed not to have been made by the taxpayer before the property is considered to have become available for use by the taxpayer.

1993, c. 16, s. 107; 2015, c. 21, s. 137.

223.1. Where a taxpayer carries on a business in Canada in a taxation year by reason of an arrangement, a transaction or an event, or of a series of arrangements, transactions or events, and it may reasonably be considered that one of the purposes of the arrangement, transaction or event or of the series of arrangements, transactions or events is to cause the taxpayer to carry on the business so as to allow the taxpayer to deduct an amount in computing the taxpayer's income from that business for that taxation year, pursuant to sections 222 to 226, the taxpayer is, for the purposes of those sections, deemed not to carry on the business in that year by reason of the arrangement, transaction or event or of the series of arrangements, transactions or events unless the taxpayer is, by reason of the arrangement, transaction or event, or of the series of arrangements, transactions or events, a member of a partnership other than a specified member of that partnership.

1990, c. 7, s. 11; 2000, c. 39, s. 18.

224. A taxpayer referred to in subsection 1 of section 222 may also deduct, in computing his income from the business referred to therein for the year, all amounts included by virtue of paragraph *t* of section 87 in computing his income for any previous taxation year and the aggregate of all amounts each of which is an expenditure made by the taxpayer in the year or in any previous taxation year ending after 31 December 1973 as repayment of an amount described in paragraph *b* of section 225.

1972, c. 23, s. 212; 1975, c. 22, s. 33; 1982, c. 5, s. 52; 1987, c. 67, s. 47; 1989, c. 5, s. 51.

224.1. For the purposes of section 224, an amount is deemed to be an expenditure made in a taxation year by a taxpayer as repayment of an amount described in paragraph *b* of section 225 if the amount

(a) reduced, by the effect of paragraph *b* of section 225, the aggregate of the amounts that may be deducted by the taxpayer under sections 222 to 224 in computing his income for a taxation year;

(b) was not received by the taxpayer; and

(c) ceased in the taxation year to be an amount that the taxpayer can reasonably be expected to receive.

1994, c. 22, s. 121.

225. The aggregate of the amounts that may be deducted by a taxpayer under sections 222 to 224, in computing his income for a taxation year, shall be reduced by the aggregate of the following amounts:

(a) the amount prescribed;

(b) the aggregate of all amounts each of which is the amount of any government assistance or non-government assistance, within the meaning assigned to those expressions by the first paragraph of section 1029.6.0.0.1, in respect of an expenditure described in section 222 or 223, as each of those sections read in relation to the expenditure, that, on or before the taxpayer's filing-due date for the year, the taxpayer has received, is entitled to receive or can reasonably be expected to receive;

(b.1) where, in respect of a scientific research and experimental development project referred to in section 222 or 223, as each of those sections read in relation to the project, or in respect of the carrying out of the project, a person has obtained, is entitled to obtain or can reasonably be expected to obtain a benefit or an advantage, whether in the form of a reimbursement, compensation or guarantee or in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner,

and it may reasonably be considered that the benefit or advantage directly or indirectly results in a compensation or indemnity or, otherwise, in any manner whatsoever, in a benefit for a party to the project, the amount of the benefit or advantage that the person has obtained, is entitled to obtain or can reasonably be expected to obtain on or before the taxpayer's filing-due date for the year;

(c) the aggregate of all amounts each of which is an amount deducted under sections 222 to 224 in computing the taxpayer's income for a preceding taxation year, except amounts described in section 229;

(c.1) the aggregate of all amounts each of which is the lesser of the amount deducted under section 346.2 in computing the taxpayer's income for a preceding taxation year and the amount by which the amount that was deductible under sections 222 to 225 in computing the taxpayer's income for that preceding year exceeds the amount deducted under those sections in computing the taxpayer's income for that preceding year;

(d) where the taxpayer is subject to a loss restriction event before the end of the year, the amount determined for the year under section 225.1 with respect to the taxpayer.

1975, c. 22, s. 34; 1979, c. 18, s. 13; 1982, c. 5, s. 52; 1984, c. 15, s. 52; 1989, c. 5, s. 52; 1990, c. 7, s. 12; 1996, c. 39, s. 60; 1997, c. 3, s. 71; 1997, c. 31, s. 30; 2004, c. 21, s. 68; 2015, c. 21, s. 138; 2017, c. 1, s. 103.

225.1. Where a taxpayer is, at any time before the end of a taxation year of the taxpayer, last subject to a loss restriction event, the amount determined for the purposes of paragraph *d* of section 225 for the year in respect of the taxpayer is the amount obtained by subtracting the amount determined under the third paragraph from the amount determined by the formula

A – B – C.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is

i. an expenditure described in section 222 that was made by the taxpayer before that time or an expenditure described in section 224, where that section refers to an expenditure made as repayment of an amount described in paragraph *b* of section 225 that was made by the taxpayer before that time,

ii. the lesser of the amounts determined immediately before that time in respect of the taxpayer under paragraphs *a* and *b* of section 223, as those paragraphs read on 29 March 2012 in respect of expenditures made, and property acquired, by the taxpayer before 1 January 2014, or

iii. an amount determined in respect of the taxpayer for its taxation year ending immediately before that time under section 224, where that section refers to an amount included, under paragraph *t* of section 87, in computing its income for a preceding taxation year;

(b) B is the aggregate of all amounts each of which is

i. the aggregate of all amounts determined in respect of the taxpayer under paragraphs *a* to *c* of section 225 for its taxation year ending immediately before that time, or

ii. the amount deducted under sections 222 to 225 in computing the taxpayer's income for its taxation year ending immediately before that time; and

(c) C is the aggregate of

i. where the business to which the amounts described in any of subparagraphs i to iii of subparagraph *a* may reasonably be considered to relate was carried on by the taxpayer for profit or with a reasonable expectation of profit throughout the year, the aggregate of

(1) the taxpayer's income for the year from the business before making any deduction under sections 222 to 225, and

(2) where properties were sold, leased, rented or developed, or services were rendered, in the course of carrying on the business before that time, the taxpayer's income for the year, before making any deduction under sections 222 to 225, from any other business substantially all the income of which was derived from the sale, leasing, rental or development, as the case may be, of similar properties or the rendering of similar services, and

ii. the aggregate of all amounts each of which is an amount determined in respect of a preceding taxation year of the taxpayer that ended after that time equal to the lesser of

(1) the amount determined under subparagraph i in respect of the taxpayer in respect of the business for that preceding taxation year, and

(2) the amount in respect of the business deducted under sections 222 to 225 in computing the taxpayer's income for that preceding taxation year.

1989, c. 5, s. 52; 1997, c. 3, s. 71; 2015, c. 21, s. 139; 2017, c. 1, s. 104.

225.2. For the purposes of sections 222 to 225 and notwithstanding section 230.0.0.1, where a taxpayer is a corporation, scientific research and experimental development, related to a business carried on by another corporation to which the taxpayer is related, otherwise than by reason of a right referred to in paragraph *b* of section 20 and in which that other corporation is actively engaged, at the time at which an expenditure or payment in respect of the scientific research and experimental development is made by the taxpayer, shall be considered to be related to a business of the taxpayer at that time.

1989, c. 5, s. 52; 1997, c. 3, s. 71.

225.3. For the purposes of this division, an expenditure is deemed to have been made by a taxpayer in Canada if the expenditure is made

(a) by the taxpayer in the course of a business carried on by the taxpayer in Canada; and

(b) for the prosecution of scientific research and experimental development in the exclusive economic zone of Canada, within the meaning of the Oceans Act (Statutes of Canada, 1996, chapter 31), or in the airspace above that zone or the seabed or subsoil below that zone.

2006, c. 13, s. 30.

226. A taxpayer may deduct, in computing his income for a taxation year from a business of the taxpayer, expenditures of a current nature made by him in the year either on scientific research and experimental development carried on outside Canada, directly undertaken by or on behalf of the taxpayer, and related to the business or by way of payments to any of the entities described in subparagraphs i and ii of paragraph *d* of subsection 1 of section 222 to be used for scientific research and experimental development carried on outside Canada related to the business provided that the taxpayer is entitled to exploit the results of such scientific research and experimental development.

1972, c. 23, s. 213; 1987, c. 67, s. 48; 1989, c. 5, s. 52; 2015, c. 21, s. 140.

226.1. Where, in respect of a scientific research and experimental development project referred to in section 226 or in respect of the carrying out of that project, a person has obtained, is entitled to obtain or can reasonably be expected to obtain a benefit or an advantage, whether in the form of a reimbursement, compensation, guarantee or the proceeds of the disposition of property exceeding the fair market value of the

property or in any other form or manner, and it may reasonably be considered that the benefit or advantage directly or indirectly results in a compensation or indemnity or, otherwise, in any manner whatsoever, in a benefit for a party to the project, the amount which the taxpayer may deduct under the said section 226 for the taxation year referred to therein shall be reduced by the amount of the benefit or advantage which the person has obtained, is entitled to obtain or can reasonably be expected to obtain on or before the taxpayer's filing-due date for the year.

1990, c. 7, s. 13; 1997, c. 31, s. 31.

227. *(Repealed).*

1972, c. 23, s. 214; 1977, c. 5, s. 14; 1979, c. 77, s. 27; 1984, c. 36, s. 44; 1987, c. 67, s. 48; 1988, c. 41, s. 89; 1994, c. 16, s. 51; 1999, c. 8, s. 19; 2003, c. 29, s. 137; 2005, c. 1, s. 73.

228. No deduction may be made under this division in respect of an expenditure made to acquire rights in or arising out of scientific research and experimental development and no deduction permitted under this division may be claimed under section 710 or sections 752.0.10.1 to 752.0.10.14.

1972, c. 23, s. 215; 1987, c. 67, s. 48; 1993, c. 64, s. 23.

229. For the purposes of sections 93 to 104, an amount deducted under section 223 that may reasonably be considered to be in respect of a property described in that section, as it read before being repealed, in respect of the property, is deemed to be an amount deductible under the regulations made under paragraph *a* of section 130 and, for that purpose, the property so acquired is deemed to be of a separate prescribed class.

1972, c. 23, s. 216; 2015, c. 21, s. 141.

229.1. *(Repealed).*

1988, c. 4, s. 28; 1989, c. 5, s. 53.

230. Expenditures on scientific research and experimental development include only

(a) in the cases referred to in section 226,

i. expenditures each of which was an expenditure incurred for and all or substantially all of which was attributable to the prosecution of scientific research and experimental development, and

ii. expenditures of a current nature that were directly attributable, as determined by regulation, to the prosecution of scientific research and experimental development;

(b) in cases other than those referred to in section 226, expenditures incurred by a taxpayer in a taxation year, other than a taxation year for which the taxpayer has elected under subparagraph *c*, each of which is

i. an expenditure of a current nature all or substantially all of which was attributable to the prosecution, or to the provision of premises, facilities or equipment for the prosecution, of scientific research and experimental development carried on in Canada, or

ii. an expenditure of a current nature directly attributable, as determined by regulation, to the prosecution, or to the provision of premises, facilities or equipment for the prosecution, of scientific research and experimental development carried on in Canada, and

iii. *(subparagraph repealed);*

(c) in cases other than those referred to in section 226, where a taxpayer has elected in prescribed form and in accordance with section 230.0.0.4 for a taxation year, expenditures incurred by the taxpayer in the year each of which is

i. *(subparagraph repealed);*

ii. an expenditure of a current nature for the prosecution of scientific research and experimental development in Canada directly undertaken on behalf of the taxpayer,

iii. *(subparagraph repealed);*

iv. that portion of an expenditure incurred in respect of the salary or wages of an employee who is directly engaged in scientific research and experimental development in Canada that can reasonably be considered to relate to such work having regard to the time spent by the employee thereon, and, for this purpose, if all or substantially all of the employee's working time is spent on such scientific research and experimental development, that portion is deemed to be the amount of the expenditure, or

v. an expenditure incurred in relation to the cost of materials consumed or transformed in the prosecution of scientific research and experimental development carried on in Canada,

vi. *(subparagraph repealed).*

For greater certainty, it is understood that scientific research and experimental development relating to a business includes any scientific research and experimental development that may lead to or facilitate an extension of that business.

1972, c. 23, s. 217; 1987, c. 67, s. 49; 1989, c. 5, s. 54; 1995, c. 1, s. 27; 2000, c. 5, s. 57; 2002, c. 40, s. 23; 2009, c. 5, s. 76; 2015, c. 21, s. 142; 2020, c. 16, s. 47.

230.0.0.1. Except in the case of a taxpayer that derives all or substantially all of his revenue from the prosecution of scientific research and experimental development, including the sale of rights arising out of scientific research and experimental development carried on by him, the prosecution of scientific research and experimental development shall not be considered to be a business of the taxpayer to which scientific research and experimental development is related.

1989, c. 5, s. 55; 1992, c. 1, s. 28.

230.0.0.1.1. For the purposes of this division, expenditures of a current nature include any expenditure made by a taxpayer, other than

(a) an expenditure made by the taxpayer for the acquisition from a person or partnership of a property that is a capital property of the taxpayer; or

(b) an expenditure made by the taxpayer for the use of, or the right to use, property that would be capital property of the taxpayer if it were owned by the taxpayer.

2015, c. 21, s. 143.

230.0.0.2. Despite the first paragraph of section 230, expenditures on scientific research and experimental development do not include

(a) any expenditure made in respect of the acquisition or lease of animals, other than laboratory animals within the meaning of the regulations, or in respect of any other similar kind of transaction regarding such animals; and

(b) a payment to any of the following entities to the extent that the payment may reasonably be considered to have been made to enable the entity to acquire rights in, or arising out of, scientific research and experimental development:

i. a corporation resident in Canada and exempt from tax under section 991, a research institute recognized by the Minister or an association recognized by the Minister, with which the taxpayer does not deal at arm’s length,

ii. a corporation other than a corporation referred to in subparagraph i, or

iii. a university, college or organization recognized by the Minister.

1989, c. 5, s. 55; 1991, c. 8, s. 2; 1993, c. 64, s. 24; 1995, c. 1, s. 28; 1997, c. 3, s. 71; 2015, c. 21, s. 144.

230.0.0.3. For the purposes of subparagraphs *b* and *c* of the first paragraph of section 230, an expenditure of a taxpayer does not include remuneration based on profits or a bonus, where the remuneration or bonus, as the case may be, is in respect of a specified employee of the taxpayer.

1995, c. 1, s. 29; 1997, c. 85, s. 56.

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

$$A \times B / 365.$$

In the formula provided for in the first paragraph,

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

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

1998, c. 16, s. 103.

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

1998, c. 16, s. 103.

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

paragraph of section 230 by each of the corporations for each of those years is the amount so allocated to it for each of those years:

A × B / 365.

In the formula provided for in the first paragraph,

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

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

1998, c. 16, s. 103.

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

1998, c. 16, s. 103.

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

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

1998, c. 16, s. 103; 2000, c. 5, s. 293.

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

(a) an individual related to the particular corporation;

(b) a partnership of which a majority-interest partner is an individual related to the particular corporation or a corporation associated with the particular corporation; and

(c) a limited partnership of which a member whose liability as a member is not limited is an individual related to the particular corporation or a corporation associated with the particular corporation.

1998, c. 16, s. 103.

230.0.0.4. Any election made under subparagraph *c* of the first paragraph of section 230 for a taxation year by a taxpayer shall be filed in prescribed form by the taxpayer, on the day on which the taxpayer first files a prescribed form referred to in section 230.0.0.4.1 for the year.

1995, c. 1, s. 29; 1997, c. 31, s. 32.

230.0.0.4.1. A taxpayer shall, in respect of an expenditure that would be an expenditure made by the taxpayer in a taxation year that begins after 31 December 1995 if this Act were read without reference to section 482 and that is claimed by the taxpayer for the year as a deduction under this division, file with the Minister, on or before the day that is 12 months after the taxpayer's filing-due date for the year, the prescribed form containing

(a) prescribed information in respect of the expenditure; and

(b) claim preparer information within the meaning of section 1045.0.1.3.

For the purposes of the first paragraph, a taxpayer is deemed to have filed with the Minister the prescribed form containing prescribed information in respect of an expenditure on or before the day that is 12 months after the taxpayer's filing-due date for a taxation year so that an amount may be deducted by the taxpayer in computing the taxpayer's income under sections 222 to 224 in respect of the expenditure, if

(a) the taxpayer has filed with the Minister the prescribed form containing prescribed information and, if applicable, a copy of each agreement, certificate, favourable advance ruling, qualification certificate, rate schedule, receipt or report within the time limit provided for in the first paragraph of section 1029.6.0.1.2 that applies to the taxpayer for the taxation year, so as to be deemed to have paid an amount to the Minister for the year in respect of the expenditure under any of Divisions II.5.1 to II.6.15 of Chapter III.1 of Title III of Book IX; and

(b) the taxpayer files with the Minister the prescribed form containing prescribed information more than 12 months after that date so that an amount may be deducted by the taxpayer in computing the taxpayer's income under sections 222 to 224 in respect of the expenditure.

1997, c. 31, s. 33; 2000, c. 5, s. 58; 2011, c. 1, s. 25; 2011, c. 6, s. 122; 2015, c. 36, s. 13; 2020, c. 16, s. 48.

230.0.0.4.2. Subject to section 230.0.0.5, where prescribed information in relation to an expenditure referred to in subparagraph *a* of the first paragraph of section 230.0.0.4.1 is not contained in the form referred to in that section, no amount in relation to the expenditure may be deducted under sections 222 to 224.

2020, c. 16, s. 49.

230.0.0.5. If a taxpayer has not filed the prescribed form that was required to be filed in respect of an expenditure in accordance with section 230.0.0.4.1, for the purposes of this Part, the expenditure is deemed not to be an expenditure on or in respect of scientific research and experimental development.

1996, c. 39, s. 61; 1997, c. 31, s. 34; 2000, c. 5, s. 59.

230.0.0.5.1. For the purposes of paragraphs *b* to *e* of subsection 1 of section 222, the amount of a particular expenditure made by a taxpayer is required to be reduced by the amount of any related expenditure of the person or partnership to whom the particular expenditure is made that is not an expenditure of a current nature of the person or partnership.

2015, c. 21, s. 145.

230.0.0.5.2. If an expenditure is required to be reduced because of section 230.0.0.5.1, the person or the partnership referred to in that section is required to inform the taxpayer in writing of the amount of the

reduction without delay if requested by the taxpayer and in any other case no later than 90 days after the end of the calendar year in which the expenditure was made.

2015, c. 21, s. 145.

230.0.0.6. For the purposes of this division, an expenditure that is made by a taxpayer in a taxation year and that would, but for subsection 1 of section 175.1, have been deductible under this division in computing the taxpayer's income for the year, is deemed not to be made by the taxpayer in the year and to be made by the taxpayer in the subsequent taxation year to which the expenditure may reasonably be considered to relate.

1997, c. 31, s. 35.

230.0.0.7. For the purposes of subparagraphs i, ii and iv of paragraph *d* of subsection 1 of section 222 and subparagraphs i and iii of paragraph *b* of section 230.0.0.2, an association, university, college, research institute or organization is considered to be recognized by the Minister where such entity qualifies as an eligible public research centre for the purposes of Division II.1 of Chapter III.1 of Title III of Book IX.

2021, c. 18, s. 32.

DIVISION XII

Repealed, 2000, c. 5, s. 60.

1979, c. 18, s. 14; 1987, c. 67, s. 50; 2000, c. 5, s. 60.

230.0.1. *(Repealed).*

1985, c. 25, s. 38; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

230.0.2. *(Repealed).*

1985, c. 25, s. 38; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

230.0.3. *(Repealed).*

1985, c. 25, s. 38; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

230.1. *(Repealed).*

1979, c. 18, s. 14; 1980, c. 13, s. 15; 1987, c. 67, s. 51; 1997, c. 3, s. 71; 1997, c. 31, s. 36; 1998, c. 16, s. 251; 2000, c. 5, s. 60.

230.2. *(Repealed).*

1979, c. 18, s. 14; 1989, c. 5, s. 56.

230.3. *(Repealed).*

1979, c. 18, s. 14; 1980, c. 13, s. 16; 1987, c. 67, s. 52; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 60.

230.4. *(Repealed).*

1979, c. 18, s. 14; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

230.5. *(Repealed).*

1979, c. 18, s. 14; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

230.6. *(Repealed).*

1979, c. 18, s. 14; 1997, c. 3, s. 71; 1997, c. 14, s. 51; 2000, c. 5, s. 60.

230.7. *(Repealed).*

1979, c. 18, s. 14; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

230.8. *(Repealed).*

1979, c. 18, s. 14; 1987, c. 67, s. 53; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

230.9. *(Repealed).*

1979, c. 18, s. 14; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

230.10. *(Repealed).*

1979, c. 18, s. 14; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

230.11. *(Repealed).*

1982, c. 5, s. 53; 1997, c. 3, s. 71; 2000, c. 5, s. 60.

DIVISION XIII

Repealed, 2002, c. 9, s. 8.

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.12. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.13. *(Repealed).*

2000, c. 39, s. 19; 2001, c. 51, s. 28; 2002, c. 9, s. 8.

230.14. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.15. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.16. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.17. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.18. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.19. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.20. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.21. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

230.22. *(Repealed).*

2000, c. 39, s. 19; 2002, c. 9, s. 8.

TITLE IV

CAPITAL GAINS AND CAPITAL LOSSES

1972, c. 23.

CHAPTER I

GENERAL RULES

1972, c. 23.

231. Subject to sections 231.0.1 to 231.2.1, a taxable capital gain, an allowable capital loss or an allowable business investment loss is equal to 1/2 of the capital gain, 1/2 of the capital loss or 1/2 of the business investment loss, as the case may be, from the disposition of property.

The capital gain, the capital loss or the business investment loss shall be computed in accordance with this Title in reference to the taxation year during which the disposition of the property takes place, unless otherwise provided in this Part.

1972, c. 23, s. 218; 1979, c. 18, s. 15; 1990, c. 59, s. 112; 2001, c. 51, s. 29; 2003, c. 2, s. 66; 2009, c. 15, s. 62.

231.0.1. For the purposes of the first paragraph of section 231 in respect of a taxpayer for any following taxation year of the taxpayer, the references to the fraction "1/2" in that paragraph shall be read as a reference to the following fraction:

(a) if the taxation year begins after 28 February 2000 and ends before 18 October 2000, 2/3;

(b) if the taxation year includes 28 February 2000 but does not include 18 October 2000,

i. 3/4, where the amount of the taxpayer's net capital gains from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000, in this paragraph referred to as the "first period", exceeds the amount of the taxpayer's net capital losses from dispositions of property in the period that begins on 28 February 2000 and ends at the end of the year, in this paragraph referred to as the "second period",

ii. 3/4, where the amount of the taxpayer's net capital losses from dispositions of property in the first period exceeds the amount of the taxpayer's net capital gains from dispositions of property in the second period,

iii. 2/3, where the amount of the taxpayer's net capital gains from dispositions of property in the first period is less than the amount of the taxpayer's net capital losses from dispositions of property in the second period,

iv. 2/3, where the amount of the taxpayer's net capital losses from dispositions of property in the first period is less than the amount of the taxpayer's net capital gains from dispositions of property in the second period,

v. the fraction determined under section 231.0.2, where the taxpayer has only net capital gains, or only net capital losses, from dispositions of property in each of the first and second periods,

vi. 2/3, where the net capital gains and net capital losses of the taxpayer for the year are nil, and

vii. 2/3, in any other case;

(c) if the taxation year begins after 27 February 2000 and includes 18 October 2000,

i. 2/3, where the amount of the taxpayer's net capital gains from dispositions of property in the period that begins at the beginning of the year and ends on 17 October 2000, in this paragraph referred to as the "first period", exceeds the amount of the taxpayer's net capital losses from dispositions of property in the period that begins on 18 October 2000 and ends at the end of the year, in this paragraph referred to as the "second period",

ii. 2/3, where the amount of the taxpayer's net capital losses from dispositions of property in the first period exceeds the amount of the taxpayer's net capital gains from dispositions of property in the second period,

iii. 1/2, where the amount of the taxpayer's net capital gains from dispositions of property in the first period is less than the amount of the taxpayer's net capital losses from dispositions of property in the second period,

iv. 1/2, where the amount of the taxpayer's net capital losses from dispositions of property in the first period is less than the amount of the taxpayer's net capital gains from dispositions of property in the second period,

v. the fraction determined under section 231.0.3, where the taxpayer has only net capital gains, or only net capital losses, from dispositions of property in each of the first and second periods,

vi. 1/2, where the net capital gains and net capital losses of the taxpayer for the year are nil, and

vii. 1/2, in any other case; and

(d) if the taxation year includes 27 February 2000 and 18 October 2000,

i. 3/4, where the amount by which the amount of the taxpayer's net capital gains from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000, in this paragraph referred to as the "first period", exceeds the amount of the taxpayer's net capital losses from dispositions of property in the period that begins on 28 February 2000 and ends on 17 October 2000, in this paragraph referred to as the "second period", exceeds the amount of the taxpayer's net capital losses from dispositions of property in the period that begins on 18 October 2000 and ends at the end of the year, in this paragraph referred to as the "third period",

ii. 3/4, where the amount by which the amount of the taxpayer's net capital losses from dispositions of property in the first period exceeds the amount of the taxpayer's net capital gains from dispositions of property in the second period, exceeds the amount of the taxpayer's net capital gains from dispositions of property in the third period,

iii. 2/3, where the amount by which the amount of the taxpayer's net capital gains from dispositions of property in the second period exceeds the amount of the taxpayer's net capital losses from dispositions of property in the first period, exceeds the amount of the taxpayer's net capital losses from dispositions of property in the third period,

iv. 2/3, where the amount by which the amount of the taxpayer's net capital losses from dispositions of property in the second period exceeds the amount of the taxpayer's net capital gains from dispositions of property in the first period, exceeds the amount of the taxpayer's net capital gains from dispositions of property in the third period,

v. the fraction determined under section 231.0.4, where the taxpayer has net capital gains in each of the first and second periods and the total amount of those net capital gains in those periods exceeds the amount of the taxpayer's net capital losses in the third period,

vi. the fraction determined under section 231.0.5, where the taxpayer has net capital losses in each of the first and second periods and the total amount of those net capital losses in those periods exceeds the amount of the taxpayer's net capital gains in the third period,

vii. the fraction determined under section 231.0.6, where the taxpayer has only net capital gains, or only net capital losses, from dispositions of property in each of the first, second and third periods,

viii. the fraction determined under section 231.0.7, where the amount of the taxpayer's net capital gains from dispositions of property in the first period exceeds the amount of the taxpayer's net capital losses from dispositions of property in the second period and the taxpayer has net capital gains from dispositions of property in the third period,

ix. the fraction determined under section 231.0.8, where the amount of the taxpayer's net capital losses from dispositions of property in the first period exceeds the amount of the taxpayer's net capital gains from dispositions of property in the second period and the taxpayer has net capital losses from dispositions of property in the third period,

x. the fraction determined under section 231.0.9, where the amount of the taxpayer's net capital gains from dispositions of property in the second period exceeds the amount of the taxpayer's net capital losses from dispositions of property in the first period and the taxpayer has net capital gains from dispositions of property in the third period,

xi. the fraction determined under section 231.0.10, where the amount of the taxpayer's net capital losses from dispositions of property in the second period exceeds the amount of the taxpayer's net capital gains from dispositions of property in the first period and the taxpayer has net capital losses from dispositions of property in the third period, and

xii. 1/2, in any other case.

2003, c. 2, s. 67.

231.0.2. The fraction referred to in subparagraph v of paragraph *b* of section 231.0.1 in respect of a taxation year of a taxpayer is determined by the formula

$$[(A \times 3/4) + (B \times 2/3)] / (A + B).$$

In the formula provided for in the first paragraph,

(a) A is the taxpayer's net capital gains or net capital losses, as the case may be, from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000; and

(b) B is the taxpayer's net capital gains or net capital losses, as the case may be, from dispositions of property in the period that begins on 28 February 2000 and ends at the end of the year.

2003, c. 2, s. 67.

231.0.3. The fraction referred to in subparagraph v of paragraph *c* of section 231.0.1 in respect of a taxation year of a taxpayer is determined by the formula

$$[(A \times 2/3) + (B \times 1/2)] / (A + B).$$

In the formula provided for in the first paragraph,

(a) A is the taxpayer's net capital gains or net capital losses, as the case may be, from dispositions of property in the period that begins at the beginning of the year and ends on 17 October 2000; and

(b) B is the taxpayer's net capital gains or net capital losses, as the case may be, from dispositions of property in the period that begins on 18 October 2000 and ends at the end of the year.

2003, c. 2, s. 67.

231.0.4. The fraction referred to in subparagraph v of paragraph *d* of section 231.0.1 in respect of a taxation year of a taxpayer is determined by the formula

$$[(A \times 3/4) + (B \times 2/3)] / (A + B).$$

In the formula provided for in the first paragraph,

(a) A is the taxpayer's net capital gains from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000; and

(b) B is the taxpayer's net capital gains from dispositions of property in the period that begins on 28 February 2000 and ends on 17 October 2000.

2003, c. 2, s. 67.

231.0.5. The fraction referred to in subparagraph vi of paragraph *d* of section 231.0.1 in respect of a taxation year of a taxpayer is determined by the formula

$$[(A \times 3/4) + (B \times 2/3)] / (A + B).$$

In the formula provided for in the first paragraph,

(a) A is the taxpayer's net capital losses from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000; and

(b) B is the taxpayer's net capital losses from dispositions of property in the period that begins on 28 February 2000 and ends on 17 October 2000.

2003, c. 2, s. 67.

231.0.6. The fraction referred to in subparagraph vii of paragraph *d* of section 231.0.1 in respect of a taxation year of a taxpayer is determined by the formula

$$[(A \times 3/4) + (B \times 2/3) + (C \times 1/2)] / (A + B + C).$$

In the formula provided for in the first paragraph,

(a) A is the taxpayer's net capital gains or net capital losses, as the case may be, from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000;

(b) B is the taxpayer's net capital gains or net capital losses, as the case may be, from dispositions of property in the period that begins on 28 February 2000 and ends on 17 October 2000; and

(c) C is the taxpayer's net capital gains or net capital losses, as the case may be, from dispositions of property in the period that begins on 18 October 2000 and ends at the end of the year.

2003, c. 2, s. 67.

231.0.7. The fraction referred to in subparagraph viii of paragraph *d* of section 231.0.1 in respect of a taxation year of a taxpayer is determined by the formula

$$[(A \times 3/4) + (B \times 1/2)] / (A + B).$$

In the formula provided for in the first paragraph,

(a) A is the amount by which the amount of the taxpayer's net capital gains from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000 exceeds the amount of the taxpayer's net capital losses from dispositions of property in the period that begins on 28 February 2000 and ends on 17 October 2000; and

(b) B is the taxpayer's net capital gains from dispositions of property in the period that begins on 18 October 2000 and ends at the end of the year.

2003, c. 2, s. 67.

231.0.8. The fraction referred to in subparagraph ix of paragraph *d* of section 231.0.1 in respect of a taxation year of a taxpayer is determined by the formula

$$[(A \times 3/4) + (B \times 1/2)] / (A + B).$$

In the formula provided for in the first paragraph,

(a) A is the amount by which the amount of the taxpayer's net capital losses from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000 exceeds the amount of the taxpayer's net capital gains from dispositions of property in the period that begins on 28 February 2000 and ends on 17 October 2000; and

(b) B is the taxpayer's net capital losses from dispositions of property in the period that begins on 18 October 2000 and ends at the end of the year.

2003, c. 2, s. 67.

231.0.9. The fraction referred to in subparagraph x of paragraph *d* of section 231.0.1 in respect of a taxation year of a taxpayer is determined by the formula

$$[(A \times 2/3) + (B \times 1/2)] / (A + B).$$

In the formula provided for in the first paragraph,

(a) A is the amount by which the amount of the taxpayer's net capital gains from dispositions of property in the period that begins on 28 February 2000 and ends on 17 October 2000 exceeds the amount of the taxpayer's net capital losses from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000; and

(b) B is the taxpayer's net capital gains from dispositions of property in the period that begins on 18 October 2000 and ends at the end of the year.

2003, c. 2, s. 67.

231.0.10. The fraction referred to in subparagraph xi of paragraph *d* of section 231.0.1 in respect of a taxation year of a taxpayer is determined by the formula

$$[(A \times 2/3) + (B \times 1/2)] / (A + B).$$

In the formula provided for in the first paragraph,

(a) A is the amount by which the amount of the taxpayer's net capital losses from dispositions of property in the period that begins on 28 February 2000 and ends on 17 October 2000 exceeds the amount of the taxpayer's net capital gains from dispositions of property in the period that begins at the beginning of the year and ends on 27 February 2000; and

(b) B is the taxpayer's net capital losses from dispositions of property in the period that begins on 18 October 2000 and ends at the end of the year.

2003, c. 2, s. 67.

231.0.11. For the purpose of determining which fraction in paragraphs *a* to *d* of section 231.0.1 applies to a taxpayer for a taxation year, the following rules apply:

(a) the net capital gains of the taxpayer from dispositions of property in a period is the amount by which the taxpayer's capital gains from dispositions of property in the period exceed the taxpayer's capital losses from dispositions of property in the period;

(b) the net capital losses of the taxpayer from dispositions of property in a period is the amount by which the taxpayer's capital losses from dispositions of property in the period exceed the taxpayer's capital gains from dispositions of property in the period;

(c) the net amount included as a capital gain of the taxpayer for a taxation year from a disposition to which section 231.1, as it read before being repealed, or section 231.2 applies is deemed to be equal to 1/2 of the capital gain;

(d) the net amount included as a capital gain of the taxpayer for a particular taxation year from a disposition of property in a preceding taxation year as a consequence of the application of the second paragraph of section 234 is deemed to be a capital gain of the taxpayer from a disposition of property on the first day of the particular year;

(e) each capital loss that is a business investment loss shall be determined without reference to sections 264.4 and 264.5;

(f) where an amount is included in computing the income of the taxpayer for the year by reason of section 485.13 in respect of a commercial obligation that is settled, the amount that would be determined by the formula provided for in the first paragraph of that section in respect of the obligation, if the value of E in that formula were 1, is deemed to be a capital gain of the taxpayer from a disposition of property on the day on which the settlement occurs;

(g) the capital gains and losses of the taxpayer from dispositions of property, other than taxable Canadian property, while the taxpayer is not resident in Canada are deemed to be nil;

(h) where an election is made by a taxpayer for a year under paragraph *d* of section 668.5, section 668.6 or any of sections 1106.0.3, 1106.0.5, 1113.3, 1113.4, 1116.3 and 1116.5, as they read before being repealed, the portion of the taxpayer's net capital gains for the year that are to be treated as being in respect of capital gains from dispositions of property that occurred in a particular period in the year is equal to the proportion of those net capital gains that the number of days in the particular period is of the number of days in the year;

(i) where the election made for the year under paragraph *d* of section 668.5, or section 668.6, was made by a personal trust, the portion of the taxpayer's net capital gains for the year that are to be treated as being in respect of capital gains from dispositions of property that occurred in a particular period in the year is that proportion of those net capital gains that the number of days in the particular period is of the number of days that are in all periods in the year in which a net gain was realized;

(j) where an amount is designated under section 668 in respect of a beneficiary by a trust in respect of the net taxable capital gains of the trust for a taxation year of the trust and the trust does not elect under paragraph *d* of section 668.5, for the year, the deemed gains of the beneficiary referred to in section 668.5 are deemed to have been realized in each period in the year in a proportion that is equal to the same proportion that the net capital gains of the trust realized by the trust in that period is of the aggregate of the net capital gains realized by the trust in the year;

(k) where in the course of administering the estate of a deceased taxpayer, a capital loss from a disposition of property by the legal representative of the deceased taxpayer is deemed under paragraph *a* of section 1054 to be a capital loss of the deceased taxpayer from the disposition of property by the taxpayer in the taxpayer's last taxation year and not to be a capital loss of the estate, the capital loss is deemed to be from the disposition of a property by the taxpayer immediately before the taxpayer's death ;

(l) each capital gain referred to in paragraph *a* of section 668.5 in respect of a beneficiary shall be determined as if no amount had been claimed by the beneficiary for the purposes of that paragraph;

(m) where no capital gains are realized or capital losses sustained in a period, the amount of net capital gains or losses for that period is deemed to be nil;

(n) the net amount included as a capital gain of a taxpayer for a taxation year because of the granting of an option in respect of which section 294 applies is deemed to be a capital gain of the taxpayer from a disposition of property on the day on which the option was granted;

(o) the net amount included under section 295 as a capital gain of a corporation for a taxation year because of the expiration of an option that was granted by the corporation is deemed to be a capital gain of the corporation from a disposition of property on the day on which the option expired;

(p) the net amount included under section 295.1 as a capital gain of a trust for a taxation year because of the expiration of an option that was granted by the trust is deemed to be a capital gain of the trust from a disposition of property on the day on which the option expired; and

(q) the net amount included as a capital gain of a taxpayer for a taxation year by reason of sections 296 and 296.1 is deemed to be a capital gain of the taxpayer from a disposition of property on the day on which the option was exercised.

2003, c. 2, s. 67; 2004, c. 8, s. 40; 2019, c. 14, s. 92.

231.1. *(Repealed).*

2001, c. 51, s. 30; 2003, c. 2, s. 68; 2004, c. 8, s. 41.

231.2. The taxable capital gain of a taxpayer for a taxation year from the disposition of a property is equal to zero if the disposition is

(a) a gift made to a qualified donee of a property that is

i. a share, debt obligation or right listed on a designated stock exchange,

ii. a share of the capital stock of a mutual fund corporation,

iii. a unit of a mutual fund trust,

iv. an interest in a trust created in respect of a segregated fund within the meaning of section 851.2, or

v. a bond, debenture, note, hypothecary claim, mortgage or similar obligation, either issued or guaranteed by the Government of Canada, or issued by the government of a province or its mandatary;

(b) a gift made to a qualified donee, other than a private foundation, of a property that is a property described, in respect of the taxpayer, in section 710.0.1 or in the definition of “qualified property” in the first paragraph of section 752.0.10.1;

(c) a deemed disposition by reason of the application of Division III of Chapter III of Title VII and the property is

i. a property referred to in paragraph *a* or *b*, and

ii. the subject of a gift to which section 752.0.10.10.0.1 applies and that is made by the taxpayer’s succession to a qualified donee that, in the case of a property referred to in paragraph *b*, is not a private foundation; or

(d) the exchange, for a property described in paragraph *a*, of a share of the capital stock of a corporation, which share included, at the time it was issued and at the time of the disposition, a condition allowing the holder to exchange it for the property, and the taxpayer

i. receives no consideration on the exchange other than the property, and

ii. makes a gift of the property to a qualified donee not more than 30 days after the exchange.

2003, c. 2, s. 69; 2004, c. 8, s. 42; 2005, c. 1, s. 74; 2006, c. 36, s. 29; 2009, c. 15, s. 63; 2010, c. 5, s. 24; 2010, c. 25, s. 21; 2017, c. 29, s. 52.

231.2.1. A taxpayer's taxable capital gain for a taxation year, from the disposition of an interest in a partnership (other than a prescribed interest) that would be an exchange described in paragraph *d* of section 231.2 if the interest were a share in the capital stock of a corporation, is equal to the lesser of

(a) that taxable capital gain determined without reference to this section; and

(b) the amount determined by the formula

(A - B)/2.

In the formula in subparagraph *b* of the first paragraph,

(a) A is the aggregate of the cost to the taxpayer of the partnership interest and of each amount required by subparagraph iv or x of paragraph *i* of section 255 to be added in computing the adjusted cost base to the taxpayer of the partnership interest;

(b) B is the adjusted cost base to the taxpayer of the partnership interest determined without reference to subparagraphs iv and v of paragraph *l* of section 257.

2009, c. 15, s. 64.

231.3. For the purposes of section 231.1, as it read before being repealed, and section 231.2, where the taxation year of the donor includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the fraction "1/4" in the portion before paragraph *a* of either of those sections shall be replaced by the fraction obtained by multiplying the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the donor for the year by 1/2.

2003, c. 2, s. 69; 2004, c. 8, s. 43.

231.4. If a taxpayer is entitled to an amount of an advantage in respect of a gift of a property described in section 231.2, the following rules apply:

(a) that section applies only to that proportion of the taxpayer's capital gain in respect of the gift that the eligible amount of the gift is of the taxpayer's proceeds of disposition in respect of the gift; and

(b) section 231 applies to the extent that the taxpayer's capital gain in respect of the gift exceeds the amount of the capital gain to which section 231.2 applies.

2009, c. 5, s. 77.

231.5. *(Repealed).*

2009, c. 15, s. 65; 2017, c. 29, s. 53.

232. A capital gain or a capital loss arises from the disposition of any property other than the following property:

(a) (paragraph repealed);

(b) a timber resource property;

(c) a Canadian resource property;

(d) a foreign resource property;

(e) an insurance policy, including a life insurance policy, except for that part of a life insurance policy in respect of which a policyholder is deemed by section 851.11 to have an interest in a related segregated fund trust contemplated in section 851.2;

(f) an interest of a beneficiary under an environmental trust; or

(g) a property in respect of whose disposition any of sections 851.22.11, 851.22.13 and 851.22.14 applies.

However, the disposition of depreciable property does not give rise to a capital loss and the following dispositions do not give rise to a capital gain:

(a) the disposition of a cultural property described in the third paragraph, the disposition of the bare ownership of such property made in the course of a recognized gift with reserve of usufruct or use or the disposition of a musical instrument resulting from a gift described in paragraph *e* of section 710 or in the definition of "total musical instrument gifts" in the first paragraph of section 752.0.10.1; or

(b) a deemed disposition, by reason of the application of Division III of Chapter III of Title VII, of a property referred to in subparagraph *a* of a taxpayer, where the property is the subject of a gift in respect of which section 752.0.10.10.0.1 applies and that gift is made by the taxpayer's succession to a donee that would be one of the following donees if the disposition were made at the time the succession makes the gift:

i. an institution or a public authority referred to in subparagraph *a* of the third paragraph,

ii. a certified archival centre,

iii. a recognized museum, or

iv. an entity referred to in any of paragraphs *a* to *e* of the definition of "total musical instrument gifts" in the first paragraph of section 752.0.10.1.

A cultural property to which subparagraph *a* of the second paragraph refers is any of the following properties:

(a) a property which, according to the Canadian Cultural Property Export Review Board, complies with the criterion of significance set out in subsection 3 of section 29 of the Cultural Property Export and Import Act (R.S.C. 1985, c. C-51) and that has been disposed of to an institution or a public authority in Canada which is, at the time of disposition, designated under subsection 2 of section 32 of that Act for general purposes or for a specified purpose related to that property;

(b) a property that is classified, at the time of disposition, in accordance with the Cultural Heritage Act (chapter P-9.002) and that has been disposed of to an institution or a public authority referred to in subparagraph *a*; and

(c) a property that is the subject of a certificate issued by the Conseil du patrimoine culturel du Québec to the effect that it was acquired by a museum established under the Act respecting the Montréal Museum of Fine Arts (chapter M-42) or the National Museums Act (chapter M-44), a certified archival centre or a

recognized museum in accordance with its acquisition and conservation policy and the directives of the Ministère de la Culture et des Communications.

1972, c. 23, s. 219; 1975, c. 22, s. 35; 1978, c. 26, s. 39; 1984, c. 15, s. 53; 1985, c. 25, s. 39; 1986, c. 19, s. 40; 1987, c. 67, s. 54; 1996, c. 39, s. 62; 2000, c. 5, s. 293; 2003, c. 9, s. 21; 2005, c. 1, s. 75; 2006, c. 36, s. 30; 2010, c. 25, s. 22; 2011, c. 1, s. 26; 2011, c. 21, s. 231; 2017, c. 29, s. 54; 2019, c. 14, s. 93; 2021, c. 14, s. 32.

232.1. A business investment loss arises from the disposition after 31 December 1977 of any property that is a share of the capital stock of a small business corporation or a debt owing by such a corporation or by a particular corporation described in the third paragraph, other than a debt disposed of by a corporation which is owed to the latter by a corporation with which it does not deal at arm's length.

However, the disposition of property gives rise to a business investment loss only if section 299 applies to the disposition or if the disposition of property is made by a taxpayer in favour of a person with whom he deals at arm's length.

The particular corporation referred to in the first paragraph is a Canadian-controlled private corporation that is

(a) a bankrupt that was a small business corporation at the time it last became a bankrupt, or

(b) a corporation referred to in section 6 of the Winding-up Act (Revised Statutes of Canada, 1985, chapter W-11) that was insolvent, within the meaning of the said Act, and was a small business corporation at the time a winding-up order under the said Act was made in its respect.

1979, c. 18, s. 16; 1982, c. 5, s. 54; 1987, c. 67, s. 55; 1993, c. 16, s. 108; 1996, c. 39, s. 273; 1997, c. 3, s. 23.

232.1.1. For the purposes of sections 232.1 and 236.1, the expression "small business corporation" at any particular time includes a corporation that was at any time in the 12 months preceding that time a small business corporation.

1988, c. 18, s. 14; 1997, c. 3, s. 71.

232.1.2. For the purposes of sections 232.1 and 236.1, where an amount in respect of a debt owed by a corporation has been paid by a taxpayer to a person with whom the taxpayer was dealing at arm's length pursuant to an arrangement under which the taxpayer guaranteed the debt, and the corporation was a small business corporation at the time the debt was incurred and at any time in the 12 months before the time an amount first became payable by the taxpayer under the arrangement in respect of a debt owed by the corporation, that part of the amount that is owing to the taxpayer by the corporation is deemed to be a debt owing to the taxpayer by a small business corporation.

1993, c. 16, s. 109; 1997, c. 3, s. 71.

233. An amount shall not constitute a capital gain, a capital loss or a business investment loss to the extent that it must otherwise be included or may otherwise be deducted in computing the income of the taxpayer for the year or any other year.

1972, c. 23, s. 220; 1979, c. 18, s. 17.

234. Unless otherwise provided in this Part, the gain from the disposition of property shall be computed by subtracting from the proceeds of disposition the aggregate of

(a) the adjusted cost base of that property immediately before the disposition and the expenses made or incurred by the taxpayer for the purpose of making the disposition; and

(b) subject to section 234.1, an amount as a reserve that is equal to the least of

i. a reasonable amount as a reserve in respect of the portion of the proceeds of disposition of the property that is payable to the taxpayer after the end of the year and that can reasonably be regarded as a portion of the amount by which the proceeds of disposition of the property exceed the aggregate of the amounts referred to in subparagraph *a* in respect of the property,

ii. an amount equal to the product obtained by multiplying 1/5 of the amount by which the proceeds of disposition of the property exceed the aggregate of the amounts referred to in subparagraph *a* in respect of the property by the amount by which four exceeds the number of preceding taxation years of the taxpayer ending after the disposition of the property, and

iii. the amount allowed as a deduction for the year under subparagraph iii of paragraph *a* of subsection 1 of section 40 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in computing, for the purposes of that Act, the taxpayer's gain for the year from that disposition or, if the amount that is so allowed as a deduction is equal to the maximum amount that the taxpayer may claim as a deduction in that computation under that subparagraph iii in respect of the disposition, the amount that the taxpayer specifies and that is not less than that maximum amount.

In each subsequent year, the taxpayer shall regard as a gain the amount of the reserve established under subparagraph *b* of the first paragraph for the preceding year and claim an amount as a new reserve, without exceeding the amount of that gain, computed in accordance with that paragraph.

Sections 21.4.6 and 21.4.7 apply, with the necessary modifications, in relation to a deduction claimed under subparagraph iii of paragraph *a* of subsection 1 of section 40 of the Income Tax Act.

1972, c. 23, s. 221; 1975, c. 22, s. 36; 1984, c. 15, s. 54; 1996, c. 39, s. 63; 1997, c. 14, s. 52; 1997, c. 85, s. 57; 2010, c. 5, s. 25.

234.0.1. A taxpayer's gain for a particular taxation year from a disposition of a non-qualifying security of the taxpayer, as defined in the first paragraph of section 752.0.10.1, that is the making of a gift of the security, other than an excepted gift within the meaning assigned by that paragraph, to a qualified donee is equal to the amount by which

(a) an amount equal to

i. where the disposition occurred in the particular taxation year, the amount by which the taxpayer's proceeds of disposition exceed the aggregate of the adjusted cost base to the taxpayer of the security immediately before the disposition and any outlays and expenses made or incurred by the taxpayer for the purpose of making the disposition, and

ii. where the disposition occurred in the 60-month period ending at the beginning of the particular taxation year, the amount, if any, deducted under paragraph *b* in computing the taxpayer's gain for the preceding taxation year from the disposition of the security; exceeds

(b) the amount that the taxpayer claims as a deduction in the prescribed form filed with the taxpayer's fiscal return for the particular taxation year, not exceeding the eligible amount of the gift, if the taxpayer is not deemed under section 752.0.10.16 to have made a gift of a property before the end of the particular taxation year as a consequence of a disposition of the security by the donee or as a consequence of the security ceasing to be a non-qualifying security of the taxpayer before the end of that year.

1999, c. 83, s. 49; 2003, c. 2, s. 70; 2009, c. 5, s. 78.

234.0.2. Where, in respect of a taxation year, an individual has made an election under section 1086.28, the amount deemed to be a capital gain under subparagraph *b* of the first paragraph of that section is deemed to be a gain from the disposition of property for the year.

2011, c. 34, s. 26.

234.1. In computing the amount that a taxpayer may deduct as a reserve under subparagraph *b* of the first paragraph of section 234 in computing the taxpayer's gain from the disposition of a property, that subparagraph is to be read as if "1/5" and "4" were replaced by "1/10" and "9", respectively, if

(a) the property was disposed of by the taxpayer to the taxpayer's child;

(b) that child was resident in Canada immediately before the disposition; and

(c) that property was, immediately before the disposition,

i. land in Canada or a depreciable property in Canada of a prescribed class that was used by the taxpayer or the spouse, a child or the father or mother of the taxpayer in carrying on a farming or fishing business in Canada,

ii. a share of the capital stock of a family farm or fishing corporation of the taxpayer, within the meaning of subparagraph *a*.2 of the first paragraph of section 451, or an interest in a family farm or fishing partnership of the taxpayer, within the meaning of subparagraph *h* of that paragraph, or

iii. a qualified small business corporation share of the taxpayer within the meaning of section 726.6.1, or

iv. *(subparagraph repealed).*

1984, c. 15, s. 55; 1987, c. 67, s. 56; 1997, c. 3, s. 71; 1997, c. 14, s. 53; 2004, c. 8, s. 44; 2007, c. 12, s. 43; 2010, c. 5, s. 26; 2017, c. 29, s. 55.

235. A taxpayer may not deduct the reserve established under section 234 for a taxation year if

(a) at the end of the year or at any time in the following taxation year, the taxpayer is not resident in Canada or is exempt from tax under this Part;

(b) the purchaser of the property sold is a corporation that, immediately after the sale,

i. is controlled, directly or indirectly, in any manner whatever, by the taxpayer,

ii. is controlled, directly or indirectly, in any manner whatever, by a person or group of persons by whom the taxpayer is controlled, directly or indirectly, in any manner whatever, or

iii. if the taxpayer is a corporation, controls the taxpayer, directly or indirectly, in any manner whatever; or

(c) the purchaser of the property sold is a partnership in which the taxpayer is, immediately after the sale, a majority-interest partner.

1975, c. 22, s. 37; 1990, c. 59, s. 113; 1997, c. 3, s. 71; 2009, c. 5, s. 79; 2010, c. 5, s. 27.

236. The loss from the disposition of a property shall be computed by subtracting the proceeds of disposition of that property from the aggregate of the adjusted cost base of such property immediately before the disposition and the expenses made or incurred by the taxpayer for the purposes of the disposition.

1972, c. 23, s. 222.

236.1. A business investment loss, in the case of a share referred to in the first paragraph of section 232.1, is computed by subtracting from the loss determined in accordance with this Title the amount that must be added after 1977 by virtue of the application of paragraph *b* of section 535 in computing the adjusted cost base of the share or of any other share, in this paragraph referred to as a "replaced share", for which the share or a replaced share was substituted or exchanged.

In the case of a share that is not a share that was acquired after 31 December 1971 from a person with whom the taxpayer was dealing at arm's length, but that is a share referred to in the first paragraph of section 232.1 that was issued before 1 January 1972 or a share, in this paragraph and in the third paragraph referred to as a "substituted share", that was substituted or exchanged for such a share issued before 1 January 1972 or for a substituted share, the aggregate of all amounts that the taxpayer, his spouse or a trust of which the taxpayer or his spouse was a beneficiary received after 31 December 1971 and before or upon the disposition of the share as a taxable dividend on the share or on any other share in respect of which the share disposed of is a substituted share or which are receivable as such by one of such persons at the time of the disposition of the share must also be deducted from the loss determined in accordance with this Title.

Furthermore, where the taxpayer is a trust for which a day is to be, or has been, determined under subparagraph *a* or *a*.4 of the first paragraph of section 653 by reference to a death or later death, as the case may be, and the share is a share referred to in the second paragraph, the aggregate of all amounts each of which is an amount received after 31 December 1971 or receivable at the time of the disposition, as a taxable dividend on the share or on any other share in respect of which the share disposed of is a substituted share, by an individual whose death is that death or later death, as the case may be, or the individual's spouse must also be deducted from the loss determined in accordance with this Title.

Lastly, a business investment loss is computed by subtracting the amount determined in respect of the taxpayer under section 264.4 or 264.5, as the case may be.

1979, c. 18, s. 18; 1980, c. 13, s. 17; 1982, c. 5, s. 55; 1986, c. 19, s. 41; 1987, c. 67, s. 57; 1994, c. 22, s. 122; 1997, c. 31, s. 37; 2000, c. 5, s. 61; 2017, c. 1, s. 105.

236.2. Where the taxpayer is a corporation, its loss from the disposition at a particular time in a taxation year of shares of the capital stock of a corporation, in this section referred to as the "controlled corporation", that was controlled, directly or indirectly in any manner whatever, by the taxpayer at any time in the year, is its loss otherwise determined from that disposition less the amount by which the amount determined in the second paragraph exceeds the aggregate of the amounts by which the taxpayer's losses have been reduced by virtue of this section in respect of dispositions before the particular time of shares of the capital stock of the controlled corporation.

The amount to which the first paragraph refers is the aggregate of all amounts added under paragraph *c*.1 of section 255 to the cost to a corporation, other than the controlled corporation, of property disposed of to that corporation by the controlled corporation that were added to the cost of the property during the period while the controlled corporation was controlled by the taxpayer and that can reasonably be attributed to losses on the property that accrued during the period while the controlled corporation was controlled by the taxpayer.

1980, c. 13, s. 18; 1990, c. 59, s. 114; 1997, c. 3, s. 71; 2000, c. 5, s. 62.

236.3. For the purposes of section 236.2, where, in the case of an amalgamation within the meaning of section 544 of several corporations, a particular corporation was controlled, directly or indirectly in any manner whatever, by a predecessor corporation immediately before the amalgamation, and has become so controlled by the new corporation by virtue of the amalgamation, the new corporation is deemed to have acquired control of the particular corporation at the time control thereof was acquired by the predecessor corporation.

1980, c. 13, s. 18; 1990, c. 59, s. 114; 1997, c. 3, s. 71.

237. The loss of a taxpayer from the disposition of a particular property is not allowable where

(a) during the period that begins 30 days before and ends 30 days after the time of disposition, the taxpayer or a person affiliated with the taxpayer acquires a property, in this section referred to as the "substituted property", that is, or is identical to, the particular property; and

(b) at the end of the 30 days following the time of disposition, the taxpayer or a person affiliated with the taxpayer owns or has a right to acquire the substituted property.

For the purposes of the first paragraph,

(a) a right to acquire a property (other than a right, as security only, derived from a hypothec, mortgage, agreement of sale or similar obligation) is deemed to be a property that is identical to the property; and

(b) a share of the capital stock of a SIFT wind-up corporation in respect of a SIFT wind-up entity is, if the share was acquired before 1 January 2013, deemed to be a property that is identical to an interest in the entity that is an investment in a SIFT wind-up entity.

1972, c. 23, s. 223; 1975, c. 22, s. 38; 1977, c. 26, s. 22; 1990, c. 59, s. 115; 1997, c. 3, s. 71; 2000, c. 5, s. 63; 2005, c. 1, s. 76; 2010, c. 25, s. 23.

238. Section 237 does not apply where the disposition is

(a) a disposition deemed to have occurred under section 242, as it read before 1 January 1993, any of sections 281, 283, 299 to 300, 436, 440, 444, 450, 450.6 and 653, Chapter I of Title I.1 of Book VI, paragraph *a* or *c* of section 785.5 or any of sections 832.1, 851.22.0.4, 851.22.15, 851.22.23 to 851.22.31, 861, 862 and 999.1;

(b) the expiry of an option;

(c) a disposition referred to in section 264.0.1;

(d) a disposition by a taxpayer that was subject to a loss restriction event within 30 days after the time of disposition;

(e) a disposition by a person that, within 30 days after the time of disposition, became or ceased to be exempt from tax under this Part on its taxable income;

(f) a disposition to which section 238.1 or the second paragraph of section 424 applies; or

(g) a disposition referred to in section 979.39 or 979.40.

1972, c. 23, s. 224; 1975, c. 22, s. 39; 1984, c. 15, s. 56; 1985, c. 25, s. 40; 1987, c. 67, s. 58; 1995, c. 49, s. 58; 1996, c. 39, s. 64; 2000, c. 5, s. 63; 2004, c. 8, s. 45; 2009, c. 5, s. 80; 2010, c. 25, s. 24; 2015, c. 21, s. 146; 2015, c. 36, s. 14; 2017, c. 1, s. 106; 2020, c. 16, s. 50.

238.1. The rules in the second paragraph apply where

(a) a corporation, trust or partnership, in this section referred to as the "transferor", disposes of a particular capital property, other than depreciable property of a prescribed class, otherwise than in a disposition described in any of paragraphs *a* to *e* of section 238;

(b) during the period that begins 30 days before and ends 30 days after the time of disposition, the transferor or a person affiliated with the transferor acquires a property, in this section referred to as the "substituted property", that is, or is identical to, the particular capital property; and

(c) at the end of the 30 days following the time of disposition, the transferor or a person affiliated with the transferor owns the substituted property.

The rules to which the first paragraph refers are as follows:

(a) the transferor's loss from the disposition is not allowable;

(b) the amount of the transferor's loss from the disposition, determined without reference to this paragraph and sections 237, 240, 241 and 288, is deemed to be a loss of the transferor from a disposition of

the particular capital property at the time that is immediately before the first time, after the time of disposition,

i. at which a 30-day period begins throughout which neither the transferor nor a person affiliated with the transferor owns the substituted property, or a property that is identical to the substituted property and that was acquired after the day that is 31 days before the period begins,

ii. at which the substituted property would, if it were owned by the transferor, be deemed under Chapter I of Title I.1 of Book VI or section 999.1 to have been disposed of by the transferor,

iii. that is immediately before the transferor is subject to a loss restriction event,

iv. at which the transferor or a person affiliated with the transferor is deemed under Division XII of Chapter IV to have disposed of the substituted property, where the substituted property is a debt or a share of the capital stock of a corporation, or

v. at which the winding-up of the transferor begins, other than a winding-up referred to in section 556, where the transferor is a corporation; and

(c) for the purposes of subparagraph *b*, where a partnership otherwise ceases to exist at any time after the time of disposition,

i. the partnership is deemed not to have ceased to exist until the time that is immediately after the first time described in subparagraphs i to v of subparagraph *b*, and

ii. each person who was a member of the partnership immediately before the partnership would, but for this paragraph, have ceased to exist is deemed to remain a member of the partnership, until the time that is immediately after the first time described in subparagraphs i to v of subparagraph *b*.

2000, c. 5, s. 64; 2004, c. 8, s. 46; 2017, c. 1, s. 107.

238.2. For the purposes of section 238.1,

(a) a right to acquire a property, other than a right, as security only, derived from a hypothec, mortgage, agreement of sale or similar obligation, is deemed to be a property that is identical to the property;

(b) a share of the capital stock of a corporation that is acquired in exchange for another share in a transaction is deemed to be a property that is identical to the other share if

i. Division XIII of Chapter IV or Chapter V or VI of Title IX applies to the transaction, or

ii. the following conditions are met:

(1) Division VI of Chapter IV of Title IX applies to the transaction,

(2) the second paragraph of section 238.1 applied to a prior disposition of the other share, and

(3) none of the times described in any of subparagraphs i to v of subparagraph *b* of the second paragraph of section 238.1 has occurred in respect of the prior disposition;

(b.1) a share of the capital stock of a SIFT wind-up corporation in respect of a SIFT wind-up entity is, if the share was acquired before 1 January 2013, deemed to be a property that is identical to an interest in the entity that is an investment in a SIFT wind-up entity;

(c) where section 238.1 applies in respect of the disposition by a person or partnership of a share of the capital stock of a corporation, and after the disposition the corporation is merged with one or more other corporations, otherwise than in a transaction in respect of which paragraph *b* applies to the share, or is wound

up in a winding-up referred to in section 556, the corporation formed on the merger or the parent, within the meaning of that section 556, as the case may be, is deemed to own the share while it is affiliated with the person or partnership; and

(d) where section 238.1 applies to the disposition by a person or partnership of a share of the capital stock of a corporation, and after the disposition the share is redeemed, acquired or cancelled by the corporation, otherwise than in a transaction in respect of which paragraph *b* or *c* applies to the share, the person or partnership is deemed to own the share while the corporation is affiliated with the person or partnership.

2000, c. 5, s. 64; 2005, c. 1, s. 77; 2009, c. 5, s. 81; 2010, c. 25, s. 25.

238.3. Where at a particular time a taxpayer disposes, to a corporation that is affiliated with the taxpayer immediately after the disposition, of a share of a class of the capital stock of the corporation, other than a share that is a distress preferred share within the meaning of section 485, the following rules apply:

(a) the taxpayer's loss from the disposition is not allowable; and

(b) in computing the adjusted cost base to the taxpayer after the particular time of a share of a class of the capital stock of the corporation owned by the taxpayer immediately after the particular time, the taxpayer shall add the proportion of the amount of the taxpayer's loss from the disposition, determined without reference to this section and sections 237, 240, 241 and 288, that

i. the fair market value, immediately after the particular time, of the share is of

ii. the fair market value, immediately after the particular time, of all shares of the capital stock of the corporation owned by the taxpayer.

2000, c. 5, s. 64.

238.3.1. If all or any portion of the capital loss of the succession of a deceased taxpayer, computed without reference to sections 238.1 and 238.3, from the disposition of a share of the capital stock of a corporation is, because of section 1054, considered to be a capital loss of the deceased taxpayer from the disposition of the share, sections 238.1 and 238.3 apply to the succession in respect of the loss only to the extent that the amount of the loss exceeds the portion of the loss that is determined under subparagraph *a* of the first paragraph of section 1054.

2005, c. 38, s. 64; 2009, c. 5, s. 82.

238.4. For the application of sections 638.1, 686, 741 to 742.3 and 745 in computing the individual's loss from the disposition of property after having ceased to be resident in Canada, the following rules apply:

(a) the individual is deemed to be a corporation in respect of dividends received by the individual at a particular time that is after the time at which the individual last acquired the property and at which the individual was not resident in Canada; and

(b) each taxable dividend received by the individual at a particular time described in paragraph *a* is deemed to be a taxable dividend that was received by the individual and that was deductible in computing the individual's taxable income or taxable income earned in Canada under sections 738 to 745 for the taxation year that includes the particular time.

2004, c. 8, s. 47.

239. *(Repealed).*

1972, c. 23, s. 225; 1990, c. 59, s. 116; 1997, c. 3, s. 71; 2000, c. 5, s. 65.

240. A loss from the disposition of a debt or of any other right to receive an amount shall not be allowed unless the taxpayer has acquired such debt or right to produce or gain income from a business or property

other than exempt income or as consideration for the disposition of capital property to a person with whom he was dealing at arm's length.

1972, c. 23, s. 226.

241. A loss from the disposition of a property shall not be allowed where the disposition was in favour of

(a) a trust governed by a registered retirement income fund, a deferred profit sharing plan, a profit sharing plan, a registered disability savings plan, a tax-free savings account or a first home savings account, under which the taxpayer is a beneficiary or immediately after the disposition becomes a beneficiary; or

(b) a trust governed by a registered retirement savings plan under which the taxpayer or the taxpayer's spouse is an annuitant or becomes, within 60 days after the end of the year, an annuitant.

1977, c. 26, s. 23; 1978, c. 26, s. 40; 1979, c. 18, s. 19; 1991, c. 25, s. 58; 2003, c. 2, s. 71; 2009, c. 15, s. 66; 2023, c. 19, s. 21.

241.0.1. A loss incurred by a taxpayer following the disposition, at a particular time, of a share of the capital stock of a corporation that was at any time a prescribed corporation or a share of the capital stock of a taxable Canadian corporation that was held in a prescribed stock savings plan, or of a property substituted for such share is deemed to be the amount, if any, by which

(a) the loss otherwise determined, exceeds

(b) the amount, if any, by which the amount of prescribed assistance that the taxpayer, or a person on with whom the taxpayer was not dealing at arm's length, received or is entitled to receive in respect of the share exceeds any loss otherwise determined from the disposition of the share or of the property substituted for the share before the particular time by the taxpayer or the person.

1986, c. 15, s. 53; 1989, c. 77, s. 23; 1995, c. 49, s. 59; 1997, c. 3, s. 71; 2011, c. 1, s. 27.

241.0.2. A loss incurred by an individual following the disposition, at a particular time, of a class "A" share of the capital stock of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1) is deemed to be equal to the amount by which the amount of the individual's loss otherwise determined exceeds the amount by which the total of all amounts each of which is either an amount that the individual or a person with whom the individual was not dealing at arm's length deducted in respect of the share under section 776.1.5.0.11 or the portion of an amount deducted under section 776.41.5 by a person with whom the individual was not dealing at arm's length that can reasonably be attributed to a deduction to which the individual, or a person with whom the individual was not dealing at arm's length, was entitled in respect of the share under section 776.1.5.0.11, exceeds the aggregate of

(a) the amount of tax that the individual is required to pay, where applicable, under section 1129.27.6 following the redemption or purchase of the share; and

(b) the amount of any other loss otherwise determined from the disposition of the share before the particular time by a person with whom the individual was not dealing at arm's length.

2002, c. 9, s. 9; 2019, c. 14, s. 94.

241.0.3. A loss incurred by an individual following the disposition, at a particular time, of a class "B" share of the capital stock of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1) is deemed to be equal to the amount determined by the formula

A – (B – C).

In the formula in the first paragraph,

(a) A is the amount of the individual's loss otherwise determined in relation to the disposition of the class "B" share;

(b) B is the aggregate of all amounts each of which is

i. an amount that the individual, or a person with whom the individual was not dealing at arm's length, deducted under section 776.1.5.0.15.2 or 776.1.5.0.15.4 in respect of the value of the consideration, taking the form of a share, for which the class "B" share was issued,

ii. the portion of an amount deducted under section 776.41.5 by a person with whom the individual was not dealing at arm's length that can reasonably be attributed to a deduction to which the individual, or a person with whom the individual was not dealing at arm's length, was entitled under section 776.1.5.0.15.2 or 776.1.5.0.15.4 in respect of the value of the consideration referred to in subparagraph i,

iii. an amount that the individual, or a person with whom the individual was not dealing at arm's length, deducted under section 776.1.5.0.11 in respect of the share forming the consideration referred to in subparagraph i, or

iv. the portion of an amount deducted under section 776.41.5 by a person with whom the individual was not dealing at arm's length that can reasonably be attributed to a deduction to which the individual, or a person with whom the individual was not dealing at arm's length, was entitled under section 776.1.5.0.11 in respect of the share forming the consideration referred to in subparagraph i; and

(c) C is the aggregate of

i. the amount of tax that the individual is required to pay, where applicable, under section 1129.27.10.3 following the redemption or purchase of the class "B" share, and

ii. the amount of any loss otherwise determined from the disposition of the class "B" share before the particular time by a person with whom the individual was not dealing at arm's length.

2019, c. 14, s. 95.

241.1. *(Repealed).*

1985, c. 25, s. 41; 1987, c. 67, s. 59.

241.2. *(Repealed).*

1985, c. 25, s. 41; 1987, c. 67, s. 59.

242. *(Repealed).*

1972, c. 23, s. 227; 1973, c. 17, s. 22; 1985, c. 25, s. 42; 1987, c. 67, s. 60; 1995, c. 49, s. 60.

243. *(Repealed).*

1972, c. 23, s. 228; 1973, c. 17, s. 22; 1995, c. 49, s. 60.

244. *(Repealed).*

1973, c. 17, s. 22; 1987, c. 67, s. 61.

245. *(Repealed).*

1973, c. 17, s. 22; 1987, c. 67, s. 62; 1995, c. 49, s. 60.

246. *(Repealed).*

1973, c. 17, s. 22; 1975, c. 22, s. 40; 1995, c. 49, s. 60.

247. *(Repealed).*

1972, c. 23, s. 229; 1973, c. 17, s. 22; 1995, c. 49, s. 60.

247.1. *(Repealed).*

1984, c. 15, s. 57; 1995, c. 49, s. 60.

247.2. Where, at any time in a taxation year, an individual owns capital property that is a share of a class of the capital stock of a corporation that, at that time, is a small business corporation and, immediately after that time, ceases to be a small business corporation because a class of the shares of its capital stock or the capital stock of another corporation is listed on a designated stock exchange and the individual makes a valid election under subsection 1 of section 48.1 of the Income Tax Act (R.S.C., 1985, c. 1, (5th Suppl.)) in respect of the share, the individual is deemed, except for the purposes of Division VI of Chapter II of Title II, Division IX of Chapter V of Title III and sections 725.3, 766.3.5 and 766.3.6,

(a) to have disposed of the share at that time for proceeds of disposition equal to the greater of

i. the adjusted cost base to the individual of the share at that time, and

ii. such amount as is designated under subparagraph ii of paragraph *c* of subsection 1 of section 48.1 of the Income Tax Act in respect of the share, not exceeding the fair market value of the share at that time, and

(b) to have reacquired the share immediately after that time at a cost equal to the proceeds of disposition determined under paragraph *a*.

1993, c. 16, s. 110; 1997, c. 3, s. 71; 2001, c. 7, s. 30; 2003, c. 2, s. 72; 2010, c. 5, s. 28; 2012, c. 8, s. 44; 2015, c. 21, s. 147.

247.2.1. An individual who makes a valid election under subsection 1 of section 48.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of a share referred to in section 247.2, shall file with the Minister the prescribed form along with a copy of every document sent to the Minister of National Revenue in connection with that election and, as the case may be, an estimate by the individual of the penalty under section 247.5.

2003, c. 2, s. 73.

247.3. *(Repealed).*

1993, c. 16, s. 110; 1997, c. 31, s. 38; 2003, c. 2, s. 74.

247.4. *(Repealed).*

1993, c. 16, s. 110; 2003, c. 2, s. 74.

247.5. For the purposes of section 247.2.1, where an individual makes a valid election for a taxation year in respect of a share, under subsection 1 of section 48.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), and the individual files with the Minister, after the individual's filing-due date for the year, the prescribed form along with a copy of every document sent to the Minister of National Revenue in connection with that election, the individual is required to pay a penalty equal to the lesser of

(a) 0.25% of the amount by which the proceeds of disposition, determined under section 247.2, of the share exceed the amount referred to in subparagraph i of paragraph *a* of that section in respect of the share, for each month or part of a month during the period beginning on the individual's filing-due date for the year and ending on the day on which the prescribed form and required documents are filed with the Minister; and

(b) an amount equal to the product obtained by multiplying $100 by the number of months each of which is a month all or part of which is during the period referred to in paragraph *a*.

1993, c. 16, s. 110; 2003, c. 2, s. 75.

247.6. The Minister shall examine with dispatch the prescribed form and documents sent to the Minister under section 247.2.1, assess the penalty payable and send a notice of assessment to the individual, who shall pay forthwith to the Minister any unpaid balance of the penalty.

1993, c. 16, s. 110; 2003, c. 2, s. 76.

CHAPTER II

DEFINITION OF CERTAIN EXPRESSIONS

1972, c. 23.

DIVISION I

DISPOSITION OF PROPERTY

1972, c. 23.

248. For the purposes of this Title, the disposition of property includes, except as expressly otherwise provided,

(a) any transaction or event entitling to proceeds of disposition of the property;

(b) any transaction or event by which,

i. where the property is a share, bond, debenture, bill, hypothecary claim, mortgage, agreement of sale or other similar property, or an interest in it, the property is in whole or in part redeemed, acquired or cancelled,

ii. where the property is a debt or any other right to receive an amount, the debt or other right is settled or cancelled,

iii. where the property is a share, the share is converted because of an amalgamation or merger,

iv. where the property is an option to acquire or dispose of property, the option expires, and

v. a trust, that can reasonably be considered to act as agent or mandatary for all the beneficiaries under the trust with respect to all dealings with all of the trust's property, ceases to act as agent or mandatary for a beneficiary under the trust in respect of any dealing with any of the trust's property, unless the trust is described in any of subparagraphs *a* to *d* of the third paragraph of section 647;

(b.1) where the property is an interest in a life insurance policy, a disposition within the meaning of paragraph *a* of section 966;

(c) any transfer of the property to a trust or, where the property is property of a trust, any transfer of the property to any beneficiary under the trust, except as provided by subparagraphs *b* and *g* of the second paragraph; and

(d) where the property is, or is part of, a taxpayer's capital interest in a trust, a payment after 31 December 1999 to the taxpayer from the trust that can reasonably be considered to have been made because of the taxpayer's capital interest in the trust, except as provided by subparagraphs *d* and *e* of the second paragraph.

The disposition of property does not include

(a) any transfer of the property as a consequence of which there is no change in the beneficial ownership of the property, except where the transfer is

i. from a person or a partnership to a trust for the benefit of the person or the partnership,

ii. from a trust to a beneficiary under the trust, or

iii. from one trust maintained for the benefit of one or more beneficiaries under the trust to another trust maintained for the benefit of the same beneficiaries;

(b) any transfer of the property as a consequence of which there is no change in the beneficial ownership of the property, where

i. the transferor and the transferee are trusts that are, at the time of the transfer, resident in Canada,

ii. *(subparagraph repealed);*

iii. the transferee does not receive the property as consideration for the transferee's right as a beneficiary under the transferor trust,

iv. the transferee holds no property immediately before the transfer, other than property the cost of which is not included, for the purposes of this Part, in computing a balance of undeducted outlays, expenses or other amounts in respect of the transferee,

v. the transferee is not a transferee who, in relation to the transfer, makes a valid election under subparagraph v of paragraph *f* of the definition of "disposition" in subsection 1 of section 248 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in order to avoid the application of that paragraph *f*;

vi. if the transferor is an amateur athlete trust, a cemetery care trust, an employee trust, a trust referred to in section 851.25, a segregated fund trust referred to in section 851.2, a trust described in paragraph *c*.4 of section 998 or a trust governed by an eligible funeral arrangement, a profit sharing plan, a registered education savings plan, a registered disability savings plan, a registered supplementary unemployment benefit plan or a tax-free savings account, the transferee is the same type of trust, and

vii. the transfer results, or is part of a series of transactions or events that results, in the transferor ceasing to exist and, immediately before the time of the transfer or the beginning of that series, as the case may be, the transferee never held any property or held only property having a nominal value;

(c) (subparagraph repealed);

(d) where the property is part of a capital interest of a taxpayer in a trust, other than a personal trust or a trust prescribed for the purposes of section 688, that is described by reference to units issued by the trust, a payment after 31 December 1999 from the trust in respect of the capital interest, where the number of units in the trust that are owned by the taxpayer is not reduced because of the payment;

(e) where the property is a taxpayer's capital interest in a trust, a payment to the taxpayer after 31 December 1999 in respect of the capital interest to the extent that the payment

i. is out of the income of the trust, determined without reference to paragraph *a* of section 657 and section 657.1, for a taxation year or out of the capital gains of the trust for the year, if the payment was made in the year or the right to the payment was acquired by the taxpayer in the year, or

ii. is in respect of an amount designated in respect of the taxpayer by the trust under section 667;

(f) any transfer of the property for the purpose only of securing a debt or a loan, or any transfer by a creditor for the purpose only of returning property that has been used as security for a debt or a loan;

(g) any transfer of the property to a trust as a consequence of which there is no change in the beneficial ownership of the property, where the main purpose of the transfer is

i. to effect payment under a debt or loan,

ii. to provide assurance that an absolute or contingent obligation of the transferor will be satisfied, or

iii. to facilitate either the provision of compensation or the enforcement of a penalty, in the event that an absolute or contingent obligation of the transferor is not satisfied;

(h) any issue of a bond, debenture, bill, hypothecary claim or mortgage;

(i) any issue by a corporation of a share of its capital stock, or any other transaction that, but for this subparagraph, would be a disposition by a corporation of a share of its capital stock;

(i.1) any redemption, acquisition or cancellation of a share of the capital stock of a corporation (in this subparagraph referred to as the "issuing corporation") or of a right to acquire such a share, which share or which right being referred to in this subparagraph as the "security", held by another corporation (in this subparagraph referred to as the "disposing corporation"), if

i. the redemption, acquisition or cancellation occurs as part of a merger or combination of two or more corporations, including the issuing corporation and the disposing corporation, to form a new corporation,

ii. the merger or combination

(1) is an amalgamation, within the meaning of subsections 1 and 2 of section 544, to which section 550.9 does not apply,

(2) is an amalgamation, within the meaning of subsections 1 and 2 of section 544, to which section 550.9 applies, if the issuing corporation and the disposing corporation are described in section 550.9 as the parent and the subsidiary, respectively,

(3) is a foreign merger, within the meaning of section 555.0.1, or

(4) would be a foreign merger, within the meaning of section 555.0.1, if subparagraph ii of paragraph *c* of that section were read without reference to "resident in a country other than Canada", and

iii. either

(1) the disposing corporation receives no consideration for the security, or

(2) in the case where the merger or combination is described in subparagraph 3 or 4 of subparagraph ii, the disposing corporation receives no consideration for the security other than property that was, immediately before the merger or combination, owned by the issuing corporation and that, on the merger or combination, becomes property of the new corporation; and

(j) any transfer of a property governed by civil law which does not entail a change in the right of the person who has the full ownership thereof, although such property be subject to a servitude, or in the right of the usufructuary, the emphyteutic lessee, an institute in a substitution or a beneficiary in a trust.

Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph v of paragraph *f* of the definition of "disposition" in subsection 1 of section 248 of the Income Tax Act or in relation to an election made under subparagraph v of subparagraph *b* of the second paragraph before 20 December 2006.

1972, c. 23, s. 230; 1984, c. 15, s. 58; 1996, c. 39, s. 65; 1997, c. 3, s. 71; 2003, c. 2, s. 77; 2004, c. 8, s. 48; 2005, c. 1, s. 78; 2006, c. 13, s. 31; 2009, c. 5, s. 83; 2009, c. 15, s. 67; 2017, c. 1, s. 108.

248.1. A redemption, an acquisition or a cancellation, at a particular time after 31 December 1971 and before 24 December 1998, of a share of the capital stock of a corporation (in this section referred to as the "issuing corporation") or of a right to acquire a share, which share or which right being referred to in this section as the "security", held by another corporation (in this section referred to as the "disposing corporation"), is not a disposition, within the meaning of section 248 as it read in respect of transactions and events that occurred at the particular time, if

(a) the redemption, acquisition or cancellation occurred as part of a merger or combination of two or more corporations, including the issuing corporation and the disposing corporation, to form a new corporation;

(b) the merger or combination

i. is an amalgamation, within the meaning of subsections 1 and 2 of section 544 as they read at the particular time, to which section 550.9 if in force, and as it read, at the particular time, does not apply,

ii. is an amalgamation, within the meaning of subsections 1 and 2 of section 544 as they read at the particular time, to which section 550.9 if in force, and as it read, at the particular time, applies, if the issuing corporation and the disposing corporation are described in section 550.9, if in force, and as it read, at the particular time, as the parent and the subsidiary, respectively,

iii. occurred before 13 November 1981 and is a merger of corporations that is described in section 555, as it read in respect of the merger or combination, or

iv. occurred after 12 November 1981 and

(1) is a foreign merger, within the meaning of section 555.0.1 as it read in respect of the merger or combination, or

(2) the conditions set out in the second paragraph are met; and

(c) either

i. the disposing corporation received no consideration for the security, or

ii. in the case where the merger or combination is described in subparagraph iv of subparagraph *b*, the disposing corporation received no consideration for the security other than property that was, immediately before the merger or combination, owned by the issuing corporation and that, on the merger or combination, became property of the new corporation.

The conditions to which subparagraph 2 of subparagraph iv of subparagraph *b* of the first paragraph refers are the following:

(a) the merger or combination is not a foreign merger, within the meaning of section 555.0.1, as it read in respect of the merger or combination;

(b) section 555.0.1, as it read in respect of the merger or combination, contained a subparagraph ii in its paragraph *c*; and

(c) the merger or combination would be a foreign merger, within the meaning of section 555.0.1, as it read in respect of the merger or combination, if subparagraph ii of paragraph *c* of that section were read as follows:

"ii. another foreign corporation (in this section referred to as the "parent corporation"), if, immediately after the merger, the new foreign corporation was controlled by the parent corporation."

2009, c. 5, s. 84.

DIVISION II

CAPITAL PROPERTY

1972, c. 23.

249. For the purposes of this Title, capital property means any depreciable property of the taxpayer and his other property on the occasion of the disposition of which any gain or loss would be a capital gain or a capital loss for him.

1972, c. 23, s. 231.

250. *(Repealed).*

1972, c. 23, s. 232; 1990, c. 59, s. 117; 2003, c. 2, s. 78; 2005, c. 1, s. 79; 2019, c. 14, s. 96.

DIVISION II.1

DEEMED CAPITAL PROPERTY

1978, c. 26, s. 41.

250.1. Subject to section 250.3, if a Canadian security is disposed of by a taxpayer in a taxation year and the taxpayer makes a valid election under subsection 4 of section 39 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 as a consequence of the disposition, every Canadian security owned by the taxpayer in the year or any subsequent taxation year is deemed to be a capital property owned by the taxpayer and every disposition by the taxpayer of any such Canadian security is deemed to be a disposition of a capital property.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 39 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1978, c. 26, s. 41; 1984, c. 15, s. 59; 2001, c. 51, s. 31; 2009, c. 5, s. 85.

250.1.1. For the purpose of computing the income of a taxpayer who is a member of a partnership, sections 250.1 and 250.3 apply as if every Canadian security owned by the partnership were owned by the taxpayer, and every Canadian security disposed of by the partnership in a fiscal period of the partnership were disposed of by the taxpayer at the end of that fiscal period.

1993, c. 16, s. 111; 1997, c. 3, s. 71.

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

1978, c. 26, s. 41; 1982, c. 5, s. 56; 1985, c. 25, s. 43; 1987, c. 67, s. 63; 1996, c. 39, s. 66; 1997, c. 3, s. 71; 2005, c. 1, s. 80.

250.3. The first paragraph of section 250.1 does not apply to a disposition of a Canadian security by a taxpayer, other than a mutual fund corporation or a mutual fund trust, who, at the time of the disposition, is

(a) a trader or dealer in securities;

(b) a financial institution, within the meaning assigned by section 851.22.1;

(c) (paragraph repealed);

(d) (paragraph repealed);

(e) (paragraph repealed);

(f) a corporation whose principal business is the lending of money or the purchasing of debt obligations, or a combination thereof; or

(g) a person not resident in Canada.

1978, c. 26, s. 41; 1984, c. 15, s. 60; 1993, c. 16, s. 112; 1996, c. 39, s. 67; 1997, c. 3, s. 71; 2000, c. 5, s. 66; 2009, c. 5, s. 86.

250.4. Where a person disposes of all or substantially all of the assets used in a qualified business carried on by him to a corporation for consideration that includes shares of the corporation, the shares are deemed to be capital property of that person.

1990, c. 59, s. 118; 1997, c. 3, s. 71.

DIVISION II.2

SPECIFIED PROPERTY

1996, c. 39, s. 68.

250.5. In this Title, specified property of a taxpayer is capital property of the taxpayer that is

(a) a share;

(b) an interest in a partnership;

(c) a capital interest in a trust; or

(d) an option to acquire a property described in any of paragraphs *a* to *c* or an option to acquire such an option.

1996, c. 39, s. 68; 1997, c. 3, s. 71.

DIVISION III

PROCEEDS OF DISPOSITION

1972, c. 23.

251. The proceeds of disposition of property include, for the purposes of this Title, the same elements as the proceeds of disposition of property referred to in subparagraph *f* of the first paragraph of section 93 and any amount deemed not to be a dividend under paragraph *b* of section 568; it does not include an amount deemed to be a dividend paid to a taxpayer under sections 517.1 to 517.3.1 or, if the taxpayer is a partnership, to a member of the partnership, an amount deemed to be a capital gain under section 517.5.5, an amount deemed to be a dividend received under section 508 to the extent that it refers to a dividend deemed paid under sections 505 and 506, except the portion of that amount that is deemed to be included in the proceeds of disposition of the share under paragraph *b* of section 308.1 or deemed not to be a dividend under paragraph *b* of section 568, or a prescribed amount.

1972, c. 23, s. 233; 1975, c. 22, s. 41; 1978, c. 26, s. 42; 1982, c. 5, s. 57; 1984, c. 15, s. 61; 1985, c. 25, s. 44; 1987, c. 67, s. 64; 2001, c. 53, s. 260; 2017, c. 1, s. 109; 2019, c. 14, s. 97; 2021, c. 14, s. 33.

CHAPTER II.1

CAPITAL GAINS REDUCTION

1996, c. 39, s. 69.

251.1. In this chapter,

"exempt capital gains balance" of an individual for a taxation year that ends before 1 January 2005 in respect of a flow-through entity means the amount determined by the formula

$$A - B - C - D;$$

"flow-through entity" means

(a) a mutual fund trust;

(b) a segregated fund trust referred to in section 851.2;

(c) a trust all or substantially all of the properties of which consist of shares of the capital stock of a corporation, where the trust was established pursuant to an agreement between two or more shareholders of the corporation and one of the main purposes of the trust is to provide for the exercise of voting rights in respect of those shares pursuant to that agreement;

(d) a trust established exclusively for the benefit of one or more persons each of whom was, at the time the trust was created, either a person from whom the trust received property or a creditor of that person, where one of the main purposes of the trust is to secure the payments required to be made by or on behalf of that person to such creditor;

(e) a trust maintained primarily for the benefit of employees of a corporation or two or more corporations that do not deal at arm's length with each other, where one of the main purposes of the trust is to hold interests in shares of the capital stock of the corporation or corporations, as the case may be, or any corporation not dealing at arm's length therewith;

(f) a trust governed by a profit sharing plan;

(g) a partnership;

(h) an investment corporation;

(i) a mortgage investment corporation; and

(j) a mutual fund corporation.

For the purposes of the formula in the definition of "exempt capital gains balance" in the first paragraph,

(a) A is

i. if the entity is a trust referred to in any of paragraphs *b* to *f* of the definition of "flow-through entity" in the first paragraph, the amount determined under subparagraph *c* of the first paragraph of section 726.9.2 in respect of the individual's interest or interests therein, and

ii. in any other case, the lesser of

(1) 4/3 of the aggregate of the taxable capital gains that resulted from elections made under section 726.9.2 in respect of the individual's interests in or shares of the capital stock of the entity, and

(2) the amount that would be determined under subparagraph 1 if this Act were read without reference to section 726.9.3 and the amount designated in the election in respect of each interest or share were equal to the amount by which the fair market value of the interest or share at the end of 22 February 1994 exceeds the portion of the amount designated in the election in respect of that interest or share that exceeds 11/10 of its fair market value at that time;

(b) B is the aggregate of all amounts each of which is the amount by which the individual's capital gain for a preceding taxation year, determined without reference to section 251.2, from the disposition of an interest in or a share of the capital stock of the entity was reduced under that section;

(c) C is

i. if the entity is a trust described in any of paragraphs *a* and *c* to *e* of the definition of "flow-through entity" in the first paragraph, the aggregate of

(1) 4/3 of the aggregate of all amounts each of which is the amount by which the individual's taxable capital gain, determined without reference to this chapter, for a preceding taxation year that ended before 28 February 2000 and that resulted from a designation made under section 668 by the trust, was reduced under section 251.3,

(2) 3/2 of the aggregate of all amounts each of which is the amount by which the individual's taxable capital gain, determined without reference to this chapter, for a preceding taxation year that began after 27 February 2000 and ended before 18 October 2000 and that resulted from a designation made under section 668 by the trust, was reduced under section 251.3,

(3) the amount claimed by the individual under paragraph *a* of section 668.5 or paragraph *b* of section 668.8 for a preceding taxation year, and

(4) twice the aggregate of all amounts each of which is the amount by which the individual's taxable capital gain, determined without reference to this chapter, for a preceding taxation year that began after 17 October 2000 and that resulted from a designation made under section 668 by the trust, was reduced under section 251.3,

ii. if the entity is a partnership, the aggregate of

(1) 4/3 of the aggregate of all amounts each of which is the amount by which the individual's share of the partnership's taxable capital gains, determined without reference to this chapter, for its fiscal period that ended before 28 February 2000 and in a preceding taxation year, was reduced under section 251.4,

(2) 4/3 of the aggregate of all amounts each of which is the amount by which the individual's share of the partnership's income from a business, determined without reference to this chapter, for its fiscal period that ended before 28 February 2000 and in a preceding taxation year, was reduced under section 251.5,

(3) the aggregate of all amounts each of which is the product obtained by multiplying the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the partnership for its fiscal period that ended in a preceding taxation year and includes 28 February 2000 or 17 October 2000, or began after 28 February 2000 and ended before 17 October 2000, by the aggregate of all amounts each of which is the amount by which the individual's share of the partnership's taxable capital gains, determined without reference to this chapter, for its fiscal period, was reduced under section 251.4,

(4) the aggregate of all amounts each of which is the product obtained by multiplying the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the partnership for its fiscal period that ended in a preceding taxation year and includes 28 February 2000 or 17 October 2000, or began after 28 February 2000 and ended before 17 October 2000, by the aggregate of all amounts each of which is the amount by which the individual's share of the partnership's income from a business, determined without reference to this chapter, for its fiscal period, was reduced under section 251.5,

(5) twice the aggregate of all amounts each of which is the amount by which the individual's share of the partnership's taxable capital gains, determined without reference to this chapter, for its fiscal period that began after 17 October 2000 and ended in a preceding taxation year, was reduced under section 251.4, and

(6) twice the aggregate of all amounts each of which is the amount by which the individual's share of the partnership's income from a business, determined without reference to this chapter, for its fiscal period that began after 17 October 2000 and ended in a preceding taxation year, was reduced under section 251.5, and

iii. in any other case, the aggregate of all amounts each of which is the amount by which the aggregate of the individual's capital gains otherwise determined under sections 851.16, 851.21, 860, 1106, 1113 and 1116 for a preceding taxation year in respect of the entity was reduced under section 251.6; and

(d) D is

i. if the entity is a trust described in any of paragraphs *c* to *f* of the definition of "flow-through entity" in the first paragraph, the aggregate of all amounts each of which is an amount included before the year in the cost to the individual of a property under section 688.2 or paragraph *c* of section 858 because of the individual's exempt capital gains balance in respect of the entity, and

ii. in any other case, nil.

1996, c. 39, s. 69; 1997, c. 3, s. 71; 2000, c. 5, s. 67; 2003, c. 2, s. 79.

251.2. Where at any time after 22 February 1994 an individual disposes of an interest in or a share of the capital stock of a flow-through entity, the individual's capital gain otherwise determined for a taxation year from the disposition shall be reduced by such amount as the individual claims, not exceeding the amount determined by the formula

A − B − C.

For the purposes of the formula in the first paragraph,

(a) A is the exempt capital gains balance of the individual for the year in respect of the entity;

(b) B is

i. where the entity made a designation under section 668 in respect of the individual for the year, twice the amount claimed under section 251.3 by the individual for the year in respect of the entity,

ii. where the entity is a partnership, twice the aggregate of the amounts claimed under section 251.4 by the individual for the year in respect of the entity, and

iii. in any other case, the amount claimed under section 251.6 by the individual for the year in respect of the entity; and

(c) C is the aggregate of all reductions under this section in the individual's capital gains otherwise determined for the year from the disposition of other interests in or shares of the capital stock of the entity.

1996, c. 39, s. 69; 1997, c. 3, s. 71; 2003, c. 2, s. 80; 2019, c. 14, s. 98.

251.3. The taxable capital gain otherwise determined under section 668 of an individual for a taxation year as a result of a designation made under that section by a flow-through entity shall be reduced by such

amount as the individual claims, not exceeding 1/2 of the individual's exempt capital gains balance for the year in respect of the entity.

1996, c. 39, s. 69; 2003, c. 2, s. 81; 2019, c. 14, s. 99.

251.4. An individual's share otherwise determined for a taxation year of a taxable capital gain of a partnership from the disposition of a property, other than property acquired by the partnership after 22 February 1994 in a transfer to which the second paragraph of section 614 applied, for its fiscal period that ends in the year and after 22 February 1994 shall be reduced by such amount as the individual claims, not exceeding the amount by which 1/2 of the individual's exempt capital gains balance for the year in respect of the partnership exceeds the aggregate of all amounts claimed by the individual under this section in respect of other taxable capital gains of the partnership for that fiscal period.

1996, c. 39, s. 69; 1997, c. 3, s. 71; 2003, c. 2, s. 82; 2019, c. 14, s. 100.

251.5. *(Repealed).*

1996, c. 39, s. 69; 1997, c. 3, s. 71; 2003, c. 2, s. 83; 2019, c. 14, s. 101.

251.5.1. *(Repealed).*

2003, c. 2, s. 84; 2019, c. 14, s. 101.

251.6. The aggregate of capital gains otherwise determined under sections 851.16, 851.21, 860, 1106, 1113 and 1116 of an individual for a taxation year as a result of one or more elections, allocations or designations made after 22 February 1994 by a flow-through entity shall be reduced by such amount as the individual claims, not exceeding the individual's exempt capital gains balance for the year in respect of the entity.

1996, c. 39, s. 69.

251.7. Notwithstanding section 251.1, where at any time an individual ceases to be a member or shareholder of, or a beneficiary under, a flow-through entity, the exempt capital gains balance of the individual in respect of the entity for each taxation year that begins after that time is deemed to be nil.

1996, c. 39, s. 69.

CHAPTER III

COMPUTATION OF ADJUSTED COST BASE

1972, c. 23.

DIVISION I

GENERAL RULES

1972, c. 23.

252. The adjusted cost base of any property at a particular time, where such property is depreciable property of the taxpayer, is the capital cost to the taxpayer of such property as of that time.

In all other cases, such cost shall be calculated in accordance with this chapter.

1972, c. 23, s. 234.

252.1. Where any property of the taxpayer is property that was reacquired by the taxpayer after having been previously disposed of by the taxpayer, no adjustment to the cost to the taxpayer of the property that was

required to be made under this chapter before its reacquisition by the taxpayer shall be made under this chapter to the cost to the taxpayer of the property as reacquired property of the taxpayer.

The first paragraph does not apply in respect of property that is an interest in or a share of the capital stock of a flow-through entity within the meaning assigned by section 251.1 that was last reacquired by the taxpayer as a result of an election under section 726.9.2.

1996, c. 39, s. 70.

253. In no case shall the adjusted cost base to a taxpayer of any property at any time be less than zero.

1972, c. 23, s. 235; 1996, c. 39, s. 71.

254. The adjusted cost base of the disposed part of a property, immediately before its disposition, is the portion of the adjusted cost base of the whole property which may reasonably be attributed to such part.

1972, c. 23, s. 236.

254.1. For the purposes of section 254 and Divisions II to IV, other than section 259, where a taxpayer encumbers land with a servitude in circumstances where section 710.0.2 or 752.0.10.3.2 applies, the following rules apply:

(a) the establishment of the servitude is deemed to be a disposition under section 254 of a portion of the land so encumbered;

(b) the portion of the adjusted cost base to the taxpayer of the land immediately before the disposition that can reasonably be considered to be attributable to the servitude is deemed to be equal to the amount determined by the formula

A × B / C; and

(c) the cost to the taxpayer of the land shall be reduced at the time of the disposition by the amount determined under subparagraph *b*.

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

(a) A is the adjusted cost base to the taxpayer of the land immediately before the disposition;

(b) B is the amount determined under section 710.0.2 or 752.0.10.3.2 in respect of the disposition; and

(c) C is the fair market value of the land immediately before the disposition.

2003, c. 2, s. 85; 2006, c. 13, s. 32; 2019, c. 14, s. 102.

254.1.1. For the purposes of section 254 and Divisions II to IV, other than section 259, if an individual encumbers a property that is the individual's principal residence or a qualified farm or fishing property within the meaning of section 726.6 with a real servitude, the following rules apply:

(a) the establishment of the servitude is deemed to be a disposition under section 254 of a portion of the property so encumbered; and

(b) the portion of the adjusted cost base to the individual of the property immediately before the disposition that can reasonably be considered to be attributable to the servitude is deemed to be equal to zero.

2006, c. 13, s. 33; 2007, c. 12, s. 44; 2017, c. 29, s. 56.

254.2. Notwithstanding section 254, where part of a capital interest of a taxpayer in a trust would, but for subparagraphs *d* and *e* of the second paragraph of section 248, be disposed of solely because of the satisfaction of a right to enforce payment of an amount by the trust, no part of the adjusted cost base to the taxpayer of the taxpayer's capital interest in the trust shall be allocated to that part of the capital interest.

2003, c. 2, s. 85.

DIVISION II

AMOUNTS TO BE ADDED

1972, c. 23.

255. The taxpayer must, in computing the adjusted cost base of any property at a particular time, add to the cost of such property the following amounts:

MISCELLANEOUS CASES

(a) the amount deemed to be a gain, under section 261;

(b) where the property is substituted property, within the meaning of subparagraph *a* of the first paragraph of section 237, of the taxpayer, the amount by which the amount of the loss that was, because of the acquisition by the taxpayer of the property, a non-allowable loss referred to in that section 237 from a disposition of a property by a taxpayer exceeds, where the property disposed of was a share of the capital stock of a corporation, the amount that would, but for section 237, be deducted under section 741, 741.2 or 742 in computing the loss of any taxpayer from the disposition of the share;

(c) where the property is an indemnity, within the meaning of sections 469 to 479, or is deemed to be such an indemnity under those sections, the amount to be added under subparagraph *b* of the first paragraph of section 471;

*(c.*1*)* where the taxpayer is a taxable Canadian corporation and the property was disposed of by another taxable Canadian corporation to the taxpayer in circumstances such that paragraph *f.*1 does not apply to increase the adjusted cost base to the other corporation of shares of the capital stock of the taxpayer and the capital loss from the disposition was not allowable under section 239, as it read, before its repeal, in respect of that disposition, or 264.0.1 or is deemed under paragraph *a* of section 535, as it read, before its repeal, in respect of that disposition, to be nil, the amount that would otherwise be the capital loss from the disposition;

*(c.*1.1*)* where the property was disposed of by a person, other than a person not resident in Canada or a person exempt from tax under this Part on the person's taxable income, or by an eligible Canadian partnership, within the meaning of section 485, to the taxpayer in circumstances such that paragraph *c.*1 does not apply to increase the adjusted cost base to the taxpayer of the property, paragraph *f.*1 does not apply to increase the adjusted cost base to that person of shares of the capital stock of the taxpayer and the capital loss from the disposition was not allowable under section 264.0.1 or deemed under paragraph *a* of section 535, as it read, before its repeal, in respect of that disposition, to be nil, the amount that would otherwise be the capital loss from the disposition;

(c.2) the reasonable costs incurred by the taxpayer before the particular time of surveying or valuing the property for the purpose of its acquisition or disposition to the extent that those costs are not otherwise deducted by the taxpayer in computing his income for any taxation year or attributable to any other property;

(c.3) where the property is immovable property of the taxpayer, any amount required by paragraph *b* of section 277.2 to be added;

(c.4) where the property is an interest in or a share of the capital stock of a flow-through entity within the meaning assigned by section 251.1 and the time is after 31 December 2004, an amount equal to the product obtained by multiplying the amount that would, if the definition of "exempt capital gains balance" in section 251.1 were read without reference to "that ends before 1 January 2005", be the taxpayer's exempt capital gains balance in respect of the entity for the taxpayer's taxation year 2005 by the proportion that the fair market value at that time of the property is of the fair market value at that time of all the taxpayer's interests in or shares of the capital stock of the entity;

(c.5) any amount required under paragraph *d* of section 259, paragraph *b* of any of sections 259.1 to 259.3 and 296.1, subparagraph *b*.2 of the first paragraph of section 301, subparagraph *b* of the first paragraph of section 543.2 or paragraph *b* of section 553.2 to be added;

(c.6) where the property is an interest in, or a share of the capital stock of, a flow-through entity described in any of paragraphs *a*, *b*, *e* and *g* to *j* of the definition of "flow-through entity" in the first paragraph of section 251.1, the time is before 1 January 2005 and immediately after that time the taxpayer disposed of the aggregate of the taxpayer's interests in, and shares of the capital stock of, the entity, an amount equal to the product obtained by multiplying the amount by which the taxpayer's exempt capital gains balance, within the meaning of the first paragraph of section 251.1, in relation to the entity for the taxpayer's taxation year that includes that time exceeds the aggregate of all amounts each of which is the amount by which a capital gain is reduced under the provisions of Chapter II.1 for the year because of the taxpayer's exempt capital gains balance in relation to the entity or, subject to section 255.1, twice an amount by which a taxable capital gain, or the income from a business, is reduced under the provisions of that chapter for the year because of the taxpayer's exempt capital gains balance in relation to the entity, by the proportion that the fair market value at that time of the property is of the fair market value at that time of the aggregate of the taxpayer's interests in, and shares of the capital stock of, the entity;

(c.7) where the property was acquired under a derivative forward agreement, any amount that must be included in respect of the property under subparagraph i of paragraph *z*.7 of section 87 in computing the taxpayer's income for a taxation year;

(c.8) where the property is disposed of under a derivative forward agreement, any amount that must be included in respect of the property under subparagraph ii of paragraph *z*.7 of section 87 in computing the taxpayer's income for the taxation year that includes the particular time;

SHARES OF A CORPORATION

(d) where the property is a share of the capital stock of a corporation resident in Canada, the amount by which the aggregate of all amounts each of which is the amount of any dividend that is deemed to have been received by the taxpayer under section 504 before that time exceeds the portion of that aggregate that relates to dividends in respect of which the taxpayer may deduct an amount under section 738 in computing the taxpayer's taxable income, except the portion of the dividends that, if paid as a separate dividend, would not be subject to section 308.1 because the amount of the separate dividend would not exceed the amount of the income earned or realized by any corporation after 31 December 1971 and before the safe-income determination time, in relation to the transaction or event or series of transactions or events as part of which the dividend is received, that can reasonably be considered to contribute to the capital gain that would have

been realized on a disposition at fair market value of the share on which the dividend was received, if the disposition had occurred immediately before the dividend was paid;

(d.1) where the property is a share of the capital stock of a corporation, the amount of any dividend deemed by paragraph *c*.1 of section 785.1 to have been received in respect of the share by the taxpayer before that time and while the taxpayer was resident in Canada;

(e) where the property is a share of the capital stock of a corporation and the taxpayer, after 31 December 1971, makes a contribution of capital to the corporation otherwise than by way of a loan, by way of a disposition of shares of a foreign affiliate of a taxpayer to which section 540 applies or, subject to section 256, by way of a disposition of property in respect of which section 518 or 529 applies, that proportion of such contribution as cannot reasonably be regarded as a benefit conferred by the taxpayer on a person, other than the corporation, who was related to the taxpayer, that

i. the amount that may reasonably be regarded as the increase, as the result of such contribution of capital, in the fair market value of such share, is of

ii. the amount that may reasonably be regarded as the increase, as the result of such contribution of capital, in the fair market value of all the shares of the capital stock of such corporation owned by the taxpayer immediately after the contribution of capital;

(e.1) where the property is a share of the capital stock of a corporation of which the taxpayer was, at any time, a specified shareholder, any expense incurred by the taxpayer in respect of land or a building of the corporation that was not deductible in computing the taxpayer's income for any taxation year commencing before that time by reason of section 135.4 or 164;

(f) where the property is a share of the capital stock of a corporation, the amount of the benefit that, in respect of the acquisition of the property by the taxpayer, is deemed by Division VI of Chapter II of Title II to have been received in any taxation year beginning before the particular time and ending after 31 December 1971 by the taxpayer or by a person that did not deal at arm's length with the taxpayer or, if the share was acquired after 27 February 2000, the amount of the benefit that would have been so deemed to have been received if that Division VI were applied without reference to sections 49.2 and 58.0.1, as the latter section read before being repealed;

(f.1) where the property is a share of the capital stock of a corporation, any amount required by paragraph *b* of section 238.3, or paragraph *b* of section 535, as it read, before its repeal, in respect of the disposition of that share, to be added;

(g) where the property is a share of the capital stock of a foreign affiliate of the taxpayer, any amount required by Chapter IV of Title X to be added;

(g.1) where the property is a share of the capital stock of a corporation, any amount required by subparagraph *f* of the second paragraph of section 832.23 to be added;

BOND AND SIMILAR OBLIGATION

(h) the excess of the principal amount of a bond, debenture, bill, hypothecary claim, mortgage or similar obligation over the amount for which it has been issued, if such excess must be included, under sections 122 to 125, in computing the income of the taxpayer for a taxation year beginning before such particular time;

(h.0.0.1) where the property is a particular commercial obligation, within the meaning assigned by section 485, payable to the taxpayer as consideration for the settlement or extinguishment of another commercial obligation payable to the taxpayer and the taxpayer's loss from the disposition of the other obligation was

reduced because of section 264.0.2, the proportion of the reduction that the principal amount of the particular obligation is of the aggregate of all amounts each of which is the principal amount of a commercial obligation payable to the taxpayer as consideration for the settlement or extinguishment of that other obligation;

INDEXED DEBT OBLIGATIONS

(h.0.1*)* where the property is an indexed debt obligation, the amount referred to in paragraph *a* of section 125.0.1 in respect of the obligation and required to be included in computing the income of the taxpayer for a taxation year beginning before the particular time;

OFFSHORE INVESTMENT FUND PROPERTY

(h.1*)* where the property is an offshore investment fund property within the meaning of section 597.1,

i. any amount included in respect of the property by virtue of section 597.4 in computing the taxpayer's income for a taxation year commencing before that time, or

ii. where the taxpayer is a controlled foreign affiliate, within the meaning of section 572, of a person resident in Canada, the amount prescribed;

PARTNERSHIP

(i) where the property is an interest in a partnership,

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

(1) sections 231.2 and 231.2.1, the fraction "1/2" in section 105, as it applied to a fiscal period of the partnership ending before 1 April 1977, and without reference to that or another fraction in sections 107, 231, 231.1, as it read before being repealed, and 265,

(1.1) the second and third paragraphs of section 232 in respect of a property described in that third paragraph that is not the subject of a gifting arrangement, within the meaning of the first paragraph of section 1079.1, nor a tax shelter,

(2) the reference to the fraction and the letter C in the formula provided for in the first paragraph of section 105.2, and

(3) paragraphs *l* and *z*.4 of section 87, sections 89 to 91, 144, 144.1 and 145, paragraph *j* of section 157, as it read before being struck out, paragraph *b* of each of sections 200 and 201, Division XV of Chapter IV, section 425, paragraphs *g* and *h* of section 489, as they read before being struck out, the second paragraph of section 497, and the provisions of the Act respecting the application of the Taxation Act (S.C. 1972, c. 24), as they read before their repeal, in respect of income from the operation of new mines,

ii. the share of the taxpayer in any capital dividend and any life insurance capital dividend received by the partnership before the particular time in respect of a share of the capital stock of a corporation while the partnership owned such share,

iii. the share of the taxpayer in the amount by which any proceeds of a life insurance policy received by the partnership after 31 December 1971 and before the particular time by reason of the death of any person whose life was insured under the policy exceed the aggregate of all amounts each of which is

(1) the adjusted cost basis (in this subparagraph iii having the meaning assigned by sections 976 and 976.1), immediately before the death, of the policy to the partnership, if the death occurs before 22 March 2016, or of the policyholder's interest in the policy, if the death occurs after 21 March 2016,

(2) if the death occurs after 21 March 2016, the amount by which the fair market value of consideration given in respect of a disposition of an interest in the policy by a policyholder (other than a taxable Canadian corporation) after 31 December 1999 and before 22 March 2016 exceeds the greater of the amount determined under subparagraph i of subparagraph *a* of the first paragraph of section 971, in respect of the disposition and the adjusted cost basis to the policyholder of the interest immediately before the disposition, or

(3) if the death occurs after 21 March 2016, the amount by which the amount by which the lesser of the fair market value of consideration given in respect of a disposition, in respect of which section 971 applies, of an interest in the policy by a policyholder (other than a taxable Canadian corporation) after 31 December 1999 and before 22 March 2016 and the adjusted cost basis to the policyholder of the interest immediately before the disposition exceeds the amount determined under subparagraph i of subparagraph *a* of the first paragraph of section 971, in respect of the disposition, exceeds the absolute value of the negative amount, if any, that would be, in the absence of section 7.5, the adjusted cost basis, immediately before the death, of the interest in the policy,

iv. where the taxpayer, after 31 December 1971, made a contribution of capital to the partnership otherwise than by way of a loan, that portion of such contribution as cannot reasonably be regarded as a benefit conferred on any other member of the partnership who was related to the taxpayer,

iv.1. any amount, in respect of a particular amount described in section 486 or a specified amount described in section 486.1, that is paid by the taxpayer to the partnership, to the extent that the amount paid is not deductible in computing the taxpayer's income,

v. the value, at the time of the taxpayer's death of the rights or property referred to in section 429 in respect of a partnership interest held by him immediately before his death, other than an interest referred to in section 612, where the particular time is immediately before the taxpayer's death and the taxpayer was at the particular time a member of the partnership,

v.1. any amount deemed by section 261.1 to be a gain of the taxpayer,

vi. *(subparagraph repealed),*

vii. any amount deemed by paragraph *c* of section 618 or section 642 to be a gain of the taxpayer,

vii.1. a share of the taxpayer's Canadian development expense or Canadian oil and gas property expense that was deducted at or before the particular time in computing the adjusted cost base to the taxpayer of the interest because of subparagraph ii of paragraph *l* of section 257 and in respect of which the taxpayer has elected under paragraph *d* of section 408 or paragraph *b* of section 418.2, as the case may be,

viii. an amount deemed, before the particular time, by section 600.1, to be an amount referred to in paragraph *b* of section 399, in subparagraph i of paragraph *b* of section 412, in paragraph *c* of the said section 412, in subparagraph i of paragraph *b* of section 418.6 or in paragraph *c* of the said section 418.6 in respect of the taxpayer,

viii.1. any amount deemed, before that time, under section 330.1 to be proceeds of disposition receivable by the taxpayer in respect of the disposition of a foreign resource property,

ix. the amount by which the taxpayer's share of the amount of any assistance or benefit that the partnership has received or has become entitled to receive after 31 December 1971 and before the particular time from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from royalty or tax, investment allowance or any other form of assistance or benefit, in respect of or related to a Canadian resource property or an exploration or development expense incurred in Canada, exceeds such part of that share of the assistance or benefit as has been repaid before that time by the taxpayer pursuant to a legal obligation to repay all or any part of that share of that assistance or benefit,

x. any amount required by sections 614 to 617 to be added before that particular time in computing the adjusted cost base to the taxpayer of the interest in the partnership,

xi. where the taxpayer's share of any income or loss of the partnership was, at any time, 10% or more, any expense incurred by the taxpayer in respect of land or a building of the partnership that was not deductible in computing the taxpayer's income for any taxation year commencing before that time by reason of section 135.4 or 164, and

xii. any amount required by subparagraph *a* of the first paragraph of section 726.9.6 to be added at that time in computing the adjusted cost base to the taxpayer of the interest;

TRUST

(j) where the property is a capital interest in a trust, any amount that is included under section 580 or 582 in computing the taxpayer's income for a taxation year that ends at or before the particular time, in respect of that interest, or that would have been so required to have been included for such a taxation year but for sections 316.1, 456 to 458, 462.1 to 462.24.1 and 466 to 467.1;

(j.1) where the property is an interest in a segregated fund trust referred to in section 851.2,

i. each amount deemed by section 851.3 to be an amount payable to the taxpayer before the particular time in respect of that interest,

ii. each amount required by section 851.12 to be added before the particular time in respect of that interest,

iii. each amount in respect of that interest that is a capital gain deemed to have been allocated under section 851.21 to the taxpayer before the particular time, and

iv. each amount in respect of that interest that before the particular time was deemed under section 851.16 to have been a capital gain of the taxpayer;

(j.2) where the property is a unit in a mutual fund trust, any amount required by section 1121.3 to be added in computing the adjusted cost base to the taxpayer of the unit;

(j.3) where the property is a unit of a mutual fund trust, the amount of the benefit that, in respect of the acquisition of the property by the taxpayer, is deemed by Division VI of Chapter II of Title II to have been received in any taxation year beginning before the particular time by the taxpayer or by a person that did not deal at arm's length with the taxpayer or, if the unit was acquired after 27 February 2000, the amount of the benefit that would have been so deemed to have been received if that Division VI were applied without reference to section 58.0.1, as it read before being repealed;

(k) where the property is land of the taxpayer, any amount paid after 31 December 1971 and before the particular time by the taxpayer or by another taxpayer in respect of whom the taxpayer was a person, corporation or partnership described in subparagraph ii of paragraph *c* of section 165, pursuant to a legal obligation to pay interest on debt relating to the acquisition of land, within the meaning of paragraph *c* of section 165, or property taxes, not including an income or profits taxes or taxes imposed by reference to the transfer of property, paid by the taxpayer in respect of the property to a province or to a Canadian municipality, to the extent that the amount

i. was not deductible by reason of section 164 in computing the taxpayer's income from the land or from a business for any taxation year beginning before that time, or

ii. was not deductible by reason of section 164 in computing the income of the other taxpayer if the amount was not included in or added to the cost to the other taxpayer of any property otherwise than by reason of paragraph *e*.1 or subparagraph xi of paragraph *i*;

(l) where the property is land used in a farming business which he operates, an amount, with respect to each taxation year ending after 1971 and beginning before such time, equal to the loss of such taxpayer for such year, derived from such farming business, to the extent that such loss

i. is not deductible in computing the income for that year under section 205,

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

iii. does not exceed the aggregate of the following amounts, to the extent that those amounts are included in computing the loss:

(1) taxes, other than income or profits taxes or taxes imposed by reference to the transfer of the property, paid by the taxpayer in that year or payable by the taxpayer in respect of that year to a province or a Canadian municipality in respect of the property, and

(2) interest, paid by the taxpayer in that year or payable by the taxpayer in respect of that year, pursuant to a legal obligation to pay interest on borrowed money used to acquire the property or on any amount as consideration payable for the property, and

iv. does not exceed the amount obtained by subtracting from the proceeds of disposition of that property reduced by its adjusted cost base immediately before that time, computed without referring to this paragraph, the aggregate of his losses from his farming business for the taxation years prior to that year and which must be added, under this paragraph, in computing the adjusted cost base of such property;

(m) (paragraph repealed).

1972, c. 23, s. 237; 1973, c. 17, s. 23; 1974, c. 18, s. 13; 1975, c. 22, s. 42; 1977, c. 26, s. 24; 1978, c. 26, s. 43; 1979, c. 18, s. 20; 1980, c. 13, s. 19; 1982, c. 5, s. 58; 1984, c. 15, s. 62; 1985, c. 25, s. 45; 1986, c. 15, s. 54; 1986, c. 19, s. 42; 1990, c. 59, s. 119; 1993, c. 16, s. 113; 1994, c. 22, s. 123; 1995, c. 49, s. 61; 1996, c. 39, s. 72; 1997, c. 3, s. 71; 1997, c. 14, s. 54; 1997, c. 85, s. 58; 1998, c. 16, s. 104; 2000, c. 5, s. 68; 2001, c. 7, s. 31; 2001, c. 53, s. 47; 2003, c. 2, s. 86; 2004, c. 8, s. 49; 2005, c. 1, s. 81; 2006, c. 36, s. 31; 2009, c. 5, s. 87; 2011, c. 34, s. 27; 2015, c. 24, s. 52; 2015, c. 36, s. 15; 2017, c. 1, s. 110; 2019, c. 14, s. 103.

255.1. For the purposes of paragraph *c*.6 of section 255, the following rules apply:

(a) in respect of a taxpayer's interest in a flow-through entity, where a taxation year of the entity that includes 28 February 2000 or 17 October 2000, or that begins after 28 February 2000 and ends before 17 October 2000, ends in the taxpayer's taxation year, the word "twice" in that paragraph *c*.6 is to be read, with the necessary modifications, as a reference to the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies in respect of the flow-through entity for its taxation year; and

(b) where the fair market value of all of a taxpayer's interests in, and shares of the capital stock of, a flow-through entity is nil when the taxpayer disposes of those interests and shares, the fair market value of each such interest or share, as the case may be, is deemed at that time to be $1.

2003, c. 2, s. 87; 2015, c. 24, s. 53.

256. For the purposes of paragraph *e* of section 255, the disposition before 7 May 1974 of property in consideration of which the taxpayer did not receive shares of the capital stock of the corporation and in respect of which the election mentioned therein was made, is deemed to be a contribution of capital equal to the amount by which the amount agreed upon in the election exceeds the fair market value, at the time of the disposition, of the consideration received by the taxpayer.

1975, c. 22, s. 43; 1997, c. 3, s. 71.

DIVISION III

AMOUNTS TO BE DEDUCTED

1972, c. 23.

257. A taxpayer shall, in computing the adjusted cost base of a property at a particular time, deduct the following amounts:

MISCELLANEOUS CASES

(a) in the case of a property which the taxpayer disposed of in part after 1971 and before the particular time, the amount established under section 254 for such taxpayer;

(b) where sections 485 to 485.18 apply, the amount by which the adjusted cost base is required to be reduced before the particular time;

(b.1*)* any amount required under paragraph *c* of section 259, paragraph *a* of any of sections 259.1 to 259.3 and 296.1, subparagraph *b*.1 of the first paragraph of section 301, subparagraph *a* of the first paragraph of section 543.2 or paragraph *a* of section 553.2 to be deducted in computing the adjusted cost base of the property or any amount by which that adjusted cost base is required to be reduced because of any of sections 485.9 to 485.11;

(c) that part of the cost of the property which is deductible in computing the income, otherwise than because of this Title or of section 75.2.1 or 75.3, for any taxation year beginning before the particular time and ending after 31 December 1971;

(d) where the property is acquired by the taxpayer after 31 December 1971, the aggregate of

i. the amount by which any assistance, other than prescribed assistance, that the taxpayer has received or is entitled to receive before the particular time from a government, municipality or other public authority in respect of, or for the acquisition of, the property, whether as a grant, subsidy, forgivable loan, deduction from tax not otherwise provided for under this paragraph, investment allowance or as any other form of assistance,

exceeds such part of the assistance as has been repaid by the taxpayer before that time in accordance with an obligation to repay all or any part of that assistance, and

ii. the amounts, other than a prescribed amount, deducted by the taxpayer in respect of the property before the particular time under subsection 5 or 6 of section 127 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in computing his tax payable under the said Act;

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

(f) where the property is an indemnity within the meaning of sections 469 to 479, or is deemed to be such an indemnity under those sections, the amount required by subparagraph *b* of the first paragraph of section 471 to be deducted;

(f.1) where the property is a debt owing to the taxpayer by a corporation, the amount required by section 511, or sections 517.1 to 517.6 as they applied before 23 May 1985, to be deducted before the particular time in computing the adjusted cost base of that debt;

(f.2) the amount by which the amount elected by the taxpayer before the particular time under section 257.2 exceeds any repayment before that time by the taxpayer of an amount received by him as described in section 257.2 that may reasonably be considered to relate to the amount elected where the repayment is made pursuant to a legal obligation to repay all or any part of the amount so received;

(f.3) where the property is property of a taxpayer that was subject to a loss restriction event at or before that time, any amount required by subparagraph *a* of the second paragraph of section 736 to be deducted in computing the adjusted cost base of the property;

(f.4) where the property is a right to acquire a share of the capital stock of a corporation or a unit of a mutual fund trust under an agreement, any amount required by paragraph *b* of section 1055.1 to be deducted;

(f.5) where the property was at the end of 22 February 1994 a non-qualifying immovable property of the taxpayer within the meaning assigned by section 726.6.1 as that section applies to the taxation year 1994, any amount required by paragraph *b* of section 726.9.4 to be deducted in computing the adjusted cost base to the taxpayer of the property;

(f.6) where the taxpayer elected under section 726.9.2 in respect of the property, any amount required by section 726.9.5 to be deducted in computing the adjusted cost base to the taxpayer of the property at the particular time;

(f.7) where the property was acquired under a derivative forward agreement, any amount deductible in respect of the property under section 157.2.2 in computing the taxpayer's income for a taxation year;

(f.8) where the property is disposed of under a derivative forward agreement, any amount deductible in respect of the property under section 157.2.2 in computing the taxpayer's income for the taxation year that includes the particular time;

SHARES OF A CORPORATION

(g) where the property is a share of the capital stock of a corporation resident in Canada,

i. any amount received by the taxpayer after 31 December 1971 and before the particular time as a dividend other than a taxable dividend or a dividend in respect of which the corporation has elected in accordance with section 502 or 502.1 and section 503 in respect of the full amount thereof,

ii. any amount required by sections 517.1 to 517.6, as they applied before 23 May 1985, to be deducted before the particular time in computing the adjusted cost base of that share,

iii. any amount received by the taxpayer after 1971 and before the particular time on a reduction of the paid-up capital of the corporation in respect of that share, except to the extent that that amount is deemed by section 508 to be a dividend received by him,

iv. any amount, to the extent that such amount is not proceeds of disposition of a share, received by the taxpayer before that particular time that would, but for section 510.1, be deemed by section 508 to be a dividend received by him, and

v. any amount required by section 280.6 to be deducted in computing the adjusted cost base to the taxpayer of the share;

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

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

(i) where the property is a share, or a right in or to a share, of the capital stock of a corporation acquired before 1 August 1976, an amount equal to the expenses incurred by the taxpayer as consideration to acquire the property, to the extent that such expenses are for the taxpayer Canadian exploration and development expenses under paragraph *e* of section 364, Canadian exploration expenses under paragraph *e* of section 395, Canadian development expenses under paragraph *e* of section 408 or Canadian oil and gas property expenses under paragraph *c* of section 418.2;

(j) where the property is a share of the capital stock of a corporation not resident in Canada,

i. if the corporation is a foreign affiliate of the taxpayer,

(1) any amount required by subparagraph *d* of the first paragraph of section 477 or sections 585 to 588 to be deducted in computing the adjusted cost base to the taxpayer of the share, and

(2) any amount received by the taxpayer before that time, on a reduction of the paid-up capital of the corporation in respect of the share, that is so received after 31 December 1971 and before 20 August 2011, or, where the reduction is a qualifying return of capital, within the meaning of section 577.3, in respect of the share, after 19 August 2011, or

ii. in any other case, any amount received by the taxpayer after 31 December 1971 and before that time on a reduction of the paid-up capital of the corporation in respect of the share;

(j.1) (paragraph repealed);

(k) where the property is a debt obligation, any amount that was deductible by virtue of sections 167 and 168 for any taxation year commencing before that particular time;

INDEXED DEBT OBLIGATIONS

(k.1) where the property is an indexed debt obligation,

i. any amount referred to in paragraph *b* of section 125.0.1 in respect of the obligation and deductible in computing the income of the taxpayer for a taxation year beginning before the particular time, and

ii. the amount of any payment that was received or that became receivable by the taxpayer at or before the particular time in respect of an amount that was added under paragraph *h*.0.1 of section 255 to the cost to the taxpayer of the obligation;

PARTNERSHIP

(l) when the property is an interest in a partnership,

i. subject to section 257.2.1, an amount in respect of each fiscal period of the partnership ending after 31 December 1971 and before the particular time, equal to the taxpayer's share, other than a share under an agreement referred to in section 608, of any loss of the partnership from any source for that fiscal period, computed as if this Part were construed without reference to

(1) the fraction "1/2" in section 105, as it applied to each fiscal period of the partnership ending before 1 April 1977, and without reference to that or another fraction in sections 107 and 231,

(2) the reference to the fraction and the letter C in the formula provided for in the first paragraph of section 105.2, and

(3) paragraph *z*.4 of section 87, sections 89 to 91 and 144, section 144.1, as it read before being repealed, section 145, paragraph *j* of section 157, as it read before being struck out, sections 205 to 207, 235, 236.2 to 241, 264, 271, 273, 288 and 293, Division XV of Chapter IV, section 425, paragraphs *g* and *h* of section 489, as they read before being struck out, sections 638.1, 741.2 and 743, section 744.1, as it applied to dispositions of property that occurred before 27 April 1995, and section 744.6,

i.1. an amount in respect of each fiscal period of the partnership ending before the particular time that is the taxpayer's limited partnership loss in respect of the partnership for the taxation year in which that fiscal period ends to the extent that such loss was deducted by the taxpayer in computing his taxable income for any taxation year that commenced before the particular time,

i.2. any amount deemed by section 261.2 to be a loss of the taxpayer,

i.3. where at the particular time the property is not a tax shelter investment as defined in section 851.38 and the taxpayer would be a member described in section 261.1 of the partnership if the fiscal period of the partnership that includes that time ended at that time, the unpaid principal amount of any indebtedness of the taxpayer for which recourse is limited, either immediately or in the future and either absolutely or contingently, and that may reasonably be considered to have been used to acquire the property,

i.4. unless the particular time immediately precedes a disposition of the interest, if the taxpayer is a member of the partnership and the taxpayer has been a specified member of the partnership at all times since becoming a member of the partnership, or the taxpayer is at the particular time a limited partner of the partnership for the purposes of section 261.1,

(1) where the particular time is in the taxpayer's first taxation year for which the taxpayer is eligible to deduct an amount in respect of the partnership under section 217.27, the portion of the amount deducted in computing the taxpayer's income for the taxation year under section 217.27 in respect of the partnership that would be deductible if the definition of "qualifying transitional income" in the first paragraph of section 217.18 were read without reference to its paragraph *b*, and

(2) where the particular time is in any other taxation year, the portion of the amount deducted under section 217.27 in computing the taxpayer's income for the taxation year preceding that other taxation year in respect of the partnership that would be deductible if the definition of "qualifying transitional income" in the first paragraph of section 217.18 were read without reference to its paragraph *b*,

ii. an amount with respect to each fiscal period of the partnership ending after 31 December 1971 and before the particular time, except a fiscal period subsequent to that in which the taxpayer ceased to be a member of the partnership, equal to the share of the taxpayer in the aggregate of Canadian exploration and development expenses, foreign resource pool expenses, Canadian exploration expenses, Canadian development expenses and Canadian oil and gas property expenses incurred by the partnership in the fiscal period and the amounts which, but for paragraph *d* of section 600, would be deductible in computing the income of the partnership for the fiscal period under the Act respecting the application of the Taxation Act (chapter I-4) in respect of exploration and development expenses,

ii.1. where the taxpayer is a corporation or an individual, an amount in respect of each fiscal period of the partnership ending before the particular time, other than a fiscal period subsequent to that in which the taxpayer ceased to be a member of the partnership, equal to the taxpayer's share of the aggregate of all amounts each of which would, but for section 134.2, be deductible in computing the partnership's income for the fiscal period as dues described in subparagraph *a* or *b* of the first paragraph of that section or as a contribution described in subparagraph *c* of that paragraph,

iii. any amount deemed, under section 714 or 752.0.10.11, to be the eligible amount of a gift made by the taxpayer as a member of the partnership at the end of any fiscal period of the partnership ending before that time, or in relation to another partnership of which the taxpayer is deemed to be a member under section 693.2 or the second paragraph of section 752.0.10.11 because the taxpayer is a member of the partnership at the end of such a fiscal period,

iv. every amount received by the taxpayer, after 1971 and before the particular time, as a payment or distribution of his share in the profits or capital of the partnership other than a share under an agreement referred to in section 608,

v. any amount required by sections 614 to 617 to be deducted before that particular time in computing the adjusted cost base to him of his interest in the partnership,

vi. an amount equal to that portion of all prescribed amounts deducted in computing the tax otherwise payable by the taxpayer under a prescribed Act for his taxation years ending before that particular time that may reasonably be attributed to amounts added in respect of the partnership under a prescribed provision of the said Act in computing a prescribed amount relating to the taxpayer,

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

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

ix. an amount equal to the amount of all assistance received by the taxpayer before that time that has resulted in a reduction of the capital cost of a depreciable property to the partnership by virtue of section 101.4,

x. any amount deductible by the taxpayer under section 147.2 or 176.3 in respect of the partnership for a taxation year of the taxpayer ending at or after that time,

xi. any amount added, before the particular time, to the issue base relating to certain issue expenses, within the meaning of section 726.4.17.11, of the taxpayer and determined by reference to an amount included in an amount referred to in subparagraph ii in respect of the taxpayer regarding the partnership, and

xii. any amount required by subparagraph *b* of the first paragraph of section 726.9.6 to be deducted at that time in computing the adjusted cost base to the taxpayer of the interest;

(m) where the property is an interest in a partnership to which section 636 or 645 applies, any amount received by the taxpayer in full or partial satisfaction of that interest;

TRUST

(n) where the property is a capital interest of the taxpayer in a trust, other than an interest in a personal trust that has never been acquired for consideration or an interest in a trust referred to in subparagraphs *a* to *d* of the third paragraph of section 647,

i. any amount, to the extent that it has become payable before 1 January 1988, paid to the taxpayer by the trust after 31 December 1971 and before the particular time as payment or distribution of capital, otherwise than as proceeds of disposition of the interest or part thereof,

i.1. any amount that has become payable by the trust to the taxpayer after 31 December 1987 and before the particular time in respect of the interest, otherwise than as proceeds of disposition of the interest or part thereof, except that portion of the amount

(1) that was included in computing the taxpayer's income under section 663,

(1.1) that is deemed to be a dividend received by the taxpayer under section 663.4,

(2) from which tax was deducted under Part XIII of the Income Tax Act by reason of paragraph *c* of subsection 1 of section 212 of the said Act, or

(3) where the trust was resident in Canada throughout its taxation year in which the amount became payable, that was designated by the trust to be payable to the taxpayer under section 667, that is, subject to section 257.4, equal to the amount designated by the trust to be payable to the taxpayer under section 668 or that is an assessable distribution, within the meaning of subsection 1 of section 218.3 of the Income Tax Act, to the taxpayer,

ii. an amount equal to that portion of all prescribed amounts deducted in computing the tax payable by the taxpayer under a prescribed Act for his taxation years ending before the particular time that may reasonably be attributed to amounts added in respect of the trust under a prescribed provision of the said Act in computing a prescribed amount relating to the taxpayer,

iii. any amount added pursuant to subsection 3 of section 127.2 of the Income Tax Act in computing his share purchase tax credit for a taxation year ending before or after that time,

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

v. an amount equal to the amount of all assistance received by the taxpayer before that time that has resulted in a reduction of the capital cost of a depreciable property to the trust by virtue of section 101.4;

(o) where the property is a capital interest in a trust not resident in Canada which the taxpayer purchased after 31 December 1971 and before the particular time from a person not resident in Canada, at a time, in this paragraph referred to as the "acquisition time", when the property was not taxable Canadian property and the fair market value of the trust property referred to in section 258 was not less than 50% of the fair market value of all the trust property, the proportion of the amount by which such value of the property referred to in that section at the acquisition time exceeds the cost amounts to the trust at the acquisition time of the property that

i. except where subparagraph ii applies, the fair market value at the acquisition time of the interest is of the fair market value at the acquisition time of all capital interests in the trust, or

ii. in the case of a unit of a unit trust, the fair market value at the acquisition time of the unit is of the fair market value at the acquisition time of all the issued units of the trust;

(p) where the property is a capital interest in a trust, any amount that is deducted under section 581 or 583 in computing the taxpayer's income for a taxation year that ends at or before the particular time, in respect of the interest, or that could have been so deducted for such a taxation year but for sections 316.1, 456 to 458, 462.1 to 462.24.1 and 466 to 467.1;

(p.1) where the property is a capital interest of the taxpayer in a designated trust, within the meaning of the first paragraph of section 671.5, the aggregate of all amounts each of which is an amount deducted, in respect of that interest, under section 772.15 in computing the tax payable under this Part by the taxpayer or, where the taxpayer is a partnership, by a member of the partnership, for a taxation year that ended before the particular time;

(q) where the property is an interest in a segregated fund trust referred to in section 851.2:

i. each amount in respect of that interest that is a capital loss deemed, under section 851.21, to have been allocated to the taxpayer before the particular time, and

ii. each amount in respect of that interest that before the particular time was deemed by section 851.16 to have been a capital loss of the taxpayer;

(r) (paragraph repealed).

1972, c. 23, s. 238; 1973, c. 17, s. 24; 1974, c. 18, s. 14; 1975, c. 22, s. 44; 1977, c. 26, s. 25; 1978, c. 26, s. 44; 1982, c. 5, s. 59; 1984, c. 15, s. 63; 1985, c. 25, s. 46; 1986, c. 19, s. 43; 1987, c. 67, s. 65; 1988, c. 4, s. 29; 1989, c. 77, s. 24; 1990, c. 59, s. 120; 1992, c. 1, s. 29; 1993, c. 16, s. 114; 1993, c. 64, s. 25; 1994, c. 22, s. 124; 1996, c. 39, s. 73; 1997, c. 3, s. 71; 1997, c. 14, s. 55; 1997, c. 31, s. 39; 1998, c. 16, s. 105; 2001, c. 7, s. 32; 2001, c. 53, s. 48; 2003, c. 2, s. 88; 2004, c. 8, s. 50; 2004, c. 21, s. 69; 2006, c. 13, s. 34; 2007, c. 12, s. 45; 2009, c. 5, s. 88; 2009, c. 15, s. 68; 2011, c. 6, s. 123; 2013, c. 10, s. 22; 2015, c. 21, s. 148; 2015, c. 24, s. 54; 2015, c. 36, s. 16; 2017, c. 1, s. 111; 2020, c. 16, s. 51.

257.1. For the purposes of paragraphs *d*, *l* and *n* of section 257, where a taxpayer has deducted an amount by virtue of subsection 5 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in computing his tax payable for a taxation year under that Act and that amount may reasonably be attributed to the amounts added in computing the investment tax credit, within the meaning of subsection 9 of the said section 127, determined at the end of the year in respect of the taxpayer and that are related to a property acquired or an expenditure made in a taxation year subsequent to that taxation year, the taxpayer is deemed to have made the deduction in that subsequent taxation year.

1985, c. 25, s. 47; 1986, c. 19, s. 44.

257.2. For the purposes of paragraph *f*.2 of section 257, where a taxpayer has in a taxation year received an amount that would, but for this section, be included in computing his income under paragraph *w* of section 87 in respect of the cost of a property, other than depreciable property, acquired by him in the year, in the three taxation years preceding the year or in the taxation year following the year, he may elect under this section on or before his filing-due date for the year or, where the property is acquired in the taxation year following the year, for that following year, to reduce the cost of the property by such amount as he may specify, not exceeding the least of

(a) the adjusted cost base, determined without reference to paragraph *f*.2 of section 257, at the time the property was acquired;

(b) the amount so received by the taxpayer;

(c) where the taxpayer has disposed of the property before the year, nil.

1987, c. 67, s. 66; 1994, c. 22, s. 125; 1997, c. 31, s. 40.

257.2.1. For the purposes of subparagraph i of paragraph *l* of section 257 in respect of a taxpayer, a partnership's loss for a fiscal period, computed in accordance with that subparagraph, does not include all or any portion of that loss that may reasonably be considered to be included in the taxpayer's limited partnership loss in respect of the partnership for the taxpayer's taxation year in which that fiscal period ends.

2003, c. 2, s. 89.

257.3. *(Repealed).*

1997, c. 31, s. 41; 2000, c. 5, s. 293; 2013, c. 10, s. 23.

257.4. For the purposes of subparagraph 3 of subparagraph i.1 of paragraph *n* of section 257 in respect of a taxpayer's interest in a trust, where a taxation year of the trust that includes 28 February 2000 or 17 October 2000, or that begins after 28 February 2000 and ends before 17 October 2000, ends in the taxpayer's taxation year, that subparagraph 3 shall be read with "the product obtained by multiplying the fraction obtained when 1 is subtracted from the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the trust for its taxation year, by" inserted after "equal to".

2003, c. 2, s. 90.

258. The property referred to in paragraph *o* of section 257 in respect of a trust not resident in Canada is the following:

(a) a Canadian resource property;

(b) an income interest in a trust resident in Canada;

(c) a taxable Canadian property; and

(d) a timber resource property.

1975, c. 22, s. 45; 1986, c. 19, s. 45.

DIVISION IV

IDENTICAL PROPERTIES AND SPECIAL CASES

1972, c. 23; 1996, c. 39, s. 74.

259. When at a particular time after 1971 a taxpayer owns a property or a group of identical properties acquired after 1971 and acquires thereafter one or several other properties called "new property" in this

section, identical to the first, the following rules apply to determine, at a later date, the adjusted cost base of each such identical property:

(a) the taxpayer is deemed to have disposed immediately before the particular time of each first property for an amount equal to its adjusted cost base;

(b) the taxpayer is deemed to have acquired each such identical first and new property at the particular time at a mean cost equal to the quotient obtained by dividing the aggregate of the adjusted cost bases of the first properties immediately before the particular time and the cost of the new property,

i. by the number of such identical properties owned by the taxpayer immediately after such particular time, or

ii. in the case of identical properties that are bonds, debentures, bills or notes, or other similar obligations issued by a debtor, by the quotient obtained by dividing the aggregate of the principal amounts of all such properties immediately after the particular time by the principal amount of the identical property;

(c) the taxpayer shall deduct, after the particular time, in computing the adjusted cost base to the taxpayer of each such first and new identical property, an amount equal to the quotient obtained by dividing the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing immediately before the particular time the adjusted cost base to the taxpayer of the first properties

i. by the number of such identical properties owned by the taxpayer immediately after the particular time, or

ii. in the case of properties referred to in subparagraph ii of paragraph *b*, by the quotient determined under that subparagraph in respect of the acquisition; and

(d) the taxpayer shall add, after the particular time, in computing the adjusted cost base to the taxpayer of each such first and new identical property the amount determined under paragraph *c* in respect of the identical property.

1972, c. 23, s. 239; 1975, c. 22, s. 46; 1990, c. 59, s. 121; 1996, c. 39, s. 75.

259.0.1. For the purposes of section 259, a security within the meaning of section 47.18 acquired by a taxpayer after 27 February 2000 is deemed not to be identical to any other security acquired by the taxpayer if

(a) the security is acquired in circumstances to which any of sections 49.2, 49.5 and 886 applies or to which section 58.0.1, as it read before being repealed, applies; or

(b) the security is a security to which the first paragraph of section 49.2.3 applies.

2003, c. 2, s. 91; 2009, c. 5, s. 89; 2011, c. 34, s. 28.

259.1. Where at any time in a taxation year a person or partnership, in this section referred to as the "vendor", disposes of a specified property and the proceeds of disposition of the property are determined under paragraph *a* of section 247.2, sections 433 to 451, 454 to 462.0.2, section 518 or 552, paragraph *a* of section 553.1, the first or the second paragraph of section 557, the second paragraph of section 614, section 619, 625, 631 or 654, subparagraph *a* of the first paragraph of section 688 or 688.1, paragraph *a* of section 692.8, subparagraph *c* of the second paragraph of section 736 or Chapter I of Title I.1 of Book VI, the following rules apply to the person or partnership, in this section referred to as the "transferee", who acquires or reacquires the property at or immediately after that time:

(a) the transferee shall deduct after that time in computing the adjusted cost base to the transferee of the property the amount by which the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing, immediately before that time, the adjusted cost base to the vendor of the property, exceeds the amount that would be the vendor's capital gain for the year from that disposition if this Part were read without reference to subparagraph *b* of the first paragraph of section 234 and section 638; and

(b) the transferee shall add after that time, in computing the adjusted cost base to the transferee of the property, the amount determined under paragraph *a* in respect of that disposition.

1996, c. 39, s. 76; 1997, c. 3, s. 71; 2001, c. 7, s. 33; 2003, c. 2, s. 92; 2004, c. 8, s. 51; 2004, c. 21, s. 70; 2009, c. 5, s. 90.

259.2. The rules provided in the second paragraph apply where

(a) at any time in a taxation year a person or partnership, in this section referred to as "the vendor", disposes of a specified property to another person or partnership, in this section referred to as "the transferee" ;

(b) immediately before that time, the vendor and the transferee did not deal with each other at arm's length or would not have dealt with each other at arm's length had this section applied with reference to subparagraph *k* of the first paragraph of section 485.3;

(c) paragraph *b* would apply in respect of the disposition if each right referred to in paragraph *b* of section 20 that is a right of the transferee to acquire the specified property from the vendor or a right of the transferee to acquire other property as part of a transaction or event or series of transactions or events that includes the disposition were not taken into account; and

(d) the proceeds of the disposition are not determined under any of the provisions referred to in section 259.1.

The rules to which the first paragraph refers are as follows:

(a) the transferee shall deduct after that time, in computing the adjusted cost base to the transferee of the property, the amount by which the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing, immediately before that time, the adjusted cost base to the vendor of the property exceeds the amount that would be the vendor's capital gain for the year from the disposition if this Part were read without reference to subparagraph *b* of the first paragraph of section 234 and section 638; and

(b) the transferee shall add after that time, in computing the adjusted cost base to the transferee of the property, the amount determined under paragraph *a* in respect of the disposition.

1996, c. 39, s. 76; 1997, c. 3, s. 71; 2001, c. 7, s. 34.

259.3. Where a capital property that is a specified property is acquired by a new corporate entity, in this section referred to as the "new corporation", at any time as a result of the amalgamation or merger of two or more corporations, each of which is referred to in this section as a "predecessor corporation",

(a) the new corporation shall deduct after that time in computing the adjusted cost base to the new corporation of the capital property the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing, immediately before that time, the adjusted cost base to a predecessor corporation of the property, unless those amounts are otherwise deducted under that paragraph *b*.1 in computing the adjusted cost base to the new corporation of the capital property; and

(b) the new corporation shall add after that time, in computing the adjusted cost base to the new corporation of the capital property, the amount deducted under paragraph *a* in respect of the acquisition.

1996, c. 39, s. 76; 1997, c. 3, s. 71; 1997, c. 14, s. 56.

260. *(Repealed).*

1972, c. 23, s. 240; 1990, c. 59, s. 122.

260.1. *(Repealed).*

1985, c. 25, s. 48; 1987, c. 67, s. 67.

CHAPTER IV

SPECIAL APPLICATIONS

1972, c. 23.

DIVISION I

BALANCE OF THE ADJUSTED COST BASE

1972, c. 23.

261. Except where section 261.1 applies, where the aggregate of all amounts required by section 257, except paragraph *l* of that section, to be deducted in computing the adjusted cost base to a taxpayer of any property at any time in a taxation year exceeds the aggregate of the cost to the taxpayer of the property determined for the purpose of computing the adjusted cost base to the taxpayer of that property at that time and of all amounts required by section 255 to be added to the cost to the taxpayer of the property in computing the adjusted cost base to the taxpayer of that property at that time, the following rules apply:

(a) subject to section 589.1, the amount of the excess is deemed to be a gain of the taxpayer for the year from the disposition at that time of the property;

(b) for the purposes of Chapter V of Title X and sections 1102.4 and 1102.5, the taxpayer is deemed to have disposed of the property at that time; and

(c) for the purposes of section 26, the first paragraph of section 27, Title VI.5 of Book IV and sections 1000 to 1003.2, the taxpayer is deemed to have disposed of the property in the year.

1972, c. 23, s. 241; 1975, c. 22, s. 47; 1990, c. 59, s. 123; 1993, c. 16, s. 115; 1996, c. 39, s. 77; 2015, c. 21, s. 149; 2021, c. 14, s. 34.

DIVISION I.1

INTEREST IN A PARTNERSHIP

1996, c. 39, s. 78; 1997, c. 3, s. 71.

261.1. Where, at the end of a fiscal period of a partnership, a member of the partnership is a limited partner of the partnership or is a member of the partnership who was a specified member of the partnership at all times since becoming a member, except where the member's partnership interest was held by the member on 22 February 1994 and is an excluded interest at the end of the fiscal period, and except where paragraph *c* of section 618 or section 642 applies:

(a) the amount determined under the second paragraph is deemed to be a gain from the disposition, at the end of the fiscal period, of the member's interest in the partnership; and

(b) for the purposes of section 26, the first paragraph of section 27, Title VI.5 of Book IV, sections 1000 to 1003.2, 1102.4 and 1102.5, the interest is deemed to have been disposed of by the member at that time.

The amount to which subparagraph *a* of the first paragraph refers in respect of a member's interest in a partnership at the end of a fiscal period of the partnership is equal to the amount by which the aggregate of all amounts required by section 257 to be deducted in computing the adjusted cost base to the member of the interest in the partnership at that time and, if the partnership is a professional partnership, the amount described in subparagraph i of paragraph *l* of section 257 in relation to the member in respect of the fiscal period exceeds the aggregate of

(a) the cost to the member of the interest determined for the purpose of computing the adjusted cost base to the member of that interest at that time;

(b) all amounts required by section 255 to be added to the cost to the member of the interest in computing the adjusted cost base to the member of that interest at that time; and

(c) if the partnership is a professional partnership, the amount described in subparagraph i of paragraph *i* of section 255 in relation to the member in respect of the fiscal period.

For the purposes of the second paragraph, "professional partnership" means a partnership through which one or more persons carry on the practice of a profession that is governed or regulated under a law of Canada or a province.

1996, c. 39, s. 78; 1997, c. 3, s. 71; 2015, c. 21, s. 150; 2021, c. 14, s. 35.

261.2. A taxpayer that is a member of a partnership at a particular time corresponding to the end of a fiscal period of the partnership, that is a corporation, an individual other than a trust, or a succession that is a graduated rate estate, and that makes, in relation to that fiscal period, a valid election under subsection 3.12 of section 40 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of the taxpayer's interest in the partnership, is deemed to have a loss from the disposition at the particular time of the taxpayer's interest in the partnership equal to the least of

(a) the amount by which the aggregate of all amounts each of which is an amount deemed under section 261.1 to be a gain of the taxpayer from a disposition of the interest before the particular time exceeds the aggregate of all amounts each of which is an amount deemed under this section to be a loss of the taxpayer from a disposition of the interest before the particular time;

(b) the adjusted cost base to the taxpayer of the interest at the particular time; and

(c) the total of the amount for which the election is made and, if that amount is the maximum amount for which the election can be made, the amount that the taxpayer designates in respect of the interest in the taxpayer's fiscal return filed under this Part for the taxation year that includes the particular time.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3.12 of section 40 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1996, c. 39, s. 78; 1997, c. 3, s. 71; 2009, c. 5, s. 91; 2017, c. 1, s. 112.

261.3. For the purpose of applying sections 255 to 258 at any time in respect of a member of a partnership who would be a member described in section 261.1 of the partnership if the fiscal period of the partnership that includes that time ended at that time, where at any time after 21 February 1994 the member of the partnership makes a contribution of capital to the partnership, the contribution is deemed not to have been made where

(a) the partnership or a person or partnership with whom the partnership does not deal at arm's length makes a loan to the member or to a person with whom the member does not deal at arm's length, or pays an amount as a payment or distribution of the member's share in the profits or capital of the partnership, or the member or a person with whom the member does not deal at arm's length becomes indebted to the partnership or a person or partnership with whom the partnership does not deal at arm's length; and

(b) it is established, by subsequent events or otherwise, that the loan, payment or indebtedness was made or arose as part of a series of contributions, loans, payments or other similar transactions.

1996, c. 39, s. 78; 1997, c. 3, s. 71.

261.3.1. Where it can reasonably be considered that one of the main reasons that a member of a partnership was not a specified member of the partnership at all times since becoming a member of the partnership is to avoid the application of section 261.1 in respect of the member's interest in the partnership,

the member is deemed for the purposes of that section to have been a specified member of the partnership at all times since becoming a member of the partnership.

2000, c. 5, s. 69.

261.4. For the purposes of section 261.1, a member of a partnership who acquired an interest in the partnership after 22 February 1994 is deemed to have held the interest on 22 February 1994 where the member acquired the interest

(a) in circumstances in which

i. subparagraph *a*.1 of the first paragraph of section 440 applied,

ii. the interest was held, on 22 February 1994,

(1) where the member is an individual, by the member's spouse,

(2) where the member is a trust, by the individual by whose will the trust was created, and

iii. the interest was, immediately before the death of the spouse or the individual, as the case may be, an excluded interest;

(b) in circumstances in which

i. subparagraph iii of subparagraph *a* of the second paragraph of section 444 applied,

ii. the member's father or mother held the interest on 22 February 1994, and

iii. the interest was, immediately before the death of the member's father or mother, an excluded interest;

(c) in circumstances in which

i. subparagraph iii of subparagraph *a* of the second paragraph of section 450 applied,

ii. the trust referred to in section 450 or the individual by whose will the trust was created held the interest on 22 February 1994, and

iii. the interest was, immediately before the death of the spouse referred to in section 450, an excluded interest; or

(d) before 1 January 1995 pursuant to a document referred to in paragraph *a*, e or f of section 261.7.

1996, c. 39, s. 78; 1997, c. 3, s. 71; 2021, c. 18, s. 33.

261.5. In section 261.1, a member of a partnership at a particular time is a limited partner of that partnership at that time if, at that time or within three years after that time,

(a) by operation of any law governing the partnership arrangement, the liability of the member as a member of the partnership is limited, except by operation of a provision of a statute of Canada or a province that limits the member's liability only for debts and other obligations of the partnership, or any member of the partnership, arising from the misconduct or faults or omissions or negligent acts that another member of the partnership or an employee, agent or mandatary, or representative of that member or of the partnership commits in the course of the partnership business while the partnership is a limited liability partnership referred to in that provision;

(b) the member or a person not dealing at arm's length with the member is entitled, either immediately or in the future and either absolutely or contingently, to receive an amount or to obtain a benefit that would be

described in paragraph *b* of section 613.3 if that paragraph were read without reference to subparagraphs ii, as it applies before being struck out, and vi thereof;

(c) where the member who owns the interest is a corporation, partnership or trust, one of the reasons for the existence of the member can reasonably be considered to be to limit the liability of any person with respect to that interest, and cannot reasonably be considered to be to permit any person who has an interest in the corporation, partnership or trust, as the case may be, to carry on the person's business, other than an investment business, in the most effective manner; or

(d) one of the main reasons for the existence of an agreement or other arrangement for the disposition of an interest in the partnership can reasonably be considered to be to attempt to avoid the application of this section to the member.

1996, c. 39, s. 78; 1997, c. 3, s. 71; 2000, c. 5, s. 70; 2001, c. 7, s. 35; 2003, c. 2, s. 93.

261.6. In this division, an excluded interest in a partnership at any time means an interest in a partnership that actively carries on a business that was carried on by it throughout the period beginning on 22 February 1994 and ending at that time, or that earns income from a property that was owned by it throughout that period, unless in that period there was a substantial contribution of capital to the partnership or a substantial increase in the indebtedness of the partnership.

1996, c. 39, s. 78; 1997, c. 3, s. 71.

261.7. For the purposes of section 261.6, a contribution of capital or an increase in the indebtedness will be considered not to be substantial where

(a) the amount was raised pursuant to the terms of a written agreement entered into by a partnership before 22 February 1994 to issue an interest in the partnership and was expended on expenditures contemplated by the agreement before 1 January 1995, or before 2 March 1995 in the case of amounts expended to acquire

i. a film production prescribed for the purposes of subparagraph ii of paragraph *b* of section 613.3 the principal photography of which or, in the case of such a production that is a television series, one episode of the series, commences before 1 January 1995 and the production is completed before 2 March 1995, or

ii. an interest in one or more partnerships all or substantially all of the property of which is a film production referred to in subparagraph i;

(b) the amount was raised pursuant to the terms of a written agreement, other than an agreement referred to in paragraph *a*, entered into by a partnership before 22 February 1994 and was expended on expenditures contemplated by the agreement before 1 January 1995, or before 2 March 1995 in the case of amounts expended to acquire a property described in subparagraph i or ii of paragraph *a*;

(c) the amount was used by the partnership before 1 January 1995, or before 2 March 1995 in the case of amounts expended to acquire a property described in subparagraph i or ii of paragraph *a*, to make an expenditure required to be made pursuant to the terms of a written agreement entered into by the partnership before 22 February 1994;

(d) the amount was used to repay a loan, debt or contribution of capital that had been received or incurred in respect of an expenditure referred to in any of paragraphs *a* to *c*;

(e) the amount was

i. raised before 1 January 1995 pursuant to the terms of a final prospectus, preliminary prospectus, offering memorandum or registration statement filed before 22 February 1994 with a public authority in Canada in accordance with the securities legislation of Canada or of a province and, where required by law, accepted for filing by the public authority, and

ii. expended before 1 January 1995, or before 2 March 1995 in the case of amounts expended to acquire a film production prescribed for the purposes of subparagraph ii of paragraph *b* of section 613.3, or an interest in one or more partnerships all or substantially all of the property of which is such a film production, on expenditures contemplated by the document referred to in subparagraph i that was filed before 22 February 1994;

(f) the amount was raised before 1 January 1995 pursuant to the terms of an offering memorandum distributed as part of an offering of securities where

i. the memorandum contained a complete or substantially complete description of the securities contemplated in the offering as well as the terms and conditions of the offering,

ii. the memorandum was distributed before 22 February 1994,

iii. solicitations in respect of the sale of the securities contemplated by the memorandum were made before 22 February 1994,

iv. the sale of the securities was substantially in accordance with the memorandum, and

v. the funds were expended in accordance with the memorandum before 1 January 1995 or, in the case of a partnership all or substantially all of the property of which is property described in subparagraph i or ii of paragraph *a*, before 2 March 1995; or

(g) the amount was used for an activity that was carried on by the partnership on 22 February 1994 but not for a significant expansion of the activity nor for the acquisition or production of a film production.

1996, c. 39, s. 78; 1997, c. 3, s. 71; 1999, c. 83, s. 50; 2001, c. 53, s. 49.

261.8. For the purposes of section 261.6, a partnership in respect of which any of paragraphs *a* to *f* of section 261.7 applies shall be considered to have actively carried on the business contemplated by the document referred to in any of those paragraphs, or earned income from the property described in any of those paragraphs, throughout the period beginning 22 February 1994 and ending on the earlier of 1 January 1995 and the closing date stipulated in the document.

1996, c. 39, s. 78; 1997, c. 3, s. 71.

261.9. If, because of any fluctuation after 31 December 1971 in the value of one or more foreign currencies relative to Canadian currency, an individual other than a trust has realized one or more particular gains or sustained one or more particular losses in a taxation year from dispositions of currency other than Canadian currency and the particular gains or losses would, in the absence of this section, be capital gains or losses described in section 232, the following rules apply:

(a) section 232 does not apply to any of the particular gains or losses;

(b) the amount determined by the following formula is deemed to be a capital gain of the individual for the year from the disposition of currency other than Canadian currency:

A-(B+$200); and

(c) the amount determined by the following formula is deemed to be a capital loss of the individual for the year from the disposition of currency other than Canadian currency:

B-(A+$200).

In the formulas in subparagraphs *b* and *c* of the first paragraph,

(a) A is the total of all the particular gains realized by the individual in the year; and

(b) B is the total of all the particular losses sustained by the individual in the year.

2015, c. 21, s. 151.

DIVISION II

GAINS OR LOSSES IN RESPECT OF FOREIGN CURRENCIES

1972, c. 23.

262. If, because of any fluctuation after 31 December 1971 in the value of one or more foreign currencies relative to Canadian currency, a taxpayer has realized a gain or sustained a loss in a taxation year (other than a gain or loss that would, in the absence of this section, be a capital gain or capital loss to which section 232 or 261.9 applies, or a gain or loss in respect of a transaction or event in respect of shares of the capital stock of the taxpayer), the following rules apply:

(a) the amount of the gain (to the extent of the amount of that gain that would not, if section 28 were read without reference to ", other than the taxable capital gains from dispositions of property," in paragraph *a* of that section and without reference to paragraph *b* of that section, be included in computing the taxpayer's income for the year or any other taxation year), is deemed to be a capital gain of the taxpayer for the year from the disposition of currency other than Canadian currency; and

(b) the amount of the loss (to the extent of the amount of that loss that would not, if section 28 were read without reference to its paragraph *b*, be deductible in computing the taxpayer's income for the year or any other taxation year), is deemed to be a capital loss of the taxpayer for the year from the disposition of currency other than Canadian currency.

1972, c. 23, s. 242; 2015, c. 21, s. 152.

262.0.0.1. For the purposes of section 262, if a debt obligation owing by a taxpayer (in this section and sections 262.0.0.2 and 262.0.0.3 referred to as the "debtor") is denominated in a foreign currency and the debt obligation has become a parked obligation at a particular time, the debtor is deemed at that time to have made the gain, if any, that the debtor otherwise would have made if it had paid an amount at the particular time in satisfaction of the debt obligation equal to

(a) if the debt obligation has become a parked obligation at the particular time as a result of its acquisition by the holder of the debt obligation, the amount paid by the holder to acquire the debt obligation; and

(b) in any other case, the fair market value of the debt obligation at the particular time.

2019, c. 14, s. 104.

262.0.0.2. For the purposes of section 262.0.0.1, a debt obligation is a parked obligation at a particular time if

(a) at the particular time, the holder of the debt obligation does not deal at arm's length with the debtor or, if the debtor is a corporation, has a significant interest in the debtor;

(b) at any time prior to the particular time, a person who held the debt obligation dealt at arm's length with the debtor and, where the debtor is a corporation, did not have a significant interest in the debtor; and

(c) it can reasonably be considered that one of the main purposes of the transaction or event or series of transactions or events that results in the debt obligation meeting the condition in paragraph *a* is to avoid the application of section 262.

2019, c. 14, s. 104.

262.0.0.3. For the purposes of sections 262.0.0.1 and 262.0.0.2, the following rules apply:

(a) subparagraph *k* of the first paragraph of section 485.3 applies for the purpose of determining whether two persons are related to each other or whether a person is controlled by another person; and

(b) subparagraph *c* of the first paragraph of section 485.19 applies for the purpose of determining whether a person has a significant interest in a corporation.

2019, c. 14, s. 104.

262.0.1. The rules set out in the second paragraph apply if

(a) at any time a corporation resident in Canada or a partnership of which such a corporation is a member (such corporation or partnership being in this section and section 262.0.2 referred to as the "borrowing party") has received a loan from, or become indebted to, a creditor that is a foreign affiliate (in this section and section 262.0.2 referred to as a "creditor affiliate") of a qualifying entity or that is a partnership (in this section referred to as a "creditor partnership") of which such an affiliate is a member; and

(b) the loan or indebtedness is at a later time repaid, in whole or in part;

(c) (paragraph repealed).

The rules to which the first paragraph refers, in relation to the borrowing party's capital gain or capital loss in respect of the repayment of the loan or indebtedness that would be determined, in the absence of this section, under section 262, are the following:

(a) in the case of a capital gain, the gain is to be reduced,

i. if the creditor is a creditor affiliate, by an amount, not exceeding that capital gain, that is equal to twice the aggregate of all amounts each of which is an amount that would—in the absence of subparagraph ii of paragraph *g* of subsection 2 of section 40 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and paragraph *g*.04 of subsection 2 of section 95 of that Act and on the assumption that the creditor affiliate's capital loss in respect of the repayment of the loan or indebtedness were a capital gain of the creditor affiliate, the creditor affiliate had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year—be included in computing a qualifying entity's income for the purposes of the Income Tax Act under subsection 1 of section 91 of that Act for its taxation year that includes the last day of the taxation year of the creditor affiliate that includes the later time, or

ii. if the creditor is a creditor partnership, by an amount, not exceeding that capital gain, that is equal to twice the amount that is the total of each amount, determined in respect of a particular member of the creditor partnership that is a foreign affiliate of a qualifying entity, that is equal to the aggregate of all amounts each of which is an amount that would—in the absence of subparagraph ii of paragraph *g* of subsection 2 of section 40 of the Income Tax Act and paragraph *g*.04 of subsection 2 of section 95 of that Act and on the assumption that the creditor partnership's capital loss in respect of the repayment of the loan or indebtedness were a capital gain of the creditor partnership, the particular member had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year—be included in computing a qualifying entity's income for

the purposes of the Income Tax Act under subsection 1 of section 91 of that Act for its taxation year that includes the last day of the taxation year of the particular member that includes the last day of the creditor partnership's fiscal period that includes the later time; and

(b) in the case of a capital loss, the amount of the loss is to be reduced,

i. if the creditor is a creditor affiliate, by an amount, not exceeding that capital loss, that is, in relation to the creditor affiliate's capital gain in respect of the repayment of the loan or indebtedness, equal to twice the aggregate of all amounts each of which is an amount that would—in the absence of paragraph *g*.04 of subsection 2 of section 95 of the Income Tax Act and on the assumption that the creditor affiliate had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year—be included in computing a qualifying entity's income for the purposes of the Income Tax Act under subsection 1 of section 91 of that Act for its taxation year that includes the last day of the taxation year of the creditor affiliate that includes the later time, or

ii. if the creditor is a creditor partnership, by an amount, not exceeding that capital loss, that is, in relation to the creditor partnership's capital gain in respect of the repayment of the loan or indebtedness, equal to twice the amount that is the total of each amount, determined in respect of a particular member of the creditor partnership that is a foreign affiliate of a qualifying entity, that is equal to the aggregate of all amounts each of which is an amount that would—in the absence of paragraph *g*.04 of subsection 2 of section 95 of the Income Tax Act and on the assumption that the particular member had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year—be included in computing a qualifying entity's income for the purposes of the Income Tax Act under subsection 1 of section 91 of that Act for its taxation year that includes the last day of the taxation year of the particular member that includes the last day of the creditor partnership's fiscal period that includes the later time.

The first and second paragraphs do not apply in respect of a repayment, in whole or in part, of a loan or indebteness if a valid election was made in respect of the repayment under subsection 2.3 of section 39 of the Income Tax Act.

Chapter V.2 of Title II of Book I of Part I applies in relation to an election referred to in the third paragraph. However, for the application of section 21.4.7 to such an election, a taxpayer is deemed to have complied with a requirement of section 21.4.6 if the taxpayer complies with it on or before 23 March 2021.

2015, c. 21, s. 153; 2020, c. 16, s. 52.

262.0.2. For the purposes of section 262.0.1, "qualifying entity" means

(a) in the case of a borrowing party that is a corporation,

i. the borrowing party,

ii. a corporation resident in Canada of which

(1) the borrowing party is a subsidiary wholly-owned corporation, or

(2) a corporation described in this subparagraph ii is a subsidiary wholly-owned corporation,

iii. a corporation resident in Canada

(1) each share of the capital stock of which is owned by the borrowing party or a corporation described in subparagraph ii or this subparagraph iii, or

(2) all or substantially all of the capital stock of which is owned by one or more corporations resident in Canada that are borrowing parties in respect of the creditor affiliate under section 577.6, or

iv. a partnership each member of which is

(1) a corporation described in any of subparagraphs i to iii, or

(2) another partnership described in this subparagraph iv; and

(b) in the case of a borrowing party that is a partnership,

i. the borrowing party,

ii. if each member of the borrowing party is either a corporation resident in Canada (in this subparagraph *b* referred to as the "parent") or a corporation resident in Canada that is a subsidiary wholly-owned corporation, within the meaning of subsection 5 of section 544, of the parent,

(1) the parent, or

(2) a corporation resident in Canada that is a subsidiary wholly-owned corporation, within the meaning of subsection 5 of section 544, of the parent, or

iii. a partnership each member of which is

(1) the borrowing party,

(2) a corporation described in subparagraph ii, or

(3) another partnership described in this subparagraph iii.

For the purposes of subparagraph ii of subparagraph *b* of the first paragraph, a member of a particular partnership is deemed to be a member of any other partnership of which the particular partnership is a member.

2020, c. 16, s. 53.

262.1. The rule set out in section 262.2 applies for the purpose of computing at a particular time a taxpayer's gain or loss (in this section and section 262.2 referred to as the "new gain" or "new loss", as the case may be), in respect of the whole or any part (in this section and section 262.2 referred to as the "relevant part") of a foreign currency debt of the taxpayer, arising—otherwise than because of the application of section 736.0.0.1—from a fluctuation in the value of the currency of the foreign currency debt, if before the particular time the taxpayer realized a capital gain or loss in respect of the foreign currency debt because of section 736.0.0.1.

2010, c. 5, s. 29; 2017, c. 1, s. 113.

262.2. The rule to which section 262.1 refers is the rule according to which the new gain is the positive amount, or the new loss is the negative amount, as the case may be, determined by the formula

A + B - C.

In the formula in the first paragraph,

(a) A is

i. if the taxpayer would, but for any application of section 736.0.0.1, recognize a new gain, the amount of the new gain, determined without reference to this section, or

ii. if the taxpayer would, but for any application of section 736.0.0.1, recognize a new loss, the amount of the new loss, determined without reference to this section, expressed as a negative amount;

(b) B is the aggregate of all amounts each of which is that portion of the amount of a capital loss sustained by the taxpayer before the particular time, in respect of the foreign currency debt and because of section 736.0.0.1, that can reasonably be attributed to

i. the relevant part of the foreign currency debt at the particular time, or

ii. the forgiven amount (within the meaning of section 485) in respect of the foreign currency debt at the particular time; and

(c) C is the aggregate of all amounts each of which is that portion of the amount of a gain realized by the taxpayer before the particular time, in respect of the foreign currency debt and because of section 736.0.0.1, that can reasonably be attributed to

i. the relevant part of the foreign currency debt at the particular time, or

ii. the forgiven amount (within the meaning of section 485) in respect of the foreign currency debt at the particular time.

2010, c. 5, s. 29; 2017, c. 1, s. 114.

DIVISION II.1

GAINS RELATED TO CHARITABLE GIFTS OF FLOW-THROUGH SHARES

2012, c. 8, s. 45.

262.3. In this division,

"exemption threshold", of a taxpayer at a particular time in respect of a flow-through share class of property, means the amount determined by the formula

A − B;

"flow-through share class of property" means a group of properties,

(a) in respect of a class of shares of the capital stock of a corporation, each of which is

i. a share of the class, if any share of the class or any right described in subparagraph ii is, at any time, a flow-through share to any person,

ii. a right to acquire a share of the class, if any share of that class or any right described in this subparagraph is, at any time, a flow-through share to any person, or

iii. a property that is an identical property of a property described in subparagraph i or ii; or

(b) each of which is an interest in a partnership, if at any time more than 50% of the fair market value of the partnership's assets is attributable to property included in a flow-through share class of property;

"fresh-start date", of a taxpayer at a particular time in respect of a flow-through share class of property, means

(a) in the case of a partnership interest that is included in the flow-through share class of property, 16 August 2011 or, if it is later, the last day, before the particular time, on which the taxpayer held an interest in the partnership; and

(b) in the case of any other property that is included in the flow-though share class of property, 22 March 2011 or, if it is later, the last day, before the particular time, on which the taxpayer disposed of all property included in the flow-through share class of property.

In the formula in the definition of "exemption threshold" in the first paragraph,

(a) A is the aggregate of

i. the aggregate of all amounts, each of which would be the cost to the taxpayer, computed without reference to section 419.0.1, of a flow-through share that was included at any time before the particular time in the flow-through share class of property and that was issued by a corporation to the taxpayer on or after the taxpayer's fresh-start date in respect of the flow-through share class of property at that time, other than a flow-through share that the taxpayer was obligated, before 22 March 2011, to acquire pursuant to the terms of a flow-through share agreement entered into between the corporation and the taxpayer, and

ii. the aggregate of all amounts, each of which would be the adjusted cost base to the taxpayer of an interest in a partnership—computed as if subparagraph vii.1 of paragraph *i* of section 255 and subparagraph ii of paragraph *l* of section 257, as that subparagraph ii would read if it referred only to Canadian exploration expenses and Canadian development expenses, did not apply to any amount incurred by the partnership in respect of a flow-through share held by the partnership, either directly or indirectly through another partnership—that was included before the particular time in the flow-through share class of property, if

(1) the taxpayer acquired the interest (other than an interest that the taxpayer was obligated, before 16 August 2011, to acquire pursuant to the terms of an agreement in writing entered into by the taxpayer) on or after the taxpayer's fresh-start date in respect of the flow-through share class of property at the particular time, or made a contribution of capital to the partnership after 15 August 2011,

(2) at any time after the time that the taxpayer acquired the interest or made the contribution of capital, the taxpayer is deemed by section 359.18 to have made or incurred an outlay or expense in respect of a flow-through share held by the partnership, either directly or indirectly through another partnership, and

(3) at any time between the time that the taxpayer acquired the interest or made the contribution of capital and the particular time, more than 50% of the fair market value of the assets of the partnership is attributable to property included in a flow-through share class of property; and

(b) B is the aggregate of all amounts, each of which is the lesser of

i. the aggregate of all amounts, each of which is a capital gain from a disposition of a property included in the flow-through share class of property, other than a capital gain referred to in subparagraph *a* of the second paragraph of section 262.4, at an earlier time that is before the particular time and after the first time that the taxpayer acquired a flow-through share referred to in subparagraph i of paragraph *a* or acquired a partnership interest referred to in subparagraph ii of paragraph *a*, and

ii. the exemption threshold of the taxpayer in respect of the flow-though share class of property immediately before the earlier time referred to in subparagraph i.

2012, c. 8, s. 45.

262.4. If, in the course of a transaction or series of transactions to which sections 301 to 301.2, section 454, sections 521 to 526 and 528, section 529, sections 536 to 539, 541 to 543.2, 544 to 555.4, 556 to 564.1 and 565 or 620 to 625 apply, a taxpayer acquires a property (in this section referred to as the "acquired property") that is included in a flow-through share class of property, the following rules apply:

(a) if the transfer of the acquired property is part of a gifting arrangement (within the meaning assigned by the first paragraph of section 1079.1) or of a transaction or series of transactions to which sections 620 to 625 apply, or the transferor is a person with whom the taxpayer was, at the time of the acquisition, not dealing at arm's length, there must be added, at the time of the transfer, to the taxpayer's exemption threshold in respect of the flow-through share class of property, and deducted from the transferor's exemption threshold in respect of the flow-through share class of property, the amount determined by the formula

A × B; and

(b) if the transferor receives particular shares of the capital stock of the taxpayer as consideration for the acquired property and those particular shares are listed on a designated stock exchange or are shares of a mutual fund corporation, for the purposes of this section and section 262.5 the particular shares are deemed to be flow-through shares of the transferor and there must be added to the transferor's exemption threshold in respect of the flow-through share class of property that includes the particular shares the amount that is determined by the formula in paragraph *a* or that would be so determined if that paragraph applied to the taxpayer.

In the formula in subparagraph *a* of the first paragraph,

(a) A is the amount by which the transferor's exemption threshold in respect of the flow-through share class of property immediately before the transfer exceeds the capital gain of the transferor as a result of the transfer; and

(b) B is the proportion that the fair market value of the acquired property immediately before the transfer is of the fair market value of all property of the transferor immediately before the transfer that is included in the flow-through share class of property.

2012, c. 8, s. 45.

262.5. If at any time a taxpayer disposes of one or more capital properties that are included in a flow-through share class of property and paragraph *a* or *d* of section 231.2 applies in respect of the disposition (in this section referred to as the "actual disposition"), the taxpayer is deemed to have realized a capital gain from a disposition at that time of another capital property equal to the lesser of

(a) the taxpayer's exemption threshold at that time in respect of the flow-through share class of property; and

(b) the aggregate of all amounts each of which is a capital gain from the actual disposition (calculated without reference to this section).

2012, c. 8, s. 45.

DIVISION III

GAINS OR LOSSES RELATING TO BONDS OR DEBENTURES

1972, c. 23; 1996, c. 39, s. 79.

263. Where a taxpayer has issued any bond, debenture or similar obligation and has at any subsequent time after 1971 purchased the obligation in the open market, in the manner in which any such obligation would normally be purchased by any member of the public,

(a) the amount by which the amount for which the obligation was issued exceeds the purchase price paid or agreed to be paid is deemed to be a capital gain of the taxpayer for the taxation year from the disposition of a capital property; and

(b) the amount by which the purchase price paid or agreed to be paid for the obligation exceeds the greater of the principal amount of the obligation and the amount for which it was issued is deemed to be a capital loss of the taxpayer for the taxation year from the disposition of a capital property.

An amount may be deemed to be a capital gain or a capital loss of a taxpayer under the first paragraph to the extent that the amount would not, if this Part were read without reference to sections 485.12 and 485.13, otherwise be included or be deductible, as the case may be, in computing the taxpayer's income for the year or any other year.

1972, c. 23, s. 243; 1996, c. 39, s. 80.

264. The loss to a corporation from the disposition of a bond or debenture shall be decreased by the aggregate of the amounts it has received as interest on such bond or debenture, as the case may be, that have not been included in computing its income under paragraph *d* of section 489.

1972, c. 23, s. 244; 1996, c. 39, s. 80; 1997, c. 3, s. 71.

264.0.1. A taxpayer's loss from the disposition at any time to a particular person or partnership, in this section referred to as the "transferee", of an obligation that was, immediately after that time, payable by another person or partnership, in this section referred to as the "debtor", to the transferee shall not be allowable where the taxpayer, the transferee and the debtor are related to each other at that time or would be related to each other at that time if this section applied with reference to subparagraph *k* of the first paragraph of section 485.3.

1996, c. 39, s. 81; 1997, c. 3, s. 71.

264.0.2. Where a taxpayer sustains a loss on the settlement or extinguishment of a commercial obligation, within the meaning assigned by section 485, issued by a person or partnership and payable to the taxpayer, the loss, where the consideration given by the person or partnership for the settlement or extinguishment of the obligation consists of one or more other commercial obligations issued by the person or partnership to the taxpayer, is deemed to be the amount determined by the formula

$$A \times [(B - C) / B].$$

For the purposes of the formula in the first paragraph,

(a) A is the amount of the taxpayer's loss, otherwise computed, from the disposition of the commercial obligation;

(b) B is the total fair market value of the consideration given by the person or partnership for the settlement or extinguishment of the commercial obligation; and

(c) C is the total fair market value of the other commercial obligations.

1996, c. 39, s. 81; 1997, c. 3, s. 71.

DIVISION III.1

LOSSES DEEMED RELATED TO SHARES

1985, c. 25, s. 49.

264.1. The amount of any unused share-purchase tax credit, within the meaning of subsection 6 of section 127.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), of a taxpayer for a particular taxation year, to the extent that it was not deducted from his tax otherwise payable under Part I of that Act for the immediately preceding taxation year, is deemed to be a capital loss of the taxpayer from a disposition of property for the year immediately following the particular taxation year.

1985, c. 25, s. 49; 1995, c. 49, s. 62.

264.2. The amount of any unused scientific research and experimental development tax credit, within the meaning of subsection 2 of section 127.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), of a corporation for a particular taxation year, to the extent that it was not deducted from its tax otherwise payable under Part I of that Act for the immediately preceding taxation year, is deemed to be a capital loss of the corporation from a disposition of property for the year immediately following the particular taxation year.

1985, c. 25, s. 49; 1987, c. 67, s. 68; 1995, c. 49, s. 63; 1997, c. 3, s. 71.

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

1985, c. 25, s. 49; 1987, c. 67, s. 68.

DIVISION III.2

DEDUCTION FROM BUSINESS INVESTMENT LOSS

1987, c. 67, s. 68.

264.4. An individual other than a trust, in computing his business investment loss for a taxation year from the disposition of a particular property, shall deduct an amount equal to the lesser of

(a) the amount that would be his business investment loss from the disposition of that particular property if section 236.1 were read without reference to the fourth paragraph thereof;

(b) the amount by which the aggregate of the following amounts exceeds the aggregate of all amounts each of which is an amount deducted by the individual by reason of the fourth paragraph of section 236.1 in computing his business investment loss from the disposition of property in taxation years preceding the year, or from the disposition of property other than the particular property in the year:

i. the aggregate of all amounts each of which is twice the amount deducted by the individual under Titles VI.5 and VI.5.1 of Book IV in computing the individual's taxable income for a preceding taxation year that ended before 1 January 1988 or began after 17 October 2000,

ii. the aggregate of all amounts each of which is

(1) 3/2 of the amount deducted by the individual under Titles VI.5 and VI.5.1 of Book IV in computing the individual's taxable income for a preceding taxation year that ended after 31 December 1987 but before 1 January 1990 or that began after 28 February 2000 and ended before 17 October 2000, or

(2) the product obtained by multiplying the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for a preceding taxation year that includes 28 February 2000 or 17 October 2000 by the amount deducted under Titles VI.5 and VI.5.1 of Book IV in computing the individual's taxable income for that preceding taxation year, and

iii. the aggregate of all amounts each of which is 4/3 of the amount deducted by the individual under Titles VI.5 and VI.5.1 of Book IV in computing the individual's taxable income for a preceding taxation year that ended after 31 December 1989 but before 28 February 2000.

However, where a particular amount was included in computing the individual's income for a taxation year that ended after 31 December 1987 but before 1 January 1990 under subparagraph ii of paragraph *a* of section 105, as it read in respect of that taxation year, the reference in subparagraph 1 of subparagraph ii of subparagraph *b* of the first paragraph to "3/2" shall be read as a reference to "4/3" in respect of that portion of any amount deducted under Title VI.5 of Book IV in respect of the particular amount.

1987, c. 67, s. 68; 1990, c. 59, s. 124; 1993, c. 19, s. 20; 1995, c. 49, s. 64; 2003, c. 2, s. 94.

264.5. A trust, in computing its business investment loss for a taxation year from the disposition of a particular property, shall deduct an amount equal to the lesser of

(a) the amount that would be its business investment loss from the disposition of that particular property if section 236.1 were read without reference to the fourth paragraph thereof;

(b) the amount by which the aggregate of the following amounts exceeds the aggregate of all amounts each of which is an amount deducted by the trust by reason of the fourth paragraph of section 236.1 in computing its business investment loss from the disposition of property in taxation years preceding the year, or from the disposition of property other than the particular property in the year:

i. the aggregate of all amounts each of which is twice the amount designated by it under section 668.1 in respect of a beneficiary in its fiscal return for a preceding taxation year that ended before 1 January 1988 or began after 17 October 2000,

ii. the aggregate of all amounts each of which is

(1) 3/2 of the amount designated by it under section 668.1 in respect of a beneficiary in its fiscal return for a preceding taxation year that ended after 31 December 1987 but before 1 January 1990 or that began after 28 February 2000 and ended before 17 October 2000, or

(2) the product obtained by multiplying the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the trust for a preceding taxation year that includes 28 February 2000 or 17 October 2000 by the amount designated by the trust under section 668.1 in respect of a beneficiary in its fiscal return for that preceding taxation year, and

iii. the aggregate of all amounts each of which is 4/3 of the amount designated by it under section 668.1 in respect of a beneficiary in its fiscal return for a preceding taxation year that ended after 31 December 1989 but before 28 February 2000.

However, where a particular amount was included in computing the trust's income for a taxation year that ended after 31 December 1987 but before 1 January 1990 under subparagraph ii of paragraph *a* of section 105, as it read in respect of that taxation year, the reference in subparagraph 1 of subparagraph ii of

subparagraph *b* of the first paragraph to "3/2" shall be read as a reference to "4/3" in respect of that portion of any amount deducted under Title VI.5 of Book IV in respect of the particular amount.

1987, c. 67, s. 68; 1990, c. 59, s. 125; 1995, c. 49, s. 65; 2003, c. 2, s. 95.

DIVISION III.3

RECOVERY OF BAD DEBTS

1990, c. 59, s. 126; 1995, c. 49, s. 236.

264.6. Where an amount is received in a taxation year on account of a debt in respect of which a deduction for bad debts had been made under section 142.1 in computing a taxpayer's income for a preceding taxation year, the amount by which 1/2 of the amount so received exceeds the amount determined under paragraph *i*.1 of section 87 in respect of the amount so received is deemed to be a taxable capital gain of the taxpayer from a disposition of capital property in the year.

1990, c. 59, s. 126; 1995, c. 49, s. 236; 1996, c. 39, s. 82; 2003, c. 2, s. 96.

DIVISION III.4

LOSSES DEEMED TO BE RELATED TO THE REPAYMENT OF ASSISTANCE

1994, c. 22, s. 126.

264.7. The aggregate of all amounts paid by a taxpayer in a taxation year each of which is any of the amounts described in the second paragraph, is deemed to be a capital loss of the taxpayer for the year from the disposition of property by the taxpayer in the year and, for the purposes of Title VI.5 of Book IV, that property is deemed to have been disposed of by the taxpayer in the year.

The amounts referred to in the first paragraph are

(a) such part of any assistance described in subparagraph i of paragraph *d* of section 257, in respect of, or for the acquisition by the taxpayer of, a capital property, other than depreciable property, as has been repaid by the taxpayer in the year, where the repayment is made after the disposition of the capital property by the taxpayer and under an obligation to repay all or any part of that assistance; or

(b) an amount repaid by the taxpayer in the year in respect of a capital property, other than depreciable property, acquired by the taxpayer that is repaid after the disposition of the capital property by the taxpayer and that would have been a repayment described in paragraph *f*.2 of section 257 had it been made before the disposition of the capital property.

1994, c. 22, s. 126.

DIVISION III.5

TRANSITIONAL RULES RELATING TO THE DISPOSITION OF PROPERTY INCLUDED IN CLASS 14.1 OF SCHEDULE B

2019, c. 14, s. 105.

264.8. The capital gain of a taxpayer resulting from the disposition by the taxpayer, at a particular time, of a property that is included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of a business of the taxpayer is to be reduced by the amount claimed by the taxpayer, without exceeding the amount referred to in the second paragraph, where

(a) the property was, immediately before 1 January 2017, an incorporeal capital property of the taxpayer, within the meaning of section 250, as it read before being repealed;

(b) the amount determined under subparagraph ii of subparagraph *a* of the second paragraph of section 107 in respect of the business immediately before 1 January 2017, as that section read before being repealed, is greater than nil;

(c) the amount determined under subparagraph *b* of the first paragraph of section 107 in respect of the business immediately before 1 January 2017, as that section read before being repealed, is nil; and

(d) no amount is included in computing the taxpayer's income for a taxation year because of subparagraph *d* of the first paragraph of section 93.18.

The amount to which the first paragraph refers is equal to the amount by which the amount obtained by multiplying by 2/3 the amount determined under subparagraph ii of subparagraph *a* of the second paragraph of section 107 in respect of the business immediately before 1 January 2017, as that section read before being repealed, exceeds the aggregate of all amounts each of which is an amount claimed under the first paragraph in respect of another disposition at or before the particular time.

2019, c. 14, s. 105.

264.9. The capital gain of an individual resulting from the disposition by the individual, at a particular time, of a property that is included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of a business of the individual is to be reduced by the amount claimed by the individual, without exceeding the amount described in the second paragraph, where

(a) the property was, immediately before 1 January 2017, an incorporeal capital property of the individual, within the meaning of section 250, as it read before being repealed; and

(b) the individual's exempt gains balance in respect of the business, within the meaning of section 107.2, as it read before being repealed, is greater than nil for the taxation year that includes 1 January 2017.

The amount to which the first paragraph refers is equal to the amount by which twice the amount of the individual's exempt gains balance in respect of the business, within the meaning of section 107.2, as it read before being repealed, for the taxation year that includes 1 January 2017 exceeds the aggregate of

(a) if subparagraph *d* of the first paragraph of section 93.18 applies in respect of the business for the individual's taxation year that includes 1 January 2017, the amount determined under subparagraph *d* of the second paragraph of section 105.2, as it read before being repealed, for the purposes of subparagraph *d* of the first paragraph of section 93.18; and

(b) the aggregate of all amounts each of which is an amount claimed under the first paragraph in respect of another disposition at or before the particular time.

2019, c. 14, s. 105.

DIVISION IV

DISPOSITION OF PRECIOUS PROPERTY

1972, c. 23.

265. The taxable net gain from the disposition of precious property for a taxpayer is equal to, subject to the second paragraph, 1/2 of the taxpayer's net gain for the year from the disposition of precious property that is personal-use property and is all or part of any print, etching, drawing, painting, sculpture or other similar work of art, jewellery, rare folio, rare manuscript or rare book, stamp, or coin.

However, where the taxation year of the taxpayer includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the fraction "1/2" in the first paragraph shall be read as a reference to the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the taxpayer for the year.

1972, c. 23, s. 245; 1990, c. 59, s. 127; 2003, c. 2, s. 97.

266. The net gain contemplated in section 265 is computed:

(a) by determining the amount by which the aggregate of all the taxpayer's gains for the year from the disposition of precious property, except prescribed cultural property contemplated in section 232, exceeds the aggregate of his losses for the year from the disposition of precious property; and

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

1972, c. 23, s. 246; 1975, c. 22, s. 48; 1985, c. 25, s. 50.

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

1972, c. 23, s. 247; 1985, c. 25, s. 51.

268. A loss shall not be deducted in respect of precious property before all similar losses have been deducted for previous years.

Such loss shall be deducted from the amount determined under paragraph *a* of section 266 only up to such amount.

1972, c. 23, s. 248.

269. For the purposes of this division a loss on precious property for a taxation year shall be computed by subtracting from the aggregate of the taxpayer's losses for the year from the disposition of precious property, the aggregate of his gains for the year from the disposition of precious property, except cultural property contemplated in section 232.

1972, c. 23, s. 249; 1975, c. 22, s. 49.

DIVISION V

WARRANTIES

1972, c. 23; 1997, c. 14, s. 57.

270. For the purposes of this Title,

(a) if an amount is received or receivable by a person or a partnership (in this section referred to as the "vendor") as consideration for a warranty, covenant or other conditional obligation given or incurred by the vendor in respect of a property (in this section referred to as the "specified property") disposed of by the vendor, the following rules apply:

i. if the amount is received or receivable on or before the specified date, it is deemed to be received as consideration for the disposition of the specified property by the vendor and not to be an amount received or receivable by the vendor as consideration for the obligation, and it is to be included in computing the vendor's proceeds of disposition of the specified property for the taxation year or fiscal period in which the disposition occurred, and

ii. in any other case, it is deemed to be a capital gain of the vendor from the disposition of a property by the vendor that occurs at the earlier of the time when the amount is received or becomes receivable; and

(b) if an amount is paid or payable in relation to an outlay or expense made or incurred by the vendor under a warranty, covenant or other conditional obligation given or incurred by the vendor in respect of the specified property disposed of by the vendor, the following rules apply:

i. if the amount is paid or payable on or before the specified date, it is deemed to reduce the consideration for the disposition of the specified property by the vendor and not to be an amount paid or payable by the vendor as consideration for the obligation, and it is to be deducted in computing the vendor's proceeds of disposition of the specified property for the taxation year or fiscal period in which the disposition occurred, and

ii. in any other case, it is deemed to be a capital loss of the vendor from the disposition of a property by the vendor that occurs at the earlier of the time when the amount is paid or becomes payable.

For the purposes of the first paragraph, "specified date" means,

(a) if the vendor is a partnership, the last day of the vendor's fiscal period in which the vendor disposed of the specified property; and

(b) in any other case, the vendor's filing-due date for the vendor's taxation year in which the vendor disposed of the specified property.

2015, c. 21, s. 154.

DIVISION VI

DISPOSITION OF PRINCIPAL RESIDENCE

1972, c. 23.

271. The individual's gain for a taxation year from the disposition of a property that is or was the individual's principal residence at any time after the date, in this section referred to as the "acquisition date", that is the later of 31 December 1971 and the day on which the individual last acquired it, is the amount determined by the formula

$$A - (A \times B / C) - D.$$

For the purposes of the formula in the first paragraph,

(a) A is the amount that would, if this Act were read without reference to this section and sections 726.9.2 and 726.9.4, be the individual's gain from the disposition of the property for the year;

(b) B is

i. if the individual was resident in Canada during the taxation year that includes the acquisition date, one plus the number of taxation years that end after the acquisition date for which the property is the individual's principal residence and during which the individual was resident in Canada, or

ii. if the individual was not resident in Canada at any time in the taxation year that includes the acquisition date, the number of taxation years that end after the acquisition date for which the property is the individual's principal residence and during which the individual was resident in Canada;

(c) C is the number of taxation years that end after the acquisition date during which the individual owned the property whether jointly with another person or otherwise; and

(d) D is

i. where the acquisition date is before 23 February 1994 and the individual or a spouse of the individual elected under section 726.9.2 in respect of the property or a right therein that was owned, immediately before the disposition, by the individual, 4/3 of the lesser of

(1) the aggregate of all amounts each of which is the taxable capital gain of the individual or of a spouse of the individual that would have resulted from an election by the individual or spouse under section 726.9.2 in respect of the property or right if this Act were read without reference to section 726.9.3 and the amount designated in the election were equal to the amount by which the fair market value of the property or right at the end of 22 February 1994 exceeds the amount designated in the election that was made in respect of the property or right that exceeds 11/10 of its fair market value at that time, and

(2) the aggregate of all amounts each of which is the taxable capital gain of the individual or of a spouse of the individual that would have resulted from an election that was made under section 726.9.2 in respect of the property or right if the property were the principal residence of neither the individual nor the spouse for each particular taxation year unless the property was designated, in a fiscal return for the taxation year that includes 22 February 1994 or for a preceding taxation year, to be the principal residence of either of them for the particular taxation year, and

ii. in any other case, zero.

1972, c. 23, s. 251; 1973, c. 17, s. 25; 1978, c. 26, s. 45; 1996, c. 39, s. 83; 2020, c. 16, s. 54; 2021, c. 14, s. 36.

271.1. If an individual encumbers a property that is the individual's principal residence with a real servitude for the taxation year in which the servitude is established and the presumption in paragraph *a* of section 254.1.1 applies in respect of that property, the individual's gain, for that taxation year, from the deemed disposition of the portion of the property so encumbered is deemed to be equal to zero.

2006, c. 13, s. 35.

272. Where an individual disposes of property to the individual's spouse or a trust and the presumption referred to in section 440 or 454 applies,

(a) the spouse or the trust is deemed to have owned the property since the individual acquired it; and

(b) the property is deemed to have been the principal residence of the spouse or trust

i. in the case provided for in section 440, for all the years for which the individual could have designated it, in accordance with the fifth paragraph of section 274, to have been the individual's principal residence, and;

ii. in the case provided for in section 454, for all the years for which it was the individual's principal residence.

In the case of a trust, it is deemed to have been resident in Canada during all the years in which the individual was resident in Canada.

1972, c. 23, s. 252; 1994, c. 22, s. 127; 2001, c. 7, s. 36; 2021, c. 14, s. 37.

273. An individual's gain from disposition of land used for a farming business that he operates is, if such land includes at any time his principal residence:

(a) his gain for the year from the disposition of that part of the land which does not include his principal residence, plus his gain determined for the year under section 271 as derived from the disposition of his principal residence, or

(b) if the individual so elects with respect to such land in the prescribed manner, his gain for the year from the disposition of such land including his principal residence, determined without regard to paragraph *a* and section 271, less the aggregate of $1,000 and $1,000 for each taxation year ending after the time referred to in the first paragraph of that section 271 during which such property was his principal residence and during which he was resident in Canada.

1972, c. 23, s. 253; 1978, c. 26, s. 46; 1996, c. 39, s. 84.

274. In this Title, "principal residence" of an individual, other than a personal trust, for a taxation year means a particular property that is a housing unit, a leasehold interest in a housing unit or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a housing unit owned by the cooperative if, in every case, the particular property is owned in the year by the individual, whether alone or jointly with another person, and the condition set out in the second paragraph and one of the following conditions are met:

(a) the housing unit is ordinarily inhabited in the year by the individual, his spouse or former spouse or his child; or

(b) the individual has made

i. an election referred to in the first paragraph of section 284 that relates to the change in use of the particular property in the year or a preceding taxation year, other than such an election in relation to which the second paragraph of that section applies for the year or a preceding taxation year, or

ii. an election referred to in the first paragraph of section 286.1 that relates to a change in use of the particular property in a subsequent taxation year.

The condition referred to in the first paragraph consists in the particular property having been designated by the individual, in accordance with the fifth paragraph, as being the individual's principal residence for the year and in no other property having been designated, for the purposes of this section and of sections 274.0.1, 275.1, 277 and 285, for the year by

(a) where the year is before 1982, the individual; or

(b) where the year is after 1981,

i. the individual,

ii. a person who was throughout the year the individual's spouse, other than a spouse who was throughout the year living separate and apart from the individual pursuant to a judicial separation or a written separation agreement,

iii. a person who was the individual's child, other than a child who was at any time in the year a married person or a person 18 years of age or over, or

iv. where the individual was not at any time in the year a married person or a person 18 years of age or over, a person who was the individual's father or mother, or brother or sister, where that brother or sister was not at any time in the year a married person or a person 18 years of age or over;

(c) (subparagraph repealed);

(d) (subparagraph repealed).

Subject to the fourth paragraph, a particular property may be designated as principal residence under this section for a taxation year only if the particular property was the subject of a valid designation under paragraph *c* of the definition of "principal residence" in section 54 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for the year; however, if a designation made under that paragraph *c* for the year is in respect of a property that is not identical to the particular property but that includes it, in whole or in part, or is included, in whole or in part, in that property, the Minister may determine to what extent the designation made in respect of the particular property under this section for the year is valid.

Despite the third paragraph, if the Minister considers it appropriate in the circumstances, the Minister may agree to have a particular property designated as principal residence by an individual, under this section, for a particular taxation year even though the particular property was not the subject of a valid designation by the individual under paragraph *c* of the definition of "principal residence" in section 54 of the Income Tax Act for the particular year where

(a) the following conditions are met:

i. the individual disposed, in a taxation year that ended before 3 October 2016, of a property other than the particular property,

ii. the individual was resident in Québec at the end of the taxation year in which the other property was disposed of, and

iii. the particular taxation year is a taxation year in respect of which the other property was the subject of a valid designation by the individual under paragraph *c* of the definition of "principal residence" in section 54 of the Income Tax Act and could be the subject of a designation under this section by the individual for the particular taxation year, but was not the subject of such a designation; or

(b) the particular taxation year is a taxation year that precedes the taxation year in which the particular property is disposed of and

i. a valid designation was made by the individual under paragraph *c* of the definition of "principal residence" in section 54 of the Income Tax Act in respect of another property for the particular taxation year, and

ii. the Minister was of the opinion that the other property could not be the subject of a designation by the individual under this section for the particular taxation year.

An individual designates a particular property as the individual's principal residence for a particular taxation year by enclosing the prescribed form containing prescribed information with the fiscal return the individual is required to file under section 1000 for the individual's taxation year in which the individual disposed of the particular property or granted an option to purchase it.

1972, c. 23, s. 254; 1973, c. 17, s. 26; 1975, c. 21, s. 5; 1977, c. 26, s. 26; 1984, c. 15, s. 64; 1986, c. 15, s. 55; 1986, c. 19, s. 47; 1989, c. 5, s. 57; 1994, c. 22, s. 128; 1997, c. 3, s. 71; 1997, c. 85, s. 330; 2000, c. 5, s. 71; 2004, c. 8, s. 52; 2009, c. 5, s. 92; 2021, c. 14, s. 38.

274.0.1. In this Title, "principal residence" of an individual who is a personal trust, in this section referred to as a "trust", for a taxation year means a particular property that is a housing unit, a leasehold interest in a housing unit or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a housing unit owned by the cooperative if, in every case, the particular property is owned in the year by the trust, whether alone or jointly with another person, and the conditions set out in the second paragraph and one of the following conditions are met:

(a) the housing unit was ordinarily inhabited in the calendar year ending in the year by a specified beneficiary of the trust for the year, by the spouse or former spouse of such a beneficiary or by a child of such a beneficiary; or

(b) the trust has made

i. an election referred to in the first paragraph of section 284 that relates to the change in use of the particular property in the year or a preceding taxation year, other than such an election in relation to which the second paragraph of that section applies for the year or a preceding taxation year, or

ii. an election referred to in the first paragraph of section 286.1 that relates to a change in use of the particular property in a subsequent taxation year.

The conditions referred to in the first paragraph are as follows:

(a) the particular property was designated by the trust, in accordance with the fifth paragraph, as the trust's principal residence for the year;

(b) the trust has specified in the designation each individual, in this section and in section 275.1 referred to as a "specified beneficiary", who, in the calendar year ending in the year,

i. is beneficially interested in the trust, and

ii. except where the trust is entitled to designate the particular property for the year solely by reason of subparagraph *b* of the first paragraph, ordinarily inhabited the housing unit or has a spouse, former spouse or child who ordinarily inhabited the housing unit;

(c) no corporation, other than a registered charity, or partnership is beneficially interested in the trust at any time in the year; and

(c.1) if the year begins after 31 December 2016, the trust is, in the year,

i. a trust for which a day is to be determined under any of subparagraphs *a*, *a*.1 and *a*.4 of the first paragraph of section 653 by reference to the death or later death, as the case may be, that has not occurred before the beginning of the year, of an individual who is resident in Canada during the year, and a trust a specified beneficiary of which for the year is the individual,

ii. a trust that is a qualified disability trust (within the meaning of the first paragraph of section 768.2) for the year and in respect of which an electing beneficiary (within the meaning of that paragraph) for the year is resident in Canada during the year, is a specified beneficiary of the trust for the year and is a spouse, former spouse or child of the settlor (having in this subparagraph *c*.1 the meaning assigned by the first paragraph of section 658) of the trust, or

iii. a trust a specified beneficiary of which for the year is an individual who is resident in Canada during the year, who has not attained 18 years of age before the end of the year and a mother or father of whom is a settlor of the trust, and in respect of which either of the following conditions is met:

(1) no mother or father of the individual is alive at the beginning of the year, or

(2) the trust arose before the beginning of the year on and as a consequence of the death of a mother or father of the individual; and

(d) no other property has been designated for the purposes of this section and sections 274, 275.1, 277 and 285 for the calendar year ending in the year by

i. a specified beneficiary of the trust for the year,

ii. a person who was throughout that calendar year the spouse of a beneficiary referred to in subparagraph i, other than a spouse who was throughout that calendar year living separate and apart from the beneficiary pursuant to a judicial separation or a written separation agreement,

iii. a person who was the child of a beneficiary referred to in subparagraph i, other than a child who was during that calendar year a married person or a person 18 years of age or over, or

iv. where a beneficiary referred to in subparagraph i was not during that calendar year a married person or a person 18 years of age or over, a person who was the beneficiary's father or mother, or brother or sister, where that brother or sister was not during that calendar year a married person or a person 18 years of age or over.

Subject to the fourth paragraph, a particular property may be designated as principal residence under this section for a taxation year only if the particular property was the subject of a valid designation under paragraph *c*.1 of the definition of "principal residence" in section 54 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for the year; however, if a designation made under that paragraph *c*.1 for the year is in respect of a property that is not identical to the particular property but that includes it, in whole or in part, or is included, in whole or in part, in that property, the Minister may determine to what extent the designation made in respect of the particular property under this section for the year is valid.

Despite the third paragraph, if the Minister considers it appropriate in the circumstances, the Minister may agree to have a particular property designated as principal residence by a trust, under this section, for a particular taxation year even though the particular property was not the subject of a valid designation by the trust under paragraph *c*.1 of the definition of "principal residence" in section 54 of the Income Tax Act for the particular year where

(a) the following conditions are met:

i. the trust disposed, in a taxation year that ended before 3 October 2016, of a property other than the particular property,

ii. the trust was resident in Québec at the end of the taxation year in which the other property was disposed of, and

iii. the particular taxation year is a taxation year in respect of which the other property was the subject of a valid designation by the trust under paragraph *c*.1 of the definition of "principal residence" in section 54 of the Income Tax Act and could be the subject of a designation under this section by the trust for the particular taxation year, but was not the subject of such a designation; or

(b) the particular taxation year is a taxation year that precedes the taxation year in which the particular property is disposed of and

i. a valid designation was made by the trust under paragraph *c*.1 of the definition of "principal residence" in section 54 of the Income Tax Act in respect of another property for the particular taxation year, and

ii. the Minister was of the opinion that the other property could not be the subject of a designation by the trust under this section for the particular taxation year.

A trust designates a particular property as its principal residence for a particular taxation year by enclosing the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for its taxation year in which it disposed of the particular property or granted an option to purchase it.

1994, c. 22, s. 129; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 85, s. 330; 2000, c. 5, s. 72; 2009, c. 5, s. 93; 2009, c. 15, s. 69; 2021, c. 14, s. 39.

274.1. Subject to section 274.1.1, where a property was owned by an individual, whether jointly with another person or otherwise, at the end of 31 December 1981 and continuously thereafter until disposed of by the individual, the gain determined under section 271 in respect of the disposition of that property must not exceed the amount by which the aggregate of the following amounts exceeds the amount by which the fair market value of the property on 31 December 1981 exceeds the proceeds of disposition of the property determined without reference to this section:

(a) the individual's gain calculated in accordance with section 271 on the assumption that the individual had disposed of the property on 31 December 1981 for proceeds of disposition equal to its fair market value on that date; and

(b) the individual's gain calculated in accordance with section 271 on the assumption that that section applies and that

i. subparagraph i of subparagraph *b* of the second paragraph of section 271 is read without reference to "one plus", and

ii. the individual acquired the property on 1 January 1982 at a cost equal to the proceeds of disposition determined under paragraph *a*.

1984, c. 15, s. 64; 1996, c. 39, s. 85; 2021, c. 14, s. 40.

274.1.1. Where a property was owned by a trust, whether jointly with another person or otherwise, at the end of 31 December 2016 and continuously thereafter until disposed of by the trust, where the trust was not in its first taxation year that begins after 31 December 2016 a trust described in subparagraph *c*.1 of the second paragraph of section 274.0.1, where the trust disposes of the property after 31 December 2016 and where the disposition is the trust's first disposition of the property after that date, the following rules apply:

(a) section 274.1 does not apply in respect of the disposition; and

(b) the trust's gain determined under section 271 in respect of the disposition of the property is equal to the amount by which the aggregate of the following amounts exceeds the amount by which the fair market value of the property on 31 December 2016 exceeds the proceeds of disposition of the property determined without reference to this section:

i. the trust's gain calculated in accordance with section 271 on the assumption that

(1) the trust disposed of the property on 31 December 2016 for proceeds of disposition equal to its fair market value on that date, and

(2) paragraph *a* did not apply in respect of the disposition described in subparagraph 1, and

ii. the trust's gain in respect of the disposition calculated in accordance with section 271 on the assumption that

(1) subparagraph i of subparagraph *b* of the second paragraph of section 271 is read without reference to "one plus", and

(2) the trust acquired the property on 1 January 2017 at a cost equal to the proceeds of disposition determined under subparagraph 1 of subparagraph i.

2021, c. 14, s. 41.

274.2. Where, in circumstances to which section 688 applies and section 691 does not apply, property has been acquired by a taxpayer in satisfaction of all or any part of his capital interest in a trust, the taxpayer is deemed, for the purposes of sections 271, 274, 274.0.1, 275.1 to 277 and 285, to have owned the property continuously since the trust last acquired it.

1986, c. 19, s. 48; 1994, c. 22, s. 130.

274.3. Where an election was made under section 726.9.2 in respect of a property of a taxpayer that was the taxpayer's principal residence for the taxation year 1994 or that, in the taxpayer's fiscal return for the taxation year in which the taxpayer disposes of the property or grants an option to acquire the property, is designated as the taxpayer's principal residence, in determining, for the purposes of sections 271, 272, 274.1

and 274.2, the day on which the property was last acquired by the taxpayer and the period throughout which the property was owned by the taxpayer this Act shall be read without reference to section 726.9.2.

1996, c. 39, s. 86.

274.4. Where a person not resident in Canada disposes of a taxable Québec property that the person last acquired before 27 April 1995, that would not be a taxable Québec property immediately before the disposition if sections 1087 to 1096.2 were read as they applied in respect of dispositions that occurred on 26 April 1995 and that would be a taxable Québec property immediately before the disposition if those sections were read as they applied in respect of dispositions that occurred on 1 January 1996, the person's gain or loss from the disposition is deemed to be the amount determined by the formula

$$A \times B / C.$$

In the formula provided for in the first paragraph,

(a) A is the amount of the gain or loss determined without reference to this section;

(b) B is the number of calendar months in the period that begins with May 1995 and ends with the calendar month that includes the time of the disposition; and

(c) C is the number of calendar months in the period that begins with the calendar month in which the person last acquired the property and ends with the calendar month that includes the time of the disposition.

2001, c. 7, s. 37; 2004, c. 8, s. 53.

275. *(Repealed).*

1972, c. 23, s. 255; 1986, c. 19, s. 49; 1994, c. 22, s. 131.

275.1. For the purposes of sections 274 and 274.0.1, a particular property designated by a trust under the second paragraph of section 274.0.1 for a taxation year is deemed to be property designated by each specified beneficiary of the trust for the calendar year ending in the year.

1986, c. 19, s. 50; 1994, c. 22, s. 132.

276. *(Repealed).*

1972, c. 23, s. 256; 1973, c. 17, s. 27; 1994, c. 22, s. 133.

277. The principal residence of an individual is deemed to include the land subjacent to it and such portion of any contiguous land as can reasonably be regarded as contributing to the use and enjoyment of the housing unit as a residence.

However, where the total area of the land subjacent to the principal residence and the portion of contiguous land exceeds one-half hectare, the excess shall be deemed not to have contributed to the use and enjoyment of the housing unit as a residence unless the individual establishes that it was necessary to such use and enjoyment.

1972, c. 23, s. 257; 1984, c. 15, s. 65; 2004, c. 8, s. 54.

DIVISION VI.1

LIFE ESTATE IN IMMOVABLE PROPERTY

1994, c. 22, s. 134; 1996, c. 39, s. 87.

277.1. Despite any other provision of this Act, if at any time a taxpayer disposes of a remainder interest in immovable property (except as a result of a transaction to which section 459 would otherwise apply or by way of a gift to a qualified donee) to a person or partnership and retains a life estate or an estate pur autre vie (in this division referred to as the "life estate") in the property, the taxpayer is deemed

(a) to have disposed at that time of the life estate in the immovable property for proceeds of disposition equal to its fair market value at that time; and

(b) to have reacquired the life estate immediately after that time at a cost equal to the proceeds of disposition referred to in paragraph *a*.

1994, c. 22, s. 134; 1995, c. 49, s. 66; 1996, c. 39, s. 88; 1997, c. 3, s. 71; 2005, c. 23, s. 43; 2009, c. 5, s. 94; 2012, c. 8, s. 46.

277.2. Where, as a result of an individual's death, a life estate to which section 277.1 has applied is terminated,

(a) the holder of the life estate immediately before the death is deemed to have disposed of the life estate immediately before the death for proceeds of disposition equal to the adjusted cost base to that person of the life estate immediately before the death; and

(b) where a person who is the holder of the remainder interest in the immovable property immediately before the death was not dealing at arm's length with the holder of the life estate, there shall, after the death, be added in computing the adjusted cost base to that person of the immovable property an amount equal to the lesser of

i. the adjusted cost base of the life estate in the property immediately before the death, and

ii. the amount by which the fair market value of the immovable property immediately after the death exceeds the adjusted cost base to that person of the remainder interest immediately before the death.

1994, c. 22, s. 134; 1996, c. 39, s. 89.

DIVISION VII

CAPITAL REPLACEMENT PROPERTY

1972, c. 23; 1978, c. 26, s. 47.

278. Despite section 234, this division applies if, at any time in a taxation year, an amount becomes receivable by a taxpayer as proceeds of disposition of a capital property (in this division referred to as "former property") that is not a share of the capital stock of a corporation but that is either property the proceeds of disposition of which are described in section 280 or a property that was, immediately before the disposition, a former business property of the taxpayer, and the taxpayer acquires, in the case of a former property the proceeds of disposition of which are described in section 280, before the end of the second taxation year following the year or, if it is later, before the end of the 24-month period following the year, or, in any other case, before the end of the first taxation year following the year or, if it is later, before the end of the 12-month period following the year, a capital property that is a replacement property for the taxpayer's former property and the replacement property has not been disposed of by the taxpayer before the time at which the taxpayer has disposed of the former property.

1972, c. 23, s. 258; 1975, c. 22, s. 50; 1978, c. 26, s. 47; 2001, c. 7, s. 38; 2004, c. 8, s. 54; 2009, c. 15, s. 70.

278.1. For the purposes of section 278, if a taxpayer acquires a capital replacement property for a former property after the end of the period provided for in that section for the acquisition and, in the Minister's opinion, the taxpayer was unable to acquire the capital replacement property before the end of the period because of the specific nature of the former property, the taxpayer is deemed to have acquired the capital replacement property before the end of the period.

2002, c. 40, s. 24; 2009, c. 15, s. 70.

279. In the case provided for in section 278, if the taxpayer acquires the replacement property referred to in that section in a taxation year and the taxpayer makes a valid election under subsection 1 of section 44 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of the former property or, if section 278.1 applies, the taxpayer so elects in the taxpayer's fiscal return filed in accordance with section 1000 for the taxation year, the following rules apply:

(a) the gain for a particular taxation year from the disposition of the former property is deemed to be equal to the amount by which the amount as a reserve that, subject to section 279.1, is equal to the amount determined under the second paragraph or, if section 278.1 applies, the amount by which the amount as a reserve that the taxpayer may claim as a deduction and that does not exceed, subject to section 279.1, the amount determined under the second paragraph, is exceeded by whichever of the following amounts is applicable:

i. if the particular year is the year in which the proceeds of disposition of the former property become due to the taxpayer, the lesser of the amount determined under the third paragraph and the amount determined under the fourth paragraph, or

ii. if the particular year is subsequent to the year in which the proceeds of disposition of the former property become due to the taxpayer, the amount that the taxpayer has deducted under this subparagraph *a* from the amount determined under subparagraph i or this subparagraph ii in computing the taxpayer's gain for the year preceding the particular year from the disposition of the former property; and

(b) the cost or, in the case of depreciable property, the capital cost, to the taxpayer, of the replacement property at any time after the time of the disposition of the former property by the taxpayer, is deemed to be the cost otherwise determined, minus the amount by which the amount determined under the third paragraph exceeds the amount determined under the fourth paragraph.

The amount referred to in the portion of subparagraph *a* of the first paragraph before subparagraph i is equal, without exceeding the amount from which it must be subtracted, to the least of

(a) a reasonable amount as a reserve in respect of the portion of the proceeds of disposition of the former property that is payable to the taxpayer after the end of the particular year as can reasonably be regarded as a portion of the amount determined under subparagraph i of subparagraph *a* of the first paragraph in respect of the property;

(b) an amount equal to the product obtained when 1/5 of the amount determined under subparagraph i of subparagraph *a* of the first paragraph in respect of the property is multiplied by the amount by which 4 exceeds the number of preceding taxation years of the taxpayer ending after the disposition of the property; and

(c) unless section 278.1 applies, the amount allowed as a deduction for the year under subparagraph iii of paragraph *e* of subsection 1 of section 44 of the Income Tax Act in computing the taxpayer's gain for the particular year from the disposition of the property or, if the amount that is so allowed as a deduction is equal to the maximum amount that the taxpayer may claim as a deduction in that computation under that subparagraph iii in respect of the disposition, the amount that the taxpayer specifies and that is not less than that maximum amount.

The first amount to which subparagraph i of subparagraph *a* and subparagraph *b* of the first paragraph refer is equal to the amount by which the proceeds of disposition of the former property exceed the aggregate of the

adjusted cost base of the former property to the taxpayer immediately before the disposition and the outlays made or expenses incurred by the taxpayer for the purpose of making the disposition or, in the case of depreciable property, the lesser of such aggregate and the proceeds of disposition of the former property determined without reference to section 280.3.

The second amount to which subparagraph i of subparagraph *a* and subparagraph *b* of the first paragraph refer is equal to the amount by which the proceeds of disposition of the former property exceed the aggregate of the cost or, in the case of depreciable property, the capital cost, to the taxpayer, determined without reference to subparagraph *b* of the first paragraph, of the replacement property and the outlays made or expenses incurred by the taxpayer for the purpose of making the disposition.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 44 of the Income Tax Act or in relation to an election made under this section before 20 December 2006 but otherwise than as a consequence of the application of section 278.1.

1975, c. 22, s. 51; 1978, c. 26, s. 47; 1982, c. 5, s. 60; 1984, c. 15, s. 66; 1986, c. 15, s. 56; 1996, c. 39, s. 90; 1997, c. 85, s. 330; 2009, c. 5, s. 95; 2010, c. 5, s. 30.

279.1. In computing the amount that a taxpayer may deduct under subparagraph *a* of the first paragraph of section 279 in computing the taxpayer's gain from the disposition of a former property of the taxpayer, subparagraph *b* of the second paragraph of that section is to be read as if "1/5" and "4" were replaced by "1/10" and "9", respectively, if the former property is an immovable property in respect of whose disposition the rules set out in sections 460 to 462 applied to the taxpayer and a child of the taxpayer because of section 459.

1984, c. 15, s. 67; 1986, c. 19, s. 51; 2007, c. 12, s. 46; 2009, c. 5, s. 96; 2010, c. 5, s. 31.

280. For the purposes of this Part, if a taxpayer has disposed of a property for which there are proceeds of disposition referred to in any of subparagraphs ii, iii and iv of subparagraph *f* of the first paragraph of section 93, the time of disposition of that property and the time when those proceeds become receivable by the taxpayer are deemed to be the earliest of the following times, and the taxpayer is deemed to have owned the property continuously until that time:

(a) the day the taxpayer has agreed to an amount as final compensation for that property;

(b) where a claim or other proceeding has been taken before a competent court or tribunal, the day on which the compensation is finally determined by that tribunal or court;

(c) where a claim or other proceeding referred to in paragraph *b* has not been taken within two years of the event giving rise to the compensation, the day that is two years following the day of that event;

(d) the time at which the taxpayer is deemed, under sections 433 to 451 or subparagraph *b* of the first paragraph of section 785.2, to have disposed of the property; and

(e) where the taxpayer is a corporation other than a subsidiary referred to in section 556, the time immediately before the winding-up of the corporation.

1975, c. 22, s. 51; 1977, c. 26, s. 27; 1978, c. 26, s. 47; 1995, c. 49, s. 67; 1997, c. 3, s. 71; 2001, c. 53, s. 260; 2005, c. 23, s. 44; 2009, c. 5, s. 97.

280.1. A taxpayer who makes an election referred to in subsection 2 of section 96 or the first paragraph of section 279, as the case may be, in respect of a former property that was a depreciable property of the taxpayer, is deemed to also make an election referred to in the first paragraph of section 279 or subsection 2 of section 96, as the case may be, in respect of the same property.

Notwithstanding sections 1010 to 1011, where a taxpayer has made an election referred to in the first paragraph of section 279, the Minister shall make such reassessments of tax, interest and penalties under this Part as are necessary for any taxation year to take into account that election.

1975, c. 22, s. 51; 1978, c. 26, s. 47; 2002, c. 40, s. 25; 2009, c. 5, s. 98.

280.2. For the purposes of this division, paragraphs *a* to *d* of subsection 3 of section 96 apply, with the necessary modifications, where it must be determined if a particular capital property of a taxpayer is a replacement property for a former property of the taxpayer.

1978, c. 26, s. 47; 1995, c. 63, s. 261; 2001, c. 7, s. 39; 2001, c. 53, s. 50.

280.3. For the purposes of this Title, if a taxpayer has disposed of a former business property that was in part a building and in part the land subjacent to, or immediately contiguous to and necessary for the use of, the building or a right in such a property, and the taxpayer makes a valid election under subsection 6 of section 44 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the disposition, the amount by which the proceeds of disposition of one such part determined without reference to this section exceed the adjusted cost base to the taxpayer of that part is, without exceeding the total of the amount for which the election is made in respect of that part and, when the amount is the maximum amount for which the election may be made in respect of that part, the amount that the taxpayer specifies in relation to that part in the taxpayer's fiscal return filed under this Part for the taxation year in which the taxpayer acquired a replacement property for the former business property, deemed not to be proceeds of disposition of that part and to be proceeds of disposition of the other part.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 44 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1982, c. 5, s. 61; 1986, c. 15, s. 57; 1995, c. 49, s. 68; 2009, c. 5, s. 99; 2020, c. 16, s. 188.

280.4. Section 235 applies, with the necessary modifications, to the amount that a taxpayer may deduct under subparagraph *a* of the first paragraph of section 279, from the amount determined under subparagraph i or ii of that subparagraph *a* in computing a gain for a taxation year.

1982, c. 5, s. 61; 1995, c. 63, s. 261; 2009, c. 5, s. 99.

DIVISION VII.1

REPLACEMENT SHARES

2003, c. 2, s. 99.

280.5. In this division,

"adjusted cost base reduction" of an individual in respect of a replacement share of the individual in respect of a qualifying disposition of the individual means the amount determined by the formula

$$D \times (E / F);$$

"common share" means a share prescribed by regulation for the purposes of paragraph *d* of subsection 1 of section 110 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

"eligible business corporation" at any time means, subject to section 280.14, a corporation that is, at that time, a taxable Canadian corporation all or substantially all of the fair market value of the assets of which at that time is attributable to assets of the corporation that are

(a) assets used principally in an eligible business carried on by the corporation or by an eligible business corporation that is related to the corporation;

(b) shares issued by or debt owing by other eligible business corporations that are related to the corporation; or

(c) a combination of assets described in paragraphs *a* and *b*;

"eligible pooling arrangement" in respect of an individual means an agreement in writing made between the individual and another person or partnership, in this definition and section 280.7 referred to as the "investment manager", where the agreement provides for

(a) the transfer of funds or other property by the individual to the investment manager for the purpose of making investments on behalf of the individual;

(b) the purchase of eligible small business corporation shares with those funds, or the proceeds of a disposition of the other property, within 60 days after receipt of those funds or the other property by the investment manager; and

(c) the provision of a statement of account to the individual by the investment manager at the end of each month that ends after the transfer disclosing the details of the investment portfolio held by the investment manager on behalf of the individual at the end of that month and the details of the transactions made by the investment manager on behalf of the individual during the month;

"eligible small business corporation" at any time means, subject to section 280.14, a corporation that, at that time, is a Canadian-controlled private corporation all or substantially all of the fair market value of the assets of which at that time is attributable to assets of the corporation that are

(a) assets used principally in an eligible business carried on primarily in Canada by the corporation or by an eligible small business corporation that is related to the corporation;

(b) shares issued by or debt owing by other eligible small business corporations that are related to the corporation; or

(c) a combination of assets described in paragraphs *a* and *b*;

"eligible small business corporation share" of an individual means a common share issued by a corporation to the individual if

(a) at the time the share was issued, the corporation was an eligible small business corporation; and

(b) immediately before and after the share was issued, the aggregate of the assets of the corporation and corporations related to it did not exceed $50,000,000;

"permitted deferral" of an individual in respect of a qualifying disposition of the individual means the amount determined by the formula

$$(A / B) \times C;$$

"qualifying disposition" of an individual, other than a trust, means, subject to section 280.13, a disposition of shares of the capital stock of a corporation where each such share disposed of was

(a) an eligible small business corporation share of the individual;

(b) throughout the period during which the individual owned the share, a common share of an eligible business corporation; and

(c) throughout the 185-day period that ended immediately before the disposition of the share, owned by the individual;

"replacement share" of an individual in respect of a qualifying disposition of the individual in a taxation year means an eligible small business corporation share of the individual that is

(a) acquired by the individual in the year or within 120 days after the end of the year; and

(b) designated by the individual to be a replacement share in respect of the qualifying disposition, in accordance with paragraph *b* of the definition of "replacement share" in subsection 1 of section 44.1 of the Income Tax Act, in the fiscal return that the individual filed for the year under Part I of that Act.

In the formulas provided for in the definitions of "adjusted cost base reduction" and "permitted deferral" in the first paragraph,

(a) A is the lesser of

i. the individual's proceeds of disposition from the qualifying disposition, and

ii. the aggregate of all amounts each of which is the cost to the individual of a replacement share in respect of the qualifying disposition;

(b) B is the individual's proceeds of disposition from the qualifying disposition;

(c) C is the individual's capital gain from the qualifying disposition;

(d) D is the permitted deferral of the individual in respect of the qualifying disposition;

(e) E is the cost to the individual of the replacement share; and

(f) F is the cost to the individual of all the replacement shares of the individual in respect of the qualifying disposition.

For the purposes of paragraph *b* of the definition of "eligible small business corporation share" in the first paragraph, the assets of a corporation at any time means the assets that would be shown in its financial statements as of that time if those financial statements were prepared in accordance with generally accepted accounting principles used in Canada at that time, and if the value of an asset of a corporation that is a share issued by or debt owing by a related corporation were nil.

2003, c. 2, s. 99; 2005, c. 1, s. 82.

280.6. Subject to the second paragraph, where an individual makes a qualifying disposition in a taxation year, the following rules apply:

(a) the individual's capital gain for the year from the qualifying disposition is deemed to be equal to the amount by which the individual's capital gain for the year from the qualifying disposition, determined without reference to this division, exceeds the individual's permitted deferral in respect of the qualifying disposition;

(b) in computing the adjusted cost base to the individual of a replacement share of the individual in respect of the qualifying disposition at any time after its acquisition, there shall be deducted the amount of the adjusted cost base reduction of the individual in respect of the replacement share; and

(c) where the qualifying disposition was a disposition of a share that was a taxable Canadian property of the individual, the replacement share of the individual in respect of the qualifying disposition is deemed to be, at any time that is within 60 months after the disposition, a taxable Canadian property of the individual.

For the purposes of the first paragraph, the individual shall enclose with the fiscal return the individual is required to file for the year under section 1000, the prescribed form along with a copy of every document sent to the Minister of National Revenue attesting the share was designated by the individual in the fiscal return the individual files for the year under Part I of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), pursuant to paragraph *b* of the definition of "replacement share" in subsection 1 of section 44.1 of that Act.

2003, c. 2, s. 99; 2011, c. 6, s. 124.

280.7. Except for the purposes of the definition of "eligible pooling arrangement" in the first paragraph of section 280.5, any transaction entered into by an investment manager under an eligible pooling arrangement on behalf of an individual is deemed to be a transaction of the individual and not a transaction of the investment manager.

2003, c. 2, s. 99.

280.8. For the purposes of this division, a share of the capital stock of a corporation, acquired by an individual as a consequence of the death of a person who is the individual's spouse, father or mother is deemed to be a share that was acquired by the individual at the time it was acquired by that person and owned by the individual throughout the period that it was owned by that person, if

(a) where the person was the spouse of the individual, the share was an eligible small business corporation share of the person and section 440 applied in respect of the individual in relation to the share; or

(b) where the person was the individual's father or mother, the share was an eligible small business corporation share of the father or mother and section 444 applied in respect of the individual in relation to the share.

2003, c. 2, s. 99.

280.9. For the purposes of this division, a share of the capital stock of a corporation, acquired by an individual from a person who was the individual's former spouse as a consequence of the settlement of rights arising out of their marriage, is deemed to be a share that was acquired by the individual at the time it was acquired by that person and owned by the individual throughout the period that it was owned by that person if the share was an eligible small business corporation share and section 454 applied to the individual in respect of the share.

2003, c. 2, s. 99.

280.10. For the purposes of this division, if an individual receives shares of the capital stock of a particular corporation that are eligible small business corporation shares of the individual (in this section referred to as the "new shares"), as the sole consideration for the disposition by the individual of shares issued by the particular corporation or by another corporation that were eligible small business corporation shares of the individual (in this section referred to as the "exchanged shares"), the new shares are deemed to have been owned by the individual throughout the period that the exchanged shares were owned by the individual if

(a) Division XIII, paragraph *c* of section 528, sections 536 to 539, Chapter V of Title IX or sections 551 to 553.1 and 554 applied in respect of the individual in relation to the new shares; and

(b) the aggregate of all amounts each of which is the individual's proceeds of disposition of an exchanged share was equal to the aggregate of all amounts each of which was the individual's adjusted cost base of an exchanged share immediately before the disposition.

2003, c. 2, s. 99; 2009, c. 5, s. 100.

280.11. For the purposes of this division, if an individual receives common shares of the capital stock of a particular corporation (in this section referred to as the "new shares"), as the sole consideration for the disposition by the individual of common shares of the particular corporation or of another corporation (in this section referred to as the "exchanged shares"), the new shares are deemed to be eligible small business

corporation shares of the individual and shares of the capital stock of an eligible business corporation that were owned by the individual throughout the period that the exchanged shares were owned by the individual if

(a) Division XIII, paragraph *c* of section 528, sections 536 to 539, Chapter V of Title IX or sections 551 to 553.1 and 554 applied in respect of the individual in relation to the new shares;

(b) the aggregate of all amounts each of which is the individual's proceeds of disposition of an exchanged share was equal to the aggregate of all amounts each of which is the individual's adjusted cost base of an exchanged share immediately before the disposition; and

(c) the disposition of the exchanged shares was a qualifying disposition of the individual.

2003, c. 2, s. 99; 2009, c. 5, s. 101.

280.12. For the purposes of each of the definitions in the first paragraph of section 280.5, a property held at a particular time by a corporation that would, if this Act were read without reference to this section, be considered to carry on an eligible business at that time, is deemed to be used or held by the corporation in the course of carrying on that eligible business if the property, or other property for which the property is substituted property, was acquired by the corporation, at any time in the 36-month period that ends at the particular time, because the corporation

(a) issued a debt or a share of a class of its capital stock in order to acquire money for the purpose of acquiring property to be used in or held in the course of, or making expenditures for the purpose of, earning income from an eligible business carried on by it;

(b) disposed of property used or held by it in the course of carrying on an eligible business in order to acquire money for the purpose of acquiring property to be used in or held in the course of, or making expenditures for the purpose of, earning income from an eligible business carried on by it; or

(c) accumulated income derived from an eligible business carried on by it in order to acquire property to be used in or held in the course of, or to make expenditures for the purpose of, earning income from an eligible business carried on by it.

2003, c. 2, s. 99.

280.13. A disposition of a common share of an eligible business corporation by an individual that, but for this section, would be a qualifying disposition of the individual is deemed not to be a qualifying disposition of the individual unless the eligible business of the corporation referred to in the definition of "eligible business corporation" in the first paragraph of section 280.5 was carried on primarily in Canada

(a) at all times in the period that began at the time the individual last acquired the common share and ended at the time of disposition, if that period is less than 730 days; or

(b) in any other case, for at least 730 days in the period referred to in paragraph *a*.

2003, c. 2, s. 99.

280.14. For the purposes of this division, an eligible small business corporation and an eligible business corporation do not include a corporation that is

(a) a professional corporation;

(b) a specified financial institution;

(c) a corporation the principal business of which is the leasing, rental, development or sale, or any combination of those activities, of immovable property owned by it; or

(d) a corporation more than 50% of the fair market value of the property of which, net of debts incurred to acquire the property, is attributable to immovable property.

2003, c. 2, s. 99.

280.15. In determining whether a share owned by an individual is an eligible small business corporation share of the individual, this Part shall be read without reference to sections 247.2 to 247.6.

2003, c. 2, s. 99.

280.16. The permitted deferral of an individual in respect of a qualifying disposition of shares issued by a corporation, in this section referred to as "new shares", is deemed to be nil where

(a) the new shares, or shares for which the new shares are substituted property, were issued to the individual or a person related to the individual as part of a transaction or event or a series of transactions or events in which

i. shares of the capital stock of a corporation, in this section referred to as the "old shares", were disposed of by the individual or a person related to the individual, or

ii. the paid-up capital of old shares or the adjusted cost base to the individual or to a person related to the individual of the old shares was reduced;

(b) the new shares, or shares for which the new shares are substituted property, were issued

i. by the corporation that issued the old shares,

ii. by a corporation that, at or immediately after the time of issue of the new shares, was a corporation that was not dealing at arm's length with the corporation that issued the old shares or with the individual, or

iii. by a corporation that acquired the old shares, or by another corporation related to that corporation, as part of the transaction or event or series of transactions or events that included that acquisition of the old shares; and

(c) it is reasonable to conclude that one of the main reasons for the series of transactions or events or a transaction in the series was to permit the individual, a person related to the individual, or the individual and such a person to become eligible to deduct under section 280.6 permitted deferrals in respect of qualifying dispositions of new shares, or shares substituted for the new shares, the aggregate of which would exceed the aggregate of all amounts that those persons would have been eligible to deduct under section 280.6 in respect of permitted deferrals in respect of qualifying dispositions of old shares.

2003, c. 2, s. 99; 2009, c. 5, s. 102.

280.17. For the purposes of this division, an individual is deemed to dispose of shares that are identical properties in the order in which the individual acquired them.

2009, c. 5, s. 103.

DIVISION VIII

PROPERTY HAVING MORE THAN ONE USE

1972, c. 23.

281. Where a taxpayer who acquired property for a purpose other than that of gaining or producing income, commences at a later time to use it for that purpose, or vice versa, he is deemed to have disposed of

such property at such later time for proceeds equal to its fair market value at that time and to have immediately thereafter acquired it at a cost equal to its fair market value.

1972, c. 23, s. 259; 1990, c. 59, s. 129.

282. Where property has, since its acquisition by a taxpayer, been regularly used in part for gaining or producing income and in part for some other purpose, the proportion of the property that the use made of it for such other purpose is of its whole use applies in computing the cost of the property or the proceeds of its disposition, as the case may be, to determine the part of such cost or proceeds assignable to that part of the property used for such other purpose.

1972, c. 23, s. 260; 1990, c. 59, s. 130.

283. Where at a particular time there has been an increase or decrease in the relation between the use made by a taxpayer of a property for gaining income and the use made by him of the property for some other purpose, the taxpayer is deemed to have disposed of a property at that time for proceeds equal to the proportion of the fair market value of the property at that time that the amount of the increase or decrease in the use regularly made by the taxpayer of the property for such other purpose is of the whole use made of the property and to have reacquired the property immediately thereafter at a cost equal to those proceeds.

1972, c. 23, s. 261; 1993, c. 16, s. 116.

283.1. Where a taxpayer referred to in any of sections 281 to 283 is not resident in Canada, the reference therein to "gaining or producing income" or "gaining income" shall be read as a reference to "gaining or producing income from a source in Canada".

2004, c. 8, s. 55.

284. For the purposes of this Title and sections 93 to 104, where a taxpayer makes a valid election under subsection 2 of section 45 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for a particular taxation year in relation to a change in use of any property of the taxpayer, the following rules apply:

(a) where, in respect of that change in use, either section 281, because the property begins to be used to gain income, or paragraph *b* of section 99 would otherwise apply for the particular year, the taxpayer is deemed not to have begun to use the property to gain income; and

(b) where, in respect of that change in use, either section 283, because the proportion of the use made of the property for a purpose other than gaining income decreased, or subparagraph i of paragraph *d* of section 99 would otherwise apply for the particular year, the taxpayer is deemed not to have increased the use regularly made of the property to gain income relative to the use regularly made of the property for some other purpose.

However, where the taxpayer rescinds, in accordance with paragraph *c* of subsection 2 of section 45 of the Income Tax Act, the election that the taxpayer made under that subsection 2 in relation to the change in use of the property for the particular year, the following rules apply:

(a) where subparagraph *a* of the first paragraph applied to the taxpayer in respect of the property, the taxpayer is deemed, on the first day of the subsequent taxation year referred to in that paragraph *c*, to have begun to use the property to gain income; and

(b) where subparagraph *b* of the first paragraph applied to the taxpayer in respect of the property, the taxpayer is deemed, on the first day of the subsequent taxation year referred to in that paragraph *c*, to have increased the use regularly made of the property to gain income by what would have been the increase in use for the particular year if the election had not been made.

Chapter V.2 of Title II of Book I applies in relation to an election made or rescinded under subsection 2 of section 45 of the Income Tax Act.

1972, c. 23, s. 262; 1975, c. 22, s. 52; 1995, c. 49, s. 69; 2009, c. 5, s. 104; 2021, c. 36, s. 60.

285. For the purposes of sections 274 and 274.0.1 and subject to section 286, in no case may a particular property be considered to be the principal residence of a taxpayer for a taxation year by virtue of the application of subparagraph *b* of the first paragraph of either of sections 274 and 274.0.1 if, by virtue solely of the application of that subparagraph *b*, the property would, but for this section, have been the taxpayer's principal residence for four or more preceding taxation years.

1972, c. 23, s. 263; 1990, c. 59, s. 131; 1994, c. 22, s. 135.

286. A taxation year in which a taxpayer does not inhabit the taxpayer's principal residence by reason of the relocation of the taxpayer's place of employment or that of the taxpayer's spouse while the taxpayer or the taxpayer's spouse is an employee of a person with whom the taxpayer or the taxpayer's spouse is dealing at arm's length shall not be included in the four years mentioned in section 285, where

(a) at any time, the taxpayer's new home is at least 40 kilometres closer to the taxpayer's new place of employment or that of the taxpayer's spouse; and

(b) the taxpayer resumes habitation in the taxpayer's principal residence while the taxpayer or the taxpayer's spouse is still an employee of such person or before the end of the taxation year following that in which the taxpayer's employment or that of the taxpayer's spouse terminates, or the taxpayer dies while the taxpayer or the taxpayer's spouse is still an employee of such person.

1975, c. 21, s. 6; 1977, c. 26, s. 28; 1979, c. 18, s. 21; 2004, c. 21, s. 71.

286.1. Where, at any time, a property that was acquired by a taxpayer for the purpose of gaining income, or that was acquired in part for that purpose, ceases in whole or in part to be used for that purpose and becomes, or becomes part of, the taxpayer's principal residence, sections 281 and 283 do not apply to deem the taxpayer to have disposed of the property at that time and to have reacquired it immediately after that time, if the taxpayer makes a valid election under subsection 3 of section 45 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in relation to the change in use of the property.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3 of section 45 of the Income Tax Act.

1986, c. 19, s. 52; 1990, c. 59, s. 132; 1997, c. 31, s. 42; 2009, c. 5, s. 105; 2021, c. 36, s. 61.

286.2. *(Repealed).*

1986, c. 19, s. 52; 1990, c. 59, s. 133; 2009, c. 5, s. 106.

DIVISION IX

PERSONAL-USE PROPERTY

1972, c. 23.

287. (1) For the purposes of this Title, personal-use property includes any property owned in whole or in part by the taxpayer which is used primarily:

(a) for his personal use or enjoyment;

(b) for the personal use or enjoyment of one or more persons who form part of a group to which the taxpayer and persons related to him belong;

(c) if the taxpayer is a trust, for the personal use or enjoyment of the beneficiary under the trust or of a person related to the beneficiary.

(2) The expression "personal-use property" also includes any debt of the taxpayer resulting from the disposition of such property and any option to acquire such a property.

(3) The personal-use property of a partnership includes the property of the partnership that is used primarily for the personal use or enjoyment of one or more members of the partnership or of a person related to one of them.

1972, c. 23, s. 264; 1997, c. 3, s. 71.

287.1. For the purposes of this division, an excluded property of a taxpayer means a property acquired by the taxpayer, or by a person with whom the taxpayer does not deal at arm's length, in circumstances in which it is reasonable to conclude that the acquisition of the property relates to an arrangement, plan or scheme that is promoted by another person or partnership and under which it is reasonable to conclude that the property will be the subject of a gift to which section 710 or the definition of "total charitable gifts", "total cultural gifts", "total gifts of qualified property" or "total musical instrument gifts" in the first paragraph of section 752.0.10.1, applies.

2003, c. 2, s. 100; 2006, c. 36, s. 32.

288. A loss from the disposition of any personal-use property shall not be allowable as a loss, except in the case of precious property or a debt referred to in section 300.

1972, c. 23, s. 265; 1986, c. 19, s. 53.

289. For the purposes of this Title, if a taxpayer disposes of a personal-use property, other than an excluded property disposed of in circumstances to which section 710 or the definition of "total charitable gifts", "total cultural gifts", "total gifts of qualified property" or "total musical instrument gifts" in the first paragraph of section 752.0.10.1 applies, owned by the taxpayer, the following rules apply:

(a) the adjusted cost base to the taxpayer of the property immediately before the disposition is deemed to be equal to the greater of $1,000 and the amount otherwise determined to be its adjusted cost base to the taxpayer immediately before the disposition; and

(b) the taxpayer's proceeds of disposition of the property is deemed to be equal to the greater of $1,000 and the taxpayer's proceeds of disposition of the property otherwise determined.

1972, c. 23, s. 266; 2003, c. 2, s. 101; 2006, c. 36, s. 33.

290. For the purposes of this Title, if a taxpayer disposes of part of a personal-use property, other than a part of an excluded property disposed of in circumstances to which section 710 or the definition of "total charitable gifts", "total cultural gifts", "total gifts of qualified property" or "total musical instrument gifts" in the first paragraph of section 752.0.10.1 applies, owned by the taxpayer and has retained another part of the property, the following rules apply:

(a) the adjusted cost base to the taxpayer, immediately before the disposition, of the part so disposed of is deemed to be equal to the greater of

i. the adjusted cost base, otherwise determined, to the taxpayer, immediately before the disposition, of the part so disposed of, and

ii. that proportion of $1,000 that the amount determined under subparagraph i is of the adjusted cost base, otherwise determined, to the taxpayer, immediately before the disposition, of the whole property; and

(b) the proceeds of disposition of the part so disposed of are deemed to be equal to the greater of the proceeds of disposition of that part, otherwise determined, and the amount determined under subparagraph ii of paragraph *a*.

1972, c. 23, s. 267; 2003, c. 2, s. 101; 2006, c. 36, s. 34.

291. Where several personal-use properties that would ordinarily be disposed of as a set in a single transaction are disposed of in several transactions to a single person or to a group of persons not dealing with each other at arm's length, they are deemed, if the fair market value of all such property before the first transaction is more than $1,000, to be a single personal-use property and each such transaction is deemed to have dealt with a part of such property.

1972, c. 23, s. 268.

292. Where a decrease in the fair market value of a personal-use property of a corporation, partnership or trust may reasonably have had the effect of reducing or changing into a loss the gain that a taxpayer would have realized from the disposition of a share of the capital stock of a corporation, an interest in a trust or in a partnership or of increasing the loss which would have resulted from such disposition, the amount of the gain or loss is deemed that which would have resulted from it, if the decrease had not occurred.

1972, c. 23, s. 269; 1997, c. 3, s. 71.

DIVISION X

LOTTERIES

1972, c. 23.

293. The gain or loss of a taxpayer from the disposition of a chance to win a prize or a right to receive an amount as a prize, in connection with a lottery scheme, is deemed nil.

1972, c. 23, s. 270; 1984, c. 15, s. 68; 1988, c. 18, s. 15.

DIVISION XI

OPTIONS TO PURCHASE AND SELL

1972, c. 23.

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

This section does not apply in respect of

(a) an option to purchase or sell a principal residence;

(b) an option granted by a corporation to purchase shares of its capital stock or bonds or debentures to be issued by it;

(b.1) an option granted by a trust to purchase units of the trust to be issued by the trust;

(c) (subparagraph repealed).

1972, c. 23, s. 271; 1985, c. 25, s. 52; 1987, c. 67, s. 69; 1993, c. 16, s. 117; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

295. Where, at a particular time, an option described in subparagraph *b* of the second paragraph of section 294 expires, the corporation that granted the option is deemed to have disposed, at that time for proceeds of

disposition equal to the amount received by it in consideration for the granting of the option, of capital property the adjusted cost base of which to the corporation immediately before that time is deemed to be nil, unless

(a) the option is held, at the particular time, by a person who deals at arm's length with the corporation and the option was granted by the corporation to a person who was dealing at arm's length with the corporation at the time that the option was granted; or

(b) the option is an option to acquire shares of the capital stock of the corporation in consideration for expenses incurred pursuant to an agreement described in paragraph *e* of any of sections 364, 395 and 408 or in paragraph *c* of section 418.2.

1972, c. 23, s. 272; 1973, c. 17, s. 28; 1975, c. 22, s. 53; 1982, c. 5, s. 62; 1994, c. 22, s. 136; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2017, c. 1, s. 115.

295.1. Where, at a particular time, an option granted by a trust and referred to in subparagraph *b*.1 of the second paragraph of section 294 expires, and the option is held at that time by a person who does not deal at arm's length with the trust or was granted to a person who did not deal at arm's length with the trust at the time that the option was granted, the following rules apply:

(a) the trust is deemed to have disposed of capital property at the particular time for proceeds of disposition equal to the amount received by it in consideration for the granting of the option; and

(b) the adjusted cost base to the trust of that capital property immediately before the particular time is deemed to be nil.

1993, c. 16, s. 118; 2017, c. 1, s. 115.

296. Where an option to purchase or sell is exercised, for the purposes of computing the income of the vendor and the purchaser the granting of the option and the exercise thereof are deemed not to be dispositions of property, and the following rules apply:

(a) in the case of an option to purchase, the consideration received by the vendor for such option must be included in computing the proceeds of disposition to him of the property, and the purchaser must include, in computing the cost to him of the property, the adjusted cost base to him of the option or, where paragraph *f* or *j*.3 of section 255 applies in respect of the acquisition of the property by the purchaser because a person who did not deal at arm's length with the purchaser was deemed by reason of the acquisition to have received a benefit under Division VI of Chapter II of Title II, the adjusted cost base to that person of the option immediately before that person last disposed of the option;

(b) in the case of an option to sell, the adjusted cost base of the option to the vendor must be deducted in computing the proceeds of disposition to him of the property and the consideration received by the purchaser for such option must be deducted in computing the cost of the property to him.

1972, c. 23, s. 273; 1985, c. 25, s. 53; 1987, c. 67, s. 70; 1990, c. 59, s. 134; 1993, c. 16, s. 119; 2001, c. 53, s. 260; 2003, c. 2, s. 102.

296.1. Where at any time a taxpayer exercises an option to acquire a specified property,

(a) the taxpayer shall deduct after that time in computing the adjusted cost base to the taxpayer of the specified property the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing, immediately before that time, the adjusted cost base to the taxpayer of the option; and

(b) the taxpayer shall add, after that time, in computing the adjusted cost base to the taxpayer of the specified property, the amount determined under paragraph *a* in respect of that acquisition.

1996, c. 39, s. 91.

296.2. Where an individual, other than a trust, who disposes of property pursuant to the exercise of an option that was granted by the individual before 23 February 1994 so elects in the individual's fiscal return for the taxation year in which the disposition occurs, section 296 does not apply in respect of the disposition in computing the income of the individual.

1996, c. 39, s. 91.

297. Where an option granted by a taxpayer in a taxation year is exercised in a subsequent taxation year, the taxpayer may file an amended fiscal return to exclude from his income for the taxation year the amount received as consideration for the option:

(a) if he has filed a fiscal return for the taxation year; and

(b) if he has filed his amended fiscal return on or before his filing-due date for that subsequent year.

1972, c. 23, s. 274; 1987, c. 67, s. 71; 1990, c. 59, s. 135; 1997, c. 31, s. 43.

298. Where a taxpayer has granted a renewal or extension of an option referred to in section 294, 295 or 295.1, the following rules apply:

(a) for the purposes of the said sections, each renewal or extension is deemed to be an option on the day the renewal or extension is granted;

(b) for the purposes of subparagraph iv of subparagraph *b* of the first paragraph of section 248 and sections 295 to 297, the option and each renewal or extension are deemed to be the same option; and

(c) section 297 applies to each taxation year in which a renewal or extension was granted.

1975, c. 22, s. 54; 1993, c. 16, s. 120; 2003, c. 2, s. 103.

298.1. Where a taxpayer acquires a property in satisfaction of an absolute or contingent obligation of a person or partnership to provide the property pursuant to a contract or other arrangement one of the main purposes of which was to establish a right, whether absolute or contingent, to the property and that right was not under the terms of a trust, partnership agreement, share or debt obligation, the satisfaction of the obligation is deemed not to be a disposition of that right.

2001, c. 53, s. 51.

DIVISION XII

BAD DEBTS

1972, c. 23; 1995, c. 49, s. 236.

299. Where a taxpayer establishes that a debt owing to him at the end of a taxation year, other than a debt resulting from the disposition of a personal-use property, is a bad debt for the year, he is deemed, if he so elects in the taxpayer's fiscal return filed under this Part for the year, to have disposed of it at that time for proceeds equal to nil and to have reacquired it immediately thereafter at a cost equal to nil.

The same rule applies where the taxpayer is the owner, at the end of a taxation year, of a share other than a share received by him as consideration in respect of the disposition of personal-use property, of the capital stock of

(a) a corporation that has during the year become a bankrupt;

(b) a corporation referred to in section 6 of the Winding-up Act (Revised Statutes of Canada, 1985, chapter W-11) that is insolvent within the meaning of that Act and in respect of which a winding-up order under that Act has been made in the year; or

(c) a corporation that is insolvent at the end of the year if, at that time,

i. neither the corporation nor a corporation controlled by it carries on business,

ii. the fair market value of the share is nil, and

iii. it is reasonable to expect that the corporation will be dissolved or wound up and will not recommence to carry on any business.

1972, c. 23, s. 275; 1979, c. 18, s. 22; 1987, c. 67, s. 72; 1990, c. 59, s. 136; 1993, c. 16, s. 121; 1995, c. 49, s. 236; 1996, c. 39, s. 92; 1997, c. 3, s. 71.

299.1. Where a taxpayer is deemed, by reason of subparagraph *c* of the second paragraph of section 299, to have disposed of a share of the capital stock of a corporation at the end of a taxation year and the taxpayer or a person with whom he is not dealing at arm's length owns the share at the earliest time, during the 24-month period immediately following the disposition, that the corporation or a corporation controlled by it carries on business, the taxpayer or the person, as the case may be, is deemed to have disposed of the share at that earliest time for proceeds of disposition equal to its adjusted cost base to the taxpayer, determined immediately before the time he is deemed to have disposed of it by reason of subparagraph *c* of the second paragraph of section 299, and to have reacquired it immediately after that earliest time at a cost equal to those proceeds.

1993, c. 16, s. 122; 1997, c. 3, s. 71.

300. Where, at the end of a taxation year, a taxpayer establishes that a debt which is a personal-use property and which is then owing to him by a person with whom he deals at arm's length is a bad debt for the year, such taxpayer is deemed:

(a) to have disposed of it at that time for proceeds equal to the excess of the adjusted cost base of such property, immediately before the end of the year, over his gain derived from the disposition of the personal-use property the proceeds of disposition of which included the debt; and

(b) to have reacquired it, immediately after the end of that year, at a cost equal to the proceeds established under paragraph *a*.

1972, c. 23, s. 276; 1986, c. 19, s. 54; 1995, c. 49, s. 236.

DIVISION XIII

CONVERSION OF SHARES

1972, c. 23.

301. Where a share of the capital stock of a corporation is acquired by a taxpayer from the corporation in exchange for a capital property of the taxpayer that is another share of the corporation or a capital property of the taxpayer that is a bond, debenture or note of the corporation the terms of which confer on the holder the right to make the exchange and no consideration other than that share is received by the taxpayer, the following rules apply:

(a) except for the purposes of sections 157.6, 280.10 and 280.11 and paragraph *o* of section 594, the exchange is deemed not to be a disposition of property;

(b) the cost to the taxpayer of all the shares of a particular class acquired by him on the exchange is deemed to be that proportion of the adjusted cost basis to him of the exchanged capital property immediately before the exchange that the fair market value, of all the shares of the particular class acquired by him on the exchange is of that of all the shares acquired by him on the exchange;

(b.1) the taxpayer shall deduct, after the exchange, in computing the adjusted cost base to the taxpayer of a share acquired by the taxpayer on the exchange, the amount determined by the formula

$$A \times B / C;$$

(b.2) the taxpayer shall add, after the exchange, in computing the adjusted cost base to the taxpayer of a share, the amount determined under paragraph *b*.1 in respect of the share;

(c) for the purposes of sections 462.11 to 462.24, the exchange is deemed to be a transfer of the exchanged capital property by the taxpayer to the corporation;

(d) where the exchanged capital property is taxable Canadian property of the taxpayer, the share acquired by the taxpayer on the exchange is also deemed to be, at any time that is within 60 months after the exchange, taxable Canadian property of the taxpayer.

For the purposes of the formula in subparagraph *b*.1 of the first paragraph,

(a) A is the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing, immediately before the exchange, the adjusted cost base to the taxpayer of the exchanged capital property;

(b) B is the fair market value, immediately after the exchange, of the share referred to in subparagraph *b*.1 of the first paragraph; and

(c) C is the fair market value, immediately after the exchange, of all the shares acquired by the taxpayer on the exchange.

1972, c. 23, s. 277; 1973, c. 17, s. 29; 1975, c. 22, s. 55; 1986, c. 19, s. 55; 1987, c. 67, s. 73; 1995, c. 49, s. 70; 1996, c. 39, s. 93; 1997, c. 3, s. 71; 2001, c. 7, s. 40; 2011, c. 6, s. 125; 2015, c. 36, s. 17.

301.1. Notwithstanding section 301, where shares of the capital stock of a corporation have been acquired by a taxpayer in exchange for a capital property described in the said section 301, in circumstances such that, but for this section, section 301 would have applied, where the fair market value of the capital property immediately before the exchange exceeds the fair market value of the shares immediately after the exchange, and where it is reasonable to regard any portion of such excess as a benefit that the taxpayer desired to have conferred on a person related to the taxpayer, the following rules apply:

(a) the taxpayer is deemed to have disposed of the capital property for proceeds of disposition equal to the lesser of the aggregate of its adjusted cost base to him immediately before the exchange and the excess portion, and the fair market value of the capital property immediately before the exchange;

(b) the taxpayer's capital loss from the disposition of the capital property is deemed to be nil; and

(c) the cost to the taxpayer of all the shares of a particular class acquired in exchange for the capital property is deemed to be that proportion of the lesser of the adjusted cost base to him of the capital property immediately before the exchange, and the aggregate of the fair market value immediately after the exchange of the shares acquired by him, on the exchange, for the capital property and the amount that, but for paragraph *b*, would have been the taxpayer's capital loss from the disposition of the capital property that the

fair market value, immediately after the exchange, of all the shares of the particular class acquired by him on the exchange is of the fair market value of all the shares acquired by him on the exchange.

1982, c. 5, s. 63; 1986, c. 19, s. 56; 1997, c. 3, s. 71; 2005, c. 23, s. 45.

301.2. Sections 301 and 301.1 do not apply in respect of an exchange to which section 518, 529 or 541 applies.

1995, c. 49, s. 71.

DIVISION XIII.1

EXCHANGE OF DEBT OBLIGATIONS

1996, c. 39, s. 94.

301.3. Where a taxpayer acquires a bond, debenture or note of a debtor, in this section referred to as the "new obligation", in exchange for a capital property of the taxpayer that is another bond, debenture or note of the same debtor that conferred on the holder the right to make the exchange and the principal amount of the new obligation is equal to the principal amount of the exchanged capital property, the cost to the taxpayer of the new obligation and the proceeds of disposition of the exchanged capital property are deemed to be equal to the adjusted cost base to the taxpayer of the exchanged capital property immediately before the exchange.

1996, c. 39, s. 94.

DIVISION XIV

MISCELLANEOUS CASES

1972, c. 23.

302. For the purposes of this Title, where a taxpayer acquires property after 31 December 1971, other than property described in the second paragraph, and an amount in respect of its value is included, otherwise than under Division VI of Chapter II of Title II, in computing the taxpayer's taxable income or taxable income earned in Canada, as the case may be, for a taxation year during which the taxpayer was not resident in Canada, or in computing the taxpayer's income for a taxation year throughout which the taxpayer was resident in Canada, the amount so included is to be added in computing the cost to the taxpayer of the property at any time, except to the extent that the amount was otherwise added to the cost or included in computing the adjusted cost base to the taxpayer of the property at or before that time.

The property to which the first paragraph refers is

(a) an annuity contract;

(b) a right as a beneficiary under a trust to enforce payment of an amount by the trust to the taxpayer;

(c) property acquired in circumstances to which sections 304 and 305 apply; or

(d) property acquired from a trust as consideration for all or part of the taxpayer's capital interest in the trust.

1972, c. 23, s. 278; 1975, c. 22, s. 56; 1982, c. 5, s. 64; 1994, c. 22, s. 137; 2001, c. 53, s. 260; 2003, c. 2, s. 104; 2017, c. 1, s. 116.

303. *(Repealed).*

1973, c. 17, s. 31; 1975, c. 22, s. 57; 2001, c. 53, s. 260; 2003, c. 2, s. 105.

304. Where after 1971, a shareholder receives property from a corporation as a dividend payable in kind other than a stock dividend in respect of a share owned by him of the capital stock of the corporation, he is deemed to acquire such property at a cost equal to its fair market value at that time; in such case, the corporation is deemed at the same time to have disposed of the property for proceeds equal to its fair market value.

1972, c. 23, s. 280; 1997, c. 3, s. 71.

305. A shareholder of a corporation who receives after 1971 a stock dividend, in respect of a share owned by him of the capital stock of the corporation, is deemed to acquire the share received by him at a cost equal to the aggregate of

(a) where the stock dividend is a dividend,

i. in the case of a shareholder that is an individual, the amount of the stock dividend, and

ii. in any other case, the aggregate of

(1) the amount by which the lesser of the amount of the stock dividend and its fair market value exceeds the amount of the dividend that the shareholder may deduct under section 738 in computing the shareholder's taxable income, except any portion of the dividend that, if paid as a separate dividend, would not be subject to section 308.1 because the amount of the separate dividend would not exceed the amount of the income earned or realized by a corporation after 31 December 1971 and before the safe-income determination time, in relation to the transaction or event or series of transactions or events as part of which the dividend is received, that can reasonably be considered to contribute to the capital gain that would have been realized on a disposition at fair market value of the share on which the dividend was received, if the disposition had occurred immediately before the dividend was paid, and

(2) the amount determined by the formula

A + B;

(a.1) where the stock dividend is not a dividend, nil, and

(b) the amount included under section 112.1 in computing the shareholder's income in respect of the stock dividend.

In the formula in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph,

(a) A is the amount of the deemed gain determined in accordance with paragraph *c* of section 308.1 in respect of the stock dividend; and

(b) B is the amount by which the amount of the reduction determined in accordance with subparagraph *b* of the first paragraph of section 308.2.0.2 in respect of the stock dividend to which paragraph *a* of section 308.1 would otherwise apply exceeds the amount determined in accordance with subparagraph *a* in respect of the stock dividend.

1972, c. 23, s. 281; 1974, c. 18, s. 15; 1979, c. 18, s. 23; 1987, c. 67, s. 74; 1993, c. 16, s. 123; 1997, c. 3, s. 71; 2017, c. 1, s. 117; 2019, c. 14, s. 107.

306. *(Repealed).*

1973, c. 17, s. 32; 1990, c. 59, s. 137; 2003, c. 2, s. 106.

306.1. Despite any other provision of this Act, if a corporation disposes of a property to another corporation in a transaction to which paragraph *l* of subsection 1 of section 219 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) applies, the cost to it of a share of a particular class of the capital stock of the other corporation received by it as consideration for the property is deemed to be equal to the lesser of the cost of the share to the corporation otherwise determined immediately after the disposition and the amount by which the paid-up capital of that class increases because of the issuance of that share.

1982, c. 5, s. 65; 1997, c. 3, s. 71; 2009, c. 5, s. 107.

306.2. Notwithstanding any other provision of this Part, the cost of any share of the capital stock of a corporation that becomes resident in Canada at a particular time to any shareholder that is not at that time resident in Canada is deemed to be equal to the fair market value of the share at that time.

However, the first paragraph does not apply if the share was taxable Canadian property immediately before the particular time.

1995, c. 49, s. 72; 1997, c. 3, s. 71; 2001, c. 53, s. 52.

307. The taxpayer who acquires, at any time after 31 December 1971, property as a prize in connection with a lottery, is deemed to acquire such property at a cost equal to its fair market value at that time.

1972, c. 23, s. 282; 1986, c. 19, s. 57.

DIVISION XIV.1

Repealed, 2001, c. 7, s. 41.

1985, c. 25, s. 54; 2001, c. 7, s. 41.

307.1. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.2. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.3. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.4. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.5. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.6. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.7. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.8. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.9. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.10. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.11. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.12. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.13. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.14. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.15. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.16. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.17. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.18. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.19. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.20. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.21. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.22. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.23. *(Repealed).*

1985, c. 25, s. 54; 1987, c. 67, s. 75.

307.24. *(Repealed).*

1987, c. 67, s. 76; 2001, c. 7, s. 41.

DIVISION XV

ANTI-AVOIDANCE RULE

1972, c. 23; 1996, c. 39, s. 95.

308. *(Repealed).*

1972, c. 23, s. 283; 1990, c. 59, s. 138.

308.0.1. In this division,

"distribution" means a direct or indirect transfer of property of a corporation, referred to in this division as the "distributing corporation", to one or more corporations, each of which is referred to in this division as a "transferee corporation", where, in respect of each type of property owned by the distributing corporation immediately before the transfer, each transferee corporation receives property of that type the fair market value of which is equal to or approximates the proportion of the fair market value, immediately before the transfer, of all property of that type owned at that time by the distributing corporation that

(a) the fair market value, immediately before the transfer, of all the shares of the capital stock of the distributing corporation owned at that time by the transferee corporation is of

(b) the fair market value, immediately before the transfer, of all the issued shares of the capital stock of the distributing corporation;

"permitted acquisition", in relation to a distribution by a distributing corporation, means an acquisition of property by a person or partnership on, or as part of,

(a) a distribution, or

(b) a permitted exchange or permitted redemption in relation to a distribution by another distributing corporation;

"permitted exchange", in relation to a distribution by a distributing corporation, means

(a) an exchange of shares for shares of the capital stock of the distributing corporation to which section 301 or sections 541 to 543 apply or would, if the shares were capital property to the holder thereof, apply, other than an exchange that resulted in an acquisition of control of the distributing corporation by any person or group of persons, and

(b) an exchange of shares of the capital stock of the distributing corporation by one or more shareholders of the distributing corporation, each of whom is referred to in this paragraph and the second paragraph as a "participant", for shares of the capital stock of another corporation, referred to in this paragraph and the second paragraph as the "acquirer", in contemplation of the distribution where no share of the capital stock of the acquirer outstanding immediately after the exchange, other than directors' qualifying shares, is owned at that time by any person or partnership other than a participant, and either

i. the acquirer owns, immediately before the distribution, all the shares each of which is a share of the capital stock of the distributing corporation that was owned immediately before the exchange by a participant, or

ii. the fair market value, immediately before the distribution, of each participant's shares of the capital stock of the acquirer is equal to or approximates the amount determined by the formula

[A × (B/C)] + D;

"permitted redemption", in relation to a distribution by a distributing corporation, means

(a) a redemption or purchase for cancellation by the distributing corporation, as part of the reorganization in which the distribution was made, of all the shares of its capital stock that were owned, immediately before the distribution, by a transferee corporation in relation to the distributing corporation;

(b) a redemption or purchase for cancellation by a transferee corporation in relation to the distributing corporation, or by a corporation that, immediately after the redemption or purchase, was a subsidiary wholly-owned corporation of the transferee corporation, as part of the reorganization in which the distribution was made, of all of the shares of the capital stock of the transferee corporation or the subsidiary wholly-owned corporation that were acquired by the distributing corporation in consideration for the transfer of property received by the transferee corporation on the distribution; and

(c) a redemption or purchase for cancellation by the distributing corporation, in contemplation of the distribution, of all the shares of its capital stock each of which is

i. a share of a specified class the cost of which, at the time of its issuance, to its original owner was equal to the fair market value at that time of the consideration for which it was issued, or

ii. a share that was issued, in contemplation of the distribution, by the distributing corporation in exchange for a share described in subparagraph i;

"qualified person", in relation to a distribution, means a person or partnership with whom the distributing corporation deals at arm's length at all times during the course of the series of transactions or events that includes the distribution if

(a) at any time before the distribution,

i. all of the shares of each class of the capital stock of the distributing corporation that includes shares that cause that person or partnership to be a specified shareholder of the distributing corporation (in this definition all of those shares in all of those classes being referred to as the "exchanged shares") are, in the circumstances described in paragraph *a* of the definition of "permitted exchange", exchanged for consideration that consists solely of shares of a specified class of the capital stock of the distributing corporation (in this definition referred to as the "new shares"), or

ii. the terms or conditions of all of the exchanged shares are amended (which shares are in this definition referred to after the amendment as the "amended shares") and the amended shares are shares of a specified class of the capital stock of the distributing corporation;

(b) immediately before the exchange or amendment, the exchanged shares are listed on a designated stock exchange;

(c) immediately after the exchange or amendment, the new shares or the amended shares, as the case may be, are listed on a designated stock exchange;

(d) the exchanged shares would be shares of a specified class if they were not convertible into, or exchangeable for, other shares;

(e) the new shares or the amended shares, as the case may be, and the exchanged shares are non-voting in respect of the election of the board of directors of the distributing corporation except in the event of a failure or default under the terms or conditions of the shares; and

(f) no holder of the new shares or the amended shares, as the case may be, is entitled to receive on the redemption, cancellation or acquisition of the new shares or the amended shares, as the case may be, by the distributing corporation or by any person with whom the distributing corporation does not deal at arm's length, an amount (other than a premium for early redemption) that is greater than the aggregate of the fair

market value of the consideration for which the exchanged shares were issued and the amount of any unpaid dividends on the new shares or on the amended shares, as the case may be;

"safe-income determination time", in relation to a transaction or event or a series of transactions or events, means the time that is the earlier of

(a) the time that is immediately after the earliest disposition or increase in interest described in any of paragraphs *a* to *e* of section 308.2.1 that resulted from the transaction or event or series of transactions or events; and

(b) the time that is immediately before the earliest time that a dividend is paid as part of the transaction or event or series of transactions or events;

"specified class" means a class of shares of the capital stock of a distributing corporation where

(a) the paid-up capital in respect of the class immediately before the beginning of the series of transactions or events that includes a distribution by the distributing corporation was not less than the fair market value of the consideration for which the shares of that class then outstanding were issued,

(b) under neither the terms and conditions of the shares nor any agreement in respect of the shares are the shares convertible into or exchangeable for shares other than shares of a specified class or shares of the capital stock of a transferee corporation in relation to the distributing corporation,

(c) no holder of the shares is entitled to receive on the redemption, cancellation or acquisition of the shares by the corporation or by any person with whom the corporation does not deal at arm's length, an amount (other than a premium for early redemption) that is greater than the aggregate of the fair market value of the consideration for which the shares were issued and the amount of any unpaid dividends on the shares, and

(d) the shares are non-voting in respect of the election of the board of directors except in the event of a failure or default under the terms or conditions of the shares;

"specified corporation" in respect of a distribution means a distributing corporation

(a) that is a public corporation or a specified wholly-owned corporation of a public corporation;

(b) shares of the capital stock of which are exchanged for shares of the capital stock of another corporation, in this definition and the second paragraph referred to as an "acquiror", in an exchange to which the definition of "permitted exchange" would apply if that definition were read without reference to paragraph *a* thereof and subparagraph i of paragraph *b* thereof and if the portion of that paragraph *b* before subparagraph i were read without reference to "either";

(c) that does not make a distribution, to a corporation that is not an acquiror, after 31 December 1998 and before the day that is three years after the day on which the shares of the capital stock of the distributing corporation are exchanged in a transaction described in paragraph *b*; and

(d) in respect of which no acquiror, in relation to shares of the capital stock of the distributing corporation, makes a distribution after 31 December 1998 and before the day that is three years after the day on which the shares of the capital stock of the distributing corporation are exchanged in a transaction described in paragraph *b*;

"specified wholly-owned corporation" of a public corporation means a corporation all of the outstanding shares of the capital stock of which, other than directors' qualifying shares or shares of a specified class, are held by

(a) the public corporation;

(b) a specified wholly-owned corporation of the public corporation; or

(c) corporations described in paragraph *a* or *b*.

Where the transfer referred to in the definition of "distribution" in the first paragraph is by a specified corporation to an acquiror, in relation to shares of the capital stock of the specified corporation, the definition of "distribution" shall be read with "each type of property" replaced by "property" and with "of that type", wherever it appears, struck out.

For the purposes of the formula in subparagraph ii of paragraph *b* of the definition of "permitted exchange" in the first paragraph,

(a) A is the fair market value, immediately before the distribution, of all the shares of the capital stock of the acquirer then outstanding, other than shares issued to participants in consideration for shares of a specified class all the shares of which were acquired by the acquirer on the exchange;

(b) B is the fair market value, immediately before the exchange, of all the shares of the capital stock of the distributing corporation, other than shares of a specified class none or all of the shares of which were acquired by the acquirer on the exchange, owned at that time by the participant;

(c) C is the fair market value, immediately before the exchange, of all the shares, other than shares of a specified class none or all of the shares of which were acquired by the acquirer on the exchange and shares to be redeemed, acquired or cancelled by the distributing corporation pursuant to the exercise of a statutory right of dissent by the holder of the share, of the capital stock of the distributing corporation outstanding immediately before the exchange; and

(d) D is the fair market value, immediately before the distribution, of all the shares issued to the participant by the acquirer in consideration for shares of a specified class all of the shares of which were acquired by the acquirer on the exchange.

For the purposes of paragraphs *c* and *d* of the definition of "specified corporation" in the first paragraph, a corporation that is formed by an amalgamation of two or more other corporations is deemed to be a continuation of each of the other corporations.

1996, c. 39, s. 96; 1997, c. 3, s. 71; 2000, c. 5, s. 73; 2004, c. 8, s. 56; 2009, c. 15, s. 71; 2010, c. 5, s. 32.

308.1. Despite any other provision of this Part, where a corporation resident in Canada (in this section and sections 308.2 to 308.2.0.2 referred to as the "dividend recipient") receives a taxable dividend described in section 308.2 in respect of which it is entitled to a deduction under any of sections 738, 740 and 845, the amount of that dividend, other than the prescribed portion of it, is deemed

(a) not to be a dividend received by the dividend recipient;

(b) where the dividend is received on a redemption, acquisition or cancellation of a share, by the corporation that issued the share, under section 508 to the extent that it refers to a dividend deemed paid under section 505 or 506, to be proceeds of disposition of that share to the extent that the amount is not otherwise included in computing those proceeds; and

(c) where paragraph *b* does not apply in respect of a dividend, to be a gain of the dividend recipient from the disposition of a capital property for the year in which the dividend was received.

1982, c. 5, s. 66; 1997, c. 3, s. 71; 2000, c. 5, s. 74; 2019, c. 14, s. 108.

308.2. A taxable dividend to which section 308.1 refers is such a dividend received by a corporation as part of a transaction or event or a series of transactions or events if

(a) it can reasonably be considered that

i. one of the purposes of the payment or receipt of the dividend, or, in the case of a dividend referred to in section 506, one of its results, is to effect a significant reduction in the portion of the capital gain that, but for the dividend, would have been realized on a disposition at fair market value of any share of the capital stock of a corporation, if the disposition had occurred immediately before the dividend was paid, or

ii. the dividend (other than a dividend that is received on a redemption, acquisition or cancellation of a share, by the corporation that issued the share, under section 508 to the extent that it refers to a dividend

deemed paid under section 505 or 506) was received on a share that is held as capital property by the dividend recipient and one of the purposes of the payment or receipt of the dividend is to effect

(1) a significant reduction in the fair market value of any share, or

(2) a significant increase in the cost of property, such that the amount that is the aggregate of the cost amounts of all properties of the dividend recipient immediately after the dividend was paid is significantly greater than the amount that is the aggregate of the cost amounts of all properties of the dividend recipient immediately before the dividend was paid; and

(b) the amount of the dividend exceeds the amount of the income earned or realized by any corporation after 31 December 1971 and before the safe-income determination time, in relation to the transaction or event or series of transactions or events, that can reasonably be considered to contribute to the capital gain that would have been realized on a disposition at fair market value of the share on which the dividend was received, if the disposition had occurred immediately before the dividend was paid.

1982, c. 5, s. 66; 1984, c. 15, s. 69; 1996, c. 39, s. 97; 1997, c. 3, s. 71; 2000, c. 5, s. 75; 2019, c. 14, s. 108.

308.2.0.1. For the purposes of sections 308.1, 308.2 and 308.2.0.2, the amount of a stock dividend and the dividend recipient's entitlement to a deduction under any of sections 738, 740 and 845 in respect of the amount of that dividend are to be determined as if the definition of "amount" in section 1 were read as if the following paragraph were inserted after paragraph *a*:

"(*a*.1) in the case of a stock dividend paid by a corporation, the amount of the stock dividend is equal to the greater of
i. the amount by which the paid-up capital of the corporation that paid the dividend is increased by reason of the payment of the dividend, and
ii. the fair market value of the share or shares issued as a stock dividend at the time of payment;".

2019, c. 14, s. 109.

308.2.0.2. Where the conditions of the second paragraph are met, in respect of a stock dividend, the following rules apply:

(a) the amount of the stock dividend is deemed for the purposes of section 308.1 to be a separate taxable dividend to the extent of the portion of the amount that does not exceed the amount of the income earned or realized by any corporation after 31 December 1971 and before the safe-income determination time, in relation to the transaction or event or series of transactions or events, that can reasonably be considered to contribute to the capital gain that would have been realized on a disposition at fair market value of the share on which the dividend was received, if the disposition had occurred immediately before the dividend was paid; and

(b) the amount of the separate taxable dividend referred to in subparagraph *a* is deemed to reduce the amount of the income earned or realized by any corporation after 31 December 1971 and before the safe-income determination time, in relation to the transaction or event or series of transactions or events, that can reasonably be considered to contribute to the capital gain that would have been realized on a disposition at fair market value of the share on which the dividend was received, if the disposition had occurred immediately before the dividend was paid.

The conditions to which the first paragraph refers, in respect of a stock dividend, are as follows:

(a) a dividend recipient holds a share in respect of which it receives the stock dividend;

(b) the fair market value of the share or shares issued as a stock dividend exceeds the amount by which the paid-up capital of the corporation that paid the stock dividend is increased because of the payment of the dividend; and

(c) section 308.1 would apply to the stock dividend if section 308.2 were read without reference to its paragraph *b*.

2019, c. 14, s. 109.

308.2.0.3. For the purposes of subparagraph 1 of subparagraph ii of paragraph *a* of section 308.2 and for the purpose of determining whether the payment of a dividend caused a significant reduction in the fair market value of any share, the fair market value of the share, determined immediately before the dividend was paid, must be increased by an amount equal to the amount, if any, by which the amount that is the fair market value of the dividend received on the share exceeds the fair market value of the share.

2019, c. 14, s. 109.

308.2.1. Section 308.1 does not apply, however, to any dividend received by a particular corporation, on a redemption, acquisition or cancellation of a share, by the corporation that issued the share, under section 508 to the extent that it refers to a dividend deemed paid under section 505 or 506, if, as part of a transaction or event or a series of transactions or events as part of which the dividend was received, there was not at a particular time

(a) a disposition, to a person or partnership that was an unrelated person immediately before the particular time, of property, other than

i. money disposed of on the payment of a dividend or on a reduction of the paid-up capital of a share, and

ii. property disposed of for proceeds of disposition that are not less than its fair market value;

(b) a significant increase, other than as a consequence of a disposition of shares of the capital stock of a corporation for proceeds of disposition that are not less than their fair market value, in the total direct interest in any corporation of one or more persons or partnerships that were unrelated persons immediately before the particular time;

(c) a disposition, to a person or partnership who was an unrelated person immediately before the particular time, of

i. shares of the capital stock of the dividend-payer corporation, or

ii. property, other than shares of the capital stock of the particular corporation, more than 10% of the fair market value of which was, at any time during the course of the series of transactions or events, derived from a combination of shares of the capital stock and debt of the corporation that paid the dividend;

(d) after the time the dividend was received, a disposition, to a person or partnership that was an unrelated person immediately before the particular time, of

i. shares of the capital stock of the particular corporation, or

ii. property more than 10% of the fair market value of which was, at any time during the course of the series of transactions or events, derived from a combination of shares of the capital stock and debt of the particular corporation; and

(e) a significant increase in the total of all direct interests in the corporation that paid the dividend of one or more persons or partnerships who were unrelated persons immediately before the particular time.

2000, c. 5, s. 76; 2009, c. 15, s. 72; 2015, c. 24, s. 55; 2019, c. 14, s. 110.

308.2.2. For the purposes of section 308.2.1, the following rules apply:

(a) "unrelated person" means a person, other than the particular dividend-recipient corporation, to whom that corporation is not related or a partnership any member of which, other than the particular dividend-recipient corporation, is not related to that corporation;

(b) a corporation that is formed by an amalgamation of two or more other corporations is deemed to be a continuation of each of the other corporations;

(c) proceeds of disposition of a property are to be determined without reference to

i. "deemed to be included in the proceeds of disposition of the share under paragraph *b* of section 308.1 or" in section 251, and

ii. Chapter V of Title X;

(d) notwithstanding any other provision of this Act, where a person not resident in Canada disposes of a property in a taxation year and the gain or loss from the disposition is not included in computing the person's taxable income earned in Canada for the year, the person is deemed to have disposed of the property for proceeds of disposition that are less than its fair market value unless, under the income tax laws of the country in which the person is resident, the gain or loss is computed as if the property were disposed of for proceeds of disposition that are not less than its fair market value and the gain or loss so computed is recognized for the purposes of those laws;

(e) a significant increase in the total direct interest in a corporation that would, but for this paragraph, be described in paragraph *b* of section 308.2.1 is deemed not to be described in that paragraph if the increase is the result of the issuance of shares of the capital stock of the corporation for consideration that consists solely of money and the shares are redeemed, acquired or cancelled by the corporation before the dividend is received;

(f) a disposition of property that would, but for this paragraph, be described in paragraph *a* of section 308.2.1, or a significant increase in the total direct interest in a corporation that would, but for this paragraph, be described in paragraph *b* of section 308.2.1, is deemed not to be described in either of those paragraphs if

i. the dividend-payer corporation was related to the particular dividend-recipient corporation immediately before the dividend was received,

ii. the dividend-payer corporation did not, as part of the series of transactions or events that includes the receipt of the dividend, cease to be related to the particular dividend-recipient corporation,

iii. the disposition or increase occurred before the dividend was received,

iv. the disposition or increase is the result of the disposition of shares to, or the acquisition of shares of, any corporation, and

v. at the time the dividend was received, all the shares of the capital stock of the dividend-payer corporation and of the particular dividend-recipient corporation were owned by the corporation referred to in subparagraph iv, a corporation that controls the corporation referred to in that subparagraph, a corporation controlled by the corporation referred to in that subparagraph or any combination of those corporations; and

(g) a winding-up of a subsidiary wholly-owned corporation, in respect of which sections 556 to 564.1 and 565 apply, or an amalgamation, in respect of which section 550.9 applies, of a corporation with one or more subsidiary wholly-owned corporations, is deemed not to result in a significant increase in the total direct interest, or in the total of all direct interests, in one or more subsidiaries, as the case may be.

2000, c. 5, s. 76; 2009, c. 15, s. 73; 2015, c. 24, s. 56; 2019, c. 14, s. 111.

308.3. In addition, section 308.1 does not apply if the dividend was received by a corporation

(a) in the course of a reorganization in which a distributing corporation made a distribution to one or more transferee corporations and in which either the distributing corporation was wound up or all of the shares of its capital stock owned by each transferee corporation immediately before the distribution were redeemed or cancelled otherwise than on an exchange to which any of sections 301, 518 and 541 to 543 applies; and

(b) on a permitted redemption in relation to the distribution referred to in paragraph *a* or on the winding-up of the distributing corporation.

1982, c. 5, s. 66; 1984, c. 15, s. 70; 1985, c. 25, s. 55; 1986, c. 15, s. 58; 1996, c. 39, s. 98; 1997, c. 3, s. 71; 2000, c. 5, s. 77.

308.3.1. Section 308.3 does not apply to a dividend where

(a) in contemplation of and before a distribution (other than a distribution by a specified corporation) made by a distributing corporation in the course of the reorganization in which the dividend was received, property became property of the distributing corporation, a corporation controlled by it or a predecessor corporation of any such corporation otherwise than as a result of

i. an amalgamation of corporations each of which was related to the distributing corporation,

ii. an amalgamation of a predecessor corporation of the distributing corporation and one or more corporations controlled by that predecessor corporation,

iii. a reorganization in which a dividend was received to which section 308.1 would, but for section 308.3, apply, or

iv. a disposition of property by the distributing corporation, a corporation controlled by it or a predecessor corporation of any such corporation to a corporation controlled by the distributing corporation or a predecessor corporation of the distributing corporation,

v. a disposition of property by a corporation controlled by the distributing corporation or by a predecessor corporation of the distributing corporation to the distributing corporation or predecessor corporation, as the case may be, or

vi. a disposition of property by the distributing corporation, a corporation controlled by it or a predecessor corporation of any such corporation for consideration that consists only of money or indebtedness that is not convertible into other property, or of any combination thereof;

(b) the dividend was received as part of a series of transactions or events in which

i. a person or partnership, referred to in this subparagraph as the “vendor”, disposed of property and

(1) the property is a share of the capital stock of a distributing corporation that made a distribution as part of the series or of a transferee corporation in relation to the distributing corporation or property 10% or more of the fair market value of which was, at any time during the course of the series, derived from one or more such shares,

(2) the vendor, other than a qualified person in relation to the distribution, was, at any time during the course of the series, a specified shareholder of the distributing corporation or of the transferee corporation, and

(3) the property or any other property, other than property received by the transferee corporation on the distribution, acquired by any person or partnership in substitution therefor was acquired, otherwise than on a permitted acquisition, permitted exchange or permitted redemption in relation to the distribution, by a person, other than the vendor, who was not related to the vendor or, as part of the series, ceased to be related to the vendor or by a partnership,

ii. control of a distributing corporation that made a distribution as part of the series or of a transferee corporation in relation to the distributing corporation was acquired, otherwise than as a result of a permitted acquisition, permitted exchange or permitted redemption in relation to the distribution, by any person or group of persons; or

iii. in contemplation of a distribution by a distributing corporation, a share of the capital stock of the distributing corporation was acquired, otherwise than on a permitted acquisition or permitted exchange in relation to the distribution or on an amalgamation of two or more predecessor corporations of the distributing corporation, by

(1) a transferee corporation in relation to the distributing corporation or by a person or partnership with whom the transferee corporation did not deal at arm's length from a person to whom the acquirer was not related or from a partnership,

(2) a person or any member of a group of persons who acquired control of the distributing corporation as part of the series,

(3) a particular partnership any interest in which is held, directly or indirectly through one or more partnerships, by a person referred to in subparagraph 2, or

(4) a person or partnership with whom a person referred to in subparagraph 2 or a particular partnership referred to in subparagraph 3 did not deal at arm's length;

(c) the dividend was received by a transferee corporation from a distributing corporation that, immediately after the reorganization in the course of which a distribution was made and the dividend was received, was not related to the transferee corporation and the aggregate of all amounts each of which is the fair market value, at the time of acquisition, of a property that satisfies the conditions set out in subparagraphs i and ii is greater than 10% of the fair market value, at the time of the distribution, of all the property, other than money and indebtedness that is not convertible into other property, received by the transferee corporation on the distribution:

i. the property was acquired, as part of the series of transactions or events that includes the receipt of the dividend, by a person, other than the transferee corporation, who was not related to the transferee corporation or, as part of the series, ceased to be related to the transferee corporation, or by a partnership, otherwise than

(1) as a result of a disposition in the ordinary course of business, or before the distribution for consideration that consists solely of money or indebtedness that is not convertible into other property, or of any combination thereof,

(2) on a permitted acquisition in relation to a distribution, or

(3) as a result of an amalgamation of two or more corporations that were related to each other immediately before the amalgamation, and

ii. the property is a property, other than money, indebtedness that is not convertible into other property, a share of the capital stock of the transferee corporation and property more than 10% of the fair market value of which is attributable to one or more such shares,

(1) that was received by the transferee corporation on the distribution,

(2) more than 10% of the fair market value of which was, at any time after the distribution and before the end of the series of transactions or events, attributable to property, other than money and indebtedness that is not convertible into other property, described in subparagraph 1 or 3, or

(3) to which, at any time during the course of the series of transactions or events, the fair market value of property described in subparagraph 1 was wholly or partly attributable; or

(d) the dividend was received by a distributing corporation that, immediately after the reorganization in the course of which a distribution was made and the dividend was received, was not related to the transferee corporation that paid the dividend and the aggregate of all amounts each of which is the fair market value, at the time of acquisition, of a property that satisfies the conditions set out in subparagraphs i and ii is greater than 10% of the fair market value at the time of the distribution, of all the property, other than money and indebtedness that is not convertible into other property, owned immediately before that time by the distributing corporation and not disposed of by it on the distribution:

i. the property was acquired, as part of the series of transactions or events that includes the receipt of the dividend, by a person, other than the distributing corporation, who was not related to the distributing corporation or, as part of the series, ceased to be related to the distributing corporation, or by a partnership, otherwise than

(1) as a result of a disposition in the ordinary course of business, or before the distribution for consideration that consists solely of money or indebtedness that is not convertible into other property, or of any combination thereof,

(2) on a permitted acquisition in relation to a distribution, or

(3) as a result of an amalgamation of two or more corporations that were related to each other immediately before the amalgamation, and

ii. the property is a property, other than money, indebtedness that is not convertible into other property, a share of the capital stock of the distributing corporation and property more than 10% of the fair market value of which is attributable to one or more such shares,

(1) that was owned by the distributing corporation immediately before the distribution and not disposed of by it on the distribution,

(2) more than 10% of the fair market value of which was, at any time after the distribution and before the end of the series of transactions or events, attributable to property, other than money and indebtedness that is not convertible into other property, described in subparagraph 1 or 3, or

(3) to which, at any time during the course of the series of transactions or events, the fair market value of property described in subparagraph 1 was wholly or partly attributable.

1995, c. 49, s. 73; 1996, c. 39, s. 99; 1997, c. 3, s. 71; 2000, c. 5, s. 78; 2009, c. 15, s. 74; 2015, c. 24, s. 57.

308.3.2. For the purposes of paragraph *b* of section 308.3.1,

(a) in determining whether the vendor referred to in subparagraph i of the said paragraph *b* is at a particular time a specified shareholder of a transferee corporation or of a distributing corporation, the references in sections 21.17 and 21.18 to “taxpayer” shall be read as references to “person or partnership”, with the necessary modifications;

(b) a corporation that is formed by the amalgamation of two or more corporations is deemed to be a continuation of each of the predecessor corporations;

(c) subject to paragraph *d*, each particular person who acquired a share of the capital stock of a distributing corporation in contemplation of a distribution by the distributing corporation is deemed, in respect of that acquisition, not to be related to the person from whom the particular person acquired the share unless

i. the particular person acquired all the shares of the capital stock of the distributing corporation that were owned, at any time during the course of the series of transactions or events that included the distribution and before the acquisition, by the other person, or

ii. immediately after the reorganization in the course of which the distribution was made, the particular person was related to the distributing corporation;

(d) where a share is acquired by an individual from a personal trust in satisfaction of all or a part of the individual's capital interest in the trust, the individual is deemed, in respect of that acquisition, to be related to the trust;

(e) subject to paragraph *f*, where at any time a share of the capital stock of a corporation is redeemed or cancelled, otherwise than on an amalgamation where the only consideration received or receivable for the share by the shareholder on the amalgamation is a share of the capital stock of the corporation formed by the amalgamation, the corporation is deemed to have acquired the share at that time;

(f) where a share of the capital stock of a corporation is redeemed, acquired or cancelled by the corporation pursuant to the exercise of a statutory right of dissent by the holder of the share, the corporation is deemed not to have acquired the share;

(g) control of a corporation is deemed not to have been acquired by a person or group of persons where it is so acquired solely because of

i. the incorporation of the corporation, or

ii. the acquisition by an individual of one or more shares for the sole purpose of qualifying as a director of the corporation; and

(h) in relation to a distribution each corporation (other than a qualified person in relation to the distribution) that is a shareholder and specified shareholder of the distributing corporation at any time during the course of a series of transactions or events, a part of which includes the distribution made by the distributing corporation, is deemed to be a transferee corporation in relation to the distributing corporation.

1996, c. 39, s. 100; 1997, c. 3, s. 71; 2000, c. 5, s. 79; 2009, c. 15, s. 75.

308.3.3. In determining whether a person is a specified shareholder of a corporation for the purposes of subparagraph i of paragraph *b* of section 308.3.1 and paragraph *h* of section 308.3.2, the reference in section 21.17 to "or of any other corporation that is related to the corporation" shall be read as "or of any other corporation that is related to the corporation and that has a significant direct or indirect interest in any issued shares of the capital stock of the corporation".

2000, c. 5, s. 80.

308.3.4. For the purpose of determining whether a person is a specified shareholder of a corporation for the purposes of the definition of "qualified person" in the first paragraph of section 308.0.1, subparagraph i of paragraph *b* of section 308.3.1 and paragraph *h* of section 308.3.2 when it applies for the purposes of subparagraph iii of paragraph *b* of section 308.3.1, section 21.17 is to be read as if "not less than 10% of the issued shares of any class of the capital stock of the corporation" was replaced by "not less than 10% of the issued shares of any class of the capital stock of the corporation, other than shares of a specified class within the meaning of section 308.0.1,".

2009, c. 15, s. 76.

308.3.5. For the purposes of paragraphs *c* and *d* of section 308.3.1, a corporation formed by an amalgamation of two or more corporations that were related to each other immediately before the amalgamation is deemed to be a continuation of each of the predecessor corporations.

2009, c. 15, s. 76.

308.3.6. For the purposes of sections 1094 to 1096 and 1102.4, a share (in this section referred to as the "reorganization share") is deemed to be listed on a designated stock exchange if

(a) a dividend, to which section 308.1 does not apply because of section 308.3, is received in the course of a reorganization;

(b) in contemplation of the reorganization, the reorganization share is

i. issued to a taxpayer by a public corporation in exchange for another share of that corporation (in this section referred to as the "old share") owned by the taxpayer, and

ii. exchanged by the taxpayer for a share of another public corporation (in this section referred to as the "new share") in an exchange that would be a permitted exchange if the definition of "permitted exchange" in the first paragraph of section 308.0.1 were read without reference to its paragraph *a* and subparagraph ii of its paragraph *b*;

(c) immediately before the exchange, the old share is listed on a designated stock exchange and is not taxable Canadian property of the taxpayer; and

(d) the new share is listed on a designated stock exchange.

2009, c. 15, s. 76; 2010, c. 5, s. 33.

308.4. *(Repealed).*

1982, c. 5, s. 66; 1984, c. 15, s. 70; 1986, c. 15, s. 59; 1996, c. 39, s. 101.

308.5. For the purposes of this division, where it can reasonably be considered that one of the main purposes of one or more transactions or events was to cause two or more persons to be related to each other or to cause a corporation to control another corporation, so that section 308.1 would, but for this section, not apply to a dividend, those persons shall be deemed not to be related to each other or the corporation shall be deemed not to control the other corporation, as the case may be.

1982, c. 5, s. 66; 1986, c. 15, s. 59; 1996, c. 39, s. 102; 1997, c. 3, s. 71.

308.6. For the purposes of this division, the following rules apply:

(a) where a dividend referred to in sections 308.1 and 308.2 is received by a corporation as part of a transaction or event or a series of transactions or events, the portion of a capital gain attributable to any income expected to be earned or realized by a corporation after the safe-income determination time for the transaction, event or series of transactions or events is deemed to be a portion of a capital gain attributable to anything other than income;

(b) the income earned or realized by a corporation for a period throughout which it was resident in Canada and was not a private corporation is deemed to be the aggregate of

i. its income for the period otherwise determined on the assumption that no amounts were deductible by the corporation in respect of that period under paragraph *j* of section 157, as it read before being struck out, and sections 230.1 to 230.11, as they read before their repeal,

ii. the amount by which the amount by which the aggregate of the capital gains of the corporation for the period exceeds the aggregate of its taxable capital gains for the period, exceeds the amount by which the aggregate of the capital losses of the corporation for the period exceeds the aggregate of its allowable capital losses for the period,

iii. the aggregate of all amounts each of which is an amount relating to a business carried on by the corporation at any time in the portion of the period that precedes the beginning of the corporation's first taxation year that ends after 27 February 2000, and each of which is equal to the amount by which the amount determined under the second paragraph is exceeded by the aggregate of

(1) where the period began before the corporation's adjustment time, within the meaning of section 107.1, as it read in that portion of the period, the amount by which the aggregate of the amounts relating to the business that is determined under the third paragraph in respect of the corporation exceeds the aggregate of the amounts relating to the business that is determined under the fourth paragraph in respect of the corporation,

(2) 1/3 of the aggregate of the amounts relating to the business that, in respect of the portion of the period following the corporation's adjustment time but preceding the beginning of the corporation's first taxation year that ends after 27 February 2000, are required to be included in computing the corporation's eligible incorporeal capital amount by reason of subparagraph ii of paragraph *b* of section 107, as that subparagraph read in that portion of the period, and

(3) 1/3 of all amounts required to be included in computing the corporation's income by reason of paragraph *i*.1 of section 87 and that are received in the portion of the period that precedes the beginning of the corporation's first taxation year that ends after 27 February 2000,

iv. the amount by which 1/2 of the aggregate of all amounts each of which is an amount required by paragraph *b* of section 105 to be included in computing the corporation's income in respect of a business carried on by the corporation for a taxation year that is included in the period and that ends after 27 February 2000 but before 18 October 2000, as that paragraph *b* read for that year, exceeds

(1) where the corporation has deducted an amount under section 142.1 in respect of a debt established by it to have become a bad debt in a taxation year that is included in the period and that ends after 27 February 2000 but before 18 October 2000, as that section 142.1 read for that year, or has an allowable capital loss for such a year by reason of the application of section 142.2, as that section 142.2 read for that year, the amount determined by the formula

A + B, and

(2) in any other case, nil, and

v. the amount by which the aggregate of all amounts each of which is an amount required by paragraph *b* of section 105 to be included in computing the corporation's income in respect of a business carried on by the corporation for a taxation year that is included in the period and that ends after 17 October 2000, as that paragraph *b* read for that year, exceeds

(1) where the corporation has deducted an amount under section 142.1 in respect of a debt established by it to have become a bad debt in a taxation year that is included in the period and that ends after 17 October 2000, as that section 142.1 read for that year, or has an allowable capital loss for such a year by reason of the application of section 142.2, as that section 142.2 read for that year, the amount determined by the formula

B + C, and

(2) in any other case, nil;

(c) the income earned or realized by a corporation for a period throughout which it was a private corporation is deemed to be its income for the period otherwise determined on the assumption that no

amounts were deductible by the corporation in respect of that period under paragraph *j* of section 157, as that paragraph read before being struck out, or sections 230.1 to 230.11, as they read before their repeal;

(d) the income earned or realized by a corporation (in this subparagraph referred to as the "affiliate") for a period that ends at a time when that corporation is a foreign affiliate of another corporation is deemed to be equal to the lesser of

i. the amount that would, at that time, if the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) were read without reference to subsection 5.6 of section 5905 of those Regulations, be the tax-free surplus balance, within the meaning of subsection 5.5 of that section 5905, of the affiliate in respect of the other corporation, and

ii. the fair market value at that time of all the issued and outstanding shares of the capital stock of the affiliate;

iii. *(subparagraph repealed);*

(e) in determining whether two or more persons are related to each other, in determining whether a person is at any time a specified shareholder of a corporation and in determining whether control of a corporation has been acquired by a person or group of persons,

i. a person is deemed to be dealing with another person at arm's length and not to be related to the other person if the person is the brother or sister of the other person,

ii. where at any time a person is related to each beneficiary, other than a registered charity, under a trust who is or may, otherwise than by reason of the death of another beneficiary under the trust, be entitled to share in the income or capital of the trust, the person and the trust are deemed to be related at that time to each other and, for this purpose, a person is deemed to be related to himself,

iii. a person and a trust are deemed not to be related to each other unless they are deemed by paragraph *d* of section 308.3.2 or subparagraph ii to be related to each other or the person is a corporation that is controlled by the trust, and

iv. this Act shall be read without reference to subsection 2 of section 19 and paragraph *b* of section 20; and

(f) unless section 308.2.0.2 applies, where a corporation receives a dividend any portion of which is a taxable dividend (such a portion being referred to in this subparagraph as the "taxable part"), as part of a transaction or event or a series of transactions or events, the following rules apply:

i. a portion of the dividend is deemed to be a separate taxable dividend equal to the lesser of

(1) the taxable part, and

(2) the amount of the income earned or realized by a corporation after 31 December 1971 and before the safe-income determination time, in relation to the transaction or event or series of transactions or events, that can reasonably be considered to contribute to the capital gain that would have been realized on a disposition at fair market value of the share on which the dividend was received, if the disposition had occurred immediately before the dividend was paid, and

ii. the amount by which the taxable part exceeds the amount of the separate taxable dividend referred to in subparagraph i is deemed to be a separate taxable dividend.

The amount to which subparagraph iii of subparagraph *b* of the first paragraph refers is equal to the aggregate of

(a) where the period, referred to in subparagraph *b* of the first paragraph, began after the corporation's adjustment time but before the beginning of the corporation's first taxation year that ends after 27 February 2000, 1/3 of the corporation's eligible incorporeal capital amount in respect of the business at the beginning of that period;

(b) 1/4 of the aggregate of all incorporeal capital amounts in respect of the business payable or disbursed by the corporation in respect of that portion of that period that follows the corporation's adjustment time but precedes the beginning of the corporation's first taxation year that ends after 27 February 2000 and a portion of which was not included in subparagraph *c* of the fourth paragraph;

(c) where that period began before the corporation's adjustment time, 1/2 of the amount by which the aggregate of all amounts determined in respect of the corporation under subparagraphs *a* and *b* of the fourth paragraph exceeds the amount determined in respect of the corporation under the third paragraph; and

(d) 1/3 of all amounts deducted by the corporation under section 142.1, as that section read in the portion of the period that precedes the beginning of the corporation's first taxation year that ends after 27 February 2000, in respect of debts established by it to have become bad debts during that portion of the period.

The first aggregate of the amounts relating to a business referred to in subparagraph 1 of subparagraph iii of subparagraph *b* of the first paragraph, in respect of a corporation, is equal to the aggregate of the amounts relating to the business that, in respect of the portion of the period referred to in that subparagraph 1 that precedes the corporation's adjustment time, are required to be included in computing the corporation's eligible incorporeal capital amount by reason of subparagraph ii of paragraph *b* of section 107, as that subparagraph read during the portion of that period.

The second aggregate of the amounts in respect of a business referred to in subparagraph 1 of subparagraph iii of subparagraph *b* of the first paragraph, with regard to a corporation, is the aggregate of

(a) the corporation's eligible incorporeal capital amount in respect of the business at the commencement of the period contemplated in such subparagraph 1;

(b) one-half of the aggregate of all incorporeal capital amounts in respect of the business payable or disbursed by the corporation during that portion of the period preceding the corporation's adjustment time;

(c) 1/2 of the aggregate of the incorporeal capital amounts in respect of the business payable or disbursed by the corporation during the portion of that period that follows the corporation's adjustment time but that precedes the beginning of the corporation's first taxation year that ends after 27 February 2000, to the extent that the aggregate determined under the third paragraph exceeds the aggregate of the amounts determined under subparagraphs *a* and *b*.

In the formulas provided for in subparagraph 1 of subparagraph iv of subparagraph *b* of the first paragraph and subparagraph 1 of subparagraph v of that subparagraph *b*,

(a) A is 1/2 of the amount that would be determined under subparagraph *a* of the second paragraph of section 142.1 in respect of the corporation for the last taxation year that ends in the period, as that section 142.1 read for that year, if no amount had been established to have become a bad debt in a taxation year that ends before 28 February 2000;

(b) B is 1/3 of the amount that would be determined under subparagraph *b* of the second paragraph of section 142.1 in respect of the corporation for the last taxation year that ends in the period, as that section 142.1 read for that year, if no amount had been established to have become a bad debt in a taxation year that ends before 28 February 2000; and

(c) C is the amount that would be determined under subparagraph *a* of the second paragraph of section 142.1 in respect of the corporation for the last taxation year that ends in the period, as that section

142.1 read for that year, if no amount had been established to have become a bad debt in a taxation year that ends before 28 February 2000.

1982, c. 5, s. 66; 1990, c. 59, s. 139; 1995, c. 49, s. 236; 1996, c. 39, s. 103; 1997, c. 3, s. 71; 1998, c. 16, s. 106; 2000, c. 5, s. 81; 2003, c. 2, s. 107; 2004, c. 8, s. 57; 2005, c. 1, s. 83; 2009, c. 5, s. 108; 2010, c. 25, s. 26; 2015, c. 21, s. 155; 2019, c. 14, s. 112.

TITLE V

OTHER SOURCES OF INCOME

1972, c. 23.

CHAPTER I

RULES OF APPLICATION

1972, c. 23.

309. Without restricting the generality of section 28, a taxpayer shall include in computing his income for a taxation year the amounts he receives, is deemed to receive or that are allocated to him in such year as provided for in this Title.

1972, c. 23, s. 284.

309.1. *(Repealed).*

1993, c. 16, s. 124; 1995, c. 1, s. 30; 1995, c. 63, s. 33; 1997, c. 14, s. 58; 1997, c. 85, s. 59.

CHAPTER II

MISCELLANEOUS CASES

1972, c. 23.

310. The amounts that a taxpayer is required to include in computing the taxpayer's income under section 309 include those in respect of a registered retirement savings plan or a registered retirement income fund, to the extent provided for in Title IV of Book VII, those provided for in sections 935.4 to 935.6 and 935.15 to 935.17, those in respect of a first home savings account, to the extent provided for in Title IV.4 of Book VII, those in respect of a registered retirement income fund, to the extent provided for in Title V.1 of Book VII, and those provided for in sections 965.128, 968 and 968.1.

1972, c. 23, s. 285; 1978, c. 26, s. 48; 1979, c. 14, s. 1; 1980, c. 13, s. 20; 1983, c. 44, s. 24; 1990, c. 7, s. 14; 1991, c. 25, s. 59; 1993, c. 64, s. 26; 1994, c. 22, s. 138; 1995, c. 49, s. 74; 1996, c. 39, s. 104; 2000, c. 5, s. 82; 2001, c. 53, s. 53; 2005, c. 23, s. 46; 2006, c. 13, s. 36; 2010, c. 5, s. 34; 2017, c. 29, s. 57; 2023, c. 19, s. 22.

311. The taxpayer must also include any amount received under or as:

(a) a retiring allowance, other than an amount received out of or under an employee benefit plan, a retirement compensation arrangement or a salary deferral arrangement;

(b) a death benefit;

(c) a benefit under the Unemployment Insurance Act (R.S.C. 1985, c. U-1), other than a payment relating to a course or program designed to facilitate the re-entry into the labour force of a claimant under that Act, or a benefit under Part I, VII.1, VIII or VIII.1 of the Employment Insurance Act (S.C. 1996, c. 23);

(c.1) a benefit under the Act respecting parental insurance (chapter A-29.011);

(c.2) an income replacement benefit paid under Part 2 of the Veterans Well-being Act (S.C. 2005, c. 21), if the amount is determined under subsection 1 of section 19.1, paragraph *b* of subsection 1 of section 23 or subsection 1 of section 26.1 of that Act (as modified, where applicable, under Part 5 of that Act);

(d) a benefit under regulations made under an Appropriation Act providing for a scheme of transitional assistance benefits to persons employed in the production of products to which the Canada-United States Agreement on Automotive Products, signed on 16 January 1965, applies;

(e) a prescribed benefit paid under a government assistance program, except to the extent otherwise required to be included in the taxpayer's income;

(e.1) a benefit paid under the Program for Older Worker Adjustment according to the terms of the agreement made following the approval obtained under Order in Council 1396-88 dated 14 September 1988;

(e.2) earnings supplements, other than an amount attributable to child care expenses, provided under a project sponsored by a government or government agency in Canada to encourage an individual to obtain or keep employment or to carry on a business either alone or as a partner actively engaged in the business, otherwise than under a prescribed program;

(e.3) financial assistance under a program established by the Canada Employment Insurance Commission under Part II of the Employment Insurance Act, other than an amount attributable to child care expenses;

(e.4) financial assistance, other than an amount attributable to child care expenses, under a program, other than a prescribed program, that is

i. established by a government or government agency in Canada or by an organization, and

ii. *(subparagraph repealed),*

iii. the subject of an agreement between the government, government agency or organization, as the case may be, and the Canada Employment Insurance Commission pursuant to section 63 of the Employment Insurance Act;

(e.5) financial assistance, other than an amount attributable to child care expenses or an amount referred to in paragraph *e*.5.1, under a program established by a government or government agency in Canada that provides income replacement benefits similar to income replacement benefits provided under a program established under the Employment Insurance Act;

(e.5.1) financial assistance under

i. the Canada Emergency Response Benefit Act (S.C. 2020, c. 5, s. 8),

ii. Part VIII.4 of the Employment Insurance Act,

iii. the Canada Emergency Student Benefit Act (S.C. 2020, c. 7),

iv. the Canada Recovery Benefits Act (S.C. 2020, c. 12, s. 2), or

v. a program established by a government or government agency of a province that provides income replacement benefits similar to income replacement benefits provided under a program established under one of the Acts referred to in subparagraphs i to iv;

(e.6) the Wage Earner Protection Program Act (S.C. 2005, c. 47) in respect of wages within the meaning of that Act;

(f) a benefit under a supplementary unemployment benefit plan, to the extent provided by section 965;

(g) a benefit under a deferred profit sharing plan, to the extent provided in Title II of Book VII;

(h) a refund from an individual in respect of an amount described in paragraph *g* of section 336;

(i) a benefit under a registered education savings plan to the extent provided in sections 904 and 904.1;

(j) (paragraph repealed);

(k) (paragraph repealed);

(k.0.1*)* an income replacement indemnity or compensation for the loss of financial support under a public compensation plan;

(k.0.2*)* a program established under the authority of the Department of Employment and Social Development Act (S.C. 2005, c. 34) in respect of children who are deceased or missing as a result of an offence, or a probable offence, under the Criminal Code (R.S.C. 1985, c. C-46);

(k.1*) (paragraph repealed);*

(k.2*) (paragraph repealed);*

(k.3*) (paragraph repealed);*

(k.4*) (paragraph repealed);*

(k.5*) (paragraph repealed);*

(l) (paragraph repealed).

1972, c. 23, s. 286; 1974, c. 18, s. 16; 1975, c. 21, s. 7; 1979, c. 18, s. 24; 1980, c. 13, s. 21; 1982, c. 5, s. 67; 1984, c. 15, s. 71; 1989, c. 77, s. 25; 1990, c. 7, s. 15; 1991, c. 25, s. 60; 1993, c. 16, s. 125; 1995, c. 49, s. 75; 1995, c. 63, s. 34; 1997, c. 14, s. 290; 1997, c. 85, s. 60; 1998, c. 16, s. 251; 2000, c. 5, s. 83; 2001, c. 51, s. 32; 2002, c. 40, s. 26; 2005, c. 1, s. 84; 2005, c. 23, s. 47; 2005, c. 38, s. 65; 2006, c. 13, s. 37; 2009, c. 5, s. 109; 2010, c. 5, s. 35; 2015, c. 21, s. 156; 2020, c. 16, s. 55; 2021, c. 36, s. 62; 2023, c. 2, s. 7.

311.1. A taxpayer shall also include any amount, other than a prescribed amount, received in the year by the taxpayer as a social assistance payment based on a means, needs or income test, to the extent that such amount is not otherwise required to be included in computing the taxpayer's income for a taxation year.

However, a social assistance payment referred to in the first paragraph does not include the portion of an amount received as last resort financial assistance under the Individual and Family Assistance Act (chapter A-13.1.1) or similar government assistance that relates to

(a) an amount to meet the needs of children, whether minor or of full age;

(b) an amount received as a special benefit to provide for certain particular needs;

(c) an amount attributable to child care expenses;

(d) (subparagraph repealed);

(e) (subparagraph repealed);

(f) if the taxpayer is a person described in the third paragraph participating in an employment-assistance measure or program or a social assistance and support program established under the Individual and Family Assistance Act, an amount received by the taxpayer, as an allowance or reimbursement, in respect of expenses incurred by the taxpayer to travel from the taxpayer's place of residence to the location of activities provided

for under the measure or program, including expenses for parking in proximity to the location of the activities.

The person to whom subparagraph *f* of the second paragraph refers is the person who, for the purposes of the Individual and Family Assistance Act, has demonstrated, in accordance with section 70 of that Act, a capacity for employment that is severely limited.

1984, c. 15, s. 72; 1990, c. 59, s. 140; 1991, c. 25, s. 61; 1993, c. 16, s. 126; 1995, c. 1, s. 31; 1995, c. 63, s. 35; 1997, c. 85, s. 61; 2000, c. 5, s. 84; 2000, c. 39, s. 20; 2001, c. 51, s. 33; 2004, c. 21, s. 72; 2007, c. 12, s. 47; 2011, c. 6, s. 126; 2021, c. 14, s. 42.

311.2. *(Repealed).*

2002, c. 40, s. 27; 2005, c. 38, s. 66; 2019, c. 14, s. 113.

312. The taxpayer must also include:

(a) (paragraph repealed);

(b) (paragraph repealed);

(b.0.1*) (paragraph repealed);*

(b.1*) (paragraph repealed);*

(b.2*) (paragraph repealed);*

(c) an amount received as an annuity payment, except

i. an amount otherwise required to be included in computing the taxpayer's income for the year,

ii. an amount with respect to an interest in an annuity contract to which section 92.11 applies, or would apply if the contract had an anniversary day in the year at a time when the taxpayer held the interest,

ii.1. an amount received out of or under an annuity contract issued or effected as a tax-free savings account,

iii. *(subparagraph repealed);*

iv. an amount referred to in section 965.0.40 that, under that section, is not required to be included in computing the taxpayer's income;

(c.1*) (paragraph repealed);*

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

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

ii. made in circumstances to which, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), subsection 21 of section 146 of that Act applied, or

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

(d) an amount received as proceeds of the surrender, cancellation, redemption, sale or other disposition of an income-averaging annuity contract, or an amount deemed to have been received under the first paragraph of section 346;

(d.1) an amount received as a payment in full or partial commutation of an income-averaging annuity respecting income from artistic activities or as proceeds of disposition by reason of the cancellation or redemption of an income-averaging annuity respecting income from artistic activities;

(e) (paragraph repealed);

(f) an amount received as legal costs and expenses awarded by a court on a contestation or appeal relating to an assessment of tax, interest or penalties referred to in paragraph *e* of section 336 or as reimbursement of costs incurred in relation to an assessment, a decision, an application or a notice referred to in paragraph *d*.4 or *e* of section 336 if, in relation to that assessment, decision, application or notice, an amount has been or may be deducted under paragraph *d*.4 or *e* in computing the taxpayer's income;

(f.1) an amount received as an award or reimbursement in respect of judicial or extrajudicial expenses, other than those relating to a partition or settlement of property arising out of, or on a breakdown of, a marriage, paid to collect or establish a right to a retiring allowance or a benefit under a pension plan, other than a benefit under the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan, within the meaning of that Act, in respect of employment;

(g) the aggregate of all amounts, other than an amount referred to in paragraph *i* of section 311, an amount received in the course of business and an amount received by virtue of, or in the course of, an office or employment, each of which is an amount received by the taxpayer in the year as a scholarship, fellowship or bursary, or a prize for achievement in a field of endeavour ordinarily carried on by the taxpayer, other than an amount received by the taxpayer from a school board, which relates to the actual costs of periodic transportation incurred by the taxpayer, or by an individual who is a member of the taxpayer's household, in accordance with the budgetary rules established by the Minister of Education, Recreation and Sports for the purpose of applying the Education Act for Cree, Inuit and Naskapi Native Persons (chapter I-14);

(h) the amount by which any grant received by the taxpayer to carry on research or any similar work exceeds the total of expenses incurred by the taxpayer for that purpose in the year, in the preceding year but after obtaining confirmation that the grant would be awarded to the taxpayer, and in the year following the year in which the grant is received, to the extent that those expenses did not reduce an amount received as a grant for another year, other than

i. personal or living expenses incurred by the taxpayer while away from home in the course of carrying on the work except travel expenses, which include the amounts expended for meals and lodging,

ii. expenses in respect of which the taxpayer is reimbursed, or

iii. expenses that are otherwise deductible in computing the taxpayer's income for the year;

(i) the aggregate of all amounts each of which is an amount received by the taxpayer in the year under the Apprenticeship Incentive Grant program or the Apprenticeship Completion Grant program administered by the Department of Employment and Social Development of Canada; and

(j) an amount received in the year by the taxpayer or by a person who does not deal at arm's length with the taxpayer on account of a debt in respect of which a deduction was made under paragraph *l* of section 336 in computing the taxpayer's income for a preceding taxation year.

1972, c. 23, s. 287; 1973, c. 17, s. 33; 1980, c. 13, s. 22; 1982, c. 5, s. 68; 1982, c. 17, s. 50; 1984, c. 15, s. 73; 1986, c. 15, s. 60; 1986, c. 19, s. 58; 1987, c. 67, s. 77; 1988, c. 4, s. 30; 1988, c. 18, s. 16; 1989, c. 77, s. 26; 1990, c. 59, s. 141; 1991, c. 25, s. 62; 1993, c. 16, s. 127; 1993, c. 64, s. 27; 1994, c. 22, s. 139; 1995, c. 1, s. 32; 1995, c. 49, s. 76; 1997, c. 14, s. 290; 1997, c. 31, s. 44; 1997, c. 85, s. 62; 1998, c. 16, s. 107; 1999, c. 83, s. 51; 2001, c. 51, s. 34; 2002, c. 40, s. 28; 2005, c. 1, s. 85; 2005, c. 23, s. 48; 2005, c. 28, s. 195; 2007, c. 12, s. 48; 2009, c. 5, s. 110; 2010, c. 5, s. 36; 2015, c. 21, s. 157; I.N. 2016-01-01 (NCCP); 2017, c. 29, s. 58; 2020, c. 12, s. 145; 2022, c. 23, s. 32.

312.1. *(Repealed).*

1990, c. 59, s. 142; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1998, c. 16, s. 108.

312.2. *(Repealed).*

1993, c. 16, s. 128; 2001, c. 51, s. 35; 2002, c. 40, s. 29.

312.3. In this chapter,

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

"commencement day" in respect of an agreement or order means

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

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

i. the day specified as the commencement day by the payer and the recipient of the child support amount payable or receivable under the agreement or order, in a valid election made under subparagraph i of paragraph *b* of the definition of "commencement day" in subsection 4 of section 56.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the agreement or order,

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

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

iv. the day specified in the agreement or order, or any variation of the agreement or order, as the commencement day for the purposes of this Part or, if the day is specified in such a variation made after 19 December 2006, of the Income Tax Act;

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

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

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

For the purposes of the definition of "support amount" in the first paragraph, the following rules apply:

(a) a support amount does not include an amount described in that definition that, if paid and received, would be so under a decree, order or judgment of a competent tribunal, or under a written agreement, that does not have a commencement day, and would not be required to be included in computing the income of the recipient of the amount if

i. paragraphs *a* to *b*.1 of section 312, as they applied before being struck out, applied in respect of an amount received after 31 December 1996 and were read without reference to the words "and throughout the remainder of the year", and

ii. section 312.4 were disregarded;

(b) the portion of that definition before paragraph *a* shall be read without reference to the words "the recipient has discretion as to the use of the amount, and", where it applies in respect of an amount receivable under a decree, order or judgment of a competent tribunal, or under a written agreement, made after 27 March 1986 and before 1 January 1988.

Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph i of paragraph *b* of the definition of "commencement day" in subsection 4 of section 56.1 of the Income Tax Act or in relation to an election made under subparagraph i of paragraph *b* of the definition of "commencement day" in the first paragraph before 20 December 2006.

1998, c. 16, s. 109; 2000, c. 5, s. 85; 2009, c. 5, s. 111.

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

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

In the formula provided for in the first paragraph,

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

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

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

The first and second paragraphs do not apply in respect of an amount received pursuant to an order or a written agreement made before 16 June 1999 where, but for the amendments made to subparagraph *a* of the first paragraph of section 2.2.1 by section 14 of the Act to amend various legislative provisions concerning de facto spouses (1999, chapter 14), this section would not have applied in respect of that amount, except if

(a) subparagraph *a* of the first paragraph of section 2.2.1, as amended by section 14 of the Act to amend various legislative provisions concerning de facto spouses, applies to the taxpayer and the particular person before 16 June 1999 because of the third paragraph of section 2.2.1; or

(b) the taxpayer and the particular person jointly elect to have the first and second paragraphs of this section and of section 336.0.3 apply after 15 June 1999 in respect of that amount by filing a document signed by the taxpayer and the particular person with the Minister on or before the taxpayer's and the particular person's filing-due date for the taxation year that includes 20 December 2001.

1998, c. 16, s. 109; 2000, c. 5, s. 86; 2001, c. 53, s. 54.

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

Despite the first paragraph, a taxpayer is not required to include, if the taxpayer so elects, the portion of the amount referred to in the first paragraph received by the taxpayer that relates to one or more of the taxpayer's eligible taxation years that precede the taxation year 2003 and follow the taxation year 1997.

For the purposes of the second paragraph, "eligible taxation year" of a taxpayer means a taxation year throughout which the taxpayer was resident in Canada, other than a taxation year that ends in a calendar year in which the taxpayer became a bankrupt or a taxation year included, in whole or in part, in an averaging period determined in respect of the taxpayer for the purposes of Division II of Chapter II of Title I of Book V, as it read before being repealed.

1998, c. 16, s. 109; 2002, c. 40, s. 30; 2004, c. 21, s. 73; 2005, c. 38, s. 67.

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

1975, c. 21, s. 8; 1982, c. 5, s. 69; 1982, c. 17, s. 51; 1984, c. 15, s. 74; 1986, c. 15, s. 61; 1990, c. 59, s. 143; 1994, c. 22, s. 140; 1995, c. 18, s. 90; 1995, c. 49, s. 236; 1998, c. 16, s. 110; 2003, c. 9, s. 22.

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

1998, c. 16, s. 111.

313.0.1. Where an amount, other than an amount that is otherwise a support amount, became payable in a taxation year by a person, in this section and in section 313.0.2 referred to as the "particular person", under an order of a competent tribunal or under a written agreement, in respect of an expense incurred in the year or the preceding taxation year for the maintenance of a taxpayer described in the second paragraph, a child in the taxpayer's custody or both the taxpayer and a child in the taxpayer's custody and the order or agreement provides that subsection 2 of each of sections 56.1 and 60.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) apply to any amount paid or payable thereunder, the amount by which the aggregate of all amounts each of which is such an amount payable exceeds the amount determined under section 313.0.3 is, for the purposes of this chapter, deemed to be an amount payable to and receivable by the taxpayer as an allowance on a periodic basis, and the taxpayer is deemed to have discretion as to the use of that amount.

The taxpayer to whom the first paragraph refers is

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

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

1986, c. 15, s. 61; 1990, c. 59, s. 143; 1994, c. 22, s. 140; 1995, c. 49, s. 236; 1998, c. 16, s. 112; 2002, c. 40, s. 31; 2003, c. 9, s. 23; 2009, c. 5, s. 112.

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

1986, c. 15, s. 61; 1990, c. 59, s. 143; 1994, c. 22, s. 140; 1998, c. 16, s. 112; 2005, c. 1, s. 86.

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

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

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

1986, c. 15, s. 61; 1990, c. 59, s. 144; 1994, c. 22, s. 141; 1998, c. 16, s. 112.

313.0.4. *(Repealed).*

1986, c. 15, s. 61; 1990, c. 59, s. 145.

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

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

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

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

1986, c. 15, s. 61; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1998, c. 16, s. 113.

313.1. A taxpayer shall also include the amount of any grant received by him in the year under a prescribed program relating to home insulation or energy conversion or so received in the year by his spouse who resided with him at the time of payment and whose income for the year, determined without reference to this section, section 311.1 and paragraph *d*.1 of section 336, is less than the taxpayer's income so determined for the year, to the extent that paragraph *s* of section 87 does not require the inclusion of such amount in computing the taxpayer's income or that of his spouse for the year or a subsequent year, except where the taxpayer resided with his spouse at the time of payment and the taxpayer's income for the year, determined

without reference to this section, section 311.1 and paragraph *d*.1 of section 336, is less than the taxpayer's spouse's income so determined for the year.

1978, c. 26, s. 49; 1982, c. 5, s. 69; 1984, c. 15, s. 74; 1991, c. 25, s. 63; 1993, c. 16, s. 129; 1995, c. 1, s. 33; 1998, c. 16, s. 251.

313.2. *(Repealed).*

1986, c. 15, s. 62; 1989, c. 5, s. 58; 1993, c. 64, s. 28.

313.3. *(Repealed).*

1986, c. 15, s. 62; 1989, c. 5, s. 59; 1993, c. 64, s. 28.

313.4. A taxpayer shall also include every amount received by him as a benefit in the year out of or under a salary deferral arrangement in respect of another person except to the extent that the amount, or another amount that may reasonably be considered to relate thereto, has been included in computing the income of that other person for the year or for any preceding taxation year.

Notwithstanding the foregoing, the first paragraph does not apply to an amount received by or from a trust governed by a salary deferral arrangement.

1988, c. 18, s. 17.

313.5. A taxpayer shall also include any amount relating to a retirement compensation arrangement, to the extent provided in sections 890.9 and 890.10.

1989, c. 77, s. 27.

313.6. A taxpayer shall also include the value of benefits received or enjoyed by any person in the year in respect of a workshop, seminar, training program or any similar development program by reason of the taxpayer's membership in a registered national arts service organization, in a recognized arts organization or in a registered cultural or communications organization.

1993, c. 16, s. 130; 1995, c. 1, s. 199; 1997, c. 14, s. 290; 2006, c. 36, s. 35.

313.7. There shall be included in computing an individual's income for a taxation year during which the individual was not a bankrupt the amount deducted under section 346.1 in computing the individual's income for the preceding taxation year.

1996, c. 39, s. 105.

313.8. There shall be included in computing a taxpayer's income for a taxation year during which the taxpayer was not a bankrupt the amount deducted under section 346.4 in computing the taxpayer's income for the preceding taxation year.

1996, c. 39, s. 105.

313.9. A taxpayer shall also include the aggregate of all amounts received in the year as consideration for the disposition by the taxpayer of a property, other than a property acquired by the taxpayer in circumstances to which section 527.3 or 617.1 applied, the cost of which was included in computing an amount determined under section 75.2.1 or 75.3 in respect of the taxpayer or in respect of a person with whom the taxpayer is not dealing at arm's length, to the extent that the aggregate of those amounts received as consideration for the disposition of the property in the year or in a preceding taxation year exceeds the total of

(a) the cost to the taxpayer of the property immediately before its disposition; and

(b) the aggregate of all amounts included in respect of the disposition of the property under this section in computing the taxpayer's income for a preceding taxation year.

2004, c. 8, s. 58; 2007, c. 12, s. 49.

313.10. An individual, other than a trust that is not a personal trust, shall also include in computing the individual's income for a taxation year an amount equal to the amount by which the individual's investment expense for the year exceeds the individual's investment income for the year.

If the individual benefits for the year from the deduction provided for in section 737.16 or 737.18.10 in respect of an employment, the amount determined under the first paragraph must be determined with reference to the following rules:

(a) in the case of the deduction provided for in section 737.16, any particular amount otherwise included in the investment expense or investment income of the individual for the year, to the extent that that particular amount is taken into account in computing an income realized, or a loss sustained, in a specified period of the individual established under the fourth paragraph of section 65 of the Act respecting international financial centres (chapter C-8.3), in relation to the employment, or is such an income or loss, is deemed to be equal to the product obtained by multiplying that particular amount by the amount by which 100% exceeds the percentage determined under subparagraph 1 of the second paragraph of that section 65 in respect of that period; and

(b) in the case of the deduction provided for in section 737.18.10, any particular amount otherwise included in the investment expense or investment income of the individual for the year, to the extent that that particular amount is taken into account in computing an income realized, or a loss sustained, in the individual's exemption period, within the meaning of section 737.18.6, in relation to the employment, or is such an income or loss, is deemed to be equal to zero;

(c) (subparagraph repealed).

In this section, "investment expense" and "investment income" have the meaning assigned by section 336.5.

2005, c. 38, s. 68; 2022, c. 23, s. 33.

313.11. A taxpayer who is a transferee for the year, within the meaning of the first paragraph of section 336.8, shall also include any amount that is a split-retirement income for the year, determined in respect of the taxpayer for the purposes of Chapter II.1 of Title VI.

However, a taxpayer who dies in a taxation year shall include an amount under the first paragraph only in the fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the taxpayer's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

Similarly, a taxpayer who became a bankrupt during a calendar year shall include an amount under the first paragraph only in the fiscal return the taxpayer is required to file under this Part for the taxation year that is deemed, under section 779, to begin on the date of the bankruptcy.

2009, c. 5, s. 113; 2010, c. 25, s. 28.

313.12. A taxpayer shall also include the total of all amounts, each of which is an amount received in the year by the taxpayer that is required to be included in computing the taxpayer's income under section 869.11, except to the extent that the amount is required to be included under section 429 in computing the income for the year by the taxpayer or other person resident in Canada.

2011, c. 6, s. 127.

313.13. A taxpayer shall also include any amount that is required to be included in computing the taxpayer's income for the year under Title VI.0.2 of Book VII, other than an amount distributed under a pooled registered pension plan as a return of all or a portion of a contribution to the plan to the extent that the amount

(a) is a payment described under clause A or B of subparagraph ii of paragraph *d* of subsection 3 of section 147.5 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)); and

(b) is not deducted in computing the taxpayer's income for the year or a preceding taxation year.

2015, c. 21, s. 158; 2021, c. 14, s. 43.

313.14. A taxpayer shall also include any amount received in the year under a contract, to provide information to the Canada Revenue Agency or the Agence du revenu du Québec, entered into by the taxpayer under a program administered by the Canada Revenue Agency or the Agence du revenu du Québec to obtain information relating to tax non-compliance.

2015, c. 36, s. 18; 2019, c. 14, s. 114.

313.15. A taxpayer shall also include any amount that is required to be included in computing the taxpayer's income for the year under Title VI.0.3 of Book VII.

2022, c. 23, s. 34.

CHAPTER III

INDIRECT, DEFERRED AND OTHER PAYMENTS

1972, c. 23.

314. A payment or transfer to another person, according to the taxpayer's instructions or with the taxpayer's consent, of money, rights or property for the benefit of the taxpayer or for that of the other person (otherwise than by partition of a retirement pension pursuant to sections 158.3 to 158.8 of the Act respecting the Québec Pension Plan (chapter R-9) or any comparable provision of a similar plan, within the meaning of that Act) is deemed received by the taxpayer and must be included in computing the taxpayer's income to the extent that it would be if the payment or transfer had been made to the taxpayer.

1972, c. 23, s. 288; 1972, c. 26, s. 43; 1989, c. 77, s. 28; 1995, c. 1, s. 34; 2001, c. 7, s. 42; 2009, c. 15, s. 77; 2013, c. 10, s. 24.

315. *(Repealed).*

1972, c. 23, s. 289; 1990, c. 59, s. 146.

316. A taxpayer who assigned or transferred before the end of a taxation year to a person with whom the taxpayer was not dealing at arm's length at that time the right to an amount that would otherwise be included in computing the taxpayer's income for the year shall include in computing the taxpayer's income for that year the part of that amount that relates to the period in the year throughout which he was resident in Canada, unless the income is from property that the taxpayer also assigned or transferred or from the portion of a retirement pension partitioned under sections 158.3 to 158.8 of the Act respecting the Québec Pension Plan (chapter R-9) or any comparable provision of a similar plan, within the meaning of that Act.

1972, c. 23, s. 290; 1989, c. 77, s. 29; 1995, c. 1, s. 35; 1995, c. 49, s. 77.

316.1. Where a particular individual, other than a trust, or a trust of which the particular individual is a beneficiary, receives a loan from or becomes indebted to a creditor or creditor trust, directly or indirectly by means of a trust or by any other means, and it may reasonably be considered that one of the main reasons for making the loan or incurring the indebtedness is to reduce or avoid tax by causing income from the loaned property to be included in the income of the particular individual, the following rules apply:

(a) any income of the particular individual, for a taxation year, from the loaned property that relates to the period or periods in the year throughout which the creditor or the creditor trust, as the case may be, is resident in Canada and the particular individual is not dealing at arm's length with the creditor or the original transferor in respect of the creditor trust, as the case may be, is deemed to be income of the creditor or creditor trust, as the case may be, for that taxation year and not income of the particular individual;

(b) where section 467 applies in respect of the loaned property and income therefrom is deemed to be income of the creditor trust and not income of the particular individual, as provided for in subparagraph *a*, section 467 shall be applied after the application of subparagraph *a*.

Subparagraph *a* of the first paragraph does not apply, in respect of such income of the individual

(a) to the extent that sections 462.1 to 462.4 apply or would, but for section 462.16, apply to such income;

(b) in the case of a creditor, to the extent that section 467 applies to such income;

(c) in the case of a creditor trust,

i. to the extent that subparagraph *a* of the first paragraph applies to such income in the case of a creditor;

ii. to the extent that section 467 applies to such income otherwise than by reason of subparagraph *b* of the first paragraph.

In this section,

"beneficiary" of a trust means an individual who is beneficially interested in the trust;

"creditor", in respect of a particular individual, or of a trust of which the particular individual is a beneficiary, having received a loan or incurred a debt, means the individual, other than a trust, who made the loan or became the creditor and with whom the particular individual does not deal at arm's length;

"creditor trust", in respect of a particular individual, or of a trust of which the particular individual is a beneficiary, having received a loan or incurred a debt, means the trust that made the loan or became the creditor and to which property has, directly or indirectly by means of a trust or by any other means, been transferred by another individual, in this section referred to as the "original transferor", who is not a trust, who is resident in Canada at any time in the period during which the loan or indebtedness is outstanding and with whom the particular individual does not deal at arm's length;

"loaned property", in respect of a particular individual, or of a trust of which the particular individual is a beneficiary, having received a loan or incurred a debt, includes property that the loan or indebtedness enabled or assisted the particular individual, or the trust in which the particular individual is a beneficiary, to acquire, and property substituted for such property or for the loaned property.

1990, c. 59, s. 147; 1993, c. 16, s. 131; 1994, c. 22, s. 142; 1996, c. 39, s. 273.

316.2. Notwithstanding any other provision of this Act, section 316.1 does not apply to any income derived in a particular taxation year, in respect of a loan or indebtedness, where the following conditions are met:

(a) interest is charged on the loan or indebtedness at a rate equal to or greater than the lesser of the following rates:

i. the prescribed rate of interest in effect at the time the loan was made or the indebtedness was incurred, and

ii. the rate that would, having regard to all the circumstances, have been agreed on, at the time the loan was made or the indebtedness was incurred, between parties dealing with each other at arm's length;

(b) the amount of interest that is payable in respect of the particular taxation year in respect of the loan or indebtedness is paid not later than 30 days after the end of the particular taxation year; and

(c) the amount of interest that was payable in respect of each taxation year preceding the particular taxation year in respect of the loan or indebtedness was paid not later than 30 days after the end of each such taxation year.

1990, c. 59, s. 147; 1993, c. 16, s. 131.

316.3. For the purposes of section 316.1, where at any time a particular property is used to repay, in whole or in part, a loan or indebtedness that enabled or assisted an individual to acquire another property, there shall be included in computing the income from the particular property that proportion of the income or loss, as the case may be, derived after that time from the other property or from property substituted therefor that the amount so repaid is of the cost to the individual of the other property.

Notwithstanding the foregoing, nothing in this section shall affect the application of section 316.1 to any income or loss derived from the other property or from property substituted therefor.

1990, c. 59, s. 147; 1993, c. 16, s. 132.

316.4. Where, in connection with a qualified investment, within the meaning of paragraph *d* of section 965.29, made after 26 April 1990 by a Québec business investment company, within the meaning of paragraph *f* of the said section, in respect of any project, a benefit is extended in a taxation year to an individual who is or is about to become a shareholder thereof, or to a person related to the individual, by a party to the qualified investment, other than the Québec business investment company, or by a third person with an interest in the project, the amount of the benefit shall be included in computing the individual's income for the year.

However, where the individual contemplated in the first paragraph is a trust governed by a registered retirement savings plan or a registered retirement income fund and the benefit is extended in the year to that individual, to the annuitant, within the meaning of paragraph *b* of section 905.1 or paragraph *d* of section 961.1.5, as the case may be, under the plan or the fund, or to any other person related to the annuitant, the amount of the benefit shall be included in computing the annuitant's income for the year.

1991, c. 8, s. 3.

316.5. This chapter does not apply to any amount that is included in computing an individual's split income for a taxation year.

2001, c. 53, s. 55.

CHAPTER IV

PENSIONS

1972, c. 23.

317. A taxpayer shall include any amount received by him as a pension benefit, including

(a) the amount of any pension, supplement or allowance under the Old Age Security Act (R.S.C. 1985, c. O-9) and the amount of any similar payment under a law of a province;

(b) the amount of any benefit under the Act respecting the Québec Pension Plan (chapter R-9) and the amount of any similar plan within the meaning of paragraph *u* of section 1 of that Act;

(c) the amount of any payment out of or under a specified pension plan; and

(d) the amount of any payment out of or under a foreign retirement arrangement established under the laws of a country, except to the extent that the amount would not, if the taxpayer were resident in the country, be subject to the income taxation in the country.

However, the amounts described in the first paragraph do not include

(a) the portion of an amount received by the taxpayer out of or under an employee benefit plan that is required by section 47.1 to be included in computing the taxpayer's income, or would be required to be so included if section 47.2 were construed without reference to the words "a return of amounts contributed to the plan by him or a deceased employee of whom he is a legatee by particular title or legal representative";

(b) the portion of an amount received out of or under a retirement compensation arrangement that is required by section 313.5, where it refers to an amount provided for in paragraph *a* or *c* of section 890.9, to be included in computing the taxpayer's income;

(c) an amount received as a death benefit paid, after 9 May 1996, in accordance with section 168 of the Act respecting the Québec Pension Plan or a similar provision of any similar plan within the meaning of paragraph *u* of section 1 of that Act; or

(d) an amount received by the taxpayer out of or under a registered pension plan as a return of all or a portion of a contribution to the plan, to the extent that the amount

i. is a payment made to the taxpayer under subsection 19 of section 147.1 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) or under subparagraph iii of paragraph *d* of section 8502 of the Income Tax Regulations made under that Act, and

ii. is not deducted in computing the taxpayer's income for the year or a preceding taxation year.

1972, c. 23, s. 291; 1975, c. 22, s. 58; 1978, c. 26, s. 50; 1982, c. 5, s. 70; 1984, c. 15, s. 75; 1985, c. 25, s. 56; 1989, c. 77, s. 30; 1993, c. 16, s. 133; 1997, c. 14, s. 59; 2000, c. 5, s. 293; 2001, c. 53, s. 56; 2013, c. 10, s. 25; 2015, c. 21, s. 160.

317.1. A taxpayer shall not include, by virtue of section 317, an amount that he may not, by reason of subsection 21 of section 146 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), include in computing his income for the purposes of that Act.

1995, c. 49, s. 78.

317.2. An amount referred to in subparagraph *c* of the second paragraph of section 317 shall be included in computing the income of the succession of the contributor in respect of whom it is paid, for the taxation year in which it is paid, whether or not all or part of the amount was paid to a taxpayer other than the succession.

1997, c. 14, s. 60; 1998, c. 16, s. 251.

317.3. If an amount in respect of a foreign retirement arrangement is, as a result of a transaction, an event or a circumstance, considered to be distributed to an individual under the income tax laws of the country in which the arrangement is established, the amount is, for the purposes of subparagraph *d* of the first paragraph of section 317, deemed to be received by the individual as a payment out of the arrangement in the taxation year that includes the time of the transaction, event or circumstance.

2009, c. 5, s. 114.

318. Where a taxpayer receives a payment under a retirement plan to which he has contributed the investment income of which has already been exempted from taxation under the Income War Tax Act (Revised Statutes of Canada, 1927, chapter 97) by reason of an election of the trustee or corporation

administering such plan, he may include in computing his income only the amount remaining after subtracting from the payment the greater of the following two proportions of the said payment:

(a) that the aggregate of the amounts paid by him under the plan during the period of such exemption is to the aggregate of all the amounts paid by him under the plan, and

(b) that the aggregate of the amounts so paid by him under the plan during the period of exemption with simple interest at 3% per annum computed from the end of the year of the payment of each sum so paid to the beginning of the payment of the pension benefit is to the aggregate of all the amounts paid by him under the plan with simple interest computed at the same rate and in the same manner.

1972, c. 23, s. 292; 1991, c. 25, s. 176; 1997, c. 3, s. 71.

319. Where the payment contemplated in section 318 has been received for a period for which the taxpayer has contributed only partially, the said section is applicable only to that part of the payment which may reasonably be regarded as having been received in respect of the part of the period for which he has contributed under the plan and the remainder must be included in computing his income for the year without any deduction.

1972, c. 23, s. 293; 1991, c. 25, s. 176.

320. A taxpayer who, between 15 August 1944 and 31 December 1945, made a contribution exceeding $300 under a registered retirement plan in respect of services rendered while he was not a contributor must include in computing his income the payment he receives under such plan after deducting the proportion of it that his contribution less $300 is of the aggregate of the amounts paid under such plan.

1972, c. 23, s. 294; 1973, c. 17, s. 34; 1991, c. 25, s. 176.

321. A person who receives a payment under a plan contemplated in section 318 or 320 pursuant to the death of the taxpayer must include in computing his income for the year only that part of such payment which would have been included under this chapter in computing the income of such taxpayer if he had received such amount under the plan.

1972, c. 23, s. 295.

CHAPTER V

GOVERNMENT ANNUITIES AND LIKE ANNUITIES

1972, c. 23.

322. (1) In determining the amount that shall be included in respect of payments he receives in a taxation year under contracts entered into before 26 May 1932 with the Government of Canada or under annuity contracts like those provided in the Government Annuities Act (Revised Statutes of Canada, 1970, chapter G-6), entered into before such date with the government of a province or a corporation incorporated or licensed to carry on an annuities business in Canada, the taxpayer may deduct from the aggregate of the amounts he has received the lesser of:

(a) $5,000; and

(b) the aggregate of the amounts that would have been received if such contracts had remained in force on the conditions existing immediately before 25 June 1940, without the exercise of any option or contractual right to increase the amount of the annuity by the payment of an additional sum or premium unless such additional sum or premium had been paid before such date.

(2) The taxpayer may also deduct the lesser of $1,200 and the aggregate contemplated in paragraph *b* of subsection 1 if the contracts were entered into after 25 May 1932 and before 25 June 1940.

1972, c. 23, s. 296; 1997, c. 3, s. 71; 1997, c. 14, s. 61.

323. If the taxpayer is entitled to both deductions provided for in section 322, he shall not make a deduction under subsection 2 of section 322 if the amount deductible under subsection 1 of section 322 is $1,200 or more, but he may, if such deduction is less than $1,200, make a deduction computed as though subsection 2 of section 322 applied to all the contracts entered into before 25 June 1940.

1972, c. 23, s. 297.

324. The capital element of a payment of annuities, for the purposes of paragraph *f* of section 336, is computed in respect of what remains after deducting from the aggregate of the payments of annuities to which this chapter applies for a taxation year the deductions provided for by sections 322 and 323.

1972, c. 23, s. 298; 1998, c. 16, s. 251.

325. Where spouses have each received annuity payments in respect of which they may make a deduction under this chapter, the amount deductible may be computed as if their annuities belonged to a single person; it may be deducted by either of them or apportioned between them in such manner as may be agreed by them or, in case of disagreement, as the Minister may determine.

1972, c. 23, s. 299.

326. This chapter does not apply to an amount received out of or under a registered pension plan.

1972, c. 23, s. 300; 1991, c. 25, s. 64.

327. For the purposes of this chapter, an annuity is deemed to have been increased after 24 June 1940 if, since, the amount which is payable under the contract has been increased whether by higher periodic payments, by increasing the number of payments or otherwise.

1972, c. 23, s. 301.

CHAPTER VI

RESOURCE PROPERTY

1972, c. 23.

328. *(Repealed).*

1975, c. 22, s. 59; 1986, c. 19, s. 59.

329. *(Repealed).*

1972, c. 23, s. 302; 1973, c. 18, s. 7; 1975, c. 22, s. 60; 1980, c. 13, s. 23; 1982, c. 5, s. 71; 1986, c. 19, s. 59.

329.1. *(Repealed).*

1982, c. 5, s. 71; 1986, c. 19, s. 59.

330. A taxpayer must include in computing his income for a taxation year:

(a) the amount by which the portion of the proceeds from the disposition by the taxpayer of a foreign resource property that became receivable in the year exceeds the total of

i. the aggregate of all amounts each of which is an outlay or expense made or incurred by the taxpayer for the purpose of making the disposition and that was not otherwise deductible for the purposes of this Part, and

ii. where the property is a foreign resource property in relation to a country, the amount designated by the taxpayer in respect of the disposition in prescribed form filed with the taxpayer's fiscal return under this Part for the year;

(b) the amount deducted pursuant to sections 357 and 358, as they apply in respect of a disposition made before 13 November 1981, in computing the taxpayer's income for the preceding taxation year;

(c) the amount by which the amount described in section 388 exceeds the total of

i. the portion of the taxpayer's foreign exploration and development expenses incurred before the time referred to in section 388, that was not deductible or was not deducted, as the case may be, in computing the taxpayer's income for a preceding taxation year, and

ii. the amount designated by the taxpayer in prescribed form filed with the taxpayer's fiscal return under this Part for the year, not exceeding the portion of the amount described in section 388 for which the consideration given by the taxpayer was services rendered or property, other than a foreign resource property, transferred by the taxpayer, the original cost of which to the taxpayer having been primarily specified foreign exploration and development expenses in relation to a country, within the meaning of section 372.2, or foreign resource expenses in relation to a country;

(d) the amount by which the aggregate of all amounts deducted under section 399 in computing his cumulative Canadian exploration expenses at the end of the year exceeds the total of the aggregate of all amounts included under section 398 in computing his cumulative Canadian exploration expenses at the end of the year and the aggregate determined under subparagraph i of paragraph *a* of section 418.31.1 in respect of the taxpayer for the year;

(e) the amount by which the total of the aggregate of all amounts deducted under section 412 in computing his cumulative Canadian development expenses at the end of the year and the amount designated by him for the year for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) under subsection 14.2 of section 66 thereof exceeds the total of the aggregate of all amounts included under section 411 in computing his cumulative Canadian development expenses at the end of the year and the aggregate determined under subparagraph i of paragraph *b* of section 418.31.1 in respect of the taxpayer for the year;

(e.1) the amount by which the aggregate of the amounts deducted under section 418.1.4 in computing the taxpayer's cumulative foreign resource expense at the end of the year in relation to a country exceeds the total of

i. the aggregate of the amounts included under section 418.1.3 in computing the taxpayer's cumulative foreign resource expense at the end of the year in relation to that country, and

ii. the aggregate determined for the year under paragraph *a* of section 418.32.2 in respect of the taxpayer and that country;

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

(g) any amount contemplated in section 419.4.

1975, c. 22, s. 61; 1985, c. 25, s. 57; 1986, c. 19, s. 60; 1987, c. 67, s. 78; 1993, c. 16, s. 134; 2004, c. 8, s. 59; 2023, c. 19, s. 23.

330.1. The share of a member of a partnership of the amount that would, but for subparagraph ii of paragraph *a* of section 330 and paragraph *d* of section 600, be included under that paragraph *a*, in relation to the disposition of a foreign resource property, in computing the partnership's income for a fiscal period of the partnership, is deemed to be the proceeds from the disposition by the member of the foreign resource property that became receivable by the member at the end of that fiscal period.

2004, c. 8, s. 60.

331. *(Repealed).*

1972, c. 23, s. 303; 1973, c. 18, s. 8; 1975, c. 22, s. 62; 1980, c. 13, s. 24; 1986, c. 19, s. 61.

332. *(Repealed).*

1972, c. 23, s. 304; 1975, c. 22, s. 63; 1980, c. 13, s. 25; 1986, c. 19, s. 61.

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

(a) the amount obtained by applying the stated percentage to 33 1/3% of each amount that is described in section 332.1.1 and in respect of which the consideration given by him was a property, other than a share, depreciable property of a prescribed class or a Canadian resource property, or services the cost of which may reasonably be regarded as having been an expenditure that was added in computing the earned depletion base of the taxpayer or of a predecessor corporation where the taxpayer is a successor corporation to the predecessor;

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

(c) 33 1/3% of each amount determined under section 332.2 in respect of a disposition of depreciable property of a prescribed class that is bituminous sands equipment, other than a disposition of such property that had been used by the taxpayer to any person with whom the taxpayer was not dealing at arm's length, of the taxpayer in the year but after 11 December 1979 and before 1 January 1990, the capital cost of which was added in computing the supplementary depletion base of the taxpayer or of a person with whom he was not dealing at arm's length or in computing the supplementary depletion base of a predecessor corporation where the taxpayer is a successor corporation to the predecessor;

(d) 50% of each amount determined under section 332.2 in respect of a disposition of depreciable property of a prescribed class that is enhanced recovery equipment, other than a disposition of such property that had been used by the taxpayer to any person with whom the taxpayer was not dealing at arm's length, of the taxpayer in the year but after 11 December 1979 and before 1 January 1990, the capital cost of which was added in computing the supplementary depletion base of the taxpayer or of a person with whom he was not dealing at arm's length or in computing the supplementary depletion base of a predecessor corporation where the taxpayer is a successor corporation to the predecessor;

(e) 66 2/3% of each amount that became receivable by him in the year but after 11 December 1979 and before 1 January 1990 and in respect of which the consideration given by the taxpayer was a property, other than a share or a Canadian resource property, or services the cost of which may reasonably be regarded as having been an expenditure in connection with an oil or gas well in respect of which an amount was included in computing the taxpayer's exploration base or in computing the exploration base of a predecessor corporation where the taxpayer is a successor corporation to the predecessor;

(f) the amount obtained by applying the stated percentage to 33 1/3% of each amount that became receivable by him in the year but after 19 April 1983 and in respect of which the consideration given by him was a property, other than a share, depreciable property of a prescribed class or a Canadian resource property, or services the cost of which may reasonably be regarded as having been an expenditure that was added in computing the resource exploration base of the taxpayer or of a specified predecessor of the taxpayer;

(g) the amount obtained by applying the stated percentage to 33 1/3% of each amount that became receivable by him in the year but after 31 December 1986 and in respect of which the consideration given by him was a property, other than a share, depreciable property of a prescribed class or a Canadian resource property, or services the cost of which may reasonably be regarded as having been an expenditure that was

added in computing the oil and gas exploration base of the taxpayer or of a specified predecessor of the taxpayer.

1982, c. 5, s. 72; 1985, c. 25, s. 58; 1986, c. 15, s. 63; 1986, c. 19, s. 62; 1988, c. 18, s. 18; 1989, c. 77, s. 31; 1990, c. 59, s. 148; 1997, c. 3, s. 71; 1997, c. 14, s. 62.

332.1.1. For the purposes of paragraph *a* of section 332.1, an amount contemplated therein in respect of a taxpayer for a taxation year is

(a) an amount that became receivable by the taxpayer in the year but after 31 December 1983 other than an amount that would have been a Canadian oil and gas exploration expense if it had been an expense incurred by him at the time it became receivable;

(b) an amount that became receivable by the taxpayer in the year but after 31 December 1983, that would have been a Canadian oil and gas exploration expense described in paragraph *b* or *b*.1 of section 395 in respect of a qualified tertiary oil recovery project if it had been an expense incurred by him at the time it became receivable; or

(c) an amount equal to 30% of an amount that became receivable by the taxpayer in the year but during the calendar year 1984 that would have been a Canadian oil and gas exploration expense, other than an expense described in paragraph *b* of section 395 in respect of a qualified tertiary oil recovery project, incurred in respect of non-conventional lands if it had been an expense incurred by him at the time it became receivable.

1986, c. 15, s. 64.

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

1982, c. 5, s. 72; 1985, c. 25, s. 58.

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

(a) (paragraph repealed);

(b) (paragraph repealed);

(b.1*)* "stated percentage" means

i. in respect of an amount described in paragraph *a*, *f* or *g* of section 332.1 that became receivable by a taxpayer,

(1) 100% where the amount became receivable before 1 July 1988,

(2) 50% where the amount became receivable after 30 June 1988 but before 1 January 1990, and

(3) 0% where the amount became receivable after 31 December 1989; and

ii. in respect of the disposition described in paragraph *b* of section 332.1 of a depreciable property of a taxpayer,

(1) 100% where the property was disposed of before 1 July 1988,

(2) 50% where the property was disposed of after 30 June 1988 but before 1 January 1990; and

(3) 0% where the property was disposed of after 31 December 1989;

(c) "specified predecessor" of a taxpayer means a person who is a predecessor of the taxpayer or of a person who is a specified predecessor of the taxpayer;

(d) "successor corporation" means a corporation that has, after 7 November 1969, acquired, in any manner whatever, except pursuant to an amalgamation that is described in subsection 4 of section 544 or a winding-up to which the rules in sections 556 to 564.1 and 565 apply, from another person, in this section and in sections 332.1 and 332.2 referred to as the "predecessor corporation", all or substantially all of the Canadian resource properties of the predecessor corporation in circumstances in which section 418.16, any of sections 418.18 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), applies to that corporation.

1982, c. 5, s. 72; 1985, c. 25, s. 58; 1986, c. 19, s. 63; 1989, c. 77, s. 32; 1990, c. 59, s. 149; 1997, c. 3, s. 24; 1998, c. 16, s. 251.

332.4. Notwithstanding paragraph *b*.1 of section 332.3, the stated percentage in respect of a particular amount that became receivable by a taxpayer within 60 days after 31 December 1989 and in respect of which the consideration given by him was a property or services shall be 50% where the person to whom the consideration was given is a corporation that, on or before 31 December 1989, had issued, or had undertaken to issue, a flow-through share and that renounces under section 359.8, effective on 31 December 1989, an amount in respect of Canadian exploration expenses that includes an expenditure in respect of that particular amount.

1990, c. 59, s. 150; 1997, c. 3, s. 71.

333. In this chapter, the expression "proceeds of disposition" has the meaning assigned by section 251.

Similarly, the expressions "exploration base", "resource exploration base", "oil and gas exploration base", "supplementary depletion", "earned depletion", "Canadian oil and gas exploration expense", "bituminous sands equipment", "enhanced recovery equipment", "qualified tertiary oil recovery project", and "non-conventional lands" have, for the purposes of this chapter, the meaning assigned to them by regulation.

1975, c. 22, s. 64; 1982, c. 5, s. 73; 1985, c. 25, s. 59; 1986, c. 15, s. 65; 1988, c. 18, s. 19; 2003, c. 2, s. 108.

333.1. If in a particular taxation year proceeds of disposition, described in subparagraph iv of subparagraph *f* of the first paragraph of section 93, of any Canadian resource property are deemed, under section 280, to have become receivable by a taxpayer and the taxpayer makes a valid election under section 59.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to those proceeds, the taxpayer shall deduct in computing the taxpayer's income for the year an amount equal to the least of

(a) the aggregate of all such proceeds so becoming receivable by him in the year, to the extent that they have been included in the amount referred to in subparagraph i of paragraph *b* of section 412 or 418.6 in respect of the taxpayer;

(b) the amount required to be included in computing the taxpayer's income for the year by virtue of paragraph *e* of section 330;

(c) the taxpayer's income for the year computed without reference to this section or to sections 333.2 and 333.3;

(d) the aggregate of the amount allowed as a deduction in computing the taxpayer's income for the year for the purposes of the Income Tax Act under paragraph *a* of section 59.1 of that Act in relation to that election and, if the amount that is so allowed as a deduction is equal to the maximum amount that the taxpayer may claim as a deduction in that computation under that paragraph in relation to that election, the amount that the taxpayer designates in the taxpayer's fiscal return filed under this Part for the year.

Chapter V.2 of Title II of Book I applies in relation to an election made under section 59.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1978, c. 26, s. 51; 1980, c. 13, s. 26; 1982, c. 5, s. 74; 1993, c. 16, s. 135; 2001, c. 53, s. 260; 2009, c. 5, s. 115.

333.2. A taxpayer shall include, in computing the taxpayer's income for the taxation year in respect of which the taxpayer made the election referred to in the first paragraph of section 333.1, the amount by which the amount deducted under that section exceeds the aggregate of Canadian exploration expenses, Canadian development expenses and Canadian oil and gas property expenses that the taxpayer incurred in the taxpayer's 10 taxation years that follow the year and that the taxpayer either designated before 20 December 2006 in accordance with this section, or designates after 19 December 2006 in accordance with subparagraph ii of paragraph *b* of section 59.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), except that, for the purposes of this paragraph, the expenses so designated after 19 December 2006 are to be adjusted, if applicable, in a manner that is satisfactory to the Minister to take into account the difference between the amount allowed as a deduction in computing the taxpayer's income for the year for the purposes of that Act under paragraph *a* of section 59.1 of that Act and the amount deducted under section 333.1.

Despite sections 1010 to 1011, the Minister shall make a reassessment to redetermine the tax, interest and penalties to be paid by the taxpayer under this Part as is required in respect of any taxation year to give effect to the inclusion referred to in the first paragraph.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subparagraph ii of paragraph *b* of section 59.1 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.

1978, c. 26, s. 51; 1982, c. 5, s. 75; 2009, c. 5, s. 116.

333.3. Canadian exploration expenses, Canadian development expenses and Canadian oil and gas property expenses incurred by a taxpayer in a taxation year and referred to in the first paragraph of section 333.2 are deemed not to be such expenses, except for the purposes of sections 386, 387, 391, 392 and 392.1 and for the purpose of computing the taxpayer's earned depletion base within the meaning of the regulations made under section 360.

1978, c. 26, s. 51; 1982, c. 5, s. 76; 2009, c. 5, s. 116.

CHAPTER VII

RESTRICTIVE COVENANTS

2009, c. 5, s. 117.

333.4. In this chapter,

"eligible corporation", of a taxpayer, means a taxable Canadian corporation of which the taxpayer holds, directly or indirectly, shares of the capital stock;

"eligible individual", in respect of a vendor, at any time means an individual (other than a trust) who is related to the vendor and who is 18 years of age or over at that time;

"eligible interest", of a taxpayer, means capital property of the taxpayer that is

(a) a partnership interest in a partnership that carries on a business;

(b) a share of the capital stock of a corporation that carries on a business; or

(c) a share of the capital stock of a corporation 90% or more of the fair market value of which is attributable to eligible interests in another corporation;

"goodwill amount", of a taxpayer, means an amount that the taxpayer has received or may become entitled to receive and that would be required, but for this chapter, to be included in the proceeds of disposition of a property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1),

or an amount to which section 93.18 applies, in respect of a business carried on by the taxpayer through an establishment located in Canada;

"restrictive covenant", of a taxpayer, means an agreement entered into, an undertaking made, or a waiver of an advantage or right by the taxpayer, whether legally enforceable or not, that affects, or may affect, in any way whatever, the acquisition or provision of property or services by the taxpayer or by another taxpayer that does not deal at arm's length with the taxpayer, other than an agreement or undertaking

(a) that disposes of the taxpayer's property; or

(b) that is in satisfaction of an obligation described in section 298.1 that is not a disposition, unless the obligation being satisfied is in respect of a right to property or services that the taxpayer acquired for less than its fair market value;

"taxpayer" includes a partnership.

2009, c. 5, s. 117; 2015, c. 21, s. 161; 2019, c. 14, s. 115.

333.5. A taxpayer shall include, in computing the taxpayer's income for a taxation year, the aggregate of all amounts each of which is an amount in respect of a restrictive covenant of the taxpayer that is received or receivable in the year by the taxpayer or by a taxpayer with whom the taxpayer does not deal at arm's length, other than an amount that has been included in computing the taxpayer's income under this section for a preceding taxation year or the taxpayer's eligible corporation's income under this section for the year or a preceding taxation year.

If the first paragraph applies to include, in computing a taxpayer's income, an amount received or receivable by another taxpayer, the amount must not be included in computing the other taxpayer's income.

2009, c. 5, s. 117.

333.6. Section 333.5 does not apply to an amount received or receivable by a particular taxpayer in a taxation year in respect of a restrictive covenant granted by the particular taxpayer to another taxpayer (in this section and section 333.7 referred to as the "purchaser") with whom the particular taxpayer deals at arm's length, determined without reference to paragraph *b* of section 20, if

(a) the amount has been included in computing the particular taxpayer's income for the year under sections 32 to 47.17 or would have been so included in computing the particular taxpayer's income if the amount had been received in the year;

(b) the amount would, but for this chapter, be required to be included in the proceeds of disposition of a property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), or is an amount to which section 93.18 applies, in respect of the business to which the restrictive covenant relates, and the particular taxpayer makes a valid election under paragraph *b* of subsection 3 of section 56.4 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) after 19 December 2006 to have that paragraph *b* apply in respect of the restrictive covenant; or

(c) subject to section 333.11, the amount directly relates to the particular taxpayer's disposition of property that is, at the time of the disposition, an eligible interest in the partnership or corporation that carries on the business to which the restrictive covenant relates, or that is at that time an eligible interest under paragraph *c* of the definition of "eligible interest" in section 333.4 if the other corporation referred to in that paragraph *c* carries on the business to which the restrictive covenant relates, and

i. the disposition is to the purchaser or to a person related to the purchaser,

ii. the amount is consideration for an undertaking by the particular taxpayer not to provide, directly or indirectly, property or services in competition with the property or services provided or to be provided by the purchaser or by a person related to the purchaser,

iii. the restrictive covenant may reasonably be considered to have been granted to maintain or preserve the value of the eligible interest disposed of to the purchaser,

iv. if the restrictive covenant is granted after 17 July 2005, section 506 does not apply to the disposition,

v. the amount is added to the particular taxpayer's proceeds of disposition, within the meaning assigned by section 251, for the purpose of applying this Part to the disposition of the particular taxpayer's eligible interest, and

vi. the particular taxpayer and the purchaser make a valid election under subparagraph vi of paragraph *c* of subsection 3 of section 56.4 of the Income Tax Act;

vii. *(paragraph replaced).*

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3 of section 56.4 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2009, c. 5, s. 117; 2015, c. 21, s. 162; 2019, c. 14, s. 116.

333.7. An amount paid or payable by a purchaser for a restrictive covenant is

(a) if the amount is required because of sections 32 to 47.17 to be included in computing the income of an employee of the purchaser, to be considered to be wages paid or payable by the purchaser to the employee;

(b) if an election has been made under subparagraph *b* of the first paragraph of section 333.6 in respect of the amount, to be considered to be incurred by the purchaser on account of capital for the purpose of determining the cost of the property or for the purposes of section 93.15, as the case may be, and not to be an amount paid or payable for the purposes of the other provisions of this Part; and

(c) if an election has been made under subparagraph *c* of the first paragraph of section 333.6, in respect of the amount and the amount relates to the purchaser's acquisition of property that is, immediately after the acquisition, an eligible interest of the purchaser, to be included in computing the cost to the purchaser of that eligible interest and considered not to be an amount paid or payable for the purposes of the other provisions of this Part.

2009, c. 5, s. 117; 2019, c. 14, s. 117.

333.8. Section 421 does not apply to deem consideration to be an amount received or receivable by an individual for a restrictive covenant granted by the individual if

(a) the restrictive covenant is granted by the individual to another taxpayer (in this section referred to as the "purchaser") with whom the individual deals at arm's length;

(b) the restrictive covenant directly relates to the acquisition from one or more other persons (in this section and section 333.13 referred to as the "vendors") by the purchaser of a right in the individual's employer, in a corporation related to that employer or in a business carried on by that employer;

(c) the individual deals at arm's length with the employer and with the vendors;

(d) the restrictive covenant is an undertaking by the individual not to provide, directly or indirectly, property or services in competition with property or services provided or to be provided by the purchaser or by a person related to the purchaser in the course of carrying on the business to which the restrictive covenant relates;

(e) no proceeds are received or receivable by the individual for granting the restrictive covenant; and

(f) the amount that can reasonably be regarded as being the consideration for the restrictive covenant is received or receivable only by the vendors.

2009, c. 5, s. 117; 2015, c. 21, s. 163; 2020, c. 16, s. 56.

333.9. Subject to section 333.12, section 421 does not apply to deem consideration to be an amount received or receivable by a taxpayer for a restrictive covenant granted by the taxpayer if

(a) the restrictive covenant is granted by the taxpayer (in this section and section 333.10 referred to as the "vendor") to

i. another taxpayer (in this section referred to as the "purchaser") with whom the vendor deals at arm's length, determined without reference to paragraph *b* of section 20 at the time of the grant of the restrictive covenant, or

ii. another person who is an eligible individual in respect of the vendor at the time of the grant of the restrictive covenant;

(b) where subparagraph i of subparagraph *a* applies, the restrictive covenant is an undertaking of the vendor not to provide, directly or indirectly, property or services in competition with the property or services provided or to be provided by the purchaser, or by a person related to the purchaser, in the course of carrying on the business to which the restrictive covenant relates, and

i. the amount that can reasonably be regarded as being consideration for the restrictive covenant is

(1) included by the vendor in computing a goodwill amount of the vendor, or

(2) received or receivable by a corporation that was an eligible corporation of the vendor when the restrictive covenant was granted and included by the eligible corporation in computing a goodwill amount of the eligible corporation in respect of the business to which the restrictive covenant relates, or

ii. it is reasonable to conclude that the restrictive covenant is integral to an agreement in writing,

(1) under which the vendor or the vendor's eligible corporation disposes of property (other than property to which subparagraph i or subparagraph 2 of this subparagraph ii applies) to the purchaser, or the purchaser's eligible corporation, for consideration that is received or receivable by the vendor, or the vendor's eligible corporation, as the case may be, or

(2) under which shares of the capital stock of a corporation (in this section and section 333.13 referred to as the "target corporation") are disposed of to the purchaser or to another person that is related to the purchaser and with whom the vendor deals at arm's length, determined without reference to paragraph *b* of section 20;

(c) where subparagraph ii of subparagraph *a* applies, the restrictive covenant is an undertaking of the vendor not to provide, directly or indirectly, property or services in competition with the property or services provided or to be provided by the eligible individual, or by an eligible corporation of the eligible individual, in the course of carrying on the business to which the restrictive covenant relates, the conditions of the second paragraph are met and

i. the amount that can reasonably be regarded as being consideration for the restrictive covenant is

(1) included by the vendor in computing a goodwill amount of the vendor, or

(2) received or receivable by a corporation that was an eligible corporation of the vendor when the restrictive covenant was granted and included by the eligible corporation in computing a goodwill amount of the eligible corporation in respect of the business to which the restrictive covenant relates, or

ii. it is reasonable to conclude that the restrictive covenant is integral to an agreement in writing

(1) under which the vendor or the vendor's eligible corporation disposes of property (other than property to which subparagraph i or subparagraph 2 of this subparagraph ii applies) to the eligible individual, or the eligible individual's eligible corporation, for consideration that is received or receivable by the vendor, or the vendor's eligible corporation, as the case may be, or

(2) under which shares of the capital stock of the vendor's eligible corporation (in this section and section 333.13 referred to as the "family corporation") are disposed of to the eligible individual or to the eligible individual's eligible corporation;

(d) no proceeds are received or receivable by the vendor for granting the restrictive covenant;

(e) section 506 does not apply in respect of the disposition of a share of the target corporation or the family corporation, as the case may be;

(f) the restrictive covenant can reasonably be regarded to have been granted to maintain or preserve the fair market value of

i. the benefit of the expenditure derived from the goodwill amount referred to in subparagraph i of subparagraph *b* or *c* and for which a joint election referred to in subparagraph *g* was made,

ii. the property referred to in subparagraph 1 of subparagraph ii of subparagraph *b* or *c*, or

iii. the shares referred to in subparagraph 2 of subparagraph ii of subparagraph *b* or *c*; and

(g) where applicable, a valid joint election is made under paragraph *g* of subsection 7 of section 56.4 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) in respect of the restrictive covenant.

The conditions to which subparagraph *c* of the first paragraph refers are as follows:

(a) the vendor is resident in Canada at the time the restrictive covenant is granted and at the time of the disposition referred to in subparagraph ii of subparagraph *c* of the first paragraph; and

(b) the vendor does not, at any time after the grant of the restrictive covenant and whether directly or indirectly in any manner whatever, have a right in the family corporation or in the eligible corporation of the eligible individual, as the case may be.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 7 of section 56.4 of the Income Tax Act.

2009, c. 5, s. 117; 2015, c. 21, s. 164; 2020, c. 16, s. 57; 2021, c. 18, s. 34.

333.10. For the purposes of section 333.9, subparagraph 1 of subparagraph ii of each of subparagraphs *b* and *c* of the first paragraph of that section applies to the grant of a restrictive covenant only if

(a) the consideration that can reasonably be regarded as being in part the consideration for the restrictive covenant is received or receivable by the vendor or the vendor's eligible corporation, as the case may be, as consideration for the disposition of the property; and

(b) where all or part of the consideration can reasonably be regarded as being for a goodwill amount, section 333.5, subparagraph *b* of the first paragraph of section 333.6 and subparagraph i of subparagraphs *b* and *c* of the first paragraph of section 333.9 apply to that consideration.

In determining whether the conditions of subparagraph *c* of the first paragraph of section 333.9 have been met, and for the purposes of section 422, in respect of a restrictive covenant granted by a vendor, the fair

market value of a property is the amount that could reasonably be regarded as being the fair market value of the property if the restrictive covenant were part of the property.

2009, c. 5, s. 117; 2015, c. 21, s. 164.

333.11. Subparagraph *c* of the first paragraph of section 333.6 does not apply to an amount that would, but for sections 333.5 to 333.14, be included in computing a taxpayer's income from a source that is an office or employment or a business or property under paragraph *a* of section 28.

2009, c. 5, s. 117; 2015, c. 21, s. 164.

333.12. Section 333.9 does not apply in respect of a taxpayer's grant of a restrictive covenant if one of the results of not applying section 421 to the consideration received or receivable in respect of the restrictive covenant would be that paragraph *a* of section 28 would not apply to consideration that would, but for sections 333.5 to 333.14, be included in computing a taxpayer's income from a source that is an office or employment or a business or property.

2009, c. 5, s. 117; 2015, c. 21, s. 164.

333.13. If section 333.8 or 333.9 applies in respect of a restrictive covenant, the following rules apply:

(a) the amount referred to in paragraph *f* of section 333.8 is to be added in computing the amount received or receivable by the vendors as consideration for the disposition of the right referred to in paragraph *b* of section 333.8; and

(b) the amount that can reasonably be regarded as being in part consideration received or receivable for a restrictive covenant to which subparagraph 2 of subparagraph ii of subparagraph *b* or *c* of the first paragraph of section 333.9 applies is to be added in computing the consideration that is received or receivable by each taxpayer who disposes of shares of the target corporation, or of shares of the family corporation, as the case may be, to the extent of the portion of the consideration that is received or receivable by that taxpayer.

2009, c. 5, s. 117; 2015, c. 21, s. 164; 2020, c. 16, s. 58.

333.14. Section 270 does not apply to an amount received or receivable as consideration for a restrictive covenant.

2009, c. 5, s. 117; 2015, c. 21, s. 164.

333.15. *(Repealed).*

2009, c. 5, s. 117; 2015, c. 21, s. 165.

333.16. *(Repealed).*

2009, c. 5, s. 117; 2015, c. 21, s. 165.

TITLE VI

DEDUCTIONS IN COMPUTING INCOME

1972, c. 23.

CHAPTER I

RULES OF APPLICATION

1972, c. 23.

334. A taxpayer may deduct, in computing his income for a taxation year, the amounts provided in this Title.

1972, c. 23, s. 305.

334.1. *(Repealed).*

1995, c. 1, s. 36; 1997, c. 85, s. 63.

335. If an individual is, throughout all or part of a taxation year, absent from Canada but resident in Québec and Chapter IX.0.1 applies in respect of the individual for the year or that part of the year, section 358.0.1 shall be read without reference in subparagraphs 9 and 10 of subparagraph ii of subparagraph *a* of its second paragraph to "in Canada" and without reference in its third paragraph to ", including, if the payee is an individual referred to in subparagraph 10 of subparagraph ii of that subparagraph *a*, the Social Insurance Number of the latter individual", if the expenses referred to therein have been paid to a person not resident in Canada.

1977, c. 26, s. 29; 1985, c. 25, s. 60; 1986, c. 15, s. 66; 1986, c. 19, s. 64; 1991, c. 25, s. 65; 1995, c. 1, s. 37; 1997, c. 85, s. 64; 2001, c. 53, s. 57; 2003, c. 2, s. 109; 2005, c. 38, s. 69.

CHAPTER II

MISCELLANEOUS CASES

1972, c. 23.

336. The amounts referred to in section 334 include

(a) (paragraph repealed);

(a.0.1) (paragraph repealed);

(a.1) (paragraph repealed);

(b) (paragraph repealed);

(b.0.1) (paragraph repealed);

(b.1) (paragraph repealed);

(c) an amount equal to annual interest accruing within the taxation year in respect of succession duties, inheritance taxes or estate taxes;

(d) an amount described in any of paragraphs *a*, *c*, *c*.1 and *e* to *e*.6 of section 311 or in section 311.1 or 311.2, as the latter section read before being repealed, the amount of any pension, supplement or allowance paid under the Old Age Security Act (R.S.C. 1985, c. O-9) or the amount of any benefit paid under the Act

respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act, received by an individual and included in computing the individual's income for the year or a preceding taxation year, to the extent of the amount repaid by the individual in the year otherwise than because of Part VII of the Unemployment Insurance Act (R.S.C. 1985, c. U-1), Part VII of the Employment Insurance Act (S.C. 1996, c. 23), Part I.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or section 8 of the Canada Recovery Benefits Act (S.C. 2020, c. 12, s. 2), except if the tax, interest and penalties that may reasonably be attributed to that amount have been remitted under section 94.0.4 of the Tax Administration Act (chapter A-6.002) or under the Regulation respecting a remission of tax relative to the Social Solidarity Program and the Basic Income Program for the taxation year 2022, enacted by Order in Council 1041-2023 (2023, G.O. 2, 1731);

(d.0.1*)* an amount paid in the year by the taxpayer to a registered pension plan or to a pooled registered pension plan if

i. the taxpayer is an individual,

ii. the amount is paid as a repayment of an amount received under the plan that was included in computing the taxpayer's income for the year or a preceding taxation year and in respect of which any of the following conditions is met, or as interest in respect of such a repayment:

(1) it is reasonable to consider that the amount was paid under the plan as a consequence of an error and not as an entitlement to benefits, or

(2) it was determined, after the payment of the amount under the plan, that the taxpayer was not entitled to the amount as a consequence of a settlement of a dispute in respect of the taxpayer's employment, and

iii. no portion of the amount is deductible under paragraph *c* of section 70 or any of sections 922, 923 and 923.0.1 in computing the taxpayer's income for the year;

(d.1*)* any amount the taxpayer is required to pay on or before 30 April of the following calendar year as a benefit repayment under Part VII of the Unemployment Insurance Act or Part VII of the Employment Insurance Act, to the extent that the amount was not deductible in computing the taxpayer's income for any preceding taxation year;

(d.1.0.1*)* any amount the taxpayer is required to pay on or before the taxpayer's balance-due day for the year as a benefit repayment under section 8 of the Canada Recovery Benefits Act, to the extent that the amount was not deductible in computing the taxpayer's income for any preceding taxation year;

(d.1.0.2*)* any amount paid by the taxpayer, before 1 January 2023, as repayment of financial assistance received under the Programme incitatif pour la rétention des travailleurs essentiels referred to in Order in Council 456-2020 (2020, G.O. 2, 2099, French only), to the extent that the financial assistance was included in computing the taxpayer's income for the year under paragraph *e*.2 of section 311, or as repayment of a benefit, to the extent that the amount of the benefit was included in computing the taxpayer's income for the year under any of subparagraphs i to iv of paragraph *e*.5.1 of section 311, except to the extent that the amount is

i. deducted in computing the taxpayer's income for any year under paragraph *d*, or

ii. deductible in computing the taxpayer's income for any year under paragraph *d*.1.0.1;

(d.1.1*)* an amount repaid by the taxpayer in the year as a consequence of the application of section 89 of the Individual and Family Assistance Act (chapter A-13.1.1), section 110 of the Act respecting income support, employment assistance and social solidarity (chapter S-32.001), section 37 of the Act respecting income security (chapter S-3.1.1) or a similar provision of a law of a province other than Québec, to the extent that the amount has been included, under section 311.1, in computing the income of another person for the year or a preceding taxation year, except if the tax, interest and penalties that may reasonably be attributed to that amount have been remitted under section 94.0.4 of the Tax Administration Act;

(d.2) an amount repaid by the taxpayer in the year pursuant to section 90 of the Individual and Family Assistance Act, section 102 of the Act respecting income support, employment assistance and social solidarity, section 35 of the Act respecting income security or a similar provision of a law of a province other than Québec, to the extent that the amount has been included, under section 311.1, in computing the taxpayer's income for the year or a preceding taxation year, except if the tax, interest and penalties that may reasonably be attributed to that amount have been remitted under section 94.0.4 of the Tax Administration Act;

(d.2.1) the aggregate of all amounts each of which is an amount that the taxpayer is required to pay for the year as a consequence of the application of section 1129.66.3 in relation to an amount that was included in computing the taxpayer's income because of section 904 for the year or for a preceding taxation year;

(d.3) the aggregate of all amounts each of which is an amount paid in the year by the taxpayer as a repayment, under the Canada Education Savings Act (S.C. 2004, c. 26) or under a designated provincial program within the meaning of section 890.15, of an amount included because of section 904 in computing the taxpayer's income for the year or a preceding taxation year;

(d.3.0.1) the aggregate of all amounts each of which is an amount paid in the year as a repayment under the Apprenticeship Incentive Grant program or the Apprenticeship Completion Grant program administered by the Department of Employment and Social Development of Canada of an amount that was included in computing the taxpayer's income because of paragraph *i* of section 312 for the year or a preceding taxation year;

(d.3.0.2) the aggregate of all amounts each of which is an amount paid in the year as a repayment of an amount that was included, because of section 313.14, in computing the taxpayer's income for the year or a preceding taxation year;

(d.3.1) an amount paid in the year by the taxpayer as a repayment of an amount included in computing the taxpayer's income for the year or a preceding taxation year under paragraph *k*.0.1 of section 311;

(d.3.2) the aggregate of all amounts each of which is an amount paid in the year as a repayment of an amount that was included because of paragraph *k*.0.2 of section 311 in computing the taxpayer's income for the year or a preceding taxation year;

(d.4) an amount paid in the year by the taxpayer as fees or expenses incurred for the review, under section 1029.8.61.39, or the contestation, under section 1029.8.61.41, of a decision of Retraite Québec;

(e) an amount paid in the year by the taxpayer as fees or expenses incurred for preparing, presenting or proceeding with an objection, contestation or appeal relating to

i. an assessment of tax, interest or penalties under this Act, a similar Act of Canada or of a province other than Québec,

ii. an assessment of any income tax deductible by the taxpayer under sections 772.2 to 772.13 or any interest or penalty with respect thereto,

iii. an assessment or a decision under the Act respecting the Québec Pension Plan or a similar plan within the meaning of the said Act,

iv. a decision of the Canada Employment Insurance Commission under the Employment Insurance Act or an appeal of such a decision to the Social Security Tribunal,

v. an assessment under the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5),

vi. a decision under the Act respecting property tax refund (chapter R-20.1),

vii. a notice under the Act respecting municipal taxation (chapter F-2.1),

viii. a request for payment under the Land Transfer Duties Act (chapter D-17),

ix. a decision under the Shelter Allowance Program for the elderly adopted under the Act respecting the Société d'habitation du Québec (chapter S-8),

x. an assessment under Chapter III.1 of the Act respecting labour standards (chapter N-1.1), or

xi. an assessment under the Act to promote workforce skills development and recognition (chapter D-8.3);

xii. an assessment or a decision under the Act respecting parental insurance (chapter A-29.011);

(e.1) an amount equal to the amount by which the lesser of the following amounts exceeds the portion of the aggregate described in subparagraph i in respect of the taxpayer that may reasonably be considered to have been deductible under this paragraph in computing the taxpayer's income for a preceding taxation year:

i. the aggregate of the judicial or extrajudicial expenses, other than those relating to a partition or settlement of property arising out of, or on the breakdown of, a marriage, paid by the taxpayer in the year or any of the seven preceding taxation years to collect or establish a right to an amount of a benefit under a pension plan, other than a benefit under the Act respecting the Québec Pension Plan or a similar plan, within the meaning of the said Act, in respect of the employment of the taxpayer or a deceased individual of whom the taxpayer was a dependent, legal representative or relation, or a retiring allowance of the taxpayer or a deceased individual of whom the taxpayer was a dependent, legal representative or relation, and

ii. the amount by which the aggregate of all amounts each of which is a benefit or retiring allowance described in subparagraph i that is received after 31 December 1985, in respect of which judicial or extrajudicial expenses described in the said subparagraph i were paid, and that is included in computing the taxpayer's income for the year or a preceding taxation year, or an amount included in computing the taxpayer's income under paragraph *f*.1 of section 312 for the year or a preceding taxation year, exceeds the aggregate of all amounts each of which is an amount deducted under paragraphs *d*, *d*.0.1, *d*.1 and *d*.2 of section 339 in computing the taxpayer's income for the year or a preceding taxation year, to the extent that the latter amount may reasonably be considered to have been deductible as a consequence of the receipt of an amount that is a benefit or retiring allowance referred to in this subparagraph;

(f) in the case of an annuity payment included under paragraph *c* of section 312 in computing the taxpayer's income for the year, the capital element corresponding

i. to the amount determined in the manner prescribed as representing a capital return, if the annuity is of a contractual nature, and

ii. if the annuity is paid under a provision of a will or trust, to the portion of the payment not derived from the income of the succession or trust, the burden of proof being on the annuitant;

(g) in the case of an individual, an amount paid by him in the year to a person with whom he was dealing at arm's length if

i. such amount has been included in computing his income for the year or a preceding taxation year as an amount contemplated in paragraph *g* or *h* of section 312 paid to him by such person,

ii. at the time the amount was paid by such person to the individual, a condition was stipulated for the individual to fulfil,

iii. as a result of the failure of the individual to fulfil the condition, he was required to repay the amount to such person,

iv. during the period for which the amount referred to in subparagraph i was paid, the individual provided no services to such person as an employee, except occasionally, and

v. such amount was paid to the individual for the purpose of enabling him to further his education;

(h) (paragraph repealed);

(i) the aggregate of repayments made by the taxpayer in the year in respect of a policy loan, within the meaning of paragraph *a*.1.1 of section 966, made under a life insurance policy, not exceeding the amount by which the aggregate of all amounts required by section 968 and by reason of such policy loan made after 31 March 1978 in respect of that policy to be included in computing the taxpayer's income for the year or a preceding taxation year exceeds the aggregate of all repayments made by the taxpayer in respect of a policy loan that were deductible in computing the taxpayer's income for a preceding taxation year;

(j) the amount of tax payable by the taxpayer for the year under Part I.2 of the Income Tax Act;

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

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

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

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

(l) the debts owing to a taxpayer that the taxpayer establishes to have become bad debts in the year in respect of an amount included in computing the taxpayer's income for a preceding taxation year because of the application of section 35.1 or 333.5.

1972, c. 23, s. 306; 1973, c. 18, s. 9; 1974, c. 18, s. 17; 1975, c. 21, s. 9; 1978, c. 26, s. 52; 1979, c. 18, s. 25; 1980, c. 13, s. 27; 1982, c. 5, s. 77; 1982, c. 17, s. 52; 1982, c. 56, s. 11; 1984, c. 15, s. 76; 1985, c. 25, s. 61; 1986, c. 15, s. 67; 1986, c. 19, s. 65; 1990, c. 59, s. 151; 1991, c. 25, s. 66; 1992, c. 1, s. 30; 1993, c. 15, s. 95; 1993, c. 16, s. 136; 1993, c. 19, s. 21; 1993, c. 64, s. 29; 1994, c. 22, s. 143; 1995, c. 1, s. 38; 1995, c. 18, s. 91; 1995, c. 49, s. 79; 1995, c. 63, s. 36; 1997, c. 14, s. 63; 1997, c. 31, s. 45; 1997, c. 63, s. 110; 1997, c. 85, s. 65; 1998, c. 16, s. 114; 1999, c. 40, s. 258; 1999, c. 89, s. 53; 2000, c. 5, s. 87; 2000, c. 39, s. 21; 2001, c. 51, s. 36; 2001, c. 53, s. 58; 2002, c. 40, s. 32; 2004, c. 21, s. 74; 2005, c. 1, s. 87; 2005, c. 38, s. 70; 2006, c. 13, s. 38; 2007, c. 3, s. 68; 2007, c. 12, s. 50; 2009, c. 5, s. 118; 2009, c. 15, s. 78; 2010, c. 5, s. 37; 2011, c. 1, s. 28; 2010, c. 31, s. 175; 2011, c. 6, s. 128; 2015, c. 21, s. 166; 2015, c. 36, s. 19; I.N. 2016-01-01 (NCCP); 2015, c. 20, s. 61; I.N. 2016-12-01; 2017, c. 29, s. 59; 2019, c. 14, s. 118; 2020, c. 16, s. 59; 2020, c. 12, s. 145; 2021, c. 18, s. 35; 2021, c. 36, s. 63; 2024, c. 11, s. 50.

336.0.1. *(Repealed).*

1990, c. 59, s. 152; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1998, c. 16, s. 115.

336.0.2. In this chapter,

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

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

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

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

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

For the purposes of the definition of "support amount" in the first paragraph, the following rules apply:

(a) a support amount does not include an amount described in that definition that, if paid and received, would be so under a decree, order or judgment of a competent tribunal, or under a written agreement, that does not have a commencement day, and would not be required to be included in computing the income of the recipient of the amount if

i. paragraphs *a* to *b*.1 of section 312, as they applied before being struck out, applied in respect of an amount received after 31 December 1996 and were read without reference to the words "and throughout the remainder of the year", and

ii. section 312.4 were disregarded; and

(b) the portion of that definition before paragraph *a* shall be read without reference to the words "the recipient has discretion as to the use of the amount, and", where it applies in respect of an amount payable under a decree, order or judgment of a competent tribunal, or under a written agreement, made after 27 March 1986 and before 1 January 1988.

1998, c. 16, s. 116; 2000, c. 5, s. 88; 2005, c. 1, s. 88.

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

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

In the formula provided for in the first paragraph,

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

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

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

The first and second paragraphs do not apply in respect of an amount paid pursuant to an order or a written agreement made before 16 June 1999 where, but for the amendments made to subparagraph *a* of the first

paragraph of section 2.2.1 by section 14 of the Act to amend various legislative provisions concerning de facto spouses (1999, chapter 14), this section would not have applied in respect of that amount, except if

(a) subparagraph *a* of the first paragraph of section 2.2.1, as amended by section 14 of the Act to amend various legislative provisions concerning de facto spouses, applies to the taxpayer and the particular person before 16 June 1999 because of the third paragraph of section 2.2.1; or

(b) the taxpayer and the particular person jointly elect to have the first and second paragraphs of this section and of section 312.4 apply after 15 June 1999 in respect of that amount by filing a document signed by the taxpayer and the particular person with the Minister on or before the taxpayer's and the particular person's filing-due date for the taxation year that includes 20 December 2001.

1998, c. 16, s. 116; 2000, c. 5, s. 89; 2001, c. 53, s. 59.

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

1998, c. 16, s. 116.

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

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

(a.1) for the purpose of determining the original right to receive an amount that is a support amount as defined in the first paragraph of section 312.3;

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

(b.1) for the purpose of determining the original obligation to pay an amount that is a support amount; and

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

The first paragraph applies only if the judicial or extrajudicial expenses referred to in that paragraph were incurred by the taxpayer or, where the taxpayer is required to pay such expenses under an order of a competent court, by the taxpayer's spouse or former spouse or by the father or mother of the taxpayer's child.

1998, c. 16, s. 116; 2005, c. 1, s. 89; I.N. 2016-01-01 (NCCP); 2017, c. 29, s. 60.

336.0.6. For the purposes of section 336.0.3, where an order or agreement, or any variation thereof, provides for the payment of an amount by a taxpayer to a person or for the benefit of the person, a child in the person's custody or both the person and a child in the person's custody, the amount or any part thereof, when payable, is deemed to be payable to and receivable by that person and, when paid, is deemed to have been paid to and received by that person.

1998, c. 16, s. 116; 2003, c. 9, s. 24.

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

1998, c. 16, s. 116.

336.0.8. For the purposes of sections 336.0.2 and 336.0.3, if an order or agreement, or any variation of the order or agreement, provides for the payment of an amount by a taxpayer to a person or for the benefit of the person, a child in the person's custody or both the person and a child in the person's custody, a benefit is paid by the Minister of Employment and Social Solidarity under any of Chapters I, II and VI of Title II of the Individual and Family Assistance Act (chapter A-13.1.1), Chapter I of Title II of the Act respecting income support, employment assistance and social solidarity (chapter S-32.001) or Chapter II of the Act respecting income security (chapter S-3.1.1) because the taxpayer fails to pay all or part of the amount that the taxpayer is required to pay, and in a taxation year the taxpayer repays all or part of that benefit to the Minister of Employment and Social Solidarity, the amount so repaid is deemed to have been payable in that year under the order or agreement and to have been paid to and received by the person in that year.

1998, c. 16, s. 116; 2000, c. 39, s. 22; 2007, c. 12, s. 51; 2023, c. 19, s. 24.

336.1. Where an amount, other than an amount that is otherwise a support amount, became payable by a taxpayer in a taxation year under an order of a competent tribunal or under a written agreement, in respect of an expense incurred in the year or the preceding taxation year for the maintenance of a person described in the second paragraph, a child in the person's custody or both the person and a child in the person's custody and the order or agreement provides that subsection 2 of each of sections 56.1 and 60.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) apply to any amount paid or payable thereunder, the amount by which the aggregate of all amounts each of which is such an amount payable exceeds the amount determined under section 336.3 is deemed, for the purposes of this chapter, to be an amount payable by the taxpayer to and receivable by the person as an allowance on a periodic basis, and the person is deemed to have discretion as to the use of that amount.

The person to whom the first paragraph refers is

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

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

1986, c. 15, s. 68; 1990, c. 59, s. 153; 1994, c. 22, s. 144; 1995, c. 49, s. 236; 1998, c. 16, s. 117; 2002, c. 40, s. 33; 2003, c. 9, s. 25; 2009, c. 5, s. 119.

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

1986, c. 15, s. 68; 1990, c. 59, s. 153; 1994, c. 22, s. 144; 1998, c. 16, s. 117; 2005, c. 1, s. 90.

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

(a) the aggregate of all amounts each of which is an amount included in the aggregate determined under that paragraph in respect of the acquisition or improvement of a self-contained domestic establishment in

which the person described in the second paragraph of that section 336.1 resides, including any payment of principal or interest in respect of a loan made or indebtedness incurred to finance, in any manner whatever, such acquisition or improvement; exceeds

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

1986, c. 15, s. 68; 1990, c. 59, s. 154; 1994, c. 22, s. 145; 1998, c. 16, s. 117.

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

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

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

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

1986, c. 15, s. 68; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1998, c. 16, s. 117.

336.5. In this section and sections 336.6 and 336.7,

"additional investment expense" of an individual for a taxation year means the aggregate of

(a) the amount determined in respect of the individual for the year under subparagraph 2 of subparagraph iii of subparagraph *a*.2 of the first paragraph of section 726.6;

(b) where the year begins after 19 March 2007 and the amount determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7 is equal to zero, the aggregate of the individual's net capital losses for other taxation years deducted, without reference to subparagraph *b* of the first paragraph of section 729.1, under section 729 in computing the individual's taxable income for the year;

(c) where the maximum amount that the individual could deduct under Title VI.5 of Book IV in computing the individual's taxable income for the year, if no reference were made to this paragraph, paragraphs *c*.1 and *c*.2 and subparagraphs 2 to 2.2 of subparagraph vi of subparagraph *e* of the first paragraph of section 726.6, enacted by paragraph *c* of the definition of "investment income", is greater than zero and equal to the amount determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7, and the individual deducts under that Title VI.5 in computing the individual's taxable income for the year an amount equal to the maximum amount, the aggregate of the individual's net capital losses for other taxation years deducted, without reference to subparagraph *b* of the first paragraph of section 729.1, under section 729 in computing the individual's taxable income for the year;

(c.1) where paragraphs *b* and *c* do not apply and the amount that would be determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7, if the formula were read as if "$500,000" was replaced by "$250,000", is equal to zero, the amount that would be determined in respect of the individual for the year under subparagraph vi of subparagraph *a*.2 of the first paragraph of section 726.6 if the amount resulting from a designation made by a trust under section 668 were taken into account, despite the exception provided for in section 668 in respect of Title VI.5 of Book IV and if the amount determined in respect of the individual for the year under subparagraph 1 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.6 were determined, for the purposes of subparagraph 2 of subparagraph i of subparagraph *b* of the first paragraph of section 726.6, without reference to qualified farm

property, eligible small business corporation shares and qualified fishing property disposed of before 19 March 2007;

(c.2) where paragraph *c* does not apply, where the maximum amount that the individual could deduct under Title VI.5 of Book IV in computing the individual's taxable income for the year in respect of property disposed of before 19 March 2007, if no reference were made to this paragraph and subparagraph 2.2 of subparagraph vi of subparagraph *e* of the first paragraph of section 726.6, enacted by paragraph *c* of the definition of "investment income", is greater than zero and equal to the amount that would be determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7, if the formula were read as if "$500,000" was replaced by "$250,000", and where the individual deducts under that Title VI.5 in computing the individual's taxable income for the year an amount at least equal to the maximum amount, the amount that would be determined in respect of the individual for the year under subparagraph vi of subparagraph *a*.2 of the first paragraph of section 726.6 if the amount resulting from a designation made by a trust under section 668 were taken into account, despite the exception provided for in section 668 in respect of that Title VI.5 and if the amount determined in respect of the individual for the year under subparagraph 1 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.6 were determined, for the purposes of subparagraph 2 of subparagraph i of subparagraph *b* of the first paragraph of section 726.6, without reference to qualified farm property, eligible small business corporation shares and qualified fishing property disposed of before 19 March 2007; and

(d) in cases other than those provided for in paragraphs *b* to *c*.2, the amount that would be determined in respect of the individual for the year under subparagraph vi of subparagraph *a*.2 of the first paragraph of section 726.6 if the amount resulting from a designation made by a trust under section 668 were taken into account, despite the exception provided for in section 668 in respect of Title VI.5 of Book IV;

"investment expense" of an individual for a taxation year means the investment expense of the individual for that year within the meaning that would be assigned to that expression by subparagraph *a*.2 of the first paragraph of section 726.6 if,

(a) the portion of that subparagraph *a*.2 before subparagraph i were read as follows:

"(*a*.2) "investment expense" of an individual for a taxation year means the aggregate of";

(a.1) for the purposes of subparagraph i of that subparagraph *a*.2, any amount deducted by the individual under paragraph *a* of section 141 in computing the individual's income for the year from a property were equal to zero;

(b) the amount determined under subparagraph 2 of subparagraph iii of that subparagraph *a*.2 were equal to zero;

(c) for the purposes of subparagraph iv of that subparagraph *a*.2, any amount deducted in respect of the following expenses were equal to zero:

i. expenses renounced in respect of a flow-through share that was

(1) issued as a consequence of an investment made on or before 11 March 2005 or of an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus made on or before that date, or

(2) acquired out of the proceeds of a public issue of securities that are interest in a partnership issued as a consequence of an investment made on or before 11 March 2005 or of an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus made on or before that date, and

ii. expenses described in section 336.5.1 that were not renounced in respect of a flow-through share and were incurred after 11 March 2005 by a partnership, or that were renounced in respect of a flow-through share that was

(1) issued as a consequence of an investment made after 11 March 2005 or of an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus made after that date, or

(2) acquired out of the proceeds of a public issue of securities that are interest in a partnership issued as a consequence of an investment made after 11 March 2005 or of an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus made after that date;

(d) for the purposes of subparagraph v of that subparagraph *a*.2, the loss from renting or leasing a property were equal to zero; and

(e) the amounts determined under subparagraphs vi and vii of that subparagraph *a*.2 were equal to zero;

"investment income" of an individual for a taxation year means the investment income of the individual for that year within the meaning that would be assigned to that expression by subparagraph *e* of the first paragraph of section 726.6 if,

(a) for the purposes of subparagraphs i and iv of that subparagraph *e*, an amount included in computing the individual's income for the year under section 94 in respect of a property the income from which would be income from the renting or leasing of a property were equal to zero;

(b) for the purposes of subparagraph iv of that subparagraph *e*, the income from the renting or leasing of a property were equal to zero;

(c) subparagraph vi of that subparagraph *e* were read as follows:

"vi. the amount by which the aggregate of all amounts, including the amount resulting from a designation made by a trust under section 668, despite the exception provided for in section 668 in respect of this Title, that are included under paragraph *b* of section 28, in respect of capital gains and capital losses, in computing the individual's income for the year, exceeds

(1) where the year begins after 19 March 2007 and the amount determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7 is equal to zero, an amount equal to zero,

(2) where the maximum amount that the individual could deduct under this Title in computing the individual's taxable income for the year, if no reference were made to this subparagraph 2, subparagraphs 2.1 and 2.2 and paragraphs *c* to *c*.2 of the definition of "additional investment expense" in section 336.5, is greater than zero and equal to the amount determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7, and the individual deducts under this Title in computing the individual's taxable income for the year an amount equal to the maximum amount, the amount deducted by the individual in computing the individual's taxable income for the year under this Title,

(2.1) where subparagraphs 1 and 2 do not apply and the amount that would be determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7, if the formula were read as if "$500,000" was replaced by "$250,000", is equal to zero, the amount that would be determined in respect of the individual for the year under subparagraph i of subparagraph *b* if the amount resulting from a designation made by a trust under section 668 were taken into account, despite the exception provided for in section 668 in respect of this Title and if, for the purposes of subparagraph 2 of that subparagraph i, no reference were made to qualified farm property, eligible small business corporation shares and qualified fishing property disposed of before 19 March 2007,

(2.2) where subparagraph 2 does not apply, where the maximum amount that the individual could deduct under this Title in computing the individual's taxable income for the year in respect of property disposed of before 19 March 2007, if no reference were made to this subparagraph 2.2 and to paragraph *c*.2 of the definition of "additional investment expense" in section 336.5, is greater than zero and equal to the amount that would be determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7, if the formula were read as if "$500,000" was replaced by "$250,000", and where the individual deducts under this Title in computing the individual's taxable income for the year an amount at least equal to the maximum amount, the amount that would be determined in respect of the individual for the

year under subparagraph i of subparagraph *b* if the amount resulting from a designation made by a trust under section 668 were taken into account, despite the exception provided for in section 668 in respect of this Title and if, for the purposes of subparagraph 2 of that subparagraph i, no reference were made to qualified farm property, eligible small business corporation shares and qualified fishing property disposed of before 19 March 2007, and

(3) in any other case, the amount that would be determined in respect of the individual for the year under subparagraph i of subparagraph *b* if the amount resulting from a designation made by a trust under section 668 were taken into account, despite the exception provided for in section 668 in respect of this Title.";

"total investment expense" of an individual for a taxation year means the aggregate of the individual's investment expense for the year and the individual's additional investment expense for the year;

"unused portion of the total investment expense" of an individual for a taxation year means

(a) in the case of a taxation year subsequent to the taxation year 2003, the aggregate of the amount included in computing the individual's income for the year under section 313.10 and the amount included in computing the individual's taxable income for the year under section 737.0.1; and

(b) in any other case, an amount equal to zero.

2005, c. 38, s. 71; 2007, c. 12, s. 52; 2009, c. 5, s. 120; 2009, c. 15, s. 79; 2011, c. 1, s. 29; 2015, c. 24, s. 58.

336.5.1. The expenses to which subparagraph ii of paragraph *c* of the definition of "investment expense" in section 336.5 refers are the following:

(a) Canadian exploration expenses that would be described in paragraph *a*.1 or *c*.1 of section 395 if the reference in those paragraphs to "Canada", wherever it appears, were a reference to "Québec";

(a.1*)* Canadian exploration expenses that would be described in paragraph *c*.3 of section 395 if, for the purposes of sections 395.2 and 395.3, the reference in paragraph *c*.1 of section 395 to "Canada" were a reference to "Québec";

(a.2*)* Canadian exploration expenses that would be described in paragraph *c*.4 or *c*.5 of section 395 if the reference in paragraph *c*.1 of that section to "Canada" were a reference to "Québec";

(b) Canadian exploration expenses that would be described in paragraph *d* of section 395 if the reference in that paragraph to "expenses described in paragraphs *a* to *b*.1 and *c* to *c*.2" were replaced by a reference to "expenses that would be described in paragraphs *a*.1 and *c*.1 if the reference in those paragraphs to "Canada", wherever it appears, were a reference to "Québec"";

(c) Canadian renewable and conservation expenses, within the meaning of section 399.7, to the extent that the expenses were incurred in respect of work carried out in Québec as part of a project relating to a business carried on in Québec;

(d) Canadian development expenses that would be described in any of paragraphs *a*, *a*.1 and *b*.0.1 to *b*.1 of section 408 if the reference in those paragraphs to "Canada", wherever it appears, were a reference to "Québec";

(e) Canadian development expenses that would be described in paragraph *d* of section 408 if the reference in that paragraph to "any expense described in paragraphs *a* to *c*" were replaced by a reference to "any expense that would be described in paragraphs *a*, *a*.1 and *b*.0.1 to *b*.1 if the reference in those paragraphs to "Canada", wherever it appears, were a reference to "Québec""; and

(f) expenses incurred in Québec that, because of section 726.4.12, are not expenses referred to in subparagraph i of paragraph *a* of section 726.4.10.

2007, c. 12, s. 53; 2011, c. 1, s. 30; 2015, c. 24, s. 59.

336.6. An individual, other than a trust that is not a personal trust, may deduct in computing the individual's income for a particular taxation year the unused portions of the total investment expense of the individual for the taxation years that precede the particular year and those for the three taxation years that follow the particular year, up to the amount by which the amount of the individual's investment income for the particular year exceeds the individual's total investment expense for the particular year.

However, for the purpose of computing the individual's income for the taxation year in which the individual died and for the preceding taxation year, the first paragraph is to be read as if "for the taxation years that precede the particular year and those for the three taxation years that follow the particular year, up to the amount by which the amount of the individual's investment income for the particular year exceeds the individual's total investment expense for the particular year" was replaced by "for all of the individual's taxation years".

2005, c. 38, s. 71.

336.7. No amount is deductible under section 336.6 in respect of an unused portion of the total investment expense for a taxation year until the unused portions of the total investment expense for the preceding taxation years have been deducted.

In addition, an unused portion of the total investment expense may be deducted for a taxation year under section 336.6 only if it exceeds the aggregate of the amounts deducted in its respect for the preceding taxation years under that section.

2005, c. 38, s. 71.

CHAPTER II.1

SPLITTING RETIREMENT INCOME

2009, c. 5, s. 121.

336.8. In this chapter,

"eligible retirement income" of an individual for a taxation year means the total of

(a) the aggregate of all amounts each of which is an amount included in computing the individual's income for the year and that is described in section 752.0.8, or that would be so described if section 752.0.10 were read without reference to its paragraph *f*; and

(b) the lesser of

i. the aggregate of all amounts each of which is a payment made in the year to the individual out of or under a retirement compensation arrangement that provides benefits that supplement the benefits provided under a registered pension plan (other than an individual pension plan for the purposes of Part LXXXIII of the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), and in respect of a life annuity attributable to periods of employment for which benefits are also provided to the individual under the registered pension plan, and

ii. the amount by which the defined benefit limit (as defined by subsection 1 of section 8500 of the Income Tax Regulations made under the Income Tax Act) for the year multiplied by 35 exceeds the amount determined under paragraph *a*;

(c) the lesser of

i. the aggregate of all amounts received by the individual in the year on account of

(1) a retirement income security benefit paid under Part 2 of the Veterans Well-being Act (S.C. 2005, c. 21), or

(2) an income replacement benefit paid under Part 2 of the Veterans Well-being Act, if the amount is determined under subsection 1 of section 19.1, paragraph *b* of subsection 1 of section 23 or subsection 1 of section 26.1 of that Act (as modified, where applicable, under Part 5 of that Act), and

ii. the amount by which the defined benefit limit (as defined by subsection 1 of section 8500 of the Income Tax Regulations made under the Income Tax Act) for the year multiplied by 35 exceeds the aggregate of the amounts determined under paragraphs *a* and *b*.

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"joint election" for a taxation year means an election made jointly for the year in the prescribed form by a transferor and the transferee who is the transferor's eligible spouse for the year, and filed with the Minister with both the transferor's and the transferee's fiscal returns for the year on or before their respective filing-due dates for the year;

"split-retirement income amount" in respect of a transferor and a transferee for a taxation year means the amount elected by the transferor and the transferee in a joint election for the year not exceeding 50% of the transferor's eligible retirement income for the year;

"transferee" for a taxation year means an individual who

(a) is resident in Canada at the end of the year; and

(b) is a transferor's eligible spouse for the year;

"transferor" for a taxation year means an individual who

(a) receives eligible retirement income for the year;

(b) is resident in Canada at the end of the year; and

(c) has reached 65 years of age before the end of the year.

For the purposes of section 336.9 and the definitions of "transferee" and "transferor" in the first paragraph, the taxation year of an individual that is the year in which the individual dies or ceases to be resident in Canada is deemed to end immediately before the individual's death or at the end of the last day on which the individual was resident in Canada.

2009, c. 5, s. 121; 2012, c. 8, s. 47; 2015, c. 21, s. 167; 2019, c. 14, s. 119; 2020, c. 16, s. 60.

336.9. For the purpose of applying this chapter, for a taxation year, to a transferor and to the transferee who is the transferor's eligible spouse for the year, if either of them is resident in Canada outside Québec at the end of that year, section 336.8 is to be read

(a) as if the definitions of "joint election" and "split-retirement income amount" in the first paragraph were replaced by the following definitions:

""joint election" for a taxation year means a valid election made jointly for the year by a transferor and the transferee who is the transferor's eligible spouse for the year, for the purposes of section 60.03 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), in accordance with the definition of "joint election" in subsection 1 of that section;

"split-retirement income amount" in respect of a transferor and a transferee for a taxation year means the amount elected by the transferor and the transferee in a joint election for the year not exceeding the amount determined by the formula

0.5A × B/C;"; and

(b) as if the following paragraph was added after the second paragraph:

"In the definition of "split-retirement income amount" in the first paragraph,

(*a*) A is the transferor's eligible retirement income for the taxation year;

(*b*) B is the number of months in the transferor's taxation year during which the transferor was the transferee's spouse; and

(*c*) C is the number of months in the transferor's taxation year."

The individual who is resident in Québec at the end of the year shall send a copy of the joint election with the fiscal return the individual is required to file for the year under this Part.

If, for a taxation year, a transferor makes an election described in the definition of "joint election" in subsection 1 of section 60.03 of the Income Tax Act with an individual other than the transferor's eligible spouse for the year and either of them is resident in Canada outside Québec at the end of that year, that other individual is, for the purposes of the first paragraph and of section 336.8, deemed to be the transferor's eligible spouse for the year.

This chapter does not apply, for a taxation year, to the eligible spouse of a transferor, if both of them are resident in Québec at the end of the year, and if the presumption in the third paragraph applies to another individual with whom the transferor made the election referred to in that paragraph for the year.

For the purposes of this Part, an election described in the definition of "joint election" in the first paragraph of section 336.8, enacted by the first paragraph, is deemed to be made under this chapter.

2009, c. 5, s. 121.

336.10. For the purposes of section 336.8, a person is deemed not to be the eligible spouse of an individual for a taxation year if the person is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002).

2009, c. 5, s. 121; 2010, c. 31, s. 175.

336.11. A taxpayer who is a transferor for a taxation year may deduct, in computing the taxpayer's income for that year, any amount that is a split-retirement income amount for the year in respect of the taxpayer.

However, a taxpayer who dies in a taxation year may deduct an amount under the first paragraph in computing the taxpayer's income for the year only in the taxpayer's fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the taxpayer's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

2009, c. 5, s. 121.

336.12. For the purposes of subparagraph ii of subparagraphs *a* and *b* of the first paragraph of section 752.0.7.4, the following rules apply if a transferor and a transferee make a joint election for a taxation year:

(a) the amount described in the third paragraph of section 752.0.7.4 in respect of the transferor for the year is deemed to be equal to the result obtained by subtracting from that amount otherwise determined the portion of that amount that is the proportion that the split-retirement income amount in respect of the transferor for the year is of the eligible retirement income of the transferor for the year; and

(b) the amount described in the third paragraph of section 752.0.7.4 in respect of the transferee for the year is deemed to be equal to the result obtained by adding to that amount otherwise determined the amount subtracted in accordance with paragraph *a* for the year.

2009, c. 5, s. 121; 2019, c. 14, s. 120; 2024, c. 11, s. 51.

336.13. A joint election is invalid if the Minister establishes that a transferor or a transferee has knowingly or under circumstances amounting to gross negligence made a false declaration in the joint election.

However, the first paragraph does not apply in respect of an election described in the definition of "joint election" in the first paragraph of section 336.8, enacted by the first paragraph of section 336.9.

2009, c. 5, s. 121.

CHAPTER III

Repealed, 1997, c. 85, s. 66.

1991, c. 8, s. 4; 1997, c. 85, s. 66.

337. *(Repealed).*

1972, c. 23, s. 307; 1984, c. 15, s. 77; 1985, c. 25, s. 62; 1990, c. 59, s. 155; 1992, c. 1, s. 31; 1993, c. 16, s. 370; 1994, c. 22, s. 350; 1997, c. 85, s. 66.

337.1. *(Repealed).*

1991, c. 8, s. 5; 1994, c. 40, s. 457; 1997, c. 85, s. 66.

338. *(Repealed).*

1972, c. 23, s. 308; 1984, c. 15, s. 78; 1985, c. 25, s. 63; 1990, c. 59, s. 156; 1991, c. 8, s. 6; 1993, c. 16, s. 137; 1994, c. 22, s. 146; 1997, c. 85, s. 66.

CHAPTER IV

CONTRIBUTIONS, PREMIUMS AND CERTAIN TRANSFERS

1972, c. 23.

339. A taxpayer may also deduct:

(a) (paragraph repealed);

(b) any amount that is deductible under Title IV or IV.4 of Book VII or section 965.0.16.1 in computing the taxpayer's income for the year;

(c) (paragraph repealed);

(c.1*)* any amount that is deductible under Title V.1 of Book VII in computing the income of the taxpayer for the year;

(d) the amount that, by virtue of paragraph *j* of section 60 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), is allowed as a deduction for the year in computing his income for the purposes of the said Act;

(d.0.1*)* for his taxation year 1988, such particular part of the aggregate of all amounts each of which is an amount received by him before 28 March 1988 that can reasonably be considered to be a payment in respect

of an actuarial surplus under a defined benefit provision, within the meaning of section 965.0.1, of a registered pension plan and that is included in computing his income for the year under section 317, other than any portion of the amount deducted by him under section 339.5 in computing his income for the year,

i. as is designated by the taxpayer in his fiscal return for the year under this Part, and

ii. as does not exceed the aggregate of all amounts each of which is an amount, to the extent that it was not deducted in computing his income for a preceding taxation year, paid by him in the year or within 60 days after the end of the year

(1) as a contribution to or under a registered pension plan for his benefit, other than the portion thereof deductible under paragraph *d* or *d*.1, paragraph *c* of section 70 or section 72.1 in computing his income for the year, or

(2) as a premium under a registered retirement savings plan under which he is the annuitant, within the meaning of paragraph *b* of section 905.1, other than the portion thereof that has been designated for the purposes of paragraph *d*, *d*.1 or *f*;

(d.0.2*)* an amount equal to the lesser of

i. the aggregate of the following amounts, other than the portion of that aggregate that is deductible under paragraph *c* of section 70 or paragraph *d*.0.3 in computing the taxpayer's income for the year:

(1) all contributions made in the year by the taxpayer to a registered pension plan in respect of eligible service of the taxpayer before 1 January 1990 under the plan, where the taxpayer was obliged under the terms of an agreement in writing entered into before 28 March 1988 to make the contributions, and

(2) the amounts paid in the year by the taxpayer to a registered pension plan as a repayment under a prescribed statutory provision of an amount received from the plan that was included under section 309 in computing the taxpayer's income for a taxation year ending before 1 January 1990, where the taxpayer was obliged as a consequence of a written election made before 28 March 1988 to make the repayment, or as interest in respect of the repayment; and

ii. the aggregate of all amounts each of which is an amount paid out of or under a registered pension plan as part of a series of periodic payments and included under section 309 in computing the taxpayer's income for the year, other than the portion of that aggregate that can reasonably be considered to have been designated by the taxpayer for the purposes of paragraph *j*.2 of section 60 of the Income Tax Act;

(d.0.3*)* an amount equal to the lesser of

i. the aggregate of all amounts each of which is an amount paid in the year or a preceding taxation year by the taxpayer to a registered pension plan that was not deductible in computing the taxpayer's income for a preceding taxation year and that was paid as a repayment under a prescribed statutory provision of an amount received from the plan that was included under section 309 in computing the taxpayer's income for a taxation year ending before 1 January 1990, or as interest in respect of the repayment, and

ii. the amount by which $5,500 exceeds the amount deducted under paragraph *c* of section 70 in computing the taxpayer's income for the year;

(d.0.4*)* the aggregate of all amounts each of which is an amount paid in the year by the taxpayer to a registered pension plan as a repayment under a prescribed statutory provision of an amount received from the plan that was included under section 309 in computing the taxpayer's income for a taxation year ending after 31 December 1989, and that can reasonably be considered not to have been designated by the taxpayer for the purposes of paragraph *j*.2 of section 60 of the Income Tax Act, or as interest in respect of the repayment, except such portion of the aggregate that was deductible under paragraph *c* of section 70 in computing the taxpayer's income for the year;

(d.1) the amount that, by virtue of paragraph *j*.1 of section 60 of the Income Tax Act, is allowed as a deduction for the year in computing his income for the purposes of the said Act;

(d.2) the amount that, by virtue of paragraph *j*.2 of section 60 of the Income Tax Act, is allowed as a deduction for the year in computing his income for the purposes of the said Act;

(e) (paragraph repealed);

(f) the amount that, by virtue of paragraph *l* of section 60 of the Income Tax Act, is allowed as a deduction for the year in computing his income for the purposes of the said Act;

(f.1) the amount allowed as a deduction for the year in computing the taxpayer's income for the purposes of the Income Tax Act under paragraph *m* of section 60 of that Act as payments to a registered disability savings plan;

(g) (paragraph repealed);

(h) any amount deductible under section 890.12 in computing his income for the year;

(i) (paragraph repealed);

(i.1) the amount by which the amount equal to the product obtained by multiplying the amount payable by the taxpayer for the year as a premium on the taxpayer's business income under the Act respecting parental insurance (chapter A-29.011) by the proportion that the premium rate referred to in subparagraph 1 of the first paragraph of section 6 of that Act is of the premium rate referred to in subparagraph 3 of that paragraph, is exceeded by the amount payable by the taxpayer for the year as a premium on the taxpayer's business income under that Act, other than an amount, in respect of that amount payable by the taxpayer for the year, in relation to a business of the taxpayer, as that premium, if all of the taxpayer's income from that business is not required to be included in computing the taxpayer's income for the year or is deductible in computing the taxpayer's taxable income for the year under any of sections 725, 737.16, 737.18.10 and 737.22.0.10; and

(j) subject to section 339.0.1, the aggregate of

i. the aggregate of all amounts each of which is 50% of the amount payable by the taxpayer for the year on account of the base contribution in respect of self-employed earnings under the Act respecting the Québec Pension Plan (chapter R-9) or on account of a similar contribution under any similar plan within the meaning of paragraph *u* of section 1 of that Act,

ii. the aggregate of all amounts each of which is an amount payable by the taxpayer for the year on account of the first or second additional contribution in respect of self-employed earnings under the Act respecting the Québec Pension Plan or on account of a similar contribution under any similar plan within the meaning of paragraph *u* of section 1 of that Act, and

iii. the aggregate of all amounts each of which is an amount payable by the taxpayer for the year on account of the employee's first or second additional contribution under the Act respecting the Québec Pension Plan or on account of a similar contribution under any similar plan within the meaning of paragraph *u* of section 1 of that Act.

1972, c. 23, s. 309; 1973, c. 17, s. 35; 1974, c. 18, s. 18; 1975, c. 21, s. 10; 1977, c. 26, s. 30; 1978, c. 26, s. 53; 1979, c. 18, s. 26; 1982, c. 5, s. 78; 1982, c. 56, s. 12; 1983, c. 44, s. 25; 1984, c. 15, s. 79; 1986, c. 15, s. 69; 1988, c. 18, s. 20; 1989, c. 77, s. 33; 1991, c. 25, s. 67; 1993, c. 15, s. 96; 1993, c. 64, s. 30; 1993, c. 64, s. 249; 1994, c. 22, s. 147; 1999, c. 83, s. 52; 2001, c. 51, s. 37; 2003, c. 9, s. 26; 2005, c. 23, s. 49; 2005, c. 38, s. 72; 2009, c. 5, s. 122; 2010, c. 25, s. 29; 2011, c. 6, s. 129; 2013, c. 10, s. 26; 2019, c. 14, s. 121; 2022, c. 23, s. 35; 2023, c. 19, s. 25.

339.0.1. A taxpayer shall not include the following amounts in the aggregate described in paragraph *j* of section 339 for a taxation year:

(a) an amount payable by the taxpayer for the year in relation to a business of the taxpayer, on account of a contribution referred to in subparagraph i or ii of that paragraph *j,* if all of the taxpayer's income for the year from that business is not required to be included in computing the taxpayer's income for the year or is deductible in computing the taxpayer's taxable income for the year under any of sections 725, 737.16 and 737.22.0.10; and

(b) an amount payable by the taxpayer for the year in relation to an office or employment of the taxpayer, on account of a contribution referred to in subparagraph iii of that paragraph *j*, if all of the taxpayer's income for the year from that office or employment is not required to be included in computing the taxpayer's income for the year or is deductible in computing the taxpayer's taxable income for the year under any of sections 725, 737.16, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7 and 737.22.0.10.

2019, c. 14, s. 122.

339.1. *(Repealed).*

1984, c. 15, s. 80; 1989, c. 77, s. 34; 1991, c. 25, s. 68.

339.2. *(Repealed).*

1984, c. 15, s. 80; 1991, c. 25, s. 68.

339.3. *(Repealed).*

1986, c. 15, s. 70; 1991, c. 25, s. 68.

339.4. *(Repealed).*

1988, c. 18, s. 21; 1991, c. 25, s. 68.

CHAPTER IV.1

ADDITIONAL VOLUNTARY CONTRIBUTIONS

1991, c. 25, s. 69.

339.5. A taxpayer may deduct in computing the taxpayer's income for a taxation year an amount equal to the aggregate of the following amounts:

(a) if the taxation year ends before 1 January 1991, the aggregate of all amounts each of which is that portion of an amount paid to the taxpayer before 1 January 1991 and included in computing the taxpayer's income for the year or a preceding taxation year by reason of section 310, to the extent that that section refers to Title IV of Book VII, paragraph *k* of section 311 or section 317, that may reasonably be considered as a refund of additional voluntary contributions made by the taxpayer before 9 October 1986 to a registered pension plan for the taxpayer's benefit in respect of services rendered by the taxpayer before the year in which the contributions were made, to the extent that the contributions were not deducted in computing the taxpayer's income for any taxation year; and

(b) the least of

i. $3,500,

ii. the aggregate of all amounts each of which is an amount included after 31 December 1986 in computing the taxpayer's income for the year by reason of section 310, to the extent that that section refers to Title IV or V.1 of Book VII, paragraph *c*.2 of section 312 or section 317, and

iii. the balance of the annuitized voluntary contributions of the taxpayer at the end of the year.

1991, c. 25, s. 69; 2010, c. 5, s. 38.

339.6. For the purposes of section 339.5, the balance of the annuitized voluntary contributions of the taxpayer at the end of a taxation year is equal to the amount by which

(a) such part of the aggregate of all amounts each of which is an additional voluntary contribution made by the taxpayer to a registered pension plan before 9 October 1986 in respect of services rendered by him before the year in which the contribution was made, to the extent that the contribution was not deducted in computing his income for any taxation year, as may reasonably be considered as having been used before 9 October 1986 to acquire or provide an annuity for the taxpayer's benefit under a registered pension plan or registered retirement savings plan, or as having been transferred before 9 October 1986 to a registered retirement income fund under which the taxpayer was the annuitant, within the meaning of paragraph *d* of section 961.1.5, at the time of the transfer, exceeds

(b) the aggregate of all amounts each of which is

i. an amount deducted in computing his income for a preceding taxation year under paragraph *b* of section 339.5, or

ii. an amount deducted in computing his income for the year or a preceding taxation year under paragraph *a* of section 339.5, to the extent that the amount can reasonably be considered to be in respect of a refund of additional voluntary contributions included in determining the aggregate under paragraph *a*.

1991, c. 25, s. 69.

CHAPTER V

(Repealed, 2011, c. 6, s. 130)

1972, c. 23; 2011, c. 6, s. 130.

340. *(Repealed).*

1972, c. 23, s. 310; 1973, c. 17, s. 36; 1991, c. 25, s. 70; 2011, c. 6, s. 130.

341. *(Repealed).*

1973, c. 17, s. 36; 2011, c. 6, s. 130.

CHAPTER VI

INCOME-AVERAGING ANNUITIES

1972, c. 23.

342. An individual resident in Canada may deduct in computing his income for a year, an amount which he pays in the year or within 60 days following the end of the year for the acquisition of an income-averaging annuity for himself, under a contract with a person licensed or otherwise authorized by the laws of Canada or a province to carry on in Canada or in a province an annuities business or to offer trustee services there, to the extent that such amount has not already been deducted the preceding year.

1972, c. 23, s. 311; 1972, c. 26, s. 44.

343. To be entitled to the deduction provided in section 342, the individual must acquire the income-averaging annuity by

(a) a single payment described in the second paragraph and made under the terms of a contract

i. which entitles him to receive, during a period beginning not later than ten months after the date of such payment, either an annuity for life or such annuity with a guaranteed term for a number of years not exceeding the lesser of 15 and the difference between 85 and his age at the time the annuity commences to be paid to him, or an annuity for such guaranteed term; and

ii. which shall not provide for payments other than the single payment by the individual and the equal annuity payments which must be paid to him annually or at more frequent periodic intervals; or

(b) a single payment made in respect of his taxation year 1981, other than a single payment contemplated in subparagraph *a* according to the terms of a contract

i. providing that all the payments to the individual under the contract must be made before 1 January 1983; and

ii. providing no other payment than the single payment by the individual and the payments described in subparagraph i.

The single payment contemplated in subparagraph *a* of the first paragraph is a single payment made

(a) before 13 November 1981; or

(b) after 12 November 1981 in accordance with an agreement in writing entered into before 13 November 1981 to make such a payment in respect of his taxation year 1981, or pursuant to an arrangement in writing made before that date to have funds withheld before 1 January 1982 from any of the individual's remuneration described in paragraph *a* of section 344 and earned or received before the latter date and to be paid by or on behalf of the individual.

1972, c. 23, s. 312; 1974, c. 18, s. 19; 1984, c. 15, s. 81.

344. The amount which an individual may deduct under section 342 shall not exceed:

(a) the aggregate of:

i. the amounts contemplated in section 345 less any deduction allowable for the year under paragraphs *d*, *e* and *f* of section 339; and

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

iii. the excess of the amount included in computing the individual's income for the year under section 330 or 331, as the latter section applies in respect of a disposition made before 31 December 1984, over the aggregate of the amounts deducted in that computation under sections 333.1 and 362 to 418.12, section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) and sections 357 and 358, as they apply in respect of a disposition made before 13 November 1981;

iv. his income for the year from the production of literary, dramatic, musical or artistic work; and

v. his income for the year from his activities as an athlete, a musician or a public entertainer such as a theatre, motion picture, radio or television artist; less:

(b) the amounts which the individual is to receive within the 12 months beginning on the date when the first payment is to be paid to him in respect of each income-averaging annuity.

1972, c. 23, s. 313; 1973, c. 18, s. 10; 1975, c. 22, s. 65; 1978, c. 26, s. 54; 1980, c. 13, s. 28; 1982, c. 5, s. 79; 1998, c. 16, s. 251; 2023, c. 19, s. 26.

345. The amounts mentioned in subparagraph i of paragraph *a* of section 344 are the following:

(a) a single payment which the individual receives in the year:

i. under a pension plan, upon the death, withdrawal or retirement of an employee or former employee, upon the winding up of the plan in full satisfaction of all rights of the participant in the plan or, when an amendment to the plan confers on him the right to receive such payment, although he continues to participate in it;

ii. upon his retirement as an employee in recognition of long service, if such payment is not contemplated by subparagraph i of paragraph *a*;

iii. pursuant to an employees profit sharing plan in full satisfaction of all his rights in or under the plan, to the extent that this payment is required to be included in computing his income for the year in which the payment was received; or

iv. pursuant to a deferred profit sharing plan upon the death, withdrawal or retirement of an employee or former employee, to the extent that this payment is required to be included in computing his income for the year in which the payment was received;

(b) a payment made to an individual in the year of his retirement or in the following year, in consideration of loss of office or employment, if such payment is made by an employer to the individual as an employee or former employee;

(c) a payment made to the individual as a death benefit, if such payment is made in the year of death or within one year after that year;

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

(e) an amount included in computing the individual's income under section 929, but only to the extent that such amount is a refund of premiums, under a registered retirement savings plan, where the individual receives such amount on or after the death of the person who was, immediately before his death, the annuitant thereunder;

(f) the benefit which the individual is deemed to have received under Division VI of Chapter II of Title II;

(g) the excess over $500 of an amount received by the individual in the year as a prize for achievement in a field of endeavour which he ordinarily carries on;

(h) a payment made in the year to an individual under paragraph *b* of subsection 2 of section 51 of the Judges Act (Revised Statutes of Canada, 1985, chapter J-1);

(i) a payment that the individual receives in the year, under an order or decision of a competent court, as salary or wages owing by his employer or former employer, if part of that payment is received in respect of a previous year;

(j) an amount included in computing the individual's income for the year under paragraph *c* of section 46 of the Act respecting the application of the Taxation Act (chapter I-4), but only where the individual has not claimed a deduction in that computation under paragraph *a* of the said section 46; and

(k) where the individual ceased to be a member of a partnership in the year or the preceding year and where, in computing his income therefrom for that preceding year, he made the election provided for in paragraph *c* of section 215, the amount included in computing his income for the year under paragraph *a* of section 28, to the extent that, having regard to all the circumstances, including the proportion in which the members of the partnership have agreed to share the profits of the partnership, such amount may reasonably be considered to be his share of the work in progress of the partnership at the time he ceased to be a member

thereof if, during the remainder of the year in which he ceased to be a member thereof and in the following year, he did not become employed in the business carried on by the partnership, carry on a business that is a profession or become a member of another partnership carrying on a business that is a profession.

1972, c. 23, s. 314; 1973, c. 18, s. 11; 1975, c. 21, s. 11; 1977, c. 26, s. 31; 1980, c. 13, s. 29; 1982, c. 5, s. 80; 1988, c. 18, s. 22; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2001, c. 53, s. 260; 2003, c. 2, s. 110.

346. Where, at a particular time, an income-averaging annuity ceases to qualify as such otherwise than by virtue of the surrender, cancellation, redemption, sale or disposition of such contract, the individual is deemed to have received at that time as proceeds of disposition of the contract an amount equal to its fair market value at that time, and to have acquired immediately thereafter a contract other than an income-averaging annuity at a cost corresponding to that fair market value.

Any payment under an income-averaging annuity contract to which a deceased individual was entitled under the contract before he died and that is made under that contract after his death is deemed to be a payment made under such a contract.

1972, c. 23, s. 315; 1977, c. 26, s. 32.

CHAPTER VI.0.1

INCOME-AVERAGING ANNUITIES RESPECTING INCOME FROM ARTISTIC ACTIVITIES

2005, c. 23, s. 50.

346.0.1. An individual who is, in a taxation year, a recognized artist may deduct, in computing income for the year, an amount that the individual pays in the year or within 60 days after the end of the year to acquire an income-averaging annuity respecting income from artistic activities from a person described in the fourth paragraph, to the extent that that amount has not been deducted for the preceding year.

However, the amount that an individual may deduct for a taxation year under the first paragraph may not exceed an amount equal to the amount obtained by subtracting, from the portion of the individual's income for the year that may reasonably be considered to be attributable to artistic activities in respect of which the individual is a recognized artist, the aggregate of $25,000 and the amount that the individual may deduct for the year under section 726.26.

In this section, "recognized artist" means an individual who is an artist within the meaning of the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts (chapter S-32.1).

A person to whom the first paragraph refers is a person who is licensed or otherwise authorized by the laws of Québec or Canada to carry on an annuities business in Québec or offer trustee services in Québec, and who is authorized by the Minister, in accordance with section 346.0.3, to offer an income-averaging annuity respecting income from artistic activities for the purposes of this chapter.

2005, c. 23, s. 50; 2006, c. 36, s. 36; 2022, c. 20, s. 35.

346.0.2. No individual may deduct an amount under section 346.0.1 unless the contract under which the individual acquires an income-averaging annuity respecting income from artistic activities is consistent with the standard contract previously approved by the Minister and provides for stipulations consistent with the following provisions:

(a) the income-averaging annuity respecting income from artistic activities is acquired in consideration for a single payment;

(b) the income-averaging annuity respecting income from artistic activities is payable, at least once a year or at more frequent periodic intervals, in equal payments sufficient to ensure its full payment over a period not

exceeding seven years from the date on which the first payment is made, which payment must be made not later than ten months after the date on which the single payment referred to in paragraph *a* is made;

(c) the individual is entitled to request, at any time, the full or partial commutation of the income-averaging annuity respecting income from artistic activities;

(d) the income-averaging annuity payments respecting income from artistic activities may only be made to the individual or, after the individual's death, to a person designated by the individual under the contract, the individual's succession or any of the beneficiaries of the individual's succession, as the case may be;

(e) except in case of death, the rights of the individual as annuitant may not be disposed of otherwise than by the redemption or cancellation of the income-averaging annuity respecting income from artistic activities by the debtor; and

(f) the rights of the individual as annuitant may not be given or transferred as security in any manner whatsoever.

2005, c. 23, s. 50.

346.0.3. For the purposes of the fourth paragraph of section 346.0.1, the Minister may authorize a person to offer an income-averaging annuity respecting income from artistic activities if

(a) the person first submitted to the Minister for approval a standard contract containing stipulations consistent with the provisions mentioned in paragraphs *a* to *f* of section 346.0.2; and

(b) the person undertakes with the Minister that any annuity contract the person enters into with an individual to enable the individual to benefit from the deduction under section 346.0.1 be consistent with that standard contract.

2005, c. 23, s. 50.

346.0.4. If an individual dies and an amount the individual was entitled to receive before dying under an income-averaging annuity contract respecting income from artistic activities is paid after the individual's death under that contract, that amount is deemed to be an amount paid under such a contract.

2005, c. 23, s. 50.

CHAPTER VI.1

DEBT FORGIVENESS

1996, c. 39, s. 106.

346.1. There may be deducted in computing the income for a taxation year of an individual, other than a trust, resident in Canada throughout the year such amount as the individual claims not exceeding the amount determined by the formula

$$A + B - 0.2 (C - \$40{,}000).$$

For the purposes of the formula in the first paragraph,

(a) A is the amount by which the aggregate of all amounts each of which is an amount that, because of the application of sections 485 to 485.18 to an obligation payable by the individual, or a partnership of which the individual was a member, was included under section 485.13 in computing the income of the individual

for the year or the income of the partnership for a fiscal period that ends in the year, to the extent that, where the amount was included in computing income of a partnership, it relates to the individual's share of that income, exceeds the aggregate of all amounts deducted because of paragraph *a* of section 485.15 in computing the individual's income for the year;

(b) B is the amount included under section 313.7 in computing the individual's income for the year; and

(c) C is the greater of $40,000 and the individual's income for the year, determined without reference to this section, section 313.7, paragraph *j* of section 336, section 485.13 and paragraph *a* of section 485.15.

1996, c. 39, s. 106; 1997, c. 3, s. 71; 1998, c. 16, s. 251.

346.2. Subject to section 346.3, there shall be deducted in computing the income for a taxation year of a corporation that is not exempt from tax under this Part on its taxable income, the lesser of

(a) the amount by which the aggregate of all amounts each of which is an amount that, because of the application of sections 485 to 485.18 to a commercial obligation, within the meaning assigned by section 485, issued by the corporation, or a partnership of which the corporation was a member, was included under section 485.13 in computing the income of the corporation for the year or the income of the partnership for a fiscal period that ends in the year, to the extent that the amount, where it was included in computing income of a partnership, relates to the corporation's share of that income, exceeds the aggregate of all amounts deducted because of paragraph *a* of section 485.15, in computing the corporation's income for the year; and

(b) the amount determined by the formula

A − 2 (B − C − D − E).

For the purposes of the formula in subparagraph *b* of the first paragraph,

(a) A is the amount determined under subparagraph *a* of the first paragraph in respect of the corporation for the year;

(b) B is the aggregate of

i. the fair market value of the assets of the corporation at the end of the year,

ii. the amounts paid before the end of the year on account of the corporation's tax payable under this Part or any of Parts III.11, IV, IV.1, VI, VI.1 and VII for the year or on account of a tax payable by the corporation for the year, under any of Parts I, I.3, II, VI and XIV of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or under any similar part of an Act of a province other than Québec, and

iii. all amounts paid by the corporation in the 12-month period preceding the end of the year to a person with whom the corporation does not deal at arm's length

(1) as a dividend, other than a stock dividend,

(2) on a reduction of paid-up capital in respect of any class of shares of its capital stock,

(3) on a redemption, acquisition or cancellation of its shares, or

(4) as a distribution or appropriation in any manner whatever to or for the benefit of the shareholders, to the extent that the distribution or appropriation cannot reasonably be considered to have resulted in a reduction in the amount otherwise determined under subparagraph *c* in respect of the corporation for the year;

(c) C is the total liabilities of the corporation at the end of the year determined in accordance with the rules set out in the third paragraph and without reference to any tax payable by the corporation for the year under this Part and Parts III.11, IV, IV.1, VI, VI.1 and VII or to a tax payable by the corporation for the year under any of Parts I, I.3, II, VI and XIV of the Income Tax Act or under any similar part of an Act of a province other than Québec,

(d) D is the aggregate of all amounts each of which is the principal amount at the end of the year of a distress preferred share, within the meaning assigned by section 485, issued by the corporation; and

(e) E is 50% of the amount by which the amount that would be the corporation's income for the year if that amount were determined without reference to this section and sections 346.3 and 346.4 exceeds the amount determined under subparagraph *a* of the first paragraph in respect of the corporation for the year.

For the purposes of subparagraph *c* of the second paragraph, except as otherwise provided therein, the total liabilities of a corporation shall

(a) where the corporation is not an insurance corporation, a federal credit union or a bank to which subparagraph *b* or *c* applies and the balance sheet as of the end of the year was prepared in accordance with generally accepted accounting principles and was presented to the shareholders of the corporation, be considered to be the total liabilities shown on that balance sheet;

(b) where the corporation is a bank, a federal credit union or an insurance corporation that is required to report to the Superintendent of Financial Institutions of Canada and the balance sheet as of the end of the year was accepted by the Superintendent, be considered to be the total liabilities shown on that balance sheet;

(c) where the corporation is an insurance corporation that is required to report to the superintendent of insurance or other similar officer or authority of the province under whose laws the corporation is incorporated, or the Autorité des marchés financiers, and the balance sheet as of the end of the year was accepted by that officer or authority, be considered to be the total liabilities shown on that balance sheet; and

(d) in any other case, be considered to be the amount that would be shown as total liabilities of the corporation at the end of the year on a balance sheet prepared in accordance with generally accepted accounting principles.

Subparagraph *c* of the second paragraph and the third paragraph apply, subject to section 7.12.

1996, c. 39, s. 106; 1997, c. 3, s. 71; 1997, c. 14, s. 64; 2000, c. 5, s. 90; 2002, c. 45, s. 520; 2004, c. 37, s. 90; 2013, c. 10, s. 27.

346.3. Section 346.2 does not apply in respect of a corporation for a taxation year where property was transferred in the 12-month period preceding the end of the year or the corporation became indebted in that period and it can reasonably be considered that one of the reasons for the transfer or the indebtedness was to increase the amount that the corporation would, but for this section, be entitled to deduct under that section 346.2.

1996, c. 39, s. 106; 1997, c. 3, s. 71.

346.4. There may be deducted as a reserve in computing the income for a taxation year of a taxpayer that is a corporation or trust resident in Canada throughout the year or a person not resident in Canada who carried on business through a fixed place of business in Canada at the end of the year such amount as the taxpayer claims not exceeding the least of

(a) the amount determined by the formula

A − B;

(b) the aggregate of

i. 4/5 of the amount that would be determined under subparagraph *a* of the second paragraph in respect of the taxpayer for the year if that value did not take into account amounts included or deducted in computing the taxpayer's income for any preceding taxation year,

ii. 3/5 of the amount that would be determined under subparagraph *a* of the second paragraph in respect of the taxpayer for the year if that value did not take into account amounts included or deducted in computing the taxpayer's income for the year or any preceding taxation year other than the last preceding taxation year,

iii. 2/5 of the amount that would be determined under subparagraph *a* of the second paragraph in respect of the taxpayer for the year if that value did not take into account amounts included or deducted in computing the taxpayer's income for the year or any preceding taxation year, other than the second last preceding taxation year, and

iv. 1/5 of the amount that would be determined under subparagraph *a* of the second paragraph in respect of the taxpayer for the year if that value did not take into account amounts included or deducted in computing the taxpayer's income for the year or any preceding taxation year, other than the third last preceding taxation year; and

(c) where the taxpayer is a corporation that commences to wind up in the year, otherwise than in circumstances to which the rules in sections 556 to 564.1 and 565 apply, zero.

For the purposes of the formula in subparagraph *a* of the first paragraph,

(a) A is the amount by which the aggregate of all amounts each of which is an amount that, because of the application of sections 485 to 485.18 to a commercial obligation, within the meaning assigned by section 485, issued by the taxpayer, or a partnership of which the taxpayer was a member, was included under section 485.13 in computing the income of the taxpayer for the year or a preceding taxation year or of the partnership for a fiscal period that ends in that year or preceding year, to the extent that, where the amount was included in computing income of a partnership, it relates to the taxpayer's share of that income, exceeds the aggregate of

i. all amounts deducted under paragraph *a* of section 485.15 in computing the taxpayer's income for the year or a preceding taxation year, and

ii. all amounts deducted under section 346.2 in computing the taxpayer's income for the year or a preceding taxation year; and

(b) B is the amount by which the amount determined under subparagraph *a* in respect of the taxpayer for the year exceeds the aggregate of

i. the amount that would be determined under subparagraph *a* in respect of the taxpayer for the year if that value did not take into account amounts included or deducted in computing the taxpayer's income for any preceding taxation year, and

ii. the amount included under section 313.8 in computing the taxpayer's income for the year.

1996, c. 39, s. 106; 1997, c. 3, s. 71.

CHAPTER VII

MOVING EXPENSES

1972, c. 23.

347. *(Repealed).*

1972, c. 23, s. 316; 1986, c. 15, s. 71; 1994, c. 22, s. 350; 2001, c. 53, s. 60.

348. An individual may deduct in computing the individual's income for a taxation year amounts paid by the individual as moving expenses incurred in respect of an eligible relocation, to the extent that

(a) they were not paid on the individual's behalf because of, or in the course of, the individual's office or employment;

(b) they were not deductible because of this chapter in computing the individual's income for the preceding taxation year;

(c) the aggregate of those amounts does not exceed

i. where the eligible relocation occurs to enable the individual to carry on a business or to be employed at a new work location, the aggregate of the individual's income for the year from the individual's employment at the new work location or from carrying on the business at the new work location and the amount included in computing the individual's income for the year under paragraph *e*.6 of section 311 in respect of the individual's employment at the new work location, and

ii. where the eligible relocation occurs to enable the individual to be a student in full-time attendance enrolled in a program at a post-secondary level at a location of a university, college or other educational institution, the aggregate of all amounts included in computing the individual's income for the year under paragraph *h* of section 312; and

(d) any reimbursement or allowance received by the individual in respect of those expenses is included in computing the individual's income.

1972, c. 23, s. 317; 1972, c. 26, s. 45; 1979, c. 18, s. 27; 1986, c. 15, s. 72; 1986, c. 19, s. 66; 1994, c. 22, s. 350; 2001, c. 53, s. 61; 2002, c. 40, s. 34; 2010, c. 5, s. 39.

349. An individual may deduct in computing the individual's income for a taxation year, under section 348, an amount that the individual would be entitled to deduct under section 348 if paragraphs *a* and *b*.1 of the definition of "eligible relocation" in section 349.1 were read as follows:

"(*a*) the relocation occurs to enable the individual to be a student in full-time attendance enrolled in a program at a post-secondary level at a location of a university, college or other educational institution, that institution being in this chapter referred to as "the new work location";";

"(*b*.1) except if the individual is absent from Canada but resident in Québec, either or both the old residence and the new residence are in Canada; and".

1972, c. 23, s. 318; 1994, c. 22, s. 350; 1997, c. 14, s. 65; 2001, c. 53, s. 61; 2015, c. 21, s. 168.

349.1. In this chapter, "eligible relocation" means a relocation of an individual where

(a) the relocation occurs to enable the individual to carry on a business or to be employed at a location that is in Canada, except if the individual is absent from Canada but resident in Québec, or to be a student in full-time attendance enrolled in a program at a post-secondary level at a location of a university, college or other educational institution, that location and that institution being in this chapter referred to as "the new work location";

(b) before the relocation, the individual ordinarily resided at a residence (in this chapter referred to as "the old residence") and, after the relocation, the individual ordinarily resided at a residence (in this chapter referred to as "the new residence");

(b.1) except if the individual is absent from Canada but resident in Québec, both the old residence and the new residence are in Canada; and

(c) the distance between the old residence and the new work location is not less than 40 kilometres greater than the distance between the new residence and the new work location.

2001, c. 53, s. 62; 2015, c. 21, s. 169.

350. For the purposes of section 348, expenses incurred by an individual as moving expenses are

(a) travel costs, including a reasonable amount for meals and lodging, in the course of moving the individual and other members of the individual's household;

(b) the cost to the individual of transporting or storing household effects in the course of moving;

(c) the cost of meals and lodging near the individual's old residence or new residence for the individual and other members of the individual's household for a period not exceeding 15 days;

(d) the cost to the individual of cancelling the lease of the individual's old residence;

(e) the selling costs of the individual's old residence;

(f) where the old residence is sold by the individual or the individual's spouse as a result of the move, the legal costs incurred for the acquisition of the individual's new residence that are required for that acquisition and any tax, fee or duty, other than any goods and services tax or value-added tax, imposed on the transfer of the right of ownership to, or registration of rights arising out of the acquisition of, the new residence;

(g) interest, property taxes, insurance premiums and the cost of heating and utilities in respect of the old residence, to the extent of the lesser of $5,000 and the total of such expenses of the individual for the period

i. throughout which the old residence is neither ordinarily occupied by the individual or by any other person who ordinarily resided with the individual at the old residence immediately before the move nor rented by the individual to any other person, and

ii. in which reasonable efforts are made to sell the old residence; and

(h) the cost of revising legal documents to reflect the address of the individual's new residence, of replacing drivers' licenses and personal vehicle permits, excluding any cost for vehicle insurance, and of connecting or disconnecting utilities.

1972, c. 23, s. 319; 1978, c. 26, s. 55; 1991, c. 25, s. 71; 1994, c. 22, s. 148; 1997, c. 85, s. 67; 2000, c. 5, s. 91; 2001, c. 53, s. 63; 2003, c. 2, s. 111; 2009, c. 5, s. 126.

CHAPTER VII.1

INDIVIDUALS RESIDING IN REMOTE AREAS

2003, c. 9, s. 27.

350.0.1. In this chapter,

"amount on account of employer-provided travel benefits" of a taxpayer means, in respect of a trip made by the taxpayer or an eligible family member of the taxpayer, the amount that is the aggregate of

(a) the value of the assistance provided to the taxpayer in respect of the taxpayer's employment in respect of travel expenses for the trip; and

(b) the amount received by the taxpayer in respect of the taxpayer's employment in respect of travel expenses for the trip;

"eligible family member" of a taxpayer, at any time, means a member of the taxpayer's household who is at that time

(a) the taxpayer's spouse;

(b) a child of the taxpayer under the age of 18; or

(c) an individual who is

i. related to the taxpayer, and

ii. wholly dependent for support on the taxpayer, the taxpayer's spouse, or both of them, and, except in the case of the taxpayer's father, mother, grand-father or grand-mother, so dependent by reason of mental or physical infirmity;

"standard amount" applicable in respect of an individual for a taxation year means, subject to section 350.3.3, $1,200;

"trip cost" has the meaning assigned by Chapter IV of Title XXI of the Regulation respecting the Taxation Act (chapter I-3, r. 1).

2023, c. 2, s. 8.

350.1. A taxpayer who is an individual and who, throughout a period (in this chapter referred to as the "qualifying period") of not less than six consecutive months commencing or ending in a taxation year, has resided in one or more particular areas each of which was a prescribed northern zone or prescribed intermediate zone for the year may, if the taxpayer encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file for the year under section 1000, deduct, in computing the taxpayer's income for the year, the amount determined in respect of the taxpayer under section 350.2.

2003, c. 9, s. 27; 2023, c. 2, s. 9.

350.2. The amount to which section 350.1 refers is equal to the aggregate of

(a) the aggregate of all amounts each of which is an amount determined, in respect of a particular period of the year, by the formula

A × B; and

(b) the lesser of

i. 20% of the taxpayer's income for the year, computed without reference to this chapter, and

ii. the aggregate of all amounts each of which is equal to the amount obtained by applying the specified percentage for the year for the particular area in which the taxpayer resided to the aggregate of

(1) $11.00 multiplied by the number of days in the year included in the qualifying period in which the taxpayer resided in the particular area, and

(2) $11.00 multiplied by the number of days in the year included in that portion of the qualifying period throughout which the taxpayer maintained and resided in a self-contained domestic establishment in the particular area, except any day taken into account for the purpose of computing an amount deducted under this subparagraph *b* by another person who resided on that day in the establishment.

In the formula in subparagraph *a* of the first paragraph,

(a) A is the specified percentage for the year for the particular area in which the taxpayer resided during the particular period; and

(b) B is the aggregate of all amounts each of which is the trip cost to the taxpayer in respect of a trip that begins during the particular period.

For the purposes of the first and second paragraphs, the specified percentage for a taxation year for a particular area is

(a) 100%, where the area is a prescribed northern zone for the year for the purposes of section 350.1; and

(b) 50%, where the area is a prescribed intermediate zone for the year for the purposes of section 350.1.

2003, c. 9, s. 27; 2009, c. 15, s. 80; 2017, c. 29, s. 61; 2023, c. 2, s. 10.

350.3. The aggregate of the amounts determined for a taxation year under subparagraph *a* of the first paragraph of section 350.2 in respect of all the taxpayers in relation to an individual shall not be in respect of more than two trips made by the individual that begin in the year, other than trips to obtain medical services that are not available in the locality in which the taxpayer resided.

2003, c. 9, s. 27; 2023, c. 2, s. 11.

350.3.1. For the purposes of the formula in subparagraph *a* of the first paragraph of section 350.2 in respect of a taxpayer for a taxation year in relation to a particular area, an amount may only be included in determining the value of B in that formula if

(a) the amount is not otherwise deducted in computing an individual's income for a taxation year, unless it is deducted in computing an employer's income in accordance with sections 80 to 82 and included in computing an employee's income;

(b) the amount is not taken into account in determining an amount deducted under section 752.0.11 for a taxation year;

(c) the amount is in respect of trips made by the taxpayer or an eligible family member of the taxpayer that begin during the part of the year in which the taxpayer resided in the particular area; and

(d) neither the taxpayer nor an eligible family member of the taxpayer is at any time entitled to a reimbursement or any form of assistance (other than a reimbursement or assistance included in computing the income of the taxpayer or the eligible family member) in respect of trips to which paragraph *c* applies.

2023, c. 2, s. 12.

350.3.2. Where all the amounts determined under subparagraph *a* of the first paragraph of section 350.2R4 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of trips made by an individual that begin in a taxation year are nil, the aggregate of the amounts determined for the year for B in the formula in subparagraph *a* of the first paragraph of section 350.2 in respect of all the taxpayers in relation to the individual must not exceed the standard amount applicable in respect of the individual for the year.

2023, c. 2, s. 12.

350.3.3. Where, under section 350.2R4 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), an amount on account of employer-provided travel benefits of a taxpayer was claimed by the taxpayer for a taxation year in respect of a trip made by an individual, the standard amount applicable in respect of the individual for the year is deemed to be nil.

2023, c. 2, s. 12.

350.4. The amount determined under subparagraph ii of subparagraph *b* of the first paragraph of section 350.2 in respect of a taxpayer for a taxation year in relation to a particular area shall not exceed the amount by which the aggregate of the amounts otherwise determined under that subparagraph ii for the year in relation to that particular area exceeds the value of expenses, or an allowance in respect of expenses incurred by the taxpayer, for the taxpayer's board and lodging in the particular area, other than at a work site described in subparagraph *d*.1 of the first paragraph of section 421.2, that

(a) would, but for subparagraph i of paragraph *a* of section 42, be included in computing the taxpayer's income for the year; and

(b) may reasonably be attributable to that portion of the qualifying period that is in the year and during which the taxpayer maintained a self-contained domestic establishment as principal place of residence in an area other than a prescribed northern zone or a prescribed intermediate zone for the year for the purposes of section 350.1.

For the purpose of determining whether the condition set out in subparagraph *a* of the first paragraph is satisfied, no account shall be taken of paragraph *g* of section 39.

2003, c. 9, s. 27; 2005, c. 1, s. 91; 2023, c. 2, s. 13.

350.5. Where on any particular day a taxpayer resides in more than one particular area referred to in section 350.2, for the purposes of that section, the taxpayer is deemed to reside in only one such area on that day.

2003, c. 9, s. 27; 2023, c. 2, s. 13.

350.6. Where a taxpayer is, at any time in a taxation year, a foreign researcher within the meaning of section 737.19, a foreign researcher on a postdoctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign specialist within the meaning of section 737.22.0.1 or 737.22.0.4.1 or a foreign professor within the meaning of section 737.22.0.5, the following rules apply for the purpose of computing the amount that the taxpayer may deduct under section 350.1 for the year:

(a) the taxpayer may not include, in the aggregate referred to in subparagraph *b* of the second paragraph of section 350.2 in relation to a particular period in the year, an amount related to a trip beginning in the part of the particular period that is included in the taxpayer's research activity period, the taxpayer's eligible activity period or the taxpayer's specialized activity period, in relation to an employment, within the meaning of any of sections 737.19, 737.22.0.0.1, 737.22.0.0.5, 737.22.0.1, 737.22.0.4.1 and 737.22.0.5, as the case may be; and

(b) for the purposes of subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 350.2, the number of days in the year included in the qualifying period in which the taxpayer resided in the particular region does not include a day included in the taxpayer's research activity period, the taxpayer's eligible activity period or the taxpayer's specialized activity period, in relation to an employment, within the meaning of any of sections 737.19, 737.22.0.0.1, 737.22.0.0.5, 737.22.0.1, 737.22.0.4.1 and 737.22.0.5, as the case may be.

Where section 737.22.0.10 or 737.22.0.13 applies to a taxpayer for a taxation year, the taxpayer may not deduct, in computing income for the year, an amount under section 350.1.

2003, c. 9, s. 27; 2004, c. 21, s. 75; 2006, c. 36, s. 37; 2013, c. 10, s. 28; 2023, c. 2, s. 14.

CHAPTER VIII

Repealed, 1995, c. 1, s. 39.

1995, c. 1, s. 39.

351. *(Repealed).*

1972, c. 23, s. 320; 1976, c. 18, s. 4; 1979, c. 38, s. 10; 1984, c. 15, s. 82; 1985, c. 25, s. 64; 1986, c. 15, s. 73; 1989, c. 5, s. 60; 1993, c. 16, s. 138; 1993, c. 64, s. 31; 1995, c. 1, s. 39.

352. *(Repealed).*

1972, c. 23, s. 321; 1976, c. 18, s. 5; 1979, c. 38, s. 11; 1985, c. 25, s. 64; 1986, c. 15, s. 74; 1988, c. 4, s. 31; 1988, c. 18, s. 23; 1989, c. 5, s. 61; 1994, c. 22, s. 149; 1995, c. 1, s. 39.

353. *(Repealed).*

1972, c. 23, s. 322; 1975, c. 21, s. 12; 1976, c. 18, s. 6; 1979, c. 38, s. 12; 1985, c. 25, s. 64; 1986, c. 15, s. 75; 1994, c. 22, s. 150; 1995, c. 1, s. 39.

354. *(Repealed).*

1972, c. 23, s. 323; 1975, c. 21, s. 13; 1985, c. 25, s. 64; 1986, c. 15, s. 76; 1988, c. 4, s. 32; 1989, c. 5, s. 62; 1990, c. 7, s. 16; 1991, c. 8, s. 7; 1992, c. 1, s. 32; 1994, c. 22, s. 151; 1995, c. 1, s. 39.

355. *(Repealed).*

1972, c. 23, s. 324; 1972, c. 26, s. 46; 1985, c. 25, s. 64; 1986, c. 15, s. 77; 1988, c. 4, s. 33; 1989, c. 5, s. 63; 1994, c. 22, s. 152; 1995, c. 1, s. 39.

355.1. *(Repealed).*

1989, c. 5, s. 64; 1993, c. 16, s. 139; 1995, c. 1, s. 39.

356. *(Repealed).*

1972, c. 23, s. 325; 1985, c. 25, s. 64; 1986, c. 15, s. 78; 1995, c. 1, s. 39.

356.0.1. *(Repealed).*

1986, c. 15, s. 78; 1995, c. 1, s. 39.

356.1. *(Repealed).*

1981, c. 24, s. 14; 1985, c. 25, s. 64; 1986, c. 15, s. 79.

356.2. *(Replaced).*

1981, c. 24, s. 14; 1985, c. 25, s. 64.

CHAPTER IX

Repealed, 1984, c. 15, s. 83.

1984, c. 15, s. 83.

357. *(Repealed).*

1972, c. 23, s. 326; 1975, c. 22, s. 66; 1977, c. 26, s. 33; 1978, c. 26, s. 56; 1984, c. 15, s. 83.

358. *(Repealed).*

1975, c. 22, s. 67; 1982, c. 5, s. 81; 1984, c. 15, s. 83.

CHAPTER IX.0.1

DEDUCTION FOR GOODS AND SERVICES TO SUPPORT A DISABLED PERSON

1991, c. 25, s. 72; 2005, c. 38, s. 73; 2006, c. 36, s. 38.

358.0.1. An individual who files with the individual's fiscal return under this Part for a taxation year, other than a return filed under the second paragraph of section 429 or any of sections 681, 782 and 1003, a prescribed form containing the prescribed information may deduct in computing the individual's income for the year the lesser of

(a) the amount determined by the formula

A - B; and

(b) the aggregate of all amounts each of which is

i. an amount included under any of sections 32 to 58.3 in computing the individual's income for the year from an office or employment,

ii. the individual's income for the year from a business carried on either alone or as a partner actively engaged in the business,

iii. an amount included under any of paragraphs *e*.2 to *e*.6 of section 311 or paragraph *g* or *h* of section 312 in computing the individual's income for the year, or

iv. the amount determined under the third paragraph, where the individual is attending a secondary school or taking a course offered by an educational institution referred to in section 358.0.2, as a student enrolled in an educational program;

(c) (subparagraph repealed).

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount paid by the individual in the year and that

i. was paid to enable the individual to perform the duties of an office or employment, to carry on a business either alone or as a partner actively engaged in the business, to carry on research or any similar work

in respect of which the individual received a grant, or to attend a secondary school or take a course offered by an educational institution referred to in section 358.0.2, as a student enrolled in an educational program,

ii. was paid

(1) where the individual has a speech or hearing impairment, for the cost of sign-language interpretation services or real time captioning services and to a person engaged in the business of providing such services,

(2) where the individual is deaf or mute, for the cost of a teletypewriter or similar device, including a telephone ringing indicator, prescribed by a practitioner, to enable the individual to make and receive telephone calls,

(3) where the individual is blind, for the cost of a device or equipment, including synthetic speech systems, Braille printers, and large-print on-screen devices, prescribed by a practitioner, and designed to be used by blind individuals in the operation of a computer,

(4) where the individual is blind, for the cost of an optical scanner or similar device, prescribed by a practitioner, and designed to be used by blind individuals to enable them to read print,

(5) where the individual is mute, for the cost of an electronic speech synthesizer, prescribed by a practitioner, and designed to be used by mute individuals to enable them to communicate by use of a portable keyboard,

(6) where the individual has an impairment in mental or physical functions, for the cost of note-taking services and to a person engaged in the business of providing such services, if the individual has been certified in writing by a practitioner to be a person who, because of that impairment, requires those services,

(7) where the individual has an impairment in physical functions, for the cost of voice recognition software, if the individual has been certified in writing by a practitioner to be a person who, because of that impairment, requires that software,

(8) where the individual has a learning disability or an impairment in mental functions, for the cost of tutoring services that are rendered to, and supplementary to the primary education of, the individual and to a person ordinarily engaged in the business of providing such services to persons who are not related to the person, if the individual has been certified in writing by a practitioner to be a person who, because of that disability or impairment, requires those services,

(9) where the individual has a perceptual disability, for the cost of talking textbooks used by the individual in connection with the individual's enrolment at a secondary school in Canada or at an educational institution described in section 358.0.2, if the individual has been certified in writing by a practitioner to be a person who, because of that disability, requires those textbooks,

(10) where the individual has an impairment in mental or physical functions, for the cost of attendant care services provided in Canada and to a person who is neither the individual's spouse nor under 18 years of age, if the individual is a taxpayer in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the year, or if the individual has been certified in writing by a practitioner to be a person who is, and is likely to be indefinitely, dependent on others for personal needs and care and who as a result requires a full-time attendant,

(11) where the individual has a severe and prolonged impairment in mental or physical functions, for the cost of job coaching services, excluding job placement or career counselling services, and to a person engaged in the business of providing such services if the individual has been certified in writing by a practitioner to be a person who, because of that impairment, requires those services,

(12) where the individual is blind or has a severe learning disability, for the cost of reading services and to a person engaged in the business of providing such services, if the individual has been certified in writing by a practitioner to be a person who, because of that impairment or disability, requires those services,

(13) where the individual is blind and profoundly deaf, for the cost of deaf-blind intervening services and to a person engaged in the business of providing such services,

(14) where the individual has a speech impairment, for the cost of a device that is a Bliss symbol board, or a similar device, that is prescribed by a practitioner to help the individual communicate by selecting the symbols or spelling out words,

(15) where the individual is blind, for the cost of a device that is a Braille note-taker, prescribed by a practitioner, to allow the individual to take notes, with the help of a keyboard, that the device can read back to the individual, or print or display in Braille,

(16) where the individual has a severe and prolonged impairment in physical functions that markedly restricts the individual's ability to use his or her arms or hands, for the cost of a device that is a page turner prescribed by a practitioner to help the individual to turn the pages of a book or other bound document, and

(17) where the individual is blind, or has a severe learning disability, for the cost of a device or software that is prescribed by a practitioner and designed to enable the individual to read print, and

iii. is not included in computing a deduction under sections 752.0.11 to 752.0.13.0.1 for any taxpayer and for any taxation year; and

(b) B is the aggregate of all amounts each of which is the amount of a reimbursement or any other form of assistance, other than a prescribed amount or an amount that is included in computing a taxpayer's income and that is not deductible in computing the taxpayer's taxable income, that any taxpayer is or was entitled to receive in respect of an amount described in subparagraph *a*.

The amount to which subparagraph iv of subparagraph *b* of the first paragraph refers is the least of

(a) $15,000;

(b) the product obtained by multiplying $375 by the number of weeks in the year during which the individual attends the secondary school or takes a course offered by the educational institution; and

(c) the amount by which the individual's income for the year, determined without reference to this section, exceeds the aggregate of all amounts each of which is an amount determined under any of subparagraphs i to iii of subparagraph *b* of the first paragraph in respect of the individual for the year.

However, the payment of an amount described in subparagraph *a* of the second paragraph may be included in computing a deduction under the first paragraph only if proof of payment of the amount is given by filing with the Minister one or more receipts issued by the payee, including, if the payee is an individual referred to in subparagraph 10 of subparagraph ii of that subparagraph *a*, the Social Insurance Number of the latter individual.

1991, c. 25, s. 72; 1993, c. 16, s. 140; 1993, c. 64, s. 32; 1996, c. 39, s. 273; 1997, c. 14, s. 66; 1997, c. 31, s. 46; 2000, c. 5, s. 92; 2001, c. 51, s. 38; 2003, c. 2, s. 112; 2005, c. 38, s. 74; 2006, c. 36, s. 39; 2009, c. 5, s. 127; 2010, c. 5, s. 40; 2021, c. 18, s. 36.

358.0.1.1. For the purpose of applying this chapter to an individual for the taxation year 2020 or 2021, section 358.0.1 is to be read

(a) as if "*c*, *c*.1 and" were inserted after "under any of paragraphs" in subparagraph iii of subparagraph *b* of the first paragraph; and

(b) without reference to subparagraph i of subparagraph *a* of the second paragraph if, at any time in the year, the individual was entitled to an amount referred to in any of paragraphs *c*, *c*.1 and *e*.2 to *e*.6 of section 311, in respect of that year.

2021, c. 36, s. 64.

358.0.2. The educational institution to which section 358.0.1 refers is

(a) an educational institution in Canada that is

i. a university, college or other educational institution designated by the Lieutenant Governor in Council of a province under the Canada Student Loans Act (R.S.C. 1985, c. S-23), designated by an appropriate authority under the Canada Student Financial Assistance Act (S.C. 1994, c. 28), or designated by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology for the purposes of the Act respecting financial assistance for education expenses (chapter A-13.3), or

ii. recognized by the Minister to be an educational institution providing courses, other than courses designed for university credit, that furnish a person with skills for, or improve a person's skills in, an occupation;

(b) a university outside Canada at which the individual was enrolled in a course leading to a degree, for a period of at least three consecutive weeks; or

(c) an educational institution in the United States that is a university, college or other institution providing post-secondary education, if the individual resided in Canada throughout the year near the boundary between Canada and the United States, and commuted between the individual's residence and that educational institution.

2003, c. 2, s. 113; 2005, c. 28, s. 195; 2005, c. 38, s. 75; 2012, c. 8, s. 48; 2013, c. 28, s. 139.

CHAPTER IX.0.2

DEDUCTION TO WORKERS

2005, c. 38, s. 76.

358.0.3. An individual, other than a trust, may deduct in computing the individual's income for a taxation year the lesser of $1,000 and 6% of the aggregate of all amounts each of which is any of the following amounts, other than an amount described in the second paragraph:

(a) an amount included under any of sections 32 to 58.3 in computing the individual's income for the year from an office or employment;

(b) the amount by which the individual's income for the year from any business the individual carries on either alone or as a partner actively engaged in the business exceeds the aggregate of the individual's losses for the year from such businesses;

(c) an amount included in computing the individual's income for the year under paragraph *e*.2 or *e*.6 of section 311; or

(d) an amount included in computing the individual's income for the year under paragraph *h* of section 312.

The amount to which the first paragraph refers is

(a) an amount included in computing the individual's income for the year from an office or employment held by the individual as an elected member of a municipal council, a member of the council or executive committee of a metropolitan community, regional county municipality or other similar body established under an Act of Québec, a member of a municipal utilities commission or corporation or any other similar body administering such utilities, a member of a school service centre's board of directors or a member of a public or separate school board or any other similar body administering a school district;

(b) an amount included in computing the individual's income for the year from an office held by the individual as a member of the National Assembly, the House of Commons of Canada, the Senate or the legislature of another province;

(b.1) an amount included in computing the individual's income for the year from a previous office or employment, if each of the amounts that make up the income is the value of a benefit received or enjoyed by the individual in the year because of that office or employment; or

(c) if the individual is an Indian, within the meaning assigned to that expression by section 725.0.1, the amount the individual included in computing the individual's income for the year and that is described in paragraph *e* of section 725.

2005, c. 38, s. 76; 2006, c. 36, s. 40; 2010, c. 5, s. 41; 2015, c. 21, s. 170; 2020, c. 1, s. 281.

CHAPTER IX.0.3

INDEMNITIES RELATING TO CLINICAL TRIALS

2011, c. 1, s. 31.

358.0.4. An individual, other than a trust, may deduct, in computing the individual's income for a taxation year, the lesser of $1,500 and the aggregate of all amounts each of which is

(a) the amount of an indemnity described in the second paragraph and included under any of sections 32 to 58.3 in computing the individual's income for the year from an office or employment; or

(b) the amount of an indemnity described in the second paragraph and included in computing the individual's income for the year from a business.

The indemnity to which subparagraphs *a* and *b* of the first paragraph refer means an indemnity paid to an individual who participates as a clinical trial subject in such a trial carried on by another person or partnership in accordance with the standards set by the Food and Drug Regulations (C.R.C., c. 870) made under the Food and Drugs Act (R.S.C. 1985, c. F-27).

2011, c. 1, s. 31.

CHAPTER IX.1

Repealed, 1995, c. 63, s. 37.

1988, c. 4, s. 34; 1995, c. 63, s. 37.

DIVISION I

Repealed, 1989, c. 5, s. 65.

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.1. *(Repealed).*

1988, c. 4, s. 34; 1988, c. 18, s. 24; 1989, c. 5, s. 65.

358.2. *(Repealed).*

1988, c. 4, s. 34; 1988, c. 18, s. 24; 1989, c. 5, s. 65.

358.3. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.4. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

DIVISION II

Repealed, 1989, c. 5, s. 65.

1988, c. 4, s. 34; 1989, c. 5, s. 65.

§ 1. —

Repealed, 1989, c. 5, s. 65.

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.5. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

§ 2. —

Repealed, 1989, c. 5, s. 65.

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.6. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.7. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.8. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.9. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

§ 3. —

Repealed, 1989, c. 5, s. 65.

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.10. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.11. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

DIVISION III

Repealed, 1995, c. 63, s. 37.

1988, c. 4, s. 34; 1995, c. 63, s. 37.

358.12. *(Repealed).*

1988, c. 4, s. 34; 1989, c. 5, s. 65.

358.13. *(Repealed).*

1989, c. 5, s. 66; 1990, c. 7, s. 18; 1995, c. 63, s. 37.

CHAPTER X

DEVELOPMENT OF NATURAL RESOURCES

1972, c. 23.

DIVISION I

GENERAL RULES

1975, c. 22, s. 68.

359. In this chapter,

(a) "outlay" or "expense" made or incurred by a taxpayer before a particular time does not include any amount paid or payable for services to be rendered after that time or any amount paid or payable as rent for a period after that time, but includes an amount designated by the taxpayer at that time, under paragraph *b* of section 622 or 628, as that paragraph read before being struck out, as a cost in respect of property that is a Canadian resource property or a foreign resource property;

(b) "mining business" means an activity described in subparagraph *a* or *a*.1 of the first paragraph of section 363 with respect to minerals or in any of subparagraphs *b* to *e*, *f*.1 and *g* of the first paragraph of that section, and a transaction concerning a property described in any of paragraphs *a* to *g* of section 370 that may reasonably be related to minerals;

(c) "oil business" means an activity described in subparagraph *a* or *a*.1 of the first paragraph of section 363, except with respect to minerals, or in subparagraph *f* of the first paragraph of that section, and a transaction concerning a property described in any of paragraphs *a* to *g* of section 370 that may reasonably be related to petroleum or natural gas and that is not described in paragraph *b*;

(c.0.1*)* "assistance" means any amount, other than a prescribed amount, received or receivable at any time from a person or government, municipality or other public authority whether such amount is by way of a grant, subsidy, rebate, forgivable loan, deduction from royalty or tax, rebate of royalty or tax, investment allowance or any other form of assistance or benefit;

(c.1*)* "proceeds of disposition" has the meaning assigned by section 251;

(d) (paragraph repealed).

1975, c. 22, s. 68; 1982, c. 5, s. 82; 1984, c. 15, s. 84; 1985, c. 25, s. 65; 1986, c. 19, s. 67; 1987, c. 67, s. 79; 1988, c. 18, s. 26; 1993, c. 16, s. 141; 1995, c. 49, s. 80; 1998, c. 16, s. 118; 1999, c. 83, s. 53; 2001, c. 53, s. 260; 2003, c. 2, s. 114; 2012, c. 8, s. 49; 2013, c. 10, s. 29.

DIVISION I.1

FLOW-THROUGH SHARES

1988, c. 18, s. 27.

359.1. In this chapter, "flow-through share" means a share (other than a prescribed share) of the capital stock of a development corporation or a right (other than a prescribed right) to acquire such a share that is issued to a person under an agreement in writing entered into between the person and the development corporation under which the corporation, for consideration that does not include property to be exchanged or transferred by the person under the agreement in circumstances to which Division XIII of Chapter IV of Title IV or any of Chapters IV, V and VI of Title IX applies, agrees

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

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

In this chapter, "selling instrument" in respect of flow-through shares means a prospectus, registration statement, offering memorandum, term sheet or other similar document that describes the terms of the offer, including the price and number of shares, pursuant to which a corporation offers to issue flow-through shares.

1988, c. 18, s. 27; 1993, c. 16, s. 142; 1995, c. 49, s. 81; 1997, c. 3, s. 71; 1998, c. 16, s. 119; 2002, c. 40, s. 35; 2004, c. 21, s. 76; 2005, c. 23, s. 51; 2015, c. 24, s. 60.

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

1995, c. 49, s. 82; 1997, c. 3, s. 71; 1998, c. 16, s. 120.

359.2. Where a person gave consideration under an agreement to a corporation for the issue of a flow-through share of the corporation and, in the period that begins on the day the agreement was entered into and ends 24 months after the end of the month that includes that day, the corporation incurred Canadian exploration expenses (other than expenses deemed to be Canadian exploration expenses of the corporation under the first paragraph of section 399.3), the corporation may, after it complies with section 359.10 in respect of the share and before 1 March of the first calendar year that begins after that period, renounce to the person in respect of the share the amount by which the part of those expenses incurred by it on or before the effective date of the renunciation, which part is in this section referred to as the "specified expenses", exceeds the aggregate of

(a) the assistance that the corporation has received, is entitled to receive, or may reasonably expect to receive at any time, and that can reasonably be related to the specified expenses or to Canadian exploration activities to which the specified expenses relate, other than assistance that can reasonably be related to expenses referred to in any of subparagraphs *b* to *b*.2;

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

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

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

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

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

(b.2) if the agreement is entered into after 31 March 2023, all specified expenses that are not described in subparagraph *b* or *b*.1 and that would be Canadian exploration expenses if

i. section 395 were read without reference to its paragraph *c*.2, and

ii. the definition of "mineral resource" in section 1 were read as follows:

""mineral resource" means a coal deposit, a bituminous sands deposit or an oil shale deposit;"; and

(c) the aggregate of amounts that are renounced by the corporation on or before the date on which the renunciation is made by any other renunciation under this section in respect of those expenses.

Notwithstanding the first paragraph, the amount that may be renounced by the corporation must not in any case exceed

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

(b) the amount by which the cumulative Canadian exploration expense of the corporation on the effective date of the renunciation computed before taking into account any amounts renounced by the corporation under this section on the date on which the renunciation is made, exceeds the aggregate of all amounts renounced by the corporation under this section in respect of any other share on the date on which the renunciation is made, and effective on or before the effective date of the renunciation.

1988, c. 18, s. 27; 1995, c. 49, s. 83; 1997, c. 3, s. 71; 1998, c. 16, s. 121; 2015, c. 24, s. 61; 2023, c. 19, s. 27.

359.2.0.1. For the purpose of applying sections 359.2 and 359.4 in respect of an agreement entered into after 28 February 2018 and before 1 January 2021, the first paragraph of those sections is to be read as if "24 months" were replaced by "36 months".

2021, c. 36, s. 65.

359.2.1. Where a person gave consideration under an agreement to a corporation for the issue of a flow-through share of the corporation, the corporation's paid-up capital amount at the time the consideration was given was not more than $15,000,000, and during the period beginning on the particular day the agreement was entered into and ending on the earlier of 31 December 2018 and the day that is 24 months after the end of the month that included that particular day, the corporation incurred Canadian development expenses that are described in paragraph *a* or *a*.1 of section 408 or that would be described in paragraph *d* of that section if the words "expenses described in paragraphs *a* to *c*" in that paragraph were read as "expenses described in paragraph *a* or *a*.1" and that are not expenses deemed to have been incurred after 31 December 2018 under section 359.8, the corporation may, after it complies with section 359.10 in respect of the share and before 1 March of the first calendar year that begins after that period, renounce to the person in respect of the share the

amount by which the part of those expenses incurred by it on or before the effective date of the renunciation, which part is in this section referred to as the "specified expenses", exceeds the aggregate of

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

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

(c) all amounts that are renounced by the corporation on or before the day on which the renunciation is made by any other renunciation under this section or section 359.4 in respect of those expenses.

1995, c. 49, s. 84; 1997, c. 3, s. 71; 1998, c. 16, s. 122; 2020, c. 16, s. 61.

359.2.2. A corporation is deemed not to have renounced any particular amount under section 359.2.1 in respect of a share where

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

(b) the particular amount exceeds the amount by which the cumulative Canadian development expense of the corporation on the effective date of the renunciation, computed before taking into account any amounts renounced under section 359.2.1 by the corporation on the day on which the renunciation is made, exceeds the aggregate of all amounts renounced by the corporation under this section in respect of any other share on the day on which the renunciation is made, and effective on or before the effective date of the renunciation; or

(c) the particular amount relates to Canadian development expenses incurred by the corporation in a calendar year and the total amounts renounced, on or before the day on which the renunciation is made, under section 359.2.1 in respect of Canadian development expenses incurred by the corporation in that calendar year or by another corporation associated with the corporation at the time the other corporation incurred such expenses exceeds $1,000,000.

1995, c. 49, s. 84; 1997, c. 3, s. 71; 1998, c. 16, s. 123.

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

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

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

1998, c. 16, s. 124.

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

1998, c. 16, s. 124.

359.2.5. For the purpose of determining the paid-up capital amount at a particular time under section 359.2.3 of a corporation and for the purposes of section 359.2.4, a particular corporation's paid-up capital for a taxation year is its paid-up capital that would be determined for the year in accordance with Title I of Book III of Part IV if no reference were made to section 1138.2.6 and to the portion of the amount that the corporation may deduct under section 1138 that is attributable to shares of the capital stock of, or indebtedness of, another corporation that

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

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

1998, c. 16, s. 124; 2009, c. 15, s. 82.

359.3. Subject to sections 359.11 to 359.12.0.1, where a corporation renounces an amount to a person under section 359.2 or 359.2.1, the following rules apply:

(a) the Canadian exploration expenses or Canadian development expenses to which the amount relates are deemed to be Canadian exploration expenses incurred in that amount by the person on the effective date of the renunciation; and

(b) the Canadian exploration expenses or Canadian development expenses to which the amount relates are, except in respect of that renunciation, deemed on and after the effective date of the renunciation never to have been Canadian exploration expenses or Canadian development expenses incurred by the corporation.

1988, c. 18, s. 27; 1993, c. 16, s. 143; 1995, c. 49, s. 85; 1997, c. 3, s. 71.

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

(a) the assistance that the corporation has received, is entitled to receive, or may reasonably expect to receive at any time, and that can reasonably be related to the specified expenses or to Canadian development activities to which the specified expenses relate, other than assistance that can reasonably be related to expenses referred to in any of subparagraphs *b* to *b*.2;

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

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

(b.2*)* if the agreement is entered into after 31 March 2023, all specified expenses that are not described in subparagraph *b* or *b*.1 and that would be Canadian development expenses if the definition of "mineral resource" in section 1 were read as follows:

""mineral resource" means a coal deposit, a bituminous sands deposit or an oil shale deposit;"; and

(c) the aggregate of amounts that are renounced by the corporation on or before the date on which the renunciation is made by any other renunciation under this section or section 359.2.1 in respect of those expenses.

Notwithstanding the first paragraph, the amount that may be renounced by the corporation must not in any case exceed

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

(b) the amount by which the cumulative Canadian development expense of the corporation on the effective date of the renunciation computed before taking into account any amounts renounced by the corporation under this section on the date on which the renunciation is made, exceeds the aggregate of all amounts renounced by the corporation under this section in respect of any other share on the date on which the renunciation is made, and effective on or before the effective date of the renunciation.

1988, c. 18, s. 27; 1995, c. 49, s. 86; 1997, c. 3, s. 71; 1998, c. 16, s. 125; 2023, c. 19, s. 28.

359.5. Subject to sections 359.11 to 359.12.0.1, where a corporation renounces an amount to a person under section 359.4, the following rules apply:

(a) the Canadian development expenses to which the amount relates are deemed to be Canadian development expenses incurred in that amount by the person on the effective date of the renunciation;

(b) the Canadian development expenses to which the amount relates are, except for the purposes of that renunciation, deemed on and after the effective date of the renunciation never to have been Canadian development expenses incurred by the corporation.

1988, c. 18, s. 27; 1993, c. 16, s. 144; 1997, c. 3, s. 71.

359.6. *(Repealed).*

1988, c. 18, s. 27; 1995, c. 49, s. 87; 1997, c. 3, s. 71; 1998, c. 16, s. 126.

359.7. *(Repealed).*

1988, c. 18, s. 27; 1993, c. 16, s. 145; 1997, c. 3, s. 71; 1998, c. 16, s. 126.

359.8. Where a corporation that issues a flow-through share to a person under an agreement incurs, in a particular calendar year, Canadian exploration expenses or Canadian development expenses, the corporation is, for the purposes of section 359.2 or for the purposes of section 359.2.1 and paragraph *b* of section 359.2.2, as the case may be, deemed to have incurred the expenses on the last day of the preceding calendar year, provided that

(a) the expenses

i. are described in any of paragraphs *a*, *b*.1, *c* and *c*.2 of section 395 or paragraph *a* or *a*.1 of section 408,

ii. would be described in paragraph *d* of section 395 if the reference in that paragraph to paragraphs *a* to *b*.1 and *c* to *c*.5 were read as a reference to paragraphs *a*, *b*.1, *c* and *c*.2 of that section, or

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

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

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

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

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

1988, c. 18, s. 27; 1990, c. 59, s. 157; 1995, c. 49, s. 88; 1997, c. 3, s. 71; 1998, c. 16, s. 127; 2000, c. 5, s. 93; 2005, c. 1, s. 92; 2015, c. 24, s. 62.

359.8.1. A corporation that issues a flow-through share to a person under an agreement and incurs, under the agreement and in a particular calendar year, expenses (in this section referred to as "Québec exploration expenses") that relate to a renunciation in respect of which an amount would be included in the aggregate described in subparagraph *a* of the second paragraph of section 1129.60 for the purpose of computing the tax that it would be required, but for this section, to pay for a month included in the preceding calendar year under section 1129.60, is, for the purposes of either section 359.2 or section 359.2.1 and paragraph *b* of section 359.2.2, deemed to have incurred the expenses on the last day of the calendar year that precedes the preceding calendar year, if

(a) section 359.8 applied in respect of the Québec exploration expenses that the corporation incurred under the agreement in the preceding calendar year and that relate to the renunciation;

(b) the agreement stipulates that the Québec exploration expenses were to be incurred in the preceding calendar year; and

(c) the Minister is of the opinion that the Québec exploration expenses that were to be incurred under the agreement in the preceding calendar year could not be incurred because of circumstances beyond the corporation's control.

The first paragraph does not apply in respect of an agreement entered into after 31 December 2018 and before 1 January 2021.

2009, c. 5, s. 128; 2021, c. 36, s. 66.

359.9. A corporation is deemed

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

(b) not to have renounced under section 359.2.1 to a corporation, trust or partnership any Canadian development expenses if, in respect of the renunciation, it has a prohibited relationship with the corporation, trust or partnership and if the expenses are not expenses renounced to another corporation that renounces under section 359.2 any Canadian exploration expense deemed to have been incurred by it because of the renunciation under section 359.2.1;

(c) not to have renounced under section 359.2.1 any Canadian development expenses deemed to have been incurred by it because of a renunciation under section 359.4; and

(d) not to have renounced under section 359.2 to a corporation, trust or partnership any Canadian exploration expenses that are deemed to have been incurred by it because of a renunciation under section 359.2.1 if, in respect of the renunciation under section 359.2, it has a prohibited relationship with the corporation, trust or partnership and if the expenses are not expenses ultimately renounced by another corporation under section 359.2 to an individual, other than a trust, or to a corporation, trust or partnership with which that other corporation does not have, in respect of that ultimate renunciation, a prohibited relationship.

1988, c. 18, s. 27; 1995, c. 49, s. 89; 1997, c. 3, s. 71; 1998, c. 16, s. 128.

359.9.1. For the purposes of section 359.9, where a corporation, in paragraph *b* referred to as the "shareholder corporation", trust or partnership gave consideration under a particular agreement for the issue of a flow-through share of a particular corporation, the particular corporation has, in respect of a renunciation under section 359.2 or 359.2.1 in respect of the share, a prohibited relationship

(a) with the trust if, at any time after the particular agreement was entered into and before the share is issued to the trust, the particular corporation or any corporation related to it is beneficially interested in the trust;

(b) with the shareholder corporation if, immediately before the particular agreement was entered into, the shareholder corporation was related to the particular corporation; or

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

i. the particular corporation, or

ii. any other corporation that, at any time after the particular agreement was entered into and before that part of the amount renounced would, but for this paragraph, be incurred, would, if flow-through shares issued by the particular corporation under agreements entered into at the same time as or after the time the particular agreement was entered into were disregarded, be related to the particular corporation.

1995, c. 49, s. 90; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1998, c. 16, s. 129.

359.10. A corporation that agrees to issue or prepares a selling instrument in respect of flow-through shares shall file with the Minister a prescribed form together with the amount of $200 and a copy of the selling instrument or agreement to issue the shares on or before the last day of the month following the earlier of

(a) the month in which the agreement to issue the shares is entered into, and

(b) the month in which the selling instrument is first delivered to a potential investor.

The Minister shall assign an identification number to the prescribed form and notify the corporation of the number.

1988, c. 18, s. 27; 1992, c. 31, s. 1; 1996, c. 39, s. 107; 1997, c. 3, s. 71.

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

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

1988, c. 18, s. 27; 1993, c. 16, s. 146; 1995, c. 49, s. 91; 1997, c. 3, s. 71; 1998, c. 16, s. 130.

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

(a) where the entitlement of any such member or former member to any part of such assistance is known by the partnership as of the end of the partnership's first fiscal period ending after the particular time and that part of such assistance was not required to be reported under paragraph *b* in respect of a calendar year ending

before the end of that fiscal period, the partnership shall, on or before the last day of the third month following the end of that fiscal period, file with the Minister a prescribed form indicating the share of that part of such assistance paid to each such member or former member before the end of that fiscal period or to which each such member or former member is entitled at the end of that fiscal period;

(b) where the entitlement of any such member or former member to any part of such assistance is known by the partnership at the end of a calendar year that ends after the particular time and that part of such assistance was not required to be reported under paragraph *a* in respect of a fiscal period ending on or before the end of that calendar year, or under this paragraph in respect of a preceding calendar year, the partnership shall, on or before the last day of the third month following the end of that calendar year, file with the Minister a prescribed form indicating the share of that part of such assistance paid to each such member or former member before the end of that fiscal period or to which each such member or former member is entitled at the end of that calendar year;

(c) where the prescribed form required to be filed under paragraph *a* or *b* is not so filed, the part of such expense relating to the assistance required to be reported in the prescribed form is deemed not to have been incurred by the partnership.

1993, c. 16, s. 147; 1997, c. 3, s. 71; 1998, c. 16, s. 131.

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

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

1988, c. 18, s. 27; 1993, c. 16, s. 148; 1995, c. 49, s. 92; 1997, c. 3, s. 71; 1998, c. 16, s. 132.

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

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

1993, c. 16, s. 149; 1997, c. 3, s. 71; 1998, c. 16, s. 132.

359.12.1. A corporation or partnership may file with the Minister a document referred to in any of sections 359.10 to 359.12.0.1 after the particular day on or before which the document is required to be filed under the applicable section, if

(a) the document is filed on or before the day that is 90 days after the particular day, or after that day where, in the opinion of the Minister, the circumstances are such that it would be just and equitable to permit the document to be filed, and

(b) the corporation or partnership, as the case may be, pays to the Minister at the time of filing the penalty prescribed in section 359.12.2 in respect of the late filing.

The document filed in accordance with the first paragraph is deemed, except for the purposes of this section and section 359.12.2, to have been filed with the Minister on the day on or before which it was required to be filed under any of sections 359.10 to 359.12.0.1, as the case may be.

1990, c. 59, s. 158; 1993, c. 16, s. 150; 1997, c. 3, s. 71.

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

(a) the corporation renounces the amount on or before the day that is 90 days after the end of that period, or after the day that is 90 days after the end of that period where, in the opinion of the Minister, the circumstances are such that it would be just and equitable that the amount be renounced; and

(b) the corporation pays to the Minister the penalty payable under section 359.12.2 in respect of the renunciation on or before the day that is 90 days after the day of the renunciation.

1995, c. 49, s. 93; 1997, c. 3, s. 71; 1998, c. 16, s. 133.

359.12.2. For the purposes of sections 359.12.1 and 359.12.1.1, the penalty in respect of the late filing of a document referred to in any of sections 359.10 to 359.12.0.1, or in respect of a renunciation referred to in section 359.12.1.1, is equal to the lesser of $15,000 and

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

(b) where the penalty is in respect of the late filing of a document referred to in section 359.11.1 or 359.12.0.1, the greater of $100 and 0.25% of the assistance reported in the document;

(c) where the penalty is in respect of a renunciation referred to in section 359.12.1.1, the greater of $100 and 0.25% of the amount of the renunciation.

1990, c. 59, s. 158; 1993, c. 16, s. 150; 1995, c. 49, s. 94; 1998, c. 16, s. 134.

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

1988, c. 18, s. 27; 1995, c. 49, s. 95; 1997, c. 3, s. 71; 1998, c. 16, s. 135.

359.14. *(Repealed).*

1988, c. 18, s. 27; 1993, c. 16, s. 151; 1995, c. 49, s. 96; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1998, c. 16, s. 136.

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

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

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

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

(1) if section 359.8.1 applies in respect of expenses that were incurred in the calendar year that follows that in which the purported renunciation was made and that relate to the renunciation, at the end of that subsequent calendar year, and

(2) in any other case, at the end of the calendar year;

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

(c) if subparagraph ii of subparagraph *a* applies, the statement must be filed,

i. if section 359.8.1 applies in respect of expenses that were incurred in the calendar year that follows that in which the purported renunciation was made and that relate to the renunciation, before 1 March of the year that follows that subsequent calendar year, and

ii. in any other case, before 1 March of the calendar year that follows that in which the purported renunciation was made by the corporation; and

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

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

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

1988, c. 18, s. 27; 1995, c. 49, s. 97; 1997, c. 3, s. 71; 1998, c. 16, s. 137; 2009, c. 5, s. 129.

359.15.1. For the purpose of applying section 359.15 in respect of an agreement entered into after 31 December 2018 and before 1 January 2021 by a corporation for the issue of a flow-through share of the corporation, the first paragraph of that section is to be read as if "at the end of the calendar year" in subparagraph 2 of subparagraph ii of subparagraph *a* were replaced by "at the end of the calendar year that follows that in which the purported renunciation was made" and as if "before 1 March of the calendar year" in subparagraph ii of subparagraph *c* were replaced by "before 1 March of the second calendar year".

2021, c. 36, s. 67.

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

1988, c. 18, s. 27; 1993, c. 16, s. 152; 1997, c. 3, s. 71; 1998, c. 16, s. 138; 2015, c. 24, s. 63.

359.17. For the purposes of paragraph *c* of section 359.8, a partnership and a corporation are deemed, at all times in a calendar year,

(a) not to deal with each other at arm's length, if

i. an expense is deemed under section 359.3 to be incurred by the partnership,

ii. the expense would, but for paragraph *b* of section 359.3, be incurred in the calendar year by the corporation, and

iii. a share of the expense is included because of paragraph *d* of section 395 in the Canadian exploration expense of the corporation or of a member of the partnership with whom the corporation does not deal at arm's length at any time in the calendar year; and

(b) to deal with each other at arm's length, in any other case.

1988, c. 18, s. 27; 1993, c. 16, s. 152; 1997, c. 3, s. 71; 1998, c. 16, s. 139; 2005, c. 1, s. 93.

359.18. For the purposes of this division, section 181, paragraphs *c* to *g* of section 330, sections 333.1 to 333.3, 359 and 362 to 418.36, Division V, sections 600.1 and 600.2, subparagraph iv of subparagraph *a*.2 of the first paragraph of section 726.6 and subparagraph *b* of the second paragraph of section 1129.60 or 1129.60.1, where a person's share of an outlay or expense made or incurred by a partnership in a fiscal period of the partnership is referred to in respect of the person under paragraph *d* of any of sections 372, 395 and 408, under paragraph *e* of section 418.1.1, or under paragraph *b* of section 418.2, the portion of the outlay or expense so referred to is deemed, except for the purpose of applying sections 372, 372.1, 395 to 397, 408 to 410, 418.1.1, 418.1.2 and 418.2 to 418.4 in respect of the person, to have been made or incurred by the person at the end of that fiscal period.

1993, c. 16, s. 153; 1997, c. 3, s. 71; 1998, c. 16, s. 140; 2004, c. 8, s. 61; 2009, c. 5, s. 130.

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

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

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

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

1993, c. 16, s. 153; 1995, c. 49, s. 98; 1997, c. 3, s. 71; 1998, c. 16, s. 141.

DIVISION II

DEPLETION, AND EXPLORATION AND DEVELOPMENT EXPENSES

1975, c. 22, s. 68.

360. A taxpayer may deduct, in computing his income for a taxation year, the amount determined by regulation as an allowance in respect of a natural accumulation of petroleum or natural gas, oil or gas well, mineral resource or timber limit, or in respect of

(a) the processing of ore, other than iron ore or tar sands, from a mineral resource to any stage that is not beyond the prime metal stage or its equivalent;

(b) the processing of iron ore from a mineral resource to any stage that is not beyond the pellet stage or its equivalent;

(c) the processing of tar sands from a mineral resource to any stage that is not beyond the crude oil stage or its equivalent.

Such regulation may allow an amount for only a part of or for all of the natural accumulations of petroleum or natural gas, oil or gas wells or mineral resources in which the taxpayer has a right, or of the ore processing operations referred to in the first paragraph and carried on by the taxpayer, and the Government may prescribe a formula to determine such amount.

1972, c. 23, s. 327; 1973, c. 18, s. 12; 1986, c. 19, s. 68; 1987, c. 67, s. 80; 1996, c. 39, s. 273; 2020, c. 16, s. 62.

361. Where a deduction is permitted under section 360 in respect of a coal mine operated by a lessee, he may agree with his lessor as to what portion of the amount each may deduct, and, if they cannot agree, the Minister may determine that portion.

1972, c. 23, s. 328.

362. A development corporation may deduct, in computing its income for a taxation year, the aggregate of the Canadian exploration and development expenses it incurs before the end of the taxation year, to the extent that they were not deductible in computing its income for a previous taxation year, up to the amount which would be its income if no deduction were allowed under this section or section 360, 361 or 400, less the deductions allowed for the year under sections 738 to 749.

1972, c. 23, s. 329; 1973, c. 17, s. 37; 1973, c. 18, s. 13; 1975, c. 22, s. 69; 1978, c. 26, s. 57; 1997, c. 3, s. 71.

363. A development corporation is, for the purposes of this chapter, a corporation whose principal business is any of, or a combination of,

(a) the production, refining or marketing of petroleum, petroleum products or natural gas,

(a.1) exploring or drilling for petroleum or natural gas,

(b) mining or exploring for minerals,

(c) the processing of mineral ores for the purpose of recovering metals or minerals from the ores,

(d) the processing or marketing of metals or minerals that were recovered from mineral ores and that include metals or minerals recovered from mineral ores processed by the corporation,

(e) the fabrication of metals,

(f) the operation of a pipeline for the transmission of oil or gas,

(f.1) the production or marketing of calcium chloride, sodium chloride, gypsum, kaolin or potash,

(g) the manufacturing of products, where the manufacturing involves the processing of calcium chloride, sodium chloride, gypsum, kaolin or potash,

(h) the generation or distribution of energy, or the production of fuel, using property described in Class 43.1 or 43.2 in Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1); and

(i) the development of projects for which it is reasonable to expect that at least 50% of the capital cost of the depreciable property to be used in each project is the capital cost of property described in Class 43.1 or 43.2 in Schedule B to the Regulation respecting the Taxation Act.

A development corporation is also, for the purposes of this chapter, a corporation all or substantially all of the assets of which are shares of the capital stock or indebtedness of one or more development corporations that are related to the corporation otherwise than because of a right referred to in paragraph *b* of section 20.

1972, c. 23, s. 330; 1975, c. 22, s. 70; 1989, c. 77, s. 35; 1995, c. 49, s. 99; 1997, c. 3, s. 71; 1998, c. 16, s. 142; 2000, c. 39, s. 23; 2001, c. 7, s. 43; 2010, c. 5, s. 42; 2011, c. 34, s. 29.

364. For the purposes of this chapter, Canadian exploration and development expenses are the expenses incurred before 7 May 1974 in the case of an oil business and before 1 April 1975 in the case of a mining business which are:

(a) exploration or drilling expenses, including the costs of general geological or geophysical studies, incurred after 1971 for exploration or drilling for petroleum or natural gas in Canada;

(b) prospecting, exploration or development expenses incurred after 1971 in searching for minerals in Canada;

(c) the cost of any Canadian resource property acquired by the taxpayer after 1971;

(d) the share of the taxpayer in Canadian exploration and development expenses incurred after 1971 by an association, partnership or syndicate, during one of their fiscal periods, in which he was a member or partner at the end of the fiscal period;

(e) the expenses incurred after 1971 by the taxpayer pursuant to an agreement with a corporation under which he so incurs such expenses solely as consideration for shares of the capital stock of the corporation or an interest or right in those shares, to the extent that those expenses are incurred as the cost of activities connected with the expenses contemplated in paragraph *a* or *b* or as the cost of acquisition of property contemplated in paragraph *c*; and

(f) any annual payment made by the taxpayer for the preservation of a Canadian resource property.

1972, c. 23, s. 331; 1973, c. 17, s. 38; 1975, c. 22, s. 71; 1986, c. 19, s. 69; 1997, c. 3, s. 71; 2000, c. 5, s. 94.

365. However, Canadian exploration and development expenses shall not include, for the purposes of this chapter:

(a) any consideration given for any share, interest or right relating to it, except as provided in paragraph *e* of section 364; or

(b) any expenses contemplated in paragraph *e* of section 364 and incurred by another taxpayer, to the extent that the obligation of that other taxpayer to incur such expenses constituted for him, under the said paragraph, Canadian exploration and development expenses.

1972, c. 23, s. 332; 1973, c. 17, s. 39.

366. For the purposes of this chapter, drilling or exploration expenses include the expenses incurred for drilling or converting a well for the disposal of waste liquids from a petroleum or natural gas well or for injection of water or gas to assist in the recovery of petroleum or natural gas from another well. They also include expenses incurred in drilling for water or gas for injection into a petroleum or natural gas formation.

1972, c. 23, s. 333; 1975, c. 22, s. 72.

367. A corporation not contemplated in paragraph *a* or *b* of section 363, whose principal activity is production or marketing of sodium chloride or potash or whose activity includes manufacturing products the manufacturing of which involves processing of these substances may deduct, in computing its income, the exploration or drilling expenses which it incurs before 7 May 1974 in searching for halite or sylvite.

1972, c. 23, s. 334; 1975, c. 22, s. 73; 1997, c. 3, s. 71.

368. A taxpayer other than a development corporation may deduct in computing his income for a taxation year the aggregate of the Canadian exploration and development expenses he incurs, to the extent that they were not deducted in computing his income for a previous taxation year.

1972, c. 23, s. 335; 1986, c. 19, s. 70; 1997, c. 3, s. 71.

369. *(Replaced).*

1972, c. 23, s. 336; 1973, c. 17, s. 40; 1973, c. 18, s. 14; 1975, c. 22, s. 74; 1977, c. 26, s. 34; 1978, c. 26, s. 58; 1980, c. 11, s. 54; 1982, c. 5, s. 83; 1986, c. 19, s. 70.

370. In this chapter, a Canadian resource property of a taxpayer is any property of the taxpayer which is

(a) any right, licence or privilege to explore for, drill for or take petroleum, natural gas or other related hydrocarbons in Canada;

(b) any right, licence or privilege to prospect, explore, drill or mine for minerals in a mineral resource in Canada, other than a bituminous sands deposit or an oil shale deposit, or to store underground petroleum, natural gas or other related hydrocarbons in Canada;

(c) any oil or gas well in Canada or any immovable property in Canada the value of which depends primarily upon its petroleum, natural gas or related hydrocarbon content (not including any depreciable property);

(d) any right to a rental or royalty computed by reference to the amount or value of production from an oil or gas well in Canada, or from a natural accumulation of petroleum, natural gas or related hydrocarbon in Canada, if the payer of the rental or royalty has a right in the well or accumulation, as the case may be, and 90% or more of the rental or royalty is payable out of, or from the proceeds of, the production from the well or accumulation;

(d.1) any right to a rental or royalty computed by reference to the amount or value of production from a mineral resource in Canada, other than a bituminous sands deposit or an oil shale deposit, if the payer of the rental or royalty has a right in the mineral resource and 90% or more of the rental or royalty is payable out of, or from the proceeds of, the production from the mineral resource;

(e) any immovable property in Canada (not including any depreciable property) the value of which depends primarily upon its mineral resource content, other than where the mineral resource is a bituminous sands deposit or an oil shale deposit;

(f) any right in or to any property described in any of paragraphs *a* to *d*.1, other than such a right that the taxpayer has because the taxpayer is a beneficiary under a trust or a member of a partnership; or

(g) a real right in an immovable property described in paragraph *e*, other than such a right that the taxpayer has because the taxpayer is a beneficiary under a trust or a member of a partnership.

1972, c. 23, s. 337; 1975, c. 22, s. 75; 1980, c. 13, s. 30; 1982, c. 5, s. 84; 1986, c. 19, s. 71; 1987, c. 67, s. 81; 1995, c. 49, s. 236; 2004, c. 8, s. 62; 2005, c. 1, s. 94; 2012, c. 8, s. 50; 2020, c. 16, s. 63.

371. A taxpayer who is resident in Canada throughout a taxation year may deduct, in computing the taxpayer's income for that year, the lesser of

(a) the amount by which the aggregate of all amounts by which the amount determined under this paragraph in respect of the taxpayer is required, because of section 485.8, to be reduced at or before the end of the year is exceeded by the aggregate of the foreign exploration and development expenses, to the extent that they were not deductible in computing the taxpayer's income for a previous taxation year, incurred by the taxpayer

i. before the end of the year,

ii. at a time at which the taxpayer was resident in Canada, and

iii. where the taxpayer became resident in Canada before the end of the year, after the last time, before the end of the year, that the taxpayer became resident in Canada; and

(b) the amount computed under section 374.

1972, c. 23, s. 338; 1975, c. 22, s. 76; 1996, c. 39, s. 108; 2004, c. 8, s. 63.

372. In this chapter, the foreign exploration and development expenses of a taxpayer means

(a) any exploration or drilling expense, including any general geological or geophysical expense, incurred by the taxpayer on or in respect of exploring or drilling for petroleum or natural gas outside Canada;

(b) any expense incurred by the taxpayer for the purpose of determining the existence, location, extent or quality of a mineral resource outside Canada, including any expense incurred in the course of prospecting, carrying out geological, geophysical or geochemical surveys, drilling, trenching, digging test pits or preliminary sampling;

(c) the cost to the taxpayer of any foreign resource property acquired by the taxpayer;

(d) subject to section 418.37, the taxpayer's share of the foreign exploration and development expenses incurred by a partnership in a fiscal period of the partnership, where the taxpayer was a member of the partnership at the end of that fiscal period; and

(e) any annual payment made by the taxpayer for the preservation of a foreign resource property.

1972, c. 23, s. 339; 1975, c. 22, s. 77; 1980, c. 13, s. 31; 1990, c. 59, s. 159; 2004, c. 8, s. 64.

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

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

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

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

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

(e) an expenditure that is the cost, or any part of the cost, to the taxpayer of any depreciable property of a prescribed class that was acquired after 21 December 2000;

(f) foreign resource expenses in relation to a country; or

(g) an expenditure incurred after 27 February 2000, unless the expenditure was incurred

i. pursuant to an agreement in writing entered into by the taxpayer before 28 February 2000,

ii. for the purpose of enabling the taxpayer to acquire foreign resource property,

iii. for the purpose of enhancing the value of foreign resource property that the taxpayer owned at the time the expenditure was incurred or that the taxpayer had a reasonable expectation of owning after that time, or

iv. for the purpose of assisting in evaluating whether a foreign resource property is to be acquired by the taxpayer.

1998, c. 16, s. 143; 2004, c. 8, s. 65.

372.2. In this chapter, the specified foreign exploration and development expense of a taxpayer in relation to a country other than Canada means the following expenses that are foreign exploration and development expenses of the taxpayer:

(a) any exploration or drilling expense, including any general geological or geophysical expense, incurred by the taxpayer on or in respect of exploring or drilling for petroleum or natural gas in that country;

(b) any expense incurred by the taxpayer after 21 December 2000, otherwise than pursuant to an agreement in writing entered into before 22 December 2000, for the purpose of determining the existence, location, extent or quality of a mineral resource in that country, including any expense incurred in the course of prospecting, carrying out geological, geophysical or geochemical surveys, drilling, trenching, digging test pits or preliminary samplings;

(c) any prospecting, exploration or development expense incurred by the taxpayer before 22 December 2000, or after 21 December 2000 pursuant to an agreement in writing entered into before 22 December 2000, in searching for minerals in that country;

(d) the cost to the taxpayer of any of the taxpayer's foreign resource properties in relation to that country;

(e) any annual payment made by the taxpayer in a taxation year of the taxpayer for the preservation of a foreign resource property in relation to that country;

(f) an amount deemed by section 181 or 182 to be a foreign exploration and development expense incurred by the taxpayer, to the extent that it can reasonably be considered to relate to an amount that, without reference to this paragraph and paragraph *g*, would be a specified foreign exploration and development expense in relation to that country; and

(g) subject to section 418.37, the taxpayer's share of the specified foreign exploration and development expenses of a partnership incurred in a fiscal period of the partnership in relation to that country, where the taxpayer was a member of the partnership at the end of that fiscal period.

2004, c. 8, s. 66.

373. In this chapter, a foreign resource property means a property that would be referred to in section 370, if

(a) in the case of a foreign resource property in relation to a country, the references in that section to "Canadian resource property of a taxpayer" in the portion before paragraph *a* and "in Canada" wherever it appears in paragraphs *a* to *e* were read as references to "foreign resource property of a taxpayer in relation to a country" and "in that country", respectively; and

(b) in any other case, the references in that section to "Canadian" in the portion before paragraph *a* and "in Canada" wherever it appears in paragraphs *a* to *e* were read as references to "foreign" and "outside Canada", respectively.

1972, c. 23, s. 340; 2004, c. 8, s. 67.

374. The amount to which paragraph *b* of section 371 refers is the greater of

(a) the amount claimed by the taxpayer not exceeding 10% of the amount determined under paragraph *a* of section 371 in respect of the taxpayer for the year; and

(b) the total of

i. that part of the taxpayer's income for the year, determined without reference to sections 371 and 418.1.10, that can reasonably be attributed to the production of petroleum or natural gas from a natural accumulation of petroleum or natural gas outside Canada or from oil or gas wells outside Canada, or to the production of minerals from mines outside Canada,

ii. the taxpayer's income for the year from royalties in respect of a natural accumulation of petroleum or natural gas outside Canada, an oil or gas well outside Canada or a mine outside Canada, determined without reference to sections 371 and 418.1.10, and

iii. the aggregate of all amounts each of which is an amount, in respect of a foreign resource property that has been disposed of by the taxpayer, equal to the amount by which the amount included in computing the taxpayer's income for the year by reason of paragraph *a* of section 330 in respect of that disposition exceeds the aggregate of all amounts each of which is that portion of an amount deducted under section 418.17 in computing the taxpayer's income for the year that can reasonably be considered to be in respect of the foreign resource property, but cannot reasonably be considered to have reduced the amount otherwise determined under subparagraph i or ii in respect of the taxpayer for the year.

1972, c. 23, s. 341; 1973, c. 17, s. 41; 1973, c. 18, s. 15; 1975, c. 22, s. 78; 1977, c. 26, s. 35; 1978, c. 26, s. 59; 1986, c. 19, s. 72; 1987, c. 67, s. 82; 1996, c. 39, s. 109; 2004, c. 8, s. 67.

374.1. The portion of an amount deducted under section 371 in computing a taxpayer's income for a taxation year that can reasonably be considered to be in respect of specified foreign exploration and development expenses of the taxpayer in relation to a country is considered as being attributable to a source in that country.

2004, c. 8, s. 68.

374.2. For the purposes of section 374.1, where a taxpayer has incurred specified foreign exploration and development expenses in relation to two or more countries, an allocation to each of those countries for a taxation year shall be determined in a manner that is

(a) reasonable having regard to all the circumstances, including the level and timing of

i. the taxpayer's specified foreign exploration and development expenses in relation to that country, and

ii. the profits or gains to which those expenses relate; and

(b) not inconsistent with the allocation made under section 374.1 for the preceding taxation year.

2004, c. 8, s. 68.

374.3. Where at any time in a taxation year an individual becomes or ceases to be resident in Canada, the following rules apply:

(a) sections 371 and 374 apply to the individual as if the year were the period or periods in the year throughout which the individual was resident in Canada; and

(b) for the purposes of sections 371 and 374, section 393.1 does not apply to the individual for the year.

2004, c. 8, s. 68.

375. Sections 330 to 333, 368, 371, 374, 395 to 418.12 and 418.16 to 418.36 do not apply in computing the income for a taxation year of a taxpayer, other than a development corporation, if the business of such taxpayer includes trading or dealing in rights, licences or privileges to explore for, drill for or take minerals, petroleum, natural gas or other related hydrocarbons.

1972, c. 23, s. 342; 1975, c. 22, s. 79; 1982, c. 5, s. 85; 1993, c. 16, s. 154; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 2023, c. 19, s. 29.

376. *(Repealed).*

1972, c. 23, s. 343; 1973, c. 18, s. 16; 1975, c. 22, s. 80; 1978, c. 26, s. 60; 1985, c. 25, s. 66; 1986, c. 19, s. 73; 1989, c. 77, s. 36.

377. *(Repealed).*

1972, c. 23, s. 344; 1975, c. 22, s. 81; 1978, c. 26, s. 61; 1980, c. 13, s. 32; 1980, c. 11, s. 54; 1985, c. 25, s. 67; 1986, c. 19, s. 74; 1987, c. 67, s. 83; 1989, c. 77, s. 36.

378. *(Repealed).*

1972, c. 23, s. 345; 1973, c. 18, s. 18; 1975, c. 22, s. 82; 1978, c. 26, s. 62; 1985, c. 25, s. 68; 1986, c. 19, s. 75; 1989, c. 77, s. 36.

378.1. *(Repealed).*

1980, c. 13, s. 33; 1985, c. 25, s. 68; 1989, c. 77, s. 36.

379. *(Repealed).*

1972, c. 23, s. 346; 1975, c. 22, s. 83; 1980, c. 13, s. 34; 1985, c. 25, s. 68; 1989, c. 77, s. 36.

380. *(Repealed).*

1972, c. 23, s. 347; 1972, c. 26, s. 47; 1973, c. 17, s. 43; 1973, c. 18, s. 19; 1975, c. 22, s. 84; 1978, c. 26, s. 63; 1980, c. 11, s. 54; 1984, c. 15, s. 85; 1985, c. 25, s. 69; 1986, c. 19, s. 76; 1987, c. 67, s. 84; 1989, c. 77, s. 36.

381. *(Repealed).*

1972, c. 23, s. 348; 1978, c. 26, s. 64; 1997, c. 3, s. 71; 1998, c. 16, s. 144.

382. A joint exploration corporation is a development corporation which never had more than ten shareholders excluding any individual holding a share for the sole purpose of qualifying as a director.

1972, c. 23, s. 349; 1997, c. 3, s. 71.

383. *(Repealed).*

1972, c. 23, s. 350; 1973, c. 17, s. 44; 1975, c. 22, s. 85; 1977, c. 26, s. 36; 1978, c. 26, s. 65; 1982, c. 5, s. 86; 1985, c. 25, s. 70; 1997, c. 3, s. 71; 1998, c. 16, s. 144.

384. Where control of a corporation has been acquired after 31 March 1977 but before 13 November 1981 by a person or persons who did not control the corporation at the time it last ceased to carry on a qualified business, the following rules apply:

(a) the amount by which the Canadian exploration and development expenses or the foreign exploration and development expenses, as the case may be, incurred by the corporation before the time it ceased to carry on active business exceeds the aggregate of all amounts otherwise deductible respectively in respect of such expenses in computing its income for the taxation years ending before control was acquired, is deemed to have been deductible under sections 362 to 394 in computing its income for the taxation years ending before control was so acquired;

(b) the amount by which the cumulative Canadian exploration expenses, cumulative Canadian development expenses or cumulative Canadian oil and gas property expenses, as the case may be, at the time it ceased to carry on active business exceeds the aggregate of all amounts otherwise deducted under Division III, IV or IV.1, as the case may be, in computing its income for the taxation years ending after the time it ceased to carry on active business and before control was so acquired, is deemed to have been deducted under

the said divisions, respectively, in computing its income for the taxation years ending before control was so acquired.

1972, c. 23, s. 351; 1975, c. 22, s. 86; 1978, c. 26, s. 66; 1982, c. 5, s. 87; 1984, c. 15, s. 86; 1990, c. 59, s. 160; 1997, c. 3, s. 71.

384.1. *(Repealed).*

1984, c. 15, s. 87; 1985, c. 25, s. 71; 1986, c. 19, s. 77; 1987, c. 67, s. 85; 1989, c. 77, s. 37.

384.1.1. *(Repealed).*

1987, c. 67, s. 86; 1989, c. 77, s. 37.

384.2. *(Repealed).*

1984, c. 15, s. 87; 1985, c. 25, s. 72; 1986, c. 19, s. 78; 1989, c. 77, s. 37.

384.3. For the purposes of sections 384 and 418.26 to 418.29, where a corporation acquires control of another corporation between 12 November 1981 and 1 January 1983 by reason of the acquisition of shares of the other corporation pursuant to an agreement in writing concluded on or before 12 November 1981, it is deemed to have acquired control of it not later than 12 November 1981.

1984, c. 15, s. 87; 1989, c. 77, s. 38; 1997, c. 3, s. 71.

384.4. For the purposes of sections 371 to 374, 408 to 416 and 418.1 to 418.12, except as those sections apply for the purposes of sections 418.15 to 418.36, where, at a particular time, a taxpayer is subject to a loss restriction event, where, within the 12-month period that ended immediately before that time, the taxpayer, a partnership of which the taxpayer was a majority-interest partner or a trust of which the taxpayer was a majority-interest beneficiary, within the meaning of section 21.0.1, acquired a Canadian resource property or a foreign resource property, and where, immediately before the 12-month period began, the taxpayer was not a development corporation or the partnership or trust, if it were a corporation, would not be a development corporation,

(a) the property is deemed, subject to subparagraph *b*, to have been acquired by the taxpayer, partnership or trust at the particular time and not to have been acquired by it before that time; and

(b) where the property was disposed of by the taxpayer, partnership or trust before the particular time and was not reacquired by it before that time, the property is deemed to have been acquired by it immediately before the property was disposed of.

However, the first paragraph does not apply in the case of an acquisition of property that was owned by the taxpayer, partnership or trust or by a person that would, but for the definition of "controlled" in section 21.0.1, have been affiliated with the taxpayer throughout the period that began immediately before the 12-month period referred to in the first paragraph and ended at the time the property was acquired by the taxpayer, partnership or trust.

1989, c. 77, s. 39; 1997, c. 3, s. 71; 2000, c. 5, s. 95; 2017, c. 1, s. 118.

384.5. For the purposes of section 384.4, where the taxpayer referred to in that section was formed or created in the 12-month period referred to in the first paragraph of that section, the taxpayer is deemed to have been

(a) in existence throughout the period that began immediately before that 12-month period and ended immediately after it was formed or created; and

(b) affiliated, throughout the period referred to in paragraph *a*, with every person with whom it was affiliated, otherwise than because of a right referred to in paragraph *b* of section 20, throughout the period that

began when it was formed or created and ended immediately before the time at which the taxpayer was subject to the loss restriction event referred to in that section.

1989, c. 77, s. 39; 1997, c. 3, s. 71; 2000, c. 5, s. 95; 2017, c. 1, s. 118.

385. A taxpayer must deduct, in computing Canadian exploration and development expenses, any amount paid to him, before 7 May 1974 in the case of an oil business or before 1 April 1975 in the case of a mining business, as a subsidy, grant or assistance under an Act of Canada, to the extent provided by regulation.

He may however include any amount he pays after 1971 but before 7 May 1974 in the case of an oil business or before 1 April 1975 in the case a mining business, under such an Act of Canada, except interest.

1972, c. 23, s. 352; 1972, c. 26, s. 48; 1975, c. 22, s. 87.

386. Except as expressly otherwise provided in this Part, in computing a taxpayer's cumulative Canadian exploration expenses, there shall be deducted under paragraph *b* of section 399 the amount which, at a particular time in a taxation year, becomes receivable by the taxpayer as a result of a transaction made after 6 May 1974 in the case of an oil business, after 31 March 1975 in the case of a mining business or after 5 December 1996 in all other cases, in consideration of services rendered or property ceded by the taxpayer, if the original cost of those services or that property may reasonably be regarded as having been, for the taxpayer, primarily Canadian exploration expenses or Canadian exploration and development expenses, or as if it would have been such expenses if they had been incurred by the taxpayer after 1971 and before 7 May 1974 or before 1 April 1975, as the case may be.

1975, c. 22, s. 88; 2013, c. 10, s. 30.

387. Except as expressly otherwise provided in this Part, a taxpayer, in computing his cumulative Canadian development expenses, shall deduct under paragraph *c* of section 412 the amount which, at a particular time in a taxation year, becomes receivable by him in the cases described in section 386, if the original cost of the services or property contemplated therein may reasonably be regarded as having been, for him, primarily Canadian development expenses.

1975, c. 22, s. 88.

388. A taxpayer shall, in computing the taxpayer's foreign exploration and development expenses, deduct the amount that, at a particular time in a taxation year and as a result of a transaction that occurs after 6 May 1974, becomes receivable by the taxpayer as consideration for services rendered or property transferred by the taxpayer, if the original cost of the services or property can reasonably be regarded as having been primarily foreign exploration and development expenses of the taxpayer, or would have been so regarded if they had been incurred by the taxpayer after 1971 and section 372.1 were read without reference to paragraph *f* thereof.

1975, c. 22, s. 88; 2004, c. 8, s. 69.

389. The foreign exploration and development expenses of a taxpayer are deemed to be nil at the time referred to in section 388 where an amount is included in computing his income by virtue of paragraph *c* of section 330.

1975, c. 22, s. 88.

390. Sections 386 and 387 do not apply to a share or a Canadian resource property or to any right related thereto and section 388 does not apply to any foreign resource property.

1975, c. 22, s. 88; 1986, c. 19, s. 79.

390.1. Where an amount described in section 388 becomes receivable by a taxpayer at a particular time, there shall at that particular time be included in computing the amount determined under paragraph *c* of

section 418.1.4 in respect of the taxpayer and a country the amount designated under subparagraph ii of paragraph *c* of section 330 by the taxpayer in respect of that amount and that country.

2004, c. 8, s. 70.

390.2. Where an amount described in section 388 becomes receivable by a partnership in a fiscal period of the partnership, the share of a member of the partnership of that amount is deemed, for the purposes of paragraph *c* of section 330 and sections 388 and 390.1, to be an amount that became receivable by the member at the end of that fiscal period, that is described in section 388 in respect of the member and that has the same attributes for the member as it did for the partnership.

2004, c. 8, s. 70.

391. A taxpayer, in computing his cumulative Canadian exploration expenses, shall deduct under paragraph *b* of section 399 the amount that, at a particular time after 6 May 1974, becomes receivable by him from a person with whom he has made an agreement to unitize an oil or gas field in Canada in respect of Canadian exploration expenses, or Canadian exploration and development expenses or expenses that would have been such expenses if they had been incurred by him after 1971 and before 7 May 1974, incurred by the taxpayer in respect of the whole or any part of that field.

Furthermore, the person having to pay that amount shall, in computing his Canadian exploration expenses, include that amount at that time under paragraph *b* of section 395.

1975, c. 22, s. 88.

392. A taxpayer, in computing his cumulative Canadian development expenses, shall deduct under paragraph *c* of section 412 the amount that, at a particular time after 6 May 1974, becomes receivable by him from a person with whom he has made an agreement to unitize an oil or gas field in Canada in respect of Canadian development expenses incurred by the taxpayer in respect of the whole or any part of that field.

Furthermore, the person having to pay that amount shall, in computing his Canadian development expenses, include that amount at that time under paragraph *a* of section 408.

1975, c. 22, s. 88.

392.1. A taxpayer shall, in computing his cumulative Canadian oil and gas property expense, deduct under paragraph *c* of section 418.6 the amount which, at a particular time, becomes receivable by him from a person with whom he has entered into an agreement to unitize an oil or gas field in Canada in respect of Canadian oil and gas property expense incurred by the taxpayer in respect of that field or any part thereof.

Furthermore, the person who must pay such amount shall, in computing his Canadian oil and gas property expense, include it at that time under paragraph *a* of section 418.2.

1982, c. 5, s. 88.

392.2. Where a corporation designates an amount for a taxation year for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under subsection 14.1 of section 66 of the said Act, the amount designated shall be deducted in computing its cumulative Canadian exploration expenses at any time after the end of the year.

1987, c. 67, s. 87; 1997, c. 3, s. 71.

392.3. Where a corporation designates an amount for a taxation year for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under subsection 14.2 of section 66 of the said Act, the amount designated shall be deducted in computing its cumulative Canadian development expenses at any time after the end of the year.

1987, c. 67, s. 87; 1997, c. 3, s. 71.

393. The taxpayer who has incurred expenses or made outlays in respect of which a deduction is allowed by more than one provision of this chapter, may deduct them only once, and under the provision he elects.

1972, c. 23, s. 353; 1975, c. 22, s. 89; 1993, c. 16, s. 155.

393.1. Where a taxpayer has a taxation year that is less than 51 weeks, the amount determined for the year under any of the following provisions or first under subparagraph *c* of the first paragraph of section 418.20, shall not exceed the proportion of the amount otherwise determined under that provision or first under that subparagraph *c*, as the case may be, that the number of days in the year is of 365:

(a) paragraph *a* of section 374;

(b) subparagraphs *c* and *d* of the first paragraph of section 413;

(c) paragraph *b* of section 418.1.9, without reference to the aggregate last referred to in that paragraph;

(d) subparagraph i of paragraph *a* of section 418.1.10;

(e) subparagraph 2 of subparagraph ii of paragraph *a* of section 418.1.10;

(f) subparagraphs *b* and *c* of the first paragraph of section 418.7;

(g) the second paragraph of section 418.17.3;

(h) subparagraph i of subparagraph *a* of the first paragraph of section 418.20;

(i) subparagraph *b* of the first paragraph of section 418.20; and

(j) the second paragraph of section 418.21.

1989, c. 77, s. 40; 2004, c. 8, s. 71; 2021, c. 18, s. 37; 2021, c. 36, s. 68.

394. For the purposes of section 28, any amount deductible under the Act respecting the application of the Taxation Act (chapter I-4) in respect of this chapter is deemed deductible under this chapter.

1972, c. 23, s. 354.

DIVISION III

CANADIAN EXPLORATION EXPENSES

1975, c. 22, s. 90.

395. For the purposes of this chapter, "Canadian exploration expense" of a taxpayer means any expense incurred after 6 May 1974 in the case of an oil business, after 31 March 1975 in the case of a mining business or after 5 December 1996 in all other cases, to such extent as that expense is, as the case may be,

(a) any expense incurred by the taxpayer (other than an expense incurred in drilling or completing an oil or gas well or in building a temporary access road to, or preparing a site in respect of, any such well) for the purpose of determining the existence, location, extent or quality of an accumulation of petroleum or natural gas (other than a mineral resource) in Canada, including

i. a geological, geophysical or geochemical expense, or

ii. an expense for environmental studies or community consultations (including studies or consultations that are undertaken to obtain a right, licence or privilege for the purpose of determining the existence, location, extent or quality of an accumulation of petroleum or natural gas in Canada);

*(a.*1*)* any expense, including clearing , removing overburden and stripping, sinking a well and constructing an adit or other underground entry, incurred by him after 31 March 1985 for the purpose of bringing a natural accumulation of petroleum or natural gas, other than a mineral resource, in Canada into production other than an expense incurred in drilling or completing an oil or gas well or in building a temporary access road to, or preparing a site in respect of any such well and incurred prior to the commencement of the production, other than the production from an oil or gas well, in reasonable commercial quantities from such accumulation;

(b) any expense incurred before 1 April 1987, in drilling or completing an oil or gas well in Canada, or in building a temporary access road to, or preparing a site in respect of, any such well, incurred by him in the year or in any previous year, and included by him in computing his Canadian development expenses for a previous taxation year, if the drilling of the well is completed within six months after the end of the year and

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

ii. it is reasonable to expect that the well cannot come into production in commercial quantities within 12 months of its completion;

*(b.*1*)* any expense incurred by him after 31 March 1987 and in a taxation year of the taxpayer, in drilling or completing an oil or gas well in Canada, or in building a temporary access road to, or preparing a site in respect of, any such well if

i. the drilling or completing of the well resulted in the discovery of a natural underground reservoir containing petroleum or natural gas, where

(1) before the time of the discovery, no person or partnership had discovered that the reservoir contained either petroleum or natural gas;

(2) the discovery occurred at any time before six months after the end of the year; and

(3) the expense is incurred before 1 January 2019, excluding an expense that is deemed to have been incurred on 31 December 2018 under section 359.8, or before 1 January 2021 in connection with an obligation in writing entered into by the taxpayer before 22 March 2017, including an obligation towards a government under the terms of a license or permit, excluding an expense that is deemed to have been incurred on 31 December 2020 under section 359.8;

ii. the well is abandoned in the year or within six months after the end of the year without ever having produced otherwise than for specified purposes;

iii. the period of 24 months commencing on the day of completion of the drilling of the well ends in the year, the expense was incurred within that period and in the year and the well has not within that period produced otherwise than for specified purposes; or

iv. the certificate referred to in subparagraph iv of paragraph *d* of the definition of "Canadian exploration expenses" in subsection 6 of section 66.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), in respect of a well has been filed with the Minister, in respect of the well, on or before the day that is six months after the end of the taxation year of the taxpayer in which the drilling of the well was commenced;

*(b.*2*)* any expense deemed under section 399.3 to be a Canadian exploration expense incurred by him;

(c) any expense incurred by the taxpayer (other than an expense incurred in drilling or completing an oil or gas well or in building a temporary access road to, or preparing a site in respect of, any such well) for the purpose of determining the existence, location, extent or quality of a mineral resource in Canada including any expense incurred in the course of prospecting, carrying out geological, geophysical or geochemical surveys, drilling and trenching or digging test pits or preliminary sampling and any expense for environmental studies or community consultations (including, despite subparagraph i, studies or consultations that are

undertaken to obtain a right, licence or privilege for the purpose of determining the existence, location, extent or quality of such a mineral resource), but not including

i. any Canadian development expense, and

ii. any expense that may reasonably be related to a mine in the mineral resource that has come into production in reasonable commercial quantities or to an actual or potential extension of such a mine;

(c.1*)* any expense incurred by the taxpayer after 16 November 1978 and before 21 March 2013 for the purpose of bringing a new mine in a mineral resource in Canada, other than a bituminous sands deposit or an oil shale deposit, into production in reasonable commercial quantities, including any expense for clearing, removing overburden and stripping, sinking a mine shaft and constructing an adit or other underground entry, to the extent that the expense was incurred prior to the commencement of production from the new mine in reasonable commercial quantities;

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

(c.3*)* any expense incurred by the taxpayer after 21 March 2011 that is an eligible oil sands mine development expense or a specified oil sands mine development expense;

(c.4*)* any expense that would be described in paragraph *c*.1 if that paragraph were read as if "21 March 2013" were replaced by "1 January 2017" and that is incurred by the taxpayer

i. in accordance with an agreement in writing entered into by the taxpayer before 21 March 2013, or

ii. as part of the development of a new mine, if

(1) construction work in relation to the new mine, other than work that involves obtaining permits or regulatory approvals, conducting environmental assessments, community consultations or impact benefit studies, and similar activities, was started by, or on behalf of, the taxpayer before 21 March 2013, or

(2) engineering and design work for the construction of the new mine, as evidenced in writing, other than work that involves obtaining permits or regulatory approvals, conducting environmental assessments, community consultations or impact benefit studies, and similar activities, was started by, or on behalf of, the taxpayer before 21 March 2013;

(c.5*)* the portion of any expense not described in paragraph *c*.4 that would be described in paragraph *c*.1 if that paragraph *c*.1 were read as if "21 March 2013" were replaced by "1 January 2018" and that is

i. 100% of the expense if it is incurred before 1 January 2015,

ii. 80% of the expense if it is incurred in the calendar year 2015,

iii. 60% of the expense if it is incurred in the calendar year 2016, and

iv. 30% of the expense if it is incurred in the calendar year 2017;

(d) subject to section 418.37, the taxpayer's share of the expenses described in paragraphs *a* to *b*.1 and *c* to *c*.5 and incurred by a partnership in a fiscal period of the partnership, if at the end of the period the taxpayer is a member of the partnership; or

(e) an expense described in paragraphs *a* to *c*.1 incurred by him pursuant to an agreement in writing with a corporation entered into before 1 January 1987, under which he incurs that expense solely as consideration

for a share, except a prescribed share, of the capital stock of that corporation issued to him or any right in or to such a share.

1975, c. 22, s. 90; 1980, c. 13, s. 35; 1982, c. 5, s. 89; 1984, c. 15, s. 88; 1986, c. 15, s. 80; 1986, c. 19, s. 80; 1987, c. 67, s. 88; 1988, c. 18, s. 28; 1990, c. 59, s. 161; 1992, c. 1, s. 33; 1995, c. 49, s. 100; 1997, c. 3, s. 71; 1998, c. 16, s. 145; 2004, c. 8, s. 72; 2012, c. 8, s. 51; 2013, c. 10, s. 31; 2015, c. 24, s. 64; 2017, c. 29, s. 62; 2020, c. 16, s. 64.

395.1. For the purposes of subparagraph iv of paragraph *b*.1 of section 395, a certificate in respect of an oil or gas well issued by the Minister of Natural Resources of Canada is deemed never to have been issued and never to have been filed with the Minister if it is deemed, under subsection 10 of section 66.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), never to have been so issued and never to have been filed with the Minister of Revenue of Canada.

1990, c. 59, s. 162; 1996, c. 39, s. 110; 2000, c. 5, s. 293.

395.2. For the purposes of paragraph *c*.3 of section 395, "eligible oil sands mine development expense" means the aggregate of all amounts each of which is the product obtained by multiplying, by the percentage specified in the second paragraph, an expense (other than an expense that is a specified oil sands mine development expense described in section 395.3) that is incurred by a taxpayer after 21 March 2011 but on or before 31 December 2015 and that would be described in paragraph *c*.1 of section 395 if that paragraph were read without reference to "and before 21 March 2013" and ", other than a bituminous sands deposit or an oil shale deposit,".

The percentage to which the first paragraph refers, in relation to an expense, is

(a) 100% if the expense is incurred on or before 31 December 2012;

(b) 80% if the expense is incurred in the calendar year 2013;

(c) 60% if the expense is incurred in the calendar year 2014; and

(d) 30% if the expense is incurred in the calendar year 2015.

2012, c. 8, s. 52; 2015, c. 24, s. 65.

395.3. For the purposes of paragraph *c*.3 of section 395, "specified oil sands mine development expense" means an expense that is incurred by a taxpayer after 21 March 2011 but on or before 31 December 2014 to achieve completion of a specified oil sands mine development project of the taxpayer and that would be described in paragraph *c*.1 of section 395 if that paragraph were read without reference to "and before 21 March 2013" and ", other than a bituminous sands deposit or an oil shale deposit,".

For the purposes of this section,

"bitumen mine development project", of a taxpayer, means a project the taxpayer undertakes for the sole purpose of developing a new mine to extract and process tar sands from a mineral resource of the taxpayer to produce bitumen or a similar product;

"bitumen upgrading development project", of a taxpayer, means a project the taxpayer undertakes for the sole purpose of constructing an upgrading facility to process bitumen or a similar feedstock (all or substantially all of which is from a mineral resource of the taxpayer) from a new mine to the crude oil stage or its equivalent;

"completion", of a specified oil sands mine development project, means the first attainment of a level of average output, attributable to the project and measured over a 60-day period, equal to at least 60% of the planned level of average daily output (as determined in paragraph *b* of the definition of "specified oil sands mine development project");

"designated asset", in respect of an oil sands mine development project of a taxpayer, means a property that is a building, a structure, machinery or equipment and is, or is an integral and substantial part of,

(a) in the case of a bitumen mine development project,

i. a crusher,

ii. a froth treatment plant,

iii. a primary separation unit,

iv. a steam generation plant,

v. a cogeneration plant, or

vi. a water treatment plant; or

(b) in the case of a bitumen upgrading development project,

i. a gasifier unit,

ii. a vacuum distillation unit,

iii. a hydrocracker unit,

iv. a hydrotreater unit,

v. a hydroprocessor unit, or

vi. a coker;

"oil sands mine development project", of a taxpayer, means a bitumen mine development project or a bitumen upgrading development project;

"preliminary work activity", in respect of a taxpayer's oil sands mine development project, means any activity that is preliminary to the acquisition, construction, fabrication or installation by or on behalf of the taxpayer of designated assets in respect of the project including, in particular, the following activities:

(a) obtaining permits or regulatory approvals;

(b) performing design or engineering work;

(c) conducting feasibility studies;

(d) conducting environmental assessments; and

(e) entering into contracts;

"specified oil sands mine development project", of a taxpayer, means an oil sands mine development project (not including any preliminary work activity) in respect of which

(a) one or more designated assets was, before 22 March 2011, acquired by the taxpayer or in the process of being constructed, fabricated or installed, by or on behalf of the taxpayer; and

(b) the planned level of average daily output (where that output is bitumen or a similar product in the case of a bitumen mine development project, or synthetic crude oil or a similar product in the case of a bitumen upgrading development project) that can reasonably be expected, is the lesser of

i. the level that was the demonstrated intention of the taxpayer on 21 March 2011 to produce from the oil sands mine development project, and

ii. the maximum level of output associated with the design capacity, on 21 March 2011, of the designated assets referred to in paragraph *a*.

2012, c. 8, s. 52; 2015, c. 24, s. 66.

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

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

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

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

(c.1) an expense that is the cost, or any part of the cost, to the taxpayer of any depreciable property of a prescribed class that was acquired after 31 December 1987;

(c.2) any expense, incurred in respect of a mineral resource before a new mine in the mineral resource comes into production in reasonable commercial quantity, that results in income earned, or that may reasonably be expected to result in income earned, before the new mine comes into production in reasonable commercial quantity, except to the extent that the aggregate of all such expenses exceeds the aggregate of those incomes if

i. the expense is otherwise described in paragraph *c* of section 395 and incurred, in respect of the resource, in prospecting, drilling, trenching, digging test pits or preliminary sampling, or

ii. the expense is otherwise described in paragraph *c*.1 of section 395;

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

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

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

1975, c. 22, s. 90; 1982, c. 5, s. 90; 1998, c. 16, s. 146; 2004, c. 8, s. 73; 2005, c. 1, s. 95; 2012, c. 8, s. 53; 2020, c. 16, s. 189.

397. Where a taxpayer has received or is entitled to receive after 25 May 1976 any assistance in respect of or related to his Canadian exploration expenses, the expenses contemplated in paragraphs *a* to *e* of section 395 shall not be reduced by the amount of such assistance.

1977, c. 26, s. 37; 1988, c. 18, s. 29.

398. In this chapter, cumulative Canadian exploration expenses of a taxpayer, at any time, means the amount by which the aggregate described in section 399 is exceeded by the aggregate of:

(a) the Canadian exploration expenses incurred by the taxpayer before that time;

(b) all amounts included in computing the taxpayer's income under paragraph *d* of section 330 for a taxation year ending before that time;

(b.1) all amounts determined under paragraph *a* of section 418.31.1 in respect of the taxpayer for a taxation year ending before that time;

(c) all amounts, except interest, paid by him after 6 May 1974 in the case of an oil business, or after 31 March 1975 in the case of a mining business, and before that time as a reimbursement of a subsidy, grant or assistance received before 25 May 1976 under a prescribed Act in respect of Canadian exploration and development expenses or Canadian exploration expenses;

(d) all amounts described in paragraph *b* of section 399 that, according to the evidence submitted by him, have become a bad debt before such time; and

(e) such part of an amount described in paragraph *e* of section 399 as has been repaid by him before that time pursuant to a legal obligation to repay all or any part of that amount.

1975, c. 22, s. 90; 1977, c. 26, s. 38; 1978, c. 26, s. 67; 1982, c. 5, s. 91; 1991, c. 25, s. 73; 1993, c. 16, s. 156; 1995, c. 49, s. 236; 2004, c. 8, s. 74; 2015, c. 24, s. 67.

399. The amounts required to be deducted in computing the cumulative Canadian exploration expenses of a taxpayer at the time referred to in section 398 are the aggregate of:

(a) all amounts deducted, or required to be deducted, in computing his income for a taxation year ending before that time in respect of such expenses;

(b) all amounts that become receivable by him before that time that are required to be deducted in computing such expenses under this paragraph by virtue of section 386 or 391;

(c) all amounts paid to him after 6 May 1974 in the case of an oil business, or after 31 March 1975 in the case of a mining business, and before 25 May 1976 as a subsidy, grant or assistance received under an Act, in respect of Canadian exploration and development expenses or Canadian exploration expenses, to the extent provided by the regulations;

(d) all amounts received by the taxpayer before such time in respect of a debt referred to in paragraph *d* of section 398;

(e) all amounts of assistance that he has received or is entitled to receive in respect of any Canadian exploration expense incurred after 31 December 1980 or that can reasonably be related to Canadian exploration activities after that date, to the extent that the assistance has not reduced his Canadian exploration expense by virtue of the third paragraph of section 399.3;

(e.1) all amounts by which his cumulative Canadian exploration expense is required, because of section 485.8, to be reduced at or before that time;

(f) all amounts that are required to be deducted before that time under section 392.2 in computing his cumulative Canadian exploration expenses;

(g) that portion of the aggregate of all amounts each of which is an amount deducted by the taxpayer under subsection 5 or 6 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for a taxation year ending before that time that may reasonably be attributed to an expenditure made in a preceding taxation year that is a qualified Canadian exploration expenditure, within the meaning of subsection 9 of section 127 of that Act, as it read for that preceding taxation year, or a pre-production mining expenditure, within the meaning of that subsection 9; and

(h) all amounts that are required to be deducted before that time under paragraph *b* of section 418.31 in computing his cumulative Canadian exploration expenses.

1975, c. 22, s. 90; 1977, c. 26, s. 39; 1982, c. 5, s. 92; 1987, c. 67, s. 89; 1988, c. 18, s. 30; 1989, c. 77, s. 41; 1990, c. 59, s. 163; 1995, c. 49, s. 101; 1996, c. 39, s. 111; 1997, c. 31, s. 47; 2005, c. 1, s. 96.

399.1. For the purposes of paragraph *e* of section 399, where, pursuant to a designation by a trust, an amount is required, under subsection 7 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to be added in computing the investment tax credit, within the meaning of

subsection 9 of section 127 of the said Act, of a taxpayer at the end of his taxation year, the portion thereof that can reasonably be considered to relate to an expenditure that, for a taxation year, is a qualified Canadian exploration expenditure, within the meaning of subsection 9 of section 127 of that Act, as it read for that year, of the trust is deemed to have been received by the trust at the end of its taxation year in respect of which the designation was made as assistance from a government in respect of that expenditure.

1988, c. 18, s. 31; 1997, c. 31, s. 48.

399.2. *(Repealed).*

1988, c. 18, s. 31; 1997, c. 3, s. 71; 1998, c. 16, s. 147.

399.3. Where at any time in a taxpayer's taxation year, one of the events described in the second paragraph occurs in respect of an oil or gas well of the taxpayer, the excess amount determined under the third paragraph is, for the purposes of this Part, deemed to be a Canadian exploration expense referred to in paragraph *b*.2 of section 395 incurred by the taxpayer at that time.

The events to which the first paragraph refers are the following:

(a) the drilling or completing of an oil or gas well resulted in the discovery of a natural underground reservoir containing petroleum or natural gas and, before the time of the discovery, no person or partnership had discovered that the reservoir contained either petroleum or natural gas;

(b) the period of 24 months commencing on the day of completion of the drilling of the oil or gas well ends and the well has not, within that period, produced otherwise than for specified purposes; or

(c) the oil or gas well is abandoned without ever having produced otherwise than for specified purposes.

The excess amount to which the first paragraph refers is the amount by which the aggregate of the following amounts exceeds any assistance that the taxpayer or a partnership of which the taxpayer is a member has received or is entitled to receive in respect of the expenses referred to in any of subparagraphs *a*, *b* and *c*:

(a) all Canadian development expenses, other than restricted expenses, described in subparagraph ii of paragraph *a* of section 408 in respect of the well that are deemed under section 359.5 or sections 417 and 418, as they read in respect of those expenses, to have been incurred by the taxpayer in the year or a preceding taxation year;

(b) all Canadian development expenses, other than restricted expenses, described in subparagraph ii of paragraph *a* of section 408 in respect of the well that are required under the second paragraph of section 392 to be included by the taxpayer in the amount referred to in paragraph *a* of section 408 for the year or a preceding taxation year; and

(c) all Canadian development expenses, other than expenses referred to in paragraph a or b and restricted expenses, described in subparagraph ii of paragraph a of section 408 incurred by the taxpayer in respect of the well in a taxation year preceding the year.

1988, c. 18, s. 31; 1997, c. 3, s. 71; 1998, c. 16, s. 148; 2001, c. 53, s. 64; 2004, c. 8, s. 75.

399.4. *(Repealed).*

1988, c. 18, s. 31; 1989, c. 77, s. 42.

399.5. *(Repealed).*

1988, c. 18, s. 31; 1989, c. 77, s. 42.

399.6. For the purposes of this chapter, the expression "restricted expense" of a taxpayer means an expense

(a) incurred by him before 1 April 1987;

(b) that is deemed under section 418 to have been incurred by him, or included by him in the amount referred to in paragraph *a* of section 408 by virtue of the second paragraph of section 392, to the extent that the expense was originally incurred before 1 April 1987;

(c) that was renounced by him under section 359.2.1 or 359.4 or section 417, as it read in respect of the renunciation;

(d) in respect of which an amount referred to in section 392 becomes receivable by him;

(e) deemed to be a Canadian exploration expense of the taxpayer or any other taxpayer by virtue of section 399.3; or

(f) where the taxpayer is a corporation, that was incurred by the corporation before the time control of the corporation was last acquired by a person or persons.

1988, c. 18, s. 31; 1995, c. 49, s. 102; 1997, c. 3, s. 71; 1998, c. 16, s. 149.

399.7. In this chapter,

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

"specified purpose" means

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

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

(c) any prescribed purpose.

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

1988, c. 18, s. 31; 1995, c. 49, s. 236; 1998, c. 16, s. 150; 2015, c. 36, s. 20.

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

(a) the aggregate of

i. the amount by which its cumulative Canadian exploration expenses at the end of the year exceed the amount, designated by it for the year for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under subsection 14.1 of section 66 of that Act, and

ii. the amount by which the aggregate determined under subparagraph i of paragraph *a* of section 418.31.1 in respect of the corporation for the year exceeds the amount that would be determined in respect of the corporation for the year under paragraph *d* of section 330 if the aggregate last referred to in that paragraph *d* were not taken into account; and

(b) the amount by which the amount that would be its income for the year if no deduction, other than a prescribed deduction, were allowed under this section and sections 360 and 361 exceeds the aggregate of all

amounts each of which is an amount deducted by the corporation under sections 738 to 749 in computing its taxable income for the year.

1975, c. 22, s. 90; 1978, c. 26, s. 68; 1982, c. 5, s. 93; 1987, c. 67, s. 90; 1993, c. 16, s. 157; 1995, c. 49, s. 103; 1997, c. 3, s. 71; 1998, c. 16, s. 151.

401. A taxpayer not contemplated in section 400 may deduct, in computing the income of the taxpayer for a taxation year, an amount not exceeding the aggregate of

(a) the amount by which the taxpayer's cumulative Canadian exploration expense at the end of the year exceeds the amount designated by the taxpayer for the year for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under subsection 14.1 of section 66 of the said Act, and

(b) the amount by which the aggregate determined under subparagraph i of paragraph *a* of section 418.31.1 in respect of the taxpayer for the year exceeds the amount that would be determined in respect of the taxpayer for the year under paragraph *d* of section 330 if the aggregate last referred to in the said paragraph *d* were not taken into account.

1975, c. 22, s. 90; 1977, c. 26, s. 40; 1978, c. 26, s. 69; 1979, c. 38, s. 13; 1980, c. 13, s. 36; 1982, c. 5, s. 94; 1986, c. 19, s. 81; 1987, c. 67, s. 91; 1993, c. 16, s. 157.

401.1. The expense of a taxpayer that is described in paragraph *c* or *c*.1 of section 395 and that, because of paragraph *c*.2 of section 396, is not included in the taxpayer's Canadian exploration expense is deemed not to be an amount or payment described in section 129.

2015, c. 24, s. 68.

402. *(Repealed).*

1975, c. 22, s. 90; 1978, c. 26, s. 70; 1985, c. 25, s. 73; 1986, c. 19, s. 81; 1987, c. 67, s. 91; 1988, c. 18, s. 32; 1989, c. 77, s. 43.

403. *(Repealed).*

1975, c. 22, s. 90; 1978, c. 26, s. 70; 1985, c. 25, s. 73; 1986, c. 19, s. 81; 1987, c. 67, s. 91; 1988, c. 18, s. 32; 1989, c. 77, s. 43.

404. *(Repealed).*

1975, c. 22, s. 90; 1978, c. 26, s. 70; 1980, c. 11, s. 54; 1980, c. 13, s. 37; 1985, c. 25, s. 74; 1986, c. 19, s. 82; 1987, c. 67, s. 92; 1989, c. 77, s. 43.

404.1. *(Repealed).*

1980, c. 13, s. 38; 1985, c. 25, s. 75; 1989, c. 77, s. 43.

405. *(Repealed).*

1975, c. 22, s. 90; 1978, c. 26, s. 70; 1980, c. 13, s. 39; 1985, c. 25, s. 75; 1988, c. 18, s. 33; 1989, c. 77, s. 43.

406. *(Repealed).*

1975, c. 22, s. 90; 1978, c. 26, s. 70; 1982, c. 5, s. 95; 1985, c. 25, s. 75; 1988, c. 18, s. 34; 1993, c. 16, s. 158; 1995, c. 49, s. 104; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1998, c. 16, s. 152.

407. *(Repealed).*

1975, c. 22, s. 90; 1978, c. 26, s. 70; 1985, c. 25, s. 75; 1997, c. 3, s. 71; 1998, c. 16, s. 152.

DIVISION IV

CANADIAN DEVELOPMENT EXPENSES

1975, c. 22, s. 90.

408. For the purposes of this chapter, "Canadian development expense of a taxpayer" means any cost or expense incurred after 6 May 1974 in the case of an oil business, or after 31 March 1975 in the case of a mining business, to the extent that such cost or expense constitutes

(a) an expense incurred by him in:

i. drilling or converting a well in Canada for the disposal of waste liquids from an oil or gas well;

ii. drilling or completing an oil or gas well in Canada, building a temporary access road to the well or preparing a site in respect of the well, to the extent that the expense was not a Canadian exploration expense of the taxpayer in the taxation year during which it was incurred;

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

iv. drilling for water or gas in Canada for injection into a petroleum or natural gas formation; or

v. drilling or converting a well in Canada for the purposes of monitoring fluid levels, pressure changes or other phenomena in an accumulation of petroleum or natural gas;

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

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

(b.0.1) any expense, or portion of any expense, that is not a Canadian exploration expense, incurred by the taxpayer for the purpose of bringing a new mine in a mineral resource in Canada that is a bituminous sands deposit or an oil shale deposit into production and incurred before the new mine comes into production in reasonable commercial quantities, including an expense for clearing the land, removing overburden and stripping, or building an entry ramp;

(b.0.2) any expense, or portion of any expense, that is not a Canadian exploration expense, incurred by the taxpayer after 20 March 2013 for the purpose of bringing a new mine in a mineral resource in Canada, other than a bituminous sands deposit or an oil shale deposit, into production in reasonable commercial quantities, including an expense for clearing, removing overburden and stripping, sinking a mine shaft and constructing an adit or other underground entry, to the extent that the expense was incurred prior to the commencement of production from the new mine in reasonable commercial quantities;

(b.1) any expense incurred by him after 31 December 1987, other than an amount included in the capital cost of a depreciable property,

i. in sinking or excavating a mine shaft, main haulage way or similar underground work designed for continuing use, for a mine in a mineral resource in Canada built or excavated after the mine came into production, or

ii. in extending any such shaft, haulage way or work;

(c) despite section 144, the cost to the taxpayer of a property described in any of paragraphs *b*, *d*.1 and *e* of section 370 or of a right in or to such a property, other than a right that the taxpayer has because the taxpayer is a beneficiary under a trust or a member of a partnership, including any payment for the preservation of a taxpayer's rights in respect of such a property or such a right, but excluding, except for the application of this paragraph to a taxation year that begins after 31 December 2007,

i. any payment made to a person referred to in section 90 for the preservation of a taxpayer's rights in respect of a Canadian resource property, and

ii. any payment to which subsection 1 of section 144 applies by reason of paragraph *b* of that subsection 1;

(d) subject to section 418.37, his share of any expense described in paragraphs *a* to *c* incurred by a partnership in a fiscal period thereof, if at the end of that fiscal period he was a member thereof, unless the taxpayer elects in respect of the share in prescribed form and manner on or before the day that is six months after the taxpayer's taxation year in which that period ends; or

(e) any cost or expense described in paragraphs *a* to *c* incurred by him pursuant to an agreement in writing with a corporation entered into before 1 January 1987, under which agreement he so incurs such cost or expense solely as consideration for a share, except a prescribed share, of the capital stock of that corporation issued to him or any right in or to such a share.

1975, c. 22, s. 90; 1977, c. 26, s. 41; 1978, c. 26, s. 71; 1980, c. 13, s. 40; 1982, c. 5, s. 96; 1984, c. 15, s. 89; 1985, c. 25, s. 76; 1986, c. 19, s. 83; 1988, c. 18, s. 35; 1990, c. 59, s. 164; 1994, c. 22, s. 153; 1997, c. 3, s. 71; 2005, c. 1, s. 97; 2012, c. 8, s. 54; 2015, c. 24, s. 69; 2020, c. 16, s. 65.

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

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

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

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

(c.1) an expense that is the cost, or any part of the cost, to the taxpayer of any depreciable property of a prescribed class that was acquired after 31 December 1987; or

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

1975, c. 22, s. 90; 1982, c. 5, s. 97; 1998, c. 16, s. 153; 2004, c. 8, s. 76; 2020, c. 16, s. 189.

410. Where a taxpayer has received or is entitled to receive after 25 May 1976 assistance in respect of or related to his Canadian development expenses, the expenses contemplated in paragraphs *a* to *e* of section 408 shall not be reduced by the amount of such assistance.

1977, c. 26, s. 42; 1988, c. 18, s. 36.

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

(a) the Canadian development expenses incurred by the taxpayer before that time;

(a.1*)* all amounts determined under paragraph *b* of section 418.31.1 in respect of the taxpayer for a taxation year ending before that time;

(b) all amounts included in computing the taxpayer's income under paragraph *e* of section 330 for a taxation year ending before that time;

(c) all amounts described in paragraph *b* or *c* of section 412 that, according to the evidence submitted by him, has become a bad debt before that time; and

(d) such part of an amount described in paragraph *h* of section 412 as has been repaid by him before that time pursuant to a legal obligation to repay all or any part of that amount.

1975, c. 22, s. 90; 1977, c. 26, s. 43; 1978, c. 26, s. 72; 1980, c. 13, s. 41; 1982, c. 5, s. 98; 1991, c. 25, s. 74; 1993, c. 16, s. 159; 1995, c. 49, s. 236; 2004, c. 8, s. 77; 2015, c. 24, s. 70.

412. The amounts required to be deducted in computing the cumulative Canadian development expenses of a taxpayer at the time referred to in section 411 are the aggregate of:

(a) all amounts deducted in computing his income for a taxation year ending before that time in respect of such expenses;

(b) all amounts each of which is, in respect of the disposition by the taxpayer before that time of a property described in any of paragraphs *b*, *d*.1 and *e* of section 370, of a property disposed of after 21 March 2011 which was described in any of those paragraphs and the cost of which when acquired by the taxpayer was included in the Canadian development expense of the taxpayer, or of any right in or to such a property, other than such a right that the taxpayer has by reason of being a beneficiary under a trust or a member of a partnership, equal to the amount by which

i. the amount by which the proceeds of disposition in respect of the property that became receivable by the taxpayer before that time but after 6 May 1974 in the case of an oil business or after 31 March 1975 in the case of a mining business, exceed the aggregate of the outlays or expenses that the taxpayer made or incurred before that time but after 6 May 1974 in the case of an oil business or after 31 March 1975 in the case of a mining business for the purpose of making the disposition and that were not otherwise deductible for the purposes of this Part, exceeds

ii. the amount by which the amount determined under the first paragraph of section 412.1 exceeds the amount determined under the second paragraph of that section;

iii. *(subparagraph repealed);*

(c) all amounts that become receivable by him before that time that are required to be deducted in computing such expenses under this paragraph by virtue of section 387 or 392;

(d) all amounts included by him under paragraph *a* of section 408 for a previous taxation year that have become Canadian exploration expenses of the taxpayer by virtue of paragraph *b* of section 395;

(d.1*)* all amounts that became, before that time, Canadian exploration expenses of the taxpayer by virtue of section 399.3;

(e) all amounts paid to him after 6 May 1974 in the case of an oil business, or after 31 March 1975 in the case of a mining business, and before 25 May 1976 as a subsidy, a grant or assistance received under an Act, in respect of Canadian development expenses, to the extent provided by the regulations;

(f) all amounts received by the taxpayer before that time in respect of a debt referred to in paragraph *c* of section 411;

(g) the amount by which the aggregate of all amounts determined under section 418.12 in respect of a taxation year of the taxpayer ending at or before that time, in this paragraph referred to as the "relevant time", exceeds the aggregate of all amounts each of which is the least of

i. the amount that would be determined under the second paragraph of section 418.19, at a time, in this paragraph referred to as the "particular time", that is the end of the latest taxation year of the taxpayer ending at or before the relevant time, in respect of the taxpayer as a corporation referred to in that section 418.19 in respect of a disposition, in this paragraph referred to as the "original disposition", of Canadian resource property by a person who is an original owner of the property because of the original disposition, if

(1) where the taxpayer has disposed of all or part of the property in circumstances in which section 418.19 applied, that section continued to apply to the taxpayer in respect of the original disposition as if each of the subsequent corporations contemplated in that section 418.19 were the same person as the taxpayer, and

(2) each designation made under subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 418.19 in respect of an amount that became receivable before the particular time were made before the particular time;

ii. the amount by which the aggregate of all amounts each of which became receivable at or before the particular time and before 1 January 1993 by the taxpayer and is included in computing the amount determined under subparagraph *b* of the second paragraph of section 418.21 in respect of the original disposition exceeds the amount by which

(1) where the taxpayer disposed of all or part of the property before the particular time in circumstances in which section 418.21 applied, the amount that would be determined at the particular time under subparagraph *a* of the second paragraph of section 418.21 in respect of the original disposition if that subparagraph continued to apply to the taxpayer in respect of the original disposition as if each of the subsequent corporations contemplated in that section 418.21 were the same person as the taxpayer or, in any other case, the amount determined at the particular time under subparagraph *a* of the second paragraph of section 418.21 in respect of the original disposition, exceeds

(2) the amount that would be determined at the particular time under subparagraph *b* of the second paragraph of section 418.21 in respect of the original disposition if that subparagraph were read without reference to the words "or by the corporation" or "or the corporation", wherever they appear therein, and if amounts that became receivable after 31 December 1992 were not taken into account; and

iii. nil, where

(1) after the original disposition and at or before the particular time, the taxpayer disposed of all or part of the property in circumstances in which section 418.19 applied, otherwise than by way of an amalgamation or merger or solely because of the application of subparagraph *a* of the first paragraph of section 418.26, and

(2) the winding-up of the taxpayer began at or before the relevant time or the taxpayer's disposition referred to in subparagraph 1, other than a disposition under an agreement in writing entered into before 22 December 1992, occurred after 21 December 1992;

(h) all amounts of assistance that he has received or is entitled to receive in respect of any Canadian development expense, including any amount that has become a Canadian exploration expense of the taxpayer by virtue of section 399.3, incurred after 31 December 1980 or that can reasonably be related to Canadian development activities after that date;

(h.1) all amounts by which his cumulative Canadian development expense is required, because of section 485.8, to be reduced at or before that time;

(i) all amounts required to be deducted before that time under section 392.3 in computing his cumulative Canadian development expenses;

(j) any amount that is required to be deducted before that time under paragraph *c* of section 418.31 in computing his cumulative Canadian development expense.

1975, c. 22, s. 90; 1977, c. 26, s. 44; 1980, c. 13, s. 42; 1982, c. 5, s. 99; 1984, c. 15, s. 90; 1985, c. 25, s. 77; 1986, c. 19, s. 84; 1987, c. 67, s. 93; 1988, c. 18, s. 37; 1989, c. 77, s. 44; 1995, c. 49, s. 105; 1996, c. 39, s. 112; 1997, c. 3, s. 71; 2004, c. 8, s. 78; 2009, c. 5, s. 131; 2012, c. 8, s. 55; 2020, c. 16, s. 66.

412.1. The first amount referred to in subparagraph ii of paragraph *b* of section 412 is the aggregate of all amounts each of which would be determined under the second paragraph of section 418.19, immediately before the time, in this section referred to as the "relevant time", when such proceeds of disposition became receivable, in respect of the taxpayer and an original owner of the property, or of any other property acquired by the taxpayer with the property in circumstances in which section 418.19 applied and in respect of which the proceeds of disposition became receivable by the taxpayer at the relevant time, if

(a) amounts that became receivable at or after the relevant time were not taken into account;

(b) each designation made under subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 418.19 in respect of an amount that became receivable before the relevant time were made before the relevant time; and

(c) no reduction under section 485.8 at or after the relevant time were taken into account.

The second amount referred to in subparagraph ii of paragraph *b* of section 412 is the total of

(a) all amounts that would be determined under the second paragraph of section 418.19 at the relevant time in respect of the taxpayer and an original owner of the property or of any other property acquired by the taxpayer with the property in circumstances in which section 418.19 applied and in respect of which the proceeds of disposition became receivable by the taxpayer at the relevant time, if

i. amounts that became receivable after the relevant time and amounts described in subparagraph ii of subparagraph *b* of the second paragraph of section 418.19 that became receivable at the relevant time were not taken into account,

ii. each designation made under subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 418.19 in respect of an amount that became receivable at or before the relevant time were made before the relevant time, and

iii. no reduction under section 485.8 at or after the relevant time were taken into account; and

(b) such portion of the amount otherwise determined under subparagraph ii of paragraph *b* of section 412 as was otherwise applied to reduce the amount otherwise determined under that paragraph.

1995, c. 49, s. 106; 1996, c. 39, s. 113.

412.2. In this chapter, an accelerated Canadian development expense of a taxpayer means any cost or expense incurred by the taxpayer in a taxation year, if

(a) the cost or expense qualifies as a Canadian development expense at the time it is incurred, other than

i. an expense in respect of which the taxpayer is a corporation referred to in section 418.19, and

ii. a cost in respect of a Canadian resource property acquired by the taxpayer, or a partnership of which the taxpayer is a member, from a person or partnership with whom or which the taxpayer does not deal at arm's length;

(b) the cost or expense is incurred after 20 November 2018 and before 1 January 2028, other than expenses deemed to have been incurred on 31 December 2027 because of the application of section 359.8; and

(c) where the Canadian development expense is deemed to be a Canadian development expense incurred by the taxpayer because of the application of paragraph *a* of section 359.5, the cost or expense is an amount renounced under an agreement entered into after 20 November 2018.

2021, c. 18, s. 38.

413. A development corporation carrying on an oil business may deduct, in computing its income for a taxation year, an amount not exceeding the aggregate of its cumulative Canadian development expenses incurred in Québec at the end of the year and the amount by which the aggregate determined under subparagraph i of paragraph *b* of section 418.31.1 in respect of the corporation for the year in relation to its cumulative Canadian development expenses incurred in Québec exceeds the amount that would be determined in respect of the corporation for the year under paragraph *e* of section 330 in relation to such expenses if the aggregate last referred to in that paragraph *e* were not taken into account, and an amount not exceeding the aggregate of

(a) the lesser of

i. the aggregate of its other cumulative Canadian development expenses at the end of the year and the amount by which the aggregate determined under subparagraph i of paragraph *b* of section 418.31.1 in respect of the corporation for the year in relation to its other cumulative Canadian development expenses exceeds the amount that would be determined in respect of the corporation for the year under paragraph *e* of section 330 in relation to such expenses if the aggregate last referred to in that paragraph *e* were not taken into account, and

ii. the amount by which the amount determined under subparagraph ii of subparagraph *a* of the first paragraph of section 418.7 exceeds the amount determined under subparagraph i of that subparagraph *a*;

(b) the lesser of

i. the amount by which the amount determined under subparagraph i of subparagraph *a* exceeds the amount determined under subparagraph ii of that subparagraph *a*, and

ii. the amount by which the aggregate of all amounts each of which is an amount included in computing its income for the year by reason of the disposition, in the year, of a property included in its inventory under section 419, and acquired by the corporation under circumstances described in paragraph *e* of section 395 or 408, or an amount included, in computing its income, under paragraph *e* of section 87 to the extent that such amount relates to that property, exceeds the aggregate of all amounts deducted as a reserve in computing its income for the year under section 153 to the extent that the reserve relates to such property;

(c) 30% of the amount by which the amount determined under subparagraph i of subparagraph *b* exceeds the amount determined under subparagraph ii of that subparagraph *b*; and

(d) the amount determined by the formula

$$A \times (B - C).$$

Any other taxpayer may deduct, in computing income for a taxation year in respect of an oil business, an amount not exceeding the aggregate of the amounts that would be determined in respect of the taxpayer under subparagraphs *a* to *d* of the first paragraph, if no reference were made to “other” in subparagraph i of that

subparagraph *a* and to ", other than Canadian development expenses incurred in Québec," in subparagraph *b* of the third paragraph and subparagraphs *a* to *c* of the fourth paragraph.

In the formula in subparagraph *d* of the first paragraph,

(a) A is

i. where the taxation year ends before 1 January 2024, 15%,

ii. where the taxation year begins before 1 January 2024 and ends after 31 December 2023, the amount determined by the formula

15% (D/E) + 7.5% (F/E), and

iii. where the taxation year begins after 31 December 2023, 7.5%;

(b) B is the aggregate of all accelerated Canadian development expenses, other than Canadian development expenses incurred in Québec, incurred by the corporation in the taxation year; and

(c) C is the amount determined by the formula

(G − H) − (I − J − K).

In the formulas in subparagraph ii of subparagraph *a* of the third paragraph and in subparagraph *c* of that paragraph,

(a) D is the aggregate of all accelerated Canadian development expenses, other than Canadian development expenses incurred in Québec, incurred by the corporation before 1 January 2024 and in the taxation year;

(b) E is the aggregate of all accelerated Canadian development expenses, other than Canadian development expenses incurred in Québec, incurred by the corporation in the taxation year;

(c) F is the aggregate of all accelerated Canadian development expenses, other than Canadian development expenses incurred in Québec, incurred by the corporation after 31 December 2023 and in the taxation year;

(d) G is the aggregate of the amounts referred to in paragraphs *a* to *j* of section 412 at the end of the taxation year;

(e) H is the aggregate of the amounts referred to in paragraphs *a* to *j* of section 412 at the beginning of the taxation year;

(f) I is the aggregate of the amounts referred to in paragraphs *a* to *d* of section 411 at the end of the taxation year;

(g) J is the aggregate of the amounts referred to in paragraphs *a* to *d* of section 411 at the end of the preceding taxation year; and

(h) K is the amount described in subparagraph *b* of the third paragraph.

1975, c. 22, s. 90; 1977, c. 26, s. 45; 1982, c. 5, s. 100; 1993, c. 16, s. 160; 1997, c. 3, s. 71; 1997, c. 14, s. 67; 2001, c. 53, s. 65; 2021, c. 18, s. 39.

414. A development corporation carrying on a mining business may deduct, in computing its income for a taxation year, the aggregate of its cumulative Canadian development expenses at the end of the year and the amount by which the aggregate determined under subparagraph i of paragraph *b* of section 418.31.1 in respect of the corporation for the year exceeds the amount that would be determined in respect of the corporation for the year under paragraph *e* of section 330 if the aggregate last referred to in the said paragraph *e* were not taken into account.

Any other taxpayer may deduct in respect of a mining business, in computing income for a taxation year, the aggregate of the taxpayer's cumulative Canadian development expenses at the end of the year and the amount by which the aggregate determined under subparagraph i of paragraph *b* of section 418.31.1 in respect of the taxpayer for the year exceeds the amount that would be determined in respect of the taxpayer for the year under paragraph *e* of section 330 if the aggregate last referred to in that paragraph *e* were not taken into account, without exceeding the greater of

(a) the aggregate of the amounts that would be determined in respect of the taxpayer under subparagraphs *a* to *d* of the first paragraph of section 413, if no reference were made to "other" in subparagraph i of that subparagraph *a* and to ", other than Canadian development expenses incurred in Québec," in subparagraph *b* of the third paragraph of that section and subparagraphs *a* to *c* of the fourth paragraph of that section; and

(b) the amount by which the total of the aggregate of all amounts deducted in computing the taxpayer's income for the year under section 357 in respect of a Canadian resource property or under section 358, as those sections apply in respect of a disposition made before 13 November 1981, and the aggregate of all amounts deducted for the year under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-3), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)), sections 418.16 to 418.19 and section 418.21, that can reasonably be attributed to the amounts referred to in subparagraphs i to iii for the year, is exceeded by the total, before any deduction under section 88.4 of the Act respecting the application of the Taxation Act or any of sections 359 to 419.6, of

i. his income for the year that may reasonably be attributed to the production of ore, other than iron or tar sands, from a resource property, processed to any stage that is not beyond the prime metal stage or its equivalent, the production of iron ore from a resource property, processed to any stage that is not beyond the pellet stage or its equivalent, and to any rental or royalty from a resource property, computed by reference to the amount or value of the production of ore;

ii. the aggregate of the amounts included in computing the taxpayer's income for the year under any of paragraphs *b*, *d* and *e* of section 330, other than any of the amounts referred to in subparagraph iii, but to the extent that paragraph *b* of that section refers to section 357, only the amounts deducted in computing the taxpayer's income under that section 357 for the preceding taxation year in respect of a Canadian resource property may be taken into consideration, and

iii. the aggregate of all amounts included in computing the taxpayer's income for the year under paragraph *e* of section 330 that can reasonably be attributed to the disposition by the corporation, in the year or in a preceding taxation year, of any interest or right in a Canadian resource property, to the extent that the proceeds of disposition have not been included in computing an amount for a preceding taxation year under this subparagraph, subparagraph i of subparagraph *a* of the third paragraph of sections 418.16 and 418.18, subparagraph iii of subparagraph *c* of the first paragraph of section 418.20, section 418.28, or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to clause A of subparagraph i of paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules.

1977, c. 26, s. 45; 1978, c. 26, s. 73; 1980, c. 13, s. 43; 1982, c. 5, s. 101; 1986, c. 19, s. 85; 1989, c. 77, s. 45; 1993, c. 16, s. 161; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1998, c. 16, s. 154; 2021, c. 18, s. 40; 2023, c. 19, s. 30.

415. *(Repealed).*

1975, c. 22, s. 90; 1977, c. 26, s. 46; 1978, c. 26, s. 74; 1980, c. 13, s. 44; 1985, c. 25, s. 78; 1986, c. 19, s. 86; 1987, c. 67, s. 94; 1988, c. 18, s. 38; 1989, c. 77, s. 46.

415.1. *(Repealed).*

1980, c. 13, s. 44; 1985, c. 25, s. 79; 1986, c. 19, s. 87; 1987, c. 67, s. 95; 1988, c. 18, s. 39; 1989, c. 77, s. 46.

415.2. *(Repealed).*

1980, c. 13, s. 44; 1985, c. 25, s. 80; 1987, c. 67, s. 96; 1989, c. 77, s. 46.

415.3. *(Repealed).*

1980, c. 13, s. 44; 1989, c. 77, s. 46.

416. For the purposes of section 413, Canadian development expenses and cumulative Canadian development expenses are incurred in Québec when they concern expenses that would be referred to in section 408 if "in Canada" were replaced wherever it appears in that section by "in Québec" and if paragraph *c* of section 408 applied only to a property which would be referred to in section 370 if "in Canada" were replaced wherever it appears in that section by "in Québec".

1975, c. 22, s. 90; 1978, c. 26, s. 75; 2021, c. 18, s. 41.

417. *(Repealed).*

1975, c. 22, s. 90; 1977, c. 26, s. 47; 1978, c. 26, s. 76; 1982, c. 5, s. 102; 1985, c. 25, s. 81; 1988, c. 18, s. 40; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1998, c. 16, s. 155.

418. *(Repealed).*

1975, c. 22, s. 90; 1978, c. 26, s. 77; 1985, c. 25, s. 81; 1997, c. 3, s. 71; 1998, c. 16, s. 155.

418.1. Where, pursuant to the terms of an arrangement in writing entered into before 12 December 1979, a taxpayer acquired a property described in paragraph *a* of section 418.2, for the purposes of this Act, the cost of acquisition of the property shall be deemed to be a Canadian development expense incurred at the time he acquired the property.

1982, c. 5, s. 103.

DIVISION IV.0.1

FOREIGN RESOURCE EXPENSE

2004, c. 8, s. 79.

418.1.1. In this chapter, the foreign resource expense of a taxpayer, in relation to a country other than Canada, means

(a) any exploration or drilling expense, including any general geological or geophysical expense, incurred by the taxpayer on or in respect of exploring or drilling for petroleum or natural gas in that country;

(b) any expense incurred by the taxpayer for the purpose of determining the existence, location, extent or quality of a mineral resource in that country, including any expense incurred in the course of prospecting, carrying out geological, geophysical or geochemical surveys, drilling, trenching, digging test pits or preliminary sampling;

(c) the cost to the taxpayer of any of the taxpayer's foreign resource properties in relation to that country;

(d) any annual payment made by the taxpayer for the preservation of a foreign resource property in relation to that country; and

(e) subject to section 418.37, the taxpayer's share of an expense, cost or payment described in any of paragraphs *a* to *d* that is incurred or made by a partnership in a fiscal period of the partnership that begins after 31 December 2000, where the taxpayer was a member of the partnership at the end of that fiscal period.

2004, c. 8, s. 79.

418.1.2. A taxpayer's foreign resource expense, in relation to a country other than Canada, does not however include

(a) an expenditure that is the cost, or any part of the cost, to the taxpayer of any depreciable property of a prescribed class;

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

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

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

(e) an expenditure incurred by the taxpayer, unless the expenditure was made

i. for the purpose of enabling the taxpayer to acquire foreign resource property,

ii. for the purpose of enhancing the value of foreign resource property that the taxpayer owned at the time the expenditure was incurred or that the taxpayer had a reasonable expectation of owning after that time, or

iii. for the purpose of assisting the taxpayer in evaluating whether a foreign resource property is to be acquired by the taxpayer;

(f) the taxpayer's share of any expenditure or cost described in any of paragraphs *a* to *e* that is incurred by a partnership; or

(g) an expenditure incurred by the taxpayer in a taxation year of the taxpayer that begins before 1 January 2001.

2004, c. 8, s. 79; 2005, c. 38, s. 77.

418.1.3. In this chapter, the cumulative foreign resource expense of a taxpayer at a particular time, in relation to a country other than Canada, in this section and sections 418.1.4 and 418.1.5 referred to as the "foreign country", means the amount by which the aggregate of the following expenses and other amounts exceeds the aggregate determined under section 418.1.4:

(a) the foreign resource expenses, in relation to the foreign country, incurred by the taxpayer

i. before the particular time, and

ii. at a time, in this section and section 418.1.4 referred to as a "resident time", at which the taxpayer was resident in Canada and, where the taxpayer became resident in Canada before the particular time, that is after the last time before the particular time, that the taxpayer became resident in Canada;

*(a.*1*)* the foreign resource expenses, in relation to the foreign country, attributable to the cost to the taxpayer of any foreign resource property in relation to that country that is deemed to have been acquired by the taxpayer under paragraph *c* of section 785.1 at the last time before the particular time that the taxpayer became resident in Canada;

(b) each amount included in computing the taxpayer's income under paragraph *e*.1 of section 330, in relation to the foreign country, for a taxation year ending before the particular time and at a resident time;

(c) each amount referred to in paragraph *b* or *c* of section 418.1.4 that, in accordance with the evidence submitted by the taxpayer, has become a bad debt before the particular time and at a resident time; and

(d) each particular amount determined under section 418.32.2, in respect of the taxpayer and the foreign country, for a taxation year ending before the particular time and at a resident time.

2004, c. 8, s. 79; 2015, c. 24, s. 71.

418.1.4. The aggregate which, for the purposes of section 418.1.3, must be determined under this section, is the aggregate of

(a) each amount deducted in computing the taxpayer's income for a taxation year ending before the particular time and at a resident time, in respect of the taxpayer's cumulative foreign resource expense in relation to the foreign country;

(b) each amount in respect of a foreign resource property, in relation to the foreign country, in section 418.1.5 referred to as the "particular property", disposed of by the taxpayer equal to the amount by which the amount designated under subparagraph ii of paragraph *a* of section 330 by the taxpayer in respect of the portion of the proceeds of that disposition that became receivable before the particular time and at a resident time exceeds the excess amount determined under section 418.1.5;

(c) each amount in respect of the foreign country that is included in the amount determined under this paragraph by reason of section 390.1 that became receivable by the taxpayer before the particular time and at a resident time;

(d) each amount received by the taxpayer before the particular time and at a resident time in respect of a debt referred to in paragraph *c* of section 418.1.3;

(e) each amount by which the cumulative foreign resource expense of the taxpayer, in relation to the foreign country, is required, by reason of section 485.8, to be reduced at or before the particular time and at a resident time; and

(f) each amount that is required to be deducted, before the particular time and at a resident time, under paragraph *a* of section 418.32.1 in computing the taxpayer's cumulative foreign resource expense, in relation to the foreign country.

2004, c. 8, s. 79.

418.1.5. The excess amount which, for the purposes of paragraph *b* of section 418.1.4, must be determined under this section, is the amount by which the amount determined under the second paragraph exceeds the amount determined under the third paragraph.

The first amount referred to in the first paragraph is the aggregate of all amounts each of which is an amount that would be determined under the second paragraph of section 418.17.3, immediately before the time, in this section referred to as the "relevant time", when such proceeds of disposition became receivable,

in respect of the taxpayer, the foreign country and an original owner of the particular property, or of any other property acquired by the taxpayer with the particular property in circumstances to which section 418.17.3 applied and in respect of which the proceeds of disposition became receivable by the taxpayer at the relevant time, if

(a) amounts that became receivable at or after the relevant time were not taken into account;

(b) the second paragraph of section 418.17.3 were read without reference to "30% of"; and

(c) no reduction under section 485.8 at or after the relevant time were taken into account.

The second amount referred to in the first paragraph is the total of

(a) the aggregate of all amounts each of which is an amount that would be determined under the second paragraph of section 418.17.3 at the relevant time in respect of the taxpayer, the foreign country and an original owner of the particular property, or of any other property acquired by the taxpayer with the particular property in circumstances to which section 418.17.3 applied and in respect of which the proceeds of disposition became receivable by the taxpayer at the relevant time, if

i. amounts that became receivable after the relevant time were not taken into account,

ii. the second paragraph of section 418.17.3 were read without reference to "30% of", and

iii. no reduction under section 485.8 at or after the relevant time were taken into account; and

(b) the portion of the amount otherwise determined under this section that was applied to reduce the amount otherwise determined under paragraph *b* of section 418.1.4.

2004, c. 8, s. 79.

418.1.6. In this chapter, the adjusted cumulative foreign resource expense of a taxpayer at the end of a taxation year, in relation to a country, means the aggregate of the cumulative foreign resource expense of the taxpayer, in relation to that country, at the end of the year, and the amount by which the aggregate determined for the year under paragraph *a* of section 418.32.2 in respect of the taxpayer and that country exceeds the amount that would, but for subparagraph ii of paragraph *e*.1 of section 330, be determined for the year under that paragraph *e*.1 in respect of the taxpayer and that country.

2004, c. 8, s. 79.

418.1.7. In this division, the foreign resource income of a taxpayer for a taxation year, in relation to a country other than Canada, means the total of

(a) that part of the taxpayer's income for the year, determined without reference to sections 371 and 418.1.10, that can reasonably be attributed to the production of petroleum or natural gas from a natural accumulation of petroleum or natural gas in that country or from oil or gas wells in that country, or to the production of minerals from mines in that country;

(b) the taxpayer's income for the year from royalties in respect of a natural accumulation of petroleum or natural gas in that country, an oil or gas well in that country or a mine in that country, determined without reference to sections 371 and 418.1.10; and

(c) the aggregate of all amounts each of which is an amount, in respect of a foreign resource property in relation to that country that has been disposed of by the taxpayer, equal to the amount by which the amount included in computing the taxpayer's income for the year by reason of paragraph *a* of section 330 in respect of that disposition exceeds the aggregate of all amounts each of which is that portion of an amount deducted under section 418.17 in computing the taxpayer's income for the year that can reasonably be considered to be

in respect of the foreign resource property, but cannot reasonably be considered to have reduced the amount otherwise determined under paragraph *a* or *b* in respect of the taxpayer for the year.

2004, c. 8, s. 79.

418.1.8. In this division, the foreign resource loss of a taxpayer for a taxation year in relation to a country other than Canada means the amount of that loss computed, with the necessary modifications, in accordance with section 418.1.7.

2004, c. 8, s. 79.

418.1.9. In this division, the global foreign resource limit of a taxpayer for a taxation year means the amount that is the lesser of

(a) the amount by which the amount determined under paragraph *b* of section 374 in respect of the taxpayer for the year exceeds the total of

i. the aggregate of all amounts each of which is the maximum amount that the taxpayer would be permitted to deduct, in relation to a country, under section 418.1.10 in computing the taxpayer's income for the year if, in its application to the year, that section were read without reference to paragraph *b* thereof, and

ii. the amount deducted under section 371 in computing the taxpayer's income for the year; and

(b) the amount by which 30% of the aggregate of all amounts each of which is, at the end of the year, the taxpayer's adjusted cumulative foreign resource expense in relation to a country exceeds the aggregate described in subparagraph i of paragraph *a*.

2004, c. 8, s. 79.

418.1.10. In computing a taxpayer's income for a taxation year throughout which the taxpayer is resident in Canada, the taxpayer may deduct an amount claimed by the taxpayer, in respect of a country other than Canada, not exceeding the total of

(a) the greater of

i. 10% of an amount, in this section referred to as a "particular amount", equal to the taxpayer's adjusted cumulative foreign resource expense in relation to that country at the end of the year, and

ii. the least of

(1) if the taxpayer ceases to be resident in Canada immediately after the end of the year, the particular amount,

(2) if subparagraph 1 does not apply, 30% of the particular amount,

(3) the amount by which the taxpayer's foreign resource income for the year in relation to that country exceeds the portion of the amount, deducted under section 371 in computing the taxpayer's income for the year, that is attributable to a source in that country, and

(4) the amount by which the aggregate of all amounts each of which is the taxpayer's foreign resource income for the year in relation to a country exceeds the total of the aggregate of all amounts each of which is the taxpayer's foreign resource loss for the year in relation to a country and the amount deducted under section 371 in computing the taxpayer's income for the year; and

(b) the lesser of

i. the amount by which the particular amount exceeds the amount determined for the year under paragraph *a* in respect of the taxpayer, and

ii. that portion of the taxpayer's global foreign resource limit for the year that is designated for the year by the taxpayer, in relation to that country and no other country, in prescribed form filed with the Minister with the taxpayer's fiscal return filed under this Part for the year.

2004, c. 8, s. 79.

418.1.11. Where at any time in a taxation year an individual becomes or ceases to be resident in Canada, the following rules apply:

(a) section 418.1.10 applies to the individual as if the taxation year were the period or periods in the year throughout which the individual was resident in Canada; and

(b) for the purposes of this chapter, section 393.1 does not apply to the individual for the year.

2004, c. 8, s. 79.

DIVISION IV.1

CANADIAN OIL AND GAS PROPERTY EXPENSE

1982, c. 5, s. 103.

418.2. In sections 362 to 394, Divisions III and IV and this division, "Canadian oil and gas property expense of a taxpayer" means any cost or expense incurred after 11 December 1979, to the extent that the cost or expense is

(a) despite section 144, the cost to the taxpayer of property described in any of paragraphs *a*, *c* and *d* of section 370 or in paragraph *f* of that section in respect of property described in any of paragraphs *a*, *c* and *d* of that section, including any payment for the preservation of a taxpayer's rights in respect of such a property or an amount paid or, except for the application of this paragraph to a taxation year that begins after 31 December 2007, payable to Her Majesty in right of the Province of Saskatchewan as a net royalty payment pursuant to a net royalty petroleum and natural gas lease that was in effect on 31 March 1977 to the extent that such amount can reasonably be considered to be a cost of acquiring the lease, but excluding, except for the application of this paragraph to a taxation year that begins after 31 December 2007,

i. any payment made to a person referred to in section 90 for the preservation of a taxpayer's rights in respect of a Canadian resource property, and

ii. any payment, other than a net royalty payment referred to in this paragraph, to which subsection 1 of section 144 applies by reason of paragraph *b* of that subsection;

(b) subject to section 418.37, his share of any expense described in paragraph *a* incurred by a partnership in a fiscal period of the partnership of which he was a member at the end of that fiscal period, unless the taxpayer elects in respect of the share in prescribed form and manner on or before the day that is six months after the taxpayer's taxation year in which that period ends; or

(c) any cost or expense described in paragraph *a* incurred by the taxpayer pursuant to an agreement in writing with a corporation entered into before 1 January 1987, under which the taxpayer incurred the cost or expense solely as consideration for a share, except a prescribed share, of the capital stock of the corporation issued to him or any right in or to such a share.

1982, c. 5, s. 103; 1984, c. 15, s. 91; 1986, c. 19, s. 88; 1988, c. 18, s. 41; 1990, c. 59, s. 165; 1994, c. 22, s. 154; 1997, c. 3, s. 71; 1998, c. 16, s. 156; 2005, c. 1, s. 98; 2015, c. 24, s. 72; 2020, c. 16, s. 189.

418.3. Canadian oil and gas property expense does not include, however, any consideration given by the taxpayer for any share or any right in or to a share, except as provided by paragraph *c* of section 418.2, or any expense referred to in that paragraph and incurred by any other taxpayer to the extent that the expense is for

the latter a Canadian oil and gas property expense under that paragraph, a Canadian exploration expense under paragraph *e* of section 395 or a Canadian development expense under paragraph *e* of section 408.

1982, c. 5, s. 103; 2020, c. 16, s. 67.

418.4. Where a taxpayer has received or is entitled to receive any amount of assistance in respect of or related to his Canadian oil and gas property expense, the expenses contemplated in paragraphs *a* to *c* of section 418.2 shall not be reduced by the amount of such assistance.

1982, c. 5, s. 103; 1988, c. 18, s. 42.

418.5. In this chapter, cumulative Canadian oil and gas property expense of a taxpayer at any time in a taxation year means the amount by which the aggregate

(a) of the Canadian oil and gas property expense incurred by the taxpayer before that time,

(a.1) of the aggregate of all amounts determined under paragraph *c* of section 418.31.1 in respect of the taxpayer for a taxation year ending before that time,

(b) of all amounts determined under section 418.12 in respect of the taxpayer for any taxation year ending before that time,

(c) of all amounts contemplated in paragraph *b* or *c* of section 418.6 that, in accordance with the evidence submitted by the taxpayer, have become a bad debt before that time, and

(d) of such part of an amount contemplated in paragraph *e* of section 418.6 as has been repaid by him before that time pursuant to a legal obligation to repay all or any part of that amount exceeds the aggregate described in section 418.6.

1982, c. 5, s. 103; 1991, c. 25, s. 75; 1993, c. 16, s. 162; 1995, c. 49, s. 236; 1997, c. 14, s. 68; 2004, c. 8, s. 80.

418.6. The amounts to be deducted in computing cumulative Canadian oil and gas property expense of a taxpayer at any time contemplated in section 418.5 are the aggregate

(a) of any amount deducted in computing his income for any taxation year ending before that time in respect of such expense;

(b) of any amount which in respect of the disposition by the taxpayer before that time of property referred to in paragraph *a*, *c* or *d* of section 370 or in paragraph *f* of section 370 in respect of property referred to in paragraph *a*, *c* or *d* of that section is equal to the amount by which

i. the amount by which the proceeds of disposition in respect of the property that became receivable by the taxpayer before that time exceed the aggregate of any outlays or expenses that the taxpayer made or incurred before that time for the purpose of making the disposition and that were not otherwise deductible for the purposes of this Part, exceeds

ii. the total of the amount determined under section 418.6.1 and the amount determined under section 418.6.2,

iii. *(subparagraph repealed)*;

(c) of any amount that, before that time, becomes receivable by him and must be included in the amount contemplated in this paragraph by virtue of section 392.1;

(d) of any amount received by the taxpayer before that time in respect of a debt contemplated in paragraph *c* of section 418.5;

(e) of any amount of assistance that he has received or is entitled to receive in respect of any Canadian oil and gas property expense incurred after 31 December 1980 or that can reasonably be related to any such expense incurred after that date;

*(e.*1*)* of any amount by which his cumulative Canadian oil and gas property expense is required, because of section 485.8, to be reduced at or before that time; and

(f) any amount that is required to be deducted before that time under paragraph *d* of section 418.31 in computing his cumulative Canadian oil and gas property expense.

1982, c. 5, s. 103; 1986, c. 19, s. 89; 1988, c. 18, s. 43; 1989, c. 77, s. 47; 1995, c. 49, s. 107; 1996, c. 39, s. 114; 2004, c. 8, s. 81.

418.6.1. The first amount referred to in subparagraph ii of paragraph *b* of section 418.6 is the amount by which the aggregate of all amounts that would be determined under the second paragraph of section 418.21, immediately before the time, in this section and in section 418.6.2 referred to as the "relevant time", when such proceeds of disposition became receivable, in respect of the taxpayer and an original owner of the property, or of any other property acquired by the taxpayer with the property in circumstances in which section 418.21 applied and in respect of which the proceeds of disposition became receivable by the taxpayer at the relevant time, exceeds the amount described in the second paragraph, if

(a) amounts that became receivable at or after the relevant time were not taken into account;

(b) each designation made under subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 418.19 in respect of an amount that became receivable before the relevant time were made before the relevant time;

(c) the second paragraph of section 418.21 were read without reference to "10% of"; and

(d) no reduction under section 485.8 at or after the relevant time were taken into account.

The amount referred to in the first paragraph as being described in the second paragraph is the aggregate of

(a) all amounts that would be determined under the second paragraph of section 418.21 at the relevant time in respect of the taxpayer and an original owner of the property, or of any other property acquired by the taxpayer with the property in circumstances in which section 418.21 applied and in respect of which the proceeds of disposition became receivable by the taxpayer at the relevant time, if

i. amounts that became receivable after the relevant time were not taken into account,

ii. each designation made under subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 418.19 in respect of an amount that became receivable at or before the relevant time were made before the relevant time,

iii. the second paragraph of section 418.21 were read without reference to "10% of", and

iv. no reduction under section 485.8 at or after the relevant time were taken into account; and

(b) such portion of the amount determined under this section as was otherwise applied to reduce the amount otherwise determined under paragraph *b* of section 418.6.

1995, c. 49, s. 108; 1996, c. 39, s. 115.

418.6.2. The second amount referred to in subparagraph ii of paragraph *b* of section 418.6 is the amount by which the aggregate of all amounts that would be determined under the second paragraph of section 418.19, immediately before the relevant time, in respect of the taxpayer and an original owner of the property, or of any other property acquired by the taxpayer with the property in circumstances in which section 418.19

applied and in respect of which the proceeds of disposition became receivable by the taxpayer at the relevant time, exceeds the amount described in the second paragraph, if

(a) amounts that became receivable at or after the relevant time were not taken into account;

(b) each designation made under subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 418.19 in respect of an amount that became receivable before the relevant time were made before the relevant time; and

(c) no reduction under section 485.8 at or after the relevant time were taken into account.

The amount referred to in the first paragraph as being described in the second paragraph is the aggregate of

(a) all amounts that would be determined under the second paragraph of section 418.19 at the relevant time in respect of the taxpayer and an original owner of the property, or of any other property acquired by the taxpayer with the property in circumstances in which section 418.21 applied and in respect of which the proceeds of disposition became receivable by the taxpayer at the relevant time, if

i. amounts that became receivable after the relevant time and amounts described in subparagraph i of subparagraph *b* of the second paragraph of section 418.19 that became receivable at the relevant time were not taken into account,

ii. each designation made under subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 418.19 in respect of an amount that became receivable at or before the relevant time were made before the relevant time, and

iii. no reduction under section 485.8 at or after the relevant time were taken into account; and

(b) such portion of the amount otherwise determined under this section as was otherwise applied to reduce the amount otherwise determined under paragraph *b* of section 418.6.

1995, c. 49, s. 108; 1996, c. 39, s. 116.

418.6.3. In this chapter, an accelerated Canadian oil and gas property expense of a taxpayer means any cost or expense incurred by the taxpayer in a taxation year, if

(a) the cost or expense qualifies as a Canadian oil and gas property expense at the time it is incurred, other than

i. an expense in respect of which the taxpayer is a corporation referred to in section 418.21, and

ii. a cost in respect of a Canadian resource property acquired by the taxpayer, or a partnership of which the taxpayer is a member, from a person or partnership with whom or which the taxpayer does not deal at arm's length; and

(b) the cost or expense is incurred after 20 November 2018 and before 1 January 2028.

2021, c. 18, s. 42.

418.7. A taxpayer may deduct, in computing income for a taxation year, an amount not exceeding the aggregate of

(a) the lesser of

i. the aggregate of the taxpayer's cumulative Canadian oil and gas property expense at the end of the year and the amount by which the aggregate determined under subparagraph i of paragraph *c* of section 418.31.1 in respect of the taxpayer for the year exceeds the amount that would be determined in respect of the taxpayer

for the year under section 418.12 if the aggregate last referred to in that section 418.12 were not taken into account, and

ii. the amount by which the aggregate of all amounts each of which is an amount included in computing the taxpayer's income for the year by reason of the disposition, in the year, of a property included in the taxpayer's inventory under section 419, and acquired by the taxpayer under circumstances described in paragraph *c* of section 418.2, or an amount included, in computing the taxpayer's income, under paragraph *e* of section 87 to the extent that such amount relates to that property, exceeds the aggregate of all amounts deducted as a reserve in computing the taxpayer's income for the year under section 153 to the extent that the reserve relates to such property;

(b) 10% of the amount by which the amount determined under subparagraph i of subparagraph *a* exceeds the amount determined under subparagraph ii of that subparagraph *a*; and

(c) the amount determined by the formula

$$A \times (B - C).$$

In the formula in subparagraph *c* of the first paragraph,

(a) A is

i. where the taxation year ends before 1 January 2024, 5%,

ii. where the taxation year begins before 1 January 2024 and ends after 31 December 2023, the amount determined by the formula

$$5\% (D/E) + 2.5\% (F/E), \text{ and}$$

iii. where the taxation year begins after 31 December 2023, 2.5%;

(b) B is the aggregate of all accelerated Canadian oil and gas property expenses incurred by the taxpayer in the taxation year; and

(c) C is the amount determined by the formula

$$(G - H) - (I - J - K).$$

In the formulas in subparagraph ii of subparagraph *a* of the second paragraph and in subparagraph *c* of that paragraph,

(a) D is the aggregate of all accelerated Canadian oil and gas property expenses incurred by the taxpayer before 1 January 2024 and in the taxation year;

(b) E is the aggregate of all accelerated Canadian oil and gas property expenses incurred by the taxpayer in the taxation year;

(c) F is the aggregate of all accelerated Canadian oil and gas property expenses incurred by the taxpayer after 31 December 2023 and in the taxation year;

(d) G is the aggregate of the amounts referred to in paragraphs *a* to *f* of section 418.6 at the end of the taxation year;

(e) H is the aggregate of the amounts referred to in paragraphs *a* to *f* of section 418.6 at the beginning of the taxation year;

(f) I is the aggregate of the amounts referred to in paragraphs *a* to *d* of section 418.5 at the end of the taxation year;

(g) J is the aggregate of the amounts referred to in paragraphs *a* to *d* of section 418.5 at the end of the preceding taxation year; and

(h) K is the amount described in subparagraph *b* of the second paragraph.

1982, c. 5, s. 103; 1993, c. 16, s. 163; 1997, c. 14, s. 69; 2021, c. 18, s. 43.

418.8. *(Repealed).*

1982, c. 5, s. 103; 1985, c. 25, s. 82; 1986, c. 19, s. 90; 1989, c. 77, s. 48.

418.9. *(Repealed).*

1982, c. 5, s. 103; 1985, c. 25, s. 82; 1986, c. 19, s. 91; 1989, c. 77, s. 48.

418.10. *(Repealed).*

1982, c. 5, s. 103; 1985, c. 25, s. 83; 1987, c. 67, s. 97; 1989, c. 77, s. 48.

418.11. *(Repealed).*

1982, c. 5, s. 103; 1989, c. 77, s. 48.

418.12. For the purposes of subparagraph *a* of the second paragraph of section 358, as it applies in respect of dispositions occurring before 13 November 1981, paragraph *g* of section 412 and paragraph *b* of section 418.5, the amount determined under this section for a taxation year in respect of a taxpayer is equal to the amount by which the aggregate of all amounts deducted under section 418.6 in computing the taxpayer's cumulative Canadian oil and gas property expense at the end of the year exceeds the total of all amounts included under section 418.5 in computing the taxpayer's cumulative Canadian oil and gas property expense at the end of the year and the aggregate determined under subparagraph i of paragraph *c* of section 418.31.1 in respect of the taxpayer for the year.

1982, c. 5, s. 103; 1993, c. 16, s. 164; 1995, c. 49, s. 109.

418.13. *(Repealed).*

1982, c. 5, s. 103; 1985, c. 25, s. 84; 1988, c. 18, s. 44; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1998, c. 16, s. 157.

418.14. *(Repealed).*

1982, c. 5, s. 103; 1985, c. 25, s. 84; 1997, c. 3, s. 71; 1997, c. 14, s. 70; 1998, c. 16, s. 157.

DIVISION IV.2

SUCCESSOR CORPORATIONS

1989, c. 77, s. 49; 1997, c. 3, s. 71.

418.15. In this chapter, the expression

(a) "reserve amount" of a corporation for a taxation year in respect of an original owner or predecessor owner of a Canadian resource property means the amount by which

i. the aggregate of all amounts that are required to be included, under paragraph *b* of section 330, in computing its income for the year, and required to be included under section 545 or section 564 where it refers to the said section 545, in respect of a reserve deducted under section 357 or 358, as it applies in respect of a disposition made before 13 November 1981, in computing the income of the original owner or predecessor owner exceeds

ii. the aggregate of all amounts deducted under section 357 or 358, as it applies in respect of a disposition made before 13 November 1981, in computing its income for the year in respect of the disposition of property by the original owner or the predecessor owner, as the case may be;

(b) "predecessor owner" of a Canadian resource property or a foreign resource property means a corporation

i. that acquired the property in circumstances in which any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)), applies, or would apply if the corporation had continued to own the property, to the corporation in respect of the property,

ii. that disposed of the property to another corporation that acquired it in circumstances in which any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, applies, or would apply if the other corporation had continued to own the property, to the other corporation in respect of the property, and

iii. that would, but for section 418.33, 418.34, 418.34.1 or 418.36, as the case may be, be entitled in computing its income for a taxation year ending after it disposed of the property to a deduction under any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, in respect of expenses incurred by an original owner of the property;

(c) "original owner" of a Canadian resource property or a foreign resource property means a person

i. who owned the property and disposed of it to a corporation that acquired it in circumstances in which any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, applies, or would apply if the corporation had continued to own the property, to the corporation in respect of the property, and

ii. who would, but for section 418.31, 418.32, 418.32.1 or 418.36, as the case may be, be entitled in respect of expenses described in section 88.5 of the Act respecting the application of the Taxation Act, to the extent that section 88.4 of that Act refers to expenses described in subparagraph i or ii of paragraph *c* of subsection 25 of section 29 of the Income Tax Application Rules, Canadian exploration and development expenses, foreign resource pool expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses incurred by the person before the person disposed of the property to a deduction, in computing the person's income for a taxation year ending after the person disposed of the

property, under that section 88.4, to the extent that it refers to section 29 of the Income Tax Application Rules, or under any of sections 367, 368, 371, 400, 401, 413, 414, 418.1.10 and 418.7.

For the purposes of this chapter, except for the purposes of subparagraph *b* of the second paragraph of section 414 and subparagraph *c* of the first paragraph of section 418.20, "production" from a Canadian resource property or a foreign resource property means

(a) petroleum, natural gas and related hydrocarbons produced from the property,

(b) heavy crude oil produced from the property processed to any stage that is not beyond the crude oil stage or its equivalent,

(c) ore, other than iron ore or tar sands, produced from the property processed to any stage that is not beyond the prime metal stage or its equivalent,

(d) iron ore produced from the property processed to any stage that is not beyond the pellet stage or its equivalent,

(e) tar sands produced from the property processed to any stage that is not beyond the crude oil stage or its equivalent, and

(f) any rental or royalty from the property computed by reference to the amount or value of the production of petroleum, natural gas or related hydrocarbons or ore.

1989, c. 77, s. 49; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 14, s. 71; 1998, c. 16, s. 158; 2004, c. 8, s. 82; 2023, c. 19, s. 31.

418.16. Subject to sections 418.22 and 418.23, where after 31 December 1971 a corporation acquired, in any manner whatsoever, a particular Canadian resource property referred to in this section as "particular property", it may deduct in computing its income for a taxation year an amount not exceeding the aggregate of all amounts each of which is the lesser of the amount referred to in the second paragraph and the amount referred to in the third paragraph determined in respect of an original owner of the particular property.

The first amount to which the first paragraph refers is equal to the amount of the Canadian exploration and development expenses incurred by the original owner before he disposed of the particular property, to the extent that those expenses

(a) were not otherwise deducted in computing the income of the corporation for the year or deducted in computing the income of the corporation for a preceding taxation year or in computing the income of a predecessor owner of the particular property for any taxation year; and

(b) were not deductible under section 362 or deducted under section 367 or 368 in computing the income of the original owner for any taxation year.

The last amount to which the first paragraph refers is equal to the amount by which

(a) the part of the corporation's income for the year, determined before any deduction under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) or any of sections 359 to 419.6, that may reasonably be regarded as attributable to

i. the amount included in computing its income for the year under paragraph *e* of section 330 that may reasonably be regarded as attributable to the disposition by the corporation in the year or a preceding taxation year of any right in or to the particular property to the extent that the proceeds of the disposition have not been included in computing an amount for any preceding taxation year under this subparagraph, subparagraph i of subparagraph *a* of the third paragraph of section 418.18, subparagraph iii of subparagraph *c* of the first paragraph of section 418.20, section 418.28 or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to clause A of subparagraph i of paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)),

ii. its reserve amount for the year in respect of the original owner and each predecessor owner of the particular property, or

iii. production from the particular property; exceeds

(b) the aggregate of

i. any other amount deducted for the year under section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, this section and any of sections 418.18, 418.19 and 418.21, that can reasonably be regarded as attributable to the part of its income for the year described in subparagraph *a* in respect of the particular property, and

ii. any other amount added, because of section 485.13, in computing the amount determined under subparagraph *a*.

1989, c. 77, s. 49; 1993, c. 16, s. 165; 1996, c. 39, s. 117; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 293; 2020, c. 16, s. 191.

418.17. Subject to sections 418.22 and 418.24, where after 31 December 1971 a corporation acquires, in any manner whatsoever, a particular foreign resource property, referred to in this section as "particular property", it may deduct in computing its income for a taxation year an amount not exceeding the aggregate of all amounts each of which is an amount equal to the lesser of the amount referred to in the second paragraph and the amount referred to in the third paragraph determined in respect of an original owner of the particular property.

The first amount to which the first paragraph refers is equal to the amount by which

(a) the amount of foreign exploration and development expenses incurred by the original owner before the disposition of the particular property by the original owner, to the extent that those expenses were incurred when the original owner was resident in Canada, were not otherwise deducted in computing the income of the corporation for the year, were not deducted in computing the income of the corporation for any preceding taxation year or in computing the income of any predecessor owner of the particular property for any taxation year and were not deductible in computing the income of the original owner for any taxation year, exceeds

(b) the aggregate of all amounts by which the amount determined under this paragraph is required, because of section 485.8, to be reduced at or before the end of the year.

The last amount to which the first paragraph refers is equal to the amount by which

(a) the aggregate of

i. the part of the corporation's income for the year, determined before any deduction under any of sections 359 to 419.6, that may reasonably be regarded as attributable to

(1) the amount included in computing its income for the year under paragraph *a* of section 330, that may reasonably be regarded as attributable to the disposition by the corporation of any right in or to the particular property, or

(2) production from the particular property, and

ii. the lesser of

(1) the aggregate of all amounts each of which is the amount designated by the corporation for the year in respect of a Canadian resource property owned by the original owner immediately before being acquired with the particular property by the corporation or a predecessor owner of the particular property, not exceeding the amount included in computing the corporation's income for the year, determined before any deduction under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) and sections 359 to 419.6,

that may reasonably be regarded as being attributable to the production, after 31 December 1988, from the Canadian resource property, and

(2) the amount by which 10% of the amount described in the second paragraph for the year in respect of the original owner exceeds the aggregate of all amounts each of which would, but for this subparagraph ii, subparagraph ii of paragraph *b* and subparagraph ii of subparagraph *f* of the first paragraph of section 418.26, be determined under this paragraph for the year in respect of the particular property or other foreign resource property owned by the original owner immediately before being acquired with the particular property by the corporation or a predecessor owner of the particular property, exceeds

(b) the aggregate of

i. any other amount deducted for the year under this section and section 418.19 as a result of the application of subparagraph *c* of the first paragraph of section 418.20 that can reasonably be regarded as attributable to the part of its income for the year described in subparagraph i of subparagraph *a* in respect of the particular property,

ii. any other amount deducted for the year under this section that can reasonably be regarded as attributable to the part of its income referred to in subparagraph 1 of subparagraph ii of subparagraph *a* for the year in respect of which an amount is designated by the corporation under the said subparagraph 1, and

iii. any other amount added, because of section 485.13, in computing the amount determined under subparagraph i of subparagraph *a*.

Income in respect of which an amount is designated under subparagraph 1 of subparagraph ii of subparagraph *a* of the third paragraph is deemed, for the purposes of subparagraph iii of subparagraph *a* of the third paragraph of sections 418.16 and 418.18, subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.19, subparagraph i of subparagraph *c* of the first paragraph of section 418.20, subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.21, paragraph *a* of section 418.28 of this Act and section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to clause B of subparagraph i of paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)), not to be attributable to production from a Canadian resource property.

1989, c. 77, s. 49; 1993, c. 16, s. 166; 1995, c. 49, s. 110; 1996, c. 39, s. 118; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 293; 2004, c. 8, s. 83; 2009, c. 5, s. 132; 2020, c. 16, s. 191.

418.17.1. The portion of an amount deducted under section 418.17 in computing a taxpayer's income for a taxation year that can reasonably be considered to be in respect of specified foreign exploration and development expenses of the taxpayer in relation to a country is considered as being attributable to a source in that country.

2004, c. 8, s. 84.

418.17.2. For the purposes of section 418.17.1, where a taxpayer has incurred specified foreign exploration and development expenses in relation to two or more countries, an allocation to each of those countries for a taxation year shall be determined in a manner that is

(a) reasonable having regard to all the circumstances, including the level and timing of

i. the taxpayer's specified foreign exploration and development expenses in relation to that country, and

ii. the profits or gains to which those expenses relate; and

(b) not inconsistent with the allocation made under section 418.17.1 for the preceding taxation year.

2004, c. 8, s. 84.

418.17.3. Subject to sections 418.22 and 418.24, where a corporation acquires, in any manner whatever, a particular foreign resource property, in this section referred to as the "particular property", in relation to a particular country, there may be deducted by the corporation in computing its income for a taxation year an amount not exceeding the aggregate of all amounts each of which is an amount equal to the lesser of the amount described in the second paragraph and the amount described in the third paragraph determined in respect of an original owner of the particular property.

The first amount to which the first paragraph refers is equal to 30% of the amount by which the cumulative foreign resource expense, in relation to the particular country, of the original owner determined immediately after the disposition of the particular property by the original owner to the extent that it has not been otherwise deducted in computing the corporation's income for the year, has not been deducted in computing the corporation's income for any preceding taxation year and has not been deducted in computing the income of the original owner or any predecessor owner of the particular property for any taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is a particular amount, reduced by the portion of that amount provided for in the fifth paragraph, that became receivable by a predecessor owner of the particular property, or by the corporation in the year or a preceding taxation year, and that

i. was included by the predecessor owner or the corporation in computing an amount determined, without reference to section 418.1.5, under paragraph *b* of section 418.1.4 at the end of the year, and

ii. can reasonably be attributed to the disposition of a property, in the fifth paragraph referred to as the "particular resource property", that is the particular property or another foreign resource property, in relation to the particular country, that was acquired from the original owner with the particular property by the corporation or a predecessor owner of the particular property; and

(b) the aggregate of all amounts each of which is an amount by which the amount determined under this paragraph is required by reason of section 485.8 to be reduced at or before the end of the year.

The last amount to which the first paragraph refers is equal to the amount by which the amount determined under the fourth paragraph is exceeded by the aggregate of

(a) the lesser of

i. the part of the corporation's income for the year, determined before any deduction under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) or any of sections 359 to 419.6, that can reasonably be attributed to the production from the particular property, and

ii. where the corporation acquires the particular property from the original owner at any time in the year, otherwise than as a result of an amalgamation or merger or solely by reason of the application of subparagraph *a* of the first paragraph of section 418.26 and did not deal with the original owner at arm's length at that time, nil; and

(b) unless the amount determined under subparagraph *a* is nil by reason of subparagraph ii of that subparagraph, the lesser of

i. the aggregate of all amounts each of which is the amount designated by the corporation for the year in respect of a Canadian resource property owned by the original owner immediately before being acquired with the particular property by the corporation or a predecessor owner of the particular property, not exceeding the amount included in computing the corporation's income for the year, determined before any deduction under section 88.4 of the Act respecting the application of the Taxation Act or any of sections 359 to 419.6, that can reasonably be attributed to the production from the Canadian resource property, and

ii. the amount by which 10% of the amount described in the second paragraph for the year, in respect of the original owner, exceeds the aggregate of all amounts each of which would, but for this subparagraph, subparagraph ii of subparagraph *b* of the third paragraph of section 418.17 and subparagraph ii of

subparagraph *f* of the first paragraph of section 418.26, be determined under this paragraph for the year in respect of the particular property or other foreign resource property, in relation to the particular country, owned by the original owner immediately before being acquired with the particular property by the corporation or a predecessor owner of the particular property.

The amount that, for the purposes of the third paragraph, is required to be determined under this paragraph is the aggregate of

(a) any other amount deducted for the year under this section, section 418.17 or section 418.19 as a consequence of the application of subparagraph *c* of the first paragraph of section 418.20, that can reasonably be attributed to the part of the corporation's income for the year, described in subparagraph *a* of the third paragraph, in relation to the particular property;

(b) any other amount deducted for the year under this section or section 418.17, that can reasonably be attributed to a part of the corporation's income for the year, described in subparagraph i of subparagraph *b* of the third paragraph, in respect of which an amount is designated by the corporation under that subparagraph; and

(c) any amount added, by reason of section 485.13, in computing the amount determined under subparagraph *a* of the third paragraph.

The particular amount referred to in subparagraph *a* of the second paragraph shall be reduced by the portion thereof that can reasonably be considered to result in a reduction of the amount otherwise determined under that paragraph in relation to another original owner of a particular resource property who is not a predecessor owner of a particular resource property or who became such a predecessor owner before the original owner became a predecessor owner of a particular resource property.

The income in respect of which an amount is designated under subparagraph i of subparagraph *b* of the third paragraph is deemed, for the purposes of the following provisions, not to be attributable to the production from a Canadian resource property:

(a) subparagraph iii of subparagraph *a* of the third paragraph of sections 418.16 and 418.18;

(b) subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.19;

(c) subparagraph i of subparagraph *c* of the first paragraph of section 418.20;

(d) subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.21;

(e) paragraph *a* of section 418.28; and

(f) section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to clause B of subparagraph i of paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)).

2004, c. 8, s. 84; 2009, c. 5, s. 133.

418.18. Subject to sections 418.22 and 418.23, where a corporation acquired after 6 May 1974 in the case of an oil business, after 31 March 1975 in the case of a mining business or after 5 December 1996 in all other cases, in any manner whatsoever, a particular Canadian resource property (referred to in this section as "particular property"), it may deduct in computing its income for a taxation year an amount not exceeding the aggregate of all amounts each of which is the lesser of the amount referred to in the second paragraph and the amount referred to in the third paragraph determined in respect of an original owner of the particular property.

The first amount to which the first paragraph refers is equal to the amount by which

(a) the aggregate of the cumulative Canadian exploration expense of the original owner determined immediately after the disposition of the particular property by the original owner, and all amounts required to be added under paragraph *c* of section 418.25 to the cumulative Canadian exploration expense of the original owner in respect of a predecessor owner of the particular property, or in respect of the corporation, as the case may be, at any time after the disposition of the particular property by the original owner and before the end of the year, to the extent that an amount in respect of that aggregate was not

i. otherwise deducted in computing the corporation's income for the year or deducted in computing the corporation's income for a preceding taxation year or in computing the income of a predecessor owner of the particular property for any taxation year, and

ii. deducted or required to be deducted under section 400 or 401 in computing the income of the original owner for any taxation year, or designated by the original owner for any taxation year for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) pursuant to subsection 14.1 of section 66 of that Act; exceeds

(b) the aggregate of all amounts by which the amount determined under this paragraph is required, because of section 485.8, to be reduced at or before the end of the year.

The last amount to which the first paragraph refers is equal to the amount by which

(a) the part of the corporation's income for the year, determined before any deduction under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) or any of sections 359 to 419.6, that may reasonably be regarded as attributable to

i. the amount included in computing its income for the year under paragraph *e* of section 330 that may reasonably be regarded as being attributable to the disposition by the corporation in the year or a preceding taxation year of any right in or to the particular property to the extent that the proceeds of the disposition have not been included in computing an amount for any preceding taxation year under this subparagraph, subparagraph i of subparagraph *a* of the third paragraph of section 418.16, subparagraph iii of subparagraph *c* of the first paragraph of section 418.20, section 418.28 or section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to clause A of subparagraph i of paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)),

ii. its reserve amount for the year in respect of the original owner and each predecessor owner of the particular property, or

iii. production from the particular property; exceeds

(b) the aggregate of

i. any other amount deducted under section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, this section and sections 418.16, 418.19 and 418.21 for the year that can reasonably be regarded as attributable to the part of its income for the year described in subparagraph *a* in respect of the particular property, and

ii. any other amount added, because of section 485.13, in computing the amount determined under subparagraph *a*.

1989, c. 77, s. 49; 1993, c. 16, s. 167; 1995, c. 49, s. 111; 1996, c. 39, s. 119; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 293; 2013, c. 10, s. 32; 2020, c. 16, s. 191.

418.19. Subject to sections 418.22 and 418.23, where a corporation acquired after 6 May 1974 in the case of an oil business, or after 31 March 1975 in the case of a mining business, in any manner whatsoever, a particular Canadian resource property, referred to in this section and in section 418.20 as "particular property", it may deduct in computing its income for a taxation year an amount not exceeding the aggregate of all amounts each of which is equal to the lesser of the amount referred to in the second paragraph and the

amount referred to in the third paragraph and, as the case may be, the amount referred to in section 418.20, determined in respect of an original owner of the particular property.

The first amount to which the first paragraph refers is equal to the amount by which

(a) the amount by which

i. the cumulative Canadian development expenses of the original owner, determined immediately after the disposition of the particular property by the original owner, to the extent that the expenses were not otherwise deducted in computing the corporation's income for the year, were not deducted in computing the corporation's income for any preceding taxation year or in computing the income of the original owner or any predecessor owner of the particular property for any taxation year, and were not designated by the original owner for any taxation year for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) pursuant to subsection 14.2 of section 66 of the said Act, exceeds

ii. all amounts required to be deducted under paragraph *b* of section 418.25, at any time after the disposition of the particular property by the original owner and before the end of the year, from the cumulative Canadian development expenses of the original owner in respect of a predecessor owner of the particular property or in respect of the corporation, as the case may be, exceeds

(b) the aggregate of

i. all amounts each of which is a particular amount, reduced by the portion thereof described in the fourth paragraph, that became receivable by a predecessor owner of the particular property or the corporation in the year or a preceding taxation year and that

(1) was included by the predecessor owner or the corporation in computing an amount determined under subparagraph i of paragraph *b* of section 412 at the end of the year, and

(2) can reasonably be regarded as attributable to the disposition of a property, in the fourth paragraph referred to as a "relevant mining property", that is the particular property or another Canadian resource property that was acquired from the original owner with the particular property by the corporation or a predecessor owner of the particular property,

ii. all amounts each of which is a particular amount, reduced by the portion thereof described in the fifth paragraph, that became receivable by a predecessor owner of the particular property or the corporation after 31 December 1992 and in the year or a preceding taxation year and that

(1) is designated in respect of the original owner by the predecessor owner or the corporation, as the case may be, on the prescribed form filed with the Minister within six months after the end of the taxation year in which the particular amount became receivable,

(2) was included by the predecessor owner or the corporation in computing an amount determined under subparagraph i of paragraph *b* of section 418.6 at the end of the year, and

(3) can reasonably be regarded as attributable to the disposition of a property, in the fifth paragraph referred to as a "relevant oil and gas property", that is the particular property or another Canadian resource property that was acquired from the original owner with the particular property by the corporation or a predecessor owner of the particular property, and

iii. any amount by which the amount determined under this paragraph is required, because of section 485.8, to be reduced at or before the end of the year.

The second amount to which the first paragraph refers is equal to the amount by which

(a) the lesser of

i. the part of the corporation's income for the year, determined before any deduction under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) or any of sections 359 to 419.6, that may reasonably be regarded as attributable to

(1) its reserve amount for the year in respect of the original owner and each predecessor owner of the particular property, or

(2) production from the particular property, and

ii. where the corporation acquired the particular property from the original owner at any time in the year, otherwise than by way of an amalgamation or merger or by reason only of the application of subparagraph *a* of the first paragraph of section 418.26, and did not deal at arm's length with the original owner at that time, nil, exceeds

(b) the aggregate of

i. any other amount deducted under section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)), this section and sections 418.16, 418.18 and 418.21 for the year that can reasonably be regarded as attributable to the part of its income for the year described in subparagraph *a* in respect of the particular property, and

ii. any other amount added, because of section 485.13, in computing the amount determined under subparagraph *a*.

The particular amount mentioned in subparagraph i of subparagraph *b* of the second paragraph shall be reduced by the portion thereof that can reasonably be considered to result in a reduction of the amount otherwise determined under that paragraph in respect of another original owner of a relevant mining property who is not a predecessor owner of a relevant mining property or who became a predecessor owner of a relevant mining property before the original owner became a predecessor owner of a relevant mining property.

The particular amount mentioned in subparagraph ii of subparagraph *b* of the second paragraph shall be reduced by the portion thereof that can reasonably be considered to result in a reduction of the amount otherwise determined under the second paragraph of section 418.21 in respect of the original owner or under the second paragraph, or the second paragraph of section 418.21, in respect of another original owner of a relevant oil and gas property who is not a predecessor owner of a relevant oil and gas property or who became a predecessor owner of a relevant oil and gas property before the original owner became a predecessor owner of a relevant oil and gas property.

1989, c. 77, s. 49; 1993, c. 16, s. 168; 1995, c. 49, s. 112; 1996, c. 39, s. 120; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 293; 2009, c. 5, s. 134.

418.20. The last amount to which the first paragraph of section 418.19 refers is equal,

(a) where the corporation referred to in section 418.19 is a development corporation carrying on an oil business, to the aggregate of

i. 30% of the amount by which the expenses referred to in subparagraph *a* of the second paragraph of section 418.19 that were not incurred in Québec within the meaning of section 416 exceed the aggregate referred to in subparagraph *b* of the said second paragraph, and

ii. the amount by which the expenses referred to in subparagraph *a* of the second paragraph of section 418.19 that were incurred in Québec within the meaning of section 416 exceed the amount by which the aggregate referred to in subparagraph *b* of the said second paragraph exceeds the expenses referred to in that subparagraph *a* which were not incurred in Québec within the meaning of section 416;

(b) where the corporation referred to in section 418.19 is not a development corporation and carries on an oil business, to 30% of the excess amount referred to in the second paragraph of that section;

(c) where the corporation referred to in section 418.19 is not a development corporation and carries on a mining business, to the higher of either 30% of the excess amount referred to in the second paragraph of the said section, or the amount by which the total, before any deduction under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) or sections 359 to 419.6, of the following amounts exceeds the amount described in the second paragraph:

i. its income for the year that can reasonably be regarded as attributable to the production of ore, other than iron ore or tar sands, from a resource property that is property described in the third paragraph, processed to any stage that is not beyond the prime metal stage or its equivalent, to the production of iron ore from such property, processed to any stage that is not beyond the pellet stage or its equivalent, and to any rental or royalty from such property, computed by reference to the amount or value of ore production,

ii. the aggregate of all amounts included in computing its income for the year under paragraph *b*, *d* or *e* of section 330, other than an amount referred to in subparagraph iii, in respect of property described in the third paragraph, but to the extent that paragraph *b* of section 330 refers to section 357, only the amounts deducted in computing its income, under the last mentioned section, for the preceding taxation year in respect of the disposition of a Canadian resource property may be taken into consideration, and

iii. the aggregate of all amounts included in computing its income for the year under paragraph *e* of section 330, that can reasonably be regarded as attributable to the disposition by the corporation, in the year or in a preceding taxation year, of any right in or to a property described in the third paragraph, to the extent that the proceeds of the disposition were not included in computing any amount for a preceding taxation year under this subparagraph, subparagraph i of subparagraph *a* of the third paragraph of section 418.16 or 418.18, section 418.28 and section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to clause A of subparagraph i of paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)).

The amount to which subparagraph *c* of the first paragraph refers is the total of the following amounts:

(a) the aggregate of all amounts deducted in computing its income for the year under section 357 in respect of a Canadian resource property that is property described in the third paragraph or under section 358 in respect of property described in that paragraph, as those sections apply in respect of a disposition made before 13 November 1981;

(b) the aggregate of the other amounts deducted for the year under section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, any of sections 418.16 to 418.19 and section 418.21 that can reasonably be regarded as attributable to the amounts referred to in subparagraphs i to iii of subparagraph *c* of the first paragraph for the year;

(c) any other amount added, because of section 485.13, in computing the total amount determined under subparagraph *c* of the first paragraph.

Any property to which subparagraphs i to iii of subparagraph *c* of the first paragraph and subparagraph *a* of the second paragraph refer is property owned immediately before the acquisition referred to in section 418.19 by the person from which the property was acquired pursuant to that section.

1989, c. 77, s. 49; 1996, c. 39, s. 121; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 293; 2020, c. 16, s. 191; 2023, c. 19, s. 32.

418.21. Subject to sections 418.22 and 418.23, where after 11 December 1979 a corporation acquired, in any manner whatsoever, a particular Canadian resource property, referred to in this section as "particular property", it may deduct in computing its income for a taxation year an amount not exceeding the aggregate of all amounts each of which is equal to the lesser of the amount referred to in the second paragraph and the

amount referred to in the third paragraph, determined in respect of an original owner of the particular property.

The first amount to which the first paragraph refers is equal to 10% of the excess amount, over the aggregate of all amounts each of which is an amount by which the amount determined under this paragraph is required, because of section 485.8, to be reduced at or before the end of the year, of the amount by which

(a) the cumulative Canadian oil and gas property expense of the original owner determined immediately after the disposition of the particular property by the original owner to the extent that it has not been otherwise deducted in computing the corporation's income for the year and has not been deducted in computing the corporation's income for any preceding taxation year or in computing the income of the original owner or any predecessor owner of the particular property for any taxation year, exceeds

(b) the aggregate of all amounts each of which is a particular amount, reduced by the portion thereof described in the fourth paragraph, that became receivable by a predecessor owner of the particular property or the corporation in the year or a preceding taxation year and that

i. was included by the predecessor owner or the corporation in computing an amount determined under subparagraph i of paragraph *b* of section 418.6 at the end of the year, and

ii. can reasonably be regarded as attributable to the disposition of a property, in the fourth paragraph referred to as a "relevant oil and gas property", that is the particular property or another Canadian resource property that was acquired from the original owner with the particular property by the corporation or a predecessor owner of the particular property.

The last amount to which the first paragraph refers is equal to the amount by which

(a) the lesser of

i. the part of the corporation's income for the year, determined before any deduction under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) or any of sections 359 to 419.6, that may reasonably be regarded as attributable to

(1) its reserve amount for the year in respect of the original owner and each predecessor owner of the particular property, or

(2) production from the particular property, and

ii. where the corporation acquired the particular property from the original owner at any time in the year, otherwise than by way of an amalgamation or merger or by reason only of the application of subparagraph *a* of the first paragraph of section 418.26, and did not deal at arm's length with the original owner at that time, nil, exceeds

(b) the aggregate of

i. any other amount deducted under section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)), this section and section 418.16, 418.18 or 418.19 for the year that may reasonably be regarded as attributable to the part of its income for the year described in subparagraph *a* in respect of the particular property, and

ii. any amount added, because of section 485.13, in computing the amount determined under subparagraph *a*.

The particular amount mentioned in subparagraph *b* of the second paragraph shall be reduced by the portion thereof that can reasonably be considered to result in a reduction of the amount otherwise determined under the second paragraph, or the second paragraph of section 418.19, in respect of another original owner of

a relevant oil and gas property who is not a predecessor owner of a relevant oil and gas property or who became a predecessor owner of a relevant oil and gas property before the original owner became a predecessor owner of a relevant oil and gas property.

1989, c. 77, s. 49; 1993, c. 16, s. 169; 1995, c. 49, s. 113; 1996, c. 39, s. 122; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 293; 2009, c. 5, s. 135.

418.22. Section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), and sections 418.16 to 418.19 and 418.21 do not apply

(a) in respect of a Canadian resource property or a foreign resource property acquired by way of an amalgamation to which subsection 4 of section 544 applies or a winding-up to which section 565.1 applies; or

(b) to permit, in respect of the acquisition by a corporation before 18 February 1987 of a Canadian resource property or a foreign resource property, a deduction by the corporation of an amount that the corporation would not have been entitled to deduct under section 88.4 of the Act respecting the application of the Taxation Act, Divisions I, I.1 or III to IV.1, sections 362 to 394, 419 to 419.4 or section 419.6 if those sections and divisions, as they read in their application to taxation years ending before 18 February 1987, applied to taxation years ending after 17 February 1987.

1989, c. 77, s. 49; 1997, c. 3, s. 71; 1997, c. 14, s. 72; 1998, c. 16, s. 159.

418.23. Section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), and sections 418.16, 418.18, 418.19 and 418.21 apply only to a corporation that has acquired a particular Canadian resource property, in this section referred to as "particular property",

(a) where it acquired the particular property in a taxation year commencing before 1 January 1985 and, at the time it acquired the particular property, the corporation acquired all or substantially all of the property used by the person from whom it acquired the particular property in carrying on in Canada a business described in paragraphs *a* to *g* of section 363;

(b) where it acquired the particular property in a taxation year commencing after 31 December 1984 and, at the time it acquired the particular property, the corporation acquired all or substantially all of the Canadian resource properties of the person from whom it acquired the particular property;

(c) where it acquired the particular property after 5 June 1987 by way of an amalgamation or winding-up and it has filed an election in prescribed form with the Minister on or before the corporation's filing-due date for its taxation year in which it acquired the particular property;

(d) where it acquired the particular property after 16 November 1978 and in a taxation year ending before 18 February 1987 by any means other than by way of an amalgamation or winding-up and it and the person from whom it acquired the particular property have filed with the Minister a joint election under and in accordance with sections 376 to 379, 402 to 405, 415 to 415.3 and 418.8 to 418.11 and section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules as all those sections read in their application to that year; and

(e) where it acquired the particular property in a taxation year ending after 17 February 1987 by any means other than by way of an amalgamation or winding-up and it and the person from whom it acquired the particular property have filed a joint election in prescribed form with the Minister on or before the earliest of their filing-due dates for the taxation year in which the corporation acquired the particular property.

1989, c. 77, s. 49; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 1998, c. 16, s. 160.

418.24. Sections 418.17 and 418.17.3 apply only to a corporation that has acquired a particular foreign resource property referred to in this section as "particular property",

(a) where it acquired the particular property in a taxation year commencing before 1 January 1985 and, at the time it acquired the particular property, the corporation acquired all or substantially all of the property used by the person from whom it acquired the particular property in carrying on outside Canada a business described in paragraphs *a* to *g* of section 363;

(b) where it acquired the particular property in a taxation year commencing after 31 December 1984 and, at the time it acquired the particular property, the corporation acquired all or substantially all of the foreign resource properties of the person from whom it acquired the particular property;

(c) where it acquired the particular property after 5 June 1987 by way of an amalgamation or winding-up and it has filed an election in prescribed form with the Minister on or before the corporation's filing-due date for its taxation year in which it acquired the particular property;

(d) where it acquired the particular property after 16 November 1978 and in a taxation year ending before 18 February 1987 by any means other than by way of an amalgamation or winding-up and it and the person from whom it acquired the particular property have filed with the Minister a joint election under and in accordance with section 380, as that section read in its application to that year; and

(e) where it acquired the particular property in a taxation year ending after 17 February 1987 by any means other than by way of an amalgamation or winding-up and it and the person from whom it acquired the particular property have filed a joint election in prescribed form with the Minister on or before the earliest of their filing-due dates for the taxation year in which the corporation acquired the particular property.

1989, c. 77, s. 49; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2004, c. 8, s. 85.

418.25. Where a corporation acquires a Canadian resource property, where section 418.19 applies in respect of the acquisition, and where the cumulative Canadian development expense of an original owner of the property determined under subparagraph i of subparagraph *a* of the second paragraph of section 418.19 in respect of the corporation includes a Canadian development expense incurred by the original owner in respect of an oil or gas well that would, but for this section, be deemed by section 399.3 to be a Canadian exploration expense incurred in respect of the well by the original owner at any particular time after the acquisition by the corporation and before it disposed of the property, the following rules apply:

(a) section 399.3 does not apply in respect of the Canadian development expense incurred in respect of the well by the original owner;

(b) an amount equal to the lesser of

i. the amount that would be deemed by section 399.3 to be a Canadian exploration expense incurred in respect of the well by the original owner at the particular time if that section applied in respect of the expense, and

ii. the cumulative Canadian development expense of the original owner as determined under subparagraph i of subparagraph *a* of the second paragraph of section 418.19 in respect of the corporation immediately before the particular time

shall be deducted at the particular time from the cumulative Canadian development expense of the original owner in respect of the corporation for the purposes of subparagraph *a* of the second paragraph of section 418.19;

(c) the amount required to be deducted by paragraph *b* shall be added at the particular time to the cumulative Canadian exploration expense of the original owner in respect of the corporation for the purposes of the second paragraph of section 418.18.

1989, c. 77, s. 49; 1997, c. 3, s. 71.

418.26. Where, at any time after 12 November 1981, control of a corporation has been acquired by a person or group of persons, or a corporation ceases on or before 26 April 1995 to be exempt from tax under this Part on its taxable income, for the purposes of the provisions of the Act respecting the application of the Taxation Act (chapter I-4) and of this Part, other than sections 359.2, 359.2.1, 359.2.2, 359.4 and 359.13, relating to deductions in respect of drilling and exploration expenses, prospecting, exploration and development expenses, Canadian exploration and development expenses, foreign resource pool expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, in this section referred to as "resource expenses", incurred by the corporation before that time, the following rules apply:

(a) the corporation is deemed after that time to be a corporation that had, at that time, acquired all the properties owned by the corporation immediately before that time from an original owner thereof;

(a.1) where the corporation did not own a foreign resource property immediately before that time, the corporation is deemed to have owned a foreign resource property immediately before that time;

(b) a joint election is deemed to have been filed in accordance with sections 418.23 and 418.24 in respect of the acquisition;

(c) the resource expenses incurred by the corporation before that time are deemed to have been incurred by an original owner of the properties and not by the corporation;

(c.1) the original owner is deemed to have been resident in Canada before that time while the corporation was resident in Canada;

(d) (paragraph repealed);

(e) where the corporation (in this subparagraph and the second paragraph referred to as the "transferee") was, immediately before and at that time, a particular person, within the meaning of subsection 5 of section 544, or a subsidiary wholly-owned corporation, within the meaning of that subsection, of another corporation (in this subparagraph and the second paragraph and in section 418.28 referred to as the "transferor"), the amount corresponding, subject to the second paragraph, to the total of the amount that the transferor designates after 19 December 2006 in accordance with paragraph *g* of subsection 10 of section 66.7 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in favour of the transferee for a taxation year of the transferor ending after that time and throughout which the transferee was such a particular person or such a subsidiary wholly-owned corporation of the transferor, and—if the total of the amounts designated by the transferor in accordance with that paragraph *g* in favour of any taxpayer for that year corresponds to the maximum total of the amounts that the transferor may then designate in accordance with that paragraph *g* in favour of any taxpayer for that year—of the portion on which the transferor and transferee agree and that the transferor specifies in its fiscal return under this Part for that year in respect of the transferee and not in respect of another taxpayer, of the amount by which the particular amount described in section 418.28 exceeds the maximum total of the amounts that the transferor may then designate in accordance with that paragraph *g* in favour of any taxpayer for that year,

i. applies for the purpose of making a deduction under section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)), or this division in respect of resource expenses incurred by the transferee before that time while the transferee was such a particular person or such a subsidiary wholly-owned corporation of the transferor, and

ii. is deemed, for the purpose of computing an amount under the third paragraph of any of sections 418.16, 418.18 and 418.19, subparagraph *c* of the first paragraph of section 418.20, as that subparagraph would read if "to the higher of either 30% of the excess amount referred to in the second paragraph of the said section, or the amount by which" was replaced by "to the amount by which", the third paragraph of section 418.21 and section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules, to be income of the transferee from the sources described in paragraph *a* or *b* of section 418.28 for its taxation year

in which that taxation year of the transferor ends, and not to be income of the transferor from those sources for that year;

(f) where the corporation (in this subparagraph and the second paragraph referred to as the "transferee") was, immediately before and at that time, a particular person, within the meaning of subsection 5 of section 544, or a subsidiary wholly-owned corporation, within the meaning of that subsection, of another corporation (in this subparagraph and the second paragraph and in section 418.29 referred to as the "transferor"), the amount corresponding, subject to the second paragraph, to the total of the amount that the transferor designates after 19 December 2006 in accordance with paragraph *h* of subsection 10 of section 66.7 of the Income Tax Act in favour of the transferee for a taxation year of the transferor ending after that time and throughout which the transferee was such a particular person or such a subsidiary wholly-owned corporation of the transferor, and—if the total of the amounts designated by the transferor in accordance with that paragraph *h* in favour of any taxpayer for that year corresponds to the maximum total of the amounts that the transferor may then designate in accordance with that paragraph *h* in favour of any taxpayer for that year—of the portion on which the transferor and transferee agree and that the transferor specifies in its fiscal return under this Part for that year in respect of the transferee and not in respect of another taxpayer, of the amount by which the particular amount described in section 418.29 exceeds the maximum total of the amounts that the transferor may then designate in accordance with that paragraph *h* in favour of any taxpayer for that year, is deemed,

i. for the purpose of computing an amount under the third paragraph of section 418.17 or 418.17.3 or subparagraph *c* of the first paragraph of section 418.20, as that subparagraph would read if "to the higher of either 30% of the excess amount referred to in the second paragraph of the said section, or the amount by which" was replaced by "to the amount by which", to be income of the transferee from the sources described in paragraph *a* or *b* of section 418.29 for its taxation year in which that taxation year of the transferor ends, and

ii. for the purpose of computing an amount under the third paragraph of section 418.17 or 418.17.3 or subparagraph *c* of the first paragraph of section 418.20, as that subparagraph would read if "to the higher of either 30% of the excess amount referred to in the second paragraph of the said section, or the amount by which" was replaced by "to the amount by which", not to be the income of the transferor from those sources for that year;

(g) where, immediately before and at that time, the corporation (in this subparagraph referred to as the "transferee") and another corporation (in this subparagraph referred to as the "transferor") were both subsidiary wholly-owned corporations, within the meaning of subsection 5 of section 544, of the same particular person, within the meaning of that subsection, and if the transferee and the transferor agree after 19 December 2006 in accordance with paragraph *i* of subsection 10 of section 66.7 of the Income Tax Act to have that paragraph *i* apply to them for a taxation year of the transferor ending after that time, subparagraph *e* or *f* or both, as the agreement provides, apply for that year to the transferee and to the transferor as though one were, in relation to the other, the particular person, within the meaning of subsection 5 of section 544; and

(h) where that time is after 15 January 1987 and at that time the corporation was a member of a partnership that owned a Canadian resource property or a foreign resource property at that time, for the purposes of subparagraph *a*, the corporation is deemed to have owned immediately before that time that portion of the property owned by the partnership at that time that is equal to its percentage share of the aggregate of amounts that would be paid to all members of the partnership if it were wound up at that time, and, for the purposes of subparagraph iii of subparagraph *a* of the third paragraph of section 418.16, subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.17, subparagraph *a* of the third paragraph of section 418.17.3, subparagraph iii of subparagraph *a* of the third paragraph of section 418.18, subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.19, subparagraph i of subparagraph *c* of the first paragraph of section 418.20 and subparagraph 2 of subparagraph i of subparagraph *a* of the third paragraph of section 418.21 and of section 88.4 of the Act respecting the application of the Taxation Act, to the extent that that section refers to clause B of subparagraph i of paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules, for a taxation year ending after that time, the lesser of the following amounts is deemed to be the income of the corporation for the year that can reasonably be attributed to production from the property:

i. its share of the part of the income of the partnership for the fiscal period of the partnership ending in the year that may reasonably be regarded as being attributable to the production from the property, and

ii. an amount that would be determined under subparagraph i for the year if its share of the income of the partnership for the fiscal period of the partnership ending in the year were determined on the basis of the percentage share referred to in this subparagraph *h*.

However, when the aggregate of the amounts determined for a taxation year of the transferor under subparagraph *e* or *f* of the first paragraph in relation to the transferee would, but for this paragraph, exceed the particular amount described in section 418.28 or 418.29, the amount otherwise determined for the year under that subparagraph in respect of the transferee or another taxpayer must be reduced, if applicable, to the amount specified by the transferor in its fiscal return under this Part for the year or, if the transferor fails to specify such an amount, to the amount specified by the Minister, so that the aggregate is equal to the particular amount.

Chapter V.2 of Title II of Book I applies in relation to a designation or agreement made under any of paragraphs *g*, *h* and *i* of subsection 10 of section 66.7 of the Income Tax Act or in relation to a designation or agreement made under this section before 20 December 2006.

1989, c. 77, s. 49; 1993, c. 16, s. 170; 1995, c. 49, s. 114; 1997, c. 3, s. 71; 1997, c. 14, s. 73; 1998, c. 16, s. 161; 2000, c. 5, s. 96; 2004, c. 8, s. 86; 2009, c. 5, s. 136.

418.27. *(Repealed).*

1989, c. 77, s. 49; 1993, c. 16, s. 171.

418.28. The particular amount referred to in subparagraph *e* of the first paragraph and the second paragraph of section 418.26 is the amount equal to the portion of the income of the transferor for the year referred to in that subparagraph, before any deduction under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4) and sections 359 to 419.6, that may reasonably be regarded as attributable

(a) to the production from a Canadian resource property owned by the transferor immediately before the time referred to in the first paragraph of section 418.26; and

(b) to the disposition, in the year referred to in subparagraph *e* of the first paragraph of section 418.26, of a Canadian resource property owned by the transferor immediately before the time referred to in that paragraph.

1989, c. 77, s. 49; 1998, c. 16, s. 251; 2009, c. 5, s. 137.

418.29. The particular amount referred to in subparagraph *f* of the first paragraph and the second paragraph of section 418.26 is the amount equal to the portion of the income of the transferor for the year referred to in that subparagraph, before any deduction under sections 359 to 419.6, that may reasonably be regarded as attributable

(a) to the production from a foreign resource property owned by the transferor immediately before the time referred to in the first paragraph of section 418.26; and

(b) to the disposition of a foreign resource property owned by the transferor immediately before the time referred to in the first paragraph of section 418.26.

1989, c. 77, s. 49; 2009, c. 5, s. 137.

418.29.1. If there has been an amalgamation within the meaning of section 544, other than an amalgamation to which subsection 4 of that section applies, of two or more corporations (each of which is referred to in this section as a "predecessor corporation") to form a new corporation and immediately before the time of the amalgamation a predecessor corporation was a member of a partnership that owned a Canadian

resource property or a foreign resource property at that time, for the purposes of subparagraph *c* of the first paragraph of section 418.15 and sections 418.16 to 418.21, the following rules apply:

(a) the predecessor corporation is deemed to have owned, immediately before the time of the amalgamation, that portion of each Canadian resource property and of each foreign resource property owned by the partnership at the time of the amalgamation that is equal to the predecessor corporation's percentage share of the aggregate of the amounts that would be paid to all members of the partnership if the partnership were wound up and to have disposed of those portions to the new corporation at the time of the amalgamation;

(b) the new corporation is deemed to have, as a consequence of the amalgamation, acquired the portions of property referred to in paragraph *a* at the time of the amalgamation; and

(c) the income of the new corporation for a taxation year that ends after the time of the amalgamation that can reasonably be attributable to production from the properties referred to in paragraph *a* is deemed to be equal to the lesser of

i. the new corporation's share of the part of the income of the partnership for fiscal periods of the partnership that end in the year that can reasonably be regarded as being attributable to production from those properties, and

ii. the amount that would be determined in accordance with subparagraph i for the year if the new corporation's share of the income of the partnership for each of the fiscal periods of the partnership that end in the year were determined on the basis of the percentage share referred to in paragraph *a*.

2015, c. 24, s. 73.

418.30. If, at any time, control of a taxpayer that is a corporation has been acquired by a person or group of persons, or a taxpayer has disposed of all or substantially all of the taxpayer's Canadian resource properties or foreign resource properties, and, before that time, the taxpayer or a partnership of which the taxpayer was a member acquired a property that is a Canadian resource property, a foreign resource property or an interest in a partnership and it may reasonably be considered that one of the main purposes of the acquisition was to avoid any limitation provided for in any of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (R.S.C. 1985, c. 2 (5th Suppl.)), on the deduction in respect of any expenses incurred by the taxpayer or a corporation referred to as a "transferee" in subparagraph *e* or *f* of the first paragraph of section 418.26, the taxpayer or the partnership is, for the purpose of applying sections 418.16 to 418.21 and section 88.4 of that Act, to the extent that that section refers to subsection 25 of section 29 of those rules, to or in respect of the taxpayer, deemed not to have acquired the property.

1989, c. 77, s. 49; 1997, c. 3, s. 71; 1998, c. 16, s. 162; 2009, c. 5, s. 137.

418.31. Where in a taxation year an original owner of Canadian resource properties disposes of all or substantially all of the original owner's Canadian resource properties to a particular corporation in circumstances in which section 418.16, 418.18, 418.19 or 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), applies, the following rules apply:

(a) the Canadian exploration and development expenses incurred by the original owner before he so disposed of the properties are, for the purposes of this Title, deemed after the disposition not to have been incurred by him except for the purposes of making a deduction under section 362 or 367 for the year and of determining the amount that may be deducted under section 418.16 by the particular corporation or by any other corporation that subsequently acquires any of the properties;

(b) in determining the cumulative Canadian exploration expense of the original owner at any time after the first time referred to in the second paragraph of section 418.18, there shall be deducted the amount thereof determined immediately after the disposition;

(b.1) for the purposes of the second paragraph of section 418.18, the cumulative Canadian exploration expense of the original owner determined immediately after the disposition that was deducted under section 400 or 401 in computing the original owner's income for the year is deemed to be equal to the lesser of

i. the amount deducted in respect of the disposition under paragraph *b*, and

ii. the amount by which

(1) the amount determined under paragraph *a* of section 418.31.1 in respect of the original owner for the year exceeds

(2) the aggregate of all amounts each of which is an amount determined under this paragraph in respect of any disposition made by the original owner in the year and before the disposition first referred to in this paragraph;

(b.2) any amount, other than the amount determined under paragraph *b*.1, that was deducted under section 400 or 401 by the original owner for the year or a subsequent taxation year is deemed, for the purposes of the second paragraph of section 418.18, not to be in respect of the cumulative Canadian exploration expense of the original owner determined immediately after the disposition;

(c) in determining the cumulative Canadian development expense of the original owner at any time after the time referred to in subparagraph i of subparagraph *a* of the second paragraph of section 418.19, there shall be deducted the amount thereof determined immediately after the disposition;

(c.1) for the purposes of the second paragraph of section 418.19, the cumulative Canadian development expense of the original owner determined immediately after the disposition that was deducted under section 413 or 414 in computing the original owner's income for the year is deemed to be equal to the lesser of

i. the amount deducted in respect of the disposition under paragraph *c*, and

ii. the amount by which

(1) the amount determined under paragraph *b* of section 418.31.1 in respect of the original owner for the year exceeds

(2) the aggregate of all amounts each of which is an amount determined under this paragraph in respect of any disposition made by the original owner in the year and before the disposition first referred to in this paragraph;

(c.2) any amount, other than the amount determined under paragraph *c*.1, that was deducted under section 413 or 414 by the original owner for the year or a subsequent taxation year is deemed, for the purposes of the second paragraph of section 418.19, not to be in respect of the cumulative Canadian development expense of the original owner determined immediately after the disposition;

(d) in determining the cumulative Canadian oil and gas property expense of the original owner at any time after the time referred to in subparagraph *a* of the second paragraph of section 418.21, there shall be deducted the amount thereof determined immediately after the disposition;

(d.1) for the purposes of the second paragraph of section 418.21, the cumulative Canadian oil and gas property expense of the original owner determined immediately after the disposition that was deducted under section 418.7 in computing the original owner's income for the year is deemed to be equal to the lesser of

i. the amount deducted in respect of the disposition under paragraph *d*, and

ii. the amount by which

(1) the amount determined under paragraph *c* of section 418.31.1 in respect of the original owner for the year exceeds

(2) the aggregate of all amounts each of which is an amount determined under this paragraph in respect of any disposition made by the original owner in the year and before the disposition first referred to in this paragraph;

(d.2) any amount, other than the amount determined under paragraph *d*.1, that was deducted under section 418.7 by the original owner for the year or a subsequent taxation year is deemed, for the purposes of the second paragraph of section 418.21, not to be in respect of the cumulative Canadian oil and gas property expense of the original owner determined immediately after the disposition;

(e) the drilling and exploration expenses, including all general geological and geophysical expenses, incurred by the original owner before 1 January 1972 on or in respect of exploring or drilling for petroleum or natural gas in Canada and the prospecting, exploration and development expenses incurred by the original owner before 1 January 1972 in searching for minerals in Canada are, for the purposes of section 88.4 of the Act respecting the application of the Taxation Act, deemed after the disposition not to have been incurred by the original owner except for the purpose of making a deduction under section 88.4 of that Act for the year and of determining the amount that may be deducted under that section 88.4, to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules, by the particular corporation or any other corporation that subsequently acquires any of the properties.

1989, c. 77, s. 49; 1993, c. 16, s. 172; 1995, c. 49, s. 115; 1997, c. 3, s. 71; 1998, c. 16, s. 163.

418.31.1. Where in a taxation year an original owner of Canadian resource properties disposes of all or substantially all of his Canadian resource properties in circumstances in which section 418.18, 418.19 or 418.21 applies, the following rules apply:

(a) the amount determined in respect of the original owner for the year for the purposes of paragraph *b*.1 of section 398 and subparagraph 1 of subparagraph ii of paragraph *b*.1 of section 418.31 is equal to the lesser of

i. the aggregate of all amounts each of which is the amount by which

(1) the amount deducted under paragraph *b* of section 418.31 in respect of a disposition in the year by the original owner, exceeds

(2) the amount designated by the original owner in prescribed form filed with the Minister within six months after the end of the year in respect of an amount determined under subparagraph *l*, and

ii. the aggregate of

(1) the amount deducted by the original owner for the year under section 400 or 401, and

(2) the amount that would be determined in respect of the original owner for the year under paragraph *d* of section 330 if the aggregate last referred to therein were not taken into account;

(b) the amount determined in respect of the original owner for the year for the purposes of paragraph *a*.1 of section 411 and subparagraph 1 of subparagraph ii of paragraph *c*.1 of section 418.31 is equal to the lesser of

i. the aggregate of all amounts each of which is the amount by which

(1) the amount deducted under paragraph *c* of section 418.31 in respect of a disposition in the year by the original owner, exceeds

(2) the amount designated by the original owner in prescribed form filed with the Minister within six months after the end of the year in respect of an amount determined under subparagraph 1, and

ii. the aggregate of

(1) the amount deducted by the original owner for the year under section 413 or 414, and

(2) the amount that would be determined in respect of the original owner for the year under paragraph *e* of section 330 if the aggregate last referred to therein were not taken into account;

(c) the amount determined in respect of the original owner for the year for the purposes of paragraph *a*.1 of section 418.5 and subparagraph 1 of subparagraph ii of paragraph *d*.1 of section 418.31 is equal to the lesser of

i. the aggregate of all amounts each of which is the amount by which

(1) the amount deducted under paragraph *d* of section 418.31 in respect of a disposition in the year by the original owner, exceeds

(2) the amount designated by the original owner in prescribed form filed with the Minister within six months after the end of the year in respect of an amount determined under subparagraph 1, and

ii. the aggregate of

(1) the amount deducted by the original owner for the year under section 418.7, and

(2) the amount that would be determined in respect of the original owner for the year under section 418.12 if the aggregate last referred to therein were not taken into account.

1993, c. 16, s. 173.

418.32. Where after 5 June 1987 an original owner of foreign resource properties disposes of all or substantially all of his foreign resource properties to a particular corporation in circumstances in which section 418.17 applies, the foreign exploration and development expenses incurred by the original owner before he so disposed of the properties are deemed after the disposition not to have been incurred by him except for the purposes of determining the amounts that may be deducted under section 418.17 by the particular corporation or any other corporation that subsequently acquires any of the properties.

1989, c. 77, s. 49; 1997, c. 3, s. 71.

418.32.1. Where in a taxation year an original owner of foreign resource properties in relation to a country disposes of all or substantially all of the original owner's foreign resource properties in circumstances to which section 418.17.3 applies, the following rules apply:

(a) in determining the cumulative foreign resource expense of the original owner in relation to that country at any time after the time referred to in the portion of the second paragraph of section 418.17.3 before subparagraph *a*, there shall be deducted the amount of that cumulative foreign resource expense determined immediately after the disposition; and

(b) for the purposes of the second paragraph of section 418.17.3, the cumulative foreign resource expense of the original owner in relation to that country determined immediately after the disposition that was deducted under section 418.1.10 in computing the original owner's income for the year is deemed to be equal to the lesser of

i. the amount deducted under paragraph *a* in respect of the disposition, and

ii. the amount by which the particular amount determined for the year under section 418.32.2 in respect of the original owner and that country exceeds the aggregate of all amounts each of which is an amount

determined under this paragraph in respect of a previous disposition of foreign resource property, in relation to that country, made by the original owner in the year.

2004, c. 8, s. 87.

418.32.2. Where in a taxation year an original owner of foreign resource properties in relation to a country disposes of all or substantially all of the original owner's foreign resource properties in circumstances to which section 418.17.3 applies, the particular amount for the year in respect of the original owner and that country for the purposes of paragraph *d* of section 418.1.3 and subparagraph ii of paragraph *b* of section 418.32.1 is the lesser of

(a) the aggregate of all amounts each of which is the amount by which an amount deducted under paragraph *a* of section 418.32.1 in respect of a disposition in the year by the original owner of foreign resource property in relation to that country, exceeds the amount designated by the original owner in the prescribed form filed with the Minister within six months after the end of the year in respect of the amount deducted under paragraph *a* of section 418.32.1; and

(b) the aggregate of

i. the amount deducted under section 418.1.10 for the year by the original owner in relation to that country, and

ii. the amount that would, but for subparagraph ii of paragraph *e*.1 of section 330, be determined for the year under that paragraph *e*.1 in respect of the original owner and that country.

2004, c. 8, s. 87.

418.33. Where in a taxation year a predecessor owner of Canadian resource properties disposes of Canadian resource properties to a corporation in circumstances in which any of sections 418.16, 418.18, 418.19 and 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Act Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement) applies,

(a) for the purpose of applying any of those sections to the predecessor owner in respect of its acquisition of any Canadian resource property owned by it immediately before the disposition, it is deemed, after the disposition, never to have acquired any such properties except for the purpose of determining the following amounts:

i. an amount deductible under section 418.16 or 418.18 for the year,

ii. where the predecessor owner and the corporation dealt with each other at arm's length at the time of the disposition or the disposition was by way of an amalgamation or merger, an amount deductible under section 418.19 or 418.21 for the year; and

iii. the amount under paragraph *b* of section 412, subparagraph i or ii of paragraph *g* of that section or paragraph *b* of section 418.6; and

(b) where the corporation or another corporation acquires any of the properties on or after the disposition in circumstances in which section 418.19 or 418.21 applies, amounts that become receivable by the predecessor owner after the disposition in respect of Canadian resource properties retained by it at the time of the disposition are deemed, for the purpose of applying section 418.19 or 418.21 to the corporation or the other corporation in respect of the acquisition, not to have become receivable by the predecessor owner.

1989, c. 77, s. 49; 1993, c. 16, s. 174; 1995, c. 49, s. 116; 1997, c. 3, s. 71; 1998, c. 16, s. 251.

418.34. Where after 5 June 1987 a predecessor owner of foreign resource properties disposes of all or substantially all of its foreign resource properties to a corporation in circumstances in which section 418.17 applies, for the purpose of applying that section to the predecessor owner in respect of its acquisition of any of

those properties, or other foreign resource properties retained by it at the time of the disposition which were acquired by it in circumstances in which that section 418.17 applied, it is deemed, after the disposition, never to have acquired the properties.

1989, c. 77, s. 49; 1995, c.49, s. 116; 1997, c. 3, s. 71.

418.34.1. Where in a taxation year a predecessor owner of foreign resource properties disposes of foreign resource properties to a corporation in circumstances to which section 418.17.3 applies, the following rules apply:

(a) for the purpose of applying section 418.17.3 to the predecessor owner in respect of its acquisition of any foreign resource properties owned by it immediately before the disposition, it is deemed, after the disposition, never to have acquired any such properties except for the purpose of determining,

i. where the predecessor owner and the corporation dealt with each other at arm's length at the time of the disposition or the disposition occurred after an amalgamation or merger, an amount deductible under section 418.17.3 for the year, and

ii. an amount determined under paragraph *b* of section 418.1.4; and

(b) where the corporation or another corporation acquires any of the properties on or after the disposition in circumstances to which section 418.17.3 applies, amounts that become receivable by the predecessor owner after the disposition in respect of foreign resource properties retained by it at the time of the disposition are, for the purpose of applying section 418.17.3 to the corporation or the other corporation in respect of the acquisition, deemed not to have become receivable by the predecessor owner.

2004, c. 8, s. 88.

418.35. Where at any time a Canadian resource property or a foreign resource property is acquired by a person in circumstances in which none of sections 418.16 to 418.21 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement) apply, every person who was an original owner or predecessor owner of the property by reason of having disposed of the property before that time is, for the purpose of applying those sections to or in respect of the person or any other person who after that time acquires the property, deemed after that time not to be an original owner or predecessor owner of the property by reason of having disposed of the property before that time.

1989, c. 77, s. 49; 1998, c. 16, s. 251.

418.36. Where in a particular taxation year and before 6 June 1987 a person disposed of a Canadian resource property or a foreign resource property in circumstances in which any of sections 418.16 to 418.21 of this Act or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement) applies, no deduction in respect of an expense incurred before the property was disposed of may be made under this division, Divisions I, I.1 or III to IV.1 or sections 362 to 394, 419 to 419.4 or 419.6 by the person in computing his income for a taxation year subsequent to the particular taxation year.

1989, c. 77, s. 49; 1998, c. 16, s. 164.

DIVISION IV.3

AT-RISK AMOUNT

1990, c. 59, s. 166.

418.37. Where a taxpayer is a limited partner of a partnership at the end of a fiscal period of the partnership, the excess amount described in the second paragraph shall reduce, first, the taxpayer's share of the Canadian oil and gas property expenses, then, the taxpayer's share of Canadian development expenses, then, the taxpayer's share of Canadian exploration expenses, then, the taxpayer's share of foreign resource expenses in relation to a country, and then, the taxpayer's share of foreign exploration and development expenses, incurred by the partnership in that fiscal period.

The excess amount referred to in the first paragraph is the amount by which

(a) the aggregate of all amounts each of which is the taxpayer's share of each class of expenses described in the first paragraph incurred by the partnership in the fiscal period referred to therein, computed without reference to this section, exceeds

(b) the amount by which the at-risk amount of the taxpayer in respect of his partnership interest at the end of the fiscal period exceeds the aggregate of the following amounts:

i. that portion of the amount determined in respect of the partnership that is required by subsection 8 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to be added in computing the investment tax credit of the taxpayer in respect of the fiscal period, within the meaning assigned to that expression by the said Act for the purposes of the said subsection;

ii. the taxpayer's share of any losses of the partnership for the fiscal period from a farming business.

For the purposes of the first paragraph, a taxpayer's share of foreign resource expenses in relation to a country, shall be reduced in the order specified by the taxpayer in a written document filed with the Minister on or before the taxpayer's filing-due date for the taxpayer's taxation year in which the fiscal period of the partnership ends or, where no such order is specified, in the order determined by the Minister.

For the purposes of this chapter, subparagraph ii of paragraph *l* of section 257, sections 600.1, 600.2 and 613.1 and Title VII of Book IV, but not for the purposes of this section, the taxpayer's share of each class of expenses described in the first paragraph incurred by the partnership in the fiscal period referred to therein is deemed to be equal to the amount by which the taxpayer's share of that class of expenses exceeds that portion of the excess amount determined in the second paragraph that, under the first paragraph, reduced that class of expenses.

1990, c. 59, s. 166; 1997, c. 3, s. 71; 2004, c. 8, s. 89.

418.38. For the purposes of the second paragraph of section 418.37, the amount by which the taxpayer's share of a class of expenses incurred by a partnership is reduced under the first paragraph of the said section in respect of a fiscal period of the partnership shall be added to the taxpayer's share, otherwise determined, of that class of expenses incurred by the partnership in the following fiscal period of the partnership.

1990, c. 59, s. 166; 1997, c. 3, s. 71.

418.39. In this division,

(a) the expression "at-risk amount" of a taxpayer in respect of the taxpayer's partnership interest has the meaning that would be assigned by section 613.2 if paragraph *a* of section 613.3 were read as follows:

"(*a*) the aggregate of all amounts each of which is an amount owing at the particular time to the partnership, or to a person or partnership not dealing at arm's length with the partnership, by the taxpayer or by a person or partnership not dealing at arm's length with the taxpayer, other than an amount that is

i. any amount deducted under subparagraph i.3 of paragraph *l* of section 257 in computing the adjusted cost base, or under Title VIII of Book VI in computing the cost, to the taxpayer of the taxpayer's partnership interest at that time, or

ii. any amount owing by the taxpayer to a person in respect of which the taxpayer is a subsidiary wholly-owned corporation or where the taxpayer is a trust, to a person that is the sole beneficiary of the taxpayer; and";

*(a.*1*)* the expression "limited partner" of a partnership has the meaning assigned by section 613.6;

(b) a reference to a taxpayer who is a member of a particular partnership shall include a reference to another partnership that is a member of the particular partnership;

(c) a taxpayer's share of Canadian development expenses or Canadian oil and gas property expenses incurred by a partnership in a fiscal period in respect of which the taxpayer has elected in respect of the share under paragraph *d* of section 408 or paragraph *b* of section 418.2, as the case may be, is deemed to be nil.

For the purposes of the definition of "limited partner" of a partnership in subparagraph *a*.1 of the first paragraph, the definition of "exempt interest" in sections 613.7 and 613.8 is to be read as if "25 February 1986", "26 February 1986", "1 January 1987", "12 June 1986" and "final prospectus, preliminary prospectus, registration statement" wherever they appear in that definition were replaced by "17 June 1987", "18 June 1987", "1 January 1988", "18 June 1987" and "final prospectus, preliminary prospectus, registration statement, offering memorandum or notice that is required to be filed before any distribution of securities may commence", respectively.

1990, c. 59, s. 166; 1994, c. 22, s. 155; 1997, c. 3, s. 71; 2015, c. 24, s. 74.

DIVISION V

SPECIAL PROVISIONS

1977, c. 26, s. 48.

419. Any share of the capital stock of a corporation, or any right in or to such a share, acquired by a taxpayer under circumstances described in paragraph *e* of section 395 or 408, or in paragraph *c* of section 418.2 is deemed,

(a) if it was acquired before 13 November 1981, not to be a capital property of the taxpayer but, subject to section 851.22.25, to be inventory of the taxpayer acquired at a cost to him of nil; and

(b) if it was acquired after 12 November 1981, to have been acquired by the taxpayer at a cost to him of nil.

1977, c. 26, s. 48; 1982, c. 5, s. 104; 1984, c. 15, s. 92; 1996, c. 39, s. 123; 1997, c. 3, s. 71; 2020, c. 16, s. 189.

419.0.1. Any flow-through share of a corporation acquired by a person who was a party to the agreement pursuant to which it was issued is deemed to have been acquired by the person at a cost to him of nil.

1988, c. 18, s. 45; 1997, c. 3, s. 71.

419.1. Sections 419.2 to 419.4 apply where a taxpayer has made a payment or a loan mentioned in subsection 3 of section 383, as it read in respect of that payment or loan, after 19 April 1983, to a joint exploration corporation in respect of which the corporation has at any time renounced, in favour of the

taxpayer, under section 406, 417 or 418.13, as they read in respect of that renunciation, any Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, in sections 419.2 to 419.4 referred to as "resource expenses".

1985, c. 25, s. 85; 1997, c. 3, s. 71; 1998, c. 16, s. 165.

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

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

(b) he shall deduct in computing the adjusted cost base to him at any time of any property for which the property, or any property substituted therefor, was exchanged the amount of any resource expenses renounced by the corporation in his favour in respect of the payment or loan at or before that time except to the extent that such amount has been deducted under paragraph *a*; and

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

1985, c. 25, s. 85; 1997, c. 3, s. 71.

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

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

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

1985, c. 25, s. 85; 1997, c. 3, s. 71.

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

1985, c. 25, s. 85; 1997, c. 3, s. 71.

419.5. A corporation that does not designate an amount for a taxation year for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under subsection 14.1 or 14.2 of section 66 of the said Act may deduct in computing its income for the year an amount equal to the amount deducted by it under section 66.5 of the said Act in computing its income for the year for the purposes of the said Act.

1987, c. 67, s. 98; 1997, c. 3, s. 71.

419.6. A taxpayer may deduct in computing his income under this Part for a taxation year, an amount equal to the amount he may deduct for the year under subsection 14.6 of section 66 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1988, c. 18, s. 46.

419.7. Where a corporation acquires in any manner whatever all or substantially all of the Canadian resource properties or foreign resource properties of a person whose taxable income is exempt from tax under this Part, section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement), and sections 418.16 to 418.21 do not apply to the corporation in respect of the acquisition of the properties.

1988, c. 18, s. 46; 1989, c. 77, s. 50; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 97.

419.8. *(Repealed).*

1988, c. 18, s. 46; 1989, c. 77, s. 50; 1997, c. 3, s. 71; 2000, c. 5, s. 98.

TITLE VII

RULES RELATING TO COMPUTATION OF INCOME

1972, c. 23.

CHAPTER I

GENERAL RULES

1972, c. 23.

420. An amount the deduction of which is authorized by this Part in respect of an outlay or expense shall be deducted only to the extent that such outlay or expense was reasonable in the circumstances.

1972, c. 23, s. 355; 1997, c. 85, s. 330.

421. If an amount received or receivable from a person can reasonably be regarded as being in part the consideration for the disposition of a particular property of a taxpayer, for the provision of particular services by a taxpayer or for a restrictive covenant, within the meaning assigned by section 333.4, granted by a taxpayer, the following rules apply:

(a) the part of the amount that can reasonably be regarded as being the consideration for the disposition is deemed to be proceeds of disposition of the particular property, irrespective of the form or legal effect of the contract or agreement, and the person to whom the property was disposed of is deemed to have acquired it at a cost equal to that part;

(b) the part of the amount that can reasonably be regarded as being consideration for the provision of particular services is deemed to be an amount received or receivable by the taxpayer in respect of those services, irrespective of the form or legal effect of the contract or agreement, and that part is deemed to be an amount paid or payable to the taxpayer by the person to whom the services were rendered in respect of those services;

(c) the part of the amount that can reasonably be regarded as being the consideration for a restrictive covenant is deemed to be an amount received or receivable by the taxpayer in respect of the restrictive covenant, irrespective of the form or legal effect of the contract or agreement, and that part is deemed to be an amount paid or payable to the taxpayer by the person to whom the restrictive covenant was granted.

1972, c. 23, s. 356; 1990, c. 59, s. 167; 2009, c. 5, s. 138.

CHAPTER I.1

DEDUCTION OF CERTAIN EXPENSES

1990, c. 59, s. 168.

DIVISION I

EXPENSES FOR FOOD, BEVERAGES AND ENTERTAINMENT

1990, c. 59, s. 168.

421.1. Subject to section 421.1.1, for the purposes of this Part, except sections 348 to 350 and 752.0.11 to 752.0.13.3 and Divisions II.6 to II.6.0.0.5, II.11.1, II.12, II.12.1 and II.13 of Chapter III.1 of Title III of Book IX, an amount paid or payable in respect of food, beverages or entertainment consumed or enjoyed by a person is deemed to be equal to 50% of the lesser of

(a) the amount paid or payable in respect thereof; and

(b) an amount in respect thereof that would be reasonable in the circumstances.

1990, c. 59, s. 168; 1993, c. 64, s. 33; 1995, c. 1, s. 40; 1997, c. 14, s. 290; 2001, c. 53, s. 66; 2005, c. 1, s. 99; 2009, c. 15, s. 83.

421.1.1. An amount paid or payable in respect of the consumption of food or beverages by a long-haul truck driver during an eligible travel period of the driver is deemed to be equal to the amount obtained by multiplying the specified percentage in respect of the amount so paid or payable by the lesser of

(a) the amount so paid or payable; and

(b) a reasonable amount in the circumstances.

In this section,

"eligible travel period" in respect of a long-haul truck driver is a period of at least 24 continuous hours during which the driver is away from the municipality or metropolitan area where the specified place in respect of the driver is located for the purpose of driving a long-haul truck that transports goods to, or from, a location that is beyond a radius of 160 km from the specified place;

"long-haul truck" means a truck or a tractor that is designed for hauling freight and that has a gross vehicle weight rating, within the meaning of subsection 1 of section 2 of the Motor Vehicle Safety Regulations (C.R.C., c. 1038) made under the Motor Vehicle Safety Act (S.C. 1993, c. 16), that exceeds 11,788 kg;

"long-haul truck driver" means an individual whose principal business or principal duty of employment is driving a long-haul truck that transports goods;

"specified percentage" in respect of an amount paid or payable is

(a) 60%, if the amount is paid or becomes payable after 18 March 2007 and before 1 January 2008;

(b) 65%, if the amount is paid or becomes payable in the year 2008;

(c) 70%, if the amount is paid or becomes payable in the year 2009;

(d) 75%, if the amount is paid or becomes payable in the year 2010; and

(e) 80%, if the amount is paid or becomes payable after 31 December 2010;

"specified place" means, in the case of an employee, the employer's establishment to which the employee ordinarily reports for work and, in the case of an individual whose principal business is to drive a long-haul truck to transport goods, the place where the individual resides.

2009, c. 15, s. 84; 2015, c. 21, s. 171.

421.2. Section 421.1 does not apply to an amount paid or payable by a person in respect of the consumption of food or beverages or in respect of entertainment enjoyed by a person, where the amount

(a) is paid or payable for food, beverages or entertainment provided for, or in the expectation of, compensation in the ordinary course of a business carried on by that person of providing the food, beverages or entertainment for compensation;

(b) relates to a fund-raising event the primary purpose of which is to benefit a registered charity;

(c) is an amount for which the person is compensated and the amount of the compensation is reasonable and specifically identified in writing to the person paying the compensation;

(d) is an amount that is required to be included in computing any individual's income because of the application of Chapters I and II of Title II in respect of food or beverages consumed or entertainment enjoyed by the individual or a person with whom the individual does not deal at arm's length, or would be so required but for section 37.1.5 or subparagraph ii of paragraph *a* of section 42;

(d.1) is an amount that

i. is not paid or payable in respect of a conference, convention, seminar or similar event,

ii. would, but for subparagraph i of paragraph *a* of section 42, be required to be included in computing any individual's income for a taxation year because of the application of Chapters I and II of Title II in respect of food or beverages consumed or entertainment enjoyed by the individual or a person with whom the individual does not deal at arm's length, and

iii. is paid or payable in respect of the individual's duties performed at a work site in Canada that is

(1) outside any population centre, as defined by the last Census Dictionary published by Statistics Canada before the year, that has a population of at least 40,000 individuals as determined in the last census published by Statistics Canada before the year, and

(2) at least 30 km from the nearest point on the boundary of the nearest such population centre referred to in subparagraph 1;

(d.2) is an amount that

i. is not paid or payable in respect of entertainment or of a conference, convention, seminar or similar event,

ii. would, but for subparagraph i of paragraph *a* of section 42, be required to be included in computing an individual's income for a taxation year because of the application of Chapters I and II of Title II in respect of food or beverages consumed by the individual or by a person with whom the individual does not deal at arm's length,

iii. is paid or payable in respect of the individual's duties performed at a site in Canada at which the person carries on a construction activity or at a construction work camp referred to in subparagraph iv in respect of the site, and

iv. is paid or payable for food or beverages provided at a construction work camp, at which the individual is lodged, that was constructed or installed at or near the site to provide board and lodging to employees while they are engaged in construction services at the site;

(e) is in respect of one of six or fewer special events held in a calendar year at which the food, beverages or entertainment is generally available to all individuals employed by the person at a particular place of business of the person and then consumed or enjoyed by those individuals at that time;

(f) is an amount that is the cost of a subscription to cultural events that are

i. concerts of a symphony orchestra or a classical music or jazz ensemble,

ii. operas,

ii.1. vocal performances, other than such performances held in venues normally used for sports events,

ii.2. performing arts variety shows,

ii.3. museum exhibits,

iii. dance performances, or

iv. theatre performances,

v. *(subparagraph repealed);*

(g) is an amount that is the cost of all or substantially all the tickets for a performance in an event referred to in any of subparagraphs i to iv of subparagraph *f*.

For the purpose of determining whether the conditions set out in any of subparagraphs *d* to *d*.2 of the first paragraph are met in respect of an amount referred to in section 42, paragraph *g* of section 39 shall not be taken into account.

For the purposes of subparagraph *f* of the first paragraph and this paragraph,

"cultural events presenter" means

(a) a person or an organization whose mission is to present the arts, history or science and that is responsible for programming professional performances or museum exhibits generating box office or subscription income;

(b) a person or an organization acting on behalf of a person or organization described in paragraph *a*; or

(c) a manager or lessee of a venue for cultural events;

"subscription" means an agreement between a cultural events presenter and a client under which the client acquires a package put together by the cultural events presenter and consisting of a determined number of tickets for a minimum of three different presentations of events referred to in subparagraphs i to iv of that subparagraph *f* that are held in Québec.

For the purposes of subparagraphs *f* and *g* of the first paragraph, the cost of a subscription or ticket, as the case may be, does not include an amount paid or payable in respect of meals or beverages consumed by a person.

1990, c. 59, s. 168; 1993, c. 16, s. 175; 1995, c. 1, s. 41; 1995, c. 49, s. 236; 1996, c. 39, s. 124; 1997, c. 14, s. 74; 1997, c. 85, s. 68; 2000, c. 39, s. 24; 2001, c. 53, s. 67; 2003, c. 9, s. 28; 2004, c. 8, s. 90; 2005, c. 38, s. 78; 2009, c. 5, s. 139; 2010, c. 25, s. 30; 2015, c. 24, s. 75.

421.3. For the purposes of sections 421.1 and 421.2, where a fee paid or payable for a conference, convention, seminar or similar event entitles the participant to food, beverages or entertainment, other than incidental beverages and refreshments made available during the course of meetings or receptions at the event, and a reasonable part of the fee, determined on the basis of the cost of providing the food, beverages or entertainment, is not identified in the account for the fee as compensation for the food, beverages or entertainment, an amount of $50 or such other amount as may be prescribed is deemed to be the amount paid or payable in respect of food, beverages or entertainment for each day of the event on which food, beverages or entertainment is provided.

For the purposes of this Part, the fee for the event is deemed to be equal to the expenses incurred minus the amount deemed under the first paragraph to be the amount paid or payable for the food, beverages or entertainment.

1990, c. 59, s. 168.

421.4. For the purposes of this division,

(a) no amount paid or payable for travel on an airplane, a train or a bus shall be considered to be an amount paid or payable in respect of food, beverages or entertainment consumed or enjoyed by a person while travelling thereon;

(b) the expression "entertainment" includes amusement and recreation.

1990, c. 59, s. 168.

421.4.1. For the purposes of this division, if a person who is a producer pays or is required to pay in a taxation year an allowance for meal expenses to a person who is an artist in relation to services rendered in the course of a business carried on by the artist, the artist is deemed to be an employee for the purpose of determining the amount that the producer may deduct, in respect of the allowance, in computing the producer's income for the year from a business carried on by the producer, if

(a) the allowance for meal expenses is paid or payable under a collective or individual agreement that is binding on the artist and the producer; and

(b) the agreement referred to in subparagraph *a* is entered into in accordance with the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts (chapter S-32.1).

In this section, "artist" and "producer" have the meaning assigned by the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts.

2009, c. 15, s. 85; 2022, c. 20, s. 36.

DIVISION II

EXPENSES RELATED TO PASSENGER VEHICLES

1990, c. 59, s. 168.

421.5. For the purposes of this Part, any interest paid or payable for a period by a person on borrowed money used to acquire a passenger vehicle or a zero-emission passenger vehicle or on an amount paid or payable for such an acquisition is deemed, in computing the income of the person for a taxation year, to be the lesser of the amount paid or payable and the amount determined by the formula

$$(A / 30) \times B.$$

In the formula in the first paragraph,

(a) A is $250 or such other amount as may be prescribed;

(b) B is the number of days in the period in respect of which the interest is paid or payable, as the case may be.

1990, c. 59, s. 168; 1993, c. 16, s. 176; 1994, c. 22, s. 156; 2021, c. 18, s. 44.

421.6. Notwithstanding any other provision of this Part, where in a taxation year all or part of the lease charges in respect of a passenger vehicle are paid or payable, directly or indirectly, by a taxpayer and an amount may be deducted in respect of such charges in computing the taxpayer's income for the year, for the purposes of determining the amount that may be so deducted, the aggregate of such charges are deemed not to exceed the lesser of the amounts determined by the following formulas:

(a) [(A × B) / 30] − C − D − E;

(b) [(F × G) / 0.85H] − I − J.

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

(a) A is $600 or such other amount as may be prescribed;

(b) B is the number of days in the period commencing at the beginning of the term of the lease of the vehicle and ending at the earlier of the end of the year and the end of the lease;

(c) C is the aggregate of all amounts deducted in computing the taxpayer's income for the preceding taxation years in respect of the lease charges in respect of the vehicle;

(d) D is the amount of interest that would be earned on that part of the total of all refundable amounts in respect of the lease that exceeds $1,000 if interest were

i. payable on the refundable amounts at the prescribed rate;

ii. computed for the period preceding the end of the year during which the refundable amounts were outstanding;

(e) E is the aggregate of all reimbursements that became receivable before the end of the year by the taxpayer in respect of the lease;

(f) F is the aggregate of the lease charges in respect of the lease incurred in respect of the year or the aggregate of the lease charges in respect of the lease paid in the year, depending on the method regularly followed by the taxpayer in computing his income;

(g) G is $20,000 or such other amount as may be prescribed;

(h) H is the greater of

i. $23,529 or such other amount as may be prescribed;

ii. the manufacturer's suggested retail price for the vehicle;

(i) I is the amount of interest that would be earned on that part of the total of all refundable amounts in respect of the lease that exceeds $1,000 if interest were

i. payable on the refundable amounts at the prescribed rate;

ii. computed for the period in the year during which the refundable amounts are outstanding;

(j) J is the aggregate of all reimbursements that became receivable during the year by the taxpayer in respect of the lease.

1990, c. 59, s. 168; 1991, c. 25, s. 189; 1993, c. 16, s. 177.

421.7. Where a person owns or leases a motor vehicle jointly with one or more other persons, the reference in paragraphs *d*.3 and *d*.4 of section 99 to the amount of $20,000, in section 421.5 to the amount of $250 and in section 421.6 to the amounts of $600, $20,000 and $23,529 is to be read as a reference to that proportion of each of those amounts or such other amounts as may be prescribed for the purposes of those provisions that the fair market value of the first-mentioned person's right in the vehicle is of the fair market value of the rights in the vehicle of all those persons.

1990, c. 59, s. 168; 2020, c. 16, s. 68.

421.7.1. Where a person owns a zero-emission passenger vehicle jointly with one or more other persons, any reference in paragraph *d*.5 of section 99 to the prescribed amount and in section 421.5 to the amount of $250 or such other amount as may be prescribed for the purposes of section 421.5 is to be read as a reference to that proportion of each of those amounts that the fair market value of the first-mentioned person's right in the vehicle is of the fair market value of the rights in the vehicle of all those persons.

2021, c. 18, s. 45.

DIVISION III

ILLEGAL PAYMENTS

1993, c. 16, s. 178.

421.8. In computing income, no amount may be deducted in respect of an outlay made or expense incurred for the purpose of doing anything that is an offence or an indictable offence under section 3 of the Corruption of Foreign Public Officials Act (Statutes of Canada, 1998, chapter 34) or under any of sections 119 to 121, 123 to 125, 393 and 426 of the Criminal Code (Revised Statutes of Canada, 1985, chapter C-46) or an offence or indictable offence under section 465 of the Criminal Code as it relates to an offence or indictable offence described in any of those sections.

Notwithstanding section 1010, the Minister may make such assessments, reassessments and additional assessments of tax, interest and penalties and such determinations and redeterminations as are necessary to give effect to the first paragraph for any taxation year.

1993, c. 16, s. 178; 2004, c. 8, s. 91.

DIVISION IV

FINES AND PENALTIES

2005, c. 38, s. 79.

421.9. In computing income, no amount may be deducted in respect of a fine or penalty, other than a prescribed fine or penalty, or of an amount of interest relating to that fine or penalty, imposed under the laws of a country or of a state, province, territory or other political subdivision of such a country by a person or public body authorized to impose the fine or penalty.

2005, c. 38, s. 79.

DIVISION V

INTEREST

2007, c. 12, s. 54.

421.10. In computing income, no amount may be deducted in respect of an amount of interest payable under a fiscal law.

For the purposes of the first paragraph, a fiscal law includes a law of a country or of a state, province, territory or other political subdivision of a country that provides for the collection of income tax, duties or tax.

2007, c. 12, s. 54.

CHAPTER II

INADEQUATE CONSIDERATIONS AND ATTRIBUTION OF PROPERTY

1972, c. 23.

422. Except as otherwise provided in this Part, the disposition or acquisition of a property by a taxpayer is deemed to be made at the fair market value of the property at the time of the disposition or acquisition, as the case may be, where

(a) the taxpayer acquires it by gift, succession or will, or because of a disposition that does not result in a change in the beneficial ownership of the property;

(b) the taxpayer acquires it from a person with whom he is not dealing at arm's length, for an amount greater than such value; or

(c) the taxpayer disposes of it

i. to a person with whom the taxpayer is not dealing at arm's length, gratuitously or for consideration that is less than that fair market value,

ii. to any person by gift or

iii. to a trust because of a disposition that does not result in a change in the beneficial ownership of the property.

1972, c. 23, s. 357; 2001, c. 53, s. 68; 2003, c. 2, s. 115; 2017, c. 29, s. 63.

422.1. Where, at any time, a taxpayer disposed of property for proceeds of disposition, determined without reference to this section, equal to or greater than the fair market value at that time of the property, and there existed at that time an agreement under which a person with whom the taxpayer was not dealing at arm's length agreed to pay as rent, royalty or other payment for the use of or the right to use the property an amount less than the amount that would have been reasonable in the circumstances if the taxpayer and the person had been dealing at arm's length at the time the agreement was entered into, the proceeds of disposition of the property are deemed to be the greater of

(a) such proceeds determined without reference to this section, and

(b) the fair market value of the property at the time of the disposition, determined without reference to the existence of the agreement.

1994, c. 22, s. 157.

423. *(Repealed).*

1972, c. 23, s. 358; 1986, c. 19, s. 92; 1993, c. 16, s. 179; 1997, c. 14, s. 75; 2001, c. 7, s. 44.

424. If, at any time, a property of a corporation is appropriated in any manner whatever to or for the benefit of a shareholder of the corporation gratuitously or for consideration that is less than the property's fair market value and a sale of the property at its fair market value would have contributed to increase the corporation's income or to reduce a loss of the corporation, the corporation is deemed, at that time, to have disposed of the property and to have received proceeds of disposition equal to its fair market value at that time.

If, in a taxation year of a corporation, a property is appropriated in any manner whatever to or for the benefit of a shareholder upon the winding-up of the corporation, the following rules apply:

(a) the corporation is deemed, for the purpose of computing its income for the year, to have disposed of the property immediately before the winding-up for proceeds of disposition equal to its fair market value at that time;

(b) the shareholder is deemed to have acquired the property at a cost equal to its fair market value immediately before the winding-up;

(c) sections 302 and 304 do not apply in computing the cost of the property to the shareholder; and

(d) sections 93.3.1, 175.9, 238.1 and 238.3 do not apply in respect of a property disposed of on the winding-up.

1972, c. 23, s. 359; 1975, c. 22, s. 91; 1980, c. 13, s. 45; 1984, c. 15, s. 93; 1993, c. 16, s. 180; 1995, c. 49, s. 117; 1997, c. 3, s. 71; 2000, c. 5, s. 99; 2003, c. 2, s. 116; 2009, c. 5, s. 140; 2019, c. 14, s. 123.

425. The disposition or acquisition by a taxpayer, at any time in a taxation year that begins before 1 January 2007, of property that is petroleum, natural gas or other related hydrocarbons, or metal or minerals produced in the operation by the taxpayer of a natural accumulation of petroleum or natural gas, an oil or gas well or a mineral resource, situated in Canada, is deemed to be made at the fair market value of that property at that time, where

(a) the disposition is to a person referred to in section 90 gratuitously or for a consideration less than that fair market value; or

(b) the acquisition is from a person referred to in section 90 for an amount greater than that fair market value.

1975, c. 22, s. 92; 1979, c. 18, s. 28; 1987, c. 67, s. 99; 1995, c. 49, s. 236; 2005, c. 1, s. 100.

426. For the purposes of section 425, the fair market value of property referred to in that section is

(a) in the case of a disposition by the taxpayer to a person referred to in section 90, deemed to be equal, at the time of disposition, for each unit of any particular quantity of such property, to the amount by which the average proceeds of disposition of a like unit that become receivable by that person in the month that includes the time of the disposition from a person other than a person referred to in section 90, exceeds the aggregate of

i. the average aggregate of reasonable and necessary expenses, including depreciation, but not the cost of acquisition, incurred by that person referred to in section 90 in respect of such a unit for that month, that may reasonably be attributed to the transporting, marketing or processing of that unit, and

ii. in respect of the unit disposed of by the taxpayer, the amount that may reasonably be considered to be an amount that became receivable by Her Majesty in right of Canada for the use and benefit of a band as defined in the Indian Act (Revised Statutes of Canada, 1985, chapter I-5); and

(b) in the case of an acquisition by the taxpayer from a person referred to in section 90, computed without taking into account any law or contract requiring the taxpayer to acquire that property, and deemed to be equal, at the time of acquisition, for each unit of any particular quantity of such property, to the aggregate of

i. the amount paid or payable to the taxpayer by that person in respect of that unit, and

ii. the amount in respect of that unit paid or payable to Her Majesty in right of Canada by that person for the use and benefit of a band as defined in the Indian Act.

1975, c. 22, s. 92; 1986, c. 19, s. 93; 2005, c. 1, s. 100.

427. For the purposes of paragraph *a* of section 426, where a person referred to in section 90 disposes of a unit referred to in the said paragraph to another such person, those two persons are deemed to be the same person.

1975, c. 22, s. 92.

427.1. *(Repealed).*

1984, c. 15, s. 94; 1985, c. 25, s. 86.

427.2. *(Repealed).*

1984, c. 15, s. 94; 1985, c. 25, s. 86.

427.3. *(Repealed).*

1984, c. 15, s. 94; 1985, c. 25, s. 86.

427.4. Notwithstanding any other provision of this Part, where, at any particular time as part of a series of transactions or events, a taxpayer disposes of property for proceeds of disposition that are less than its fair market value, the taxpayer is deemed to have disposed of the property at that time for proceeds of disposition equal to its fair market value at that time, if

(a) it may reasonably be considered that one of the main purposes of the series of transactions or events is to obtain the benefit of

i. any deduction described in the second paragraph or any balance of undeducted outlays, expenses or other amounts available to a person, other than a person that would be affiliated with the taxpayer immediately before the series of transactions or events, but for the definition of "controlled" in section 21.0.1, in respect of a subsequent disposition of the property or property substituted for the property, or

ii. an exemption available to any person from tax payable under this Part on any income arising on a subsequent disposition of the property or property substituted for the property; and

(b) the subsequent disposition referred to in paragraph *a* occurs, or arrangements for the subsequent disposition are made, before the day that is three years after the particular time.

The deduction to which subparagraph i of subparagraph *a* of the first paragraph refers is a deduction, other than a deduction under section 726.7.1 in respect of a capital gain from a disposition of a share acquired by the taxpayer in an acquisition to which sections 530 to 533 or 620 to 625 applied, in computing income, taxable income, taxable income earned in Canada or tax payable under this Part.

1989, c. 77, s. 51; 1997, c. 3, s. 71; 1997, c. 85, s. 330; 2000, c. 5, s. 100.

427.4.1. Notwithstanding sections 1010 to 1011, the Minister may make any assessments or reassessments of the tax, interest and penalties payable by the taxpayer referred to in section 427.4 that are necessary to give effect to that section 427.4

(a) within three years after the subsequent disposition referred to in subparagraph *a* of the first paragraph of section 427.4; and

(b) within four years after the subsequent disposition referred to in subparagraph *a* of the first paragraph of section 427.4 if, at the end of the taxation year that includes the particular time referred to in that first paragraph, the taxpayer is a mutual fund trust or a corporation other than a Canadian-controlled private corporation.

2000, c. 5, s. 101; 2007, c. 12, s. 55.

427.4.2. For the purposes of section 427.4, where a taxpayer is incorporated or otherwise comes into existence at a particular time during a series of transactions or events, the taxpayer is deemed

(a) to have existed at the time that was immediately before the series of transactions or events began; and

(b) to have been affiliated, at the time that was immediately before the series of transactions or events began, with every person with whom the taxpayer is affiliated, otherwise than because of a right referred to in paragraph *b* of section 20, at the particular time.

2000, c. 5, s. 101.

427.5. Where there has been an amalgamation or merger of a corporation with one or more other corporations to form one corporate entity, in this section referred to as the "new corporation", each property of the corporation that became property of the new corporation as a result of the amalgamation or merger is deemed, for the purpose of determining whether section 427.4 is applicable in respect of the amalgamation or merger, to have been disposed of by the corporation immediately before the amalgamation or merger for proceeds of disposition equal to

(a) in the case of a Canadian resource property or a foreign resource property, nil;

(b) (paragraph repealed);

(c) in the case of any other property, the cost amount to the corporation of the property immediately before the amalgamation or merger.

1989, c. 77, s. 51; 1990, c. 59, s. 169; 1994, c. 22, s. 158; 1997, c. 3, s. 25.

CHAPTER III

DEATH OF A TAXPAYER

1972, c. 23.

DIVISION I

PERIODIC AMOUNTS AND AMOUNTS RECEIVABLE

1972, c. 23.

428. In computing the income of an individual for the taxation year in which he died, an amount of interest, rent, royalty, annuity, remuneration from an office or employment, or other amount payable periodically, except an amount with respect to an interest in an annuity contract to which paragraph *b* of section 967 applies, that was not paid before his death, is deemed to have accrued up to that time in equal

daily amounts in the period for which such amount was payable and shall be included in computing his income.

Furthermore, for the purposes of the same computation, the reference in paragraph *u* of section 87 to "in respect of a property acquired or an expenditure made in a preceding taxation year in computing the taxpayer's tax payable for" shall read as a reference to "in computing the tax payable for the year or".

1972, c. 23, s. 360; 1984, c. 15, s. 95; 1990, c. 59, s. 170.

429. The rights and property that an individual owned when the individual died, if they are not property referred to in section 428, or capital property, and if the proceeds thereof when realized or disposed of would have been included in computing the individual's income, must be included at their value in computing the individual's income for the year of the individual's death.

However, the legal representative of an individual may elect, not later than the day that is one year after the date of death or the day that is 90 days after the sending of a notice of assessment, whichever is the later, in respect of the individual's tax for the year of the individual's death, not to include such value in computing the individual's income for the year of the individual's death; in that case, the individual shall file a separate fiscal return for the year under this Part and pay the tax for the year under this Part as if

(a) the individual were another person;

(b) that other person's only income for the year were the value of the rights and property; and

(c) subject to sections 693.1, 752.0.26 and 776.1.5.0.19, that other person were entitled to the deductions to which the individual was entitled under sections 725 to 725.5, 752.0.0.1 to 752.0.13.3, 752.0.14 to 752.0.18.15, 776.1.5.0.17 and 776.1.5.0.18 in computing the individual's taxable income or the individual's tax payable under this Part, as the case may be, for the year.

Within the time limit provided for in the second paragraph, the legal representative may revoke the election made under that paragraph by means of a notice filed with the Minister.

1972, c. 23, s. 361; 1985, c. 25, s. 87; 1986, c. 19, s. 94; 1987, c. 67, s. 100; 1989, c. 5, s. 67; 1993, c. 64, s. 34; 1994, c. 22, s. 159; 1997, c. 14, s. 76; 1999, c. 83, s. 273; 2001, c. 53, s. 69; 2004, c. 4, s. 4; 2005, c. 1, s. 101; 2006, c. 36, s. 41; 2007, c. 12, s. 56; 2011, c. 6, s. 131; 2019, c. 14, s. 124.

430. Where, before the time allowed under the second paragraph of section 429 has expired, a right or property referred to in the said section, except any compensation or amount referred to in subparagraph ii, iii or iv of subparagraph *f* of the first paragraph of section 93, has been transferred or distributed to a person who is a beneficiary of the succession or to any other person who is beneficially interested in the succession, the said section 429 does not apply in respect of such right or property and the person shall include in computing his income the amount received by him upon the realization or disposition of such right or property for the year in which such amount is received.

1972, c. 23, s. 362; 1975, c. 22, s. 93; 1978, c. 26, s. 78; 1993, c. 16, s. 181; 1994, c. 22, s. 160; 1996, c. 39, s. 273; 1998, c. 16, s. 251; 2001, c. 53, s. 260; 2009, c. 5, s. 141.

431. If a taxpayer has acquired a property that is a right or property referred to in section 430, the following rules apply:

(a) paragraph *a* of section 422 does not apply to that property; and

(b) the taxpayer is deemed to have acquired the property at a cost equal to the aggregate of

i. the portion of the cost to the deceased individual that was not deducted by the deceased individual in computing income for any taxation year, and

ii. the expenditures made or incurred by the taxpayer to acquire it.

1975, c. 22, s. 94; 1993, c. 16, s. 181; 1998, c. 16, s. 251; 2009, c. 5, s. 142.

432. For the purposes of this division, a right or property does not include land included in the inventory of a business, a Canadian resource property, a foreign resource property or an interest in a life insurance policy, other than an annuity contract of a taxpayer where the payment made by the taxpayer for its acquisition was deductible in computing the taxpayer's income because of paragraph *f* of section 339, or was made in circumstances in which subsection 21 of section 146 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) applied.

1975, c. 22, s. 94; 1984, c. 15, s. 96; 1986, c. 19, s. 95; 1995, c. 49, s. 118; 2005, c. 1, s. 102; 2019, c. 14, s. 125.

DIVISION II

RESOURCE PROPERTIES AND LAND IN INVENTORIES

1975, c. 22, s. 95.

433. An individual who dies is deemed to have, immediately before the individual's death, disposed of each Canadian resource property and foreign resource property of the individual and received proceeds of disposition for that property equal to its fair market value immediately before the death and the person who as a consequence of the individual's death acquires such property is deemed to have acquired the property at the time of the death at a cost equal to the fair market value of the property immediately before the death.

1975, c. 22, s. 95; 1982, c. 5, s. 105; 1986, c. 19, s. 96; 1995, c. 49, s. 119; 2003, c. 2, s. 117.

434. An individual who dies is deemed to have, immediately before the individual's death, disposed of each property that was land included in the inventory of a business of the individual and received proceeds of disposition for that property equal to its fair market value immediately before the death and the person who as a consequence of the individual's death acquires such property is deemed to have acquired the property at the time of the death at a cost equal to the fair market value of the property immediately before the death.

1975, c. 22, s. 95; 1995, c. 49, s. 119; 2003, c. 2, s. 117.

435. Notwithstanding sections 433 and 434, where any property referred to therein was owned by an individual who was resident in Canada immediately before his death and, on or after and as a consequence of the death, that property is transferred or distributed to the spouse of the individual or to a trust described in section 440, if it can be shown within the period ending 36 months after the death of the individual or, where written application therefor has been made to the Minister by the individual's legal representative before the expiry of that period, within such longer period as the Minister considers reasonable, that the property vested indefeasibly in the spouse or trust,

(a) in the case of a Canadian resource property or a foreign resource property to which section 433 applies, the following rules apply:

i. the individual is deemed to have, immediately before the individual's death, disposed of the property and received proceeds of disposition therefor equal to such amount as is specified by the individual's legal representative in the individual's fiscal return filed under paragraph *c* of subsection 2 of section 1000, to the extent that the amount does not exceed the fair market value of the property immediately before the death, and

ii. the spouse or trust is deemed to have acquired the property at the time of death at a cost equal to the amount determined in respect of the disposition under subparagraph i; and

(b) in the case of a property to which section 434 applies, the individual is deemed to have, immediately before his death, disposed of the property and received proceeds of disposition therefor equal to its cost

amount to the individual immediately before the death, and the spouse or the trust is deemed to have acquired the property at the time of the death at a cost equal to those proceeds.

1975, c. 22, s. 95; 1977, c. 26, s. 50; 1982, c. 5, s. 106; 1986, c. 19, s. 97; 1994, c. 22, s. 161; 1995, c. 49, s. 120; 2003, c. 2, s. 118; 2009, c. 5, s. 143.

DIVISION III

CAPITAL PROPERTY, DEPRECIABLE PROPERTY AND OTHER PROPERTY

1972, c. 23; 1994, c. 22, s. 162.

436. An individual who dies is deemed to have, immediately before his death, disposed of each capital property of the individual and received proceeds of disposition therefor equal to the fair market value of the property immediately before the death, and any person who acquires the property as a consequence of the death is deemed to have acquired it at the time of the death at a cost equal to its fair market value immediately before the death.

1972, c. 23, s. 363; 1973, c. 17, s. 45; 1994, c. 22, s. 163; 1995, c. 49, s. 121.

437. Despite section 440, where property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) of a taxpayer in respect of a business carried on by the taxpayer immediately before the taxpayer's death that is a property to which sections 436, 439 and 439.1 would otherwise apply is, as a consequence of the death, transferred or distributed (otherwise than by way of a distribution of property by a trust that claimed a deduction under paragraph *a* of section 130 or paragraph *b* of that section, as it read immediately before 1 January 2017, in respect of the property or in circumstances to which section 189 applies) to any person (in this section referred to as the "beneficiary"), the following rules apply:

(a) section 436 does not apply in respect of the property;

(b) the taxpayer is deemed to have, immediately before the taxpayer's death, disposed of the property and received proceeds of disposition equal to the lesser of the capital cost and the cost amount to the taxpayer of the property immediately before the death;

(c) the beneficiary is deemed to have acquired the property at the time of the death at a cost equal to those proceeds; and

(d) section 439 applies as if the portion of that section before paragraph *a* were read as follows:

"439. For the purposes of sections 93 to 104, Chapter III of Title III and any regulations made under paragraph *a* of section 130 or section 130.1, where depreciable property of a prescribed class of a deceased individual is deemed under paragraph *c* of section 437 to be acquired by a person, except where the individual's proceeds of disposition of the property determined under paragraph *b* of section 437 are redetermined under sections 93.1 to 93.3, and the capital cost to the individual of the property exceeds the amount determined under paragraph *c* of section 437 to be the cost to the person of the property, the following rules apply: "

1975, c. 22, s. 96; 1990, c. 59, s. 171; 1993, c. 16, s. 182; 1994, c. 22, s. 164; 1995, c. 49, s. 122; 1996, c. 39, s. 125; 2001, c. 7, s. 45; 2003, c. 2, s. 119; 2005, c. 1, s. 103; 2019, c. 14, s. 126.

437.1. Where an individual who dies has at the time of death a net income stabilization account, all amounts held for or on behalf of the individual in his NISA Fund No. 2 are deemed to have been paid out of that fund to the individual immediately before his death.

1994, c. 22, s. 165.

437.2. Where an individual who dies has at the time of death a farm income stabilization account, the balance of the account at that time is deemed to have been paid to the individual immediately before the individual's death.

2004, c. 21, s. 77.

438. *(Repealed).*

1972, c. 23, s. 364; 1973, c. 17, s. 46; 1994, c. 22, s. 166.

438.1. *(Repealed).*

1979, c. 38, s. 14; 1985, c. 25, s. 89; 1987, c. 67, s. 102; 1994, c. 22, s. 167; 1995, c. 49, s. 123.

439. For the purposes of sections 93 to 104, Chapter III of Title III and any regulations made under paragraph *a* of section 130 or section 130.1, where depreciable property of a prescribed class of a deceased individual is deemed under section 436 to be acquired by a person, except where the individual's proceeds of disposition of the property under section 436 are redetermined under sections 93.1 to 93.3, and the capital cost to the individual of the property exceeds the amount determined under section 436 to be the cost to the person of the property, the following rules apply:

(a) the capital cost to the person of the property is deemed to be equal to the capital cost to the individual of the property; and

(b) the excess is deemed to have been allowed to the person as depreciation in respect of the property for the taxation years that ended before the acquisition.

1972, c. 23, s. 365; 1979, c. 18, s. 29; 1994, c. 22, s. 168; 1995, c. 49, s. 124.

439.1. Notwithstanding section 436, where property of a deceased individual is deemed under section 436 to be acquired by a person and the individual's proceeds of disposition of the property under section 436 are redetermined under sections 93.1 to 93.3, the following rules apply:

(a) for the purposes of sections 93 to 104, Chapter III of Title III and any regulations made under paragraph *a* of section 130 or section 130.1, where the property was depreciable property of a prescribed class and the amount that was the capital cost to the individual of the property exceeds the amount so redetermined under sections 93.1 to 93.3,

i. the capital cost to the person of the property is deemed to be equal to the capital cost to the individual of the property, and

ii. the excess is deemed to have been allowed to the person as depreciation in respect of the property for the taxation years that ended before the acquisition; and

(b) where the property is land, other than land to which paragraph *a* applies, the cost to the person of the property is deemed to be equal to the amount that was the individual's proceeds of disposition of the property as redetermined under sections 93.1 to 93.3.

1995, c. 49, s. 125.

440. Notwithstanding section 436, where property referred to therein is, as a consequence of the death of an individual who was resident in Canada immediately before his death, transferred or distributed to his spouse who was resident in Canada immediately before the individual's death or to a trust created by the individual's will, which was resident in Canada immediately after the time when the property was indefeasibly vested in the trust, if it can be shown, within the period ending 36 months after the death of the individual or, where written application therefor has been made to the Minister by the individual's legal representative before the expiry of that period, within such longer period as the Minister considers reasonable, that the property has become vested indefeasibly in the spouse or trust,

(a) subject to subparagraph *a*.1, the individual is deemed to have, immediately before his death, disposed of the property and received proceeds of disposition therefor equal to the following amount, and the spouse or the trust is deemed to have acquired the property at the time of the death at a cost equal to those proceeds:

i. where the property was depreciable property of a prescribed class, the lesser of the capital cost and the cost amount to the individual of the property immediately before his death, and

ii. in any other case, the adjusted cost base of the property to the individual immediately before his death;

(a.1*)* where the property is an interest in a partnership, other than an interest to which section 636 applies,

i. the individual is deemed, except for the purposes of section 632, not to have disposed of the property as a consequence of his death,

ii. the spouse or the trust is deemed to have acquired the property at the time of the death at a cost equal to its cost to the individual, and

iii. each amount added or deducted under section 255 or 257, as the case may be, in computing the adjusted cost base to the individual of the property is deemed to be required by that section 255 or 257 to be added or deducted in computing the adjusted cost base to the spouse or the trust of the property; and

(b) section 439 applies to depreciable property of a prescribed class as if the reference therein to section 436 were a reference to subparagraph *a* of the first paragraph of section 440;

(c) (subparagraph repealed).

The first paragraph applies only where the will creating the trust entitles the spouse to receive all of the income of the trust that arises before the spouse's death, and no person except the spouse may receive or otherwise obtain enjoyment of any of the income or capital of the trust.

1972, c. 23, s. 366; 1973, c. 17, s. 47; 1975, c. 22, s. 97; 1984, c. 15, s. 97; 1986, c. 19, s. 98; 1993, c. 16, s. 183; 1994, c. 22, s. 169; 1995, c. 49, s. 126; 1997, c. 3, s. 71; 2009, c. 5, s. 145.

441. *(Repealed).*

1975, c. 22, s. 98; 1977, c. 26, s. 51; 1984, c. 15, s. 98; 1994, c. 22, s. 170.

441.1. Where a property that is a net income stabilization account of an individual is, on or after the individual's death and as a consequence thereof, transferred or distributed to the individual's spouse, or to a trust described in the second paragraph, sections 437.1 and 462.0.1 do not apply in respect of the individual's NISA Fund No. 2 if it can be shown, within the period ending 36 months after the death of the individual or, where written application therefor has been made to the Minister by the individual's legal representative before the expiry of that period, within such longer period as the Minister considers reasonable, that the property has become vested indefeasibly in the spouse or trust.

The trust referred to in the first paragraph is a trust created by the individual's will, under which the individual's spouse is entitled to receive all of the income of the trust that arises before the spouse's death, and no person except the spouse may receive or otherwise obtain enjoyment of any of the income or capital of the trust.

1994, c. 22, s. 171; 2009, c. 5, s. 146.

441.2. Where a property that is a farm income stabilization account of an individual is, on or after the individual's death and as a consequence thereof, transferred or distributed to the individual's spouse, or to a trust described in the second paragraph, sections 437.2 and 462.0.2 do not apply in respect of the property if it can be shown, within the period ending 36 months after the death of the individual or, where written application therefor has been made to the Minister by the individual's legal representative before the expiry of

that period, within such longer period as the Minister considers reasonable, that the property has become vested indefeasibly in the spouse or trust.

The trust referred to in the first paragraph is a trust created by the individual's will, under which the individual's spouse is entitled to receive all of the income of the trust that arises before the spouse's death, and no person except the spouse may receive or otherwise obtain enjoyment of any of the income or capital of the trust.

2004, c. 21, s. 78; 2009, c. 5, s. 147.

442. Sections 437 and 440 to 441.2 do not apply to any property of a deceased individual in respect of which the individual's legal representative makes a valid election under subsection 6.2 of section 70 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)).

Where, in respect of the property and by virtue of subsection 3.2 of section 220 of the Income Tax Act, the time for making the election referred to in the first paragraph is extended or a previous such election is rescinded, the legal representative of the individual

(a) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the legal representative to the Minister of Revenue of Canada; and

(b) incurs a penalty equal to $100 for each complete month from the individual's filing-due date for the year of the individual's death and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister, up to $5,000.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the election or the rescinded election referred to in the second paragraph.

1977, c. 26, s. 52; 1994, c. 22, s. 172; 1997, c. 85, s. 69; 2000, c. 5, s. 293; 2004, c. 21, s. 79; 2009, c. 5, s. 148; 2019, c. 14, s. 127.

443. *(Repealed).*

1972, c. 23, s. 367; 1973, c. 17, s. 48; 1975, c. 22, s. 99; 1986, c. 19, s. 99; 1994, c. 22, s. 173.

444. The rules set out in the second paragraph apply to an individual and to a child of the individual in respect of a property to which section 436 would, if this Act were read without reference to this section, apply if

(a) the property was, immediately before the individual's death,

i. a share of the capital stock of a family farm or fishing corporation of the individual or an interest in a family farm or fishing partnership of the individual, or

ii. land or a depreciable property of a prescribed class situated in Canada that was, before the death, used principally in the course of carrying on a farming or fishing business in Canada in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis or, in the case of a property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot;

(b) the child of the individual was resident in Canada immediately before the day on which the individual died; and

(c) because of the individual's death, the property is transferred to and becomes vested indefeasibly in the child within the period ending 36 months after the individual's death or, if application has been made to the Minister by the individual's legal representative before the expiry of that period, within any longer period that the Minister considers reasonable.

The rules to which the first paragraph refers are the following:

(a) if the individual's legal representative does not make a valid election under paragraph *b* of subsection 9.01 or 9.21 of section 70 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in the individual's fiscal return filed under Part I of that Act for the year in which the individual died, to have that paragraph *b* apply to the individual and the child in respect of the property,

i. sections 422 and 436 do not apply to the individual and the child in respect of the property,

ii. the individual is deemed, immediately before the individual's death, to have disposed of the property and received, at the time and in respect of the disposition of the property, proceeds of disposition equal to the following amount, and the child is deemed, immediately after the time and in respect of the disposition of the property, to have acquired the property at a cost equal to those proceeds:

(1) if the property is a depreciable property of a prescribed class, the lesser of the capital cost of the property to the individual and the amount, determined immediately before the time of the disposition of the property, that is equal to that proportion of the undepreciated capital cost of property of that class to the individual that the capital cost of the property to the individual is of the capital cost to the individual of all property of that class that had not, at or before that time, been disposed of, and

(2) if the property is land, other than land to which subparagraph 1 applies, or a share of the capital stock of a family farm or fishing corporation of the individual, the adjusted cost base of the property to the individual immediately before the time of the disposition of the property,

iii. if the property is, immediately before the individual's death, an interest in a family farm or fishing partnership of the individual, other than an interest to which section 636 applies, the following rules apply:

(1) the individual is deemed, except for the purposes of section 632, not to have disposed of the property because of the individual's death,

(2) the child is deemed to have acquired the property at the time of the individual's death at a cost equal to the cost of the interest to the individual immediately before the time that is immediately before the time of the individual's death, and

(3) each amount required by section 255 or 257 to be added or deducted in computing the adjusted cost base of the property to the individual, immediately before the individual's death, is deemed to be an amount required by that section 255 or 257 to be added or deducted in computing, at any time at or after the individual's death, the adjusted cost base of the property to the child,

iv. for the purposes of sections 93 to 104, Chapter III of Title III and any regulations under paragraph *a* of section 130 or section 130.1, if a depreciable property of a prescribed class of the individual is deemed under subparagraph ii to be acquired by the child because of the individual's death, except where the individual's proceeds of disposition of the property determined under subparagraph ii are redetermined under sections 93.1 to 93.3, and the capital cost of the property to the individual exceeds the amount determined under subparagraph ii to be the cost of the property to the child, the following rules apply:

(1) the capital cost of the property to the child is deemed to be equal to the capital cost of the property to the individual, and

(2) the excess is deemed to have been allowed to the child as depreciation in respect of the property for the taxation years that ended before the acquisition, and

v. despite subparagraph ii, if a property of the individual is deemed under subparagraph ii to be acquired by the child because of the individual's death, and the individual's proceeds of disposition of the property determined under subparagraph ii are redetermined under sections 93.1 to 93.3, the following rules apply:

(1) for the purposes of sections 93 to 104, Chapter III of Title III and any regulations under paragraph *a* of section 130 or section 130.1, if the property is a depreciable property of a prescribed class of the individual and the capital cost of the property to the individual exceeds the amount so redetermined under sections 93.1 to 93.3, the capital cost of the property to the child is deemed to be equal to the capital cost of the property to the individual, and the excess is deemed to have been allowed to the child as depreciation in respect of the property for the taxation years that ended before the acquisition, and

(2) if the property is land, other than land to which subparagraph 1 applies, the cost of the property to the child is deemed to be equal to the individual's proceeds of disposition of the property as redetermined under sections 93.1 to 93.3; and

(b) if the individual's legal representative makes a valid election under paragraph *b* of subsection 9.01 or 9.21 of section 70 of the Income Tax Act in the individual's fiscal return filed under Part I of that Act for the year in which the individual died, to have that paragraph *b* apply to the individual and the child in respect of the property,

i. subparagraph *a* applies without reference to its subparagraphs ii and iii and as if the references to that subparagraph ii in subparagraphs iv and v of that subparagraph *a* were read as references to subparagraph ii of this subparagraph *b*,

ii. subject to subparagraph iii, the individual is deemed, immediately before the individual's death, to have disposed of the property and received, at the time and in respect of the disposition, proceeds of disposition equal to

(1) subject to the third paragraph and unless otherwise specified by the individual's legal representative, the amount established in accordance with section 450.5 that is designated in respect of the property by the individual's legal representative in the individual's fiscal return filed in accordance with section 1000 for the year in which the individual died, if the individual, immediately before the individual's death, and the child, at the end of the child's taxation year in which the death occurred, were resident in Québec and the proportion determined under the second paragraph of section 22, in respect of each of those two latter persons to whom that second paragraph applies for the year in which the individual died, was not less than 9/10 for that year, or

(2) the amount that is determined in respect of the property under paragraph *b* of that subsection 9.01 or 9.21, if subparagraph 1 does not apply in respect of the property,

iii. subparagraph iii of subparagraph *a* applies in respect of a property described in that subparagraph iii, if the individual's legal representative makes another valid election under subparagraph iii of paragraph *b* of subsection 9.21 of section 70 of the Income Tax Act in the individual's fiscal return filed under Part I of that Act for the year in which the individual died, to have that subparagraph iii of paragraph *b* apply to the individual in respect of the property, and

iv. the child is deemed to have acquired the property

(1) immediately after the time of the disposition of the property and at a cost equal to the proceeds of disposition established in respect of the property under subparagraph ii, or

(2) if subparagraph iii applies, at the time of the individual's death and at a cost equal to the cost of the interest to the individual immediately before the time that is immediately before the time of the individual's death.

However, subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph does not apply in respect of the property unless all or substantially all of the difference between the amount that would, but for that subparagraph 1, be referred to in respect of the property in subparagraph 2 of that subparagraph ii and the amount designated in its respect in that subparagraph 1, is justified by a difference between the cost amount of the property to the individual, immediately before the individual's death, for the purposes of Part I of the Income Tax Act and the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.

On application by the legal representative of the deceased individual, the Minister may allow subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph to be deemed not to have applied in respect of the property, or may allow the legal representative, after the individual's filing-due date for the year in which the individual died, to designate pursuant to that subparagraph i an amount or a new amount in respect of the property; in the latter case, the new amount designated is deemed to be the only amount designated by the legal representative under that subparagraph in respect of the property.

Where an application made under the fourth paragraph is granted by the Minister, the legal representative of the deceased individual incurs a penalty equal to $100 for each complete month from the individual's filing-due date for the year in which the individual died and ending on the day on which the application referred to in that paragraph is sent to the Minister; in such case, this paragraph is deemed not to apply in respect of any other such application made previously by the legal representative in respect of the transfer of the property.

Where, in respect of the property and by virtue of subsection 3.2 of section 220 of the Income Tax Act, the time for making the election under paragraph *b* of subsection 9.01 or 9.21 of section 70 of that Act is extended or such an election made previously is amended or rescinded, the legal representative of the deceased individual

(a) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the legal representative to the Minister of Revenue of Canada; and

(b) incurs a penalty equal to $100 for each complete month from the individual's filing-due date for the year of the individual's death and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister.

However, the total amount of the penalties that the legal representative of the deceased individual incurs under this section in respect of the property may not exceed the greater of the penalties that the legal representative would otherwise incur in respect of the property, under the fifth paragraph or subparagraph *b* of the sixth paragraph nor $5,000.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the granting by the Minister of an application made under the fourth paragraph, or the election or the amended or rescinded election referred to in the sixth paragraph.

1973, c. 17, s. 49; 1977, c. 26, s. 53; 1979, c. 18, s. 30; 1986, c. 15, s. 81; 1986, c. 19, s. 100; 1993, c. 16, s. 184; 1994, c. 22, s. 174; 1995, c. 49, s. 127; 1997, c. 3, s. 71; 1997, c. 85, s. 70; 2000, c. 5, s. 293; 2002, c. 40, s. 36; 2004, c. 8, s. 92; 2007, c. 12, s. 57; 2009, c. 5, s. 149; 2017, c. 29, s. 64.

444.1. *(Repealed).*

1979, c. 18, s. 31; 1986, c. 19, s. 101; 1987, c. 67, s. 103.

445. Where a trust created by the will of an individual would be a trust referred to in any of sections 440 to 441.2 but for the payment of the debts owing by the individual when he died or for provision for their payment, the following rules apply:

(a) the time limit to file the fiscal return contemplated in paragraph *c* of subsection 2 of section 1000 is extended to 18 months after the individual's death; and

(b) where the legal representative makes a valid election under paragraph *b* of subsection 7 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), and lists, in the individual's fiscal return referred to for that purpose in that paragraph, one or more properties, other than a net income stabilization account or a farm income stabilization account, that were, on or after the individual's death and as a consequence thereof, transferred or distributed to the trust, the fair market value of which properties immediately after the individual's death was not less than the debts of the individual, minus the

amounts described in section 449, section 440 does not apply to the properties so listed and, notwithstanding the payment of, or provision for payment of, any outstanding debts of the individual at the time of the death, the trust is deemed to be a trust referred to in section 440.

1973, c. 17, s. 49; 1994, c. 22, s. 175; 1997, c. 85, s. 71; 2004, c. 21, s. 80.

446. Where the fair market value, immediately after the individual's death, of the properties referred to in paragraph *b* of section 445 exceeds the debts of the individual, minus the amounts described in section 449, and the legal representative designates one property, in the return referred to in that paragraph *b*, that is capital property other than depreciable property or money,

(a) the capital gain or capital loss, as the case may be, from the disposition that such individual is deemed to have made of that capital property under section 436 is the portion of that gain or loss represented by the proportion between the amount by which the fair market value of that capital property immediately after his death exceeds that excess, and that fair market value at the same time; and

(b) the cost of that capital property to the trust is, where the individual has a capital gain contemplated in paragraph *a*, the aggregate of the adjusted cost base of that capital property to him immediately before his death and the capital gain so determined or, where the individual has a capital loss contemplated in the said paragraph, the amount by which the adjusted cost base to him immediately before his death exceeds the capital loss so determined.

1973, c. 17, s. 49; 1977, c. 26, s. 54; 1994, c. 22, s. 176; 1997, c. 85, s. 72.

447. For the purposes of sections 445 and 446, there shall be deducted from the fair market value of property contemplated therein the amount remaining due on any debt secured by a hypothec or mortgage on that property.

1973, c. 17, s. 49; 1974, c. 18, s. 20; 1996, c. 39, s. 126; 2005, c. 1, s. 104.

448. The debts contemplated in sections 445 and 446, for an individual, mean any amount unpaid immediately before his death in respect of a debt or other obligation to pay and any amount payable by reason of his death, except an amount payable to a person as a beneficiary of the succession; they include tax payable by the individual or for him for any taxation year and all duties payable by reason of his death.

1973, c. 17, s. 49; 1998, c. 16, s. 251.

449. The amounts that must be deducted from the debts of the individual under paragraph *b* of section 445 and section 446 are the duties payable, by reason of the individual's death, in respect of any property of the trust or any right in such a property, and any debt secured by a hypothec or mortgage on property owned by the individual immediately before the individual's death.

1973, c. 17, s. 49; 1996, c. 39, s. 127; 2005, c. 1, s. 105; 2020, c. 16, s. 69.

450. The rules set out in the second paragraph apply to a trust and a child of the settlor of the trust in respect of a property to which sections 653 to 656.1 would, if this Act were read without reference to this section, apply to the trust because of the death of the beneficiary under the trust who was the settlor's spouse if

(a) the property, or a property for which the property was substituted, was transferred to the trust by the settlor;

(b) section 440, section 454, as that section applied in respect of a transfer that occurred before 1 January 2000, or subparagraph i of paragraph *c* of section 454.1 applied to the settlor and the trust in respect of the transfer referred to in subparagraph *a*;

(c) the property is, immediately before the beneficiary's death,

i. land or a depreciable property of a prescribed class of the trust that was used in a farming or fishing business carried on in Canada,

ii. a share of the capital stock of a Canadian corporation that would, immediately before the beneficiary's death, be a share of the capital stock of a family farm or fishing corporation of the settlor, if the settlor owned the share at that time and subparagraph i of subparagraph *a*.2 of the first paragraph of section 451 were read without reference to "in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis (or, in the case of property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot)", or

iii. *(subparagraph repealed);*

iv. an interest in a partnership that carried on in Canada a farming or fishing business in which it used all or substantially all of the property;

(d) in the case of a property referred to in subparagraph ii or iv of subparagraph *c*, the property, or a property for which the property was substituted, transferred to the trust by the settlor was, immediately before the transfer, a share of the capital stock of a family farm or fishing corporation of the settlor or an interest in a family farm or fishing partnership of the settlor;

(e) the child of the settlor was resident in Canada immediately before the day on which the beneficiary died; and

(f) because of the beneficiary's death, the property is transferred to and becomes vested indefeasibly in the settlor's child within the period ending 36 months after the beneficiary's death or, if application has been made to the Minister by the beneficiary's legal representative before the expiry of that period, within any longer period that the Minister considers reasonable.

The rules to which the first paragraph refers are the following:

(a) if the trust does not make a valid election under paragraph *b* of subsection 9.11 or 9.31 of section 70 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in the trust's fiscal return filed under Part I of that Act for the year in which the beneficiary died, to have that paragraph *b* apply to the trust in respect of the property,

i. sections 422 and 653 to 656.1 do not apply to the trust and the child in respect of the property,

ii. the trust is deemed, immediately before the beneficiary's death, to have disposed of the property and received, at the time and in respect of the disposition of the property, proceeds of disposition equal to the following amount, and the child is deemed, immediately after the time and in respect of the disposition of the property, to have acquired the property at a cost equal to those proceeds:

(1) if the property is a depreciable property of a prescribed class, the lesser of the capital cost of the property to the trust and the amount, determined immediately before the time of the disposition of the property, that is equal to that proportion of the undepreciated capital cost of property of that class to the trust that the capital cost of the property to the trust is of the capital cost to the trust of all property of that class that had not, at or before that time, been disposed of, and

(2) if the property is land, other than land to which subparagraph 1 applies, or, immediately before the beneficiary's death, a share referred to in subparagraph ii of subparagraph *c* of the first paragraph, the adjusted cost base of the property to the trust immediately before the time of the disposition of the property,

iii. if the property is, immediately before the beneficiary's death, an interest in a partnership described in subparagraph iv of subparagraph *c* of the first paragraph, other than an interest to which section 636 applies, the following rules apply:

(1) the trust is deemed, except for the purposes of section 632, not to have disposed of the property because of the beneficiary's death,

(2) the child is deemed to have acquired the property at the time of the beneficiary's death at a cost equal to the cost of the interest to the trust immediately before the time that is immediately before the time of the beneficiary's death, and

(3) each amount required by section 255 or 257 to be added or deducted in computing the adjusted cost base of the property to the trust, immediately before the beneficiary's death, is deemed to be an amount required by that section 255 or 257 to be added or deducted in computing, at any time at or after the beneficiary's death, the adjusted cost base of the property to the child,

iv. for the purposes of sections 93 to 104, Chapter III of Title III and any regulations under paragraph *a* of section 130 or section 130.1, if a depreciable property of a prescribed class of the trust is deemed under subparagraph ii to be acquired by the child because of the death of the beneficiary under the trust, except where the trust's proceeds of disposition of the property determined under subparagraph ii are redetermined under sections 93.1 to 93.3, and the capital cost of the property to the trust exceeds the amount determined under subparagraph ii to be the cost of the property to the child, the following rules apply:

(1) the capital cost of the property to the child is deemed to be equal to the capital cost of the property to the trust, and

(2) the excess is deemed to have been allowed to the child as depreciation in respect of the property for the taxation years that ended before the acquisition, and

v. despite subparagraph ii, if a property of the trust is deemed under subparagraph ii to be acquired by the child because of the death of the beneficiary under the trust, and the trust's proceeds of disposition of the property determined under subparagraph ii are redetermined under sections 93.1 to 93.3, the following rules apply:

(1) for the purposes of sections 93 to 104, Chapter III of Title III and any regulations under paragraph *a* of section 130 or section 130.1, if the property is a depreciable property of a prescribed class and the capital cost of the property to the trust exceeds the amount so redetermined under sections 93.1 to 93.3, the capital cost of the property to the child is deemed to be equal to the capital cost of the property to the trust, and the excess is deemed to have been allowed to the child as depreciation in respect of the property for the taxation years that ended before the acquisition, and

(2) if the property is land, other than land to which subparagraph 1 applies, the cost of the property to the child is deemed to be equal to the trust's proceeds of disposition of the property as redetermined under sections 93.1 to 93.3; and

(b) if the trust makes a valid election under paragraph *b* of subsection 9.11 or 9.31 of section 70 of the Income Tax Act in the trust's fiscal return filed under Part I of that Act for the year in which the beneficiary died, to have that paragraph *b* apply to the trust in respect of the property,

i. subparagraph *a* applies without reference to its subparagraphs i, ii and iii and as if the references to that subparagraph ii in subparagraphs iv and v of that subparagraph *a* were read as references to subparagraph iv of this subparagraph *b*,

ii. if the property is described in subparagraph i of subparagraph *c* of the first paragraph, sections 653 to 656.1 do not apply to the trust in respect of the property,

iii. if the property is described in subparagraph ii or iv of subparagraph *c* of the first paragraph, section 422 does not apply to the trust and the child in respect of the transfer of the property and section 653 does not apply to the trust in respect of the property,

iv. subject to subparagraph v, the trust is deemed, immediately before the beneficiary's death, to have disposed of the property and received, at the time and in respect of the disposition, proceeds of disposition equal to

(1) subject to the third paragraph and unless otherwise specified by the trust, the amount established in accordance with section 450.5 that is designated in respect of the property by the trust in the trust's fiscal return filed in accordance with section 1000 for the year in which the beneficiary under the trust died, if the trust and the child, at the end of their respective taxation year in which the death occurred, were resident in Québec and the proportion determined under the second paragraph of section 22, in respect of each of those two latter persons to whom that second paragraph applies for the year in which the beneficiary under the trust died, was not less than 9/10 for that year, or

(2) the amount that is determined in respect of the property under paragraph *b* of that subsection 9.11 or 9.31, if subparagraph 1 does not apply in respect of the property,

v. subparagraph iii of subparagraph *a* applies in respect of a property described in that subparagraph iii, if the trust makes another valid election under subparagraph iii of paragraph *b* of subsection 9.31 of section 70 of the Income Tax Act in the trust's fiscal return filed under Part I of that Act for the year in which the beneficiary died, to have that subparagraph iii of paragraph *b* apply to the trust in respect of the property, and

vi. the child is deemed to have acquired the property

(1) immediately after the time of the disposition of the property and at a cost equal to the proceeds of disposition established in respect of the property under subparagraph iv, or

(2) if subparagraph v applies, at the time of the beneficiary's death and at a cost equal to the cost of the interest to the trust immediately before the time that is immediately before the time of the beneficiary's death.

However, subparagraph 1 of subparagraph iv of subparagraph *b* of the second paragraph does not apply in respect of the property unless all or substantially all of the difference between the amount that would, but for that subparagraph 1, be referred to in respect of the property in subparagraph 2 of that subparagraph iv and the amount designated in its respect in that subparagraph 1, is justified by a difference between the cost amount of the property to the trust, immediately before the beneficiary's death, for the purposes of Part I of the Income Tax Act and the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.

On application by the trust, the Minister may allow subparagraph 1 of subparagraph iv of subparagraph *b* of the second paragraph to be deemed not to have applied in respect of the property, or may allow the trust, after the trust's filing-due date for the year in which the spouse died, to designate pursuant to that subparagraph i an amount or a new amount in respect of the property; in the latter case, the new amount designated is deemed to be the only amount designated by the trust under that subparagraph in respect of the property.

Where an application made under the fourth paragraph is granted by the Minister, the trust incurs a penalty equal to $100 for each complete month from the trust's filing-due date for the year in which the spouse died and ending on the day on which the application referred to in that paragraph is sent to the Minister; in such case, this paragraph is deemed not to apply in respect of any other such application made previously by the trust in respect of the transfer of the property.

Where, in respect of the property and by virtue of subsection 3.2 of section 220 of the Income Tax Act, the time for making the election under paragraph *b* of subsection 9.11 or 9.31 of section 70 of that Act is extended or such an election made previously is amended or rescinded, the trust

(a) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the trust to the Minister of Revenue of Canada; and

(b) incurs a penalty equal to $100 for each complete month from the trust's filing-due date for the year in which the spouse died and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister.

However, the total amount of the penalties that the trust incurs under this section in respect of the property may not exceed the greater of the penalties that the trust would otherwise incur in respect of the property, under the fifth paragraph or subparagraph *b* of the sixth paragraph nor $5,000.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the granting by the Minister of an application made under the fourth paragraph, or the election or the amended or rescinded election referred to in the sixth paragraph.

1975, c. 22, s. 100; 1979, c. 18, s. 32; 1986, c. 15, s. 82; 1986, c. 19, s. 102; 1993, c. 16, s. 185; 1994, c. 22, s. 177; 1995, c. 49, s. 128; 1997, c. 3, s. 71; 1997, c. 85, s. 73; 2000, c. 5, s. 293; 2002, c. 40, s. 37; 2003, c. 2, s. 120; 2004, c. 8, s. 93; 2007, c. 12, s. 58; 2009, c. 5, s. 151; 2017, c. 29, s. 65.

450.1. *(Repealed).*

1979, c. 18, s. 33; 1986, c. 19, s. 103; 1987, c. 67, s. 104.

450.2. For the purposes of sections 436, 439, 439.1 and 653 and Chapter I of Title I.1 of Book VI, the fair market value at a particular time of any property deemed to be disposed of at that time by reason of a particular individual's death or as a consequence of the particular individual becoming or ceasing to be resident in Canada shall be determined as though the fair market value at that time of any life insurance policy under which the particular individual, or any other individual not dealing at arm's length with the particular individual at that time or at the time the policy is issued, is the person whose life is insured, were equal to the cash surrender value, within the meaning of paragraph *d* of section 966, of the policy immediately before the particular individual died or became or ceased to be resident in Canada, as the case may be.

1984, c. 15, s. 99; 1985, c. 25, s. 90; 1986, c. 19, s. 104; 1994, c. 22, s. 178; 1997, c. 3, s. 71; 2003, c. 2, s. 121; 2004, c. 8, s. 94.

450.2.1. For the purposes of sections 436, 439, 439.1 and 653, the fair market value at a particular time of any property deemed to have been disposed of at that time because of a particular individual's death is to be determined as though the fair market value at that time of any annuity contract were equal to the aggregate of all amounts each of which is the amount of a premium paid at or before that time under the contract if

(a) the contract is, in respect of a leveraged insured annuity policy, a contract referred to in subparagraph ii of paragraph *b* of the definition of "leveraged insured annuity policy" in section 1; and

(b) the particular individual is the individual, in respect of the leveraged insured annuity policy, referred to in subparagraph ii of paragraph *b* of the definition of "leveraged insured annuity policy" in section 1.

2017, c. 1, s. 119.

450.3. *(Repealed).*

1985, c. 25, s. 90; 1987, c. 67, s. 105.

450.4. *(Repealed).*

1985, c. 25, s. 90; 1986, c. 19, s. 105; 1987, c. 67, s. 105.

450.5. For the purposes of subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 444 and subparagraph 1 of subparagraph iv of subparagraph *b* of the second paragraph of section 450, the amount designated in respect of a property by the legal representative of the individual referred to in section 444 or by the trust referred to in section 450, as the case may be, must not be less than the lesser of nor greater than the greater of

(a) the fair market value of the property immediately before the time of its disposition; and

(b) where

i. the property is a depreciable property of a prescribed class, the lesser of the capital cost of the property to the individual or to the trust and the amount, determined immediately before the time of the disposition of the property, that is equal to that proportion of the undepreciated capital cost of the property of that class to the individual or to the trust that the capital cost of the property to the individual or to the trust is of the capital cost to the individual or to the trust of all the property of that class that had not, at or before that time, been disposed of,

ii. in the case of the individual referred to in section 444, the property is land, other than land to which subparagraph i applies, a share of the capital stock of a family farm or fishing corporation or an interest in a family farm or fishing partnership, the adjusted cost base of the property to the individual immediately before the time of the disposition of the property, or

iii. in the case of the trust referred to in section 450, the property is land, other than land to which subparagraph i applies, a share referred to in subparagraph ii of subparagraph *c* of the first paragraph of that section, or an interest in a partnership described in subparagraph iv of subparagraph *c* of the first paragraph of that section, the adjusted cost base of the property to the trust immediately before the time of the disposition of the property.

If the amount designated in respect of a property is less than the lesser of the amounts determined in respect of the property under subparagraphs *a* and *b* of the first paragraph, it is deemed, for the purposes of subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 444 and subparagraph 1 of subparagraph iv of subparagraph *b* of the second paragraph of section 450, to be equal to the lesser of those amounts, and if it is greater than the greater of those amounts, it is deemed, for the purposes of those subparagraphs 1, to be equal to the greater of the amounts determined under those subparagraphs *a* and *b* of the first paragraph in respect of the property.

1986, c. 15, s. 83; 1995, c. 49, s. 129; 1997, c. 3, s. 71; 1997, c. 85, s. 74; 2007, c. 12, s. 59; 2017, c. 29, s. 66.

450.6. Section 444 applies in respect of the transfer of a property as if "to a child" and "in the child" were replaced by "to the father or mother" and "in the father or mother", respectively, and as if "the child" were replaced by "the father or mother", if

(a) the property was acquired by an individual in circumstances where any of sections 444, 450 and 460 to 462 applied in respect of the acquisition;

(b) the property is transferred to the father or mother of the individual because of the individual's death; and

(c) the individual's legal representative makes a valid election in the fiscal return filed under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for the taxation year in which the individual died, to have subsection 9.6 of section 70 of that Act apply in respect of the transfer.

1986, c. 15, s. 83; 1997, c. 85, s. 75; 2007, c. 12, s. 60.

450.7. *(Repealed).*

1986, c. 15, s. 83; 1986, c. 19, s. 106; 1987, c. 67, s. 106.

450.8. *(Repealed).*

1986, c. 15, s. 83; 1987, c. 67, s. 106.

450.9. For the purposes of sections 444 and 459 and subparagraph iv of subparagraph *a*.0.2 of the first paragraph of section 726.6, a property of an individual is, at a particular time, deemed to be used by the

individual in a farming or fishing business carried on in Canada if, at that particular time, the property is being used, principally in the course of carrying on a farming or fishing business in Canada, by

(a) a corporation, a share of the capital stock of which is a share of the capital stock of a family farm or fishing corporation of the individual or of the spouse, a child or the father or mother of the individual; or

(b) a partnership, a partnership interest in which is an interest in a family farm or fishing partnership of the individual or of the spouse, a child or the father or mother of the individual.

1986, c. 15, s. 83; 1993, c. 16, s. 186; 1997, c. 3, s. 71; 2005, c. 1, s. 106; 2007, c. 12, s. 61; 2017, c. 29, s. 67; 2019, c. 14, s. 128.

450.10. For the purposes of Divisions I to III and, where a provision of either of those divisions, other than this section, applies, for the purposes of sections 93 to 104 and Chapter III of Title III, but not for the purposes of any regulations made under paragraph *a* of section 130, the capital cost to an individual, or to a trust to which section 450 applies, of depreciable property of a prescribed class disposed of immediately before the death of the individual or, as the case may be, of the spouse referred to in that section 450, shall, in respect of property that was not disposed of by the individual or the trust before that time, be the amount that it would be, if

(a) paragraph *b* of section 99 were read without reference to "the lesser of the following amounts" in the portion before subparagraph i thereof and without reference to subparagraph ii thereof;

(b) subparagraph i of paragraph *d* of section 99 were read as follows:

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

(c) section 99 were read without reference to paragraph *d*.1 thereof.

1995, c. 49, s. 130; 1998, c. 16, s. 166.

450.11. Where two or more depreciable properties of a prescribed class are disposed of at the same time as a consequence of an individual's death, Divisions I to III and paragraph *a* of the definition of "cost amount" in section 1 apply as if each property so disposed of were separately disposed of in the order designated by the individual's legal representative or, in the case of a trust referred to in section 450, by the trust and, where the taxpayer's legal representative or the trust, as the case may be, does not designate an order, in the order designated by the Minister.

1995, c. 49, s. 130.

451. In this division and sections 234 to 236, 236.2, 237, 240, 241, 261, 264, 271 to 273, 274.1, 278 to 280.4, 288, 293, 428 to 430, 432 to 435, 454 to 455.1 and 459 to 462:

(a) (subparagraph repealed);

(a.1*) (subparagraph repealed);*

(a.2*)* "share of the capital stock of a family farm or fishing corporation", of an individual at any time, means a share of the capital stock of a corporation owned by the individual at that time if, at that time, all or substantially all of the fair market value of the property owned by the corporation was attributable to

i. property that has been used principally in the course of carrying on a farming or fishing business in Canada in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis (or, in the case of property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot), by

(1) the corporation or any other corporation, a share of the capital stock of which was a share of the capital stock of a family farm or fishing corporation of the individual or of the spouse, a child or the father or mother of the individual,

(2) a corporation controlled by a corporation described in subparagraph 1,

(3) the individual,

(4) the spouse, a child or the father or mother of the individual, or

(5) a partnership, a partnership interest in which was an interest in a family farm or fishing partnership of the individual or of the spouse, a child or the father or mother of the individual,

ii. shares of the capital stock or indebtedness of one or more corporations of which all or substantially all of the fair market value of the property was attributable to property described in subparagraph iv,

iii. partnership interests in or indebtedness of one or more partnerships of which all or substantially all of the fair market value of the property was attributable to property described in subparagraph iv, or

iv. property described in any of subparagraphs i to iii;

(b) (subparagraph repealed);

(c) (subparagraph repealed);

(d) "child" of a taxpayer includes

i. a grandchild or a great grandchild of the taxpayer,

ii. a person who was a child of the taxpayer immediately before the death of the person's spouse, and

iii. a person who, at any time before attaining the age of 19 years, was wholly dependent on the taxpayer for support and of whom the taxpayer had, at that time, in law or in fact, the custody and control;

(e) (subparagraph repealed);

(f) (subparagraph repealed);

(g) (subparagraph repealed);

(h) "interest in a family farm or fishing partnership", of an individual at any time, means a partnership interest owned by the individual at that time if, at that time, all or substantially all of the fair market value of the property of the partnership was attributable to

i. property that has been used principally in the course of carrying on a farming or fishing business in Canada in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis (or, in the case of property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot), by the partnership or by

(1) the individual,

(2) the spouse, a child or the father or mother of the individual,

(3) a corporation, a share of the capital stock of which was a share of the capital stock of a family farm or fishing corporation of the individual or of the spouse, a child or the father or mother of the individual, or

(4) a partnership, a partnership interest in which was an interest in a family farm or fishing partnership of the individual or of the spouse, a child or the father or mother of the individual,

ii. shares of the capital stock or indebtedness of one or more corporations of which all or substantially all of the fair market value of the property was attributable to property described in subparagraph iv,

iii. partnership interests in or indebtedness of one or more partnerships of which all or substantially all of the fair market value of the property was attributable to property described in subparagraph iv, or

iv. property described in any of subparagraphs i to iii.

For the purposes of subparagraph *a*.2 of the first paragraph, the fair market value of a net income stabilization account or of a farm income stabilization account is deemed to be nil.

1977, c. 26, s. 55; 1979, c. 18, s. 34; 1980, c. 13, s. 46; 1982, c. 5, s. 107; 1984, c. 15, s. 100; 1985, c. 25, s. 91; 1986, c. 15, s. 84; 1987, c. 67, s. 107; 1989, c. 5, s. 68; 1994, c. 22, s. 179; 1997, c. 3, s. 71; 2001, c. 7, s. 46; 2004, c. 8, s. 95; 2004, c. 21, s. 81; 2007, c. 12, s. 62; 2010, c. 5, s. 43; 2017, c. 29, s. 68.

DIVISION IV

COMPUTATION OF INCOME

1972, c. 23.

452. Subject to section 453, in computing the income of a taxpayer for the taxation year in which the taxpayer died, sections 153 and 208, subparagraph *b* of the first paragraph of section 234, paragraph *b* of section 234.0.1, the amount that the taxpayer may deduct under subparagraph *a* of the first paragraph of section 279 and sections 357 and 358, as they read in respect of a disposition of property, may not be taken into account.

1972, c. 23, s. 368; 1975, c. 22, s. 101; 1978, c. 26, s. 79; 1987, c. 67, s. 108; 1993, c. 16, s. 187; 2000, c. 5, s. 102; 2009, c. 5, s. 152; 2010, c. 5, s. 44.

DIVISION V

ELECTION BY SPOUSE OR TRUST

1972, c. 23.

453. If a right to receive an amount is transferred or distributed as a consequence of the death of a taxpayer to a beneficiary who is the taxpayer's spouse resident in Canada immediately before the death or a trust referred to in section 440, and the beneficiary and the legal representative of the taxpayer make a valid election under subsection 2 of section 72 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of that right, the following rules apply if the taxpayer was resident in Canada immediately before dying:

(a) sections 153 and 208 and sections 357 and 358, as they read in respect of the disposition of property, apply in computing the taxpayer's income for the taxation year of the taxpayer's death, subparagraph *b* of the first paragraph of section 234 applies in computing the taxpayer's gain for that year and section 452 does not apply for the purpose of computing the taxpayer's gain referred to in subparagraph *a* of the first paragraph of section 279 for that year, and the beneficiary must include in computing the beneficiary's income or gain for the beneficiary's first taxation year ending after the death the amounts deducted in respect of the taxpayer under sections 153 and 208, subparagraph *b* of the first paragraph of section 234, subparagraph *a* of the first paragraph of section 279 or sections 357 and 358;

(b) the amounts provided for in subparagraph *a* are deemed to have been included in computing the income or earnings of the beneficiary for a previous year, from a similar source;

(c) despite paragraphs *a* and *b*, if the taxpayer had disposed of a property, the beneficiary is deemed, for the purpose of computing any reserve the beneficiary may deduct, in respect of the disposition of property,

under section 153, subparagraph *b* of the first paragraph of section 234, subparagraph *a* of the first paragraph of section 279 or either of sections 357 and 358, as they read in respect of that disposition, in computing the beneficiary's income for a taxation year ending after the death of the taxpayer, to be the taxpayer who had disposed of the property and to have disposed of it at the time it was disposed of by the taxpayer.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 72 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1972, c. 23, s. 369; 1973, c. 17, s. 50; 1975, c. 22, s. 102; 1984, c. 15, s. 101; 1987, c. 67, s. 109; 1990, c. 59, s. 172; 1993, c. 16, s. 188; 1994, c. 22, s. 180; 1997, c. 14, s. 77; 2009, c. 5, s. 153; 2010, c. 5, s. 45.

CHAPTER IV

INTER VIVOS TRANSFERS

1972, c. 23; 1973, c. 17, s. 51.

454. Where at any time a capital property of an individual, other than a trust, is transferred in any of the circumstances to which section 454.1 applies and both the individual and the transferee are resident in Canada at that time, the capital property is deemed to be disposed of at that time by the individual and acquired by the transferee for an amount equal to the adjusted cost base of the capital property immediately before that time or, where the capital property is depreciable property, to the proportion of the undepreciated capital cost of all the property of the same class that the fair market value before that time of the capital property is of the fair market value before that time of the aggregate of all of the property of the same class.

This section does not apply to such a transfer where the taxpayer makes a valid election under subsection 1 of section 73 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have the provisions of that subsection not apply to the transfer.

1972, c. 23, s. 370; 1979, c. 38, s. 15; 1982, c. 5, s. 108; 1993, c. 16, s. 189; 1994, c. 22, s. 181; 1997, c. 85, s. 76; 2003, c. 2, s. 122.

454.1. Subject to section 454.2, the circumstances to which section 454 refers are the following:

(a) the capital property is transferred to the individual's spouse;

(b) the capital property is transferred to a former spouse of the individual in settlement of rights arising out of their marriage; and

(c) the capital property is transferred to a trust created by the individual if the terms of the deed creating it

i. entitled the individual's spouse to receive all of the income of the trust that arose before the spouse's death and to receive or otherwise obtain, to the exclusion of any other person, enjoyment of the income or capital of the trust,

ii. entitled the individual to receive all of the income of the trust that arose before the individual's death and to receive or otherwise obtain, to the exclusion of any other person, enjoyment of the income or capital of the trust, or

iii. entitled the individual and the individual's spouse to receive all of the income of the trust that arose before their deaths and to receive or otherwise obtain, to the exclusion of any other person, enjoyment of the income or capital of the trust.

2003, c. 2, s. 123.

454.2. Section 454.1 applies to a transfer of capital property by an individual to a trust of which the terms of the deed creating it meet the conditions in subparagraph ii or iii of paragraph *c* of that section only where

(a) the trust was created after 31 December 1999;

(b) either

i. the individual attained 65 years of age at the time the trust was created, or

ii. the transfer does not result in a change in beneficial ownership of the capital property and there is immediately after the transfer no absolute or contingent right of a person, other than the individual, or partnership as a beneficiary, determined with reference to section 646.1, under the trust; and

(c) in the case of a trust of which the terms of the deed creating it meet the conditions in subparagraph ii of paragraph *c* of section 454.1, the trust does not make an election under subparagraph *d* of the second paragraph of section 653.

2003, c. 2, s. 123.

455. Where section 454 applies and the capital cost to the taxpayer of a depreciable property of a prescribed class exceeds the amount determined under that section, the following rules apply for the purposes of sections 93 to 104, 130 and 130.1 and of the regulations made under paragraph *a* of section 130 or section 130.1:

(a) the capital cost of such capital property to the transferee is deemed to be the capital cost of such capital property to the taxpayer; and

(b) the excess is deemed to have been allowed to the transferee in respect of such capital property under the regulations made under paragraph *a* of section 130 in computing his income for the previous taxation years.

1972, c. 23, s. 371; 1979, c. 18, s. 35; 1979, c. 38, s. 16.

455.0.1. Where, in respect of the property referred to in section 454 and by virtue of subsection 3.2 of section 220 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the time for making the election referred to in the second paragraph of section 454 is extended or such an election made previously is rescinded, the taxpayer

(a) shall notify the Minister in writing and attach to the notice a copy of the document to that effect sent by the taxpayer to the Minister of Revenue of Canada; and

(b) incurs a penalty equal to $100 for each complete month from the taxpayer's filing-due date for the year in which the transfer is made and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister, up to $5,000.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the election or the rescinded election referred to in the first paragraph.

1997, c. 85, s. 77; 2000, c. 5, s. 293; 2003, c. 2, s. 124; 2009, c. 5, s. 154.

455.1. *(Repealed).*

1979, c. 38, s. 17; 1984, c. 15, s. 102.

456. *(Repealed).*

1972, c. 23, s. 372; 1975, c. 22, s. 103; 1977, c. 26, s. 56; 1980, c. 13, s. 47; 1982, c. 5, s. 109; 1987, c. 67, s. 110.

456.1. For the purposes of this chapter, where a property becomes the property of an individual following the declaratory effect of a partition following the dissolution of the matrimonial regime to which that individual was subject and where that individual was not the deemed owner of the property under section 2.1

immediately before that dissolution, that property is deemed to have been transferred to that individual by his spouse immediately before that dissolution.

1979, c. 38, s. 18.

457. *(Repealed).*

1972, c. 23, s. 373; 1975, c. 22, s. 104; 1987, c. 67, s. 111.

457.1. *(Repealed).*

1979, c. 38, s. 19; 1982, c. 5, s. 110; 1987, c. 67, s. 111.

458. *(Repealed).*

1972, c. 23, s. 374; 1975, c. 22, s. 104; 1987, c. 67, s. 111.

459. Sections 460 to 462 apply to an individual and to a child of the individual in respect of a property transferred, at any time, by the individual to the child, if the child was resident in Canada immediately before the transfer and if

(a) the property was, before the transfer, land situated in Canada or a depreciable property of a prescribed class situated in Canada and was used principally in the business of farming or fishing in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis or, in the case of a property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot; or

(b) the property was, immediately before the transfer, a share of the capital stock of a family farm or fishing corporation of the individual or an interest in a family farm or fishing partnership of the individual.

1973, c. 17, s. 52; 1979, c. 18, s. 36; 1986, c. 19, s. 107; 1994, c. 22, s. 182; 1997, c. 3, s. 71; 2004, c. 8, s. 96; 2005, c. 1, s. 107; 2007, c. 12, s. 63; 2015, c. 21, s. 172; 2017, c. 29, s. 69; 2019, c. 14, s. 129.

460. If, because of section 459, this section applies to an individual in respect of a property transferred by the individual to the child of the individual, the following rules apply:

(a) in cases where paragraph *b* and section 461 do not apply, the individual is deemed to have disposed of the property, at the time of the transfer, for proceeds equal to proceeds of disposition otherwise determined;

(b) subject to paragraph *c*, if the proceeds of disposition of the property otherwise determined exceed the greater of the following amounts, the individual is deemed to have disposed of the property at the time of the transfer for the greater of those amounts:

i. the fair market value of the property immediately before the time of the transfer, and

ii. if, immediately before the transfer, the property was

(1) a depreciable property of a prescribed class, the lesser of the capital cost of the property and the amount, determined immediately before the time of the disposition of the property, that is equal to that proportion of the undepreciated capital cost of the property of that class to the individual that the capital cost of the property to the individual is of the capital cost to the individual of all the property of that class that had not, at or before that time, been disposed of,

(2) land, a share of the capital stock of a family farm or fishing corporation of the individual or an interest in a family farm or fishing partnership of the individual, the adjusted cost base of the property to the individual immediately before the time of the transfer, or

(3) *(subparagraph repealed);*

(c) if, immediately before the transfer, the property was an interest in a family farm or fishing partnership of the individual and the individual receives no consideration in respect of the transfer of the property and makes a valid election under paragraph *c* of subsection 4.1 of section 73 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), in the individual's fiscal return filed under Part I of that Act for the taxation year that includes the time of the transfer, to have that paragraph *c* apply in respect of the transfer of the property, the individual is deemed, except for the purposes of section 632, not to have disposed of the property at the time of the transfer; and

(d) section 422 does not apply to the individual in respect of the property.

1973, c. 17, s. 52; 1979, c. 18, s. 37; 1990, c. 59, s. 173; 1994, c. 22, s. 183; 1997, c. 3, s. 71; 2005, c. 1, s. 108; 2007, c. 12, s. 63; 2017, c. 29, s. 70; 2019, c. 14, s. 130.

461. If the proceeds of disposition, otherwise determined, of a property referred to in subparagraph 1 or 2 of subparagraph ii of paragraph *b* of section 460 are less than the lesser of the amount referred to in subparagraph i of that paragraph *b* and the amount determined under subparagraph 1 or 2 of subparagraph ii of that paragraph *b* that is applicable in respect of the property, they are deemed to be equal to the lesser of those amounts.

1973, c. 17, s. 52; 2007, c. 12, s. 63; 2019, c. 14, s. 131.

462. If, because of section 459, this section applies to a child of an individual in respect of a property transferred by the individual to the child, the following rules apply:

(a) section 422 does not apply to the child in respect of the property;

(b) subject to subparagraph *e*, if the property is a depreciable property of a prescribed class of the individual, land, a share of the capital stock of a family farm or fishing corporation of the individual or an interest in a family farm or fishing partnership of the individual, the child is deemed to have acquired the property at a cost equal to the individual's proceeds of disposition of the property, as determined under paragraphs *a* and *b* of section 460 and section 461;

(c) if the property was a depreciable property of a prescribed class of the individual and the capital cost of the property to the individual exceeds the capital cost of the property to the child, for the purposes of sections 93 to 104, 130 and 130.1 and regulations under section 130 or 130.1, the capital cost of the property to the child is deemed to be the amount that was the capital cost of the property to the individual immediately before the transfer and the excess is deemed to have been allowed to the child in respect of the property as depreciation in computing income for the taxation years that ended before the child acquired the property;

(d) (paragraph repealed);

(e) if the property was, immediately before the transfer, an interest in a family farm or fishing partnership of the individual, other than an interest to which section 636 applies, and the individual receives no consideration in respect of the transfer of the property and makes the election referred to in paragraph *c* of section 460 in respect of the transfer of the property, the following rules apply:

i. the child is deemed to have acquired the property at the time of the transfer at a cost equal to the cost of the interest to the individual immediately before the time of the transfer, and

ii. each amount required by section 255 or 257 to be added or deducted in computing the adjusted cost base of the property to the individual, immediately before the transfer, is deemed to be an amount required by that section 255 or 257 to be added or deducted in computing at any time at or after the time of the transfer, the adjusted cost base of the property to the child.

1973, c. 17, s. 52; 1979, c. 18, s. 38; 1990, c. 59, s. 174; 1994, c. 22, s. 184; 1996, c. 39, s. 128; 2003, c. 2, s. 125; 2005, c. 1, s. 109; 2007, c. 12, s. 63; 2017, c. 29, s. 71; 2019, c. 14, s. 132.

462.0.1. Where at any time a taxpayer disposes of an interest in the taxpayer's NISA Fund No. 2, an amount equal to the balance in the fund so disposed of is deemed to have been paid out of the fund at that time to the taxpayer except that,

(a) where the interest is disposed of to the taxpayer's spouse, former spouse or an individual referred to in subparagraph *d* of the second paragraph of section 454, as it applies in respect of transfers of property that occurred before 1 January 1993, in settlement of rights arising out of their marriage, on or after the breakdown of the marriage, that amount is not deemed to have been paid to the taxpayer if

i. the disposition is made under a decree, order or judgment of a competent tribunal or, in the case of a spouse or former spouse, under a written separation agreement, and

ii. the taxpayer elects in the taxpayer's fiscal return under this Part for the taxation year in which the property was disposed of to have this paragraph apply to the disposition;

(b) where the interest is disposed of to a taxable Canadian corporation in a transaction in respect of which section 518 applies, an amount equal to the proceeds of disposition in respect of that interest is deemed to be paid, at that time, to the taxpayer out of the taxpayer's NISA Fund No. 2.

1994, c. 22, s. 185; 1995, c. 49, s. 236; 1996, c. 39, s. 129; 1997, c. 3, s. 71; 1997, c. 85, s. 78.

462.0.2. Where at any time a taxpayer disposes of an interest in the taxpayer's farm income stabilization account, an amount equal to the balance of the account so disposed of is deemed, subject to the second and third paragraphs, to have been paid out of that account at that time to the taxpayer.

The rule set out in the first paragraph does not apply where the interest in the taxpayer's farm income stabilization account is disposed of by the taxpayer to the taxpayer's spouse or former spouse, in settlement of rights arising out of their marriage, on or after the breakdown of the marriage, if

(a) the disposition is made under an order or judgment of a competent tribunal or under a written separation agreement; and

(b) the taxpayer elects in the taxpayer's fiscal return under this Part for the taxation year in which the interest was disposed of to have this paragraph apply to the disposition.

Where at any time a taxpayer who is an individual disposes of an interest in the taxpayer's farm income stabilization account to a taxable Canadian corporation in a transaction in respect of which section 518 applies, an amount equal to the proceeds of disposition in respect of that interest is deemed to be paid, at that time, to the taxpayer out of that account.

2004, c. 21, s. 82.

462.1. Where an individual has transferred or loaned property, otherwise than by partition of a retirement pension pursuant to sections 158.3 to 158.8 of the Act respecting the Québec Pension Plan (chapter R-9) or any comparable provision of a similar plan, within the meaning of that Act, either directly or indirectly, by means of a trust or otherwise, to or for the benefit of a person who is, or who has since become, the spouse of the individual, any income or loss of that person for a taxation year from the property or from property substituted for it, that relates to the period in the year throughout which the individual is resident in Canada and is the person's spouse, is deemed to be income or a loss of the individual for the year and not of that person.

1987, c. 67, s. 112; 1989, c. 77, s. 52; 1995, c. 1, s. 42; 2013, c. 10, s. 33.

462.2. If an individual has transferred or loaned a property, either directly or indirectly, by means of a trust or otherwise, to or for the benefit of a person who was under 18 years of age and who is not dealing with the individual at arm's length or is the niece or nephew of the individual, other than an amount received in respect of that person because of the application of subsection 1 of section 122.61 of the Income Tax Act (Revised

Statutes of Canada, 1985, chapter 1, 5th Supplement), section 4 of the Universal Child Care Benefit Act, enacted by section 168 of the Budget Implementation Act, 2006 (Statutes of Canada, 2006, chapter 4), or section 1029.8.61.18, any income or loss of that person for a taxation year from the property or from any property substituted for that property, that relates to the period in the year throughout which the individual is resident in Canada, is deemed to be income or a loss of the individual for the year and not of that person unless that person has reached 18 years of age before the end of the year.

1987, c. 67, s. 112; 1993, c. 64, s. 35; 1994, c. 22, s. 186; 2007, c. 12, s. 64.

462.3. For the purposes of sections 462.1 and 462.2, where, at any time, an individual has loaned or transferred property, either directly or indirectly, by means of a trust or otherwise, to or for the benefit of a person, and the loaned or transferred property or property substituted therefor is used to repay, in whole or in part, borrowed money with which other property was acquired, or to reduce an amount payable for other property, there shall be included in computing the income from the loaned or transferred property, or from any property substituted therefor, that is so used, the amount determined under section 462.4.

However, nothing in this section shall affect the application of sections 462.1 and 462.2 to any income or loss derived from the other property or from any property substituted therefor.

1987, c. 67, s. 112.

462.4. The amount referred to in section 462.3 is equal to that proportion of the income or loss, as the case may be, derived after that time from the other property or from any property substituted therefor that the fair market value at that time of the loaned or transferred property, or property substituted therefor, that is so used is of the cost to that person of the other property at the time of its acquisition.

1987, c. 67, s. 112.

462.5. Where an individual has loaned or transferred property, either directly or indirectly, by means of a trust or otherwise, to or for the benefit of a person hereinafter referred to as the "recipient" who is his spouse or who has since become his spouse, the following rules apply for the purposes of computing the income of the individual and the recipient for a taxation year:

(a) the amount, if any, by which the aggregate of the recipient's taxable capital gains for the year from dispositions of property, other than precious property, that is property so loaned or transferred or property substituted therefor occurring in the period throughout which the individual is resident in Canada and the recipient is his spouse exceeds the aggregate of the recipient's allowable capital losses for the year from dispositions of such property occurring in such period, or the amount, if any, by which the aggregate of such losses exceeds, for the year, the aggregate of such gains, is deemed to be a taxable capital gain or an allowable capital loss, as the case may be, of the individual for the year from the disposition of property other than precious property;

(b) the amount, if any, by which the amount that the aggregate of the recipient's gains for the year from dispositions occurring in the period described in paragraph *a* of precious property that is property so loaned or transferred or property substituted therefor would be if the recipient had at no time owned other precious property exceeds the amount that the aggregate of the recipient's losses for the year from dispositions of such property would be during that period if the recipient had at no time owned other precious property or the amount, if any, by which the aggregate of such losses so determined exceeds, for the year, the aggregate of such gains so determined is deemed to be a gain or a loss, as the case may be, of the individual for the year from the disposition of precious property;

(c) any taxable capital gain or allowable capital loss or any gain or loss taken into account in computing an amount described in paragraph *a* or *b* is, except for the purposes of those paragraphs and to the extent that the amount so described is deemed by virtue of this section to be a taxable capital gain or an allowable capital loss or a gain or loss of the individual, deemed not to be a taxable capital gain or an allowable capital loss or a gain or loss, as the case may be, of the recipient.

1987, c. 67, s. 112.

462.6. Where an individual is deemed to have a taxable capital gain or an allowable capital loss for a taxation year under any of sections 457 and 458, as they read before their repeal for that year, 462.5, 463 and 467, such portion of the gain or loss as may reasonably be considered to relate to the disposition of a property by another person in the year is deemed, for the purposes of sections 28 and 727 to 737, as they apply for the purposes of Title VI.5 of Book IV, to arise from the disposition of that property by the individual in the year, and that property is deemed, for the purposes of that Title, to have been disposed of by the individual on the day on which it was disposed of by the other person.

1987, c. 67, s. 112; 1990, c. 59, s. 175; 1993, c. 16, s. 190; 1996, c. 39, s. 130.

462.6.1. Section 462.5 does not apply to a disposition of property made under subparagraph *b* of the first paragraph of section 785.2 at a particular time by a taxpayer who is a recipient referred to in section 462.5, unless the recipient and the individual referred to in section 462.5 make a valid election under subsection 3 of section 74.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the disposition.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3 of section 74.2 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2004, c. 8, s. 97; 2009, c. 5, s. 155.

462.6.2. For the purposes of section 462.6.1 and notwithstanding sections 1010 to 1011, any assessment of tax payable under this Part by the recipient or the individual referred to in section 462.5 shall be made by the Minister as is necessary to give effect to an election referred to in the first paragraph of section 462.6.1, except that no such assessment shall affect the computation of

(a) interest payable under this Part to or by a taxpayer in respect of any period that is before the taxpayer's filing-due date for the taxation year that includes the first time, after the particular time referred to in the first paragraph of section 462.6.1, at which the recipient disposes of the property referred to in that paragraph; or

(b) any penalty payable under this Part.

2004, c. 8, s. 97; 2009, c. 5, s. 156.

462.7. For the purposes of sections 462.8 to 462.24, "designated person", in respect of an individual, means a person

(a) who is the individual's spouse; or

(b) who is under 18 years of age and who does not deal with the individual at arm's length, or is the niece or nephew of the individual.

1987, c. 67, s. 112.

462.8. The rules provided in sections 462.9 and 462.10 apply where an individual has loaned or transferred property, either directly or indirectly, by means of a trust or otherwise, to a trust in which another individual who is at any time a designated person in respect of the individual is beneficially interested at any time.

1987, c. 67, s. 112; 1994, c. 22, s. 187; 1996, c. 39, s. 273.

462.9. The income of the designated person referred to in section 462.8 for a taxation year from the property so loaned or transferred is deemed, for the purposes of sections 462.1 to 462.4, to be an amount equal to the lesser of

(a) the amount in respect of the trust that was included by virtue of paragraph *n* of section 87 in computing the income for the year of the designated person, and

(b) that proportion of the amount that would be the income of the trust for the year from the property or from any property substituted therefor if no deduction were made under paragraph *a* or *b* of section 657 or section 657.1 that

i. the amount determined under paragraph *a* in respect of the designated person for the year, is of

ii. the aggregate of all amounts each of which is an amount determined under paragraph *a* for the year in respect of the designated person or any other person who is throughout the year a designated person in respect of the individual.

1987, c. 67, s. 112.

462.10. The designated person referred to in section 462.8 is deemed, for the purposes of sections 462.5 and 462.6, to have derived a taxable capital gain for the year from the disposition of property other than precious property that is property so loaned or transferred for an amount equal to the lesser of

(a) the amount that was designated under section 668 in respect of the designated person in the trust's fiscal return for the year, and

(b) the amount, if any, by which the aggregate of all taxable capital gains for the year exceeds the aggregate of all allowable capital losses for the year from the disposition by the trust of property that is so loaned or transferred or any property substituted therefor.

1987, c. 67, s. 112.

462.11. For the purposes of this section and of sections 462.12 to 462.14,

(a) "excluded consideration", at any time, means consideration received by an individual that is

i. indebtedness,

ii. a share of the capital stock of a corporation, or

iii. a right to receive indebtedness or a share of the capital stock of a corporation;

(b) "outstanding amount" of a transferred property or loan at a particular time means

i. in the case of a transfer of property to a corporation, the amount, if any, by which the fair market value of the property at the time of the transfer exceeds the aggregate of the fair market value, at the time of the transfer, of the consideration, other than consideration that is excluded consideration at the particular time, received by the transferor for the property, and the fair market value, at the time of receipt, of any consideration, other than consideration that is excluded consideration at the particular time, received by the transferor at or before the particular time from the corporation or from a person with whom the transferor deals at arm's length, in exchange for excluded consideration previously received by the transferor as consideration for the property or for excluded consideration substituted for such consideration;

ii. in the case of a loan of money or property to a corporation, the amount, if any, by which the principal amount of the loan of money at the time the loan was made, or the fair market value of the property loaned at the time the loan was made, as the case may be, exceeds the fair market value, at the time the repayment is received by the lender, of any repayment of the loan, other than a repayment that is excluded consideration at the particular time.

1987, c. 67, s. 112; 1997, c. 3, s. 71; 1999, c. 83, s. 54.

462.12. Where an individual has transferred or loaned property, either directly or indirectly, by means of a trust or otherwise, to a corporation and one of the main purposes of the transfer or loan may reasonably be considered to be to reduce the income of the individual and to benefit, either directly or indirectly, by means of a trust or otherwise, a person who is a designated person in respect of the individual, the individual is

deemed in computing his income for any taxation year to have received as interest in the year, an amount equal to the amount determined under section 462.13, where the taxation year includes a period after the loan or transfer throughout which

(a) the individual was resident in Canada;

(b) the corporation was not a small business corporation; and

(c) the person is a designated person in respect of the individual and would have been a specified shareholder of the corporation, within the meaning of section 21.17 if the reference therein to "any other corporation that is related to the corporation" were read as a reference to "any other corporation, other than a small business corporation, that is related to the corporation" and if section 21.18 were read without reference to paragraphs *a* and *d* thereof.

1987, c. 67, s. 112; 1993, c. 16, s. 191; 1997, c. 3, s. 71.

462.12.1. For the purposes of section 462.12, one of the main purposes of a transfer or loan by an individual to a corporation is not considered to be to benefit, either directly or indirectly, a designated person in respect of the individual, where

(a) the only interest that the designated person has in the corporation is a beneficial interest in shares of the corporation held by a trust;

(b) by the terms of the trust, the designated person may not receive or otherwise obtain the use of any of the income or capital of the trust while he is a designated person in respect of the individual; and

(c) the designated person has not received or otherwise obtained the use of any of the income or capital of the trust, and no deduction has been made by the trust in computing its income under paragraphs *a* and *b* of section 657 or section 657.1 in respect of amounts paid or payable to, or included in the income of, that person while he was a designated person in respect of the individual.

1989, c. 77, s. 53; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

462.13. The amount referred to in section 462.12 is equal to the amount, if any, by which the amount that would be interest on the outstanding amount of the loan or transferred property for such periods in the year as are contemplated in section 462.12 exceeds the amount determined under section 462.14 if the interest were computed thereon at the prescribed rate for such periods.

1987, c. 67, s. 112.

462.14. The amount to which section 462.13 refers is equal to the aggregate of the following amounts:

(a) any interest received in the year by the individual in respect of the transfer or loan other than amounts deemed to have been received as interest under section 462.12;

(b) the aggregate of all amounts included in computing the individual's income for the year under sections 497 and 577 in relation to the taxable dividends received by the individual in the year, other than dividends deemed under Chapter III of Title IX to have been received on shares that were received from the corporation as consideration for the transfer or as repayment for the loan that were excluded consideration at the time the dividends were received, or on shares substituted therefor that were excluded consideration at that time;

(c) where the designated person is a specified individual in relation to the year, the amount required to be included in computing the designated person's income for the year in respect of all taxable dividends received by the designated person that can reasonably be considered to be part of the benefit sought to be conferred on

the designated person under section 462.12 and are included in computing the designated person's split income for any taxation year.

1987, c. 67, s. 112; 1990, c. 59, s. 176; 1997, c. 3, s. 71; 2001, c. 53, s. 70; 2009, c. 5, s. 157.

462.15. Notwithstanding any other provision of this Act, sections 462.1, 462.2, 462.5 and 462.6 do not apply to any income, gain or loss derived in a particular taxation year from transferred or loaned property, as the case may be, or from property substituted therefor if

(a) at the time of the transfer the fair market value of the transferred property did not exceed the fair market value of the property received by the transferor as consideration for the transferred property;

(b) where the consideration received by the transferor included indebtedness or in the case of a loan,

i. interest was charged on the indebtedness or loan, as the case may be, at a rate equal to or greater than the lesser of the prescribed rate that was in effect at the time the indebtedness was incurred or the loan was made, and the rate that would, having regard to all the circumstances, have been agreed upon, at the time the indebtedness was incurred or the loan was made, between parties dealing with each other at arm's length;

ii. the amount of interest that was payable in respect of the particular year in respect of the indebtedness or loan was paid not later than 30 days after the end of the particular year;

iii. the amount of interest that was payable in respect of each taxation year preceding the particular year in respect of the indebtedness or loan was paid not later than 30 days after the end of each such taxation year;

(c) where the property was transferred to or for the benefit of the transferor's spouse, the second paragraph of section 454 applies to the transfer.

1987, c. 67, s. 112; 1997, c. 85, s. 79; 2003, c. 2, s. 126.

462.16. Section 462.1 does not apply in respect of any income or loss from a property that is attributable to the period throughout which the persons referred to in that section lived separate and apart from each other because of a breakdown of their marriage, and sections 462.5 and 462.6 do not apply in respect of a disposition of property that occurs at any time while the persons referred to in those sections are living separate and apart from each other because of a breakdown of their marriage if the individual and the individual's spouse make a valid election under paragraph *b* of subsection 3 of section 74.5 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the disposition.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *b* of subsection 3 of section 74.5 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1987, c. 67, s. 112; 1993, c. 16, s. 192; 1996, c. 39, s. 131; 2009, c. 5, s. 158.

462.17. No amount shall be included in computing the income of an individual under sections 462.12 to 462.14 in respect of a designated person in respect of the individual who is the spouse of the individual for any period throughout which the individual is living separate and apart from the designated person by reason of a breakdown of their marriage.

1987, c. 67, s. 112.

462.18. For the purposes of sections 462.19 and 462.20, "specified person", with respect to an individual, means

(a) a designated person in respect of the individual; or

(b) a corporation, other than a small business corporation, of which a designated person in respect of the individual would have been a specified shareholder, within the meaning of section 21.17, if section 21.18 were read without reference to paragraphs *a* and *d* thereof.

1987, c. 67, s. 112; 1997, c. 3, s. 71.

462.19. Where an individual has loaned or transferred property to another person and that property, or property substituted therefor, is loaned or transferred by a third person directly or indirectly to or for the benefit of a specified person with respect to the individual, or to another person on condition that the property be loaned or transferred by a third person directly or indirectly to or for the benefit of a specified person with respect to the individual, the following rules apply:

(a) for the purposes of sections 462.1 to 462.14, the property loaned or transferred by the third person is deemed to have been loaned or transferred, as the case may be, by the individual to or for the benefit of the specified person;

(b) for the purposes of section 462.15, the consideration received by the third person for the transfer of the property is deemed to have been received by the individual.

1987, c. 67, s. 112.

462.20. Where an individual is obligated, either absolutely or contingently, to effect any undertaking including any guarantee, covenant or agreement given to ensure the repayment, in whole or in part, of a loan made by a third person directly or indirectly to or for the benefit of a specified person with respect to the individual or the payment, in whole or in part, of any interest payable in respect of the loan, the following rules apply:

(a) for the purposes of sections 462.1 to 462.14, the property loaned by the third person is deemed to have been loaned by the individual to or for the benefit of the specified person;

(b) for the purposes of subparagraphs ii and iii of paragraph *b* of section 462.15, the amount of interest that is paid in respect of the loan is deemed not to include any amount paid by the individual to the third person as interest on the loan.

1987, c. 67, s. 112.

462.21. Where a taxpayer has loaned or transferred property, either directly or indirectly, by means of a trust or otherwise, to a trust in which another taxpayer is beneficially interested, the taxpayer is, for the purposes of sections 462.1 to 462.24, deemed to have loaned or transferred the property, as the case may be, to or for the benefit of the other taxpayer.

1987, c. 67, s. 112; 1994, c. 22, s. 188; 1996, c. 39, s. 273.

462.22. *(Repealed).*

1987, c. 67, s. 112; 1994, c. 22, s. 189.

462.23. Notwithstanding any other provision of this Act, sections 462.1 to 462.14 do not apply to a transfer or loan of property where it may reasonably be concluded that one of the main reasons for the transfer or loan, as the case may be, was to reduce the amount of tax that would, but for those sections, be payable under this Part on the income and gains derived from the property or from property substituted therefor.

1987, c. 67, s. 112.

462.24. Sections 462.1 to 462.10 do not apply in respect of a transfer by an individual of property

(a) as a payment of a premium under a registered retirement savings plan under which the individual's spouse is, immediately after the transfer, the annuitant, within the meaning of section 905.1, to the extent that the premium is deductible in computing the income of the individual for a taxation year;

(a.1) (paragraph repealed);

(a.2) as a payment of a contribution under a registered disability savings plan;

(b) as a payment to another individual who is his spouse or a person who was under 18 years of age in a taxation year and with whom the individual does not deal at arm's length or who is the nephew or niece of the individual of an amount that is deductible by the individual in computing his income for the year and is required to be included in computing the income of the other individual;

(c) to the individual's spouse, while the property, or a property substituted for it, is held under a tax-free savings account of which the spouse is the holder, to the extent that the spouse does not, at the time of the contribution of the property under that account, have an excess TFSA amount, as defined in subsection 1 of section 207.01 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(d) as a payment of a contribution under a first home savings account.

1987, c. 67, s. 112; 1989, c. 77, s. 54; 1991, c. 25, s. 76; 2009, c. 15, s. 86; 2013, c. 10, s. 34; 2023, c. 19, s. 33.

462.24.1. Sections 456 to 458, 462.1, 462.2, 462.8 to 462.10 and 467 do not apply to any amount that is included in computing a specified individual's split income for a taxation year.

2001, c. 53, s. 71.

462.25. For the purposes of sections 316.1, 462.1 to 462.4 and 462.8 to 462.10, where an individual has transferred or loaned property, directly or indirectly, by means of a trust or by any other means, to a person and the property or property substituted therefor is an interest in a partnership, the person's share of the amount of any income or loss of the partnership for a fiscal period in which the person was a specified member of the partnership is deemed to be income or loss, as the case may be, from the property or substituted property.

1990, c. 59, s. 177; 1997, c. 3, s. 71.

463. Where section 459 applies in respect of the transfer of property by a taxpayer to one of his children for an amount less than the fair market value of the property immediately before the transfer and where, in a taxation year during which he has not reached 18 years of age, the transferee disposes of the property, the following rules apply during the lifetime of the transferor while he is resident in Canada:

(a) the amount, if any, by which the aggregate of the transferee's taxable capital gains for the year from dispositions of property so transferred exceeds the aggregate of the transferee's allowable capital losses from such dispositions or the amount, if any, by which the aggregate of such losses exceeds, in the year, the aggregate of such gains is deemed to be a taxable capital gain or an allowable capital loss, as the case may be, of the transferor for the year from dispositions of property;

(b) any taxable capital gain or allowable capital loss taken into account in computing an amount described in paragraph *a* is, except for the purposes of that paragraph, to the extent that the amount so described is deemed by virtue of this section to be a taxable capital gain or an allowable capital loss of the transferor, deemed not to be a taxable capital gain or an allowable capital loss, as the case may be, of the transferee.

1974, c. 18, s. 21; 1975, c. 22, s. 105; 1987, c. 67, s. 113; 1993, c. 16, s. 193.

463.1. *(Repealed).*

1979, c. 18, s. 39; 1980, c. 13, s. 48; 1987, c. 67, s. 114.

464. *(Repealed).*

1972, c. 23, s. 375; 1980, c. 13, s. 49.

465. *(Repealed).*

1972, c. 23, s. 376; 1980, c. 13, s. 49.

466. *(Repealed).*

1972, c. 23, s. 377; 1975, c. 22, s. 106; 1987, c. 67, s. 115.

467. The income, loss, taxable capital gain or allowable capital loss attributable to property held by a trust created since 1934 that is resident in Canada is deemed, if the property or property for which it was substituted has been directly or indirectly received from a person (in this section referred to as the "transferor"), to be that of the transferor throughout the existence of the transferor as long as the transferor is resident in Canada and if either property meets any of the following conditions:

(a) it may revert to the transferor;

(b) it may pass to persons to be determined by the transferor at a time subsequent to the creation of the trust; and

(c) it may not be disposed of during the existence of the transferor without the transferor's consent.

1972, c. 23, s. 378; 2001, c. 7, s. 47; 2003, c. 2, s. 127; 2015, c. 36, s. 21.

467.1. Section 467 does not apply to property held in a taxation year

(a) by a trust governed by a retirement compensation arrangement, a registered retirement income fund, a deferred profit sharing plan, a registered pension plan, a pooled registered pension plan, an employee benefit plan, a profit sharing plan, a registered education savings plan, a registered disability savings plan, a registered retirement savings plan, a registered supplementary unemployment benefit plan, a tax-free savings account or a first home savings account;

(b) by an employee trust, an employee life and health trust, a segregated fund trust within the meaning of subparagraph *k* of the first paragraph of section 835, a trust described in subparagraph *a*.1 of the third paragraph of section 647, a trust described in paragraph *m* of section 998 or a private foundation that is a registered charity;

(c) (paragraph repealed);

(c.1*)* by an environmental trust; or

(d) by a trust that acquired the property, or other property for which the property is a substitute, from a particular individual, if

i. the particular individual acquired the property or the other property, as the case may be, in respect of another individual because of the application of subsection 1 of section 122.61 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), section 4 of the Universal Child Care Benefit Act, enacted by section 168 of the Budget Implementation Act, 2006 (S.C. 2006, c. 4), or section 1029.8.61.18, and

ii. the trust has no beneficiaries, within the meaning of the second paragraph of section 646, who may for any reason receive directly from the trust all or part of the income or capital of the trust other than individuals

in respect of whom the particular individual acquired property because of the application of a provision described in subparagraph i.

1986, c. 19, s. 108; 1991, c. 25, s. 77; 1996, c. 39, s. 132; 2000, c. 5, s. 103; 2003, c. 2, s. 128; 2009, c. 15, s. 87; 2010, c. 25, s. 31; 2011, c. 6, s. 132; 2015, c. 21, s. 173; 2015, c. 36, s. 22; 2020, c. 16, s. 70; 2023, c. 19, s. 34.

467.2. If an amount paid to acquire a qualifying trust annuity with respect to a taxpayer is deductible under paragraph *f* of section 339 in computing the taxpayer's income, the following rules apply:

(a) any amount that is paid out of or under the annuity at a particular time after 31 December 2005 and before the death of the taxpayer is deemed to have been received out of or under the annuity at the particular time by the taxpayer, and not to have been received by another taxpayer; and

(b) if the taxpayer dies after 31 December 2005,

i. the taxpayer is deemed to have received, immediately before the taxpayer's death, an amount out of or under the annuity equal to the fair market value of the annuity at the time of the taxpayer's death, and

ii. for the purposes of section 436, the annuity is to be disregarded in determining the fair market value (immediately before the taxpayer's death) of the taxpayer's interest in the trust that is the annuitant under the annuity.

2009, c. 15, s. 88.

468. *(Repealed).*

1972, c. 23, s. 379; 1982, c. 5, s. 111.

CHAPTER V

CONSIDERATION FOR EXPROPRIATED PROPERTY

1973, c. 17, s. 53.

DIVISION I

GENERAL RULES

1973, c. 17, s. 53.

469. The rules provided in this chapter apply where a taxpayer acquires any bond, debenture, hypothecary claim, mortgage, bill or similar obligation hereinafter called "indemnity" issued by the government of a foreign country or by a person resident in a foreign country and guaranteed by the government of such country:

(a) as compensation for shares that the taxpayer owned in a foreign affiliate that carried on business in that country or for all or substantially all the property used by the taxpayer in carrying on business in that country if such shares or property, hereinafter called "foreign property", were taken from such taxpayer after 18 June 1971 under the authority of a law of that country; or

(b) as consideration for the sale of such foreign property after that date under the authority of such a law or after notice or other manifestation of an intention to take possession of such a property.

1973, c. 17, s. 53; 1996, c. 39, s. 133; 2005, c. 1, s. 110.

470. In the case provided for in section 469, if the acquisition is made by a taxpayer resident in Canada and the taxpayer makes a valid election under subsection 1 of section 80.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of all indemnities acquired by the taxpayer, an

amount, in respect of each indemnity, equal to its principal amount or, if, in accordance with paragraph *d* of that subsection 1, the taxpayer has designated in the election an amount in respect of the indemnity that is less than the principal amount, equal to that lesser amount, is deemed to be the cost to the taxpayer of the indemnity and, for the purpose of computing the proceeds of disposition of the foreign property, the amount received by the taxpayer because of the acquisition of the indemnity.

However, if the amount designated by the taxpayer in the election referred to in the first paragraph in respect of an indemnity is less than the principal amount of the indemnity and, but for this paragraph, the proceeds of disposition of the foreign property, computed with reference to the first paragraph, would be less than the cost amount to the taxpayer of the foreign property immediately before it was taken or sold, that cost amount is, for the purposes of the first paragraph, to be increased by the taxpayer on or before the taxpayer's filing-due date for the taxation year in which the taxpayer acquired the indemnity or, if the taxpayer does not do so, by the Minister, so that the proceeds of disposition of the foreign property, computed with reference to the first paragraph, are equal to the cost amount to the taxpayer of the foreign property immediately before it was taken or sold.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1973, c. 17, s. 53; 2009, c. 5, s. 159.

471. If a taxpayer makes a valid election under subsection 2 of section 80.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of all amounts received or to be received by the taxpayer as interest on the indemnities the taxpayer acquires, the following rules apply in respect of each indemnity:

(a) in computing the taxpayer's income for the year from the indemnity, in respect of each interest amount that the taxpayer receives in the year, the taxpayer may deduct the lesser of that amount and the aggregate of the amount to be added under subparagraph *b* in computing the adjusted cost base to the taxpayer of the indemnity and the greater, immediately before the interest amount was received, of the adjusted cost base to the taxpayer of the indemnity and its adjusted principal amount to the taxpayer, and the taxpayer shall include, in respect of each amount the taxpayer receives in the year as the principal amount of the indemnity or as proceeds of disposition of the indemnity, the amount by which the amount the taxpayer so receives exceeds the greater, immediately before receiving that amount, of the adjusted cost base to the taxpayer of the indemnity and its adjusted principal amount to the taxpayer;

(b) in computing, at a particular time, the adjusted cost base to the taxpayer of the indemnity, in respect of each interest amount received by the taxpayer before that time, the taxpayer shall add an amount equal to the lesser of the income or profit tax paid by the taxpayer in that respect to the government of a foreign country and the proportion of that tax that the adjusted cost base to the taxpayer of the indemnity, immediately before the taxpayer received the amount, is of the amount by which the amount exceeds that tax, and shall deduct each interest amount the taxpayer received before that time in respect of that indemnity and each amount the taxpayer received before that time as the principal amount of that indemnity;

(c) the amount received by the taxpayer as the principal amount of the indemnity is deemed not to be the proceeds of a partial disposition of the indemnity; and

(d) for the purposes of sections 772.2 to 772.13, despite the definition assigned to "non-business-income tax" in section 772.2, the non-business-income tax paid by the taxpayer does not include the amount that is required under subparagraph *b* to be added in computing the adjusted cost base to the taxpayer of the indemnity.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1973, c. 17, s. 53; 1995, c. 63, s. 38; 2009, c. 5, s. 159.

472. In this chapter, the adjusted principal amount for a taxpayer of an indemnity at any particular time is the excess of the aggregate of its principal amount and, with respect to each interest amount received by him before that time, the lesser of the tax referred to in subparagraph *b* of the first paragraph of section 471 and the proportion of that tax determined in that subparagraph, over the aggregate of each amount received by the taxpayer before that time as interest on the indemnity and as principal amount of this indemnity.

1973, c. 17, s. 53; 2009, c. 5, s. 160.

473. For the purposes of the first paragraph of section 471, if an interest amount and a capital amount on an indemnity are received by a taxpayer at the same time, the interest amount is deemed to have been received immediately before the other amount.

1973, c. 17, s. 53; 2009, c. 5, s. 161.

474. In this chapter, the adjusted principal amount of an indemnity or of a property deemed to be an indemnity must be computed in the currency in which the principal amount is payable, under the terms thereof, except that, for the purposes of subparagraph *a* of the first paragraph of section 471, the adjusted principal amount must be computed in Canadian currency.

1973, c. 17, s. 53; 2009, c. 5, s. 162.

475. For the purposes of Title IV and the first paragraph of section 471, and in applying sections 472 and 474 for those purposes, if two or more indemnities described in section 469 have been issued at the same time in respect of the same foreign property and acquired by a taxpayer who makes a valid election under subsection 9 of section 80.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of all such indemnities, the latter are deemed to constitute a single indemnity so issued and acquired.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 9 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1973, c. 17, s. 53; 2009, c. 5, s. 163.

DIVISION II

SPECIAL RULES FOR FOREIGN AFFILIATES

1973, c. 17, s. 53.

476. This division applies where the foreign affiliate of a taxpayer resident in Canada would be authorized to make an election referred to in the first paragraph of section 470 with respect to properties acquired by it that would on that assumption be indemnities for it if the foreign affiliate were resident in Canada and its only foreign affiliates were foreign affiliates of the taxpayer and if all or part of such properties are subsequently acquired by the taxpayer from the affiliate.

1973, c. 17, s. 53; 2009, c. 5, s. 164.

477. If the property described in section 476 is acquired as a dividend payable in kind or as a benefit that the taxpayer should include in computing the taxpayer's income under section 111, and the taxpayer makes, after 19 December 2006, a valid election under the portion of subsection 4 of section 80.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) before paragraph *a* in respect of all such property, the following rules apply in respect of each such property:

(a) an amount equal to the principal amount of the property or, if, in accordance with subparagraph ii of paragraph *a* of subsection 4 of section 80.1 of the Income Tax Act, the taxpayer has designated in the election an amount in respect of the property that is less than the principal amount, equal to that lesser amount, is deemed to be, despite section 304, the cost to the taxpayer of the property and the amount of the dividend or benefit received by the taxpayer because of the acquisition of the property;

(b) if the property is so acquired as such a benefit and, in accordance with paragraph *b* of subsection 4 of section 80.1 of the Income Tax Act, the taxpayer has designated in that election a class of shares of the capital stock of the taxpayer's affiliate in respect of the property, the amount of the benefit is deemed to have been received by the taxpayer as a dividend from the taxpayer's affiliate on that class and not as an amount the taxpayer is required to include in computing the taxpayer's income under section 111;

(c) in computing his taxable income for the taxation year in which he acquired the property, the taxpayer may deduct the excess of the amount received by him as a dividend by reason of such acquisition over the aggregate of the amounts deductible for the year in respect of such dividend under sections 580 to 584 and 746 to 749 in computing his income or taxable income, as the case may be;

(d) in computing the adjusted cost base to the taxpayer of each share of the class of shares of the capital stock of his foreign affiliate in respect of which an amount was received by him as a dividend by the acquisition of the property, the taxpayer shall deduct an amount equal to the quotient obtained by dividing the amount deducted by him under subparagraph *c* in respect of such dividend, by the number of shares of that class owned by the taxpayer immediately before that amount was received by him;

(e) a capital loss of the taxpayer pursuant to the disposition, after the time the property was acquired by the taxpayer, of a share of the capital stock of his foreign affiliate is deemed nil; and

(f) if the taxpayer makes a valid election under paragraph *f* of subsection 4 of section 80.1 of the Income Tax Act after 19 December 2006 in respect of the property, the first paragraph of section 471 applies as if the property were an indemnity acquired by the taxpayer for foreign property taken by a government or person referred to in section 469.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1973, c. 17, s. 53; 1975, c. 22, s. 107; 1978, c. 26, s. 80; 2009, c. 5, s. 165.

478. If the property described in section 476 is acquired as consideration for the settlement or extinction of a debt that is payable to the taxpayer by the taxpayer's foreign affiliate and that is represented by a capital property, or for the settlement or extinction of any other obligation, so represented, of the affiliate to pay an amount to the taxpayer, and the taxpayer makes a valid election under subsection 5 of section 80.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of all such property, the following rules apply in respect of each such property:

(a) subparagraph *a* of the first paragraph of section 477 applies by replacing "the amount of the dividend or benefit received by the taxpayer" by "the proceeds of disposition, for the taxpayer, of the debt or the settled or extinct obligation";

(b) if, in accordance with paragraph *b* of subsection 5 of section 80.1 of the Income Tax Act, the taxpayer has designated in that election a class of shares of the capital stock of the taxpayer's foreign affiliate in respect of the property, the amount by which the cost to the taxpayer of the property, computed with reference to subparagraph *a*, exceeds the amount of the debt or obligation settled or extinct because of the acquisition of the property is deemed to have been received by the taxpayer as a dividend from the taxpayer's affiliate in respect of that class of shares and the capital gain realized by the taxpayer from the disposition of the debt or of the obligation is deemed to be nil;

(c) a capital loss of the taxpayer from the disposition of the debt or of the obligation is deemed to be nil; and

(d) subparagraphs *c* to *f* of the first paragraph of section 477 apply to the property.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 5 of section 80.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1973, c. 17, s. 53; 2009, c. 5, s. 166.

479. If the property described in section 476 is acquired as a consequence of the winding-up, discontinuance or reorganization of the business of the foreign affiliate or as consideration for the redemption, cancellation or acquisition by the affiliate of shares of its capital stock, and the taxpayer makes a valid election under subsection 6 of section 80.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of all property so acquired, section 470 applies in respect of each such property as if such property were an indemnity acquired by the taxpayer as consideration for the sale of the foreign property that consisted of shares of the capital stock of the taxpayer's foreign affiliate immediately before the acquisition and that was sold to a government or person referred to in section 469.

Similarly, if the taxpayer makes a valid election under subsection 6 of section 80.1 of the Income Tax Act after 19 December 2006 in respect of all amounts received or to be received by the taxpayer as interest on all property so acquired from the taxpayer's affiliate, section 471 applies in respect of each such amount as if the property were such an indemnity.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 80.1 of the Income Tax Act or in relation to an election made under the first or second paragraph before 20 December 2006.

1973, c. 17, s. 53; 2009, c. 5, s. 166.

CHAPTER VI

SPECIAL RULES

1972, c. 23; 1996, c. 39, s. 134.

DIVISION I

OUTSTANDING DEBTS

1996, c. 39, s. 135.

480. *(Repealed).*

1972, c. 23, s. 380; 1996, c. 39, s. 136.

481. (1) The following rules apply where a debt in respect of a deductible expense of a taxpayer to a person with whom he was not dealing at arm's length when the debt was incurred and at the end of the second taxation year following that in which the debt was incurred, is unpaid in whole or in part at the end of such second taxation year:

(a) the unpaid amount must be included in computing the taxpayer's income for the third taxation year following that in which the debt was incurred; or

(b) where the taxpayer and that person file an agreement in prescribed form on or before the taxpayer's filing-due date for that third year,

i. the unpaid amount is deemed to have been paid by the taxpayer and received by that person on the first day of that third taxation year and section 1015 is applicable to the extent that it would apply if such amount were actually paid; and

ii. that person is deemed to have made a loan to the taxpayer on the first day of that third taxation year, equal to the unpaid amount minus the amount deducted or withheld therefrom by the taxpayer on account of the tax payable by that person for that third taxation year.

(2) However, where the taxpayer is a corporation, the amount is unpaid upon the winding-up of such corporation and the latter is wound up before the end of the second taxation year following the year in which the debt was incurred, the amount so unpaid must be included in computing the corporation's income for the taxation year in which it is wound up.

1972, c. 23, s. 381; 1973, c. 17, s. 54; 1997, c. 3, s. 71; 1997, c. 14, s. 78; 1997, c. 31, s. 49.

482. Where an amount in respect of a taxpayer's expense that is a pension benefit, a retiring allowance, salary, wages or other remuneration in respect of an office or employment is unpaid on the day that is 180 days after the end of the taxation year in which the expense was incurred, for the purposes of this Part other than this section, the amount is deemed not to have been incurred as an expense in the year and is deemed to be incurred as an expense in the taxation year in which the amount is paid.

However, the first paragraph does not apply in respect of

(a) reasonable vacation or holiday pay;

(b) a deferred amount under a salary deferral arrangement; or

(c) a salary, wages or other remuneration in respect of an office or employment where that expense of the taxpayer is taken into account for the purpose of determining, for a taxation year, the amount that the taxpayer may deduct in computing tax payable under Title III.4 or III.5 of Book V or that the taxpayer is deemed to have paid to the Minister on account of tax payable under Chapter III.1 of Title III of Book IX.

1972, c. 23, s. 382; 1988, c. 18, s. 47; 1993, c. 16, s. 194; 2019, c. 14, s. 133.

483. For the purposes of section 481 where the agreement contemplated in paragraph *b* of subsection 1 of the said section is filed after the time limit fixed therein, paragraphs *a* and *b* of subsection 1 of the said section both apply in respect of the unpaid amount except that only 25% of the amount unpaid must be included in computing the taxpayer's income for the purposes of paragraph *a* of subsection 1 of the said section.

1972, c. 23, s. 383; 1988, c. 18, s. 47.

483.1. Subsection 1 of section 481 does not apply to any case to which section 482 applies.

1988, c. 18, s. 47.

DIVISION I.1

TRANSFER OF ASSUMPTION OF AN OBLIGATION IN RELATION TO A BUSINESS CARRIED ON IN CANADA

2004, c. 8, s. 98.

483.2. Where, at any time, an obligation of a taxpayer not resident in Canada that is denominated in a foreign currency, other than an obligation in respect of which the taxpayer ceased to be indebted at that time, ceases to be an obligation of the taxpayer in respect of a business or part of a business carried on by the taxpayer in Canada immediately before that time, for the purpose of determining the amount of any income, loss, capital gain or capital loss due to the fluctuation in the value of the foreign currency relative to Canadian currency, the taxpayer is deemed to have settled the obligation immediately before that time at the amount outstanding on account of its principal amount.

2004, c. 8, s. 98.

483.3. Where, at any time, an obligation of a taxpayer not resident in Canada that is denominated in a foreign currency, other than an obligation in respect of which the taxpayer became indebted at that time, becomes an obligation of the taxpayer in respect of a business or part of a business that the taxpayer carries on in Canada immediately after that time, the amount of any income, loss, capital gain or capital loss in respect of the obligation due to the fluctuation in the value of the foreign currency relative to Canadian currency shall be determined based on the amount of the obligation in Canadian currency at that time.

2004, c. 8, s. 98.

DIVISION II

SURRENDER OF PROPERTY

1996, c. 39, s. 137.

§ 1. — *Interpretation*

1996, c. 39, s. 137.

484. In this division,

"creditor" of a particular person includes a person to whom the particular person is obligated to pay an amount under a hypothecary claim, mortgage or similar obligation and, where property was sold to the particular person under a conditional sales agreement, the seller of the property, or any assignee of the obligation with respect to the agreement;

"debt" includes an obligation to pay an amount under a hypothecary claim, mortgage or similar obligation or under a conditional sales agreement;

"person" includes a partnership;

"property" does not include any sum of money, or debt owed by or guaranteed by the government of a country, or a province, state, or other political subdivision of that country;

"specified amount" at any time of a debt owed or assumed by a person means the unpaid principal amount of the debt at that time and unpaid interest accrued to that time on the debt.

1972, c. 23, s. 384; 1984, c. 15, s. 103; 1993, c. 16, s. 195; 1996, c. 39, s. 138; 1997, c. 3, s. 71; 2005, c. 1, s. 111.

§ 2. — *Rules applicable to debtors*

1996, c. 39, s. 139.

484.1. For the purposes of this subdivision, a property is surrendered at any time by a person to another person where the beneficial ownership of the property is acquired or reacquired at that time from the person by the other person and the acquisition or reacquisition of the property was in consequence of the person's failure to pay all or part of one or more specified amounts of a debt owed by the person to the other person immediately before that time.

1996, c. 39, s. 139.

484.2. Where a particular property is surrendered at any time by a person, in this section referred to as the "debtor", to a creditor of the debtor, the debtor's proceeds of disposition of the particular property is deemed to be the amount determined by the formula

(A + B + C + D + E − F) × G / H.

For the purposes of the formula in the first paragraph,

(a) A is the aggregate of all specified amounts of debts of the debtor that are in respect of properties surrendered at that time by the debtor to the creditor and that are owing immediately before that time to the creditor;

(b) B is the aggregate of all amounts each of which is a specified amount of a debt that is owed by the debtor immediately before that time to a person, other than the creditor, to the extent that the amount ceases to be owing by the debtor as a consequence of properties being surrendered at that time by the debtor to the creditor;

(c) C is the aggregate of all amounts each of which is a specified amount of a particular debt that is owed by the debtor immediately before that time to a person, other than a specified amount included in the amount determined under subparagraph *a* or *b* as a consequence of properties being surrendered at that time by the debtor to the creditor, where

i. any property surrendered at that time by the debtor to the creditor was security for

(1) the particular debt, and

(2) another debt that is owed by the debtor immediately before that time to the creditor, and

ii. the other debt is subordinate to the particular debt in respect of the property referred to in subparagraph i;

(d) D is

i. where a specified amount of a debt owed by the debtor immediately before that time to a person, other than the creditor, ceases, as a consequence of the surrender at that time of properties by the debtor to the creditor, to be secured by all properties owned by the debtor immediately before that time, the lesser of

(1) the amount by which the aggregate of all amounts each of which is such a specified amount exceeds the portion of that aggregate included in any amount determined under subparagraph *b* or *c* as a consequence of properties being surrendered at that time by the debtor to the creditor, and

(2) the amount by which the total cost amount to the debtor of all properties surrendered at that time by the debtor to the creditor exceeds the amount that would, but for this subparagraph and subparagraph *f*, be determined under this section as a consequence of the surrender, and

ii. in any other case, nil;

(e) E is

i. where the property is surrendered at that time by the debtor in circumstances in which paragraph *c* of section 422 would, but for this section, apply and the fair market value of all properties surrendered at that time by the debtor to the creditor exceeds the amount that would, but for this subparagraph and subparagraph *f*, be determined under this section as a consequence of the surrender, that excess, and

ii. in any other case, nil;

(f) F is the aggregate of all amounts each of which is the lesser of

i. the portion of a particular specified amount of a particular debt included in the amount determined under any of subparagraphs *a* to *d* in computing the debtor's proceeds of disposition of the particular property, and

ii. the aggregate of

(1) all amounts included under section 37 or 111 in computing the income of any person because the particular debt was settled, or deemed by section 485.25 to have been settled, at or before the end of the taxation year that includes that time,

(2) all amounts renounced under section 381, 406, 417 or 418.13, as it read in respect of the renunciation, by the debtor in respect of the particular debt,

(3) all amounts each of which is a forgiven amount, within the meaning assigned by section 485, in respect of the debt at a previous time that the particular debt was deemed by section 485.25 to have been settled,

(4) where the particular debt is an excluded obligation, within the meaning assigned by section 485, the particular specified amount, and

(5) the amount described in the third paragraph;

(g) G is the fair market value at that time of the particular property; and

(h) H is the fair market value at that time of all properties surrendered by the debtor to the creditor at that time.

The amount to which subparagraph 5 of subparagraph ii of subparagraph *f* of the second paragraph refers is the lesser of

(a) the unpaid interest accrued to that time on the particular debt; and

(b) the aggregate of

i. the amount by which the aggregate of all amounts included because of sections 487.1 to 487.5.4 in computing the debtor's income for the taxation year that includes that time or for a preceding taxation year in respect of interest on the particular debt exceeds the aggregate of all amounts paid before that time on account of interest on the particular debt, and

ii. such portion of that unpaid interest as would, if it were paid, be included in the amount determined under subparagraph *a* of the third paragraph of section 194 in respect of the debtor.

1996, c. 39, s. 139; 1998, c. 16, s. 251.

484.3. An amount paid at any time by a person as, on account or in lieu of payment of, or in satisfaction of, a specified amount of a debt that can reasonably be considered to have been included in the amount determined under subparagraph *a*, *c* or *d* of the second paragraph of section 484.2 in respect of a property surrendered before that time by the person is deemed to be a repayment of assistance, at that time in respect of the property, to which

(a) section 264.7 applies, where the property was capital property, other than depreciable property, of the person immediately before its surrender;

(b) paragraph *o*.1 of section 157 applies, where the cost of the property to the person was an incorporeal capital amount, within the meaning of section 106, as it read before being repealed, at the time the property was acquired;

(c) paragraph *e* of section 398 or paragraph *d* of section 411 or 418.5, as the case may be, applies, where the cost of the property to the person was a Canadian exploration expense, a Canadian development expense or a Canadian oil and gas property expense; or

(d) paragraph *o* of section 157 applies, in any other case.

1996, c. 39, s. 139; 1998, c. 16, s. 167; 2005, c. 1, s. 112; 2019, c. 14, s. 134.

484.4. Any amount included under section 37 or 111 in computing a person's income for a taxation year that can reasonably be considered to have been included in the amount determined under subparagraph *a*, *c* or *d* of the second paragraph of section 484.2 as a consequence of a property being surrendered before the year by the person is deemed to be a repayment by the person, immediately before the end of the year, of assistance to which section 484.3 applies.

1996, c. 39, s. 139.

484.5. Where a specified amount of a debt is included in the amount determined at any time under any of subparagraphs *a* to *d* of the second paragraph of section 484.2 in respect of a property surrendered at that time by a person to a creditor of the person, for the purpose of computing the person's income, no amount shall be considered to have been paid or repaid by the person as a consequence of the acquisition or reacquisition of the surrendered property by the creditor.

1996, c. 39, s. 139.

484.6. Where a debt is denominated in a foreign currency, any amount determined under any of subparagraphs *a* to *d* of the second paragraph of section 484.2 in respect of the debt shall be determined with reference to the relative value of that currency and Canadian currency at the time the debt was issued.

1996, c. 39, s. 139.

§ 3. — *Rules applicable to creditors*

1996, c. 39, s. 139.

484.7. For the purposes of this subdivision, "specified cost" to a person of a debt owing to the person means

(a) where the debt is capital property of the person, the adjusted cost base to the person of the capital property; and

(b) in any other case, the amount by which the cost amount to the person of the debt exceeds such portion of that cost amount as would be deductible in computing the person's income, otherwise than in respect of the principal amount of the debt, if the debt were established by the person to have become a bad debt.

1996, c. 39, s. 139.

484.8. For the purposes of this subdivision and subject to section 484.8.1, a property is seized at any time by a person in respect of a debt where the beneficial ownership of the property is acquired or reacquired at that time by the person and the acquisition or reacquisition of the property was in consequence of another person's failure to pay to the person all or part of the specified amount of the debt.

1996, c. 39, s. 139; 2004, c. 8, s. 99.

484.8.1. For the purposes of this subdivision, foreign resource property of an individual, a corporation or a partnership is deemed not to be seized at any time, where the individual, the corporation or at least one of the members of the partnership, as the case may be, is not resident in Canada at that time.

2004, c. 8, s. 100.

484.9. Where a property is seized at any time in a particular taxation year by a creditor in respect of a debt, for the purpose of computing the income of the creditor for the particular year,

(a) the amount deducted by the creditor on account of a reserve under subparagraph *b* of the first paragraph of section 234 or under subparagraph *a* of the first paragraph of section 279 for the preceding taxation year in respect of a disposition of the property before the particular year is deemed to be equal to the amount by which the amount so deducted exceeds the aggregate of all amounts determined under subparagraphs *a* and *b* of the first paragraph of section 484.11 in respect of the seizure; and

(b) the amount deducted under section 153 in computing the income of the creditor for the preceding taxation year in respect of any disposition of the property before the particular year is deemed to be the amount by which the amount so deducted exceeds the aggregate of all amounts determined under subparagraphs *a* and *b* of the first paragraph of section 484.11 in respect of the seizure.

1996, c. 39, s. 139; 2009, c. 5, s. 167; 2010, c. 5, s. 46.

484.10. Where a property is seized at any time in a taxation year by a creditor in respect of one or more debts and the property was capital property of the creditor that was disposed of by the creditor at a previous time in the year, the proceeds of disposition of the property to the creditor at the previous time are deemed to be the lesser of the amount of the proceeds, determined without reference to this section, and the amount that is the greater of

(a) the amount by which the amount of such proceeds, determined without reference to this section, exceeds such portion of the proceeds as is represented by the specified amounts of those debts immediately before that time; and

(b) the cost amount to the creditor of the property immediately before the previous time.

1996, c. 39, s. 139.

484.11. Where a particular property is seized at any time in a taxation year by a creditor in respect of one or more debts, the cost to the creditor of the particular property is deemed to be the amount by which the aggregate of the following amounts exceeds the amount described in the second paragraph:

(a) that proportion of the total specified costs immediately before that time to the creditor of those debts that the fair market value of the particular property immediately before that time is of the fair market value of all properties immediately before that time that were seized by the creditor at that time in respect of those debts; and

(b) all amounts each of which is an outlay or expense made or incurred, or a specified amount at that time of a debt that is assumed, by the creditor at or before that time to protect the creditor's interest in the particular property, except to the extent the outlay, expense or specified amount, as the case may be,

i. was included in the cost to the creditor of property other than the particular property,

ii. was included before that time in computing, for the purposes of this Part, any balance of undeducted outlays, expenses or other amounts of the creditor, or

iii. was deductible in computing the creditor's income for the year or a preceding taxation year.

The amount to which the first paragraph refers is the amount deducted or claimed as a deduction under section 153, subparagraph *b* of the first paragraph of section 234 or subparagraph *a* of the first paragraph of section 279, as the case may be, in respect of the particular property in computing the creditor's income or capital gain for the preceding taxation year or the amount by which the proceeds of disposition of the creditor of the particular property are reduced because of section 484.10 in respect of a disposition of the particular property by the creditor occurring before that time and in the year.

1996, c. 39, s. 139; 2009, c. 5, s. 168.

484.12. Where a property is seized at any time in a taxation year by a creditor in respect of a particular debt,

(a) the creditor is deemed to have disposed of the particular debt at that time;

(b) the amount received as consideration for the particular debt as a consequence of the seizure is deemed to be received at that time and to be equal to

i. where the particular debt is capital property, the adjusted cost base to the creditor of the particular debt, and

ii. in any other case, the cost amount to the creditor of the particular debt;

(c) where any portion of the particular debt is outstanding immediately after that time, the creditor is deemed to have reacquired that portion immediately after that time at a cost equal to

i. where the particular debt is capital property, zero, and

ii. in any other case, the amount by which the cost amount to the creditor of the particular debt exceeds the specified cost to the creditor of the particular debt; and

(d) where no portion of the particular debt is outstanding immediately after that time and the particular debt is not capital property, the creditor may deduct as a bad debt in computing the creditor's income for the year the amount described in subparagraph ii of paragraph *c* in respect of the seizure.

1996, c. 39, s. 139.

484.13. Where a property is seized at any time in a taxation year by a creditor in respect of a debt, no amount in respect of the debt

(a) is deductible in computing the creditor's income for the year or a subsequent taxation year as a bad, doubtful or impaired debt; or

(b) shall be included after that time in computing, for the purposes of this Part, any balance of undeducted outlays, expenses or other amounts of the creditor as a bad, doubtful or impaired debt.

1996, c. 39, s. 139; 2001, c. 7, s. 48; 2001, c. 53, s. 72.

DIVISION III

DEBT FORGIVENESS

1996, c. 39, s. 139.

§ 1. — *Interpretation and miscellaneous provisions*

1996, c. 39, s. 139.

485. In this division,

"commercial debt obligation" means a debt obligation issued by a debtor and, where interest was paid or payable by the debtor in respect of it pursuant to a legal obligation, or if interest had been paid or payable by the debtor in respect of it pursuant to a legal obligation, in respect of which an amount in respect of the interest was or would have been deductible in computing the debtor's income, taxable income or taxable income earned in Canada, as the case may be, if this Part were read without reference to sections 119.4, 119.17, 135.4, 164, 166, 169 and 180 to 182;

"commercial obligation" issued by a debtor means a commercial debt obligation issued by the debtor, or a distress preferred share issued by the debtor;

"debtor" includes any corporation that has issued a distress preferred share and any partnership;

"directed person" at any time in respect of a debtor means

(a) a taxable Canadian corporation or an eligible Canadian partnership by which the debtor is controlled at that time; or

(b) a taxable Canadian corporation or an eligible Canadian partnership that is controlled at that time by

i. the debtor,

ii. the debtor and one or more persons related to the debtor, or

iii. a person or group of persons by which the debtor is controlled at that time;

"distress preferred share" at any time means a share issued after 21 February 1994, other than a share issued pursuant to an agreement in writing entered into on or before that date, by a corporation that is a share described in section 21.6.1 that would, but for paragraphs *c* and *e* of section 21.6, be a term preferred share at that time;

"eligible Canadian partnership" at any time means a Canadian partnership none of the members of which is, at that time,

(a) an investment corporation owned by persons not resident in Canada;

(b) a person exempt, pursuant to Book VIII, from tax under this Part on all or part of the person's taxable income;

(c) a partnership, other than an eligible Canadian partnership; or

(d) a trust, other than a trust in which no person not resident in Canada and no person described in any of paragraphs *a* to *c* is beneficially interested;

"eligible transferee" of a debtor at any time is a directed person at that time in respect of the debtor or a taxable Canadian corporation or eligible Canadian partnership related, otherwise than because of a right referred to in paragraph *b* of section 20, at that time to the debtor;

"excluded obligation" means an obligation issued by a debtor where

(a) the amount for which the obligation was issued

i. were included in computing the debtor's income or, but for the expression ", other than a prescribed amount," in paragraph *w* of section 87, would have been so included,

ii. were deducted in computing, for the purposes of this Part, any balance of undeducted outlays, expenses or other amounts, or

iii. were deducted in computing the capital cost or cost amount to the debtor of any property of the debtor;

(b) an amount paid by the debtor in satisfaction of the entire principal amount of the obligation is included in the amount determined under subparagraph *a* of the third paragraph of section 194 or section 198 in respect of the debtor;

(c) sections 481 to 483.1 apply to the obligation;

(d) the principal amount of the obligation would, if this Act were read without reference to sections 484 to 485.18 and the obligation were settled without any amount being paid in satisfaction of its principal amount, be included in computing the debtor's income because of the settlement of the obligation; or

(e) remittance of the principal amount of the obligation is made in accordance with the first paragraph of section 39 of the residential renovation incentive program implemented by the Société d'habitation du Québec pursuant to Order in Council 153-94 dated 19 January 1994;

"excluded property" means property of a debtor who is not resident in Canada that is tax-agreement-protected property or that is not taxable Canadian property;

"excluded security" issued by a corporation to a person as consideration for the settlement of a debt means

(a) a distress preferred share issued by the corporation to the person; or

(b) a share issued by the corporation to the person under the terms of the debt, where the debt was a bond, debenture or note listed on a designated stock exchange located in Canada and the terms for its conversion to a share were not established or substantially modified after the later of 22 February 1994 and the time that the bond, debenture or note was issued;

"forgiven amount" at any time in respect of a commercial obligation issued by a debtor is the amount by which the lesser of the amount for which the obligation was issued and the principal amount of the obligation exceeds the aggregate of

(a) the amount paid at that time in satisfaction of the principal amount of the obligation;

(b) the amount included under section 37 or 111 in computing the income of any person because of the settlement of the obligation at that time;

(c) the amount deducted at that time under subparagraph *b* of the first paragraph of section 175.1.3 in computing the forgiven amount in respect of the obligation;

(d) the capital gain of the debtor resulting from the application of section 263 to the purchase at that time of the obligation by the debtor;

(e) such portion of the principal amount of the obligation as relates to an amount renounced under section 381, 406, 417 or 418.13, as it read in respect of the renunciation, by the debtor;

(f) any portion of the principal amount of the obligation that is included in the amount determined in any of subparagraphs *a* to *d* of the second paragraph of section 484.2 in respect of the debtor for the taxation year of the debtor that includes that time or for a preceding taxation year;

(g) the aggregate of all amounts each of which is a forgiven amount at a previous time that the obligation was deemed by section 485.25 or 485.26 to have been settled;

(h) such portion of the principal amount of the obligation as can reasonably be considered to have been included under sections 487.1 to 487.5.4 in computing the debtor's income for his taxation year that includes that time or for a preceding taxation year;

(i) where the debtor is a bankrupt at that time, the principal amount of the obligation;

(j) such portion of the principal amount of the obligation as represents the principal amount of an excluded obligation;

(k) where the debtor is a partnership and the obligation was, since the later of the creation of the partnership or the issue of the obligation, always payable to a member of the partnership actively engaged, on a regular, continuous and substantial basis, in the activities of the partnership that are other than the financing of the partnership business, the principal amount of the obligation; and

(l) the amount given at or before that time by the debtor to another person as consideration for the assumption by the other person of the obligation;

"person" includes a partnership;

"relevant loss balance" at a particular time for a commercial obligation and in respect of a debtor's non-capital loss, farm loss, restricted farm loss or net capital loss, as the case may be, for a taxation year means, subject to section 485.2, the amount of such loss that would be deductible in computing the debtor's taxable income or taxable income earned in Canada, as the case may be, for the taxation year that includes that time if

(a) the debtor had sufficient incomes and sufficient taxable capital gains for such purposes;

(b) sections 485.4 and 485.5 did not apply to reduce such loss at or after the particular time; and

(c) subparagraph *a* of the first paragraph of section 736 and sections 736.0.1 and 736.0.1.1 did not apply to the debtor;

"specified cost" of a debt owing to a person at any time means

(a) where the debt is capital property of the person at that time, the adjusted cost base to the person of the debt at that time; and

(b) in any other case, the indicated cost amount to the person;

"successor pool" at any time for a commercial obligation and in respect of an amount determined in relation to a debtor means, subject to section 485.1, such portion of that amount as would be deductible under section 418.17, 418.17.3, 418.18, 418.19 or 418.21 in computing the debtor's income for the taxation year that includes that time, if

(a) the debtor had sufficient incomes for such purposes;

(b) section 485.8 did not apply to reduce the particular amount so determined at that time;

(c) the taxation year ended immediately after that time; and

(d) the second paragraph of section 418.17.3 and the first paragraph of section 418.20 were read without reference to "30% of" wherever it appears and the second paragraph of section 418.21 were read without reference to "10% of";

"unrecognized loss" at a particular time, in respect of an obligation issued by a debtor, from the disposition of a property means the amount that would, but for section 240, be a capital loss from the disposition by the debtor at or before the particular time of a debt or other right to receive an amount, except that where the debtor is a taxpayer that was subject to a loss restriction event before the particular time and after the time of the disposition, the unrecognized loss at the particular time in respect of the obligation is deemed to be nil unless

(a) the obligation was issued by the debtor before, and not in contemplation of, the loss restriction event; or

(b) all or substantially all of the amount for which the obligation was issued was used to satisfy the principal amount of another obligation to which paragraph *a* or this paragraph would apply if the other obligation were still outstanding.

1972, c. 23, s. 385; 1973, c. 17, s. 55; 1985, c. 25, s. 92; 1986, c. 19, s. 109; 1989, c. 77, s. 55; 1995, c. 1, s. 43; 1996, c. 39, s. 140; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 104; 2001, c. 7, s. 49; 2001, c. 53, s. 73; 2004, c. 8, s. 101; 2010, c. 5, s. 47; 2017, c. 1, s. 120.

485.1. Notwithstanding the definition of "successor pool" in section 485, the successor pool at any time for a commercial obligation in respect of a specified amount in relation to a debtor is deemed to be nil unless

(a) the obligation was issued by the debtor before, and not in contemplation of, the event described in paragraph *a* of section 485.8 that gives rise to the deductibility under any of sections 418.17, 418.17.3, 418.18, 418.19 and 418.21, as the case may be, of all or part of that amount in computing the debtor's income; or

(b) all or substantially all of the amount for which the obligation was issued was used to satisfy the principal amount of another obligation to which paragraph *a* or this paragraph would apply if the other obligation were still outstanding.

1984, c. 15, s. 104; 1996, c. 39, s. 141; 1997, c. 3, s. 71; 2004, c. 8, s. 102.

485.2. Despite the definition of "relevant loss balance" in section 485, the relevant loss balance at a particular time for a commercial obligation and in respect of a debtor's non-capital loss, farm loss, restricted farm loss or net capital loss, as the case may be, for a taxation year is deemed to be nil where the debtor is a

taxpayer that was at a previous time subject to a loss restriction event and the taxation year ended before the previous time, unless

(a) the obligation was issued by the debtor before, and not in contemplation of, the loss restriction event; or

(b) all or substantially all of the amount for which the obligation was issued was used to satisfy the principal amount of another obligation to which paragraph *a* or this paragraph would apply if the other obligation were still outstanding.

1984, c. 15, s. 104; 1986, c. 19, s. 110; 1987, c. 67, s. 116; 1996, c. 39, s. 141; 1997, c. 3, s. 71; 2017, c. 1, s. 121.

485.3. For the purposes of this subdivision and subdivision 2,

(a) an obligation issued by a debtor is settled at a particular time where the obligation is settled or extinguished at that time, otherwise than by way of a succession or will or as consideration for the issue of a share described in paragraph *b* of the definition of "excluded security" in section 485;

(b) an amount of interest payable by a debtor in respect of an obligation issued by the debtor is deemed to be an obligation that was issued by the debtor for an amount, and that has a principal amount, equal to the portion of the amount of such interest that was deductible or would, but for sections 135.4, 164 and 180 to 182, have been deductible in computing the debtor's income for a taxation year;

(c) sections 485.4 to 485.6 and 485.8 to 485.13 apply in numerical order to the forgiven amount in respect of a commercial obligation;

(d) the applicable fraction of the unapplied portion of a forgiven amount at any time in respect of an obligation issued by a debtor is in respect of a loss for a taxation year, the fraction required to be used under the first paragraph of section 231 for that year;

(e) where an applicable fraction, as determined under subparagraph *d*, of the unapplied portion of a forgiven amount is at any time applied under section 485.5 to reduce a loss for a taxation year, the portion of the forgiven amount so applied is, except for the purpose of reducing the loss, deemed to be the quotient obtained when the amount of the reduction under that section 485.5 is divided by the applicable fraction;

(f) (paragraph repealed);

(g) where a share, other than an excluded security, is issued by a corporation to a person as consideration for the settlement of a debt issued by the corporation and payable to the person, the amount paid in satisfaction of the debt as a consequence of the issue of the share is deemed to be equal to the fair market value of the share at the time it was issued;

(h) where a debt issued by a corporation and payable to a person is settled at any time, the amount that can reasonably be considered to be the increase, as a consequence of the settlement of the debt, in the fair market value of the shares of the capital stock of the corporation owned by the person, other than shares acquired by the person as consideration for the settlement of the debt, is deemed to be paid at that time in satisfaction of the debt;

(i) where the consideration given by a debtor to another person for the settlement at any time of a particular commercial debt obligation issued by the debtor and payable to the other person includes a new commercial debt obligation issued by the debtor to the other person

i. an amount equal to the principal amount of the new obligation is deemed to have been paid by the debtor at that time, because of the issue of the new obligation, in satisfaction of the principal amount of the particular obligation, and

ii. the new obligation is deemed to have been issued for an amount equal to the amount by which the principal amount of the new obligation exceeds the amount by which the principal amount of the new obligation exceeds the amount for which the particular obligation was issued;

(j) where two or more commercial obligations issued by a debtor are settled at the same time, those obligations shall be treated as if they were settled at different times in the order designated by the debtor in a prescribed form filed with the debtor's fiscal return under this Part for the debtor's taxation year that includes the time of the settlement or, if the debtor does not so designate any such order, in the order designated by the Minister;

(k) for the purpose of determining, at any time, whether two persons are related to each other or whether any person is controlled by any other person, the following rules apply:

i. each partnership and each trust is deemed to be a corporation having a capital stock of a single class of voting shares divided into 100 issued shares,

ii. each member of a partnership and each beneficiary under a trust is deemed to own at that time the number of issued shares of that class that is equal to the proportion of 100 that the fair market value at that time of the member's interest in the partnership or the beneficiary's interest in the trust, as the case may be, is of the fair market value at that time of all members' interests in the partnership or all beneficiaries' interests in the trust, as the case may be, and

iii. where a beneficiary's share of the income or capital of a trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, the fair market value at any time of the beneficiary's interest in the trust is equal to

(1) where the beneficiary is not entitled to receive or otherwise obtain the use of all or part of the income or capital of the trust before the death after that time of one or more other beneficiaries under the trust, nil, and

(2) in any other case, the fair market value at that time of all beneficiaries' interests in the trust;

(l) where an obligation is denominated in a foreign currency, the forgiven amount at any time in respect of the obligation shall be determined with reference to the relative value of that currency and Canadian currency at the time the obligation was issued;

(m) where an amount is paid in satisfaction of the principal amount of a particular commercial obligation issued by a debtor and, as a consequence of the payment, the debtor is legally obliged to pay that amount to another person, the obligation to pay that amount to the other person is deemed to be a commercial obligation that was issued by the debtor at the same time and in the same circumstances as the particular obligation;

(n) the amount that can be applied because of sections 485 to 485.18 to reduce another amount may not exceed that other amount;

(o) except for the purposes of this paragraph, where a commercial debt obligation issued by a debtor is settled at any time, the debtor is at that time a member of a partnership, and the obligation was, under the agreement governing the obligation, considered immediately before that time as a debt owed by the partnership, the obligation is deemed to have been issued by the partnership and not by the debtor;

(p) notwithstanding subparagraph *o*, where a commercial debt obligation for which a particular person is solidarily liable with one or more other persons is settled at any time in respect of the particular person but not in respect of all of the other persons, the portion of the obligation that can reasonably be considered to be the particular person's share of the obligation is deemed to have been issued by the particular person and settled at that time and not at any subsequent time;

(q) a commercial debt obligation issued by an individual that is outstanding at the time of the individual's death and settled at a time subsequent to the death is, if the succession of the individual was liable for the

obligation immediately before the subsequent time, deemed to have been issued by the succession at the same time at which, and in the same circumstances in which, the obligation was issued by the individual; and

(r) where a commercial debt obligation issued by an individual would, but for this paragraph, be settled at any time in the period ending six months after the death of an individual, or within such longer period as is acceptable to the Minister and the succession of the individual, and the succession of the individual was liable immediately before that time for the obligation, the following rules apply, subject to the second paragraph:

i. the obligation is deemed to have been settled at the beginning of the day on which the individual died and not at that time,

ii. any amount paid at that time by the succession in satisfaction of the principal amount of the obligation is deemed to have been paid at the beginning of the day on which the individual died,

iii. any amount given by the succession at or before that time to another person as consideration for assumption by the other person of the obligation is deemed to have been given at the beginning of the day on which the individual died, and

iv. subparagraph *b* shall not apply in respect of the settlement to interest that accrues within that period.

Subparagraph *r* of the first paragraph does not apply in circumstances in which any amount is, because of the settlement of the commercial debt obligation referred to in that subparagraph, included under section 37 or 111 in computing the income of any person, or in which sections 484 to 484.6 apply in respect of that obligation.

1986, c. 19, s. 111; 1993, c. 16, s. 196; 1996, c. 39, s. 141; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2003, c. 2, s. 129; 2005, c. 1, s. 113; 2019, c. 14, s. 135.

§ 2. — *Reduced or included amounts*

1996, c. 39, s. 142.

485.4. Where a commercial obligation issued by a debtor is settled at any time, the forgiven amount at that time in respect of the obligation shall be applied to reduce at that time, in the following order,

(a) the debtor's non-capital loss for each taxation year that ended before that time, to the extent that the amount so applied

i. does not exceed the amount, in section 485.5 referred to as the debtor's "ordinary non-capital loss at that time for the year", that would be the relevant loss balance at that time for the obligation and in respect of the debtor's non-capital loss for the year if subparagraph iii of paragraph *a* of section 728.0.1 were read without reference to "the taxpayer's allowable business investment losses for the year,", and

ii. does not, because of this section, reduce the debtor's non-capital loss for a preceding taxation year;

(b) the debtor's farm loss for each taxation year that ended before that time, to the extent that the amount so applied

i. does not exceed the relevant loss balance at that time for the obligation and in respect of the debtor's farm loss for the year, and

ii. does not, because of this section, reduce the debtor's farm loss for a preceding taxation year; and

(c) the debtor's restricted farm loss for each taxation year that ended before that time, to the extent that the amount so applied

i. does not exceed the relevant loss balance at that time for the obligation and in respect of the debtor's restricted farm loss for the year, and

ii. does not, because of this section, reduce the debtor's restricted farm loss for a preceding taxation year.

1996, c. 39, s. 142; 2006, c. 36, s. 42.

485.5. Where a commercial obligation issued by a debtor is settled at any time, the applicable fraction of the remaining unapplied portion of a forgiven amount at that time in respect of the obligation shall be applied to reduce at that time, in the following order,

(a) the debtor's non-capital loss for each taxation year that ended before that time, to the extent that the amount so applied

i. does not exceed the amount by which the relevant loss balance at that time for the obligation and in respect of the debtor's non-capital loss for the year exceeds the debtor's ordinary non-capital loss, within the meaning assigned by subparagraph i of paragraph *a* of section 485.4, at that time for the year, and

ii. does not, because of this section, reduce the debtor's non-capital loss for a preceding taxation year; and

(b) the debtor's net capital loss for each taxation year that ended before that time, to the extent that the amount so applied

i. does not exceed the relevant loss balance at that time for the obligation and in respect of the debtor's net capital loss for the year, and

ii. does not, because of this section, reduce the debtor's net capital loss for a preceding taxation year.

1996, c. 39, s. 142.

485.6. Where a commercial obligation issued by a debtor is settled at any time, the remaining unapplied portion of the forgiven amount at that time in respect of the obligation shall be applied, subject to the second paragraph, in such manner as is designated by the debtor in a prescribed form filed with the debtor's fiscal return under this Part for the taxation year that includes that time, to reduce immediately after that time the following amounts:

(a) the capital cost to the debtor of a depreciable property that is owned by the debtor immediately after that time; and

(b) the undepreciated capital cost to the debtor of depreciable property of a prescribed class immediately after that time.

The remaining unapplied portion of the forgiven amount in respect of a commercial obligation at the time of settlement of the obligation may be applied to reduce, immediately after that time, the capital cost to the debtor of a depreciable property only to the extent that

(a) in the case of a depreciable property of a prescribed class, the undepreciated capital cost to the debtor of depreciable property of that class at that time exceeds the aggregate of all other reductions immediately after that time to that undepreciated capital cost; and

(b) in the case of a depreciable property other than a depreciable property of a prescribed class, the capital cost to the debtor of the property at that time exceeds the aggregate of all amounts each of which is an amount allowed to the debtor before that time in respect of the property

i. in accordance with the method authorized under Part XVII of the regulations made under the Income Tax Act (R.S.C. 1952, c. 148), as it read on 31 December 1971, followed by the debtor under the Corporation Tax Act (R.S.Q. 1964, c. 67) or the Provincial Income Tax Act (R.S.Q. 1964, c. 69);

ii. under section 130R223 of the Regulation respecting the Taxation Act (chapter I-3, r. 1).

1996, c. 39, s. 142; 2009, c. 15, s. 89.

485.7. *(Repealed).*

1996, c. 39, s. 142; 2005, c. 1, s. 114; 2019, c. 14, s. 136.

485.8. Where a commercial obligation issued by a debtor is settled at any time, the remaining unapplied portion of the forgiven amount at the time of settlement of the obligation in respect of the obligation shall be applied, to the extent designated in a prescribed form filed with the debtor's fiscal return under this Part for the taxation year that includes that time, to reduce immediately after that time the following amounts:

(a) where the debtor is a corporation resident in Canada throughout that year, each particular amount determined in respect of the debtor under the second paragraph of any of sections 418.17, 418.18 and 418.19, or that would be so determined under the second paragraph of section 418.17.3 or 418.21 if that second paragraph were read without reference to "30% of" or "10% of", as the case may be, as a consequence of the acquisition of control of the debtor by a person or group of persons, the debtor ceasing to be exempt from tax under this Part on its taxable income or the acquisition of properties by the debtor as a result of an amalgamation or merger, where the amount so applied does not exceed the successor pool immediately after that time for the obligation and in respect of the particular amount;

(b) the cumulative Canadian exploration expense, within the meaning assigned by section 398, of the debtor;

(c) the cumulative Canadian development expense, within the meaning assigned by section 411, of the debtor;

(d) the cumulative Canadian oil and gas property expense, within the meaning assigned by section 418.5, of the debtor;

(e) the amount determined under paragraph *a* of section 371 in respect of the debtor, where

i. the debtor is resident in Canada throughout that year, and

ii. the amount so applied does not exceed such portion of the aggregate of the debtor's foreign exploration and development expenses as were incurred by the debtor before that time and would be deductible under section 371 in computing the debtor's income for that year if the aggregate determined in respect of the debtor under paragraph *b* of section 374 were sufficient and if that year ended at that time; and

(f) the cumulative foreign resource expense of the debtor, in relation to a country, within the meaning of section 418.1.3.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 1998, c. 16, s. 168; 2004, c. 8, s. 103.

485.9. Subject to section 485.18, where a commercial obligation issued by a debtor is settled at any time and amounts have been designated by the debtor under sections 485.6 and 485.8 to the maximum extent permitted in respect of the settlement of the obligation, the following rules apply:

(a) the remaining unapplied portion of the forgiven amount at that time in respect of the obligation shall be applied, to the extent designated in a prescribed form filed with the debtor's fiscal return under this Part for the taxation year that includes that time, to reduce immediately after that time the adjusted cost bases to the debtor of capital properties, other than shares of the capital stock of corporations of which the debtor is a specified shareholder at that time, debts issued by corporations of which the debtor is a specified shareholder at that time, interests in partnerships that are related to the debtor at that time, depreciable property that is not of a prescribed class, personal-use properties and excluded properties, that are owned by the debtor immediately after that time;

(b) an amount may be applied under this section to reduce, immediately after that time, the capital cost to the debtor of a depreciable property of a prescribed class only to the extent that the capital cost immediately after that time to the debtor of the property, determined without reference to the settlement of the obligation at that time, exceeds the capital cost of the property immediately after that time to the debtor for the purposes of sections 64, 78.4, 93 to 104, 130 and 130.1 and any regulations made under paragraph *a* of section 130 or section 130.1, determined without reference to the settlement of the obligation at that time; and

(c) for the purposes of sections 64, 78.4, 93 to 104, 130 and 130.1 and any regulations made under paragraph *a* of section 130 or section 130.1, no amount shall be considered to have been applied under this section.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2019, c. 14, s. 137.

485.10. Subject to section 485.18, where a commercial obligation issued by a debtor is settled at any time in a taxation year and amounts have been designated by the debtor under sections 485.6, 485.8 and 485.9 to the maximum extent permitted in respect of the settlement of the obligation, the remaining unapplied portion of the forgiven amount in respect of the obligation is to be applied (to the extent that it is designated in a prescribed form filed with the debtor's fiscal return under this Part for the year) to reduce immediately after that time the adjusted cost bases to the debtor of capital properties, owned by the debtor immediately after that time, that are shares of the capital stock of corporations of which the debtor is a specified shareholder at that time and debts issued by such corporations, other than shares of the capital stock of corporations related to the debtor at that time, debts issued by corporations related to the debtor at that time and excluded properties.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2019, c. 14, s. 138.

485.11. Subject to section 485.18, where a commercial obligation issued by a debtor is settled at any time in a taxation year and amounts have been designated by the debtor under sections 485.6 and 485.8 to 485.10 to the maximum extent permitted in respect of the settlement of the obligation, the remaining unapplied portion of the forgiven amount in respect of the obligation is to be applied (to the extent that it is designated in a prescribed form filed with the debtor's fiscal return under this Part for the year) to reduce immediately after that time the adjusted cost bases to the debtor of

(a) shares or debts that are capital properties, other than excluded properties and properties the adjusted cost bases of which are reduced at that time under section 485.9 or 485.10, owned by the debtor immediately after that time; and

(b) interests in partnerships that are related to the debtor at that time that are capital properties, other than excluded properties, owned by the debtor immediately after that time.

1996, c. 39, s. 142; 2000, c. 5, s. 105; 2019, c. 14, s. 139.

485.12. Where a commercial obligation issued by a debtor (other than a partnership) is settled at any time in a taxation year and amounts have been designated by the debtor under sections 485.6, 485.8 and 485.9 to the maximum extent permitted in respect of the settlement of the obligation, the following rules apply:

(a) the debtor is deemed to have a capital gain for the year from the disposition of capital property or, where the debtor is an individual not resident in Canada at the end of the year, of taxable Canadian property, equal to the lesser of

i. the remaining unapplied portion of the forgiven amount at that time in respect of the obligation, and

ii. the amount by which the aggregate of the debtor's capital losses from the dispositions of properties, other than precious property and excluded properties, and, subject to the second paragraph, twice the amount that would, because of sections 564.2 to 564.4 and 564.4.4, be deductible under section 729 in computing the debtor's taxable income for the year, if the debtor had sufficient incomes and taxable capital gains for the year for such purposes, exceeds the aggregate of the debtor's capital gains for the year from the dispositions of such properties, determined without reference to this section, and the aggregate of the amounts each of which

is an amount deemed by this section to be a capital gain of the debtor for the year as a consequence of the application of this section to another commercial obligation settled before that time; and

(b) the forgiven amount at that time in respect of the obligation shall be considered to have been applied under this section to the extent of the amount deemed by this section to be a capital gain of the debtor for the year as a consequence of the application of this section to the settlement of the obligation at that time.

However, where the taxation year of the debtor includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the reference to "twice" in subparagraph ii of subparagraph *a* of the first paragraph shall be read, with the necessary modifications, as a reference to the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the debtor for the year.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2003, c. 2, s. 130; 2019, c. 14, s. 140.

485.13. Where a commercial obligation issued by a debtor is settled at any time in a taxation year, there shall be added, in computing the debtor's income for the year from the source in connection with which the obligation was issued, the amount determined by the formula

$$(A + B - C - D) \times E.$$

For the purposes of the formula in the first paragraph,

(a) A is the remaining unapplied portion of the forgiven amount at that time in respect of the obligation;

(b) B is the lesser of

i. the aggregate of all amounts designated under section 485.11 by the debtor in respect of the settlement of the obligation at that time, and

ii. the residual balance at that time in respect of the settlement of the obligation;

(c) C is the aggregate of the amounts each of which is an amount specified in an agreement filed under subdivision 6 in respect of the settlement of the obligation at that time;

(d) D is

i. where the debtor has designated amounts under sections 485.6 and 485.8 to 485.10 to the maximum extent permitted in respect of the settlement of the obligation, the amount by which the aggregate of all amounts each of which is an unrecognized loss at that time, in respect of the obligation, from the disposition of a property exceeds, subject to the third paragraph, twice the aggregate of all amounts each of which is an amount by which the amount determined before that time under this section in respect of a settlement of an obligation issued by the debtor has been reduced because of an amount determined under this subparagraph i, and

ii. in any other case, zero, and

(e) E is equal to

i. where the debtor is a partnership, 1, and

ii. in any other case, subject to the third paragraph, 1/2.

However, where the taxation year of the debtor includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the following rules apply:

(a) the reference to the word "twice" in subparagraph i of subparagraph *d* of the second paragraph shall be read, with the necessary modifications, as a reference to the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the debtor for the year; and

(b) the reference to the fraction "1/2" in subparagraph ii of subparagraph *e* of the second paragraph shall be read as a reference to the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the debtor for the year.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2000, c. 5, s. 106; 2003, c. 2, s. 131; 2019, c. 14, s. 141.

485.14. For the purposes of section 485.13, the residual balance at any time in a taxation year in respect of the settlement of a particular commercial obligation issued by a debtor is the amount by which the gross tax attributes of directed persons at that time in respect of the debtor exceeds the aggregate of

(a) the amount determined under subparagraph *a* of the second paragraph of section 485.13 in respect of the settlement of the particular obligation at that time;

(b) all amounts each of which is

i. the amount by which the amount determined under subparagraph *a* of the second paragraph of section 485.13 in respect of a settlement before that time and in the year of a commercial obligation issued by the debtor exceeds the amount determined under subparagraph *c* of the second paragraph of that section in respect of the settlement,

ii. the amount determined under subparagraph *a* of the second paragraph of section 485.13 in respect of a settlement of a commercial obligation that is deemed under paragraph *a* of section 485.42 to have been issued by a directed person in respect of the debtor because of the filing of an agreement in accordance with sections 485.42 to 485.52 in respect of a settlement before that time and in the year of a commercial obligation issued by the debtor, or

iii. the amount specified in an agreement, other than an agreement with a directed person in respect of the debtor, filed in accordance with sections 485.42 to 485.52 in respect of the settlement before that time and in the year of a commercial obligation issued by the debtor; and

(c) the aggregate of all amounts each of which is an amount in respect of a settlement at a particular time before that time and in the year of a commercial obligation issued by the debtor equal to the least of

i. the aggregate of all amounts designated under section 485.11 in respect of the settlement,

ii. the residual balance of the debtor at the particular time, and

iii. the amount by which the aggregate of all amounts determined under subparagraphs *a* and *b* of the second paragraph of section 485.13 in respect of the settlement exceeds the amount determined under subparagraph *c* of the second paragraph of that section in respect of the settlement.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2000, c. 5, s. 107.

485.14.1. For the purposes of section 485.14, the gross tax attributes of directed persons at a particular time in respect of a debtor means the aggregate of all amounts each of which is an amount that would be applied under any of sections 485.4 to 485.10 and 485.12 in respect of a settlement of a separate commercial obligation, in this section referred to as a "notional obligation", issued by directed persons at that time in respect of the debtor if the following assumptions were made:

(a) a notional obligation was issued immediately before the particular time by each of those directed persons and was settled at the particular time;

(b) the forgiven amount at the particular time in respect of each of those notional obligations was equal to the total of all amounts each of which is a forgiven amount at or before that time and in the year in respect of a commercial obligation issued by the debtor;

(c) amounts were designated under sections 485.6 and 485.8 to 485.10 by each of those directed persons to the maximum extent permitted in respect of the settlement of each of those notional obligations; and

(d) no amounts were designated under section 485.11 by any of those directed persons in respect of the settlement of any of the notional obligations.

2000, c. 5, s. 108; 2019, c. 14, s. 142.

485.15. Where a commercial debt obligation issued by a partnership, in this section referred to as the "partnership obligation", is settled at any time in a fiscal period of the partnership that ends in a taxation year of a member of the partnership,

(a) the member may deduct, in computing the member's income for the year, such amount as the member claims not exceeding the relevant limit in respect of the partnership obligation;

(b) for the purposes of paragraph *a*, the relevant limit in respect of the partnership obligation is the amount that would be included in computing the member's income for the year as a consequence of the application of sections 485.13 and 599 to 613.10 to the settlement of the partnership obligation if the partnership had designated amounts under sections 485.6 and 485.8 to 485.10 to the maximum extent permitted in respect of each obligation settled in that fiscal period and if income arising from the application of section 485.13 were from a source of income separate from any other sources of partnership income; and

(c) for the purposes of sections 485 to 485.18 and 485.42 to 485.52,

i. the member is deemed to have issued a commercial debt obligation that was settled at the end of that fiscal period,

ii. the amount deducted under paragraph *a* in respect of the partnership obligation in computing the member's income shall be treated as if it were the forgiven amount at the end of that fiscal period in respect of the obligation referred to in subparagraph i,

iii. subject to subparagraph iv, the obligation referred to in subparagraph i is deemed to have been issued at the same time at which, and in the same circumstances in which, the partnership obligation was issued,

iv. where the member is a taxpayer that was subject to a loss restriction event at a particular time that is before the end of that fiscal period and before the taxpayer became a member of the partnership, and the partnership obligation was issued before the particular time,

(1) subject to the application of this subparagraph iv to the taxpayer after the particular time and before the end of that fiscal period, the obligation referred to in subparagraph i is deemed to have been issued by the member after the particular time, and

(2) paragraph *b* of the definition of "unrecognized loss" in section 485 and paragraph *b* of sections 485.1 and 485.2 do not apply in respect of the loss restriction event, and

v. the source in connection with which the obligation referred to in subparagraph i was issued is deemed to be the source in connection with which the partnership obligation is issued.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2017, c. 1, s. 122; 2019, c. 14, s. 143.

485.16. Where a commercial obligation issued by a debtor is settled at any time in a taxation year and, as a consequence of the settlement of the obligation, an amount would, but for this section, be deducted under section 346.1 or 346.2 in computing the debtor's income for the year and the debtor has not designated amounts under sections 485.6 to 485.11 to the maximum extent possible in respect of the settlement of the obligation,

(a) the Minister may designate amounts under sections 485.6 to 485.11 to the extent that the debtor would have been permitted to designate those amounts under those sections; and

(b) the amounts designated by the Minister shall, except for the purposes of this section, be deemed to have been designated by the debtor under sections 485.6 to 485.11.

1996, c. 39, s. 142.

485.17. *(Repealed).*

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2000, c. 5, s. 109.

485.18. Where a commercial obligation issued by a partnership is settled at any time after 20 December 1994, the amount designated under any of sections 485.9 to 485.11 in respect of the settlement by the partnership to reduce the adjusted cost base of a capital property acquired by the partnership shall not exceed the amount by which the adjusted cost base at that time to the partnership of the property exceeds the fair market value at that time of the property.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

§ 3. — *Deemed settlement of an obligation*

1996, c. 39, s. 142.

485.19. For the purposes of this subdivision,

(a) notwithstanding section 485, "forgiven amount" in respect of an obligation has the meaning assigned by the second paragraph of section 37.0.1 or 111.1, as the case may be, where an amount would be included in computing a person's income under section 37 or 111 as a consequence of the settlement of the obligation if the obligation were settled without any payment being made in satisfaction of its principal amount;

(b) subparagraphs *a*, *b*, *k*, *m* and *o* of the first paragraph of section 485.3 apply; and

(c) a person is deemed to have a significant interest in a corporation at any time if the person owned at that time shares of the capital stock of the corporation

i. that would give the person 25% or more of the votes that could be cast under all circumstances at the annual meeting of shareholders of the corporation, or

ii. having a fair market value of 25% or more of the fair market value of all the issued shares of the corporation.

For the purposes of subparagraph *c* of the first paragraph, a person is deemed to own at any time each share of the capital stock of a corporation that is owned, otherwise than because of this paragraph, at that time by another person with whom the person does not deal at arm's length.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.20. Where a commercial obligation or another obligation, in this section referred to as the "indebtedness", of a debtor that is a corporation to pay an amount to a creditor that is another corporation is settled on an amalgamation of the debtor and the creditor, the indebtedness is deemed to have been settled immediately before the time that is immediately before the amalgamation by a payment made by the debtor

and received by the creditor of an amount that would be the creditor's cost amount of the indebtedness at that time if the definition of "cost amount" in section 1 were read without reference to paragraph *e* of that definition and if that cost amount included amounts added in computing the creditor's income in respect of the portion of the indebtedness representing unpaid interest, to the extent those amounts have not been deducted in computing the creditor's income as bad debts in respect of that unpaid interest.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.21. Where there is a winding-up of a subsidiary to which sections 556 to 564.1 and 565 apply and a debt or other obligation, in this section referred to as the "subsidiary's obligation", of the subsidiary to pay an amount to the parent, or a debt or other obligation, in this section referred to as the "parent's obligation", of the parent to pay an amount to the subsidiary is, as a consequence of the winding-up, settled at a particular time without any payment of an amount or by the payment of an amount that is less than the principal amount of the subsidiary's obligation or the parent's obligation, as the case may be,

(a) if that payment is less than the amount that would be the cost amount to the subsidiary or parent of the subsidiary's obligation or the parent's obligation immediately before the particular time if the definition of "cost amount" in section 1 were read without reference to its paragraph *e*, and the parent makes a valid election under paragraph *c* of subsection 4 of section 80.01 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the subsidiary's obligation or the parent's obligation, the amount paid at that time in satisfaction of the principal amount of the subsidiary's obligation or the parent's obligation is deemed to be equal to the amount that would be the cost amount to the subsidiary or the parent, as the case may be, of the subsidiary's obligation or the parent's obligation immediately before that time if that definition of "cost amount" were read without reference to its paragraph *e*, and if that cost amount included amounts added in computing the subsidiary's income or the parent's income in respect of the portion of the indebtedness representing unpaid interest, to the extent that the subsidiary or the parent has not deducted any amount as bad debts in respect of that unpaid interest; and

(b) for the purpose of applying sections 485 to 485.18 to the subsidiary's obligation, where property is distributed at any time in circumstances to which the first paragraph of section 557 or section 558 applies and the subsidiary's obligation is settled as a consequence of the distribution, the subsidiary's obligation is deemed to have been settled immediately before the time that is immediately before the time of the distribution and not at any later time.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *c* of subsection 4 of section 80.01 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 1997, c. 31, s. 50; 2009, c. 5, s. 169.

485.22. Where there is a winding-up of a subsidiary to which sections 556 to 564.1 and 565 apply and, as a consequence of the winding-up, a distress preferred share issued by the subsidiary and owned by the parent, or a distress preferred share issued by the parent and owned by the subsidiary, is settled at any time without any payment of an amount or by the payment of an amount that is less than the principal amount of the share,

(a) where there was no payment or the payment was less than the adjusted cost base of the share to the parent or the subsidiary, as the case may be, immediately before that time, for the purpose of applying the provisions of this Part to the issuer of the share, an amount equal to the adjusted cost base to the parent or to the subsidiary, as the case may be, is deemed to be paid at that time in satisfaction of the principal amount of the share; and

(b) for the purpose of applying sections 485 to 485.18 to the share, where property is distributed at any time in circumstances to which the first paragraph of section 557 or section 558 applies and the share is settled as a consequence of the distribution, the share is deemed to have been settled immediately before the time that is immediately before the time of the distribution and not at any later time.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.22.1. If a trust that is a SIFT wind-up entity is the only beneficiary under another trust (in this section referred to as the "subsidiary trust"), and a capital property that is a debt or other obligation (in this section referred to as the "subsidiary trust's obligation") of the subsidiary trust to pay an amount to the SIFT wind-up entity is, as a consequence of a distribution by the subsidiary trust that is a SIFT trust wind-up event, settled at a particular time without any payment or by the payment of an amount that is less than the principal amount of the subsidiary trust's obligation, the following rules apply:

(a) if the payment is less than the adjusted cost base to the SIFT wind-up entity of the subsidiary trust's obligation immediately before the particular time, and the SIFT wind-up entity makes a valid election under subparagraph ii of paragraph *a* of subsection 5.1 of section 80.01 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) in relation to the subsidiary trust's obligation, the amount paid at the particular time in satisfaction of the principal amount of the subsidiary trust's obligation is deemed to be equal to the amount that would be the adjusted cost base to the SIFT wind-up entity of the subsidiary trust's obligation immediately before the particular time if that adjusted cost base included amounts added in computing the SIFT wind-up entity's income in respect of the portion of the indebtedness representing unpaid interest, to the extent that the SIFT wind-up entity has not deducted any amounts as bad debts in respect of that unpaid interest; and

(b) for the purpose of applying sections 485 to 485.18 to the subsidiary trust's obligation, the subsidiary trust's obligation is deemed to have been settled immediately before the time that is immediately before the distribution.

Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph ii of paragraph *a* of subsection 5.1 of section 80.01 of the Income Tax Act.

2010, c. 25, s. 32.

485.23. For the purposes of section 485.24, "specified obligation" of a debtor at a particular time means an obligation issued by the debtor where

(a) at any previous time, other than a time before the last time the obligation became a parked obligation before the particular time,

i. a person who owned the obligation dealt at arm's length with the debtor and, where the debtor is a corporation, did not have a significant interest in the debtor, or

ii. the obligation was acquired by the holder of the obligation from another person who was, at the time of that acquisition, not related to the holder or related to the holder only because of paragraph *b* of section 20; or

(b) the obligation is deemed by section 299 to have been reacquired at the particular time.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.24. For the purposes of this section and sections 485.23, 485.25 and 485.27,

(a) an obligation issued by a debtor is a parked obligation at any time where at that time

i. the obligation is a specified obligation of the debtor, and

ii. the holder of the obligation does not deal at arm's length with the debtor or, where the debtor is a corporation and the holder acquired the obligation after 12 July 1994, otherwise than pursuant to an agreement in writing entered into on or before that date, has a significant interest in the debtor; and

(b) an obligation that is, at any time, acquired or reacquired in circumstances to which subparagraph ii of paragraph *a* of section 485.23 or paragraph *b* of that section applies is, if the obligation is a parked obligation immediately after that time, deemed to have become a parked obligation at that time.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.25. Where at any particular time after 21 February 1994, a commercial debt obligation that was issued by a debtor becomes a parked obligation, otherwise than pursuant to an agreement in writing entered into before 22 February 1994, and the specified cost at the particular time to the holder of the obligation is less than 80% of the principal amount of the obligation, for the purpose of applying the provisions of this Part to the debtor,

(a) the obligation is deemed to have been settled at the particular time; and

(b) the forgiven amount at the particular time in respect of the obligation shall be determined as if the debtor had paid an amount at the particular time in satisfaction of the principal amount of the obligation equal to that specified cost.

1996, c. 39, s. 142.

485.26. Where at any particular time after 21 February 1994, a commercial debt obligation issued by a debtor that is payable to a person other than a person with whom the debtor is related at that time becomes unenforceable in a competent court because of a statutory limitation period and the obligation would, but for this section, not have been settled or extinguished at the particular time, for the purpose of applying the provisions of this Part to the debtor, the obligation is deemed to have been settled at the particular time.

1996, c. 39, s. 142.

485.27. Where a commercial debt obligation issued by a debtor is first deemed by section 485.25 or 485.26 to have been settled at a particular time, at a subsequent time a payment is made by the debtor of an amount in satisfaction of the principal amount of the obligation and it cannot reasonably be considered that one of the reasons the obligation became a parked obligation or became unenforceable, as the case may be, before the subsequent time was to have this section apply to the payment, in computing the debtor's income for the taxation year, in this section referred to as the "subsequent year", that includes the subsequent time from the source in connection with which the obligation was issued, the debtor may deduct the amount determined, subject to the fourth paragraph, by the formula

$$0.5 (A - B) - C.$$

For the purposes of the formula in the first paragraph,

(a) A is the amount of the payment;

(b) B is the amount by which the principal amount of the obligation exceeds the aggregate of

i. all amounts each of which is a forgiven amount in respect of a particular portion of the obligation at any time in the period that began at the particular time referred to in the first paragraph and ended immediately before the subsequent time referred to therein, and at which a particular portion of the obligation is deemed by section 485.25 or 485.26 to be settled in respect of the particular portion, and

ii. all amounts paid in satisfaction of the principal amount of the obligation in the period referred to in subparagraph i; and

(c) C is the amount by which the aggregate of the following amounts exceeds the aggregate of the amounts described in the third paragraph:

i. all amounts deducted by the debtor under section 346.2 in computing the debtor's income for the subsequent year or a preceding taxation year,

ii. all amounts added by the debtor because of section 485.13 in computing the debtor's income for the subsequent year or a preceding taxation year in respect of a settlement under section 485.25 or 485.26 in a period during which the debtor was exempt from tax under this Part on its taxable income, and

iii. all amounts added by the debtor because of section 485.13 in computing the debtor's income for the subsequent year or a preceding taxation year in respect of a settlement under section 485.25 or 485.26 in a period during which the debtor, in the case of a corporation, had no establishment in Québec or, in the case of an individual, was not resident in Canada, other than any of those amounts added by the individual in computing his income, taxable income or taxable income earned in Canada as a consequence of the second paragraph of section 23 or section 26, as the case may be.

The aggregate to which subparagraph *c* of the second paragraph refers is the aggregate of

(a) the amount deducted by the debtor because of paragraph *c*.1 of section 225 in computing the aggregate, determined immediately after the subsequent year, of the amounts deductible under sections 222 to 224 by the debtor; and

(b) all amounts by which, because of subparagraph *c* of the second paragraph, the amount deductible by the debtor under this section in respect of a payment made by the debtor before the subsequent time referred to in the first paragraph in computing the debtor's income for the subsequent year or a preceding year has been reduced.

Where the taxation year that includes the particular time referred to in the first paragraph began before 18 October 2000, the formula in the first paragraph is to be read as if "0.5" were replaced by the fraction in the first paragraph of section 231 that, with reference to section 231.0.1, applies to the debtor for that year.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2003, c. 2, s. 132; 2017, c. 1, s. 123.

485.28. Where an obligation issued by a debtor is denominated in a foreign currency and the obligation is deemed by section 485.25 or 485.26 to have been settled, those sections do not apply for the purpose of determining any gain or loss of the debtor on the settlement that is attributable to a fluctuation in the value of the foreign currency relative to the value of Canadian currency.

1996, c. 39, s. 142.

§ 4. — *Distress preferred shares*

1996, c. 39, s. 142.

485.29. For the purpose of applying this Part to an issuer of a distress preferred share,

(a) the principal amount, at any time, of the share is deemed to be the amount, determined at that time, for which the share was issued;

(b) the amount for which the share was issued is, at any time, deemed to be the amount by which the aggregate of the following amounts exceeds the aggregate of all amounts each of which is an amount paid before that time on a reduction of the paid-up capital in respect of the share, except to the extent that the amount is deemed by sections 504 to 510.1 to have been paid as a dividend:

i. the amount for which the share was issued, determined without reference to this subparagraph, and

ii. all amounts by which the paid-up capital in respect of the share increased after the share was issued and before that time;

(c) the share is deemed to be settled at such time as it is redeemed, acquired or cancelled by the issuer; and

(d) a payment in satisfaction of the principal amount of the share means any payment made on a reduction of the paid-up capital in respect of the share to the extent that the payment is proceeds of disposition of the share within the meaning that would be assigned by section 251 if that section were read without reference to "an amount deemed to be a dividend received under section 508 to the extent that it refers to a dividend deemed paid under sections 505 and 506, except the portion of that amount that is deemed to be included in the proceeds of disposition of the share under paragraph *b* of section 308.1 or deemed not to be a dividend under paragraph *b* of section 568.

1996, c. 39, s. 142; 2019, c. 14, s. 144.

485.30. Where the consideration given by a corporation to another person for the settlement or extinguishment at any time of a commercial debt obligation that was issued by the corporation and owned immediately before that time by the other person includes a distress preferred share issued by the corporation to the other person,

(a) for the purposes of sections 485 to 485.18, the amount paid at that time in satisfaction of the principal amount of the obligation because of the issue of that share is deemed to be equal to the lesser of the principal amount of the obligation and the amount by which the paid-up capital in respect of the class of shares that includes that share increases because of the issue of that share; and

(b) for the purposes of subparagraph i of paragraph *b* of section 485.29, the amount for which the share was issued is deemed to be equal to the amount deemed by paragraph *a* to have been paid at that time.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.31. Where the consideration given by a corporation to another person for the settlement at any time of a distress preferred share that was issued by the corporation and owned immediately before that time by the other person includes a commercial debt obligation issued by the corporation to the other person, sections 485 to 485.18 apply with reference to the following rules:

(a) the amount paid at that time in satisfaction of the principal amount of the share because of the issue of that obligation is deemed to be equal to the principal amount of the obligation; and

(b) the amount for which the obligation was issued is deemed to be equal to its principal amount.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.32. Where the consideration given by a corporation to another person for the settlement at any time of a particular distress preferred share that was issued by the corporation and owned immediately before that time by the other person includes another distress preferred share issued by the corporation to the other person, sections 485 to 485.18 apply with reference to the following rules:

(a) the amount paid at that time in satisfaction of the principal amount of the particular share because of the issue of the other share is deemed to be equal to the amount by which the paid-up capital in respect of the class of shares that includes the other share increases because of the issue of the other share; and

(b) for the purposes of subparagraph i of paragraph *b* of section 485.29, the amount for which the other share was issued is deemed to be equal to the amount deemed by paragraph *a* to have been paid at that time.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.33. Where the consideration given by a corporation to another person for the settlement at any time of a distress preferred share that was issued by the corporation and owned immediately before that time by the other person includes another share, other than a distress preferred share, or an obligation, other than a commercial obligation, issued by the corporation to the other person, for the purposes of sections 485 to 485.18, the amount paid at that time in satisfaction of the principal amount of the distress preferred share

because of the issue of the other share or obligation is deemed to be equal to the fair market value of the other share or obligation, as the case may be, at that time.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.34. Where at any time a distress preferred share becomes a share that is not a distress preferred share, sections 485 to 485.18 apply with reference to the following rules:

(a) the share is deemed to have been settled immediately before that time; and

(b) a payment equal to the fair market value of the share at that time is deemed to have been made immediately before that time in satisfaction of the principal amount of the share.

1996, c. 39, s. 142.

§ 5. — *Subsequent dispositions*

1996, c. 39, s. 142.

485.35. Where at any time in a taxation year a person surrenders a particular capital property, other than a distress preferred share, that is a share, an interest in a partnership or a capital interest in a trust, the person is deemed to have a capital gain from the disposition at that time of another capital property or, where the particular capital property is a taxable Canadian property, another taxable Canadian property, equal to the amount by which the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing the adjusted cost base to the person of the particular capital property immediately before that time exceeds the aggregate of

(a) the amount that would, but for section 638, be the person's capital gain for the year from the disposition of the particular capital property; and

(b) where, at the end of the year, the person is resident in Canada or is a person not resident in Canada who carries on business in Canada through a fixed place of business, the amount designated under section 485.40 by the person in respect of the disposition, at that time or immediately after that time, of the particular capital property.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.36. For the purposes of section 485.35, a person shall be considered to have surrendered a property at any time only where

(a) in the case of a share of the capital stock of a particular corporation,

i. the person is a corporation that disposed of the share at that time and the proceeds of disposition of the share are determined under section 558, or

ii. the person is a corporation that owned the share at that time and, immediately after that time, amalgamates or merges with the particular corporation;

(b) in the case of a capital interest in a trust, the person disposed of the interest at that time and the proceeds of disposition are determined under subparagraph *c* of the first paragraph of section 688; and

(c) in the case of an interest in a partnership, the person disposed of the interest at that time and the proceeds of disposition are determined under section 621 or 627.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2003, c. 2, s. 133.

485.37. *(Repealed).*

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2000, c. 5, s. 110.

485.38. *(Repealed).*

1996, c. 39, s. 142; 2000, c. 5, s. 110.

485.39. *(Repealed).*

1996, c. 39, s. 142; 2000, c. 5, s. 110.

485.40. For the purposes of sections 485 to 485.18 and 485.35, where at any time in a taxation year a person disposes of a property and the person designates an amount in a prescribed form filed with the person's fiscal return under this Part for the year, the following rules apply:

(a) the person is deemed to have issued a commercial debt obligation at that time that is settled immediately after that time;

(b) the lesser of the amount so designated and the amount that would, but for this section, be a capital gain determined in respect of the disposition because of section 485.35 shall be treated as if it were the forgiven amount at the time of the settlement in respect of the obligation referred to in paragraph *a*;

(c) the source in connection with which the obligation referred to in paragraph *a* was issued is deemed to be the business, if any, carried on by the person at the end of the year, and

(d) where the person does not carry on a business at the end of the year, the person is deemed to carry on an active business at the end of the year and the source in connection with which the obligation referred to in paragraph *a* was issued is deemed to be the business deemed by this paragraph to be carried on.

1996, c. 39, s. 142; 2000, c. 5, s. 111; 2007, c. 12, s. 65.

485.41. Where, as a consequence of the disposition at any time by an individual or a partnership of a property that is a qualified farm or fishing property of the individual, within the meaning assigned by section 726.6, a qualified small business corporation share of the individual, within the meaning assigned by section 726.6.1, or a resource property of the individual or partnership, within the meaning assigned by section 726.20.1, the individual or partnership is deemed by section 485.35 to have a capital gain at that time from the disposition of another property, for the purposes of sections 28, 462.7 to 462.10 and 727 to 737, as they apply for the purposes of sections 726.6 to 726.20.4, the other property is deemed to be a qualified farm or fishing property or a qualified small business corporation share, as the case may be, of the individual, or a resource property of the individual or partnership, as the case may be.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2004, c. 21, s. 83; 2017, c. 29, s. 72.

§ 6. — *Transfer agreements*

1996, c. 39, s. 142.

485.42. Where a particular commercial obligation issued by a debtor, other than an obligation deemed by paragraph *a* to have been issued, is settled at a particular time, amounts have been designated by the debtor under sections 485.6 to 485.10 to the maximum extent permitted in respect of the settlement of the particular obligation at the particular time, the debtor and an eligible transferee of the debtor at the particular time file under this subdivision an agreement between them in respect of that settlement, and an amount is specified in that agreement, the following rules apply:

(a) except for the purposes of section 485.11, the transferee is deemed to have issued a commercial debt obligation that was settled at the particular time;

(b) the specified amount is deemed to be the forgiven amount at the particular time in respect of the obligation referred to in paragraph *a*;

(c) subject to paragraph *d*, the obligation referred to in paragraph *a* is deemed to have been issued at the same time, in paragraph *d* referred to as the "time of issue", at which, and in the same circumstances in which, the particular obligation was issued;

(d) where the transferee is a taxpayer that was subject to a loss restriction event after the time of issue and the transferee and the debtor were, if the transferee is a corporation, not related to each other—or, if the transferee is a trust, not affiliated with each other—immediately before the loss restriction event,

i. the commercial debt obligation referred to in paragraph *a* is deemed to have been issued after the loss restriction event, and

ii. paragraph *b* of the definition of "unrecognized loss" in section 485 and paragraph *b* of sections 485.1 and 485.2 do not apply in respect of the loss restriction event;

(e) the source in connection with which the obligation referred to in paragraph *a* was issued is deemed to be the source in connection with which the particular obligation was issued; and

(f) for the purposes of sections 346.2 to 346.4, the amount included under section 485.13 in computing the income of the eligible transferee in respect of the settlement of the obligation referred to in paragraph *a* or deducted under paragraph *a* of section 485.15 in respect of such income is deemed to be nil.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2017, c. 1, s. 124.

485.43. This subdivision applies with reference to subparagraphs *a*, *b*, *k*, *m* and *o* of the first paragraph of section 485.3.

1996, c. 39, s. 142.

485.44. For the purposes of this Part, where property is acquired at any time by an eligible transferee as consideration for entering into an agreement with a debtor that is filed under this subdivision

(a) where the property was owned by the debtor immediately before that time,

i. the debtor is deemed to have disposed of the property at that time for proceeds equal to the fair market value of the property at that time, and

ii. no amount may be deducted by the debtor in computing the debtor's income as a consequence of the transfer of the property, except any amount arising as a consequence of the application of subparagraph i;

(b) the cost at which the property was acquired by the eligible transferee at that time is deemed to be equal to the fair market value of the property at that time; and

(c) the eligible transferee is not required to add an amount in computing income solely because of the acquisition at that time of the property;

(d) (paragraph repealed).

1996, c. 39, s. 142; 2000, c. 5, s. 112.

485.44.1. For the purposes of this Part, where a debtor and an eligible transferee enter into an agreement that is filed in accordance with this subdivision, no benefit shall be considered to have been conferred on the debtor as a consequence of the agreement.

2000, c. 5, s. 113.

485.45. Subject to section 485.46, a particular agreement between a debtor and an eligible transferee in respect of a commercial obligation issued by the debtor that was settled at any time is deemed not to have been filed under this subdivision

(a) where it is not filed with the Minister in a prescribed form

i. on or before

(1) the debtor's filing-due date for the taxation year or fiscal period, as the case may be, that includes that time, or

(2) if it is later, the transferee's filing-due date for the taxation year or fiscal period, as the case may be, that includes that time, or

ii. on or before

(1) the expiry of the 90-day period commencing on the day of sending of the notice of assessment of tax payable under this Part or of a notification that no tax is payable under this Part, for a taxation year or fiscal period, as the case may be, described in subparagraph 1 or 2 of subparagraph i, or

(2) if it is later, where the debtor is an individual (other than a trust) or a succession that is a graduated rate estate, the day that is one year after the debtor's filing-due date for the year;

(b) where it is not accompanied by,

i. where the debtor is a corporation and its directors are legally entitled to administer its affairs, a certified copy of their resolution authorizing the agreement to be made,

ii. where the debtor is a corporation and its directors are not legally entitled to administer its affairs, a certified copy of the document by which the person legally entitled to administer its affairs authorized the agreement to be made,

iii. where the transferee is a corporation and its directors are legally entitled to administer its affairs, a certified copy of their resolution authorizing the agreement to be made, and

iv. where the transferee is a corporation and its directors are not legally entitled to administer its affairs, a certified copy of the document by which the person legally entitled to administer its affairs authorized the agreement to be made; or

(c) if an agreement amending the particular agreement has been filed in accordance with this subdivision, except where section 485.47 applies to the particular agreement.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 1997, c. 31, s. 51; 2003, c. 9, s. 29; 2015, c. 21, s. 174; 2017, c. 1, s. 125.

485.46. Where a commercial obligation is settled at any time in a fiscal period of a partnership, it shall be assumed for the purposes of section 485.45 that

(a) the partnership is required to file a fiscal return under this Part for the fiscal period on or before the latest of the filing-due dates of the members of the partnership during the fiscal period for the taxation year in which that fiscal period ends; and

(b) the partnership may file a notice of objection described in subparagraph ii of paragraph *a* of section 485.45 within each period within which any member of the partnership during the fiscal period may file a notice of objection to tax payable under this Part for a taxation year in which that fiscal period ends.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 1997, c. 31, s. 52; 2003, c. 9, s. 30; I.N. 2016-01-01 (NCCP).

485.47. Where at any time a corporation becomes related to another corporation and it can reasonably be considered that the main purpose of the corporation becoming related to the other corporation is to enable the

corporations to file an agreement under this subdivision, the amount specified in the agreement is deemed to be nil for the purposes of subparagraph *c* of the second paragraph of section 485.13.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

485.48. Notwithstanding sections 1010 to 1011, the Minister shall under this Part assess or reassess the tax, interest and penalties payable by a taxpayer in order to take into account an agreement filed under this subdivision.

1996, c. 39, s. 142.

485.49. Without affecting the liability of any person under any other provision of this Act, where a debtor and an eligible transferee file an agreement between them under this subdivision in respect of a commercial obligation issued by the debtor that was settled at any time, the debtor is, to the extent of 30% of the amount specified in the agreement, liable to pay

(a) where the transferee is a corporation, all taxes payable under this Part by it for taxation years that end in the period that begins at that time and ends four calendar years after that time;

(b) where the transferee is a partnership, the aggregate of all amounts each of which is the tax payable under this Part by a person for a taxation year that begins or ends in the period referred to in paragraph *a* and that includes the end of a fiscal period of the partnership during which the person was a member of the partnership; and

(c) interest and penalties in respect of such taxes.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 2000, c. 5, s. 114.

485.50. Where taxes, interest and penalties are payable under this Part by a person for a taxation year and those taxes, interest and penalties are payable by a debtor because of section 485.49, the debtor and the person are solidarily liable to pay those amounts.

1996, c. 39, s. 142.

485.51. Where a debtor and an eligible transferee file an agreement between them under this subdivision in respect of a commercial obligation issued by the debtor that was settled at a particular time,

(a) where the debtor is an individual or a corporation, the Minister may at any subsequent time assess the debtor in respect of taxes, interest and penalties for which the debtor is liable because of section 485.49; and

(b) where the debtor is a partnership, the Minister may at any subsequent time assess any person who has been a member of the partnership in respect of taxes, interest and penalties for which the partnership is liable because of section 485.49, to the extent that those amounts relate to taxation years of the transferee or, where the transferee is also a partnership, members of that partnership, that end at or after

i. where the person was not a member of the partnership at the particular time, the first subsequent time the person becomes a member of the partnership, and

ii. in any other case, the particular time.

The provisions of Book IX apply, with the necessary modifications, to the assessment made under the first paragraph as if the assessment had been made under Title II of that Book.

1996, c. 39, s. 142; 1997, c. 3, s. 71; 1997, c. 85, s. 80.

485.52. For the purposes of this section and paragraph *b* of sections 485.49 and 485.51, where a partnership is at any time a member of another partnership, each member of the partnership is deemed to be a member of the other partnership at that time.

1996, c. 39, s. 142; 1997, c. 3, s. 71.

DIVISION IV

MISCELLANEOUS CASES

1996, c. 39, s. 142.

§ 1. — *Reimbursement of royalties in relation to natural resources*

2015, c. 24, s. 76.

486. For the application of this Part, except this section, to a taxation year that ends on or before 31 December 2006, where a taxpayer, under a contract, pays to another person a particular amount that may reasonably be considered to have been received by the other person as a reimbursement, contribution or allowance in respect of an amount paid or payable by the other person, the latter amount is included in computing the income of that other person under section 89 or is not deductible in computing the income of such other person because of section 144 and the taxpayer, at the time of payment of the particular amount, was resident in Canada or carrying on business in Canada, the following rules apply:

(a) the taxpayer is deemed neither to have paid nor to have become obligated to pay the particular amount to the other person but to have paid an amount contemplated in section 144 equal to the particular amount;

(b) the other person is deemed neither to have received nor to have become entitled to receive the particular amount from the taxpayer.

1975, c. 22, s. 108; 1977, c. 26, s. 57; 1978, c. 26, s. 81; 1991, c. 25, s. 78; 2005, c. 1, s. 115; 2015, c. 24, s. 77.

486.1. Sections 486.2 to 486.11 apply if

(a) a taxpayer, under a contract, pays to another person (in this subdivision referred to as the "recipient") an amount (in this subdivision referred to as the "specified amount"), in a taxation year of the taxpayer that ends after 31 December 2006, that may reasonably be considered to be received by the recipient as a reimbursement of, or a contribution or an allowance in respect of, an amount (in this subdivision referred to as the "original amount") that is described in section 144 and was paid or is payable by the recipient, or that is, in respect of the recipient, an amount described in section 89;

(b) the original amount is paid or became payable or receivable in a taxation year or fiscal period of the recipient that begins before 1 January 2007; and

(c) the taxpayer is resident in Canada or carries on business in Canada when the specified amount is paid.

2015, c. 24, s. 78.

486.2. Where the specified amount is paid by a taxpayer in a taxation year of the taxpayer that begins before 1 January 2008, the eligible portion of the specified amount, determined under section 486.9, is deemed to be an amount described in section 144 that is paid by the taxpayer.

The specified amount that is paid by a taxpayer in a taxation year of the taxpayer that begins after 31 December 2007 is deemed, for the purpose of applying this subdivision to the taxpayer, to be nil.

2015, c. 24, s. 78.

486.3. For the purpose of applying section 144 for the taxpayer's taxation year in which the taxpayer pays a specified amount, the amount to which section 144 applies is to be determined as if,

(a) where the taxpayer was in existence at the time the original amount became receivable by a person referred to in section 90 or became payable to such a person, the specified amount had been paid by the taxpayer at that time; and

(b) in any other case, the taxpayer were in existence and had a calendar taxation year at the time the original amount became receivable by a person referred to in section 90 or became payable to such a person and the specified amount had been paid by the taxpayer at that time.

The first paragraph does not apply to a specified amount paid by a taxpayer if

(a) the recipient is a partnership;

(b) the original amount became receivable by a person referred to in section 90 or became payable to such a person in a particular fiscal period of the partnership;

(c) the taxpayer is a member of the partnership at the end of the particular fiscal period; and

(d) the taxpayer paid the specified amount before the end of the taxation year of the taxpayer in which the particular fiscal period ends.

2015, c. 24, s. 78.

486.4. The recipient shall include, in computing the recipient's income for the taxation year or fiscal period in which the original amount was paid or became payable or receivable, the amount by which the eligible portion of the specified amount, determined under section 486.9, exceeds the portion of the original amount that is included because of section 89, or that is not deductible because of section 144, in computing the income of the recipient for the taxation year or fiscal period.

2015, c. 24, s. 78.

486.5. For the purposes of section 486.4, the portion of the original amount that was included in computing the income of the recipient or that was not deductible in computing the income of the recipient is the amount that would be included in computing the income of the recipient under section 89 or that would not be deductible in computing the income of the recipient under section 144, if the original amount were equal to the eligible portion of the specified amount, determined under section 486.9.

2015, c. 24, s. 78.

486.6. The recipient shall include, in computing the recipient's income for its taxation year or fiscal period in which the original amount was paid or became payable or receivable, the amount by which the specified amount exceeds the eligible portion of the specified amount, determined under section 486.9.

2015, c. 24, s. 78.

486.7. Subject to sections 128 and 129, the taxpayer may deduct, in computing the taxpayer's income for the taxpayer's taxation year in which the specified amount was paid, the amount by which the specified amount exceeds the eligible portion of the specified amount, determined under section 486.9.

2015, c. 24, s. 78.

486.8. Except for the purposes of subparagraph iv.1 of paragraph *i* of section 255 and this subdivision, the following rules apply:

(a) the taxpayer is deemed not to have paid, and not to be obligated to pay, the specified amount; and

(b) the recipient is deemed not to have received, and not to have become entitled to receive, the specified amount.

2015, c. 24, s. 78.

486.9. The eligible portion of a specified amount means

(a) the specified amount if

i. the original amount is a tax imposed under a provincial law in relation to the production of

(1) petroleum, natural gas or other related hydrocarbons from a natural accumulation of petroleum or natural gas (other than a mineral resource) located in Canada, or from an oil or gas well located in Canada if the petroleum, natural gas or related hydrocarbons are not, before extraction, owned by the State or the Crown in right of Canada or a province, other than Québec, or

(2) metals, minerals or coal from a mineral resource located in Canada if the metals, minerals or coal are not, before extraction, owned by the State or the Crown in right of Canada or a province, other than Québec,

ii. the specified amount does not exceed the taxpayer's share of the original amount, determined under section 486.10, or

iii. the original amount is a prescribed amount; or

(b) the taxpayer's share of the original amount, determined under section 486.10, in any other case.

2015, c. 24, s. 78.

486.10. A taxpayer's share of an original amount in respect of a specified amount paid by the taxpayer to a recipient in respect of a property is the amount that may reasonably be considered to be the taxpayer's share of the aggregate of all amounts each of which is an amount described in section 89 or 144 in respect of the property, which share may not exceed the total of

(a) the amount that is that proportion of the aggregate of all amounts each of which is an amount described in section 89 or 144 in respect of the property that the taxpayer's share of production from the property payable to the taxpayer as a royalty, which royalty is computed without reference to the costs of exploration or production, is of the total production from the property; and

(b) the amount that is that proportion of the aggregate of all amounts each of which is an amount described in section 89 or 144 in respect of the property (other than an amount which the recipient has received or is entitled to receive as a reimbursement, contribution or allowance in respect of a royalty described in paragraph *a*) that the taxpayer's share of the income from the property is of the total income from the property.

2015, c. 24, s. 78.

486.11. For the purposes of Chapter III of Title XVI of the Regulation respecting the Taxation Act (chapter I-3, r. 1), an original amount in respect of which a specified amount is received is deemed, for the taxation year in which the original amount is paid or became payable or receivable, not to include an amount equal to the eligible portion of the specified amount, determined under section 486.9.

2015, c. 24, s. 78.

§ 2. — *Special deductions in respect of farming and animal husbandry*

2015, c. 24, s. 78.

487. Where a taxpayer includes, in computing his income from a farming business for a taxation year, a particular amount in respect of the forced destruction of livestock in the year under an Act, he may, subject to section 487.0.4, deduct in computing that income for that year an amount not exceeding the particular amount.

The amount deducted by the taxpayer under the first paragraph in computing his income from a farming business for a taxation year is deemed to be income of the taxpayer from such business for the subsequent taxation year.

1977, c. 26, s. 58; 1991, c. 25, s. 78.

487.0.1. In this section and sections 487.0.2 to 487.0.3,

"breeding animals" means bison, bovine cattle, deer, horses, goats, elk, sheep or other grazing ungulates that are over 12 months of age and are kept for breeding;

"breeding bees" means bees that are not used principally to pollinate plants in greenhouses and larvae of those bees;

"breeding bee stock", of a taxpayer at a particular time, means a reasonable estimate of the quantity of the taxpayer's breeding bees held at that time in the course of carrying on a farming business using a unit of measurement that is accepted as an industry standard;

"breeding herd" of a taxpayer at any time means the number of animals determined at that time, in respect of the taxpayer, by the formula

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

For the purposes of the formula set forth in the definition of "breeding herd" set forth in the first paragraph,

(a) A is the total number of the taxpayer's breeding animals held in the course of carrying on a farming business at that time;

(b) B is the total number of the taxpayer's breeding animals held in the farming business at that time that are female bovine cattle that have not given birth to calves;

(c) C is the lesser of the number of animals determined as the value of B and one-half on the total number of the taxpayer's breeding animals held in the farming business at that time that are female bovine cattle that have given birth to calves.

1991, c. 25, s. 79; 1994, c. 22, s. 190; 2017, c. 1, s. 126.

487.0.2. A taxpayer who, in a taxation year, carries on a farming business in a region that is a drought region or a region of flood or excessive moisture, within the meaning of the regulations, at any time in the year and whose breeding herd at the end of the year in respect of the business does not exceed 85% of his breeding herd at the beginning of the year in respect of the business, may deduct, in computing his income from the business for the year, an amount not exceeding the amount determined for the year, in respect of the taxpayer's business, by the formula

(A − B) × C.

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

(a) A is the amount by which the aggregate of the particular amounts included, in respect of the sale of breeding animals in the year, in computing the taxpayer's income from the business for the year exceeds the aggregate of all amounts deducted under section 153, in respect of the particular amounts, in computing the taxpayer's income from the business for the year;

(b) B is the aggregate of all amounts deducted, in respect of the acquisition of breeding animals, in computing the taxpayer's income from the business for the year;

(c) C is 30% where the taxpayer's breeding herd at the end of the year in respect of the business exceeds 70% of his breeding herd at the beginning of the year in respect of the business, and 90% in all other cases.

1991, c. 25, s. 79; 2010, c. 25, s. 33.

487.0.2.1. A taxpayer who, in a taxation year, carries on a farming business in a region that is at any time in the year a drought region or a region of flood or excessive moisture, within the meaning of the regulations, and whose breeding bee stock at the end of the year in respect of the business does not exceed 85% of the taxpayer's breeding bee stock at the beginning of the year in respect of the business, may deduct, in computing the taxpayer's income for the year from the business, an amount not exceeding the amount determined for the year, in respect of the taxpayer's business, by the formula

(A – B) × C.

In the formula in the first paragraph,

(a) A is the amount by which the aggregate of all the particular amounts included in computing the taxpayer's income for the year from the business in respect of the sale of breeding bees in the year exceeds the aggregate of all amounts deducted in respect of the particular amounts, under section 153, in computing the taxpayer's income for the year from the business;

(b) B is the aggregate of all amounts deducted in computing the taxpayer's income for the year from the business in respect of the acquisition of breeding bees; and

(c) C is either 30% if the taxpayer's breeding bee stock at the end of the year in respect of the business exceeds 70% of the taxpayer's breeding bee stock at the beginning of the year in respect of the business, or 90% in any other case.

2017, c. 1, s. 127.

487.0.3. The amount deducted under section 487.0.2 or 487.0.2.1 in computing the income of a taxpayer for a particular taxation year from a farming business carried on in a region referred to in the first paragraph of section 487.0.2 or 487.0.2.1,

(a) must, up to the amount determined under the second paragraph, be included in computing the taxpayer's income from the business for a given taxation year ending after the particular taxation year; and

(b) is deemed, except to the extent that the amount has been included under this section in computing the taxpayer's income from the business for a preceding taxation year after the particular taxation year, to be income of the taxpayer from the business for the taxation year that is the earliest of

i. the taxpayer's first taxation year beginning after the end of the period or series of continuous periods, as the case may be, for which the region was referred to in the first paragraph of section 487.0.2 or 487.0.2.1,

ii. the taxpayer's first taxation year, following the particular taxation year, at the end of which the taxpayer was not resident in Canada and not carrying on business through a fixed place of business in Canada, and

iii. the taxpayer's taxation year in which the taxpayer died.

The amount to which subparagraph *a* of the first paragraph refers is equal to the lesser of

(a) the amount deducted under section 487.0.2 or 487.0.2.1 in computing the taxpayer's income for the particular taxation year from the farming business, except to the extent that the amount has been included under this section in computing the taxpayer's income from the business for a taxation year preceding the given taxation year but after the particular taxation year; and

(b) the amount included for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), under subsection 5 of section 80.3 of that Act, in computing the taxpayer's income from the business for the given taxation year because of an election made in accordance with that subsection 5 in respect of the amount deducted under subsection 4 or 4.1 of that section 80.3 in that computation for the particular taxation year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 5 of section 80.3 of the Income Tax Act.

1991, c. 25, s. 79; 1993, c. 16, s. 197; 1996, c. 39, s. 273; 2009, c. 5, s. 170; 2010, c. 25, s. 34; 2017, c. 1, s. 128.

487.0.4. The first paragraph of section 487 and sections 487.0.2 and 487.0.2.1 do not apply to a taxpayer, in respect of a farming business, for a taxation year in which the taxpayer died or where at the end of the year the taxpayer is not resident in Canada and not carrying on business through a fixed place of business in Canada.

1991, c. 25, s. 79; 1993, c. 16, s. 197; 1996, c. 39, s. 273; 2017, c. 1, s. 129.

487.0.5. In applying section 487.0.2.1 in respect of a taxation year, the unit of measurement used for estimating the quantity of a taxpayer's breeding bee stock held in the course of carrying on a farming business at the end of the year is to be the same as that used for the beginning of the year.

2017, c. 1, s. 130.

§ 3. — *Benefits arising from a loan*

2015, c. 24, s. 79.

487.1. A corporation carrying on a personal services business or an individual is deemed to receive a benefit in a taxation year equal to the amount computed under section 487.2 when a person or partnership contracts a debt because of services provided or to be provided by the corporation or of the individual's previous, current or intended office or employment.

For the purposes of the first paragraph, a debt is deemed to have been contracted because of an individual's office or employment, or because of services provided by a corporation that carries on a personal services business, if it is reasonable to conclude that, but for the individual's previous, current or intended office or employment, or the services provided or to be provided by the corporation,

(a) the terms of the debt would have been different; or

(b) the debt would not have been contracted.

1978, c. 26, s. 82; 1983, c. 44, s. 26; 1994, c. 22, s. 191; 1997, c. 3, s. 71; 1997, c. 14, s. 79; 2001, c. 53, s. 74.

487.2. The amount to which the first paragraph of section 487.1 refers is the amount by which the amount computed under section 487.2.1 is exceeded by the aggregate of all amounts each of which is the interest, computed at the prescribed rate, in respect of each such debt for the period of the year in which it was unpaid, or the interest paid or payable for the year in respect of each such debt

(a) by a person or partnership that employed or planned to employ the individual;

(b) by a person or partnership to which or for which the corporation provided or was to provide services; or

(c) by a person who was not a debtor of the debt and who was related to the person or partnership described in paragraph *a* or was not dealing at arm's length with the person or partnership described in paragraph *b*.

1978, c. 26, s. 82; 1982, c. 5, s. 112; 1983, c. 44, s. 26; 1986, c. 15, s. 85; 1986, c. 19, s. 112; 1997, c. 3, s. 71; 2001, c. 53, s. 75; 2010, c. 25, s. 35; 2020, c. 16, s. 71.

487.2.1. The amount referred to in section 487.2 is the aggregate of

(a) the interest for the year paid on each such debt not later than 30 days after the end of the year; and

(b) the portion of the interest paid or payable for the year in respect of each such debt by a person or partnership referred to in any of paragraphs *a* to *c* of section 487.2 that is reimbursed by the debtor in the year or within 30 days after the end of the year to the person or partnership that made the payment referred to in that section.

1986, c. 19, s. 113; 2010, c. 25, s. 36.

487.3. A person, other than a corporation resident in Canada, or a partnership, other than a partnership every member of which is such a corporation, is deemed to receive a benefit in a taxation year equal to the amount computed under section 487.4, where the person or partnership contracts a debt with a corporation by virtue of the fact that the person or partnership is a shareholder of the corporation, is connected with a shareholder of the corporation or is a member of a partnership or a beneficiary of a trust that is such a shareholder.

The same rule applies where the person or partnership contracts a debt with a corporation related to the corporation or with a partnership of which the corporation or a corporation related to it is a member.

For the purposes of this section, a person or a partnership is connected with a shareholder of a corporation if that person or partnership does not deal at arm's length with, or is affiliated with, the shareholder, unless, in the case of a person, that person is a foreign affiliate of the corporation or of a person resident in Canada with which the corporation does not deal at arm's length.

1978, c. 26, s. 82; 1983, c. 44, s. 26; 1997, c. 3, s. 71; 2019, c. 14, s. 145.

487.4. The amount to which section 487.3 refers is the amount by which the aggregate of all amounts each of which is the interest in respect of each such debt, computed at the prescribed rate for the period of the year in which it was unpaid, exceeds the aggregate of all amounts each of which is

(a) the amount of interest paid for the year in respect of each such debt (other than debts incurred as or on account of loans that are deemed to have been received under section 113.4) not later than 30 days after the end of the year; or

(b) the amount of interest determined, for the year, in respect of each debt incurred as or on account of loans that are deemed to have been received under section 113.4.

1983, c. 44, s. 26; 1986, c. 19, s. 114; 2020, c. 16, s. 72.

487.4.1. For the purposes of sections 487.1 to 487.6, the specified interest amount, for a year, in respect of a debt (in this section referred to as the "deemed loan") contracted as or on account of a loan that is deemed to have been received under section 113.4 from a particular ultimate funder, is the amount determined by the formula

A × B / C.

In the formula in the first paragraph,

(a) A is the total amount of interest for the year paid not later than 30 days after the end of the year in respect of all debts that are owing to the particular ultimate funder under one or more funding arrangements by one or more funders, but excluding any funders that are ultimate funders, and that gave rise to the deemed loan;

(b) B is the average amount owing for the year in respect of the deemed loan; and

(c) C is the aggregate of all amounts each of which is the average amount owing in the year as or on account of an amount owing in respect of a debt described in subparagraph *a*.

In this section, "funder", "funding arrangement" and "ultimate funder" have the meaning assigned by section 113.7.

2020, c. 16, s. 73.

487.5. Sections 487.1 and 487.3 do not apply in respect of a debt or the portion of a debt

(a) that is included in computing the income of a person or partnership under this Part; or

(b) on which the interest is paid or payable to the creditor only by the debtor and in respect of which the rate of interest is not lower than the rate which, in view of the circumstances and the terms and conditions of the debt, would have been agreed upon, when the debt was contracted, between the parties who were dealing at arm's length, if the loan of money had been part of the creditor's normal business and if neither of the parties contracted the debt by virtue of an office or employment, or by virtue of the fact that a person or partnership is a shareholder.

1983, c. 44, s. 26; 1997, c. 3, s. 71.

487.5.1. For the purpose of computing the benefit under the first paragraph of section 487.1 in a taxation year in respect of a debt contracted for a home purchase loan or a home relocation loan, the aggregate of all amounts each of which is the interest on all such debts, computed at the prescribed rate for the period in the year during which it was outstanding, must not exceed the aggregate of the amounts that would have been determined in this manner if the interest had been computed at the rate of 8% in the case of a debt contracted before 1 May 1987 or, in any other case, at the prescribed rate in effect at the time the debt was contracted.

1988, c. 4, s. 35; 2001, c. 53, s. 76; 2019, c. 14, s. 146; 2020, c. 16, s. 74.

487.5.2. For the purposes of sections 487.1 to 487.6, other than paragraph *b* of section 487.5, where a debt, other than a prescribed debt, contracted for a home purchase loan or a home relocation loan of an individual has a term for repayment exceeding five years, the balance outstanding on the debt on the date that is five years from the day the debt was contracted or was last deemed by this section to have been contracted is deemed to be a new debt contracted for a home purchase loan on that date.

1988, c. 4, s. 35.

487.5.3. For the purposes of sections 487.1 to 487.6, "home purchase loan" means that portion of any debt contracted by an individual in the circumstances referred to in section 487.1 that is used to acquire, or to repay a debt that was contracted to acquire, a dwelling or a share of the capital stock of a housing cooperative acquired for the sole purpose of acquiring the right to inhabit a dwelling owned by the cooperative, where the dwelling is for the habitation of any of the persons described in section 487.5.4, or that is used to repay a home purchase loan.

1988, c. 4, s. 35; 1993, c. 16, s. 198; 1997, c. 3, s. 71; 1997, c. 85, s. 81; 2000, c. 5, s. 115; 2001, c. 53, s. 77.

487.5.4. The persons referred to in section 487.5.3 are the following:

(a) the individual by virtue of whose office or employment the debt is contracted;

(b) a specified shareholder of the corporation by virtue of whose services the debt is contracted;

(c) a person related to a person described in paragraph *a* or *b*.

1988, c. 4, s. 35; 1997, c. 3, s. 71.

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

1983, c. 44, s. 26; 1985, c. 25, s. 93; 2005, c. 1, s. 116.

487.7. Where a synthetic disposition arrangement is entered into in respect of a property owned by a taxpayer and the synthetic disposition period of the arrangement is at least one year, the taxpayer is deemed

(a) to have disposed of the property immediately before the beginning of the synthetic disposition period for proceeds of disposition equal to its fair market value at the beginning of the synthetic disposition period; and

(b) to have reacquired the property at the beginning of the synthetic disposition period at a cost equal to its fair market value at the beginning of the synthetic disposition period.

The first paragraph does not apply in respect of a property owned by a taxpayer where

(a) the disposition referred to in the first paragraph would not result in the realization of a capital gain or income;

(b) the property of the taxpayer is a mark-to-market property (within the meaning of the first paragraph of section 851.22.1);

(c) the synthetic disposition arrangement referred to in the first paragraph is a lease of corporeal property;

(d) the arrangement is an exchange of property to which section 301 applies; or

(e) the property is disposed of as part of the arrangement, within one year after the day on which the synthetic disposition period of the arrangement begins.

2017, c. 1, s. 131.

TITLE VIII

AMOUNTS NOT INCLUDED IN COMPUTING INCOME

1972, c. 23.

CHAPTER I

GENERALITIES

1972, c. 23.

488. A taxpayer shall not include, in computing his income for a taxation year, the amounts provided for in this title or the regulations.

Such amounts include those that sections 218 to 220 provide are not to be included in computing income and the payments that Title I of Book VII provides are not to be included in computing income.

1972, c. 23, s. 386; 1993, c. 64, s. 36; 2000, c. 5, s. 116.

CHAPTER II

MISCELLANEOUS CASES

1972, c. 23.

489. The amounts which shall not be included also include:

(a) an amount received under a War Savings Certificate issued by His Majesty in right of Canada or under a similar savings certificate issued by His Majesty in right of Newfoundland before 1 April 1949;

(b) the income earned in Canada by a person who is not resident in Canada from international shipping or from the operation of aircraft in international traffic, if the country in which that person resides treats persons resident in Canada in the same manner;

(b.1) where the taxpayer is an individual (other than a trust), an amount ordinarily paid as a social assistance payment based on a means, needs or income test provided for under a program of the Government of Canada, of the government of a province or of an Indigenous governing body, within the meaning of section 2 of the Children's Special Allowances Act (S.C. 1992, c. 48), to the extent that it is received directly or indirectly by the taxpayer for the benefit of a particular individual, if

i. payments to recipients under the program are made for the care and upbringing, on a temporary basis, of another individual in need of protection,

ii. the particular individual is a child of the taxpayer because of paragraph *b* of the definition of "child" in section 1 (or would be a child of the taxpayer under that paragraph if the taxpayer did not receive payments under the program), and

iii. no special allowance under the Children's Special Allowances Act is payable in respect of the particular individual for the period in respect of which the social assistance payment is made;

(c) (paragraph repealed);

(c.1) an amount, other than a prescribed amount, ordinarily paid to an individual, other than a trust, as a social assistance payment based on a means, needs or income test under a program provided for by a law of Canada, of a province or of an Indigenous governing body, within the meaning of section 2 of the Children's Special Allowances Act, to the extent that it is received directly or indirectly by the individual for the benefit of another individual, other than the individual's spouse or a person who is related to the individual or to the individual's spouse, if

i. no family allowance under the Family Allowance Act (R.S.C. 1985, c. F-1) or any similar allowance under a law of a province is payable in respect of the other individual for the period in respect of which the social assistance payment is made, and

ii. throughout the period referred to in subparagraph i, the other individual resides in the individual's principal place of residence or the individual's principal place of residence is maintained for use as the residence of that other individual;

(c.2) an amount received by an individual as remuneration referred to in subparagraph 1 or 2 of the second paragraph of section 540 of the Act respecting the governance of the health and social services system (chapter G-1.021) or subparagraph 1 or 2 of the third paragraph of section 303 of the Act respecting health services and social services for the Inuit and Naskapi (chapter S-4.2), or following an Order in Council made under the Act respecting health services and social services for Cree Native persons (chapter S-5), where

i. the individual

(1) operates an intermediate resource within the meaning of section 538 of the Act respecting the governance of the health and social services system or section 302 of the Act respecting health services and social services for the Inuit and Naskapi,

(2) is a family-type resource within the meaning of section 552 of the Act respecting the governance of the health and social services system or is recognized as such under section 312 of the Act respecting health services and social services for the Inuit and Naskapi, or

(3) acts as a foster family within the meaning of subparagraph *o* of the first paragraph of section 1 of the Act respecting health services and social services for Cree Native persons, and

ii. throughout the period in respect of which the amount is received, the individual takes in at the individual's principal place of residence a maximum of nine persons referred to the individual by a public institution described in section 42 or 328 of the Act respecting the governance of the health and social services system or, as the case may be, in section 98 of the Act respecting health services and social services for the Inuit and Naskapi, or entrusted to the individual through a social service centre referred to in subparagraph *j* of the first paragraph of section 1 of the Act respecting health services and social services for Cree Native persons, or the individual maintains the individual's principal place of residence to be used as the residence of such persons;

(c.3) an amount received by an individual under a service contract entered into with the Minister of Public Security to establish a foster home and to facilitate the social rehabilitation of the persons required to live there, where

i. the foster home is maintained in the individual's principal place of residence, and

ii. throughout the period in respect of which the individual receives the amount, a maximum of nine persons are required to live in the foster home;

(d) interest received by a corporation resident in Canada, accrued, received or become receivable, on a bond, debenture, bill, note, hypothecary claim, mortgage or similar obligation which it receives as consideration for the disposition by it, before 18 June 1971, of a business carried on by it in a country other than Canada or all the shares of its subsidiary that carried on a business in such a country, and such of the

debts and other obligations of such subsidiary as were, immediately before such disposition, owing to the corporation;

(e) (paragraph repealed);

(f) (paragraph repealed);

*(f.*1*)* an amount that is credited or added to a deposit or account referred to in a foreign retirement arrangement as interest or other income in respect of the deposit or account, where the amount would, but for this paragraph, be included in computing the taxpayer's income by reason only of such crediting or adding;

(g) (paragraph repealed);

(h) (paragraph repealed);

(i) an amount paid to an individual in a taxation year under an arrangement described in paragraph *a* of section 47.16R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), to the extent that the amount may reasonably be considered to be attributable to an amount that

i. was included in computing the individual's income for a preceding taxation year and was income, interest or other additional amounts described in subparagraph iv of paragraph *a* of section 47.16R1 of the Regulation respecting the Taxation Act, and

ii. was paid again by the individual under the arrangement in a preceding taxation year;

(j) an amount received under the Dental Benefit Act (S.C. 2022, c. 14, s. 2).

1972, c. 23, s. 387; 1973, c. 17, s. 56; 1975, c. 21, s. 14; 1975, c. 22, s. 109; 1978, c. 26, s. 83; 1982, c. 5, s. 113; 1984, c. 15, s. 105; 1987, c. 67, s. 117; 1993, c. 16, s. 199; 1994, c. 22, s. 192; 1996, c. 39, s. 143; 1997, c. 3, s. 71; 2000, c. 5, s. 117; 2002, c. 40, s. 38; 2005, c. 1, s. 117; 2005, c. 32, s. 308; 2009, c. 24, s. 91; 2015, c. 21, s. 175; 2017, c. 1, s. 132; 2021, c. 14, s. 44; 2023, c. 2, s. 15; 2023, c. 19, s. 35; 2023, c. 34, s. 1048.

490. Paragraph *d* of section 489 applies only in the case of a public utility, if such public utility or the property described in that paragraph has been disposed of to a person resident in such other country and if the obligation received by the corporation has been issued or guaranteed by the government of that other country or any mandatary of such government.

1972, c. 23, s. 388; 1995, c. 49, s. 131; 1997, c. 3, s. 71; 2017, c. 29, s. 73.

CHAPTER III

CERTAIN PENSIONS AND COMPENSATIONS

1972, c. 23.

491. The following shall also be excluded in computing income:

(a) a pension payment in the case of disability or death arising out of a war from a country that was an ally of Canada at that time, if that country grants the same exemption for the year to persons receiving a pension contemplated in paragraph *e*;

(b) a pension payment, a grant or an allowance in respect of death or injury sustained in the explosion in Halifax in 1917 and received from the Halifax Relief Commission the incorporation of which was confirmed by An Act respecting the Halifax Relief Commission (S.C. 1918, c. 24) or received pursuant to the Halifax Relief Commission Pension Continuation Act (S.C. 1974-75-76, c. 88);

(c) a pension payment or compensation received under section 5, 31 or 45 of the Royal Canadian Mounted Police Pension Continuation Act (R.S.C. 1970, c. R-10) or sections 32 and 33 of the Royal Canadian Mounted Police Superannuation Act (R.S.C. 1985, c. R-11), in respect of an injury, disability or death;

(d) (paragraph repealed);

(e) compensation received under the regulations made under section 9 of the Aeronautics Act (R.S.C. 1985, c. A-2), an amount received under the Gallantry Awards Order made by the Government of Canada or a pension payment, an allowance or compensation that is received under the Pension Act (R.S.C. 1985, c. P-6), the Civilian War-related Benefits Act (R.S.C. 1985, c. C-31) or the War Veterans Allowance Act (R.S.C. 1985, c. W-3);

*(e.*1*)* an amount received or enjoyed by a taxpayer or the taxpayer's spouse or survivor, within the meaning of subsection 1 of section 146.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), on account of

i. a Canadian Forces income support benefit payable under Part 2 of the Veterans Well-being Act (S.C. 2005, c. 21),

ii. pain and suffering compensation, additional pain and suffering compensation or a critical injury benefit, disability award, death benefit, clothing allowance or detention benefit payable under Part 3 of the Veterans Well-being Act,

iii. a caregiver recognition benefit payable under Part 3.1 of the Veterans Well-being Act,

iv. an amount payable under subsection 1 of section 132 of the Veterans Well-being Act,

v. a benefit provided under the Veterans Health Care Regulations (SOR/90-594),

vi. a benefit provided in respect of Rehabilitation Services and Vocational Assistance under Part 2 of the Veterans Well-being Act,

vii. a benefit provided to a member of the Canadian Forces under the Compensation and Benefit Instructions for the Canadian Forces that is

(1) a home modifications benefit,

(2) a home modifications move benefit,

(3) a vehicle modifications benefit,

(4) a home assistance benefit,

(5) an attendant care benefit,

(6) a caregiver benefit,

(7) a spousal education upgrade benefit,

(8) a funeral and burial expenses benefit, or

(9) a next of kin travel benefit, or

viii. a benefit provided by the Department of National Defence as an education expense reimbursement for ill and injured members;

(e.2) an amount received under any of sections 100 to 103 of the Budget Implementation Act, 2016, No. 1 (S.C. 2016, c. 7);

(f) a payment made by the Federal Republic of Germany or by a public body performing a function of government within that country as compensation to a victim of National Socialist persecution, where such payment is exempt from income tax in the country of origin;

(g) an amount that, but for this paragraph, would be the income of the taxpayer for the year if

i. the taxpayer is the trust established under

(1) the 1986-1990 Hepatitis C Settlement Agreement entered into by Her Majesty in right of Canada and Her Majesty in right of each of the provinces,

(2) the Pre-1986/Post-1990 Hepatitis C Settlement Agreement entered into by Her Majesty in right of Canada,

(3) the Indian Residential Schools Settlement Agreement entered into by Her Majesty in right of Canada on 8 May 2006,

(4) the Settlement Agreement entered into by Her Majesty in Right of Canada on 15 September 2021 in respect of the class action relating to long-term drinking water quality for impacted First Nations, or

(5) the Settlement Agreement entered into by His Majesty in right of Canada on 18 January 2023 in respect of the class action relating to the attendance of day scholars at residential schools, and

ii. the only amounts paid to the taxpayer before the end of the year are those provided for under the relevant agreement described in subparagraph i; or

(h) an amount received under the Memorial Grant Program for First Responders established under the authority of the Department of Public Safety and Emergency Preparedness Act (S.C. 2015, c. 10) in respect of individuals who die in the course of, or as a result of, their duties or as a result of an occupational illness or psychological impairment.

1972, c. 23, s. 389; 1977, c. 26, s. 59; 1984, c. 15, s. 106; 1990, c. 59, s. 178; 1993, c. 16, s. 200; 1995, c. 49, s. 132; 1996, c. 39, s. 144; 2001, c. 7, s. 50; 2006, c. 36, s. 43; 2015, c. 21, s. 176; 2017, c. 1, s. 133; 2019, c. 14, s. 147; 2020, c. 16, s. 77; 2023, c. 2, s. 16; 2024, c. 11, s. 52.

CHAPTER IV

Repealed, 1997, c. 14, s. 80.

1997, c. 14, s. 80.

492. *(Repealed).*

1972, c. 23, s. 390; 1993, c. 64, s. 37; 1997, c. 14, s. 80.

492.1. *(Repealed).*

1993, c. 64, s. 38; 1997, c. 14, s. 80.

492.2. *(Repealed).*

1993, c. 64, s. 38; 1995, c. 49, s. 133.

493. *(Repealed).*

1972, c. 23, s. 391; 1975, c. 21, s. 15; 1982, c. 56, s. 13; 1990, c. 85, s. 122; 1995, c. 1, s. 44; 1997, c. 3, s. 71; 1997, c. 14, s. 80.

493.0.1. *(Repealed).*

1995, c. 1, s. 45; 1997, c. 14, s. 80.

493.1. *(Repealed).*

1982, c. 5, s. 114; 1997, c. 14, s. 80.

CHAPTER V

INCOME FROM CERTAIN PROPERTY

1973, c. 17, s. 57.

494. An individual is not required to include in computing his income the income for the year from property acquired by or on behalf of a person as indemnity for, or pursuant to an action for, damages in respect of physical or mental injury to the person, or from any property substituted for the first property and any taxable capital gain for the year from the disposition of any such property,

(a) where the income was income from the property, if the income was earned in respect of a period before the end of the taxation year in which the person attained the age of 21 years; and

(b) in any other case, if the person was less than 21 years of age during any part of the year.

1973, c. 17, s. 57; 1974, c. 18, s. 22; 1982, c. 5, s. 115; 1986, c. 19, s. 115; 1995, c. 1, s. 46.

495. An individual is not required to include in computing his income the income for the year from any income that is by virtue of section 494 or this section not required to be included in computing his income, unless the income is attributable to any period after the end of the taxation year in which the person on whose behalf the income was earned attained the age of 21 years.

1975, c. 21, s. 16; 1986, c. 19, s. 115; 1995, c. 1, s. 46.

496. An individual referred to in section 494 who makes, for the taxation year in which a person who suffered physical or mental injury reached 21 years of age, a valid election under subsection 5 of section 81 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to a property described in section 494, is deemed to have disposed of the property on the day preceding the date on which the person reached 21 years of age for proceeds of disposition equal to the fair market value of the property on that day and to have reacquired it immediately after at a cost equal to those proceeds.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 5 of section 81 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1977, c. 26, s. 60; 1995, c. 1, s. 46; 2005, c. 23, s. 52; 2009, c. 5, s. 171.

TITLE IX

CORPORATIONS RESIDENT IN CANADA AND THEIR SHAREHOLDERS

1972, c. 23; 1997, c. 3, s. 71.

CHAPTER I

TAXABLE DIVIDENDS

1972, c. 23.

497. A taxpayer shall include, in computing the taxpayer's income for a taxation year, the aggregate of

(a) the amount by which the aggregate of all amounts, other than eligible dividends or amounts described in any of subparagraphs *c* to *e*, received by the taxpayer in the year from corporations resident in Canada as, on account of, in lieu of payment of or in satisfaction of, taxable dividends exceeds, if the taxpayer is an individual, the aggregate of all amounts each of which is, or is deemed under subparagraph *b* of the third paragraph of section 21.33.2 to have been, paid by the taxpayer in the year and deemed under section 21.32 to have been received by another person as a taxable dividend (other than an eligible dividend);

(b) the amount by which the aggregate of all amounts, other than amounts included in computing the taxpayer's income because of any of subparagraphs *c* to *e*, received by the taxpayer in the year from corporations resident in Canada as, on account of, in lieu of payment of or in satisfaction of, eligible dividends exceeds, if the taxpayer is an individual, the aggregate of all amounts each of which is, or is deemed under subparagraph *b* of the third paragraph of section 21.33.2 to have been, paid by the taxpayer in the year and deemed under section 21.32 to have been received by another person as an eligible dividend;

(c) the aggregate of the taxable dividends received by the taxpayer at any time in the year on a share acquired before that time and after 30 April 1989 from corporations resident in Canada under a dividend rental arrangement of the taxpayer;

(d) the aggregate of the taxable dividends, other than taxable dividends described in subparagraph *c*, received by the taxpayer in the year from corporations resident in Canada that are not taxable Canadian corporations; and

(e) if the taxpayer is a trust, the aggregate of all amounts each of which is all or part of a taxable dividend, other than a dividend described in subparagraph *c* or *d*, that was received by the trust in the year on a share of the capital stock of a taxable Canadian corporation and that can reasonably be considered to have been included in computing the income of a beneficiary under the trust who was not resident in Canada at the end of the year.

The taxpayer shall also include, in computing the taxpayer's income for a taxation year, if the taxpayer is an individual, other than a trust that is a registered charity, the aggregate of

(a) the product obtained by multiplying the excess amount determined in respect of the taxpayer under subparagraph *a* of the first paragraph for the year by

i. 16%, for the taxation year 2018, and

ii. 15%, for a taxation year subsequent to the taxation year 2018; and

(b) 38% of the excess amount determined in respect of the taxpayer under subparagraph *b* of the first paragraph for the year.

1972, c. 23, s. 392; 1975, c. 22, s. 110; 1978, c. 26, s. 84; 1988, c. 18, s. 48; 1990, c. 59, s. 179; 1991, c. 25, s. 80; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 2001, c. 7, s. 51; 2009, c. 5, s. 172; 2009, c. 15, s. 90; 2015, c. 21, s. 177; 2015, c. 24, s. 80; 2017, c. 1, s. 134; 2019, c. 14, s. 148.

498. A taxpayer who must, by reason of sections 316, 316.1, 456 to 458, 462.1 to 462.24 and 466 to 467.1, include in computing his income for a taxation year a dividend received by another person is deemed, for the purposes of this Part, to have received such dividend.

1972, c. 23, s. 393; 1987, c. 67, s. 118; 1990, c. 59, s. 180.

498.1. If a corporation makes a valid election, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), under subsection 2 of section 185.1 of that Act in relation to an eligible dividend (in this section referred to as the "original dividend for federal purposes") that it paid at a particular time after 23 March 2006, the following rules apply:

(a) despite the definition of "eligible dividend" in section 1, the amount of the dividend corresponding to the original dividend for federal purposes, that is an eligible dividend (in this section referred to as the "original dividend for Québec purposes") that the corporation paid at the particular time is deemed to be equal to the lesser of the amount of the original dividend for Québec purposes, determined without reference to this section, and the amount of the original dividend for federal purposes, determined under paragraph *a* of subsection 2 of section 185.1 of the Income Tax Act;

(b) an amount equal to the amount by which the amount of the original dividend for Québec purposes, determined without reference to this section, exceeds the amount of the original dividend for Québec purposes, determined under subparagraph *a*, is deemed to be a separate taxable dividend, other than an eligible dividend, that was paid by the corporation immediately before the particular time;

(c) each shareholder of the corporation who at the particular time held any of the issued shares of the class of shares in respect of which the original dividend for Québec purposes was paid is deemed

i. not to have received the original dividend for Québec purposes, and

ii. to have received at the particular time

(1) as an eligible dividend, the shareholder's proportional share of the amount of any dividend determined under subparagraph *a*, and

(2) as a taxable dividend, other than an eligible dividend, the shareholder's proportional share of the amount of any dividend determined under subparagraph *b*;

(d) a shareholder's proportional share of the amount of a dividend paid at any time on a class of shares of the capital stock of a corporation is the proportion of that amount that the number of shares of that class held by the shareholder at that time is of the number of shares of that class outstanding at that time; and

(e) not later than 30 days after the day on which the election is made, the corporation shall notify the Minister in writing of the election and attach to the notice a copy of every document sent to the Minister of National Revenue in connection with the election.

In the event of non-compliance with a requirement of subparagraph *e* of the first paragraph, the corporation incurs a penalty of $25 a day for every day the omission continues, up to $2,500.

Under this Part and despite sections 1010 to 1011, the Minister may make such assessments of the tax, interest and penalties payable as are necessary for any taxation year to give effect to the rules set out in this section in relation to the original dividend for Québec purposes, if the corporation fails to comply with a

requirement of subparagraph *e* of the first paragraph in relation to the valid election referred to in that paragraph in respect of the original dividend for federal purposes or if the corporation makes the election after the day that is 30 months after the day on which the original dividend for federal purposes was paid.

2009, c. 5, s. 173.

499. *(Repealed).*

1972, c. 23, s. 394; 1986, c. 19, s. 116; 1989, c. 5, s. 69; 1997, c. 3, s. 71; 2003, c. 9, s. 31.

CHAPTER II

SPECIAL RULES

1972, c. 23.

500. For the purposes of sections 501 to 517 and 556 to 568, where a dividend becomes payable for more than one class of shares of the capital-stock of a corporation at the same time, the dividend on each class is deemed to become payable at a different time.

The dividends referred to in the first paragraph are deemed to become payable in the order designated in their respect in accordance with subsection 3 of section 89 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 3 of section 89 of the Income Tax Act or in relation to an election made under this section before 20 December 2006, and must, if the order referred to in the second paragraph was designated by the Minister of National Revenue, be applied, with the necessary modifications, as if the designation had been made by the corporation.

1973, c. 17, s. 58; 1982, c. 5, s. 116; 1997, c. 3, s. 71; 1997, c. 31, s. 53; 2009, c. 5, s. 174.

501. Where a dividend contemplated in section 501.1 is paid, the following rules apply:

(a) no part of that dividend shall be included in computing the income of a shareholder of the corporation under this Title; and

(b) in computing the adjusted cost base of a share on which such a dividend is paid, the shareholder must deduct, in respect of that dividend, an amount as provided by subparagraph i of paragraph *g* of section 257.

1972, c. 23, s. 395; 1973, c. 17, s. 59; 1978, c. 26, s. 85; 1997, c. 3, s. 71.

501.1. A dividend referred to in section 501 is a dividend on a share that is outstanding on 31 March 1977 of a prescribed series of tax-deferred preferred shares of a class of the capital stock of a public corporation, where that dividend becomes payable by the corporation after 1978 and, according to the case that applies to that series, not later than,

(a) where the holder of each share of that series was entitled, under the terms and conditions in force on 31 March 1977 of those shares, to exchange it after a particular date for a share of another series or class of preferred shares of the capital stock of the corporation, that particular date;

(b) where the corporation was required, under the terms and conditions in force on 31 March 1977 of the shares of that series, to offer to purchase from all of the holders of those shares, no later than a particular date, all of the shares of that series, that particular date; or

(c) in any other, 1 October 1991.

1978, c. 26, s. 86; 1997, c. 3, s. 71.

501.2. A dividend that would otherwise be referred to in section 501.1 is deemed not to be such a dividend if, at the time the dividend becomes payable, the terms of the shares of the series referred to in the said section differ from the terms in force on 31 March 1977 of those shares or if the corporation issued additional shares of that series after 31 March 1977.

1978, c. 26, s. 86; 1997, c. 3, s. 71.

501.3. For the purposes of this chapter, where, after 31 March 1977, there is an amalgamation within the meaning of section 544 and, immediately before the amalgamation, the capital stock of a predecessor corporation includes a prescribed series of preferred shares contemplated in section 501.1, that series is deemed to continue to exist in the form of shares of the capital stock of the new corporation and the latter is deemed to be the same corporation as the predecessor corporation.

1979, c. 18, s. 40; 1997, c. 3, s. 71.

502. If, at a particular time after 1971, a dividend becomes payable by a private corporation on a share of its capital stock and the corporation makes an election, at the latest at the particular time or, if it is earlier, on the day on which a portion of the dividend was paid, the following rules apply:

(a) the dividend is deemed a capital dividend to the extent of its capital dividend account immediately before the particular time; and

(b) no portion of the dividend shall be included in computing the income of a shareholder of the corporation.

1972, c. 23, s. 396; 1973, c. 17, s. 60; 1978, c. 26, s. 87; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2006, c. 13, s. 39.

502.0.1. Notwithstanding section 502, where a dividend that, but for this section, would be a capital dividend is paid on a share of the capital stock of a corporation and the share, or another share for which the share was substituted, was acquired by the holder thereof in a transaction or as part of a series of transactions one of the main purposes of which was to receive the dividend, the following rules apply:

(a) for the purposes of this Act, except section 503.0.1, the dividend is deemed to be received by the shareholder and paid by the corporation as a taxable dividend and not as a capital dividend; and

(b) paragraph *b* of section 502 does not apply in respect of the dividend.

1990, c. 59, s. 181; 1997, c. 3, s. 71; 2015, c. 21, s. 178.

502.0.2. Section 502.0.1 does not apply in respect of a particular dividend, in respect of which an election is made under section 502, paid on a share of the capital stock of a particular corporation to an individual where it is reasonable to consider that all or substantially all of the capital dividend account of the particular corporation, as determined under section 89 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and without reference to paragraph *b* of section 570, immediately before the particular dividend became payable consisted of amounts other than

(a) any amount added to the account by reason of paragraph *b* of the definition of "capital dividend account" in subsection 1 of section 89 of the said Act in respect of a dividend received on a share of the capital stock of another corporation which share, or another share for which the share was substituted, was acquired by the particular corporation in a transaction or as part of a series of transactions one of the main purposes of which was that the particular corporation receive the dividend, but not in respect of a dividend where it is reasonable to consider that the purpose of paying the dividend was to distribute an amount that was received by the other corporation and included in computing the other corporation's capital dividend account, as determined under section 89 of the said Act and without reference to paragraph *b* of section 570, by reason of paragraph *d* of the definition of "capital dividend account" in subsection 1 of section 89 of the said Act;

(b) any amount added to the account by reason of paragraph *z*.1 of subsection 2 of section 87 of the said Act as a result of an amalgamation or winding-up or a series of transactions including the amalgamation or

winding-up that would not have been so added had the amalgamation or winding-up occurred or the series of transactions including the amalgamation or winding-up been commenced after 4:00 p.m. Eastern Daylight Saving Time, 25 September 1987;

(c) any amount added to the account at the time when the particular corporation was controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada; or

(d) any amount in respect of a capital gain from a disposition of a property by the particular corporation or another corporation that may reasonably be considered as having accrued while the property, or another property for which it was substituted, was a property of a corporation that was controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada.

1990, c. 59, s. 181; 1995, c. 49, s. 134; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

502.0.3. Section 502.0.1 does not apply in respect of a dividend, in respect of which an election is made under section 502, paid on a share of the capital stock of a corporation where it is reasonable to consider that the purpose of paying the dividend was to distribute an amount that was received by the corporation and included in computing its capital dividend account, as determined under section 89 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and without reference to paragraph *b* of section 570, by reason of paragraph *d* of the definition of "capital dividend account" in subsection 1 of section 89 of the said Act.

1990, c. 59, s. 181; 1995, c. 49, s. 135; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

502.0.4. Section 502.0.1 does not apply in respect of a particular dividend, in respect of which an election is made under section 502, paid on a share of the capital stock of a particular corporation to a corporation related, otherwise than by reason of a right referred to in paragraph *b* of section 20, to the particular corporation, and in this section referred to as the "related corporation", where it is reasonable to consider that all or substantially all of the capital dividend account of the particular corporation, as determined under section 89 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and without reference to paragraph *b* of section 570, immediately before the particular dividend became payable consisted of amounts other than

(a) any amount added to the account by reason of paragraph *b* of the definition of "capital dividend account" in subsection 1 of section 89 of the said Act in respect of a dividend received on a share of the capital stock of another corporation if it is reasonable to consider that any portion of the capital dividend account of that other corporation, as determined under the said section 89 and without reference to paragraph *b* of section 570, immediately before that dividend became payable consisted of an amount added thereto by reason of paragraph *z*.1 of subsection 2 of section 87 of the said Act or of paragraph *b* of the definition of "capital dividend account" in subsection 1 of the said section 89 as a result of a transaction or a series of transactions that would not have been so added had the transaction occurred or the series of transactions been commenced after 4:00 p.m. Eastern Daylight Saving Time, 25 September 1987;

(b) any amount that represented the capital dividend account of a corporation, as determined under the said section 89 and without reference to paragraph *b* of section 570, before it became related to the related corporation;

(c) any amount added to the account at the time when the particular corporation was controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada;

(d) any amount in respect of a capital gain from a disposition of a property by the particular corporation or another corporation that may reasonably be considered as having accrued while the property, or another property for which it was substituted, was a property of a corporation that was controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada; or

(e) any amount in respect of a capital gain from a disposition of a property, or another property for which it was substituted, that may reasonably be considered as having accrued while the property or the other property was a property of a person that was not related to the related corporation.

1990, c. 59, s. 181; 1995, c. 49, s. 136; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

502.1. *(Repealed).*

1984, c. 15, s. 107; 1987, c. 67, s. 119.

503. The election referred to in section 502 is valid only if it is made in prescribed form and prescribed manner for the total amount of the dividend.

1972, c. 23, s. 397; 1975, c. 22, s. 111; 1977, c. 26, s. 61; 1978, c. 26, s. 88; 1984, c. 15, s. 107; 1987, c. 67, s. 120; 2001, c. 53, s. 78.

503.0.0.1. For the purposes of section 502, an election that is filed after the time provided for in that section is deemed to have been filed on or before that time if

(a) the election is made in accordance with section 503;

(b) an estimate by the corporation of the penalty under section 503.0.0.2 is paid when the election is filed; and

(c) the directors or any other person legally entitled to administer the affairs of the corporation has previously authorized the election.

2006, c. 13, s. 40.

503.0.0.2. The penalty referred to in paragraph *b* of section 503.0.0.1 is equal to the lesser of

(a) 1% per year of the amount of the dividend referred to in section 502 for each month or part of a month during the period that begins on the day on which the time provided for in section 502 for making the election expires and that ends on the day on which the election to which section 503.0.0.1 applies is filed with the Minister; and

(b) an amount equal to the product obtained by multiplying $500 by the proportion that the number of months included, in whole or in part, in the period described in paragraph *a* is of 12.

2006, c. 13, s. 40.

503.0.0.3. The Minister shall examine with dispatch the election to which section 503.0.0.1 applies, determine the penalty payable and send a notice of assessment to the corporation, which shall pay the unpaid balance of the penalty to the Minister without delay.

2006, c. 13, s. 40.

503.0.1. Where a corporation has made an election under one or another of sections 502, 1106, 1113 and 1116 in respect of the total amount of a dividend payable by the corporation at a particular time and has later made a valid prescribed election in respect of that dividend, the prescribed rules arising from the prescribed election also apply, with the necessary modifications, for the purposes of this Act and the corporation having made the latter election shall, upon or before making the election, inform the Minister in a manner satisfactory to the Minister and send to the Minister the prescribed documents.

1988, c. 4, s. 36; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2001, c. 53, s. 79.

503.1. *(Repealed).*

1982, c. 5, s. 117; 1984, c. 15, s. 108; 1997, c. 3, s. 71; 2015, c. 21, s. 179.

503.2. *(Repealed).*

1988, c. 4, s. 37; 1997, c. 3, s. 71; 2001, c. 53, s. 80; 2015, c. 21, s. 179.

CHAPTER III

DEEMED DIVIDENDS

1972, c. 23; 1994, c. 22, s. 193.

DIVISION I

SHARES OF A CORPORATION

1975, c. 22, s. 112; 1997, c. 3, s. 71.

504. (1) A corporation resident in Canada which, at a particular time after 31 December 1971, increases its paid-up capital in respect of the shares of a given class of its capital stock, is deemed to have then paid, on the issued shares of such class, a dividend equal to the excess of the increase in the paid-up capital over the aggregate of the amount of the increase in the value of the assets or the decrease in the liabilities, as the case may be, contemplated in paragraph *b* of subsection 2, of the amount of the reduction contemplated in paragraph *c* of subsection 2 and of the amount of the increase in the paid-up capital that resulted from a conversion referred to in any of paragraphs *d* to *f* of subsection 2.

(2) Subsection 1 does not apply if the increase in the paid-up capital is the result of:

(a) the payment of a stock dividend;

(b) a transaction by which the value of the assets less the liabilities has been increased by an amount at least equal to the increase in the paid-up capital in respect of the shares of the class contemplated, or by which the liabilities less the value of the assets has been decreased by such an amount;

(c) a transaction by which the paid-up capital in respect of shares of other classes of the capital stock of the corporation has been reduced by an amount at least equal to the increase in the paid-up capital in respect of the shares of such class;

(d) a transaction by which an insurance corporation converts contributed surplus related to its insurance business (other than any portion of that contributed surplus that arose at a time when the corporation was not resident in Canada, or that arose in connection with a disposition to which subsection 1.1 of section 212.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) applies or an investment to which subsection 2 of section 212.3 of that Act applies) into paid-up capital in respect of shares of its capital stock;

(e) a transaction by which a bank converts contributed surplus resulting from the issuance of shares of its capital stock (other than any portion of that contributed surplus that arose at a time when the corporation was not resident in Canada, or that arose in connection with a disposition to which subsection 1.1 of section 212.1 of the Income Tax Act applies or an investment to which subsection 2 of section 212.3 of that Act applies) into paid-up capital in respect of shares of its capital stock; or

(f) a transaction by which a corporation, other than an insurance corporation or a bank, converts into paid-up capital in respect of a particular class of shares of its capital stock any of its contributed surplus (other than any portion of that contributed surplus that arose at a time when the corporation was not resident in Canada, or that arose in connection with a disposition to which subsection 1.1 of section 212.1 of the Income Tax Act applies or an investment to which subsection 2 of section 212.3 of that Act applies) resulting, after 31 March 1977,

i. from the issuance of shares of that class or shares of another class for which shares of that class were substituted, other than an issuance to which any of sections 236.3, 301, 301.1, 419 and 419.0.1 or Chapters III.1 to VI apply,

ii. from the acquisition of property by the corporation from a person who, at the time of the acquisition, held any of the issued shares of that class or shares of another class for which shares of that class were substituted, where the property is acquired for no consideration or for consideration that does not include shares of the capital stock of the corporation, or

iii. from a transaction by which the paid-up capital in respect of that class of shares or in respect of shares of another class for which shares of that class were substituted was reduced by the corporation, to the extent of the reduction in paid-up capital that resulted from the transaction.

1972, c. 23, s. 398; 1982, c. 5, s. 118; 1990, c. 59, s. 182; 1993, c. 16, s. 201; 1995, c. 49, s. 137; 1997, c. 3, s. 71; 2010, c. 25, s. 37; 2015, c. 21, s. 180; 2021, c. 14, s. 45.

504.1. For the purposes of paragraph *f* of subsection 2 of section 504, there shall be deducted in determining at any time the contributed surplus of a corporation that results, after 31 March 1977, from any event described in that paragraph the lesser of

(a) the amount by which the amount of a dividend paid by the corporation at or before that time and after 31 March 1977 while being a public corporation, exceeds its retained earnings immediately before the payment of the dividend, and

(b) the amount of the contributed surplus of the corporation immediately before the payment of the dividend referred to in paragraph *a*, that results, after 31 March 1977, from any event described in paragraph *f* of subsection 2 of section 504.

1993, c. 16, s. 202; 1997, c. 3, s. 71.

504.2. For the purposes of subparagraph ii of paragraph *f* of subsection 2 of section 504, where the property acquired by the corporation consists of shares of any class of the capital stock of another corporation resident in Canada, in this section referred to as the "particular corporation", and, immediately after the acquisition, the particular corporation is connected, within the meaning of the regulations, with the corporation, the contributed surplus of the corporation that arose on the acquisition is deemed to be the lesser of

(a) the amount added to the contributed surplus of the corporation on the acquisition, and

(b) the amount by which the paid-up capital in respect of the shares at the time of the acquisition exceeded the fair market value of any consideration given by the corporation for the shares.

1995, c. 49, s. 138; 1997, c. 3, s. 71.

505. A corporation resident in Canada the funds or property of which have, at any time after 31 March 1977, been distributed or otherwise appropriated in any manner whatever to or for the benefit of the shareholders of any class of shares in its capital stock, pursuant to the winding-up, discontinuance or reorganization of its business, is deemed to have paid at that time a dividend on the shares of that class equal to the amount by which the amount of the funds or value of the property so distributed or appropriated exceeds the amount of the reduction of the paid-up capital in respect of the shares of that class pursuant to that distribution or appropriation.

1972, c. 23, s. 399; 1978, c. 26, s. 89; 1997, c. 3, s. 71.

506. A corporation resident in Canada which, at any time after 1977, by way of a transaction other than that described in section 505, redeems, acquires or cancels a share of any class of its capital stock, is deemed to pay at that time, on a separate class of shares comprising the shares that are the subject of that transaction, a

dividend equal to the amount by which the amount paid for that transaction by the corporation exceeds the paid-up capital in respect of those shares immediately before that time.

1972, c. 23, s. 400; 1978, c. 26, s. 89; 1997, c. 3, s. 71.

506.1. Any amount paid by a public corporation on the reduction of the paid-up capital in respect of any class of shares of its capital stock, otherwise than by way of a redemption, acquisition or cancellation of a share of that class or by way of a transaction described in section 505 or Chapter V, is deemed to have been paid by the corporation and received by the person to whom it was paid, as a dividend, unless

(a) the amount may reasonably be considered to be derived from proceeds of disposition realized by the corporation, or by a person or partnership in which the corporation had a direct or indirect interest at the time that the proceeds were realized, from a transaction that occurred

i. outside the ordinary course of the business of the corporation, or of the person or partnership that realized the proceeds, and

ii. within the period that began 24 months before the payment; and

(b) no amount that may reasonably be considered to be derived from those proceeds was paid by the corporation on a previous reduction of the paid-up capital in respect of any class of shares of its capital stock.

1979, c. 18, s. 41; 1997, c. 3, s. 71; 2009, c. 5, s. 175.

507. A corporation resident in Canada which has, at any time after 31 March 1977, reduced the paid-up capital in respect of any class of shares of its capital stock in a manner other than those referred to in sections 505 to 506.1, is deemed to have paid at that time, on the shares of that class, a dividend equal to the amount by which the amount it pays in respect to that reduction, exceeds the amount of that reduction.

1972, c. 23, s. 401; 1978, c. 26, s. 89; 1979, c. 18, s. 42; 1997, c. 3, s. 71.

508. Where, at any time after 16 November 1978, the paid-up capital of a term preferred share owned by a shareholder that is a specified financial institution or a partnership or trust of which such institution or a person related thereto is a member or a beneficiary and acquired in the ordinary course of the business carried on by the shareholder, is reduced otherwise than as described in sections 505 to 506.1, or where, under sections 504 to 507, a dividend is deemed to have been paid at a particular time on a particular class of shares, for a determined value, the owner of the term preferred share at that time or each person holding shares of that class at that time or immediately after that time in the case contemplated in section 504, is deemed to receive as a dividend, in the case of such a reduction of the paid-up capital of the term preferred share, or in the case contemplated in section 506.1, an amount equal to the amount he in fact receives in respect of the reduction of the paid-up capital or, in other cases, an amount equal to the proportion of the value of the dividend so deemed to have been paid that

(a) the number of shares of that class which he holds immediately before that particular time is of the total number of issued shares of that class immediately before that time, in the cases contemplated in sections 505 and 507, or the number of shares of that separate class which he holds at that time is of the total number of shares of that separate class, in the case contemplated in section 506; or

(b) the number of shares of that class which he holds immediately after that particular time is of the total number of shares of that class issued immediately after that time, in the case contemplated in section 504.

1972, c. 23, s. 402; 1978, c. 26, s. 90; 1979, c. 18, s. 43; 1980, c. 13, s. 50; 1982, c. 5, s. 119; 1990, c. 59, s. 183; 1997, c. 3, s. 71.

508.1. Where, at any time after 31 December 1987, the paid-up capital in respect of a share of the capital stock of a particular corporation is reduced otherwise than as described in sections 505 to 506.1 and the share is owned by a shareholder that is another corporation that would be denied, by reason of sections 740.2 to 740.3.1 or section 740.5, the deduction under section 738, 740 or 845 in respect of a dividend received on the share, if the particular corporation were a taxable Canadian corporation, or by a partnership or trust of which

such other corporation is a member or a beneficiary, the amount received by the shareholder on the reduction of the paid-up capital in respect of the share is deemed to be a dividend received by the shareholder at that time.

1990, c. 59, s. 184; 1997, c. 3, s. 71.

509. For the purposes of sections 505 to 508, where the property referred to in section 505 or the amount paid by the corporation and referred to in section 506 or 507 includes a share of the capital stock of that corporation, the following rules apply:

(a) in computing the value of that property at any time, the share must be valued at an amount equal to its paid-up capital at that time; and

(b) in computing that amount at any time, the share must be valued at an amount equal to the amount by which the paid-up capital in respect of the class of shares in which it is comprised has increased by virtue of its issue.

1972, c. 23, s. 403; 1978, c. 26, s. 91; 1997, c. 3, s. 71.

509.1. *(Repealed).*

1991, c. 8, s. 8; 1995, c. 63, s. 39; 1997, c. 14, s. 81; 2009, c. 15, s. 91.

510. Sections 505 and 506 do not apply in respect of any transaction or event to the extent that section 504 applies in respect of that transaction or event, or in respect of any purchase, by a corporation, of one or more of its shares in the open market in the manner in which shares would normally be purchased by any member of the public.

1972, c. 23, s. 404; 1990, c. 59, s. 185; 1997, c. 3, s. 71.

510.0.1. If the shareholder of a corporation disposes of a share of the capital stock of the corporation as a result of the redemption, acquisition or cancellation of the share by the corporation, the shareholder is, for the purposes of this Part, deemed to dispose of the share to the corporation.

1986, c. 19, s. 117; 1997, c. 3, s. 71; 2011, c. 1, s. 32.

510.1. Section 508 does not apply to deem a dividend to have been received by a shareholder of a public corporation where that section would otherwise have been applicable as a consequence of the application of section 506 and the following conditions are met:

(a) the shareholder is an individual resident in Canada who deals at arm's length with the corporation;

(b) the shares redeemed, acquired or cancelled are prescribed shares of the capital stock of the corporation.

1984, c. 15, s. 109; 1985, c. 25, s. 94; 1987, c. 67, s. 121; 1997, c. 3, s. 71.

DIVISION II

DEBTS OF A CORPORATION

1975, c. 22, s. 113; 1997, c. 3, s. 71.

511. In computing the adjusted cost base, after 31 March 1977, of a debt owing to an individual by a corporation on 31 March 1977, the individual must deduct the amount of any dividend he would be deemed to have received on that date if the corporation had paid the debt in full on that date.

However, this section does not apply where the debt contemplated in the first paragraph is converted, after 31 March 1977 and before 1979, into shares of a particular class of the capital stock of the corporation and the debt was owing to the individual by the corporation continuously from 31 March 1977 until the time of that conversion.

1975, c. 22, s. 113; 1978, c. 26, s. 92; 1997, c. 3, s. 71.

512. *(Replaced).*

1975, c. 22, s. 113; 1978, c. 26, s. 92.

513. *(Replaced).*

1975, c. 22, s. 113; 1978, c. 26, s. 92.

514. *(Replaced).*

1975, c. 22, s. 113; 1978, c. 26, s. 92.

515. *(Replaced).*

1975, c. 22, s. 113; 1978, c. 26, s. 92.

516. *(Replaced).*

1975, c. 22, s. 113; 1978, c. 26, s. 92.

DIVISION III

RULE APPLICABLE TO PAYMENT

1975, c. 22, s. 113.

517. A dividend that is deemed by this chapter, Chapter III.1 or Chapter I of Title I.1 of Book VI to have been paid at a particular time is deemed, for the purposes of this Title, to have become payable at that time.

1972, c. 23, s. 405; 1993, c. 16, s. 203; 2001, c. 53, s. 81; 2004, c. 8, s. 104.

CHAPTER III.1

NON-ARM'S LENGTH DISPOSITION OF SHARES

1978, c. 26, s. 93.

DIVISION I

GENERAL RULES

2017, c. 1, s. 135.

517.1. The rules provided in this chapter apply where, after 22 May 1985, a taxpayer resident in Canada other than a corporation disposes of shares, hereinafter referred to as the "subject shares", that are capital property for him, of any class of the capital stock of a particular corporation resident in Canada in favour of another corporation, hereinafter referred to as the "purchaser corporation", with which he does not deal at arm's length and, immediately after the disposition, the particular corporation is connected, within the meaning of the regulations, with the purchaser corporation.

1978, c. 26, s. 93; 1979, c. 18, s. 44; 1987, c. 67, s. 122; 1997, c. 3, s. 71.

517.2. For the purposes of this Part and subject to section 517.5.5, a dividend equal to the amount by which the aggregate determined under section 517.3 exceeds the aggregate determined under section 517.3.1 is deemed to have been paid to the taxpayer by the purchaser corporation, and received by the taxpayer from the purchaser corporation, at the time of the disposition.

1978, c. 26, s. 93; 1987, c. 67, s. 122; 1993, c. 16, s. 204; 2017, c. 1, s. 136.

517.3. The aggregate referred to in the first instance in section 517.2 is the sum of

(a) the increase, determined without reference to section 84.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) as it applies to the acquisition of the subject shares, in the paid-up capital in respect of all shares of the capital stock of the purchaser corporation as a result of the issue by that corporation of new shares as consideration for the subject shares;

(b) the fair market value, immediately after the disposition, of any consideration, other than the new shares, received by the taxpayer from the purchaser corporation for the subject shares.

1978, c. 26, s. 93; 1984, c. 15, s. 110; 1987, c. 67, s. 122.

517.3.1. The aggregate referred to in the second instance in section 517.2 is the sum of

(a) the greater of

i. the paid-up capital, immediately before the disposition, in respect of the subject shares, and

ii. subject to sections 517.4 to 517.4.2, the adjusted cost base to the taxpayer, immediately before the disposition, of the subject shares;

(b) the aggregate of all amounts required to be deducted by the purchaser corporation under paragraph *a* of subsection 1 of section 84.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in computing the paid-up capital in respect of any class of shares of its capital stock by virtue of the acquisition of the subject shares.

1987, c. 67, s. 122.

517.4. For the purposes of this chapter, where a share disposed of by a taxpayer was acquired by him before 1 January 1972, the adjusted cost base to the taxpayer of the share at any time is deemed to be equal to the aggregate of

(a) the amount that would be its adjusted cost base to him if the Act respecting the application of the Taxation Act (chapter I-4) were read without reference to the first two paragraphs of section 68 or to section 72;

(b) all amounts each of which is an amount received by the taxpayer after 31 December 1971 and before that time as a dividend on the share and in respect of which the corporation that paid the dividend has made an election under section 501 as it read in its application to a dividend that became payable before 1 January 1979.

1978, c. 26, s. 93; 1987, c. 67, s. 122; 1990, c. 59, s. 186; 1997, c. 3, s. 71.

517.4.1. For the purposes of this chapter, where a share disposed of by a taxpayer was acquired by him after 31 December 1971 from a person with whom he was not dealing at arm's length, was a share substituted for such a share or was a share substituted for a share owned by the taxpayer at the end of 1971, the adjusted cost base to the taxpayer of the share at any time is deemed to be the amount by which its adjusted cost base to him, otherwise determined, exceeds the amount determined under section 517.4.2.

1987, c. 67, s. 122; 1990, c. 59, s. 186.

517.4.2. The amount referred to in section 517.4.1 is equal to the aggregate of

(a) where the share or a share for which the share was substituted was owned at the end of 1971 by the taxpayer or a person with whom the taxpayer did not deal at arm's length, the amount by which the fair market value of the share or the share for which it was substituted, on valuation day, within the meaning of section 49 of the Act respecting the application of the Taxation Act (chapter I-4), exceeds the aggregate of

i. the actual cost, within the meaning of section 54 of the said Act, of the share or the share for which it was substituted, on 1 January 1972, to the taxpayer or the person with whom he did not deal at arm's length, and

ii. all amounts each of which is an amount received by the taxpayer or the person with whom he did not deal at arm's length after 31 December 1971 and before that time as a dividend on the share or the share for which it was substituted and in respect of which the corporation that paid the dividend has made an election under section 501, as it read in its application to a dividend that became payable before 1 January 1979;

(b) the aggregate of all amounts each of which is an amount determined after 31 December 1984 under that part of section 234 which precedes subparagraph *b* of the first paragraph in respect of a previous disposition of the share or a share for which the share was substituted, or such lesser amount as is established by the taxpayer to be the amount in respect of which a deduction under sections 726.6 to 726.20 was claimed, by the taxpayer or an individual with whom the taxpayer did not deal at arm's length.

1987, c. 67, s. 122; 1990, c. 59, s. 187; 1997, c. 3, s. 71.

517.4.3. For the purposes of sections 517.4.1 and 517.4.2,

(a) where at any time a corporation issues a share of its capital stock to a taxpayer, the taxpayer and the issuing corporation are deemed not to be dealing with each other at arm's length at that time;

(b) where a taxpayer is deemed, because of subparagraph *a* of the first paragraph of section 726.9.2, to have reacquired a share, the taxpayer is deemed to have acquired the share at the beginning of 23 February 1994 from a person with whom the taxpayer was not dealing at arm's length; and

(c) where a share owned by a particular person, or a share substituted for that share, has by one or more transactions or events between persons not dealing at arm's length become vested in another person, the particular person and the other person are deemed at all times not to be dealing at arm's length with each other whether or not the particular person and the other person coexisted.

1987, c. 67, s. 122; 1997, c. 3, s. 71; 2001, c. 7, s. 52.

517.4.4. For the purposes of paragraph *b* of section 517.4.2, where a taxpayer or an individual with whom the taxpayer does not deal at arm's length, in this section referred to as the "transferor", disposes of a share in a taxation year and deducts an amount under subparagraph *b* of the first paragraph of section 234 in computing the gain for the year from the disposition, in this section referred to as the "particular disposition", the amount in respect of which an amount was deducted under Title VI.5 of Book IV in respect of the transferor's gain from the particular disposition is deemed to be equal to the lesser of

(a) the aggregate of

i. the amount deducted by the transferor for the year under subparagraph *b* of the first paragraph of section 234 in respect of the particular disposition, and

ii. subject to the third paragraph, twice the amount deducted under Title VI.5 of Book IV in computing the taxable income of the transferor for the year in respect of the taxable capital gain from the particular disposition, and

(b) subject to the third paragraph, twice the maximum amount that could have been deducted under Title VI.5 of Book IV in computing the taxable income of the transferor for the year in respect of the taxable capital gain from the particular disposition, if

i. no amount had been deducted by the transferor under subparagraph *b* of the first paragraph of section 234 in computing the gain for the year from the particular disposition, and

ii. all amounts deducted under Title VI.5 of Book IV in computing the taxable income of the transferor for the year in respect of the taxable capital gain from the disposition of property to which this section does not apply, were deducted before determining the maximum amount that could have been deducted under the said Title in respect of the taxable capital gain from the particular disposition.

For the purposes of subparagraph ii of subparagraph *b* of the first paragraph, and subject to the third paragraph, 1/2 of the aggregate of all amounts determined under this section for the year in respect of other property disposed of before the particular disposition are deemed to have been deducted under Title VI.5 of Book IV in computing the taxable income of the transferor for the year in respect of taxable capital gains from the disposition of property to which this section does not apply.

Where the taxation year of the transferor includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the following rules apply:

(a) the reference to the word "twice" in subparagraph ii of subparagraph *a* of the first paragraph and the portion of subparagraph *b* of that paragraph before subparagraph i shall be read, with the necessary modifications, as a reference to the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the transferor for the year; and

(b) the reference to the fraction "1/2" in the second paragraph shall be read as a reference to the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the transferor for the year.

1993, c. 16, s. 205; 2003, c. 2, s. 134.

517.4.5. For the purposes of section 517.4.4, if more than one share to which that section applies is disposed of in a taxation year, each such share is deemed to have been separately disposed of in the order designated by the taxpayer after 19 December 2006 in accordance with subsection 2.1 of section 84.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in relation to those shares.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 2.1 of section 84.1 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.

1993, c. 16, s. 205; 2009, c. 5, s. 176.

517.5. For the purposes of this chapter, a taxpayer is deemed not to deal at arm's length with the corporation in favour of which a disposition contemplated in section 517.1 is made if, immediately before the disposition, he is a member of a group of less than six persons that controls the corporation the share of which is disposed of and if, immediately after the disposition, he is a member of a group of less than six persons that controls the corporation in favour of which the disposition is made, each member of which is a member of the group of less than six persons that, immediately before the disposition, controlled the corporation the share of which is disposed of.

1978, c. 26, s. 93; 1979, c. 18, s. 45; 1997, c. 3, s. 71.

517.5.0.1. For the purposes of section 517.5,

(a) a group of persons in respect of a corporation means any two or more persons each of whom owns shares of the capital stock of the corporation;

(b) a corporation that is controlled by one or more members of a particular group of persons in respect of that corporation is deemed to be controlled by that group of persons; and

(c) a corporation may be controlled by a person or a particular group of persons notwithstanding that the corporation is also controlled or deemed to be controlled by another person or group of persons.

1994, c. 22, s. 194; 1997, c. 3, s. 71.

517.5.1. For the purpose of determining whether or not a taxpayer referred to in section 517.5 is a member, at any time, of a group referred to in that section, that taxpayer is deemed to be the owner at that time of any share owned by any of the following persons:

(a) the taxpayer's child, within the meaning of subparagraph *d* of the first paragraph of section 451, who is under 18 years of age, or the taxpayer's spouse;

(b) a trust of which the taxpayer, a person described in paragraph *a* or a corporation described in paragraph *c* is a beneficiary;

(c) a corporation controlled by the taxpayer, by a person described in paragraph *a*, by a trust described in paragraph *b* or by any combination thereof.

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

1979, c. 18, s. 45; 1980, c. 13, s. 51; 1993, c. 16, s. 206; 1997, c. 3, s. 71; 2004, c. 8, s. 105.

517.5.2. For the purposes of this chapter, a trust and a beneficiary of the trust or a person related to a beneficiary of the trust are deemed not to deal with each other at arm's length.

1993, c. 16, s. 207.

DIVISION II

ELIGIBLE BUSINESS TRANSFER

2017, c. 1, s. 137.

517.5.3. In this division,

"eligible business transfer" of an individual means a series of transactions that includes the disposition of eligible shares of the individual in circumstances described in section 517.1, if the conditions of sections 517.5.6 to 517.5.11 are satisfied in respect of the series of transactions;

"eligible share" means

(a) a share of the capital stock of a family farm or fishing corporation, within the meaning of the first paragraph of section 726.6.1; or

(b) a qualified small business corporation share, within the meaning of the first paragraph of section 726.6.1.

For the purposes of this division, a corporation has a substantial interest in another corporation at a particular time if it has such an interest in the other corporation under subsection 2 of section 191 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) at that time.

2017, c. 1, s. 137; 2017, c. 29, s. 74.

517.5.4. *(Repealed).*

2017, c. 1, s. 137; 2017, c. 29, s. 75.

517.5.5. Where eligible shares of an individual, other than a trust, are disposed of in connection with an eligible business transfer of the individual and, but for this section, a dividend equal to the excess amount that corresponds to the amount by which the aggregate determined under section 517.3 exceeds the aggregate determined under section 517.3.1 would, under section 517.2, be deemed to have been paid by the purchaser corporation to the individual, and received by the individual from the purchaser corporation, at the time of the disposition of those shares, the following rules apply:

(a) the lesser of the amount of that excess amount and the amount that would be determined in respect of the disposition of those shares under paragraph *b* of subsection 1 of section 84.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) if that section were read without reference to paragraph *e* of its subsection 2 (in this section referred to as the "deemed dividend amount") is deemed to be a capital gain from the disposition of those shares, to the extent of the amount the individual designates to that effect in the individual's fiscal return filed under this Part (in this section referred to as the "designated capital gain") for the year of disposition, without, however, exceeding the amount (in this section referred to as the "particular amount") determined in accordance with the second paragraph, and, despite any other provision of this Act,

i. for the purposes of section 234, where a reserve is claimed in accordance with subparagraph *b* of the first paragraph of that section in respect of the portion of the proceeds of disposition of the shares that is payable after the end of the year of disposition, the gain from the disposition of those shares is deemed to be equal to the amount by which the designated capital gain exceeds the amount of the reserve (which excess amount is in this subparagraph and subparagraphs ii and iii referred to as the "reduced capital gain") and, for the purpose of determining the reserve that the individual may claim in respect of the disposition of the shares, subparagraph *b* of the first paragraph of section 234 is to be read without reference to its subparagraph iii,

ii. for the purpose of determining the tax payable under this Part by the individual for the year of disposition,

(1) section 28 is to be read, in respect of the designated capital gain or reduced capital gain, as the case may be, without reference to subparagraph ii of its paragraph *b* and, in respect of the amount the individual may subtract in accordance with its paragraph *c*, as if the designated capital gain or reduced capital gain were not taken into account for the purposes of subparagraph i of its paragraph *b*,

(2) an amount is deductible by the individual under Book IV, except Title VI.5, only to the extent that the individual's income, determined in accordance with subparagraph 1, exceeds one-half of the amount of the designated capital gain or reduced capital gain, as the case may be,

(3) an amount is deductible by the individual under Title VI.5 of Book IV, in respect of a capital gain other than the designated capital gain or reduced capital gain, as the case may be, only to the extent that the individual's taxable income, determined otherwise and taking subparagraphs 1 and 2 into account, exceeds one-half of the amount of the designated capital gain or reduced capital gain, and

(4) an amount is deductible by the individual under section 729 only to the extent that the excess amount referred to in paragraph *b* of section 28 that would be determined for the year, in respect of the individual, if the amount of the designated capital gain or reduced capital gain, as the case may be, were not taken into account, and

iii. the amount determined under paragraph *b* of section 28, to which paragraph *b* of section 728.0.1 refers for the purpose of determining the individual's non-capital loss or farm loss for the year of disposition, and the amount determined under subparagraph i of paragraph *b* of section 28, to which paragraph *a* of section 730 refers for the purpose of determining the individual's net capital loss for the year of disposition, are computed without taking the amount of the designated capital gain or reduced capital gain, as the case may be, into account; and

(b) the amount of the designated capital gain in respect of the disposition of those shares is deemed not to be a dividend paid by the purchaser corporation and received by the individual at the time of the disposition of those shares.

The particular amount to which the first paragraph refers is equal to twice the least of the amounts that would be determined in respect of the individual for the year either, where subsection 1 of section 84.1 of the Income Tax Act does not apply in respect of the disposition of shares because of paragraph *e* of subsection 2 of that section, under subparagraphs *a* to *e* of the first paragraph of section 726.7 or 726.7.1, as the case may be, or, where subsection 1 of that section 84.1 applies in respect of the disposition of shares, under subparagraphs *a* to *d* of the first paragraph of section 726.7 or 726.7.1, as the case may be, if the deemed dividend amount were a capital gain realized by the individual in the year from the disposition of eligible shares and if subparagraph 1 of subparagraph ii of subparagraph *a* of the first paragraph were not taken into account.

2017, c. 1, s. 137; 2017, c. 29, s. 76; 2021, c. 36, s. 70.

517.5.6. A series of transactions that includes the disposition by an individual of eligible primary and manufacturing sectors shares of a corporation (in this section referred to as the "particular corporation") may be considered to be an eligible business transfer of the individual only if the individual or the individual's spouse was, while the individual owned those shares and during the 24-month period that immediately preceded the disposition of the shares, actively engaged in a business carried on by the particular corporation or by a corporation in which the particular corporation had a substantial interest.

For the purposes of the first paragraph, the following rules apply:

(a) where the individual or the individual's spouse, as the case may be, is, immediately before the disposition of the shares, unable to actively engage in a business carried on by the particular corporation or by a corporation in which the particular corporation had a substantial interest due to an illness or a disability, the first paragraph is to be read as if "the 24-month period that immediately preceded the disposition of the shares" were replaced by "the 24-month period that preceded the time at which the individual's inability, or that of the individual's spouse, began";

(b) the individual is deemed, during the 24-month period that immediately precedes the disposition of the shares, to own the shares and to have been actively engaged in a business carried on by the particular corporation or by a corporation in which the particular corporation had a substantial interest if

i. the individual's spouse died in the 24-month period that precedes the disposition of the shares, and

ii. the individual or the individual's spouse was actively engaged in a business carried on by the particular corporation or by a corporation in which the particular corporation had a substantial interest during the 24-month period that precedes the date of death; and

(c) where an individual was actively engaged in a business during a particular period and all or substantially all of the assets used in the course of carrying on that business is disposed of to a corporation as consideration for shares of the capital stock of the corporation, the individual is deemed to have actively engaged in a business carried on by the corporation for the particular period.

2017, c. 1, s. 137; 2017, c. 29, s. 77.

517.5.7. A series of transactions that includes the disposition by an individual of eligible shares of a corporation (in this section referred to as the "particular corporation") may not be considered to be an eligible business transfer of the individual where, after the disposition of the shares, the individual or the individual's spouse is actively engaged in a qualified business carried on by the purchaser corporation, by the particular corporation or by a corporation in which the particular corporation has a substantial interest, unless

(a) the active engagement of the individual or the individual's spouse in that business for a particular period (in the second paragraph referred to as the "transition period") aims to encourage the transfer of the knowledge possessed by the individual or the individual's spouse in relation to that business for the benefit of other persons actively engaged in that business;

(b) substantially all the income from the business in which the individual or the individual's spouse is actively engaged is not derived from the sale, leasing, rental or development, as the case may be, of properties, or the rendering of services, similar to those of a business that, before the disposition of the shares, was carried on by the purchaser corporation, by the particular corporation or by a corporation in which the purchaser corporation or the particular corporation held a direct or indirect interest; or

(c) the active engagement of the individual or the individual's spouse in that business stems from the sole fact that the person referred to in section 517.5.11 is unable to actively engage in that business due to an illness, a disability or the person's death if the illness, disability or death begins or occurs after the disposition of the shares of the particular corporation.

For the purposes of subparagraph *a* of the first paragraph, for any calendar year included in whole or in part in the transition period, the remuneration received by an individual as consideration for services rendered in the calendar year or part of calendar year because the individual is actively engaged in a business carried on by the purchaser corporation, by the particular corporation or by a corporation in which the particular corporation has a substantial interest must not exceed the amount obtained by multiplying the Maximum Pensionable Earnings determined for the year under section 40 of the Act respecting the Québec Pension Plan (chapter R-9) by the proportion that the number of days in the calendar year that are included in whole or in part in the transition period is of 365.

2017, c. 1, s. 137; 2017, c. 29, s. 78.

517.5.8. A series of transactions that includes the disposition by an individual of eligible shares of a corporation (in this section referred to as the "particular corporation") may not be considered to be an eligible business transfer of the individual where, in the period that begins 30 days after the disposition of the shares and ends at the end of that series of transactions, the individual or the individual's spouse controls the particular corporation or a corporation in which the particular corporation had, immediately before the disposition of those shares, a substantial interest or is a member of a group of persons that controls such a corporation, unless the corporation is

(a) a corporation carrying on a business substantially all the income of which is not derived from the sale, leasing, rental or development, as the case may be, of properties, or the rendering of services, similar to those of a business that, before the disposition of the shares, was carried on by the purchaser corporation, by the particular corporation or by a corporation in which the purchaser corporation or the particular corporation held a direct or indirect interest; or

(b) a corporation that does not carry on a qualified business.

2017, c. 1, s. 137; 2017, c. 29, s. 79.

517.5.9. A series of transactions that includes the disposition by an individual of eligible shares of a corporation (in this section referred to as the "particular corporation") may not be considered to be an eligible business transfer of the individual where, in the period that begins 30 days after the disposition of the shares and ends at the end of that series of transactions, the individual or the individual's spouse holds, directly or indirectly, common shares of the capital stock of the particular corporation or of a corporation in which the particular corporation had, immediately before the disposition of those shares, a substantial interest, unless they are common shares of the capital stock of such a corporation that is

(a) a corporation carrying on a business substantially all the income of which is not derived from the sale, leasing, rental or development, as the case may be, of properties, or the rendering of services, similar to those of a business that, before the disposition of the shares, was carried on by the purchaser corporation, by the particular corporation or by a corporation in which the purchaser corporation or the particular corporation held a direct or indirect interest; or

(b) a corporation that does not carry on a qualified business.

2017, c. 1, s. 137; 2017, c. 29, s. 80.

517.5.10. A series of transactions that includes the disposition by an individual of eligible shares of a corporation (in this section referred to as the "particular corporation") may be considered to be an eligible business transfer of the individual only if

(a) throughout the period that begins 30 days after the disposition of the shares and ends at the end of that series of transactions, the aggregate of all amounts each of which is the amount of the residual financial interest of a person who is the individual, any other individual in respect of whom, but for this section, section 517.5.5 would apply in relation to the disposition of a share of the particular corporation in connection with that series of transactions, or their respective spouses, does not exceed

i. where the particular corporation is referred to in paragraph *a* of the definition of "eligible share" in the first paragraph of section 517.5.3, 80% of the aggregate of all amounts each of which is the fair market value, immediately before the beginning of the series of transactions, of a share of the capital stock of a corporation (in this section referred to as the "corporation concerned") that is the particular corporation, the purchaser corporation or a corporation in which the particular corporation has a substantial interest at that time, or

ii. where the particular corporation is referred to in paragraph *b* of the definition of "eligible share" in the first paragraph of section 517.5.3, 60% of the aggregate of all amounts each of which is the fair market value, immediately before the beginning of the series of transactions, of a share of the capital stock of a corporation concerned;

(b) the terms and conditions of reimbursement or redemption of the residual financial interests the amount of which is included in the first aggregate referred to in subparagraph *a* provide that no later than 10 years after the disposition of the shares, that aggregate will not exceed

i. where the particular corporation is referred to in paragraph *a* of the definition of "eligible share" in the first paragraph of section 517.5.3, 50% of the aggregate of all amounts each of which is the fair market value, immediately before the beginning of the series of transactions, of a share of the capital stock of a corporation concerned, or

ii. where the particular corporation is referred to in paragraph *b* of the definition of "eligible share" in the first paragraph of section 517.5.3, 30% of the aggregate of all amounts each of which is the fair market value, immediately before the beginning of the series of transactions, of a share of the capital stock of a corporation concerned;

(c) where the residual financial interest of a person described in subparagraph *a* includes a share of the capital stock of a corporation concerned,

i. the redemption of the share may not be required by the person before the expiry of the 10-year period referred to in subparagraph *b* unless the redemption aims to comply with the requirement of subparagraph i or ii of subparagraph *b*,

ii. the share entitles its holder to a cumulative dividend at a rate not exceeding a reasonable rate according to market conditions and the rate of that dividend is not based on a corporation's profitability,

iii. the share is redeemable at any time at the option of the corporation concerned, and

iv. the share is convertible only into one or more shares that satisfy the conditions of subparagraphs i to iii or into one or more debts that satisfy the conditions of subparagraphs i to iii of subparagraph *d*; and

(d) where the residual financial interest of a person described in subparagraph *a* includes a debt of a corporation concerned,

i. the reimbursement of the debt may not be required by the person before the expiry of the 10-year period referred to in subparagraph *b* unless the reimbursement aims to comply with the requirement of subparagraph i or ii of subparagraph *b*,

ii. the debt entitles its holder to a reasonable return according to market conditions and the return rate of the debt is not based on a corporation's profitability,

iii. the debt is reimbursable at any time, with accrued interest, at the option of the corporation concerned, and

iv. the debt is convertible only into one or more shares that satisfy the conditions of subparagraphs i to iii of subparagraph *c* or into one or more debts that satisfy the conditions of subparagraphs i to iii.

In this section, the amount of the residual financial interest of a person described in subparagraph *a* of the first paragraph, at any time, means an amount equal to the aggregate of all amounts each of which is the fair market value, at that time, of a financial interest that the person holds, directly or indirectly, in a corporation concerned and that is a share of the capital stock of the corporation concerned or a debt of the corporation concerned.

For the purposes of the second paragraph, the following rules apply:

(a) where a trust in which an individual or the individual's spouse has a beneficial interest holds, directly or indirectly, a financial interest in a corporation concerned, the individual is deemed to hold the financial interest;

(b) where an individual or the individual's spouse holds, directly or indirectly, a financial interest in an entity that is a trust, a partnership or a corporation, which entity holds, directly or indirectly, a financial interest in a corporation concerned, the individual is deemed to hold the financial interest in the corporation concerned; and

(c) where more than one individual would otherwise be required to include the same amount in computing their residual financial interest because of subparagraph *a* or *b*, only one of those individuals is required to take that amount into account in establishing the amount of that individual's residual financial interest in the corporation concerned.

For the purposes of subparagraphs *a* and *b* of the first paragraph, no account is to be taken of the residual financial interest of a person described in subparagraph *a* of the first paragraph in a corporation concerned or of the fair market value, immediately before the beginning of the series of transactions, of the shares of the capital stock of such a corporation, if that corporation is

(a) a corporation carrying on a business substantially all the income of which is not derived from the sale, leasing, rental or development, as the case may be, of properties, or the rendering of services, similar to those of a business that, before the disposition of the shares, was carried on by the particular corporation, by the purchaser corporation or by a corporation in which the purchaser corporation or the particular corporation held a direct or indirect interest; or

(b) a corporation that does not carry on a qualified business.

For the purpose of determining the end of the period described in subparagraph *a* of the first paragraph, the series of transactions to which that subparagraph applies is deemed not to include a transaction consisting in the redemption or reimbursement of the residual financial interest of an individual.

2017, c. 1, s. 137; 2017, c. 29, s. 81.

517.5.11. A series of transactions that includes the disposition by an individual of eligible shares of a corporation (in this section referred to as the "particular corporation") may be considered to be an eligible business transfer of the individual only if, in the period that begins immediately after the disposition of the shares and ends at the end of that series of transactions, at least one person (other than the individual) who holds, directly or indirectly, shares of the purchaser corporation, or the person's spouse, is actively engaged in

a business carried on by the particular corporation or by a corporation in which the particular corporation had, immediately before the disposition of those shares, a substantial interest.

The first paragraph does not apply in respect of a period in which a person referred to in that paragraph who was to be actively engaged in a business is unable to be so actively engaged due to an illness, a disability or the person's death if the illness, disability or death begins or occurs after the disposition of the shares of the particular corporation.

2017, c. 1, s. 137; 2017, c. 29, s. 82.

517.6. *(Repealed).*

1978, c. 26, s. 93; 1987, c. 67, s. 123.

CHAPTER IV

TRANSFERS TO A CORPORATION

1972, c. 23; 1975, c. 22, s. 114; 1997, c. 3, s. 71.

DIVISION I

GENERALITIES

1972, c. 23.

518. The rules provided for in this division and in Divisions II and III apply where a taxpayer disposes of any of the taxpayer's property to a taxable Canadian corporation for consideration that includes a share of the capital stock of the corporation, if the taxpayer and the corporation make a valid election for the purposes of subsection 1 of section 85 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the disposition or, where that election cannot be made by reason of subsection 21.2 of section 13 of that Act, make an election, in the prescribed form referred to in the first paragraph of section 520.1, to apply the rules in respect of the disposition.

1972, c. 23, s. 406; 1973, c. 17, s. 61; 1975, c. 22, s. 115; 1982, c. 5, s. 120; 1986, c. 15, s. 86; 1986, c. 19, s. 118; 1990, c. 59, s. 188; 1997, c. 3, s. 71; 1997, c. 31, s. 54; 1997, c. 85, s. 82; 2000, c. 39, s. 25; 2003, c. 9, s. 32; 2011, c. 34, s. 30.

518.1. *(Repealed).*

1990, c. 59, s. 189; 1993, c. 16, s. 208; 1994, c. 22, s. 195; 1996, c. 39, s. 145; 1998, c. 16, s. 169; 2000, c. 39, s. 26.

518.2. *(Repealed).*

1993, c. 16, s. 209; 1997, c. 3, s. 71; 1997, c. 85, s. 83.

519. *(Repealed).*

1975, c. 22, s. 116; 1977, c. 26, s. 62; 1978, c. 26, s. 94; 1979, c. 38, s. 20; 1986, c. 15, s. 87; 1997, c. 85, s. 83.

519.1. *(Repealed).*

1986, c. 15, s. 87; 1991, c. 8, s. 9; 1997, c. 85, s. 83.

519.2. *(Repealed).*

1986, c. 15, s. 87; 1991, c. 8, s. 10; 1997, c. 85, s. 83.

520. *(Repealed).*

1975, c. 22, s. 116; 1986, c. 15, s. 87; 1997, c. 85, s. 83.

520.1. Where section 518 applies in respect of the disposition of property, the prescribed form and, if the election made by the taxpayer and the corporation is the first election mentioned in that section, a copy of every document sent to the Minister of Revenue of Canada in respect of the disposition in connection with that election, shall be sent to the Minister.

The prescribed form shall also be sent to the Minister where an application is made to the Minister under the third paragraph of section 522 in respect of the disposition.

In addition, the taxpayer incurs, solidarily with the corporation, a penalty equal

(a) where a document referred to in the first paragraph is not sent to the Minister on or before the date, referred to as the "particular date" in subparagraph i, that is the later of the earliest of the filing-due dates for the persons having made the election referred to in section 518 in respect of the disposition for the taxation year in which the disposition was made and the date of the last day of the two-month period following the end of the taxation year which, of the taxation years of those persons, ends the latest, to the lesser of

i. 0.25% of the amount by which the fair market value of the property at the time of the disposition exceeds the proceeds of disposition of the property, for each month or part of a month during the period beginning on the particular date and ending on the day on which the documents have all been sent to the Minister, and

ii. the product obtained by multiplying $100 by the number of months each of which is a month all or part of which is during the period referred to in subparagraph i, or

(b) where an application made to the Minister in respect of a disposition under the third paragraph of section 522 is granted by the Minister, to the lesser of the amounts that would be determined in respect of the disposition under subparagraphs i and ii of subparagraph *a* if the reference in subparagraph i to "the documents have all been sent to the Minister" were a reference to "the prescribed form referred to in the second paragraph is sent to the Minister"; in such case, this subparagraph is deemed not to apply in respect of any other such application made previously in respect of the disposition.

However, the total amount of the penalties that the taxpayer incurs, solidarily with the corporation, under the third paragraph in respect of the disposition may not exceed the greater of the penalties that the taxpayer would otherwise incur, solidarily with the corporation, in respect of the disposition under subparagraph *a* or subparagraph *b* of the third paragraph nor $5,000.

1997, c. 85, s. 84; 2000, c. 5, s. 293; 2000, c. 39, s. 27; 2003, c. 9, s. 33.

520.2. Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to give effect to the rules provided for in this division and in Divisions II and III in respect of the disposition of property.

1997, c. 85, s. 84.

520.3. *(Repealed).*

2002, c. 40, s. 39; 2009, c. 5, s. 177.

521. If a property to which section 518 applies is a taxable Québec property or taxable Canadian property of the taxpayer, a share referred to in that section and received as consideration for the disposition of the property is deemed to be, at any time that is within 60 months after the disposition, a taxable Québec property or taxable Canadian property of the taxpayer, as the case may be.

1975, c. 22, s. 116; 2011, c. 6, s. 133.

521.1. *(Repealed).*

1989, c. 5, s. 70; 1993, c. 16, s. 210.

DIVISION II

VALUATION OF TRANSFERRED PROPERTY

1972, c. 23.

521.2. Subject to section 522, where the taxpayer and the corporation make the first election mentioned in section 518 in respect of the disposition of property, the taxpayer's proceeds of disposition of the property and the cost to the corporation of the property are deemed to be equal to such amount as is established in respect of the property under subsection 1 of section 85 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), except that, for the purposes of paragraphs *b* and *c* of section 528, the proceeds of disposition of the property are deemed to be equal to that amount established without reference to paragraph *e*.2 of subsection 1 of that section 85.

1997, c. 85, s. 85; 2003, c. 9, s. 34.

522. Notwithstanding section 521.2 and subject to the fourth paragraph, where the taxpayer and the corporation make the election referred to in section 518 in respect of the disposition of property, where the conditions described in the second paragraph are met for the transferor and for the transferee, where the prescribed form referred to in the first paragraph of section 520.1 is sent to the Minister on or before the end of a three-year period, or a longer period allowed by the Minister in the circumstances, that follows the particular date referred to in subparagraph i of subparagraph *a* of the third paragraph of section 520.1 in respect of the disposition and where, in the prescribed form referred to in the first paragraph of section 520.1 or, if the application made to the Minister under the third paragraph in respect of the disposition is granted by the Minister, in the prescribed form referred to in the second paragraph of section 520.1, the taxpayer and the corporation jointly agree on an amount in respect of the property, the amount so agreed on is deemed to be

(a) the taxpayer's proceeds of disposition of the property and the cost of the property to the corporation;

(b) subject to subparagraph *c*, equal to the fair market value, at the time of the disposition, of the consideration received by the taxpayer for the property if the amount agreed on is actually less than that fair market value and if the consideration is not a share of the capital stock of the corporation or a right to receive any such share; and

(c) equal to the fair market value of the property, at the time of the disposition, if the amount agreed on is actually greater than that fair market value.

The conditions referred to in the first paragraph are as follows:

(a) in the case of an individual, the individual must be resident in Québec at the end of the individual's taxation year in which the disposition is made and, if the second paragraph of section 22 applies to the individual for that year, the proportion applicable in respect of the individual in that second paragraph for that year must be not less than 9/10;

(b) in the case of a corporation, the proportion that the business carried on by the corporation in Québec is of the aggregate of the business carried on in Canada or in Québec and elsewhere established by the regulations made under section 771 for its taxation year in which the disposition is made, must be not less than 9/10; and

(c) in the case of a partnership, the proportion that the business carried on in Québec is of the aggregate of the business carried on in Canada or in Québec and elsewhere that would be established in its respect by the regulations made under section 771 for its taxation year in which the disposition is made if the partnership were a corporation and if its fiscal period were a taxation year, must be not less than 9/10.

In addition, the Minister may, on a joint application by the taxpayer and by the corporation, allow, for the purposes of the first paragraph in respect of the disposition, the taxpayer and the corporation

(a) where the election made by the taxpayer and the corporation is the first election mentioned in section 518, to agree on an amount in respect of the property if they have not done so in the prescribed form referred to in the first paragraph of section 520.1;

(b) where the election made by the taxpayer and the corporation is the first election mentioned in section 518, to be deemed never to have agreed on an amount in respect of the property; or

(c) to agree on a new amount in respect of the property, which amount is deemed to be the only amount agreed on in respect of the property for the purposes of the first paragraph.

However, where the election made by the taxpayer and the corporation is the first election mentioned in section 518, this section does not apply in respect of the disposition unless all or substantially all of the difference between the amount that would, but for this section, be determined in respect of the property under section 521.2 and the amount agreed on in its respect in the first paragraph, is justified by a difference between the cost amount of the property to the taxpayer, immediately before the disposition, for the purposes of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.

Where the election made by the taxpayer and the corporation in respect of the disposition is not the first election mentioned in section 518 and, but for this paragraph, any of the conditions for the application of the first paragraph in respect of the disposition is not met, the election is deemed, notwithstanding section 518, never to have been made by the taxpayer and the corporation in respect of the disposition.

1972, c. 23, s. 407; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 85, s. 86; 2002, c. 40, s. 40; 2003, c. 9, s. 35; 2010, c. 25, s. 38.

522.1. *(Repealed).*

2002, c. 40, s. 41; 2003, c. 9, s. 36; 2009, c. 5, s. 178.

522.2. *(Repealed).*

2002, c. 40, s. 41; 2009, c. 5, s. 178.

522.3. *(Repealed).*

2002, c. 40, s. 41; 2009, c. 5, s. 178.

522.4. *(Repealed).*

2002, c. 40, s. 41; 2009, c. 5, s. 178.

522.5. *(Repealed).*

2002, c. 40, s. 41; 2009, c. 5, s. 178.

523. Where, in accordance with section 522, the taxpayer and the corporation have jointly agreed in the prescribed form on an amount in respect of property described in section 524, the amount is deemed, despite subparagraphs *b* and *c* of the first paragraph of section 522, but subject to the second paragraph, to be equal to the least of the amounts described in paragraph *b* or *c*, as the case may be, of section 524.

However, the amount shall in no case be less than the amount that is deemed to be the amount agreed on under subparagraph *b* of the first paragraph of section 522, subject to subparagraph *c* of that paragraph.

1972, c. 23, s. 408; 1975, c. 22, s. 117; 1997, c. 3, s. 71; 1997, c. 85, s. 87; 2019, c. 14, s. 149.

524. Section 523 applies where the property disposed of is

(a) (paragraph repealed);

(b) depreciable property of a prescribed class the proceeds of disposition of which would otherwise be less than the least of

i. the undepreciated capital cost to the taxpayer of all property of that class immediately before the disposition,

ii. the cost to the taxpayer of the property, and

iii. the fair market value of the property at the time of its disposition; and

(c) capital property, other than depreciable property of a prescribed class, an inventory, a NISA Fund No. 2, a farm income stabilization account or a property that is referred to in paragraph *g* or *g*.1 of subsection 1.1 of section 85 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), and the amount agreed upon in accordance with section 522 in the prescribed form in respect of the property is less than the lesser of

i. the fair market value of the property at the time of the disposition, and

ii. the cost amount to the taxpayer of the property at the time of disposition.

1972, c. 23, s. 409; 1975, c. 22, s. 118; 1982, c. 5, s. 121; 1990, c. 59, s. 190; 1994, c. 22, s. 196; 1996, c. 39, s. 146; 1997, c. 85, s. 88; 2000, c. 39, s. 28; 2004, c. 21, s. 84; 2005, c. 1, s. 118; 2019, c. 14, s. 150.

524.0.1. *(Repealed).*

1994, c. 22, s. 197; 1995, c. 49, s. 139; 1996, c. 39, s. 147; 1997, c. 3, s. 71; 1997, c. 85, s. 89; 2003, c. 2, s. 135; 2005, c. 1, s. 119; 2015, c. 24, s. 81; 2019, c. 14, s. 151.

524.0.2. *(Repealed).*

2015, c. 24, s. 82; 2019, c. 14, s. 151.

524.1. Where the taxpayer referred to in section 518 carries on a farming business the income of which is computed in accordance with the cash method and the property disposed of as referred to in that section 518 was inventory owned by the taxpayer in connection with that business immediately before the time the property was disposed of to the corporation referred to in that section 518,

(a) subject to subparagraphs *b* and *c* of the first paragraph of section 522 and notwithstanding paragraph *c* of section 524, the amount agreed on, if any, in accordance with section 522 in the prescribed form, in respect of inventory purchased by the taxpayer is deemed to be equal to the amount determined by the formula

$$[(A \times B) / C] + D;$$

(a.1*)* the amount referred to in section 521.2 in respect of inventory purchased by the taxpayer is deemed, where it would otherwise be less than the particular amount that would be determined in respect of the property by the formula in subparagraph *a* if no account were taken of the letter D, to be equal to that particular amount;

(b) for the purposes of subparagraph *a* of the second paragraph of section 194, the disposition of the property and the receipt of proceeds of disposition therefor are deemed to have occurred at the particular time and in the course of carrying on the business; and

(c) for the purposes of section 194, where the property of which the corporation has become the owner is in connection with a farming business and the income from that business is computed in accordance with the cash method,

i. the corporation is deemed to have paid, at the particular time and in the course of carrying on that business, an amount equal to the cost to the corporation of the property, and

ii. the corporation is deemed to have purchased the property at the particular time and in the course of carrying on that business, for an amount equal to that cost.

For the purposes of the formula set forth in subparagraph *a* of the first paragraph,

(a) A is the amount that would be included, by reason of subparagraph *c* of the second paragraph of section 194, in computing the taxpayer's income for his last taxation year commencing before the particular time referred to in the first paragraph if that taxation year had ended immediately before the particular time;

(b) B is the value, determined in accordance with section 194.2, to the taxpayer immediately before the particular time, of the inventory purchased by him and in respect of which the election under section 518 is made;

(c) C is the value, determined in accordance with section 194.2, of all of the inventory purchased by the taxpayer that was owned by him in connection with that business immediately before the particular time;

(d) D is such additional amount as the taxpayer and the corporation designate in respect of the property.

1993, c. 16, s. 211; 1997, c. 3, s. 71; 1997, c. 85, s. 90.

525. Where two or more properties, each of which is a property described in paragraph *b* of section 524, are disposed of at the same time, sections 523 and 524 apply as if each property so disposed of had been separately disposed of in the order designated by the taxpayer in the prescribed form or, if the taxpayer does not so designate any such order, in the order designated by the Minister.

1975, c. 22, s. 119; 1997, c. 85, s. 91; 2019, c. 14, s. 152.

525.1. Where section 518 applies in respect of the disposition of depreciable property of a prescribed class of a taxpayer that is a passenger vehicle to which paragraph *d*.3 of section 99 applies and the taxpayer and the corporation to which the property is disposed of do not deal with each other at arm's length, the amount referred to in section 521.2 in respect of the property or, where section 522 applies thereto, the amount agreed on in respect of the property in the prescribed form, is deemed to be equal to the undepreciated capital cost to the taxpayer of the class immediately before the disposition, minus, where applicable, the amount deducted by the taxpayer under paragraph *a* of section 130 in respect of the passenger vehicle in computing the taxpayer's income for the taxation year in which the passenger vehicle was disposed of by the taxpayer.

However, for the purposes of section 41.0.1, the cost to the corporation of the passenger vehicle is deemed to be an amount equal to its fair market value immediately before the disposition.

1990, c. 59, s. 191; 1997, c. 3, s. 71; 1997, c. 85, s. 92; 2021, c. 18, s. 46.

525.2. Where section 518 applies in respect of the disposition of depreciable property of a prescribed class of a taxpayer that is a zero-emission passenger vehicle to which paragraph *d*.5 of section 99 applies and the taxpayer and the corporation to which the property is disposed of do not deal with each other at arm's length, the amount referred to in section 521.2 in respect of the property or, where section 522 applies thereto, the

amount agreed on in respect of the property in the prescribed form, is deemed to be equal to the cost amount to the taxpayer of the vehicle immediately before the disposition.

However, for the purposes of section 41.0.1, the cost to the corporation of the vehicle is deemed to be an amount equal to its fair market value immediately before the disposition.

2021, c. 18, s. 47.

526. Where section 522 applies in respect of the disposition of property by a taxpayer, where the fair market value of the property, immediately before the time of the disposition, exceeds the greater of the fair market value, immediately after that time, of the consideration received by the taxpayer and the amount otherwise agreed on in the prescribed form in respect of the property, and where it is reasonable to regard any part of the excess as a benefit that the taxpayer desired to have conferred on a person related to the taxpayer, other than a corporation that is a wholly-owned corporation of the taxpayer immediately after the disposition, the amount agreed on in the prescribed form in respect of the property is deemed, except for the purposes of paragraphs *b* and *c* of section 528, to be an amount equal to the amount otherwise agreed on in the prescribed form in respect of the property to which that part of the excess is added.

1975, c. 22, s. 119; 1990, c. 59, s. 192; 1993, c. 16, s. 212; 1997, c. 3, s. 71; 1997, c. 85, s. 92.

526.1. For the purposes of section 526 and this section, "wholly-owned corporation" of a taxpayer means a corporation all the issued and outstanding shares of the capital stock of which, except director's qualifying shares, belong to

(a) the taxpayer,

(b) a corporation that is a wholly-owned corporation of the taxpayer, or

(c) any combination of persons described in paragraph *a* or *b*.

1993, c. 16, s. 213; 1997, c. 3, s. 71.

DIVISION III

COST OF PROPERTY OR OF THE CONSIDERATION

1972, c. 23.

527. For the purposes of sections 93 to 104, 130 and 130.1 and of any regulations made for the purposes of paragraph *a* of section 130, where Divisions I and II or Division IV apply in respect of the disposition of depreciable property to a person and the capital cost to the transferor of the property exceeds the transferor's proceeds of disposition of the property, the following rules apply:

(a) the capital cost to the transferee of the property is deemed to be equal to the amount that was its capital cost to the transferor; and

(b) the excess is deemed to have been allowed to the transferee as depreciation in respect of the property for the taxation years that ended before the time of disposition.

1972, c. 23, s. 410; 1979, c. 18, s. 46; 1984, c. 15, s. 111; 1997, c. 3, s. 71; 2000, c. 5, s. 118.

527.1. *(Repealed).*

1984, c. 15, s. 111; 1991, c. 8, s. 11; 1997, c. 3, s. 71; 2000, c. 5, s. 119.

527.2. *(Repealed).*

1984, c. 15, s. 111; 1990, c. 59, s. 193; 1997, c. 3, s. 71; 2000, c. 5, s. 119.

527.3. Where Divisions I and II have applied in respect of the disposition of any property by an individual to a corporation, the cost of the property to the individual was included in computing an amount determined under section 75.2.1 or 75.3 in respect of the individual, the property is depreciable property of the corporation, and the amount, in this section referred to as the "individual's original cost", that would be the cost of the property to the individual immediately before its disposition if this Act were read without reference to section 75.5 exceeds the individual's proceeds of disposition of the property, the following rules apply:

(a) the capital cost to the corporation of the property is deemed to be equal to the individual's original cost; and

(b) the amount by which the individual's original cost exceeds the individual's proceeds of disposition of the property is deemed to have been allowed to the corporation as depreciation in respect of the property for taxation years that end before the time of disposition.

2004, c. 8, s. 106; 2007, c. 12, s. 66.

528. Where a taxpayer and a corporation make the election referred to in section 518 in respect of a disposition, the cost to the taxpayer of each property the taxpayer receives for the disposition is deemed to be equal

(a) in the case of any particular property other than a share of the capital stock of the corporation or of a right to receive such share, to the lesser of the fair market value of that property at the time of disposition and the proportion of the fair market value, at the same time, of the property disposed of by the taxpayer to the corporation, that the fair market value of such particular property is of that of all such particular properties which he receives as consideration for such disposition;

(b) in the case of a preferred share of a given class of the capital stock of the corporation, to the lesser of the fair market value of such share immediately after the disposition and that proportion of the excess of the proceeds of disposition of that property over the fair market value of the particular property contemplated in paragraph *a* which he receives for such disposition, that the fair market value, immediately after the disposition, of that preferred share of such class is, at the same time, of all the preferred shares of the capital stock of the corporation that he receives or has a right to receive as consideration for such disposition; and

(c) in the case of a common share of a given class of the capital stock of the corporation, to that proportion of the excess of the proceeds of disposition of the property over the aggregate of the fair market value, at the time of disposition, of the particular property contemplated in paragraph *a*, that he receives for such disposition, and of the cost, to him, of all the preferred shares which he has a right to receive for such disposition, that the fair market value, immediately after the disposition, of such common share of that class is, at the same time, of the fair market value all the common shares of the capital stock of the corporation that he receives or has a right to receive as consideration for such disposition.

1972, c. 23, s. 411; 1996, c. 39, s. 148; 1997, c. 3, s. 71; 2003, c. 9, s. 37.

DIVISION IV

TRANSFER BY A PARTNERSHIP

1972, c. 23; 1997, c. 3, s. 71.

529. Where a partnership disposes of any property (other than an eligible derivative, within the meaning of section 85.8, if subparagraph *b* of the first paragraph of section 85.7 applies to the partnership) to a taxable Canadian corporation for consideration that includes a share of the capital stock of the corporation, and all the members of the partnership and the corporation make a valid election for the purposes of subsection 2 of section 85 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the disposition or, where that election cannot be made by reason of subsection 21.2 of section 13 of that Act, make an election, in the prescribed form referred to in the first paragraph of section 520.1, the provisions of Divisions I to III apply,

with the necessary modifications, in respect of the disposition as if the partnership were a taxpayer resident in Canada that had disposed of the property to the corporation.

In addition, for the purposes of the third paragraph of section 520.1 in respect of the disposition, subparagraph *a* of that paragraph is to be read as if "the taxation year which, of the taxation years of those persons, ends the latest" in the portion before subparagraph i was replaced by "that taxation year of the corporation or the fiscal period of the partnership in which the disposition was made, whichever year or period in the latter case ends later".

1972, c. 23, s. 412; 1972, c. 26, s. 49; 1975, c. 22, s. 120; 1982, c. 5, s. 122; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1997, c. 85, s. 93; 2002, c. 40, s. 42; 2003, c. 9, s. 38; 2009, c. 5, s. 179; 2011, c. 34, s. 31; 2020, c. 16, s. 78.

DIVISION IV.1

CERTAIN TRANSFERS MADE BEFORE 26 MARCH 1997

1997, c. 85, s. 94.

529.1. Except for the purposes of this section, where property is disposed of to a corporation before 26 March 1997 by a taxpayer or a partnership, in subparagraph *b* referred to as the "transferor", Divisions I to III, or I to IV, as the case may be, as they read in respect of property disposed of on 26 March 1997 and not as they read in respect of the disposition, apply in respect of the disposition where

(a) the disposition is made after 18 December 1996, or is part of a series of transactions or events that began before 19 December 1996 and ended after 18 December 1996; and

(b) it may not reasonably be considered that all or substantially all of an excess amount is attributable to the difference between the cost amount of the property to the transferor, immediately before the disposition, for the purposes of this Part and the cost amount of the property to the transferor, at that time, for the purposes of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), where that excess amount is

i. the amount by which the transferor's income for the taxation year in which the disposition is made is reduced by reason of the application of Divisions I to III, or I to IV, as the case may be, in respect of the disposition, exceeds the amount, if any, by which the transferor's income for that year, established for the purposes of Part I of the Income Tax Act, is reduced by reason of the application of section 85 of that Act in respect of the disposition, or

ii. the amount by which the cost amount of the property to the corporation, immediately after the disposition, for the purposes of this Part, exceeds the cost amount of the property to the corporation established at that time for the purposes of Part I of the Income Tax Act.

However, the first paragraph does not apply where the disposition is of property in respect of which section 522, as it reads in respect of property disposed of on 26 March 1997, would apply if

(a) the disposition had been made on 26 March 1997;

(b) where the election referred to in section 518 or in the first paragraph of section 529, as the case may be, as that section 518 or that paragraph reads in respect of property disposed of on 26 March 1997, was not made in respect of the disposition, the election had been made for an amount agreed on equal to the fair market value of the property at the time of the disposition; and

(c) an amount had been agreed on in respect of the property in the prescribed form for the purposes of that section 522, and was equal to the amount agreed on in its respect in the election made under section 518 or the first paragraph of section 529, as the case may be, as that section 518 or that paragraph reads in respect

of the disposition, or to the fair market value of the property at the time of the disposition if no election were made.

1997, c. 85, s. 94; 1997, c. 85, s. 781.

DIVISION IV.2

WINDING-UP OF THE BUSINESS OF A PARTNERSHIP WITHIN 60 DAYS

1997, c. 85, s. 94; 2000, c. 39, s. 29.

530. Sections 531 to 533 apply where section 529 applies in respect of the disposition of property of a partnership to a corporation, where the affairs of the partnership are wound-up within 60 days of the disposition and where, immediately before the winding-up of the partnership, its property includes nothing but money and property received from the corporation as consideration for the disposition.

1972, c. 23, s. 413; 1984, c. 35, s. 15; 1997, c. 3, s. 71.

531. The partnership which, at the time of its winding-up, has distributed property contemplated in section 530 to a member of the partnership is deemed to have disposed of it for proceeds equal to the cost amount to the partnership of the property immediately before such distribution.

1973, c. 17, s. 62; 1984, c. 35, s. 15; 1997, c. 3, s. 71; 2000, c. 5, s. 120.

532. The cost to each member of the partnership of each property received or receivable by the member as consideration for the disposition of the member's partnership interest on the winding-up of the partnership is deemed to be

(a) in the case of property other than a share of the capital stock of the corporation or a right to receive such share, the fair market value of that property at the time of the winding-up;

(b) in the case of a preferred share of a given class of the capital stock of the corporation that was not accompanied by a common share, the amount determined under subparagraph ii and, if it was accompanied by a common share, the lesser of:

i. the fair market value, immediately after the winding-up, of such preferred share of that class which he receives or has the right to receive; and

ii. that proportion of the excess of the adjusted cost base to him of his partnership interest immediately before its winding-up over the aggregate of the fair market value, at the time of winding-up, of the consideration contemplated in paragraph *a* and received by him from the disposition of his partnership interest, that the fair market value, immediately after the winding-up, of such preferred share of that class that he so receives or has the right to receive is of the fair market value, at the same time, of all preferred shares of the capital stock of the corporation which he receives or also has the right to receive as consideration for the disposition; and

(c) in the case of a common share of a given class of the capital stock of the corporation, an amount equal to that proportion of the amount by which the adjusted cost base to him of his partnership interest immediately before the winding-up exceeds the aggregate of the fair market value, at the time of disposition, of the property contemplated in paragraph *a* that he receives for the disposition, and the cost to him of all the preferred shares he has the right to receive for the disposition, that the fair market value, immediately after the disposition, of that common share of that class is at the same time of the fair market value of all the common shares of the capital stock of the corporation he receives or has the right to receive as consideration for the disposition.

1972, c. 23, s. 414; 1984, c. 35, s. 15; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2000, c. 5, s. 121.

533. The proceeds of disposition of the partnership interest of any member of a partnership on its winding-up is deemed to be the cost, to the member, of the property and shares received or receivable by the member as consideration for the disposition of the interest plus the amount of any money received by the member as consideration for the disposition.

1972, c. 23, s. 415; 1984, c. 35, s. 15; 1997, c. 3, s. 71; 2000, c. 39, s. 30.

DIVISION V

Repealed, 2000, c. 5, s. 122.

1997, c. 14, s. 82; 2000, c. 5, s. 122.

534. *(Repealed).*

1972, c. 23, s. 416; 1975, c. 22, s. 121; 1990, c. 59, s. 194; 1993, c. 16, s. 214; 1997, c. 3, s. 71; 2000, c. 5, s. 122.

535. *(Repealed).*

1972, c. 23, s. 417; 1975, c. 22, s. 121; 1990, c. 59, s. 195; 1993, c. 16, s. 215; 1995, c. 49, s. 140; 1996, c. 39, s. 149; 1997, c. 3, s. 71; 2000, c. 5, s. 122.

DIVISION VI

EXCHANGE OF SHARES

1975, c. 22, s. 122.

536. The rules set out in sections 537 to 539 apply where a Canadian corporation, in this division referred to as the "particular corporation", issues a share of any particular class of its capital stock to a taxpayer in exchange for capital property owned by the taxpayer that is a share, in this division referred to as the "exchanged share", of a particular class of the capital stock of a second corporation which is a taxable Canadian corporation.

However, they do not apply where

(a) the taxpayer and the particular corporation were, immediately before the exchange, not dealing with each other at arm's length, otherwise than by reason of a right referred to in paragraph *b* of section 20 that is a right of the particular corporation to acquire the exchanged share, or the taxpayer and the corporation made an election under section 518 or 529 in respect of the exchanged share;

(b) immediately after the exchange, the taxpayer or persons with whom the taxpayer is not dealing at arm's length, separately or together, controlled the particular corporation or owned shares of the capital stock thereof having a fair market value of more than 50% of that of all of the outstanding shares of its capital stock;

(c) the taxpayer receives a consideration other than a share of the particular class of the capital stock of the particular corporation in exchange for the exchanged share, except where such other consideration results from the disposition to the particular corporation of a share of the capital stock of the second corporation other than the exchanged share; or

(d) the taxpayer is a foreign affiliate of another taxpayer resident in Canada at the end of the taxation year of the taxpayer in which the exchange occurred and the taxpayer has included any portion of the gain or loss,

otherwise determined, from the disposition of the exchanged share in computing the taxpayer's foreign accrual property income, within the meaning of section 579, for that taxation year.

1975, c. 22, s. 122; 1978, c. 26, s. 95; 1989, c. 77, s. 56; 1990, c. 59, s. 196; 1994, c. 22, s. 198; 1995, c. 49, s. 141; 1997, c. 3, s. 71; 2004, c. 8, s. 107.

537. Unless the taxpayer has included any portion of the gain or loss, otherwise determined, from the disposition of the exchanged share in computing the taxpayer's income for the taxation year in which the exchange occurred, the taxpayer is deemed to have disposed of the exchanged share for proceeds of disposition equal to the adjusted cost base of the share to the taxpayer immediately before the exchange and to have acquired the share issued in exchange at a cost equal to such adjusted cost base.

1975, c. 22, s. 122; 2004, c. 8, s. 107.

538. If the exchanged share is a taxable Québec property or taxable Canadian property of the taxpayer, the share issued in exchange is deemed to be, at any time that is within 60 months after the exchange, a taxable Québec property or taxable Canadian property of the taxpayer, as the case may be.

1975, c. 22, s. 122; 2004, c. 8, s. 107; 2011, c. 6, s. 134.

539. The cost of the exchanged share to the particular corporation, at any particular time up to and including the time it disposes of the share, is deemed to be the lesser of the following amounts:

(a) the fair market value of the exchanged share immediately before the exchange;

(b) the paid-up capital of the exchanged share immediately before the exchange.

1975, c. 22, s. 122; 1989, c. 77, s. 57; 1997, c. 3, s. 71; 2004, c. 8, s. 108.

539.1. For the purposes of the first paragraph of section 536 and sections 537 to 539, where a particular corporation issues shares (in this section referred to as "new shares") of a class of its capital stock to a trust in accordance with a court-approved plan of arrangement, the issue is deemed to be an issue to a taxpayer referred to in the first paragraph of section 536, if the taxpayer disposes of exchanged shares traded on a designated stock exchange to the particular corporation for consideration that consists solely of new shares that are widely traded on a designated stock exchange immediately after and as part of completion of the plan of arrangement.

2015, c. 21, s. 181.

540. Where a taxpayer disposes of capital property that is a share of the capital stock of a foreign affiliate of the taxpayer to a corporation that, immediately after the disposition, is also a foreign affiliate of the taxpayer, for consideration that includes a share of the capital stock of that affiliate:

(a) section 542 applies, with the necessary modifications, to determine the cost to the taxpayer of all property receivable by him as consideration for such disposition;

(b) the taxpayer's proceeds of such disposition of the shares so disposed of is deemed to be equal to the aggregate of the cost to him of all property receivable by him as consideration; and

(c) the cost to the foreign affiliate of the shares acquired by it from the taxpayer is deemed to be equal to the taxpayer's proceeds of disposition of them, as determined in paragraph *b*.

1975, c. 22, s. 122; 1995, c. 63, s. 261; 1997, c. 3, s. 71.

540.1. Section 540 does not apply in respect of a disposition at any time by a taxpayer of a share of the capital stock of a particular foreign affiliate of the taxpayer to another foreign affiliate of the taxpayer if

(a) the following conditions are met:

i. all or substantially all of the property of the particular affiliate was, immediately before that time, excluded property, within the meaning of section 576.1, of the particular affiliate, and

ii. the disposition is part of a transaction or event or a series of transactions or events for the purpose of disposing of the share to a person or partnership that, immediately after the transaction, event or series, was a person or partnership with whom the taxpayer is dealing at arm's length, other than a foreign affiliate of the taxpayer in respect of which the taxpayer has a qualifying interest, within the meaning of paragraph *m* of subsection 2 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), at the time of the transaction or event or throughout the series, as the case may be; or

(b) the adjusted cost base to the taxpayer of the share at that time is greater than the amount that would, in the absence of section 540, be the taxpayer's proceeds of disposition of the share in respect of the disposition.

1984, c. 15, s. 112; 2015, c. 21, s. 182.

540.2. Subject to section 540, and subsection 2 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) when it has effect for the purposes of section 579, the rules set out in sections 540.3 and 540.4 apply where a corporation not resident in Canada (in this division referred to as the "foreign corporation") issues a share of its capital stock to a taxpayer in exchange for capital property owned by the taxpayer that is a share (in this division referred to as the "exchanged foreign share") of the capital stock of a second corporation not resident in Canada.

However, they do not apply where

(a) the taxpayer and the foreign corporation were, immediately before the exchange, not dealing with each other at arm's length, otherwise than by reason of a right referred to in paragraph *b* of section 20 that is a right of the foreign corporation to acquire the exchanged foreign share;

(b) immediately after the exchange, the taxpayer or persons with whom the taxpayer is not dealing at arm's length, separately or together, controlled the foreign corporation or owned shares of the capital stock thereof having a fair market value of more than 50% of that of all of the outstanding shares of its capital stock;

(c) the taxpayer receives a consideration other than the issued share in exchange for the exchanged foreign share, except where such consideration results from the disposition to the foreign corporation of a share of the capital stock of the second corporation other than the exchanged foreign share; or

(d) the taxpayer is a foreign affiliate of another taxpayer resident in Canada at the end of the taxation year of the taxpayer in which the exchange occurred and

i. the taxpayer has included any portion of the gain or loss, otherwise determined, from the disposition of the exchanged foreign share in computing the taxpayer's foreign accrual property income, within the meaning of section 579, for that taxation year, or

ii. the exchanged foreign share is excluded property, within the meaning of section 576.1, of the taxpayer.

2004, c. 8, s. 109; 2015, c. 21, s. 183.

540.3. Unless the taxpayer has included any portion of the gain or loss, otherwise determined, from the disposition of the exchanged foreign share in computing the taxpayer's income for the taxation year in which the exchange occurred, the taxpayer is deemed to have disposed of the exchanged foreign share for proceeds of disposition equal to the adjusted cost base of the share to the taxpayer immediately before the exchange and to have acquired the share issued in exchange at a cost equal to such adjusted cost base.

2004, c. 8, s. 109.

540.4. If the exchanged foreign share is a taxable Québec property or taxable Canadian property of the taxpayer, the share issued in exchange is deemed to be, at any time that is within 60 months after the exchange, a taxable Québec property or taxable Canadian property of the taxpayer, as the case may be.

2004, c. 8, s. 109; 2011, c. 6, s. 135.

540.4.1. For the purposes of the first paragraph of section 540.2 and sections 540.3 and 540.4, where a foreign corporation issues shares (in this section referred to as "new shares") of a class of its capital stock to a trust in accordance with a court-approved plan of arrangement, the issue is deemed to be an issue to a taxpayer referred to in the first paragraph of section 540.2, if the taxpayer disposes of exchanged foreign shares traded on a designated stock exchange to the foreign corporation for consideration that consists solely of new shares that are widely traded on a designated stock exchange immediately after and as part of completion of the plan of arrangement.

2015, c. 21, s. 184.

540.5. The rules in section 540.6 apply if a taxpayer disposes, before 1 January 2013, of an investment in a SIFT wind-up entity (in section 540.6 referred to as the "particular unit") to a taxable Canadian corporation if

(a) the disposition occurs during a period (in this section and section 540.6 referred to as the "exchange period") of no more than 60 days at the end of which all of the interests in the entity that are investments in a SIFT wind-up entity are owned by the corporation;

(b) the taxpayer receives no consideration for the disposition other than a share (in this section and section 540.6 referred to as the "exchange share") of the capital stock of the corporation that is issued during the exchange period to the taxpayer by the corporation;

(c) neither of sections 518 and 529 applies in respect of the disposition; and

(d) all of the exchange shares issued to holders of interests in the entity that are investments in a SIFT wind-up entity are shares of a single class of the capital stock of the corporation.

2010, c. 25, s. 39.

540.6. The rules to which section 540.5 refers, in relation to a disposition by a taxpayer of a particular unit of a SIFT wind-up entity to a corporation for consideration that is an exchange share, are as follows:

(a) the taxpayer's proceeds of disposition of the particular unit, and cost of the exchange share, are deemed to be equal to the cost amount to the taxpayer of the particular unit immediately before the disposition;

(b) if the particular unit was immediately before the disposition taxable Québec property or taxable Canadian property of the taxpayer, the exchange share is deemed to be, at any time that is within 60 months after the disposition, taxable Québec property or taxable Canadian property of the taxpayer, as the case may be;

(c) if the exchange share's fair market value immediately after the disposition exceeds the particular unit's fair market value at the time of the disposition, the excess is deemed to be an amount that Division IV of Chapter II of Title III requires to be included in computing the taxpayer's income for the taxpayer's taxation year in which the disposition occurs;

(d) if the particular unit's fair market value at the time of the disposition exceeds the exchange share's fair market value immediately after the disposition, and it is reasonable to regard any part of the excess as a benefit that the taxpayer desired to have conferred on a person, or partnership, with whom the taxpayer does not deal at arm's length, the excess is deemed to be an amount that Division IV of Chapter II of Title III requires to be included in computing the taxpayer's income for the taxpayer's taxation year in which the disposition occurs; and

(e) the cost to the corporation of the particular unit is deemed to be the lesser of

i. the fair market value of the particular unit immediately before the disposition, and

ii. the amount determined for B in the formula in paragraph *f* of subsection 8 of section 85.1 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), in respect of the particular unit.

2010, c. 25, s. 39; 2011, c. 6, s. 136.

CHAPTER V

REORGANIZATION OF CAPITAL

1972, c. 23.

541. This chapter applies where at a particular time after 6 May 1974, in the course of a reorganization of the capital of a corporation, a taxpayer disposes to the corporation of capital property that is shares of a particular class of the capital stock of the corporation that are then owned by him for consideration receivable by him from the corporation that includes another share of such capital stock, except where section 518 or 529 applies.

1972, c. 23, s. 418; 1975, c. 22, s. 123; 1984, c. 15, s. 112; 1995, c. 49, s. 142; 1997, c. 3, s. 71.

542. The cost to the taxpayer of any property receivable by him as consideration for the disposition referred to in section 541 is deemed to be:

(a) in the case of property other than a share of the capital stock of the corporation, the fair market value of that property at the time of such disposition;

(b) in the case of a share of any class of the capital stock of the corporation, that proportion of the amount by which the aggregate of the adjusted cost base to the taxpayer, immediately before the disposition, of each share disposed of exceeds the fair market value at the same time of the property referred to in paragraph *a*, that the fair market value, immediately after the disposition, of such share of such class is of the fair market value, at the same time, of all the shares of the capital stock of the corporation receivable by him as consideration for the disposition.

1972, c. 23, s. 419; 1975, c. 22, s. 123; 1997, c. 3, s. 71.

543. The proceeds of disposition of the shares of the taxpayer, upon reorganization, as provided in this chapter, are deemed to be equal to the aggregate of the cost to him of all property receivable by him as consideration.

1972, c. 23, s. 421; 1975, c. 22, s. 125.

543.1. Notwithstanding paragraph *b* of section 542 and section 543, where the fair market value of the shares disposed of by the taxpayer exceeds, immediately before the disposition, the aggregate of the cost deemed to him under paragraph *a* of section 542 of any property contemplated therein, and of the fair market value, immediately after the disposition, of every share contemplated in paragraph *b* of section 542, and it is reasonable to regard all or any portion of such excess as a benefit that the taxpayer desires to have conferred on a person related to the taxpayer, the following rules apply:

(a) the taxpayer is deemed to dispose of the shares for proceeds equal to the lesser of their fair market value immediately before the disposition and of the aggregate of the cost deemed to him under paragraph *a* of section 542 of any property contemplated therein, and of the amount of the benefit conferred;

(b) the taxpayer's capital loss resulting from the disposition of shares is deemed to be nil; and

(c) the cost to the taxpayer of a share of any class of the capital stock of the corporation receivable by him in consideration for the shares disposed of is deemed to be that proportion of the amount by which the adjusted cost base to the taxpayer, immediately before the disposition, of each share disposed of exceeds the aggregate determined in paragraph *a*, that the fair market value, immediately after the disposition, of such share of such class is of the fair market value, at the same time, of the aggregate of the shares receivable by him as consideration for the disposition.

1982, c. 5, s. 123; 1997, c. 3, s. 71.

543.2. The following rules apply in respect of each share receivable by a taxpayer as consideration for the disposition referred to in section 541:

(a) the taxpayer shall deduct after the disposition, in computing the adjusted cost base to the taxpayer of the share, the amount determined by the formula

$$A \times B / C;$$

(b) the taxpayer shall add after the disposition, in computing the adjusted cost base to the taxpayer of the share, the amount determined under subparagraph *a* in respect of the acquisition.

For the purposes of the formula in subparagraph *a* of the first paragraph,

(a) A is the amount by which

i. the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing, immediately before the disposition, the adjusted cost base to the taxpayer of the shares disposed of, exceeds

ii. the amount that would be, but for subparagraph *b* of the first paragraph of section 234, the taxpayer's capital gain for the taxation year that includes the time of the disposition, from the disposition of the shares disposed of;

(b) B is the fair market value of the share at the time it was acquired by the taxpayer as consideration for the disposition of the shares disposed of; and

(c) C is the fair market value of all shares receivable by the taxpayer in consideration for the disposition at the time referred to in subparagraph *b*.

1996, c. 39, s. 150.

CHAPTER VI

AMALGAMATION

1972, c. 23.

DIVISION I

GENERALITIES

1972, c. 23.

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

(a) all of the property of the predecessor corporations immediately before the merger, except an amount receivable from a predecessor corporation or a share of the capital stock of such a corporation, becomes property of the new corporation;

(b) all the liabilities of the predecessor corporations immediately before the merger, except an amount payable to a predecessor corporation, become liabilities of the new corporation; and

(c) all of the shareholders, who owned shares of the capital stock of any predecessor corporation immediately before the merger, receive a share of the capital stock of the new corporation, excepting the predecessor corporations themselves.

(2) An amalgamation does not result from the acquisition of property of one corporation by another or from the distribution of property of another corporation being wound up to another corporation.

(3) For the purposes of paragraph *c* of subsection 1, where there is a merger of a corporation and of one or more of its subsidiary wholly controlled corporations or of several corporations each of which is a subsidiary wholly-controlled corporation of the same corporation, any share of the capital stock of a predecessor corporation owned by a shareholder, except a predecessor corporation, immediately before the merger that was not cancelled on the merger is deemed to be a share of the capital stock of the new corporation received by the shareholder by virtue of the merger as consideration for the disposition of a share of the capital stock of the predecessor corporation.

(4) Where there has been an amalgamation of a corporation and one or more of its subsidiary wholly-owned corporations or two or more corporations each of which is a subsidiary wholly-owned corporation of the same person, the new corporation is, for the purposes of Chapter VII.1 of the Act respecting the application of the Taxation Act (chapter I-4) and sections 332.1, 332.2, 359.1 to 359.17, 362 to 418.36, 419.1 to 419.4 and 419.6, deemed to be the same corporation as, and a continuation of, each predecessor corporation. However, this subsection shall in no respect affect the determination of any predecessor corporation's fiscal period, taxable income or tax payable.

(4.1) *(Subsection replaced).*

(5) For the purposes of subsections 3 and 4, this subsection and the second paragraph of section 547.1, and notwithstanding section 1, "subsidiary wholly-owned corporation" of a particular person means a corporation all the issued and outstanding shares of the capital stock of which are owned by

(a) the particular person;

(b) a corporation that is a subsidiary wholly-owned corporation of the particular person; or

(c) any combination of persons each of which is a person described in paragraph *a* or *b*.

1972, c. 23, s. 422; 1975, c. 22, s. 126; 1978, c. 26, s. 96; 1980, c. 13, s. 52; 1982, c. 5, s. 124; 1984, c. 15, s. 113; 1985, c. 25, s. 95; 1986, c. 19, s. 119; 1989, c. 77, s. 58; 1994, c. 22, s. 199; 1995, c. 49, s. 143; 1997, c. 3, s. 71; 1998, c. 16, s. 170.

544.1. If there is an amalgamation of two or more corporations and one of those corporations is a SIFT wind-up corporation, the new corporation is deemed to be a SIFT wind-up corporation.

2010, c. 25, s. 40.

545. (1) The new corporation resulting from the amalgamation must include in computing its income or its taxable income all the amounts which would have been otherwise included in computing the income or the taxable income of the predecessor corporations.

(2) The new corporation may deduct, for the purposes of computing its income or taxable income, all the amounts that would have been otherwise deductible when computing the income or taxable income of the predecessor corporations.

(3) *(Subsection repealed).*

(4) The new corporation is deemed, for the purposes of section 104.1 or 104.4, to have deducted in computing its income the aggregate of all amounts deducted under section 156.1 or 156.5, as the case may be, in computing the income of the predecessor corporations.

(5) For the purposes of sections 741 to 744.2.2,

(a) any taxable dividend received on a share that was deductible in computing the predecessor corporation's taxable income for a taxation year under sections 738 to 745 or section 845 is deemed to be a taxable dividend received on the share by the new corporation that was deductible from the new corporation's income for a taxation year under sections 738 to 745 or section 845, as the case may be;

(b) any dividend, other than a taxable dividend, received on a share by the predecessor corporation is deemed to have been received on the share by the new corporation; and

(c) a share acquired by the new corporation from a predecessor corporation is deemed to have been owned by the new corporation throughout any period of time throughout which it was owned by a predecessor corporation.

1972, c. 23, s. 423; 1975, c. 22, s. 127; 1981, c. 12, s. 2; 1989, c. 5, s. 71; 1989, c. 77, s. 59; 1995, c. 63, s. 40; 1997, c. 3, s. 71; 1997, c. 14, s. 83; 2000, c. 39, s. 31; 2001, c. 7, s. 53.

546. For the purposes of this Part, the new corporation must attribute to the assets and liabilities of the predecessor corporations the costs, values and prices otherwise determined in accordance with this Part for such predecessor corporations immediately before the amalgamation.

1972, c. 23, s. 424; 1997, c. 3, s. 71.

546.1. For the purposes of section 194, where the income of the predecessor corporation at the end of its taxation year ending immediately before the amalgamation, in this section referred to as its "last taxation year", from a farming business and the income of the new corporation from a farming business are computed in accordance with the cash method, the new corporation is deemed to have purchased, in its first taxation year and in the course of carrying on that farming business, the property described in its inventory in connection with that business at the commencement of its first taxation year that was property described in the inventory in connection with the farming business of the predecessor corporation at the end of its last taxation year, for an amount equal to the aggregate of all amounts each of which is an amount included, by reason of subparagraph *b* or *c* of the second paragraph of section 194, in computing the income from a farming business of the predecessor corporation for its last taxation year.

1993, c. 16, s. 216; 1997, c. 3, s. 71.

547. *(Repealed).*

1972, c. 23, s. 425; 1978, c. 26, s. 97; 1985, c. 25, s. 96; 1994, c. 22, s. 200.

547.0.1. *(Repealed).*

1990, c. 59, s. 197; 1994, c. 22, s. 200.

547.1. For the purposes of determining either the non-capital loss, the net capital loss, the restricted farm loss, the farm loss or the limited partnership loss, as the case may be, of the new corporation for any taxation year, or the extent to which sections 734 to 736.0.4 and paragraph *e* of section 999.1 have the effect of restricting the deductibility by the new corporation of such a loss, the new corporation is deemed to continue the corporate existence of any predecessor corporation.

However, this section shall not affect the determination of the fiscal period or of the income of the new corporation or any predecessor corporation or that of the taxable income of, or the tax payable under this Act

by, any predecessor corporation other than a corporation which, where the new corporation is formed by the amalgamation of a particular corporation and one or more of its subsidiary wholly-owned corporations, is the particular corporation.

1978, c. 26, s. 98; 1984, c. 15, s. 114; 1985, c. 25, s. 97; 1988, c. 4, s. 38; 1989, c. 77, s. 60; 1994, c. 22, s. 201; 1997, c. 3, s. 71; 2000, c. 5, s. 123.

547.2. *(Repealed).*

1981, c. 12, s. 3; 1985, c. 25, s. 98; 1995, c. 63, s. 41; 1997, c. 3, s. 71; 2000, c. 39, s. 32.

547.3. *(Repealed).*

1995, c. 63, s. 42; 1997, c. 3, s. 71; 1997, c. 14, s. 84.

548. For the purposes of section 34, an employee or former employee of a predecessor corporation is deemed to be, as the case may be, an employee or former employee of the new corporation.

1972, c. 23, s. 426; 1997, c. 3, s. 71.

549. For the purposes of this Part, the new corporation is deemed to continue the corporate existence of any predecessor corporation, except when otherwise provided in this chapter or the regulations.

However, the first taxation year of the new corporation is deemed to begin at the time of the amalgamation.

1972, c. 23, s. 427; 1997, c. 3, s. 71; 2009, c. 5, s. 180.

550. For the purposes of this Part, the amount for the new corporation, at a particular time, of its capital dividend account and its capital gains dividend account designates the amount determined under the rules prescribed for such purposes.

1972, c. 23, s. 428; 1975, c. 22, s. 128; 1978, c. 26, s. 99; 1984, c. 15, s. 115; 1990, c. 59, s. 198; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

550.0.1. For the purpose of applying this chapter to an amalgamation governed by section 689 of the Act respecting financial services cooperatives (chapter C-67.3), an investment deposit of a savings and credit union is deemed to be a share of a separate class of the capital stock of a predecessor corporation in respect of the amalgamation the adjusted cost base and paid-up capital of which to the savings and credit union is equal to the adjusted cost base to the savings and credit union of that deposit immediately before the amalgamation if

(a) immediately before the amalgamation, that deposit is an investment deposit, to which section 425 of the Savings and Credit Unions Act (chapter C-4.1) applies, of an investment fund of the predecessor corporation; and

(b) on the amalgamation, the savings and credit union disposes of that deposit for consideration that consists solely of shares of a class of the capital stock of the new corporation.

2009, c. 5, s. 181.

550.1. *(Repealed).*

1979, c. 18, s. 47; 1997, c. 3, s. 71; 2000, c. 5, s. 124.

550.2. *(Repealed).*

1979, c. 18, s. 47; 1997, c. 3, s. 71; 2000, c. 5, s. 124.

550.3. For the purposes of sections 21.5 to 21.9.4.1, if, as a result of an amalgamation after 16 November 1978, a particular share of any class of the capital stock of the new corporation is issued in consideration for

the disposition of a share of any class of the capital stock of a predecessor corporation and the terms and conditions of the particular share are similar to the terms and conditions of the share so disposed of, the following rules apply:

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

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

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

1980, c. 13, s. 53; 1984, c. 15, s. 116; 1997, c. 3, s. 71; 2007, c. 12, s. 67.

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

1980, c. 13, s. 53; 1996, c. 39, s. 151; 1997, c. 3, s. 71.

550.5. Where, following an amalgamation or merger of two or more corporations after 27 November 1986, a particular share of any class of the capital stock of the new corporation is issued to a shareholder in consideration for the disposition of a share by that shareholder of any class of the capital stock of a predecessor corporation and the attributes of the particular share are similar to the attributes of the share so disposed of, the following rules apply for the purpose of applying this section and sections 21.10 to 21.11.21, 21.16, 740.2 to 740.3.1 and 740.5 to the particular share:

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

(b) where the share disposed of was a share described in any of paragraphs *a* to *d* of section 21.11.20, the particular share is deemed, for the purposes of sections 21.11.20 and 21.11.21, to be the same share as the share disposed of;

(c) the particular share is deemed to have been acquired by the shareholder at the same time as the share disposed of;

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

1990, c. 59, s. 199; 1997, c. 3, s. 71.

550.6. For the purposes of paragraph *d* of section 21.11.20, where, following an amalgamation or merger of two or more corporations after 18 June 1987, a particular right listed on a designated stock exchange to acquire a share of any class of the capital stock of the new corporation is acquired by a shareholder in consideration for the disposition by him of a right described in the said paragraph *d* to acquire a share of any class of the capital stock of a predecessor corporation, the terms and conditions of the particular right are similar to the terms and conditions of the right disposed of and the attributes of the share that may be acquired upon an exercise of the particular right are similar to the attributes of the share that could have been acquired upon an exercise of the right disposed of, the particular right is deemed to be the same right as the right disposed of.

1990, c. 59, s. 199; 1997, c. 3, s. 71; 2001, c. 7, s. 54; 2010, c. 5, s. 48.

550.7. Where there has been an amalgamation of two or more corporations each of which is a development corporation, within the meaning of section 363, or a corporation that at no time carried on business, and a predecessor corporation entered into an agreement with a person at a particular time under which the predecessor corporation issued to the person before the amalgamation, for consideration given by

the person, a share (in this section referred to as the "old share") that was a flow-through share other than a right to acquire a share, or a right to acquire a share that would be a flow-through share if it were issued, the following rules apply for the purposes of section 359.8 and Part III.14 and for the purpose of renouncing an amount under any of sections 359.2, 359.2.1 and 359.4 in respect of Canadian exploration expenses or Canadian development expenses that would, but for the renunciation, be incurred by the new corporation after the amalgamation:

(a) the person is deemed to have given the consideration under the agreement to the new corporation for the issue of the particular share described in the second paragraph,

(b) the agreement is deemed to have been entered into between the person and the new corporation at the particular time,

(c) the particular share described in the second paragraph is deemed to be a flow-through share of the new corporation, and

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

The particular share referred to in the first paragraph is a share of any class of the capital stock of the new corporation

(a) that the new corporation issues on the amalgamation to the person referred to in the first paragraph or to a person or partnership that subsequently acquired the old share in consideration for the disposition of the old share of the predecessor corporation and the attributes of which are similar to the attributes of the old share; or

(b) that the new corporation is obliged after the amalgamation to issue to the person referred to in the first paragraph pursuant to the right of that person to acquire a share of the capital stock of the predecessor corporation that would have been a flow-through share if it had been issued, and that would, if it were issued, be a flow-through share.

For the purposes of this section, "flow-through share" has the meaning assigned by the first paragraph of section 359.1.

1993, c. 16, s. 217; 1995, c. 49, s. 144; 1997, c. 3, s. 71; 1998, c. 16, s. 171; 2015, c. 24, s. 83.

550.8. For the purposes of Title III of Part II, a share, in this section referred to as the "new share", is deemed to be listed on a designated stock exchange until the earliest time at which it is redeemed, acquired or cancelled, where

(a) a new corporation is formed as a result of an amalgamation;

(b) the new corporation is a public corporation;

(c) the new corporation issues the new share, which is a share of any class of the capital stock thereof;

(d) the new share is issued in exchange for a share, in this section referred to as the "old share", of the capital stock of a predecessor corporation;

(e) immediately before the amalgamation, the old share was listed on a designated stock exchange; and

(f) the new share is redeemed, acquired or cancelled by the new corporation within 60 days after the amalgamation.

2001, c. 7, s. 55; 2010, c. 5, s. 49.

550.9. Where at any time there is an amalgamation of a corporation, in this section referred to as the "parent", and one or more other corporations, each of which is a subsidiary wholly-owned corporation of the parent, the following rules apply:

(a) the shares of each subsidiary are deemed to have been disposed of by the parent immediately before the amalgamation for proceeds equal to the proceeds that would be determined under section 558 if sections 556 to 564.1 and 565 applied, with the necessary modifications, to the amalgamation; and

(b) the cost to the new corporation formed on an amalgamation of each capital property of each subsidiary acquired on the amalgamation is deemed to be the amount that would have been the cost to the parent of the property if the property had been distributed at that time to the parent on a winding-up of the subsidiary and sections 556 to 564.1 and 565 had applied to the winding-up.

2001, c. 7, s. 55.

DIVISION II

SHAREHOLDER OR CREDITOR OF A PREDECESSOR CORPORATION

1972, c. 23; 1975, c. 22, s. 129; 1997, c. 3, s. 71.

551. This division applies to a taxpayer who, immediately before an amalgamation, owned a capital property that was a share of the capital stock of a predecessor corporation, an option to acquire such a share, or a bond, a debenture, a hypothecary claim, a mortgage, a note or other similar obligation of such corporation and who received from the new corporation, by reason of such amalgamation, no consideration for the disposition of such capital property other than a property that is, as the case may be, a share of the capital stock of the new corporation, an option to acquire such share, a bond, a debenture, a hypothecary claim, a mortgage, a note or another similar obligation, respectively, of the new corporation.

However, this division does not apply if the taxpayer is himself a predecessor corporation or if the amount payable on the maturity of the bond, debenture, hypothecary claim, mortgage, note or other similar obligation received as consideration for the capital property disposed of on the amalgamation is not the same as the amount that would have been payable on the maturity of such capital property disposed of.

1972, c. 23, s. 429; 1975, c. 22, s. 130; 1996, c. 39, s. 152; 1997, c. 3, s. 71; 2005, c. 1, s. 120.

552. The taxpayer referred to in section 551 is deemed to have disposed, by reason of the amalgamation, of capital property described therein for proceeds equal to its adjusted cost base to him immediately before the amalgamation.

1972, c. 23, s. 430; 1975, c. 22, s. 131.

553. The taxpayer referred to in section 551 is deemed to have acquired the property received as consideration for the disposition at a cost equal to the proceeds determined under section 552 for the capital property disposed of or, in the case of a share of any particular class of the new corporation, at a cost equal to that proportion of such proceeds that the fair market value, immediately after the amalgamation, of the share of such class so acquired by him is of the fair market value, at the same time, of all the shares so acquired by him.

1972, c. 23, s. 431; 1974, c. 18, s. 23; 1975, c. 22, s. 132; 1997, c. 3, s. 71.

553.1. Notwithstanding sections 552 and 553, where, immediately before the amalgamation, the fair market value of the shares of the capital stock of a predecessor corporation that belonged to a taxpayer exceeds the fair market value, immediately after the amalgamation, of the shares he has received as consideration, and it is reasonable to regard all or any portion of such excess as a benefit that the taxpayer desires to have conferred on a person related to the taxpayer, the following rules apply:

(a) the taxpayer shall be deemed to dispose of the shares of the capital stock of the predecessor corporation for proceeds equal to the lesser of their fair market value immediately before the amalgamation and the aggregate of their adjusted cost base to him at the same time, and the amount of the benefit conferred;

(b) the taxpayer's capital loss resulting from the disposition of the shares shall be deemed to be nil; and

(c) the cost to the taxpayer of any share of any class of the capital stock of the new corporation acquired by him on the amalgamation is deemed to be that proportion of the lesser of the adjusted cost base to him, immediately before the amalgamation, of the shares disposed of and the aggregate of the fair market value, immediately after the amalgamation, of all the shares acquired by him on the amalgamation, and the amount that, but for paragraph *b*, would be the taxpayer's capital loss from the disposition of the shares, that the fair market value, immediately after the amalgamation, of such share of that class is of the fair market value, at the same time, of the aggregate of the shares so acquired by him.

1982, c. 5, s. 125; 1997, c. 3, s. 71.

553.2. Where the cost to a taxpayer referred to in section 551 of a property received as consideration for the disposition that is an option or a bond, debenture or note is determined at any time under section 553 and the terms of the bond, debenture or note conferred upon the holder the right to exchange that bond, debenture or note for shares,

(a) the taxpayer shall deduct after that time, in computing the adjusted cost base to the taxpayer of the property, the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing, immediately before that time, the adjusted cost base to the taxpayer of the capital property disposed of; and

(b) the taxpayer shall add, after that time, in computing the adjusted cost base to the taxpayer of the property, the amount determined under paragraph *a*.

1996, c. 39, s. 153.

554. If the capital property disposed of that is referred to in section 551 is a share or an option to acquire such a share that is a taxable Québec property or taxable Canadian property of the taxpayer, the share or option received as consideration is deemed to be, at any time that is within 60 months after the amalgamation referred to in that section, a taxable Québec property or taxable Canadian property of the taxpayer, as the case may be.

1975, c. 22, s. 134; 1996, c. 39, s. 154; 2011, c. 6, s. 137.

555. Subject to subsection 2 of section 95 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) where it has effect for the purposes of section 579, this division applies, with the necessary modifications, to a taxpayer in respect of a share or an option to acquire a share of the capital stock of a corporation where there is a foreign merger under which a share owned by the taxpayer or an option owned by the taxpayer to acquire such a share of the capital stock of a corporation that was a predecessor foreign corporation immediately before the merger is exchanged for or becomes a share or an option to acquire a share of the capital stock of a new foreign corporation or a foreign parent corporation.

Notwithstanding the foregoing, the first paragraph does not apply where the taxpayer makes a valid election under subsection 8 of section 87 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have the rules provided for in that section not apply in respect of the exchange.

1975, c. 22, s. 136; 1984, c. 15, s. 117; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1997, c. 85, s. 95; 2001, c. 53, s. 82; 2004, c. 8, s. 110.

555.0.1. In this chapter, "foreign merger" means a merger or combination of corporations each of which was, immediately before the merger or combination, resident in a country other than Canada, each of which is in this chapter referred to as a "predecessor foreign corporation", to form one corporate entity resident in a country other than Canada, in this chapter referred to as the "new foreign corporation", in such a manner that, by reason of the merger or combination and otherwise than as a result of the distribution of property to one corporation on the winding-up of another corporation,

(a) all or substantially all of the property, except any amount receivable from any predecessor foreign corporation or share of the capital stock of any predecessor foreign corporation, of the predecessor foreign corporations immediately before the merger or combination becomes property of the new foreign corporation;

(b) all or substantially all of the liabilities, except any amount payable to any predecessor foreign corporation, of the predecessor foreign corporations immediately before the merger or combination become liabilities of the new foreign corporation; and

(c) all or substantially all of the shares of the capital stock of the predecessor foreign corporations, except any shares or options owned by any predecessor foreign corporation, are exchanged for or become shares of the capital stock of

i. the new foreign corporation, or

ii. another corporation resident in a country other than Canada, in this chapter referred to as the "foreign parent corporation", if, immediately after the merger, the new foreign corporation was controlled by the foreign parent corporation.

1984, c. 15, s. 117; 1997, c. 3, s. 71; 2001, c. 53, s. 83; 2004, c. 8, s. 111.

555.0.2. For the purposes of section 555.0.1, if there is a merger or combination, otherwise than as a result of the distribution of property to one corporation on the winding-up of another corporation, of two or more corporations not resident in Canada (each of which is referred to in this section as a "predecessor foreign corporation"), as a result of which one or more predecessor foreign corporations ceases to exist and, immediately after the merger or combination, another predecessor foreign corporation (referred to in this section as the "survivor corporation") owns properties (except an amount receivable from, or shares of the capital stock of, any predecessor foreign corporation) representing all or substantially all of the fair market value of all such properties owned by each predecessor foreign corporation immediately before the merger or combination, the following rules apply:

(a) the merger or combination is deemed to be a merger or combination of the predecessor foreign corporations to form one corporation not resident in Canada;

(b) the survivor corporation is deemed to be the corporation not resident in Canada so formed;

(c) all of the properties of the survivor corporation immediately before the merger or combination that are properties of the survivor corporation immediately after the merger or combination are deemed to become properties of the survivor corporation as a consequence of the merger or combination;

(d) all of the liabilities of the survivor corporation immediately before the merger or combination that are liabilities of the survivor corporation immediately after the merger or combination are deemed to become liabilities of the survivor corporation as a consequence of the merger or combination;

(e) all of the shares of the capital stock of the survivor corporation that were outstanding immediately before the merger or combination and that are shares of the capital stock of the survivor corporation immediately after the merger or combination are deemed to become shares of the capital stock of the survivor corporation as a consequence of the merger or combination; and

(f) all of the shares of the capital stock of each predecessor foreign corporation (other than the survivor corporation) that were outstanding immediately before the merger or combination and that cease to exist as a consequence of the merger or combination are deemed to have been exchanged by the shareholders of each such predecessor foreign corporation for shares of the survivor corporation as a consequence of the merger or combination.

2015, c. 21, s. 185.

555.0.3. Section 555 does not apply in respect of a taxpayer's share of the capital stock of a predecessor foreign corporation that is exchanged for or becomes, on a foreign merger, a share of the capital stock of the new foreign corporation or the foreign parent corporation, where

(a) the new foreign corporation is, at the time that is immediately after the foreign merger, a foreign affiliate of the taxpayer;

(b) shares of the capital stock of the new foreign corporation are, at the time that is immediately after the foreign merger, excluded property, within the meaning of section 576.1, of another foreign affiliate of the taxpayer; and

(c) the foreign merger is part of a transaction or event or a series of transactions or events that includes a disposition of shares of the capital stock of the new foreign corporation, or property substituted for the shares, to

i. a person (other than a foreign affiliate of the taxpayer in respect of which the taxpayer has a qualifying interest, within the meaning of paragraph *m* of subsection 2 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), at the time of the transaction or event or throughout the series, as the case may be) with whom the taxpayer was dealing at arm's length immediately after the transaction, event or series, or

ii. a partnership a member of which is, immediately after the transaction, event or series, a person described in subparagraph i.

2017, c. 1, s. 138.

555.0.4. If, at a particular time, there is a merger of two or more foreign corporations, one of the foreign corporations (in this section referred to as the "particular corporation") disposes, because of the merger, of a particular taxable Canadian property that is a share of the capital stock of a corporation, an interest in a partnership or an interest in a trust, the particular property becomes property of the corporation resulting from the merger (in this section referred to as the "new corporation") and the new corporation and the particular corporation make a valid election under paragraph *e* of subsection 8.4 of section 87 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the merger, the following rules apply:

(a) if the particular property is an interest in a partnership,

i. the particular corporation is deemed not to have disposed of the particular property, and

ii. the new corporation is deemed

(1) to have acquired the particular property at a cost equal to the cost of the particular property to the particular corporation, and

(2) to be the same corporation as, and a continuation of, the particular corporation in respect of the particular property; and

(b) if the particular property is a share of the capital stock of a corporation or an interest in a trust,

i. the particular property is deemed to have been disposed of at the particular time by the particular corporation to the new corporation for proceeds of disposition equal to the adjusted cost base of the property to the particular corporation immediately before that time, and

ii. the cost of the particular property to the new corporation is deemed to be equal to the amount that is deemed to be the proceeds of disposition of the property under subparagraph i.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *e* of subsection 8.4 of section 87 of the Income Tax Act.

2020, c. 16, s. 79.

DIVISION III

RULES APPLICABLE TO CERTAIN MERGERS

1980, c. 13, s. 54.

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

1980, c. 13, s. 54; 1997, c. 3, s. 71.

555.2. For the purposes of paragraph *c* of subsection 1 of section 544, sections 551 to 554 and the Act respecting the application of the Taxation Act (chapter I-4), any share of the particular corporation received by a shareholder of a predecessor corporation is deemed to be a share of the new corporation received by the shareholder by virtue of the merger.

1980, c. 13, s. 54; 1997, c. 3, s. 71.

555.2.1. For the purposes of sections 550.3 and 550.5, a share of the particular corporation issued to a shareholder in consideration for the disposition of a share of any class of the capital stock of a predecessor corporation is deemed to be a share of any class of the capital stock of the new corporation that was issued in consideration for the disposition of a share of any class of the capital stock of a predecessor corporation by that shareholder.

1993, c. 16, s. 218; 1997, c. 3, s. 71.

555.2.2. For the purposes of section 550.6, a right listed on a designated stock exchange to acquire a share of a class of the capital stock of the particular corporation is deemed to be a right listed on such a stock exchange to acquire a share of a class of the capital stock of the new corporation.

1993, c. 16, s. 218; 1997, c. 3, s. 71; 2001, c. 7, s. 56; 2010, c. 5, s. 50.

555.2.2.1. For the purposes of the second paragraph of section 550.7, a share of the particular corporation issued to a shareholder in consideration for a share of any class of the capital stock of a predecessor corporation is deemed to be a share of any class of the capital stock of the new corporation issued to the shareholder by the new corporation on the merger, and an obligation of the particular corporation to issue a share of a class of its capital stock to a person in circumstances described in subparagraph *b* of the second paragraph of section 550.7 is deemed to be an obligation of the new corporation to issue a share to the person.

2015, c. 24, s. 84.

555.2.3. For the purposes of applying sections 551 to 553 and section 554 to the merger, in respect of a right to acquire a share, any reference therein to the new corporation shall be read as a reference to the particular corporation.

1994, c. 22, s. 202; 1997, c. 3, s. 71.

555.2.4. For the purpose of applying section 550.8 in respect of a merger,

(a) the reference in paragraph *b* of that section to "the new corporation" shall be read as a reference to "the new corporation or the particular corporation, within the meaning assigned by Division III of this chapter"; and

(b) the references in paragraphs *c* and *f* of that section to "the new corporation" shall be read as references to "the public corporation referred to in paragraph *b*".

2001, c. 7, s. 57.

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

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

1980, c. 13, s. 54; 1996, c. 39, s. 155; 1997, c. 3, s. 71.

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

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

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

1980, c. 13, s. 54; 1997, c. 3, s. 71; 1997, c. 14, s. 85.

CHAPTER VII

WINDING-UP OF A CANADIAN SUBSIDIARY

1972, c. 23.

556. Notwithstanding any other provision of this Part other than section 427.4, the rules set forth in this chapter apply to the winding-up after 6 May 1974 of a taxable Canadian corporation not less than 90% of the issued shares of each class of the capital stock of which were, immediately before the winding-up, owned by another taxable Canadian corporation, and the balance of the shares of which were owned by persons with whom the other corporation was dealing at arm's length.

In this chapter, the wound-up corporation is called the "subsidiary" while the other corporation owning the shares is called "parent".

1972, c. 23, s. 434; 1975, c. 22, s. 137; 1980, c. 13, s. 55; 1982, c. 5, s. 126; 1989, c. 77, s. 61; 1997, c. 3, s. 71.

557. Any property, other than an interest in a partnership, that was distributed to the parent by a subsidiary on the winding-up is deemed to have been disposed of by the subsidiary for proceeds equal to the cost amount to the subsidiary of the property immediately before the winding-up.

However,

(a) in the case of a Canadian resource property, a foreign resource property or a right to receive production, as defined in section 158.1, to which a matchable expenditure, as defined in section 158.1, relates, the proceeds are deemed to be equal to zero; and

(b) in the case of a specified debt obligation, within the meaning assigned by section 851.22.1, other than a mark-to-market property, within the meaning assigned by that section, the property is deemed, except for the purposes of section 427.4, not to have been disposed of where the subsidiary was a financial institution, within the meaning assigned by section 851.22.1, in its taxation year in which its property was distributed to the parent on the winding-up and the parent was such a financial institution in its taxation year in which it received the property of the subsidiary on the winding-up.

Each interest of the subsidiary in a partnership that was distributed to the parent on the winding-up is deemed, except for the purposes of section 632, not to have been disposed of by the subsidiary.

1972, c. 23, s. 435; 1975, c. 22, s. 138; 1986, c. 19, s. 120; 1989, c. 77, s. 62; 1993, c. 16, s. 219; 1994, c. 22, s. 203; 1996, c. 39, s. 156; 1997, c. 3, s. 71; 2001, c. 7, s. 58.

558. The parent is deemed to dispose, on the winding-up, of the shares of the capital stock of the subsidiary owned by it immediately before that time for proceeds equal to the greater of

(a) the lesser of

i. the paid-up capital in respect of the shares immediately before the winding-up; and

ii. the amount by which the aggregate of the amounts each of which is in respect of any property owned by the subsidiary immediately before the winding-up and equal to the cost amount to it of the property at that time, plus its cash then on hand, exceeds the aggregate of all the debts of the subsidiary immediately before the winding-up and of the amount of each reserve deducted by the subsidiary in computing its income for the taxation year during which its property was distributed to the parent on the winding-up, other than a reserve contemplated in sections 153, 234 and 279 and sections 357 and 358, as they apply in respect of a disposition made before 13 November 1981; or

(b) the aggregate of amounts each of which is in respect of any share of the capital stock of the subsidiary and equal to the adjusted cost base of the share to the parent, immediately before the winding-up.

1972, c. 23, s. 436; 1973, c. 17, s. 63; 1973, c. 18, s. 22; 1975, c. 22, s. 139; 1978, c. 26, s. 100; 1982, c. 5, s. 127; 1993, c. 16, s. 220; 1997, c. 3, s. 71; 1997, c. 14, s. 86; 2023, c. 19, s. 36.

559. Notwithstanding the reference to section 546 in section 564, except where section 546 applies in respect of a property to which subparagraph *b* of the second paragraph of section 557 applies, the cost to the parent of each property of the subsidiary distributed to the parent on the winding-up is deemed, subject to the second paragraph, to be equal

(a) in the case of a property that is an interest in a partnership, to the amount that but for this section would be the cost to the parent of the property; and

(b) in any other case, to the amount by which the amount that, but for section 427.4, would be deemed by section 557 to be the proceeds of disposition of the property exceeds the amount by which the cost amount to the subsidiary has been reduced because of sections 485 to 485.18 on the winding-up.

If the property referred to in the first paragraph is a capital property, other than property described in the third paragraph, owned by the subsidiary at the time the parent last acquired control of the subsidiary and subsequently without interruption until the time it was distributed to the parent on the winding-up, there is to be added to the cost to the parent of the property, as otherwise determined under the first paragraph, the amount determined under section 560 in respect of the property.

The property referred to in the second paragraph is

(a) depreciable property, including a leasehold interest in a depreciable property and an option to acquire a depreciable property;

(b) property transferred to the parent on the winding-up where the transfer is part of a distribution, within the meaning assigned by section 308.0.1, made in the course of a reorganization in which a dividend was received to which section 308.1 would, but for section 308.3, apply;

(c) property acquired by the subsidiary from the parent or from any person or partnership that was not, otherwise than because of a right referred to in paragraph *b* of section 20, dealing at arm's length with the parent, or any other property acquired by the subsidiary in substitution for it, where the acquisition was part of the series of transactions or events in which the parent last acquired control of the subsidiary; or

(d) property distributed to the parent on the winding-up where, as part of the series of transactions or events that includes the winding-up,

i. the parent acquired control of the subsidiary, and

ii. any property distributed to the parent on the winding-up or any other property acquired by any person in substitution therefor is acquired by

(1) a particular person, other than a specified person, that, at any time during the course of the series and before control of the subsidiary was last acquired by the parent, was a specified shareholder of the subsidiary,

(2) two or more persons, other than specified persons, if a particular person would have been, at any time during the course of the series and before control of the subsidiary was last acquired by the parent, a specified shareholder of the subsidiary if all the shares that were then owned by those two or more persons were owned at that time by the particular person, or

(3) a corporation, other than a specified person or the subsidiary, of which a particular person referred to in subparagraph 1 is, at any time during the course of the series of transactions or events and after control of the subsidiary was last acquired by the parent, a specified shareholder, or of which a particular person would be, at any time during the course of the series of transactions or events and after control of the subsidiary was last acquired by the parent, a specified shareholder if all the shares then owned by persons, other than specified persons, referred to in subparagraph 2 and acquired by those persons as part of the series of transactions or events were owned at that time by the particular person.

1972, c. 23, s. 437; 1975, c. 22, s. 140; 1978, c. 26, s. 101; 1980, c. 13, s. 56; 1984, c. 15, s. 118; 1989, c. 77, s. 63; 1990, c. 59, s. 200; 1993, c. 16, s. 221; 1994, c. 22, s. 204; 1996, c. 39, s. 157; 1997, c. 3, s. 71; 2000, c. 5, s. 125; 2004, c. 8, s. 112; 2009, c. 5, s. 182.

560. The amount that is to be added to the cost, to the parent, of a particular capital property described in the second paragraph of section 559 is equal, subject to the second paragraph, to the lesser of

(a) the total of

i. the amount designated after 19 December 2006 by the parent in accordance with paragraph *d* of subsection 1 of section 88 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in relation to the particular capital property, and

ii. if the total of the amounts designated by the parent in accordance with paragraph *d* of subsection 1 of section 88 of the Income Tax Act in relation to the aggregate of the capital properties described in the second paragraph of section 559 corresponds to the maximum total of the amounts that the parent may then designate in accordance with that paragraph *d* in relation to the aggregate of those capital properties, the portion—that is specified by the parent, in its fiscal return under this Part for the taxation year in which the subsidiary is wound up, in relation to the particular capital property and that is not so specified in relation to another capital property—of the amount by which the amount described in the third paragraph in respect of the capital

properties described in the second paragraph of section 559 exceeds the portion of the maximum total of the amounts that the parent may then designate in accordance with that paragraph *d* in relation to the aggregate of those capital properties that exceeds the aggregate of all amounts each of which is the amount by which the amount described in subparagraph i in respect of a capital property described in the second paragraph of section 559 exceeds the amount determined under subparagraph *b* in respect of that capital property; and

(b) the amount by which the fair market value of the particular capital property, at the time the parent last acquired control of the subsidiary, exceeds the aggregate of

i. the greater of the cost amount to the subsidiary of the capital property at the time the parent last acquired control of the subsidiary and the cost amount to the subsidiary of the capital property immediately before the winding-up, and

ii. the amount prescribed for the purposes of C in the formula in subparagraph ii of paragraph *d* of subsection 1 of section 88 of the Income Tax Act.

However, if the aggregate of the amounts determined under the first paragraph in respect of the capital properties described in the second paragraph of section 559 would, but for this paragraph, exceed the amount described in the third paragraph, the amount otherwise determined under the first paragraph in respect of such a capital property must be reduced to the amount specified in relation to that capital property by the parent in its fiscal return under this Part for the taxation year in which the subsidiary is wound up or, if no amount is so specified, by the Minister, so that the aggregate is equal to the amount described in the third paragraph.

The amount referred to in subparagraph ii of subparagraph *a* of the first paragraph and in the second paragraph is an amount equal to the amount by which the aggregate described in paragraph *b* of section 558 exceeds the aggregate of

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

(b) the aggregate of each amount relating to a share of the capital stock of the subsidiary disposed of by the parent on the winding-up or in contemplation of the winding-up and equal to the aggregate of each amount received by the parent or by a corporation with which the parent was not dealing at arm's length, otherwise than because of a right referred to in paragraph *b* of section 20 in respect of the subsidiary, in respect of that share or a share (in this subparagraph referred to as a "replacement share") that replaced that share or a replacement share or that was exchanged for that share or a replacement share, as a taxable dividend, to the extent that the amount was deductible under sections 738 to 745 or section 845 in computing the taxable income of the recipient corporation for a taxation year and was not an amount on which it was required to pay prescribed tax, or as a capital dividend or life insurance capital dividend.

Chapter V.2 of Title II of Book I applies in relation to a designation made under paragraph *d* of subsection 1 of section 88 of the Income Tax Act or in relation to a determination made under this section before 20 December 2006.

1972, c. 23, s. 438; 1978, c. 26, s. 102; 1980, c. 13, s. 57; 1990, c. 59, s. 201; 1993, c. 16, s. 222; 1997, c. 3, s. 71; 2009, c. 5, s. 183; 2015, c. 36, s. 23.

560.1. For the purposes of sections 559 and 560, where the parent did not deal at arm's length with another person at any time before the winding-up, the parent and the other person are deemed never to have dealt with each other at arm's length, whether or not the parent and the other person coexisted.

The first paragraph does not apply if the other person is a corporation the control of which was acquired by the parent from a person with whom the parent dealt at arm's length.

1980, c. 13, s. 58; 1997, c. 3, s. 71; 2000, c. 5, s. 126.

560.1.1. For the purposes of this section and subparagraph *d* of the third paragraph of section 559,

(a) "specified person", at a particular time, means

i. the parent,

ii. each person who would be related to the parent at that time if

(1) paragraph *b* of section 20 were not taken into account, and

(2) each person who is the child of a deceased individual were related to each brother or sister of the individual and to each child of a deceased brother or sister of the individual, and

iii. if the particular time is before the incorporation of the parent, each person who is described in subparagraph ii throughout the period that begins at the time the parent is incorporated and ends at the time that is immediately before the beginning of the winding-up;

(a.1) a person described in subparagraph ii or iii of paragraph *a* is deemed not to be a specified person if it can reasonably be considered that one of the main purposes of one or more transactions or events is to cause the person to become a specified person so as to prevent a property that is distributed to the parent on the winding-up from being, for the purposes of section 559, a property described in the third paragraph of that section;

(b) where at a particular time a property is owned or acquired by a partnership or a trust,

i. the partnership or the trust, as the case may be, is deemed to be a corporation having one class of issued shares, which shares have full voting rights under all circumstances,

ii. each member of the partnership or beneficiary under the trust, as the case may be, is deemed to own at that time the proportion of the number of issued shares of the capital stock of the corporation that the fair market value at that time of that member's interest in the partnership or that beneficiary's interest in the trust, as the case may be, is of the fair market value at that time of all the members' interests in the partnership or beneficiaries' interests in the trust, as the case may be, and

iii. the property is deemed to have been owned or acquired at that time by the corporation;

(c) in determining whether a person is a specified shareholder of a corporation,

i. the reference in section 21.17 to "the issued shares of any class of the capital stock of the corporation or of any other corporation that is related to the corporation" shall be read as a reference to "the issued shares of any class, other than a specified class, of the capital stock of the corporation or of any other corporation that is related to the corporation and that has a significant direct or indirect interest in any issued shares of the capital stock of the corporation",

i.1. a corporation controlled by another corporation is, at a particular time, deemed not to own any shares of the capital stock of the other corporation if, at that time, the corporation does not have a direct or an indirect interest in any of the shares of the capital stock of the other corporation,

i.2. section 21.18 is to be read without reference to its paragraph *a* in respect of any share of the capital stock of the subsidiary that the person would, but for this subparagraph, be deemed to own solely because the person has a right described in paragraph *b* of section 20 to acquire shares of the capital stock of a corporation that

(1) is controlled by the subsidiary, and

(2) does not have a direct or an indirect interest in any of the shares of the capital stock of the subsidiary, and

ii. a corporation is deemed not to be a specified shareholder of itself; and

(d) property that is distributed to the parent on the winding-up is deemed not to be acquired by a person if the person acquired the property before the acquisition of control referred to in subparagraph i of subparagraph *d* of the third paragraph of section 559 and the property is not owned by the person at any time after that acquisition of control.

1996, c. 39, s. 158; 1997, c. 3, s. 71; 2000, c. 5, s. 127; 2004, c. 8, s. 113; 2015, c. 24, s. 85.

560.1.2. For the purposes of subparagraph ii of subparagraph *d* of the third paragraph of section 559, property acquired by any person in substitution for particular property or properties distributed to the parent on the winding-up includes the following property but not the property described in the second paragraph:

(a) property, other than specified property, owned by the person at a particular time after the acquisition of control referred to in subparagraph i of that subparagraph *d* more than 10% of the fair market value of which is, at the particular time, attributable to the particular property or properties; and

(b) property owned by the person at a particular time after the acquisition of control referred to in subparagraph i of that subparagraph *d* the fair market value of which is, at the particular time, determinable primarily by reference to the fair market value of, or to any proceeds from a disposition of, the particular property or properties.

The property to which the first paragraph refers is

(a) money;

(b) property that was not owned by the person at a particular time after the acquisition of control referred to in subparagraph i of subparagraph *d* of the third paragraph of section 559;

(c) property described in subparagraph *a* of the first paragraph if the only reason the property is described in that subparagraph is because a specified property described in any of subparagraphs *a* to *d* of the first paragraph of section 560.1.3 was received as consideration for the acquisition of a share of the capital stock of the subsidiary in the circumstances described in those subparagraphs *a* to *d*;

(d) a share of the capital stock of the subsidiary or a debt owing by the subsidiary, where the share or debt was owned by the parent immediately before the winding-up; or

(e) a share of the capital stock of a corporation or a debt owing by a corporation, where the fair market value of the share or debt was not, at any time after the beginning of the winding-up, wholly or partly attributable to property distributed to the parent on the winding-up.

2000, c. 5, s. 128; 2015, c. 24, s. 86.

560.1.2.0.1. For the purposes of subparagraph *b* of the first paragraph of section 560, where the particular capital property is an interest of a subsidiary in a partnership, the fair market value of the interest at the time the parent last acquired control of the subsidiary is deemed to be equal to the amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is the fair market value (determined without reference to this section) of the interest of the subsidiary in the partnership at the time the parent last acquired control of the subsidiary; and

(b) B is the portion of the amount by which the fair market value (determined without reference to this section) of the interest of the subsidiary in the partnership at the time the parent last acquired control of the subsidiary exceeds its cost amount at that time as may reasonably be regarded as attributable at that time to the aggregate of all amounts each of which is

i. in the case of a depreciable property held directly by the partnership or held indirectly by the partnership through one or more other partnerships, the amount by which the fair market value (determined without reference to liabilities) of the property exceeds its cost amount,

ii. in the case of a Canadian resource property or a foreign resource property held directly by the partnership or held indirectly by the partnership through one or more other partnerships, the fair market value (determined without reference to liabilities) of the property, or

iii. in the case of a property that is not a capital property, a Canadian resource property or a foreign resource property and that is held directly by the partnership or held indirectly through one or more other partnerships, the amount by which the fair market value (determined without reference to liabilities) of the property exceeds its cost amount.

For the purposes of subparagraph *a* of the second paragraph, the fair market value of an interest of the subsidiary in a particular partnership at the time the parent last acquired control of the subsidiary is deemed not to include the amount that is the aggregate of all amounts each of which is equal to the fair market value of a property that would otherwise be included in computing the fair market value of the interest, if

(a) as part of the transaction or event or series of transactions or events in which control of the subsidiary is last acquired by the parent and on or before the acquisition of control,

i. the subsidiary disposes of the property to the particular partnership or any other partnership and the second paragraph of section 614 applies in respect of the disposition, or

ii. where the property is an interest in a partnership, the subsidiary acquires the interest in the particular partnership or any other partnership from a person or partnership with whom the subsidiary does not deal at arm's length (otherwise than because of a right referred to in paragraph *b* of section 20) and Divisions I to IV of Chapter IV apply in respect of the acquisition; and

(b) at the time of the acquisition of control, the particular partnership holds directly, or indirectly through one or more other partnerships, property described in any of subparagraphs i to iii of subparagraph *b* of the second paragraph.

2015, c. 21, s. 186.

560.1.2.1. For the purposes of subparagraph i of paragraph *c* of section 560.1.1 and this section, a specified class of the capital stock of a corporation is a class of shares of the capital stock of the corporation where

(a) the paid-up capital in respect of the class was not, at any time, less than the fair market value of the consideration for which the shares of that class then outstanding were issued;

(b) the shares are non-voting in respect of the election of the board of directors, except in the event of a failure or default under the terms or conditions of the shares;

(c) under neither the terms and conditions of the shares nor any agreement in respect of the shares are the shares convertible into or exchangeable for shares other than shares of a specified class of the capital stock of the corporation; and

(d) under neither the terms and conditions of the shares nor any agreement in respect of the shares is any holder of the shares entitled to receive on the redemption, cancellation or acquisition of the shares by the corporation or by any person with whom the corporation does not deal at arm's length an amount, excluding

any premium for early redemption, greater than the aggregate of the fair market value of the consideration for which the shares were issued and the amount of any unpaid dividends on the shares.

2004, c. 8, s. 114.

560.1.3. For the purposes of section 560.1.2, a specified property is

(a) a share of the capital stock of the parent that was received as consideration for the acquisition of a share of the capital stock of the subsidiary by the parent or by a corporation that was a specified subsidiary corporation of the parent immediately before the acquisition, or issued for consideration that consists solely of money;

(b) an indebtedness that was issued by the parent as consideration for the acquisition of a share of the capital stock of the subsidiary by the parent, or for consideration that consists solely of money;

(c) a share of the capital stock of a taxable Canadian corporation that was received as consideration for the acquisition of a share of the capital stock of the subsidiary by the taxable Canadian corporation or by the parent where the parent was a specified subsidiary corporation of the taxable Canadian corporation immediately before the acquisition;

(d) an indebtedness of a taxable Canadian corporation that was issued by it as consideration for the acquisition of a share of the capital stock of the subsidiary by the taxable Canadian corporation or by the parent where the parent was a specified subsidiary corporation of the taxable Canadian corporation immediately before the acquisition; or

(e) where the subsidiary was formed on the amalgamation of two or more particular corporations at least one of which was a subsidiary wholly-owned corporation of the parent,

i. a share of the capital stock of the subsidiary that was issued on the amalgamation and that is, before the beginning of the winding-up, redeemed, acquired or cancelled by the subsidiary for consideration that consists solely of money or shares of the capital stock of the parent, or of any combination of the two, or exchanged for shares of the capital stock of the parent, or

ii. a share of the capital stock of the parent issued on the amalgamation in exchange for a share of the capital stock of one of the particular corporations.

For the purposes of the first paragraph, the following rules apply:

(a) a corporation is a specified subsidiary corporation of another corporation, at a particular time, where the other corporation holds, at that time, shares of the corporation

i. that give the shareholder 90% or more of the votes that could be cast under all circumstances at an annual meeting of shareholders of the corporation, and

ii. having a fair market value of 90% or more of the fair market value of all the issued shares of the capital stock of the corporation; and

(b) a reference to a share of the capital stock of a corporation includes a right to acquire a share of the capital stock of the corporation.

2000, c. 5, s. 128; 2015, c. 24, s. 87.

560.1.4. For the purposes of section 560.1.2 and notwithstanding section 21.4.2, where control of a corporation is acquired by way of articles of arrangement relating to the corporation, that control is deemed to have been acquired at the end of the day on which the arrangement becomes effective.

2000, c. 5, s. 128.

560.2. For the purposes of this paragraph and sections 559 and 560, the time at which a particular person or group of persons last acquired control of a subsidiary is, where control of the subsidiary was acquired from another person or group of persons, in this paragraph referred to as the "vendor", with whom the particular person or group of persons was not dealing at arm's length otherwise than solely because of a right referred to in paragraph *b* of section 20, deemed to be the earlier of

(a) the time at which the vendor last acquired control, within the meaning of subparagraph *b* of the first paragraph of section 739, with the necessary modifications, of the subsidiary; and

(b) the time at which the vendor is deemed for the purposes of this paragraph to have last acquired control of the subsidiary.

For the purposes of the first paragraph and sections 559 and 560, where control of a corporation is last acquired by a particular person or group of persons because of an acquisition of shares of the capital stock of the corporation as a consequence of the death of an individual, the particular person or group of persons is deemed to have last acquired control of the corporation immediately after the death from a person who dealt at arm's length with the particular person or group of persons.

For the purposes of the first and second paragraphs and sections 559, 560 and 560.1.1 to 560.1.4, the following rules apply:

(a) subject to subparagraph *c*, control of any corporation is deemed not to have been acquired by reason of an amalgamation;

(b) any corporation formed as a result of an amalgamation is deemed to be the same corporation as, and a continuation of, each predecessor corporation; and

(c) in the case of a merger contemplated in section 555.1, where the parent did not have control of a predecessor corporation prior to the merger, the parent is deemed to have acquired control immediately before the merger.

1980, c. 13, s. 58; 1984, c. 15, s. 119; 1985, c. 25, s. 99; 1993, c. 16, s. 223; 1994, c. 22, s. 205; 1995, c. 49, s. 145; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2000, c. 5, s. 129; 2004, c. 8, s. 115; 2012, c. 8, s. 56.

560.2.1. If a corporation amends, in accordance with paragraph *c* of subsection 1.8 of section 88 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), a designated amount (in this section referred to as the "initial designation") referred to in subparagraph i of subparagraph *a* of the first paragraph of section 560 in respect of a share of the capital stock of a foreign affiliate of the corporation, or an interest in a partnership that, in accordance with paragraph *c* of section 600, owns a share of the capital stock of a foreign affiliate of the corporation, and subsection 1.9 of that section 88 applies in respect of the initial designation, the amended designation is deemed to have been made on the day on which the initial designation was made and the initial designation is deemed not to have been made.

2015, c. 36, s. 24.

560.3. *(Repealed).*

1994, c. 22, s. 206; 1997, c. 3, s. 71; 2003, c. 2, s. 136; 2015, c. 24, s. 88; 2019, c. 14, s. 153.

561. Section 505 and sections 36 to 41.2 of the Act respecting the application of the Taxation Act (chapter I-4) do not apply to a winding-up described in section 556, and section 93.3.1 does not apply to such a winding-up with respect to property acquired by the parent on the winding-up.

1972, c. 23, s. 439; 1973, c. 17, s. 64; 1975, c. 22, s. 141; 1984, c. 15, s. 120; 2000, c. 5, s. 130; 2019, c. 14, s. 154.

562. The subsidiary may, in computing its income for the taxation year during which its property was distributed to, and its obligations were assumed by, the parent on its winding-up, claim any reserve that would

have been allowed to it for the year under this Part if its property had not been transferred to, or its obligations had not been assumed by, the parent on the winding-up.

Notwithstanding any other provision of this Part, the subsidiary is not bound to include any amount whatever in respect of any reserve so claimed in computing its income for the following taxation year.

1975, c. 22, s. 142; 1990, c. 59, s. 202; 1997, c. 3, s. 71; 1997, c. 14, s. 87.

563. If a subsidiary has made a gift in a taxation year (in this section referred to as the "gift year") for the purpose of computing the amount deductible under section 710 by the parent in computing its taxable income for a taxation year ending after the winding-up of the subsidiary, the parent is deemed to have made a gift, in its taxation year in which the gift year of the subsidiary ended, equal to the amount by which the aggregate of all amounts each of which is the amount of a gift or, in the case of a gift made after 20 December 2002, the eligible amount of the gift, made by the subsidiary in the gift year exceeds the aggregate of the amounts deducted under section 710 in computing the subsidiary's taxable income in respect of those gifts.

1975, c. 22, s. 142; 1984, c. 15, s. 121; 1986, c. 19, s. 121; 1990, c. 59, s. 203; 1997, c. 3, s. 71; 2009, c. 5, s. 184.

564. Subject to the special provisions of this chapter, section 544.1, section 545, except as regards the computing of the taxable income of the parent corporation, section 546, subject to sections 481 to 483, section 548, the first paragraph of section 549 and sections 550 to 553 apply, with the necessary modifications, to a winding-up described in section 556.

1975, c. 22, s. 142; 1980, c. 13, s. 59; 1981, c. 12, s. 4; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2000, c. 39, s. 33; 2010, c. 25, s. 41.

564.0.1. Where a subsidiary is an insurance corporation, the following rules apply for the purposes of determining the portion of the gross investment revenue required to be included under section 825 in computing the income of the subsidiary and the parent and the amount of gains and losses of the subsidiary and the parent from property used or held by them in a taxation year in the course of carrying on an insurance business in Canada:

(a) the subsidiary and the parent, in addition to their normal taxation years, are deemed to have had a taxation year ending immediately before the time when the property of the subsidiary was transferred to, and the obligations of the subsidiary were assumed by, the parent on the winding-up;

(b) for the taxation years of the subsidiary and the parent following the time referred to in paragraph *a*, the property transferred to, and the obligations assumed by, the parent on the winding-up are deemed to have been transferred or assumed, as the case may be, on the last day of the taxation year ending immediately before that time.

1990, c. 59, s. 204; 1997, c. 3, s. 71; 1998, c. 16, s. 172.

564.0.2. For the purposes of section 851.22.15, the subsidiary's taxation year in which its property was distributed to the parent on the winding-up is deemed to have ended immediately before the time when the property was distributed.

1996, c. 39, s. 159; 1997, c. 3, s. 71.

564.1. For the purposes of sections 741 to 744.2.2, where the parent acquires pursuant to a winding-up described in section 556 a share owned by the subsidiary,

(a) any taxable dividend received on that share by the subsidiary that was deductible in computing the subsidiary's taxable income for a taxation year under sections 738 to 745 or section 845 is deemed to be a taxable dividend received by the parent that was deductible in computing the parent's taxable income for a taxation year under the said sections 738 to 745 or section 845, as the case may be;

(b) any dividend, other than a taxable dividend, received on a share by the subsidiary is deemed to have been received on the share by the parent; and

(c) a share acquired by the parent from the subsidiary is deemed to have been owned by the parent throughout any period of time throughout which it was owned by the subsidiary.

1978, c. 26, s. 103; 1989, c. 77, s. 64; 1997, c. 3, s. 71; 2001, c. 7, s. 59.

564.2. For the purpose of computing the taxable income of the parent for any taxation year commencing after the commencement of a winding-up described in section 556 or that would be if the expression "taxable Canadian corporation" were replaced by the expression "Canadian corporation", such portion of any non-capital loss, restricted farm loss, farm loss or limited partnership loss of the subsidiary for a particular taxation year as may reasonably be regarded as its loss from carrying on a particular business, any other portion of any non-capital loss or limited partnership loss of the subsidiary for any such year as may reasonably be regarded as being derived from any other source or any other portion of any non-capital loss of the subsidiary for any such year as may reasonably be regarded as being due to an amount added to its taxable income for the year under section 726.5, as it read before its repeal, or the net capital loss sustained by the subsidiary for any such year is deemed, for the purposes of this section, sections 564.3 to 564.4.4, 727, 728.2, 729, 731, 733.0.0.1, 734 and 735, to be a non-capital loss, restricted farm loss, farm loss or limited partnership loss of the parent from carrying on the particular business of the subsidiary, a non-capital loss or limited partnership loss of the parent that was derived from the source from which the subsidiary sustained such portion of its non-capital loss or limited partnership loss, a non-capital loss of the parent due to an amount added to its taxable income for the year under section 726.5, as it read before its repeal, or a net capital loss, respectively, sustained by the parent for its taxation year during which the particular taxation year of the subsidiary ended.

1978, c. 26, s. 103; 1984, c. 15, s. 122; 1985, c. 25, s. 100; 1986, c. 19, s. 122; 1988, c. 4, s. 39; 1993, c. 16, s. 224; 1993, c. 19, s. 22; 1997, c. 3, s. 71.

564.3. Section 564.2 applies only to the extent that the loss referred to therein was not deducted in computing the taxable income of the subsidiary for any taxation year and would have been deductible in such computation for any taxation year commencing after the commencement of the winding-up if the subsidiary had such a taxation year as well as sufficient income and taxable capital gains for that year.

1978, c. 26, s. 103; 1985, c. 25, s. 100; 1993, c. 16, s. 224.

564.4. Where section 564.2 applies and where, at any time, control of the parent or subsidiary has been acquired by a person or group of persons, no amount in respect of a net capital loss of the subsidiary for a taxation year ending before that time is deductible in computing the parent's taxable income for a taxation year ending after that time.

1978, c. 26, s. 103; 1984, c. 15, s. 123; 1993, c. 16, s. 224; 1997, c. 3, s. 71.

564.4.1. Where section 564.2 applies and where control of a parent has been acquired by a person or a group of persons at any time after the commencement of the winding-up, or control of a subsidiary has been acquired by a person or a group of persons at any time whatever, no amount in respect of the subsidiary's non-capital loss or farm loss for a taxation year ending before that time is deductible in computing the taxable income of the parent for a particular taxation year ending after that time, except that portion of the subsidiary's non-capital loss or farm loss that may reasonably be regarded as its loss from carrying on a business and, where a business was carried on by the subsidiary in that year, that portion of the non-capital loss that may reasonably be regarded as being attributable to an amount deductible under section 725.1.1 in computing its taxable income for the year, such portions being then deductible only if the parent or the subsidiary carried on that business for profit or with a reasonable expectation of profit throughout the particular year, and only up to the amount computed under section 564.4.2.

1984, c. 15, s. 123; 1985, c. 25, s. 101; 1986, c. 19, s. 123; 1989, c. 77, s. 65; 1990, c. 59, s. 205; 1997, c. 3, s. 71; 2015, c. 24, s. 89.

564.4.2. The amount referred to in section 564.4.1 is equal to the aggregate of the parent's income for the particular year from the business contemplated in the said section and, where properties were sold, leased, rented or developed, or services were rendered in the course of carrying on that business before the time contemplated in the said section, from any other business substantially all the income of which was derived

from the sale, leasing, rental or development, as the case may be, of similar properties or from the rendering of similar services.

1984, c. 15, s. 123; 1985, c. 25, s. 101; 1986, c. 19, s. 124; 1989, c. 77, s. 65; 1997, c. 3, s. 71.

564.4.3. For the purposes of section 564.4.1, where section 564.2 applies to the winding-up of a particular corporation in respect of which the subsidiary referred to in the said section 564.2 was the parent and section 564.4.1 applies in respect of losses of that particular corporation, the subsidiary is deemed to be the same corporation as, and a continuation of, that particular corporation with respect to those losses.

1993, c. 16, s. 225; 1997, c. 3, s. 71.

564.4.4. A parent may elect that any portion of a loss of the subsidiary that would otherwise be deemed, by reason of section 564.2, to be a loss of the parent for a particular taxation year commencing after the commencement of the winding-up be deemed, for the purpose of computing the parent's taxable income for a taxation year commencing after the commencement of a winding-up described in section 556, to be a loss of the parent for its immediately preceding taxation year and not for the particular taxation year.

The parent referred to in the first paragraph must make the election referred to therein in its fiscal return under this Part for the particular taxation year.

1993, c. 16, s. 225; 1997, c. 3, s. 71.

564.4.5. For the purposes of sections 564.2 to 564.4.4, a corporation's business that is at any time an adventure or concern in the nature of trade is deemed to be a business carried on at that time by the corporation.

2000, c. 5, s. 131.

564.5. For the purposes of sections 563, 564.2 to 564.4.2, 710 to 712, 727, 728.1, 729, 731, 733.0.0.1 and 734 to 735.1, where a parent corporation was incorporated or otherwise formed after the end of a taxation year during which one of its subsidiaries sustained a loss or made a gift, the parent corporation is deemed, for the purpose of computing its taxable income for any taxation year,

(a) to have been in existence during the period commencing immediately before the end of the first year during which the subsidiary sustained a loss or made a gift, as the case may be, and ending immediately after it was incorporated or otherwise formed;

(b) to have had throughout that period fiscal periods ending on the day of the year on which its first fiscal period ended; and

(c) to have been controlled throughout that period by the person or persons who controlled it immediately after it was incorporated or otherwise formed.

1978, c. 26, s. 103; 1981, c. 12, s. 5; 1984, c. 15, s. 123; 1985, c. 25, s. 101; 1995, c. 63, s. 43; 1997, c. 3, s. 71; 1997, c. 14, s. 88; 2000, c. 39, s. 34; 2001, c. 53, s. 84.

564.6. *(Repealed).*

1979, c. 18, s. 48; 1986, c. 19, s. 125; 1997, c. 3, s. 26; 2000, c. 5, s. 132.

564.7. *(Repealed).*

1981, c. 12, s. 6; 1985, c. 25, s. 102; 1995, c. 63, s. 44; 1997, c. 3, s. 71; 2000, c. 39, s. 35.

564.8. *(Repealed).*

1995, c. 63, s. 45; 1997, c. 3, s. 71; 1997, c. 14, s. 89.

564.9. *(Repealed).*

1995, c. 63, s. 45; 1997, c. 3, s. 71; 1997, c. 14, s. 89.

565. For the purposes of sections 93 to 104, 130 and 130.1 and of the regulations made under paragraph *a* of section 130, where the subsidiary distributes depreciable property to the parent on the winding-up and the capital cost of the property to the subsidiary exceeds the proceeds it is deemed to receive under section 557, the capital cost of the property to the parent is deemed equal to that to the subsidiary, notwithstanding section 559, and the excess is deemed to have been allowed to the parent as depreciation in respect of such property for the taxation years preceding its acquisition of the property.

1972, c. 23, s. 440; 1979, c. 18, s. 49; 1997, c. 3, s. 71.

565.1. For the purposes of Chapter VII.1 of the Act respecting the application of the Taxation Act (chapter I-4) and sections 332.1, 332.2, 359.1 to 359.17, 362 to 418.36, 419.1 to 419.4 and 419.6, where the rules in sections 556 to 564.1 and 565 apply to the winding-up of a subsidiary, its parent is deemed to be the same corporation as, and a continuation of, the subsidiary.

1986, c. 19, s. 126; 1989, c. 77, s. 66; 1997, c. 3, s. 71; 1998, c. 16, s. 173.

565.2. Where a corporation that carries on a farming business and computes its income from that business in accordance with the cash method is wound up in circumstances to which sections 556 to 564.1 and 565 apply and, at the particular time that is immediately before the winding-up, owned inventory that was used in connection with the business, the following rules apply:

(a) for the purposes of the first paragraph of section 557, the cost amount to the corporation, at the particular time, of property purchased by it that is included in the inventory is deemed to be the amount determined by the formula

$$[(A \times B) / C] + D;$$

(b) for the purposes of subparagraph *a* of the second paragraph of section 194, the disposition of the inventory and the receipt of the proceeds of disposition are deemed to have occurred at that particular time in the course of carrying on the business;

(c) for the purposes of section 194, where the parent carries on a farming business and computes its income from that business in accordance with the cash method, the following rules apply:

i. an amount equal to the cost to the parent of the inventory is deemed to have been paid by it in the course of carrying on a business and at the time it acquired the inventory, and

ii. the parent is deemed to have purchased the inventory for an amount equal to that cost in the course of carrying on that business and at the time referred to in subparagraph i.

For the purposes of the formula set forth in subparagraph *a* of the first paragraph,

(a) A is the amount that would be included by reason of subparagraph *c* of the second paragraph of section 194 in computing the corporation's income for its last taxation year commencing before the particular time referred to in the first paragraph if that taxation year had ended at that time,

(b) B is the value, determined in accordance with section 194.2, to the corporation at that time of the inventory purchased by it and distributed to the parent on the winding-up,

(c) C is the value, determined in accordance with section 194.2, of all of the inventory purchased by the corporation that was owned by it in connection with that business at that time,

(d) D is the lesser of

i. such additional amount as the corporation designates in respect of the property, and

ii. the amount by which the fair market value of the property at the particular time referred to in the first paragraph exceeds the amount determined under subparagraph *a* in respect of the property.

1993, c. 16, s. 226; 1997, c. 3, s. 71.

CHAPTER VIII

WINDING-UP OF A CANADIAN CORPORATION

1975, c. 22, s. 146; 1997, c. 3, s. 71.

566. The rules provided in this chapter apply to the winding-up after 1978 of a Canadian corporation other than a subsidiary to the winding-up of which the rules in sections 556 to 564.1 and 565 apply where, at a particular time in the course of the winding-up, all or substantially all of the property owned by the corporation immediately before such time is distributed to its shareholders.

1973, c. 17, s. 65; 1975, c. 22, s. 143; 1978, c. 26, s. 104; 1986, c. 19, s. 127; 1997, c. 3, s. 71.

566.1. For the purposes of computing the income of the corporation for its taxation year that includes the particular time referred to in section 566, paragraph *u* of section 87 shall read as if the reference therein to "in respect of a property acquired or an expenditure made in a preceding taxation year in computing the taxpayer's tax payable for" were a reference to "in computing the taxpayer's tax payable for the year or".

1990, c. 59, s. 206; 1997, c. 3, s. 71.

567. For the purposes of computing for the corporation, at the time immediately before the particular time referred to in section 566, its capital dividend account, its capital gains dividend account and its pre-1972 capital surplus on hand within the meaning of the regulations, the taxation year of the corporation that would normally include the particular time is deemed to have ended immediately before the time of computation and a new taxation year to have commenced at the time of computation; furthermore, the corporation is deemed to have disposed immediately before the end of the taxation year so deemed to have ended, of each property distributed to shareholders at the particular time for proceeds equal to the fair market value thereof immediately before the particular time.

1973, c. 17, s. 65; 1975, c. 22, s. 144; 1978, c. 26, s. 104; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

568. The following rules apply where the corporation is deemed to pay a dividend at a particular time under section 505 on shares of any class of its capital stock:

(a) for the purposes of the election provided for in section 502 or 1106 and, if the corporation has so elected, for all other purposes, such dividend is deemed to be a separate dividend to the extent that it does not exceed its capital dividend account or its capital gains dividend account within the meaning of the regulations made under section 567, as the case may be, immediately before that time;

(a.1) (paragraph replaced);

(b) the portion of the dividend equal to the lesser of its pre-1972 capital surplus on hand within the meaning of the regulations made under section 567, immediately before the particular time, and the amount by which the dividend exceeds the portion that has been the subject of an election under section 502 is deemed not to be a dividend;

(c) the portion of the dividend that exceeds the aggregate of the amount deemed, under paragraph *a*, to be a separate dividend for all purposes and the portion deemed under paragraph *b* not to be a dividend is deemed, notwithstanding paragraph *g* of section 570, to be a separate dividend that is a taxable dividend;

(d) every person who holds shares of that class at that particular time is deemed to receive the proportion of any separate dividend determined under paragraph *a* or *c* represented by the proportion between the number of shares of that class held by him immediately before the particular time and the number of shares of that class then issued and outstanding.

1973, c. 17, s. 65; 1975, c. 22, s. 145; 1978, c. 26, s. 104; 1984, c. 15, s. 124; 1987, c. 67, s. 124; 1993, c. 16, s. 227; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

CHAPTER IX

DISSOLUTION OF A FOREIGN AFFILIATE

1975, c. 22, s. 146.

569. Despite the second paragraph of section 424, if at any time a taxpayer receives a property (in this section referred to as the "distributed property") from a foreign affiliate (in this section referred to as the "disposing affiliate") of the taxpayer on a liquidation and dissolution of the disposing affiliate and the distributed property is received in respect of shares of the capital stock of the disposing affiliate that are disposed of on the liquidation and dissolution, the following rules apply:

(a) subject to sections 569.0.0.3 and 569.0.0.4, the distributed property is deemed to have been disposed of at that time by the disposing affiliate to the taxpayer for proceeds of disposition equal to the relevant cost base (within the meaning of subsection 4 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) to the disposing affiliate of the distributed property in respect of the taxpayer, immediately before that time, if

i. the liquidation and dissolution is a qualifying liquidation and dissolution of the disposing affiliate, or

ii. the distributed property is a share of the capital stock of another foreign affiliate of the taxpayer that was, immediately before that time, excluded property (within the meaning of section 576.1) of the disposing affiliate;

(b) if subparagraph *a* does not apply to the distributed property, the distributed property is deemed to have been disposed of at that time by the disposing affiliate to the taxpayer for proceeds of disposition equal to the distributed property's fair market value at that time;

(c) the distributed property is deemed to have been acquired, at that time, by the taxpayer at a cost equal to the amount determined under subparagraph *a* or *b* to be the disposing affiliate's proceeds of disposition of the distributed property;

(d) each share (in subparagraph *e* and section 569.0.0.3 referred to as a "disposed share") of a class of the capital stock of the disposing affiliate that is disposed of by the taxpayer on the liquidation and dissolution is deemed to have been disposed of for proceeds of disposition equal to the amount determined by

A/B; and

(e) if the liquidation and dissolution is a qualifying liquidation and dissolution of the disposing affiliate, any loss of the taxpayer in respect of the disposition of a disposed share is deemed to be nil.

In the formula in subparagraph *d* of the first paragraph,

(a) A is the aggregate of all amounts each of which is the net distribution amount in respect of a distribution of distributed property made, at any time, in respect of the class, and

(b) B is the total number of issued and outstanding shares of the class that are owned by the taxpayer during the liquidation and dissolution.

1975, c. 22, s. 146; 1977, c. 26, s. 63; 1984, c. 15, s. 125; 1993, c. 16, s. 228; 2009, c. 5, s. 185; 2015, c. 21, s. 187.

569.0.0.1. For the purposes of sections 569, 569.0.0.3 and 569.0.0.4, a qualifying liquidation and dissolution of a foreign affiliate (in this section referred to as the "disposing affiliate") of a taxpayer means a liquidation and dissolution of the disposing affiliate in respect of which the taxpayer makes a valid election under subsection 3.1 of section 88 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.))

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3.1 of section 88 of the Income Tax Act.

2015, c. 21, s. 188.

569.0.0.2. For the purposes of subparagraph *a* of the second paragraph of section 569, net distribution amount in respect of a distribution of distributed property means the amount determined by the formula

A-B.

In the formula in the first paragraph,

(a) A is the cost to the taxpayer of the distributed property as determined under subparagraph *c* of the first paragraph of section 569; and

(b) B is the aggregate of all amounts each of which is an amount owing (other than an unpaid dividend) by, or an obligation of, the disposing affiliate that was assumed or cancelled by the taxpayer in consideration for the distribution of the distributed property.

2015, c. 21, s. 188.

569.0.0.3. For the purposes of subparagraph *a* of the first paragraph of section 569, if a liquidation and dissolution is a qualifying liquidation and dissolution of a disposing affiliate, the taxpayer would, in the absence of this section and after taking into account an election referred to in section 589, where applicable, realize a capital gain from the disposition of a disposed share and the taxpayer makes a valid election under subsection 3.3 of section 88 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) for the purposes of that Act, the distributed property that was, immediately before the disposition, capital property of the disposing affiliate is deemed to have been disposed of by the disposing affiliate to the taxpayer for proceeds of disposition equal to the amount claimed by the taxpayer in the election.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3.3 of section 88 of the Income Tax Act.

2015, c. 21, s. 188.

569.0.0.4. For the purposes of subparagraph *a* of the first paragraph of section 569, a distributed property is deemed to have been disposed of by a disposing affiliate to a taxpayer for proceeds of disposition equal to the adjusted cost base of the distributed property to the disposing affiliate immediately before the time of its disposition, if

(a) the liquidation and dissolution is a qualifying liquidation and dissolution of the disposing affiliate;

(b) the distributed property is, at the time of its disposition, taxable Canadian property (other than treaty-protected property) of the disposing affiliate that is a share of the capital stock of a corporation resident in Canada; and

(c) the taxpayer and the disposing affiliate have made a valid joint election under paragraph *c* of subsection 3.5 of section 88 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)).

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *c* of subsection 3.5 of section 88 of the Income Tax Act.

2015, c. 21, s. 188.

CHAPTER IX.0.1

WINDING-UP THAT IS A SIFT TRUST WIND-UP EVENT

2010, c. 25, s. 42.

569.0.1. Section 569.0.2 applies to a trust's distribution of property to a taxpayer if

(a) the distribution is a SIFT trust wind-up event;

(b) the trust is

i. a SIFT wind-up entity whose only beneficiary, at all times at which the trust makes a distribution that is a SIFT trust wind-up event, is a taxable Canadian corporation, or

ii. a trust whose only beneficiary, at all times at which the trust makes a distribution that is a SIFT trust wind-up event, is another trust described in subparagraph i;

(c) where the trust is a SIFT wind-up entity, the distribution occurs no more than 60 days after the first SIFT trust wind-up event of the trust or, if it is earlier, the first distribution to the trust that is a SIFT trust wind-up event of another trust; and

(d) where the property is shares of the capital stock of a taxable Canadian corporation,

i. the property was not acquired by the trust as part of a distribution referred to in section 688.3, and

ii. the trust makes a valid election under subparagraph ii of paragraph *d* of subsection 1 of section 88.1 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) in relation to the distribution.

Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph ii of paragraph *d* of subsection 1 of section 88.1 of the Income Tax Act.

2010, c. 25, s. 42.

569.0.2. If the conditions in section 569.0.1 are met, in respect of a trust's distribution of property to a taxpayer, Chapter VII, and Chapter VI and sections 21.2 to 21.3.1 as they apply for the purposes of Chapter VII, apply in respect of the distribution, with the necessary modifications, as if

(a) the trust were a taxable Canadian corporation (in this section referred to as the "subsidiary") other than a private corporation;

(b) where the taxpayer is a SIFT wind-up entity, the taxpayer were a taxable Canadian corporation other than a private corporation;

(c) the distribution were a winding-up of the subsidiary;

(d) the taxpayer's interest as a beneficiary under the trust were shares of a single class of shares of the capital stock of the subsidiary owned by the taxpayer;

(e) section 558 deemed the taxpayer's proceeds of disposition of the shares described in paragraph *d* and owned by the taxpayer immediately before the distribution to be equal to the adjusted cost base to the taxpayer of the taxpayer's interest as a beneficiary under the trust immediately before the distribution;

(f) each trust, a majority-interest beneficiary (within the meaning of section 21.0.1) of which is another trust that because of the application of this section is deemed to be a corporation, were a corporation; and

(g) except for the purposes of sections 564.2 to 564.4.2, the taxpayer last acquired control of the subsidiary and of each corporation (including any trust that because of the application of this section is deemed to be a corporation) controlled by the subsidiary at the time at which the taxpayer last became a majority-interest beneficiary (within the meaning of section 21.0.1) of the trust.

2010, c. 25, s. 42.

CHAPTER IX.1

Repealed, 1995, c. 49, s. 146.

1982, c. 5, s. 128; 1995, c. 49, s. 146.

569.1. *(Repealed).*

1982, c. 5, s. 128; 1995, c. 49, s. 146.

569.2. *(Repealed).*

1982, c. 5, s. 128; 1995, c. 49, s. 146.

569.3. *(Repealed).*

1982, c. 5, s. 128; 1995, c. 49, s. 146.

CHAPTER X

DEFINITIONS AND GENERAL PROVISIONS

1972, c. 23; 1995, c. 49, s. 147.

570. In this Title:

(a) "paid-up capital" means the amount determined according to the rules prescribed for that purpose;

(b) "capital dividend account" of a corporation at any particular time means the amount determined according to the rules prescribed for that purposes;

(b.1) (paragraph repealed);

(c) (paragraph repealed);

(d) (paragraph repealed);

(e) (paragraph repealed);

(f) (paragraph repealed);

(g) "taxable dividend" means a dividend other than a dividend in respect of which the corporation paying it elects in accordance with section 501 as it reads before 1 January 1979, or with section 502, or other than a dividend contemplated in section 501.1;

(h) (paragraph replaced);

(i) (paragraph replaced);

(j) (paragraph replaced);

(k) (paragraph replaced);

(l) "Canadian corporation" at a particular time means a corporation that is resident in Canada at that time and incorporated in Canada or resident in Canada throughout the period from 18 June 1971 to that time;

(m) "taxable Canadian corporation" means a corporation that, at the time the expression is relevant, is a Canadian corporation that is not, by virtue of a statutory provision, exempt from tax under this Part;

(n) "private corporation" at any particular time means a corporation that is resident in Canada at that time, is not a public corporation and is not controlled by one or more public corporations, other than prescribed venture capital corporations, or prescribed State bodies or federal Crown bodies or by any combination thereof;

(o) "public corporation" means a public corporation within the meaning assigned by subsection 1 of section 89 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and the regulations made under that section, and a corporation that is deemed to be a public corporation under paragraph *ii* of subsection 2 of section 87 of the Income Tax Act.

1972, c. 23, s. 441; 1975, c. 22, s. 147; 1978, c. 26, s. 105; 1980, c. 13, s. 60; 1984, c. 15, s. 126; 1987, c. 67, s. 125; 1990, c. 59, s. 207; 1993, c. 16, s. 229; 1994, c. 22, s. 207; 1996, c. 39, s. 160; 1997, c. 3, s. 27; 1998, c. 16, s. 174; 2005, c. 38, s. 80; 2009, c. 5, s. 186; 2019, c. 14, s. 155.

570.1. For the purposes of paragraph *l* of section 570, a corporation formed at any time by the amalgamation or merger of, or by a plan of arrangement or other corporate reorganization in respect of, two or more corporations is a Canadian corporation because it is resident in Canada at that time and was incorporated in Canada only if

(a) that reorganization took place under the laws of Canada or a province, and

(b) each of those corporations was, immediately before that time, a Canadian corporation.

The first paragraph does not apply in respect of a reorganization occurring as a result of the acquisition of property of one corporation by another corporation, pursuant to the purchase of the property by the other corporation or as a result of the distribution of the property to the other corporation on the winding-up of the corporation.

1995, c. 49, s. 148; 1997, c. 3, s. 28.

TITLE X

SHAREHOLDERS OF CORPORATIONS AND BENEFICIARIES OF TRUSTS NOT RESIDENT IN CANADA AND HOLDERS OF OFFSHORE INVESTMENT FUND PROPERTY

1972, c. 23; 1975, c. 22, s. 148; 1997, c. 3, s. 71.

CHAPTER I

FOREIGN AFFILIATE

1972, c. 23.

571. In this Title, "foreign affiliate", at a particular time, of a taxpayer resident in Canada means a corporation not resident in Canada in which, at that time,

(a) the taxpayer's equity percentage is not less than 1%, and

(b) the total of the equity percentages in the corporation of the taxpayer and of each person related to the taxpayer, where each such equity percentage is determined as if the determinations, in applying the rule provided in subparagraph *b* of the first paragraph of section 573, were made without reference to the equity percentage of any person in the taxpayer or in any person related to the taxpayer, is not less than 10%.

However, no corporation may be a foreign affiliate of a non-resident-owned investment corporation.

1972, c. 23, s. 442; 1973, c. 17, s. 66; 1975, c. 22, s. 149; 1996, c. 39, s. 161; 1997, c. 3, s. 71.

572. In this Title, a controlled foreign affiliate, at any time, of a taxpayer resident in Canada means a foreign affiliate of the taxpayer that

(a) is, at that time, controlled by the taxpayer; or

(b) would, at that time, be controlled by the taxpayer if the taxpayer owned all of the following shares of the capital stock of the foreign affiliate:

i. the shares that are owned at that time by the taxpayer,

ii. the shares that are owned at that time by any person who does not deal at arm's length with the taxpayer,

iii. the shares that are owned at that time by any person (in this section referred to as a "relevant Canadian shareholder"), in any set of persons not exceeding four (which set of persons is to be determined without reference to the existence of or the absence of any relationship, connection or action in concert between those persons), who

(1) are resident in Canada,

(2) are not the taxpayer or a person described in subparagraph ii, and

(3) own, at that time, shares of the capital stock of the foreign affiliate, and

iv. the shares that are owned at that time by any person who does not deal at arm's length with any relevant Canadian shareholder.

1975, c. 22, s. 151; 1990, c. 59, s. 208; 1993, c. 16, s. 230; 2010, c. 25, s. 43.

572.1. For the purposes of this section and paragraph *b* of section 572, the following rules apply:

(a) the shares of the capital stock of a corporation that are at any time owned by, or that are deemed by this section to be at any time owned by, another corporation are deemed to be, at that time, owned by, or property of, each shareholder of the other corporation in the proportion that the fair market value at that time of the shares of the capital stock of the other corporation that, at that time, are owned by, or are property of, the shareholder is of the fair market value at that time of all the issued and outstanding shares of the capital stock of the other corporation;

(b) the shares of the capital stock of a corporation that are, or are deemed by this section to be, at any time, property of a partnership, are deemed to be, at that time, owned by, or property of, each member of the partnership in the proportion that the fair market value at that time of the member's interest in the partnership is of the fair market value at that time of all interests in the partnership;

(c) the shares of the capital stock of a corporation that are at any time owned by, or that are deemed by this section to be at any time owned by, a non-discretionary trust (within the meaning of section 127.1) other than an exempt trust are deemed to be, at that time, owned by, or property of, each beneficiary of the trust in the proportion that the fair market value at that time of the beneficiary's beneficial interest in the trust is of the fair market value at that time of all beneficial interests in the trust; and

(d) all of the shares of the capital stock of a corporation that are at any time owned by, or that are deemed by this section to be at any time owned by, a particular trust (other than a non-discretionary trust, within the meaning of section 127.1, or an exempt trust) are deemed to be, at that time, owned by, or property of,

i. each beneficiary of the particular trust at that time, and

ii. each settlor (within the meaning of section 127.1) in respect of the particular trust at that time.

2010, c. 25, s. 44.

572.2. In applying the assumption in paragraph *b* of section 572 in respect of a taxpayer resident in Canada to determine whether a foreign affiliate of the taxpayer is at any time a controlled foreign affiliate of the taxpayer, nothing in that paragraph or in section 572.1 is to be read or construed as requiring a right in a share of the capital stock of the foreign affiliate of the taxpayer owned at that time by the taxpayer to be taken into account more than once.

2010, c. 25, s. 44; 2020, c. 16, s. 80.

572.2.1. For the purposes of sections 572.2.2 and 572.2.3, a particular property is a tracking interest in respect of a person or partnership (in this section referred to as the "tracked entity") if

(a) all or part of the fair market value of the particular property—or of any payment or right to receive an amount in respect of the particular property—can reasonably be considered to be determined, directly or indirectly, by reference to one or more of the following criteria in respect of property or activities of the tracked entity (in this section and section 572.2.2 referred to as the "tracked property and activities"):

i. the fair market value of property of the tracked entity,

ii. any revenue, income or cash flow from property or activities of the tracked entity,

iii. any profits or gains from the disposition of property of the tracked entity, and

iv. any similar criteria applicable to property or activities of the tracked entity; and

(b) the tracked property and activities in respect of the particular property represent less than all of the property and activities of the tracked entity.

2021, c. 14, s. 46.

572.2.2. The rules set out in the second paragraph apply in respect of a particular foreign affiliate of a taxpayer for a taxation year of the foreign affiliate, for the purpose of determining an amount to be included or deducted, in respect of the year, by the taxpayer in computing the taxpayer's income under section 580 or 583, respectively, if, at any time in the year,

(a) the taxpayer holds a property that is a tracking interest in respect of the particular foreign affiliate; and

(b) shares of a class of the capital stock of the particular foreign affiliate (in the second paragraph referred to as a "tracking class") the fair market value of which can reasonably be considered to be determined by reference to the tracked property and activities in respect of the tracking interest are held by the taxpayer or a foreign affiliate of the taxpayer.

The rules to which the first paragraph refers are as follows:

(a) the tracked property and activities of the particular foreign affiliate are deemed to be property and activities of a corporation not resident in Canada that is separate from the particular foreign affiliate and not to be property or activities of the particular foreign affiliate;

(b) any income, losses or gains for the year in respect of the property and activities described in subparagraph *a* are deemed to be income, losses or gains of the separate corporation and not of the particular foreign affiliate;

(c) all rights and obligations of the particular foreign affiliate in respect of the property and activities described in subparagraph *a* are deemed to be rights and obligations of the separate corporation and not of the particular foreign affiliate;

(d) the separate corporation is deemed to have, at the end of the year, 100 issued and outstanding shares of a single class of its capital stock which have full voting rights under all circumstances;

(e) each shareholder of the particular foreign affiliate is deemed to own, at the end of the year, that number of shares of the separate corporation that is equal to the product obtained by multiplying 100 by the amount that would be the aggregate participating percentage (as defined in section 580.1) of that shareholder in respect of the particular foreign affiliate for the year if

i. the particular foreign affiliate were a controlled foreign affiliate of that shareholder at the end of the year,

ii. the only shares of the capital stock of the particular foreign affiliate issued and outstanding at the end of the year were shares of tracking classes in respect of the tracked property and activities, and

iii. the only income, losses or gains of the particular foreign affiliate for the year were those referred to in subparagraph *b*; and

(f) any amount included or deducted by the taxpayer in computing the taxpayer's income under section 580 or 583, respectively, in respect of shares of the separate corporation is deemed to be an amount so included or deducted by the taxpayer in respect of shares of tracking classes held by the taxpayer or a foreign affiliate of the taxpayer, as the case may be.

2021, c. 14, s. 46.

572.2.3. Where section 572.2.2 does not apply in respect of a foreign affiliate of a taxpayer for a taxation year of the affiliate, the affiliate is deemed to be a controlled foreign affiliate of the taxpayer throughout the year if, at a particular time in the year, a tracking interest in respect of the foreign affiliate or a partnership of which the foreign affiliate is a member is held by

(a) the taxpayer; or

(b) a person or partnership (in this paragraph referred to as a "holder"), if

i. the holder does not deal at arm's length with the taxpayer at the particular time,

ii. where either the taxpayer or the holder is a partnership and the other party is not, any member of the partnership does not deal at arm's length with the other party at the particular time, or

iii. where both the taxpayer and the holder are partnerships, the taxpayer or any member of the taxpayer does not deal at arm's length with the holder or any member of the holder at the particular time.

2021, c. 14, s. 46.

572.3. In this Title,

"eligible trust" means a trust, other than a trust

(a) created or maintained for charitable purposes;

(b) governed by an employee benefit plan;

(c) described in subparagraph *a*.1 of the third paragraph of section 647;

(d) governed by a salary deferral arrangement;

(e) operated for the purpose of administering or providing pension benefits or employee benefits; or

(f) where the amount of income or capital that an entity may receive directly from the trust at any time as a beneficiary under the trust depends on the exercise by an entity of, or the failure by an entity to exercise, a discretionary power;

"entity" includes an association, a corporation, a fund, a natural person, a joint venture, an organization, a partnership, a syndicate or a trust;

"exempt trust", at a particular time in respect of a taxpayer resident in Canada, means a trust that, at that time, is a trust under which the interest of each beneficiary under the trust is, at all times that the interest exists during the trust's taxation year that includes the particular time, a specified fixed interest of the beneficiary in the trust, if at the particular time

(a) the trust is an eligible trust;

(b) there are at least 150 beneficiaries each of whom holds a specified fixed interest, in the trust, that has a fair market value of at least $500; and

(c) the total of all amounts each of which is the fair market value of an interest as a beneficiary under the trust held by a specified purchaser in respect of the taxpayer is not more than 10% of the total fair market value of all interests as a beneficiary under the trust;

"specified fixed interest", at any time, of an entity in a trust, means an interest of the entity as a beneficiary under the trust if

(a) the interest includes, at that time, rights of the entity as a beneficiary under the trust to receive, at or after that time and directly from the trust, all or part of the income and capital of the trust;

(b) the interest was issued by the trust, at or before that time, to an entity, in exchange for consideration and the fair market value, at the time at which the interest was issued, of that consideration was equal to the fair market value, at the time at which it was issued, of the interest;

(c) the only manner in which any part of the interest may cease to be the entity's is by way of a disposition (determined without reference to section 7.2 and subparagraph *e* of the second paragraph of section 248) by the entity of that part; and

(d) no amount of the income or capital of the trust that an entity may receive directly from the trust at any time as a beneficiary under the trust depends on the exercise by an entity of, or the failure by an entity to exercise, a discretionary power;

"specified purchaser", at a particular time, in respect of a taxpayer resident in Canada, means an entity that is, at that time,

(a) the taxpayer;

(b) an entity resident in Canada with which the taxpayer does not deal at arm's length;

(c) a foreign affiliate of an entity described in any of paragraphs *a*, *b* and *d* to *f*;

(d) a trust (other than an exempt trust) in which an entity described in any of paragraphs *a* to *c*, *e* and *f* is beneficially interested;

(e) a partnership of which an entity described in any of paragraphs *a* to *d* and *f* is a member; or

(f) an entity (other than an entity described in any of paragraphs *a* to *e*) with which an entity described in any of those paragraphs does not deal at arm's length.

2010, c. 25, s. 44.

573. For the purposes of this Title, the equity percentage of a taxpayer at any time in a particular corporation is the aggregate of his direct and indirect equity percentages in the corporation at that time, computed according to the following rules:

(a) his direct equity percentage at that time is that percentage which is not less than any other percentage representing the proportion that the number of shares of each class of the capital stock of the corporation then owned by him is of the total number of issued shares of that class at the same time;

(b) his indirect equity percentage at that time is the aggregate of all percentages each of which is the product then obtained when the taxpayer's equity percentage in any corporation is multiplied by that corporation's direct equity percentage in the particular corporation.

However, for the purposes of section 574, subparagraph *b* of the first paragraph must read as if the expression "any corporation" were replaced by the expression "any corporation not resident in Canada".

1972, c. 23, s. 444; 1975, c. 22, s. 152; 1977, c. 26, s. 64; 1997, c. 3, s. 71.

574. For the purposes of this Title, the participating percentage of a share owned by a taxpayer of the capital stock of a corporation that, at the end of its taxation year, is a controlled foreign affiliate of the taxpayer, is equal to

(a) the percentage that would be the taxpayer's equity percentage in the affiliate at the end of that year on the assumption that the taxpayer owns no share other than that share, if

i. the affiliate and each other corporation that is relevant to the determination of the taxpayer's equity percentage in the affiliate have, at that time, only one class of issued shares, and

ii. no foreign affiliate (in this subparagraph referred to as the "upper-tier affiliate") of the taxpayer that is relevant to the determination of the taxpayer's participating percentage in the affiliate has, at that time, a participating percentage in a foreign affiliate of the taxpayer that has a participating percentage in the upper-tier affiliate; and

(b) in any other case, the percentage determined in prescribed manner.

However, the participating percentage of such a share is nil where the foreign accrual property income of the affiliate for the year, within the meaning of section 579, does not exceed $5,000.

1975, c. 22, s. 153; 1994, c. 22, s. 208; 1997, c. 3, s. 71; 2015, c. 21, s. 189.

575. The taxation year of a foreign affiliate of a taxpayer is, for the purposes of this Title, the period for which the accounts of the foreign affiliate have been ordinarily made up, but not a period exceeding 53 weeks.

1975, c. 22, s. 153.

576. For the purposes of this Title, an income bond or income debenture issued by a corporation not resident in Canada is deemed a share of the capital stock of such corporation unless the interest or other similar amount paid periodically by such corporation on the bond or debenture was, under the laws of the country in which the corporation was resident, deductible in computing the amount on which the corporation was liable to pay income or profits tax for the year imposed by the government of that country.

1972, c. 23, s. 446; 1975, c. 22, s. 155; 1997, c. 3, s. 71.

576.1. In this Title, "excluded property" of a foreign affiliate of a taxpayer means any property that constitutes excluded property of the foreign affiliate for the purposes of subdivision i of Division B of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th supplement).

1984, c. 15, s. 127; 1985, c. 25, s. 103; 1989, c. 5, s. 72; 1993, c. 16, s. 231; 1996, c. 39, s. 162.

CHAPTER II

DIVIDENDS RECEIVED FROM FOREIGN CORPORATIONS

1972, c. 23; 1997, c. 3, s. 71.

576.2. In this chapter,

"eligible bank affiliate" has the meaning assigned by subsection 15 of section 90 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.));

"eligible Canadian bank" has the meaning assigned by subsection 15 of section 90 of the Income Tax Act;

"specified amount" in respect of a loan or indebtedness that is required by section 577.5 to be included in computing the income of a taxpayer for a taxation year means an amount equal to the amount that is required by subsection 6 of section 90 of the Income Tax Act to be included in computing the income of the taxpayer for the year, in respect of the loan or indebtedness;

"specified debtor" at any time, in respect of a taxpayer resident in Canada, means

(a) the taxpayer;

(b) a person with which the taxpayer does not, at that time, deal at arm's length, other than

i. a corporation not resident in Canada that is, at that time, a controlled foreign affiliate, within the meaning of section 127.1, of the taxpayer, or

ii. a corporation not resident in Canada (other than a corporation described in subparagraph i) that is, at that time, a foreign affiliate of the taxpayer, if each share of the capital stock of the affiliate is owned at that time by any of

(1) the taxpayer,

(2) a person resident in Canada,

(3) a person not resident in Canada that deals at arm's length with the taxpayer,

(4) a person described in subparagraph i,

(5) a partnership each member of which is a partnership described in this subparagraph 5 or a person described in any of subparagraphs 1 to 4 and 6, and

(6) a corporation each shareholder of which is a partnership described in subparagraph 5 or a person described in any of subparagraphs 1 to 4 or in this subparagraph 6;

(c) a partnership a member of which is, at that time, a person or partnership that is a specified debtor in respect of the taxpayer because of paragraph *a* or *b*; and

(d) if the taxpayer is a partnership,

i. any member of the partnership that is a corporation resident in Canada if the creditor affiliate or a member of the creditor partnership, as the case may be, within the meaning assigned to those expressions in section 577.5, is, at that time, a foreign affiliate of the corporation,

ii. a person with which a corporation referred to in subparagraph i does not, at that time, deal at arm's length, other than a controlled foreign affiliate, within the meaning of section 127.1, of the partnership or of a member of the partnership that holds, directly or indirectly, an interest in the partnership representing at least 90% of the fair market value of all such interests, or

iii. a partnership a member of which is, at that time, a specified debtor in respect of the taxpayer because of subparagraph i or ii;

"upstream deposit" has the meaning assigned by subsection 15 of section 90 of the Income Tax Act.

2015, c. 21, s. 190; 2017, c. 1, s. 139; 2020, c. 16, s. 81.

577. A taxpayer must include in computing his income any amount he receives in the year as a dividend on any share he owns in the capital stock of a corporation not resident in Canada.

1972, c. 23, s. 447; 1997, c. 3, s. 71.

577.1. Notwithstanding section 577, a taxpayer who, immediately before a prescribed reorganization, held a common share of the capital stock of a prescribed corporation, referred to as a "share of the corporation" in the second paragraph, and who elects that the rules in the second paragraph apply for the purposes of this Part is not required to include, in computing his income for the taxation year 1984, the amount which, under section 577 and but for this section, should have been included, as a consequence of the reorganization, in respect of the value of a share of the capital stock of a prescribed regional holding company that he received at the time of the reorganization, referred to as a "distributed share" in the second paragraph.

For the purposes of computing the adjusted cost base, at any particular time after the reorganization, to the taxpayer contemplated in the first paragraph, of each share of the corporation and each distributed share owned by him immediately after the reorganization and thereafter without interruption until the particular time, the following rules apply:

(a) the taxpayer is deemed to have disposed, at the time of the reorganization, of the share of the corporation for proceeds of disposition equal to its adjusted cost basis to him immediately before the reorganization and to have reacquired it immediately after the reorganization at a cost equal to the proportion of the adjusted cost base to him, immediately before the reorganization, of all the shares of the corporation held by him immediately before the reorganization that the fair market value of the share of the corporation, immediately after the reorganization, is of the fair market value of the aggregate of the shares of the corporation and the distributed shares held by him immediately after the reorganization; and

(b) the taxpayer is deemed to have acquired, immediately after the reorganization, the distributed share at a cost equal to the proportion of the adjusted cost base to him, immediately before the reorganization of all the shares of the corporation held by him immediately before the reorganization, that the fair market value of the

distributed share, immediately after the reorganization, is of the fair market value of the aggregate of the shares of the corporation and the distributed shares held by him immediately after the reorganization.

1986, c. 19, s. 128; 1997, c. 3, s. 71.

577.2. For the purposes of this Act, an amount is deemed to be a dividend paid or received, as the case may be, at any time on a share of a class of the capital stock of a corporation not resident in Canada that is a foreign affiliate of a taxpayer if the amount is the share's portion of a pro rata distribution (other than a distribution made in the course of the liquidation and dissolution of the corporation, on a redemption, acquisition or cancellation of the share by the corporation, or on a qualifying return of capital in respect of the share) made at that time by the corporation in respect of all the shares of that class.

2015, c. 21, s. 191.

577.3. For the purposes of section 577.2, a distribution made at any time by a foreign affiliate of a taxpayer in respect of a share of the capital stock of the affiliate that is a reduction of the paid-up capital of the affiliate in respect of the share and that would, in the absence of this section, be deemed under section 577.2 to be a dividend paid or received, at that time, on the share is a qualifying return of capital at that time in respect of the share if a valid election is made in respect of the distribution under subsection 3 of section 90 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)).

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3 of section 90 of the Income Tax Act.

2015, c. 21, s. 191.

577.4. For the purposes of this Act, no amount paid or received at any time is a dividend paid or received on a share of the capital stock of a corporation not resident in Canada that is a foreign affiliate of a taxpayer unless it is so deemed under this Part.

2015, c. 21, s. 191.

577.5. Except where section 113 applies, if a person or partnership receives at any time a loan from, or becomes at that time indebted to, a creditor that is at that time a foreign affiliate of a taxpayer resident in Canada, or a partnership of which such an affiliate is a member, (in subparagraph i of paragraph *d* of the definition of "specified debtor" in section 576.2 referred to respectively as "creditor affiliate" and "creditor partnership"), and the person or partnership is at that time a specified debtor in respect of the taxpayer, the specified amount in respect of the loan or indebtedness is to be included in computing the income of the taxpayer for the taxpayer's taxation year that includes that time.

2015, c. 21, s. 191.

577.5.1. For the purposes of sections 262.0.1, 262.0.2, 576.2, 577.5 and 577.6 to 577.11, the rules set out in the second paragraph apply at a particular time where

(a) immediately before the particular time, a person or partnership (in this section referred to as the "original debtor") owes an amount in respect of a loan or indebtedness (in this section referred to as the "pre-transaction loan") to another person or partnership (in this section referred to as the "original creditor");

(b) the pre-transaction loan was, at the time it was made or entered into, a loan or indebtedness described in section 577.5; and

(c) in the course of an amalgamation, a merger, a winding-up or a liquidation and dissolution, any of the following facts occurs:

i. the amount owing in respect of the pre-transaction loan becomes owing at the particular time by another person or partnership (the amount owing after the particular time and the other person or partnership being in the second paragraph referred to as the "post-transaction loan payable" and the "new debtor", respectively),

ii. the amount owing in respect of the pre-transaction loan becomes owing at the particular time to another person or partnership (the amount owing after the particular time and the other person or partnership being in the second paragraph referred to as the "post-transaction loan receivable" and the "new creditor", respectively), or

iii. the taxpayer in respect of which the original debtor was a specified debtor at the time referred to in subparagraph *b*

(1) ceases to exist, or

(2) merges with one or more corporations to form one corporate entity (in the second paragraph referred to as the "new corporation").

The rules to which the first paragraph refers are as follows:

(a) if the fact described in subparagraph i of subparagraph *c* of the first paragraph occurred,

i. the post-transaction loan payable is deemed to be the same loan or indebtedness as the pre-transaction loan, and

ii. the new debtor is deemed to be the same debtor as, and a continuation of, the original debtor;

(b) if the fact described in subparagraph ii of subparagraph *c* of the first paragraph occurred,

i. the post-transaction loan receivable is deemed to be the same loan or indebtedness as the pre-transaction loan, and

ii. the new creditor is deemed to be the same creditor as, and a continuation of, the original creditor;

(c) if the fact described in subparagraph 1 of subparagraph iii of subparagraph *c* of the first paragraph occurred,

i. subject to subparagraph ii, each entity that held an interest in the taxpayer described in that subparagraph iii immediately before the winding-up (in this subparagraph *c* referred to as a "successor entity") is deemed to be the same entity as, and a continuation of, the taxpayer, and

ii. for the purpose of applying section 577.10 and subparagraph *a* of the second paragraph of section 577.11, an amount, in respect of a loan or indebtedness, equal to whichever of the following amounts is applicable is deemed to have been included under section 577.5 in computing the income of each successor entity:

(1) if the taxpayer is a partnership, the amount that may reasonably be considered to be the successor entity's share of the specified amount that was required to be included in computing the taxpayer's income under section 577.5 in respect of the loan or indebtedness, such share being determined in a manner consistent with the determination of the successor entity's share of the income of the partnership under section 600 for the taxpayer's final fiscal period, and

(2) in any other case, the portion of the specified amount included in computing the taxpayer's income under section 577.5, in respect of the loan or indebtedness, represented by the proportion that the fair market value of the successor entity's interest in the taxpayer, immediately before the distribution of the taxpayer's assets on the winding-up, is of the fair market value of all interests in the taxpayer at that time; and

(d) if the fact described in subparagraph 2 of subparagraph iii of subparagraph *c* of the first paragraph occurred, the new corporation is deemed to be the same corporation as, and a continuation of, the taxpayer.

2020, c. 16, s. 82.

577.6. For the purposes of this section and sections 262.0.1, 262.0.2, 576.2, 577.5 and 577.7 to 577.11, if at any time a person or partnership (in this section referred to as the "intermediate lender") makes a loan to another person or partnership (in this section referred to as the "intended borrower") because the intermediate lender received a loan from another person or partnership (in this section referred to as the "initial lender"), the following rules apply:

(a) the loan made by the intermediate lender to the intended borrower is deemed, at that time, to have been made by the initial lender to the intended borrower under the same terms and conditions and at the same time as it was made by the intermediate lender to the extent of the lesser of the amount of the loan made by the initial lender to the intermediate lender and the amount of the loan made by the intermediate lender to the intended borrower; and

(b) the loan made by the initial lender to the intermediate lender and the loan made by the intermediate lender to the intended borrower are deemed not to have been made to the extent of the amount of the loan deemed to have been made under paragraph *a*.

2015, c. 21, s. 191; 2020, c. 16, s. 83.

577.7. Section 577.5 does not apply in respect of

(a) a loan or indebtedness that is repaid, other than as part of a series of loans or other transactions and repayments, within two years of the day the loan was made or the indebtedness arose;

(b) indebtedness that arose in the ordinary course of the business of the creditor or a loan made in the ordinary course of the creditor's ordinary business of lending money if, at the time the indebtedness arose or the loan was made, bona fide arrangements were made for repayment of the indebtedness or loan within a reasonable time;

(c) a loan that was made, or indebtedness that arose, in the ordinary course of carrying on a life insurance business outside Canada if

i. the loan or indebtedness is owed by the taxpayer or by a subsidiary wholly-owned corporation of the taxpayer,

ii. the taxpayer, or the subsidiary wholly-owned corporation, as the case may be, is a life insurance corporation resident in Canada,

iii. the loan or indebtedness directly relates to a business of the taxpayer, or of the subsidiary wholly-owned corporation, that is carried on outside Canada, and

iv. the interest on the loan or indebtedness is included in computing the active business income of the creditor, or if the creditor is a partnership, a member of the partnership, under clause A of subparagraph ii of paragraph *a* of subsection 2 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), or would be so included if it were otherwise income from property within the meaning of subsection 1 of that section 95; and

(d) an upstream deposit owing to an eligible bank affiliate, subject to section 577.7.1.

2015, c. 21, s. 191; 2017, c. 1, s. 140.

577.7.1. For the purposes of this chapter, where a taxpayer is an eligible Canadian bank and an eligible bank affiliate of the taxpayer is owed, at any time in a taxation year of the affiliate (in this section referred to as the "particular year") or its immediately preceding taxation year, an upstream deposit, the following rules apply:

(a) the affiliate is deemed to make a loan to the taxpayer immediately before the end of the particular year equal to the loan that it is deemed to make to the taxpayer, at that time, under paragraph *a* of subsection 8.1 of section 90 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)); and

(b) the taxpayer is deemed to repay immediately before the end of the particular year—in an amount that the taxpayer is deemed to pay, at that time, under paragraph *b* of subsection 8.1 of section 90 of the Income Tax Act and in the order in which they arose—loans made by the affiliate under paragraph *a* in a prior taxation year and not previously repaid, and the repayment is deemed to not be part of a series of loans or other transactions and repayments.

2017, c. 1, s. 141.

577.8. A corporation resident in Canada may deduct in computing its income for a taxation year, in respect of a specified amount included in that computation under section 577.5 or in respect of an amount so included under section 577.9 in relation to a particular loan or indebtedness, a particular amount that is equal to the amount that the corporation deducts for the year in relation to the particular loan or indebtedness under subsection 9 of section 90 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)).

2015, c. 21, s. 191.

577.9. A corporation resident in Canada is required in computing its income for a particular taxation year to include any amount deducted by the corporation under section 577.8 in computing its income for the taxation year preceding the particular year.

2015, c. 21, s. 191.

577.10. A corporation may not claim a deduction for a taxation year under section 577.8 in respect of the same portion of a specified amount in respect of a loan or indebtedness for which a deduction is claimed for that year or a preceding taxation year by the corporation, or by the partnership of which the corporation is a member, under section 577.11.

2015, c. 21, s. 191.

577.11. In computing a taxpayer's income for a particular taxation year, there may be deducted the amount determined by the formula

A × (B/C).

In the formula in the first paragraph,

(a) A is the specified amount, in respect of a loan or indebtedness, that is included under section 577.5 in computing the taxpayer's income for a preceding taxation year;

(b) B is the portion of the loan or indebtedness that is repaid in the particular year, to the extent it is established, having regard to subsequent events or otherwise, that the repayment is not part of a series of loans or other transactions and repayments; and

(c) C is the amount, in respect of the loan or indebtedness, that is referred to in the description of A in the formula in the definition of "specified amount" in subsection 15 of section 90 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)).

2015, c. 21, s. 191.

578. For the purposes of this Title and section 305, the amount of a stock dividend paid by a foreign affiliate of a corporation resident in Canada is, in respect of the corporation, deemed to be nil.

1975, c. 22, s. 157; 1997, c. 3, s. 71.

CHAPTER II.1

FOREIGN CORPORATION SPIN-OFFS

2004, c. 8, s. 116.

DIVISION I

ELIGIBLE DISTRIBUTION

2004, c. 8, s. 116.

578.1. In this chapter, an eligible distribution is a distribution of property to a taxpayer by a particular corporation if

(a) the distribution is made in relation to all of the taxpayer's common shares of the capital stock of the particular corporation, in this chapter referred to as the "original shares" ;

(b) the property distributed consists solely of common shares of the capital stock of another corporation that were owned by the particular corporation immediately before their distribution to the taxpayer, in this chapter referred to as the "spin-off shares" ;

(c) where the distribution is a prescribed distribution, the conditions set out in the first paragraph of section 578.2 are satisfied;

(d) where the distribution is not a prescribed distribution, the conditions set out in the second paragraph of section 578.2 are satisfied;

(e) the particular corporation provides to the Minister information satisfactory to the Minister establishing the elements described in the first paragraph of section 578.3, before the end of the sixth month following the day on which the particular corporation first distributes a spin-off share in respect of the distribution; and

(f) the taxpayer makes a valid election under subsection 2 of section 86.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to have the provisions of that section apply to the distribution and provides to the Minister information satisfactory to the Minister establishing the elements described in the second paragraph of section 578.3.

2004, c. 8, s. 116; 2006, c. 13, s. 41.

578.2. The conditions to which paragraph *c* of section 578.1 refers are as follows:

(a) at the time of the distribution, the particular corporation and the other corporation are resident in the same country, other than the United States, with which a tax agreement was entered into, in this paragraph referred to as the "foreign country", and were never resident in Canada;

(b) at the time of the distribution, the shares of the class that includes the original shares are widely held and actively traded on a designated stock exchange;

(c) under the law of the foreign country, no shareholder of the particular corporation who is resident in that country is taxable in relation to the distribution; and

(d) the distribution is a prescribed distribution subject to such terms and conditions as are considered appropriate in the circumstances.

The conditions to which paragraph *d* of section 578.1 refers are as follows:

(a) at the time of the distribution, the particular corporation and the other corporation are resident in the United States and were never resident in Canada;

(b) at the time of the distribution, the shares of the class that includes the original shares are widely held and

i. are actively traded on a designated stock exchange in the United States, or

ii. are required, under the United States Securities Exchange Act of 1934, as amended from time to time, to be registered with the Securities and Exchange Commission of the United States and are so registered; and

(c) under the provisions of the United States Internal Revenue Code of 1986, as amended from time to time, that apply to the distribution, no shareholder of the particular corporation who is resident in the United States is taxable in respect of the distribution.

2004, c. 8, s. 116; 2009, c. 5, s. 187; 2010, c. 5, s. 51.

578.3. The elements that the particular corporation must establish in accordance with paragraph *e* of section 578.1 are as follows:

(a) compliance with the conditions set out in subparagraphs *b* and *c* of the first or second paragraph of section 578.2, according to whether or not the distribution is a prescribed distribution;

(b) the fact that the particular corporation and the other corporation were never resident in Canada;

(c) the date of the distribution;

(d) the type and fair market value of each property distributed to a person resident in Canada;

(e) the name and address of each person resident in Canada who received property with respect to the distribution; and

(f) such other element as is required by the prescribed form.

The elements that the taxpayer must establish in accordance with paragraph *f* of section 578.1 are as follows:

(a) the number, cost amount, determined without reference to this chapter, and the fair market value of the taxpayer's original shares immediately before the distribution;

(b) the number, and fair market value, of the taxpayer's original shares and spin-off shares immediately after the distribution;

(c) except where the taxpayer makes the election under subsection 2 of section 86.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in the taxpayer's fiscal return filed by the taxpayer under that Act for the year in which the distribution occurs, the amount of the distribution, the manner in which the distribution was reported by the taxpayer and the details of any subsequent disposition of an original share or spin-off share that are required for the purpose of determining any gain or loss from that disposition; and

(d) such other element as is required by the prescribed form.

2004, c. 8, s. 116.

DIVISION II

APPLICABLE RULES

2004, c. 8, s. 116.

578.4. Notwithstanding any other provision of this Part, where an eligible distribution is made to a taxpayer, the following rules apply:

(a) the amount of the eligible distribution shall not be included in computing the income of the taxpayer; and

(b) section 304 does not apply to the eligible distribution.

2004, c. 8, s. 116.

578.5. Where a spin-off share is distributed by a corporation to a taxpayer pursuant to an eligible distribution in relation to an original share of the taxpayer, the following rules apply:

(a) there shall be deducted in computing the cost amount to the taxpayer of the original share at any time the amount determined by the formula

A × (B / C); and

(b) the cost to the taxpayer of the spin-off share is the amount by which the cost amount of the taxpayer's original share was reduced under subparagraph *a*.

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

(a) A is the cost amount, determined without reference to this chapter, to the taxpayer of the original share immediately before the distribution or, if the original share is disposed of by the taxpayer before the distribution, immediately before its disposition;

(b) B is the fair market value of the spin-off share immediately after its distribution to the taxpayer; and

(c) C is the aggregate of

i. the fair market value of the original share immediately after the distribution of the spin-off share to the taxpayer, and

ii. the fair market value of the spin-off share immediately after its distribution to the taxpayer.

2004, c. 8, s. 116.

578.6. For the purpose of determining the value of property described in the inventory of a taxpayer's business, the following rules apply:

(a) the distribution to the taxpayer of a spin-off share that is property described in the inventory, in respect of an eligible distribution, is deemed not to be an acquisition of property in the fiscal period of the business in which the distribution occurs; and

(b) the value of the spin-off share must be included in computing the value of the property described in the inventory at the end of that fiscal period.

2004, c. 8, s. 116.

578.7. Notwithstanding the expiry of the time limits provided for in section 1010, the Minister may, where the Minister obtains information according to which the condition in subparagraph *c* of the first or second paragraph of section 578.2 is not, or is no longer, satisfied, make under this Part, for any taxation year, such assessments or reassessments of tax, interest and penalties or such determinations or redeterminations as are necessary,

(a) within three years after the day on which the Minister obtains the information; or

(b) within four years after the day referred to in paragraph *a* if, at the end of the taxation year concerned, the taxpayer is a mutual fund trust or a corporation other than a Canadian-controlled private corporation.

2004, c. 8, s. 116.

CHAPTER III

FOREIGN ACCRUAL PROPERTY INCOME

1975, c. 22, s. 158.

579. In this Title, the foreign accrual property income of a foreign affiliate of a taxpayer for a taxation year of such affiliate means an amount equal to that which is computed as foreign accrual property income in respect of the affiliate for the year under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and the Income Tax Regulations made under that Act.

1975, c. 22, s. 158; 2013, c. 10, s. 35.

580. A taxpayer resident in Canada, in computing his income for a taxation year, must include as income from each share owned by him of the capital stock of a controlled foreign affiliate of the taxpayer, the percentage of the foreign accrual property income of any controlled foreign affiliate of the taxpayer, for each taxation year of the affiliate ending in the taxation year of the taxpayer, equal to that share's participating percentage in respect of the affiliate, determined at the end of each such taxation year of the affiliate.

1975, c. 22, s. 158.

580.1. For the purposes of this section and sections 580.2 and 580.3,

"aggregate participating percentage", of a taxpayer in respect of a foreign affiliate of the taxpayer for a taxation year of the foreign affiliate, means the aggregate of all amounts, each of which is the participating percentage, in respect of the foreign affiliate, of a share of the capital stock of a corporation that is owned by the taxpayer at the end of the taxation year;

"connected partnership", in respect of a particular taxpayer, means a partnership if, at or immediately after the particular time at which section 580.3 applies in respect of a foreign affiliate of the particular taxpayer,

(a) the particular taxpayer or a connected person in respect of the particular taxpayer is, directly or indirectly through one or more other partnerships, a member of the partnership; or

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

i. the foreign affiliate is a foreign affiliate of the partnership at the particular time, and

ii. the aggregate participating percentage of the partnership in respect of the foreign affiliate for the foreign affiliate's ordinary taxation year may reasonably be considered to have increased as a result of the triggering event that gave rise to the application of section 580.3;

"connected person", in respect of a particular taxpayer, means a person that—at or immediately after the particular time at which section 580.3 applies in respect of a foreign affiliate of the particular taxpayer—is resident in Canada and

(a) does not deal at arm's length with the particular taxpayer; or

(b) deals at arm's length with the particular taxpayer, if

i. the foreign affiliate is a foreign affiliate of the person at the particular time, and

ii. the aggregate participating percentage of the person in respect of the foreign affiliate for the foreign affiliate's ordinary taxation year may reasonably be considered to have increased as a result of the triggering event that gave rise to the application of section 580.3;

"excluded acquisition or disposition", in respect of a taxation year of a foreign affiliate of a taxpayer, means an acquisition or disposition of an equity interest in a corporation, partnership or trust that can reasonably be considered to result in a change in the aggregate participating percentage of the taxpayer in respect of the foreign affiliate for the taxation year of the foreign affiliate, where

(a) the change in the aggregate participating percentage of the taxpayer is less than 1%; and

(b) it cannot reasonably be considered that one of the main reasons the acquisition or disposition occurs as a separate acquisition or disposition from one or more other acquisitions or dispositions is to avoid the application of section 580.3;

"triggering event" means

(a) an acquisition or disposition of an equity interest in a corporation, partnership or trust;

(b) a change in the terms or conditions of a share of the capital stock of a corporation or a right as a member of a partnership or as a beneficiary under a trust; or

(c) a disposition or change of a right referred to in paragraph *a* of section 598.

2021, c. 14, s. 47.

580.2. For the purposes of this chapter and Chapter IV, the rules set out in section 580.3 apply at a particular time in respect of a particular foreign affiliate of a taxpayer resident in Canada if

(a) an amount would be included under section 580 in computing the taxpayer's income, in respect of a share of the particular foreign affiliate or another foreign affiliate of the taxpayer that has an equity percentage in the particular foreign affiliate, for the taxation year of the particular foreign affiliate (determined without reference to section 580.3) that includes the particular time (in this section and section 580.1 referred to as the "ordinary taxation year" of the particular foreign affiliate), if the ordinary taxation year of the particular foreign affiliate had ended at the particular time;

(b) immediately after the particular time, there is

i. an acquisition of control of the taxpayer, or

ii. a triggering event that can reasonably be considered to result in a change in the aggregate participating percentage of the taxpayer in respect of the particular foreign affiliate for the ordinary taxation year of the particular foreign affiliate;

(c) where subparagraph i of subparagraph *b* applies, the condition of paragraph *c* of subsection 1.1 of section 91 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) is met in respect of the particular foreign affiliate; and

(d) where subparagraph ii of subparagraph b applies, none of the following is the case:

i. the change in the aggregate participating percentage referred to in subparagraph ii of subparagraph *b* is a decrease and is equal to the total of all amounts each of which is the increase—that can reasonably be considered to result from the triggering event—in the aggregate participating percentage of another taxpayer, in respect of the particular foreign affiliate for the ordinary taxation year of the particular foreign affiliate, if the other taxpayer

(1) is a person resident in Canada, other than a person that is—or a trust, any of the beneficiaries under which is—exempt from tax under this Part, and

(2) is a person related to the taxpayer at the particular time, if the triggering event results from a winding-up of the taxpayer referred to in section 556, or immediately after the particular time, in any other case,

ii. the triggering event is on an amalgamation within the meaning of subsection 1 of section 544,

iii. the triggering event is an excluded acquisition or disposition, in respect of the ordinary taxation year of the particular foreign affiliate, and

iv. if one or more triggering events—all of which are described in subparagraph ii of subparagraph *b* and in respect of which none of the conditions of subparagraphs i to iii are met—occur in the ordinary taxation year of the particular foreign affiliate, the percentage determined by the following formula is not greater than 5%:

A – B.

In the formula in subparagraph iv of subparagraph *d* of the first paragraph,

(a) A is the total of all amounts each of which is the decrease—which can reasonably be considered to result from a triggering event described in subparagraph ii of subparagraph *b* of the first paragraph (other than a triggering event that meets the conditions of subparagraph i or ii of subparagraph *d* of the first paragraph)—in the aggregate participating percentage of the taxpayer in respect of the particular foreign affiliate for the ordinary taxation year of the particular foreign affiliate; and

(b) B is the total of all amounts each of which is the increase—which can reasonably be considered to result from a triggering event described in subparagraph ii of subparagraph *b* of the first paragraph (other than a triggering event that meets the conditions of subparagraph i or ii of subparagraph *d* of the first paragraph)—in the aggregate participating percentage of the taxpayer in respect of the particular foreign affiliate for the ordinary taxation year of the particular foreign affiliate.

2021, c. 14, s. 47.

580.3. The rules to which section 580.2 refers in respect of a foreign affiliate of a particular taxpayer resident in Canada are as follows:

(a) in respect of the particular taxpayer and each connected person, or connected partnership, in respect of the particular taxpayer, the foreign affiliate's taxation year that would, in the absence of this section, have included the particular time referred to in section 580.2 is deemed to end at the time (in this chapter referred to as the "stub-period end time") that is immediately before the particular time; and

(b) where the foreign affiliate is, immediately after the particular time referred to in section 580.2, a foreign affiliate of the particular taxpayer or a connected person, or connected partnership, in respect of the particular taxpayer, the foreign affiliate's taxation year that follows the stub-period end time is deemed, in

respect of the particular taxpayer or the connected person or connected partnership, as the case may be, to begin immediately after the particular time.

2021, c. 14, s. 47.

580.4. Where the conditions of section 580.2 are not met at a particular time in respect of a particular foreign affiliate of a taxpayer resident in Canada, section 580.3 applies in respect of the particular foreign affiliate at that time if the taxpayer and all specified corporations have made a valid election under paragraph *c* of subsection 1.4 of section 91 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) to have subsection 1.2 of that section 91 apply in respect of the disposition that is referred to in paragraph *b* of subsection 1.4 of that section 91 and that occurs immediately after the particular time.

For the purposes of the first paragraph, a specified corporation is a corporation that at or immediately after the particular time meets the following conditions:

(a) the corporation is resident in Canada;

(b) the corporation does not deal at arm's length with the taxpayer; and

(c) the particular foreign affiliate is a foreign affiliate of the corporation, or of a partnership of which the corporation is, directly or indirectly through one or more other partnerships, a member.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *c* of subsection 1.4 of section 91 of the Income Tax Act.

2021, c. 14, s. 47.

581. Where the Minister is of opinion that the inclusion of an amount in computing the income of a taxpayer for a taxation year by virtue of sections 580 and 582 imposes undue hardship on the taxpayer by reason of monetary or exchange restrictions of a country other than Canada, the taxpayer may in computing such income deduct in that regard such amount as a reserve as the Minister deems reasonable.

1975, c. 22, s. 158; 1997, c. 14, s. 90.

582. A taxpayer must include in computing his income for a taxation year the amount that he deducted as a reserve by virtue of section 581 for the preceding taxation year.

1975, c. 22, s. 158; 1997, c. 14, s. 91.

583. A taxpayer who has included an amount under section 580 in respect of a share of a controlled foreign affiliate (in this section referred to as the "particular foreign affiliate") in computing the taxpayer's income for a taxation year or for one of the five preceding taxation years may deduct in so computing for the year the lesser of

(a) the product obtained by multiplying the taxpayer's prescribed tax factor for the year by the aggregate —to the extent that the aggregate was not deductible under this section for a preceding year—of any amount prescribed in respect of the particular foreign affiliate or a shareholder affiliate that is attributable to the amount and any income or profits tax reasonably attributable to the amount that is paid by

i. the particular foreign affiliate,

ii. the shareholder affiliate of the taxpayer, or

iii. another foreign affiliate of the taxpayer in respect of a dividend received, directly or indirectly, from the particular foreign affiliate, if that other foreign affiliate has an equity percentage in the particular foreign affiliate; and

(b) the amount by which that amount exceeds the aggregate of the amounts deductible under this section in respect of the share for the five preceding taxation years.

For the purposes of the first paragraph, a shareholder affiliate of the taxpayer means a foreign affiliate of the taxpayer, other than the particular foreign affiliate, where

(a) it has an equity percentage in the particular foreign affiliate; and

(b) the income or profits tax is paid by it to a country other than Canada and it, and not the particular foreign affiliate, is liable for that tax under the laws of that country.

1975, c. 22, s. 158; 1984, c. 15, s. 128; 2015, c. 21, s. 192; 2017, c. 1, s. 142.

584. A taxpayer resident in Canada who in a taxation year has received a dividend on a share of the capital stock of a corporation that was at any time a controlled foreign affiliate of the taxpayer, may deduct in computing his income for the year, in respect of such portion of the dividend as is prescribed under section 746 to have been paid out of the taxable surplus of the affiliate, within the meaning of section 747, the lesser of the amount by which that portion of the dividend exceeds the amount deductible in respect thereof under paragraph *b* of section 746 and the amount by which the amounts required by section 587 to be added exceed the amounts required by the same section to be deducted in computing the adjusted cost base of the share before the dividend was received.

1975, c. 22, s. 158; 1997, c. 3, s. 71.

584.1. For the purposes of section 584, where a taxpayer that is a taxable Canadian corporation acquires from another corporation resident in Canada with which the taxpayer does not deal at arm's length, a share of the capital stock of a foreign affiliate of the taxpayer, the taxpayer is deemed to have been required to add or deduct, as the case may be, under Chapter IV, in computing the adjusted cost base of the share, any amount the other corporation has been so required to add or deduct, as the case may be, in computing the adjusted cost base of the share.

1993, c. 16, s. 232; 1997, c. 3, s. 71; 2010, c. 25, s. 45.

584.2. For the purposes of section 584, where a taxpayer resident in Canada acquires a share of the capital stock of a corporation that is immediately after the acquisition a foreign affiliate of the taxpayer from a partnership of which the taxpayer, or a corporation resident in Canada with which the taxpayer was not dealing at arm's length at the time the share was acquired, was a member at any time during any fiscal period of the partnership that began before the acquisition, the following rules apply:

(a) that portion of any amount that the partnership was required by section 587 to add to the adjusted cost base of the share of the foreign affiliate equal to the amount included in computing the income of the member of the partnership because of section 600 in relation to the amount that was included in computing the income of the partnership under section 580 or 582 in respect of the foreign affiliate and added to that adjusted cost base, is deemed to be an amount that the taxpayer was required by section 587 to add in computing the adjusted cost base of the share; and

(b) that portion of any amount that the partnership was required by section 587 to deduct from the adjusted cost base of the share of the foreign affiliate equal to the amount by which the income of the member of the partnership was reduced because of section 600 in relation to the amount deducted in computing the income of the partnership, in respect of the foreign affiliate, under any of sections 581, 583 and 584 and deducted from that adjusted cost base, is deemed to be an amount that the taxpayer was required by section 587 to deduct in computing the adjusted cost base of the share.

2004, c. 8, s. 117.

CHAPTER IV

ADJUSTED COST BASE OF SHARES IN A FOREIGN AFFILIATE

1972, c. 23; 1975, c. 22, s. 159.

585. In computing, at any time in a taxation year, the adjusted cost base of a share of the capital stock of a foreign affiliate of a corporation resident in Canada, such corporation shall deduct, in respect of any dividend received by it before that time on such share, an amount equal to the amount by which such portion of the dividend as is deductible under paragraph *d* of section 746 in computing its taxable income for the year exceeds such portion of income or profits tax that it has paid to the government of a country other than Canada as may reasonably be ascribed to such portion of the dividend that it has so received.

1972, c. 23, s. 449; 1975, c. 22, s. 159; 1997, c. 3, s. 71.

586. The rule set forth in section 585 applies, with the necessary modifications, for the purposes of computing, at any time in a taxation year, the adjusted cost base, to a foreign affiliate of a person resident in Canada, of a share of the capital stock of another foreign affiliate of such person, as if the expression "as is deductible" read "as, if it were resident in Canada, would be deductible".

1972, c. 23, s. 450; 1975, c. 22, s. 159; 1995, c. 63, s. 261.

587. A taxpayer resident in Canada, in computing at any time in a taxation year the adjusted cost base of a share owned by him of the capital stock of a foreign affiliate of the taxpayer, shall add any amount required to be included in respect of that share by virtue of sections 580 and 582 in computing his income for the year or any preceding year, or that would have been so required but for sections 316.1, 456 to 458, 462.1 to 462.24 and 466 to 467.1, and deduct any amount deducted by him in respect of that share, in computing his income for that year, by reason of sections 581 and 583, or that would have been deductible by him but for sections 316.1, 456 to 458, 462.1 to 462.24 and 466 to 467.1, and any dividend received by him before that time in respect of that share, to the extent of the amount deducted by him in respect thereof in computing his income for that year by reason of section 584 or that would have been deductible by him but for the said sections 316.1, 456 to 458, 462.1 to 462.24 and 466 to 467.1.

1975, c. 22, s. 160; 1987, c. 67, s. 126; 1990, c. 59, s. 209.

587.1. A taxpayer is required to add, in computing the adjusted cost base to the taxpayer of a share of the capital stock of a foreign affiliate of the taxpayer, any amount required by subparagraph *b* of the first paragraph of section 590 to be so added.

2015, c. 21, s. 193.

587.2. A foreign affiliate of a corporation resident in Canada or a partnership of which such a foreign affiliate is a member is required to add, in computing the adjusted cost base to the foreign affiliate or partnership of a share of the capital stock of another foreign affiliate of the corporation, the amount required by subsection 1.1 of section 92 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) to be so added in that computation for the purposes of that Act.

2015, c. 36, s. 25.

588. A corporation resident in Canada, in computing, at any time in a taxation year, the adjusted cost base of a share of the capital stock of a foreign affiliate of the corporation, shall deduct any amount deducted by it in computing its taxable income under section 749 for the year or a preceding year in respect of any dividend received by it on such share before that time.

1975, c. 22, s. 160; 1997, c. 3, s. 71.

588.1. A corporation resident in Canada or a foreign affiliate of such a corporation that disposes at any particular time of all or a portion of an interest in a partnership of which it is a member, shall add, in

computing the proceeds of disposition of that interest, an amount equal to the amount determined by the formula

$$[(A - B) - (C + D)] \times (E / F).$$

In the formula provided for in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount that was deductible under paragraph *d* of section 746 in computing the taxable income of the member for any taxation year that began before the particular time in relation to any portion of a dividend received by the partnership, or that would have been so deductible if the member were a corporation resident in Canada;

(b) B is the aggregate of all amounts each of which is the portion of any income or profits tax paid by the partnership or the member to a government of a country other than Canada that can reasonably be attributed to the member's share of the dividend described in paragraph *a*;

(c) C is the aggregate of all amounts each of which is an amount added under this section in computing the member's proceeds of a disposition before the particular time of another interest in the partnership;

(d) D is the aggregate of all amounts each of which is an amount deemed by section 588.2 to be a gain of the member from a disposition before the particular time of a share of the capital stock of a corporation by the partnership;

(e) E is the adjusted cost base, immediately before the particular time, of the portion of the member's interest in the partnership disposed of by the member at the particular time; and

(f) F is the adjusted cost base, immediately before the particular time, of the member's interest in the partnership.

2004, c. 8, s. 118.

588.2. Where a partnership disposes of a share of the capital stock of a corporation, at any particular time in a fiscal period of the partnership at the end of which a corporation resident in Canada or a foreign affiliate of a corporation resident in Canada is a member of the partnership, the amount determined by the following formula is deemed to be a gain of the member from the disposition of the share by the partnership for the member's taxation year in which that fiscal period ends:

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

In the formula provided for in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount that was deductible under paragraph *d* of section 746 in computing the member's taxable income for a taxation year in relation to any portion of a dividend received by the partnership on the share in a fiscal period that began before the particular time and ended in the member's taxation year, or would have been so deductible if the member were a corporation resident in Canada;

(b) B is the aggregate of all amounts each of which is the portion of any income or profits tax paid by the partnership or the member to a government of a country other than Canada that can reasonably be attributed to the member's share of the dividend described in paragraph *a*; and

(c) C is the aggregate of all amounts each of which is an amount added under section 588.1 in computing the member's proceeds of a disposition before the particular time of an interest in the partnership.

2004, c. 8, s. 118.

CHAPTER V

ELECTION RELATING TO THE DISPOSITION OF A SHARE

1972, c. 23.

589. If a corporation resident in Canada makes a valid election under subsection 1 of section 93 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), in respect of any share of the capital stock of a particular foreign affiliate of the corporation that is disposed of, at any time, by the corporation (in this section referred to as the "disposing corporation") or by another foreign affiliate (in this section referred to as the "disposing affiliate") of the corporation, the amount designated in the election, in accordance with paragraph *a* of that subsection 1, not exceeding the amount that would, in the absence of this section, be the gain of the disposing corporation or disposing affiliate, as the case may be, from the disposition of the share, is deemed, for the purposes of this Part,

(a) to have been a dividend received on the share from the particular foreign affiliate by the disposing corporation or disposing affiliate, as the case may be, immediately before that time; and

(b) not to have been received by the disposing corporation or disposing affiliate, as the case may be, as proceeds of disposition in respect of the disposition of the share.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 93 of the Income Tax Act.

1972, c. 23, s. 451; 1972, c. 26, s. 51; 1975, c. 22, s. 161; 1984, c. 15, s. 129; 1986, c. 15, s. 89; 1997, c. 3, s. 71; 2001, c. 53, s. 85; 2010, c. 25, s. 46; 2015, c. 21, s. 194.

589.1. Except for the purposes of paragraph *a* of section 255, if, in relation to a share, section 261 applies to a corporation that has made, in respect of the share, the election referred to in the first paragraph of section 589, or to a foreign affiliate of the corporation, the amount that is deemed by section 261 to be the gain of the corporation or foreign affiliate, as the case may be, from the disposition of the share is deemed to be equal to the amount by which the amount established without reference to this section exceeds the amount that is deemed, under the first paragraph of section 589, to be a dividend and not to be proceeds of disposition of the share, in relation to the disposition.

1993, c. 16, s. 233; 1997, c. 3, s. 71; 2010, c. 25, s. 46.

589.1.1. The rules in the second paragraph apply if

(a) a particular foreign affiliate of a corporation resident in Canada disposes at any time of a share (in this subparagraph and the second paragraph referred to as the "disposed share") of the capital stock of another foreign affiliate of the corporation and the particular foreign affiliate would, in the absence of section 589 and the second paragraph, have realized a capital gain from the disposition of the disposed share; or

(b) in the absence of section 589 and the second paragraph, a corporation resident in Canada would be deemed under section 261, because of a valid election under section 577.3 or subparagraph i of paragraph *b* of subsection 2 of section 5901 of the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), to have realized a gain, at any time, from the disposition of a share (in the second paragraph referred to as the "disposed share") of the capital stock of a foreign affiliate of the corporation.

The rules to which the first paragraph refers are the following:

(a) the corporation resident in Canada is deemed to have made the election referred to in the first paragraph of section 589, at the time referred to in the first paragraph, in respect of the disposition of the disposed share; and

(b) the corporation resident in Canada is deemed to have designated, in the election, an amount equal to the amount that it is deemed, under paragraph *b* of subsection 1.11 of section 93 of the Income Tax Act, to have designated in the election in respect of the disposition of the disposed share.

2015, c. 21, s. 195.

589.2. If the disposition of shares of a class of the capital stock of a foreign affiliate of a particular corporation resident in Canada by a partnership would, but for this section, result in a taxable capital gain for a corporation (in this section referred to as the "disposing corporation") that is the particular corporation or a foreign affiliate of the particular corporation and the particular corporation makes a valid election under subsection 1.2 of section 93 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) after 19 December 2006 in respect of the disposition, the following rules apply:

(a) the amount determined in accordance with the second paragraph in respect of those shares is deemed to be a dividend received immediately before the disposition on the number of those shares that is the amount by which the number of those shares that the disposing corporation is deemed to own under section 592.1 immediately before the disposition exceeds the number of those shares that the disposing corporation is deemed to own under that section immediately after the disposition;

(b) notwithstanding Title XI, the disposing corporation's taxable capital gain from the disposition of those shares is deemed to be the amount by which the disposing corporation's taxable capital gain from the disposition of the shares otherwise determined exceeds the amount determined in accordance with subparagraph *a* of the second paragraph in relation to those shares;

(c) (paragraph repealed);

(d) for the purposes of sections 746 to 749 in relation to the dividend referred to in subparagraph *a*, the shares of the capital stock of the foreign affiliate on which that dividend was received are deemed to have been owned by the disposing corporation; and

(e) where the application of section 261 in respect of the partnership, in relation to those shares, results in a taxable capital gain for the disposing corporation, the partnership is deemed, for the purposes of this section, to have disposed of those shares.

The amount to which subparagraph *a* of the first paragraph refers in respect of shares of a class of the capital stock of the foreign affiliate is, subject to the third paragraph, twice

(a) the amount designated in respect of shares in accordance with subparagraph i of paragraph *a* of subsection 1.2 of section 93 of the Income Tax Act, not exceeding the proportion of the taxable capital gain of the partnership that the amount by which the number of shares of that class of the capital stock of the foreign affiliate that are deemed to be owned by the disposing corporation under section 592.1 immediately before the disposition exceeds the number of those shares that are deemed to be owned by the disposing corporation under that section immediately after the disposition, is of the number of shares of that class of the capital stock of the foreign affiliate that are owned by the partnership immediately before the disposition; or

(b) where section 589.3 applies, the amount prescribed by regulation for the purposes of subparagraph ii of paragraph *a* of subsection 1.2 of section 93 of the Income Tax Act.

For the purposes of the second paragraph in respect of a disposing corporation for any of the following taxation years, the reference to "twice" in that paragraph shall be replaced, with the necessary modifications, by the following fraction, as the case may be:

(a) in the case of a taxation year that ends before 28 February 2000, 4/3; and

(b) in the case of a taxation year that includes 28 February 2000 or 17 October 2000 or that begins after 28 February 2000 and ends before 17 October 2000, the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies in respect of the disposing corporation for the year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1.2 of section 93 of the Income Tax Act or in relation to an election made under the first paragraph before 20 December 2006.

2004, c. 8, s. 119; 2010, c. 25, s. 47; 2015, c. 36, s. 26; 2019, c. 14, s. 156.

589.3. If a partnership disposes at a particular time of excluded property that are shares of a class of the capital stock of a foreign affiliate of a particular corporation resident in Canada, the disposition results in a taxable capital gain for a foreign affiliate (in this section referred to as the "disposing corporation") of the particular corporation, and subsection 1.3 of section 93 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) applies in respect of the disposition, the particular corporation is deemed to have made at that time the election referred to in section 589.2 in relation to the number of shares of that class of the capital stock of the foreign affiliate that is the amount by which the number of those shares that are deemed to be owned by the disposing corporation under section 592.1 immediately before the disposition exceeds the number of those shares that are deemed to be owned by the disposing corporation under that section immediately after the disposition.

2004, c. 8, s. 119; 2010, c. 25, s. 48.

590. If a taxpayer resident in Canada or a foreign affiliate (which taxpayer or foreign affiliate is referred to in this section as the "transferee") of the taxpayer acquires shares of the capital stock of one or more foreign affiliates (each referred to in this section as an "acquired affiliate") of the taxpayer on a disposition of shares (such shares disposed of being referred to in this section as the "disposed shares") of the capital stock of any other foreign affiliate of the taxpayer (other than, where the transferee is a foreign affiliate of the taxpayer, a disposition of shares that are, immediately before the disposition, excluded property of the transferee or a disposition to which section 238.1 applies), the following rules apply:

(a) the capital loss of the transferee from the disposition is deemed to be nil; and

(b) in computing the adjusted cost base to the transferee of a share of a particular class of the capital stock of an acquired affiliate that is owned by the transferee immediately after the disposition, there is to be added the amount determined by the formula

$$[(A-B) \times C/D]/E.$$

In the formula in subparagraph *b* of the first paragraph,

(a) A is the aggregate of all amounts each of which is the cost amount to the transferee, immediately before the disposition, of a disposed share;

(b) B is the total of

i. the aggregate of all amounts each of which is the proceeds of disposition of a disposed share, and

ii. the aggregate of all amounts in respect of the computation of losses of the transferee from the dispositions of the disposed shares, each of which is, in respect of the disposition of a disposed share, the amount by which the amount referred to in subparagraph *a* of the second paragraph of section 591 exceeds the amount determined by the formula in that second paragraph;

(c) C is the fair market value, immediately after the disposition, of all shares of the particular class owned, immediately after the disposition, by the transferee;

(d) D is the fair market value, immediately after the disposition, of all shares owned, immediately after the disposition, by the transferee of the capital stock of all acquired affiliates; and

(e) E is the number of shares of the particular class that are owned by the transferee immediately after the disposition.

1975, c. 22, s. 162; 1993, c. 16, s. 234; 2000, c. 5, s. 133; 2015, c. 21, s. 196.

591. The amount of a particular loss sustained by a vendor that is a particular corporation resident in Canada or a foreign affiliate of the particular corporation is determined in accordance with the rules set out in the second paragraph where

(a) the particular corporation has a particular loss, determined without reference to this chapter, from the disposition by it at any time (in this section referred to as the "disposition time") of a share (in this section referred to as the "affiliate share") of the capital stock of a foreign affiliate of the particular corporation; or

(b) the foreign affiliate of the particular corporation has a particular loss, determined without reference to this chapter, from the disposition by it at any time (in this section referred to as the "disposition time") of a share (in this section referred to as the "affiliate share") of the capital stock of another foreign affiliate of the particular corporation that is not excluded property.

Where a particular loss is a loss referred to in subparagraph *a* or *b* of the first paragraph, the amount of the particular loss is deemed to be equal to the greater of

(a) the amount determined by the formula

A-(B-C); and

(b) the lesser of

i. the portion of the particular loss, determined without reference to this chapter, that can reasonably be considered to be attributable to a fluctuation in the value of a currency other than Canadian currency relative to Canadian currency, and

ii. the amount determined in respect of the vendor that is

(1) if the particular loss is a capital loss, the amount of a gain (other than a specified gain) that was realized within 30 days before or after the disposition time by the vendor and that is described in the fourth paragraph, or that is a capital gain realized within 30 days before or after the disposition time by the vendor under an agreement described in the fifth paragraph, or

(2) in any other case, the amount of a gain (other than a specified gain or a capital gain) that was realized within 30 days before or after the disposition time by the vendor and that is included in computing the income of the vendor for the taxation year that includes the time the gain was realized, if the gain meets any of the conditions of the sixth paragraph.

In the formula in subparagraph *a* of the second paragraph,

(a) A is the amount of the particular loss determined without reference to this chapter;

(b) B is the aggregate of all amounts each of which is an amount received before the disposition time, in respect of a tax-exempt dividend on the affiliate share or on a share for which the affiliate share was substituted, by

i. the particular corporation,

ii. another corporation that is related to the particular corporation,

iii. a foreign affiliate of the particular corporation, or

iv. a foreign affiliate of another corporation that is related to the particular corporation; and

(c) C is the total of

i. the aggregate of all amounts each of which is the amount by which a loss (determined without reference to this chapter), from a previous disposition by a corporation, or a foreign affiliate described in subparagraph *b*, of the affiliate share or a share for which the affiliate share was substituted, was reduced under subparagraph *a* of the second paragraph in respect of tax-exempt dividends referred to in subparagraph *b*,

ii. the aggregate of all amounts each of which is twice the amount by which an allowable capital loss (determined without reference to this chapter) of a corporation or a foreign affiliate described in subparagraph *b*, from a previous disposition by a partnership of the affiliate share or a share for which the affiliate share was substituted, was reduced under subparagraph *a* of the second paragraph of section 591.1 in respect of tax-exempt dividends referred to in subparagraph *b*,

iii. the aggregate of all amounts each of which is the amount by which a loss (determined without reference to this chapter), from a previous disposition by a corporation, or a foreign affiliate described in subparagraph *b*, of an interest in a partnership, was reduced under subparagraph *a* of the second paragraph of section 591.2 in respect of tax-exempt dividends referred to in subparagraph *b*, and

iv. the aggregate of all amounts each of which is twice the amount by which an allowable capital loss (determined without reference to this chapter) of a corporation or a foreign affiliate described in subparagraph *b*, from a previous disposition by a partnership of an interest in another partnership, was reduced under subparagraph *a* of the second paragraph of section 591.3 in respect of tax-exempt dividends referred to in subparagraph *b*.

The gain to which subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph refers is a gain that

(a) is deemed under section 262 to be a capital gain of the vendor for the taxation year that includes the time the gain was realized from the disposition of currency other than Canadian currency; and

(b) is in respect of the settlement or extinguishment of a foreign currency debt that

i. was issued or incurred by the vendor within 30 days before or after the acquisition of the affiliate share by the vendor,

ii. was, at all times at which it was a debt obligation of the vendor, owing to a person or partnership that dealt, at all times during which the foreign currency debt was outstanding, at arm's length with the particular corporation, and

iii. could reasonably be considered to have been issued or incurred in relation to the acquisition of the affiliate share.

The agreement to which subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph refers is an agreement that

(a) was entered into by the vendor within 30 days before or after the acquisition of the affiliate share by the vendor with a person or partnership that dealt, at all times during which the agreement was in force, at arm's length with the particular corporation;

(b) provides for the purchase, sale or exchange of currency; and

(c) can reasonably be considered to have been entered into by the vendor for the principal purpose of hedging the foreign exchange exposure arising in connection with the acquisition of the affiliate share.

The conditions to which subparagraph 2 of subparagraph ii of subparagraph *b* of the second paragraph refers in respect of a gain referred to in that subparagraph 2 are the following:

(a) the gain is in respect of the settlement or extinguishment of a foreign currency debt that

i. was issued or incurred by the vendor within 30 days before or after the acquisition of the affiliate share by the vendor,

ii. was, at all times at which it was a debt obligation of the vendor, owing to a person or partnership that dealt, at all times during which it was outstanding, at arm's length with the particular corporation, and

iii. can reasonably be considered to have been issued or incurred in relation to the acquisition of the affiliate share; and

(b) the gain is provided for in an agreement described in the fifth paragraph.

1972, c. 23, s. 452; 1993, c. 16, s. 235; 1997, c. 3, s. 71; 2004, c. 8, s. 120; 2015, c. 21, s. 196.

591.0.1. For the purposes of subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the second paragraph of section 591, "specified gain" means a gain in respect of the settlement or extinguishment of a foreign currency debt referred to in subparagraph *b* of the fourth paragraph of that section or in subparagraph *a* of the sixth paragraph of that section, or that arises under a particular agreement referred to in the fifth paragraph of that section, if the particular corporation, or any person or partnership with which the particular corporation was not—at any time during which the foreign currency debt was outstanding or the particular agreement was in force, as the case may be—dealing at arm's length, entered into an agreement that may reasonably be considered to have been entered into for the principal purpose of hedging any foreign exchange exposure arising in connection with the foreign currency debt or the particular agreement.

2015, c. 21, s. 197.

591.1. The amount of a particular allowable capital loss sustained by a particular corporation resident in Canada or a foreign affiliate of the particular corporation is determined in accordance with the rules set out in the second paragraph where

(a) the particular corporation has a particular allowable capital loss, determined without reference to this chapter, from the disposition at any time (in this section referred to as the "disposition time") by a partnership (in this section and section 591.1.1 referred to as the "disposing partnership") of a share (in this section referred to as the "affiliate share") of the capital stock of a foreign affiliate of the particular corporation; or

(b) the foreign affiliate of the particular corporation has a particular allowable capital loss, determined without reference to this chapter, from the disposition at any time (in this section referred to as the "disposition time") by a partnership (in this section and section 591.1.1 referred to as the "disposing partnership") of a share (in this section referred to as the "affiliate share") of the capital stock of another foreign affiliate of the particular corporation that would not be excluded property of the affiliate if the affiliate had owned the share immediately before the disposition time.

Where a particular allowable capital loss is a loss referred to in subparagraph *a* or *b* of the first paragraph, the amount of the particular allowable capital loss is deemed to be equal to the greater of

(a) the amount determined by the formula

A-(B-C); and

(b) the lesser of

i. the portion of the particular allowable capital loss, determined without reference to this chapter, that can reasonably be considered to be attributable to a fluctuation in the value of a currency other than Canadian currency relative to Canadian currency, and

ii. one-half of the amount determined in respect of the particular corporation, or the foreign affiliate of the particular corporation, that is the amount of a gain (other than a specified gain) that

(1) was realized within 30 days before or after the disposition time by the disposing partnership to the extent that the gain is reasonably attributable to the particular corporation or the foreign affiliate, as the case may be, if the gain is described in the fourth paragraph, or

(2) is a capital gain (to the extent that the capital gain is reasonably attributable to the particular corporation or the foreign affiliate, as the case may be) realized within 30 days before or after the disposition time by the disposing partnership under an agreement described in the fifth paragraph.

In the formula in subparagraph *a* of the second paragraph,

(a) A is the amount of the particular allowable capital loss determined without reference to this chapter,

(b) B is one-half of the aggregate of all amounts each of which is an amount received before the disposition time, in respect of a tax-exempt dividend on the affiliate share or on a share for which the affiliate share was substituted, by

i. the particular corporation,

ii. another corporation that is related to the particular corporation,

iii. a foreign affiliate of the particular corporation, or

iv. a foreign affiliate of another corporation that is related to the particular corporation; and

(c) C is the total of

i. the aggregate of all amounts each of which is one-half of the amount by which a loss (determined without reference to this chapter), from a previous disposition by a corporation, or a foreign affiliate described in subparagraph *b*, of the affiliate share or a share for which the affiliate share was substituted, was reduced under subparagraph *a* of the second paragraph of section 591 in respect of tax-exempt dividends referred to in subparagraph *b*,

ii. the aggregate of all amounts each of which is the amount by which an allowable capital loss (determined without reference to this chapter), of a corporation or a foreign affiliate described in subparagraph *b*, from a previous disposition by a partnership of the affiliate share or a share for which the affiliate share was substituted, was reduced under subparagraph *a* of the second paragraph in respect of tax-exempt dividends referred to in subparagraph *b*,

iii. the aggregate of all amounts each of which is one-half of the amount by which a loss (determined without reference to this chapter), from a previous disposition by a corporation, or a foreign affiliate described

in subparagraph *b*, of an interest in a partnership, was reduced under subparagraph *a* of the second paragraph of section 591.2 in respect of tax-exempt dividends referred to in subparagraph *b*, and

iv. the aggregate of all amounts each of which is the amount by which an allowable capital loss (determined without reference to this chapter), of a corporation, or a foreign affiliate described in subparagraph *b*, from a previous disposition by a partnership of an interest in another partnership, was reduced under subparagraph *a* of the second paragraph of section 591.3 in respect of tax-exempt dividends referred to in subparagraph *b*.

The gain to which subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph refers is a gain that

(a) is deemed under section 262 to be a capital gain of the disposing partnership for the taxation year that includes the time the gain was realized from the disposition of currency other than Canadian currency; and

(b) is in respect of the settlement or extinguishment of a foreign currency debt that

i. was issued or incurred by the disposing partnership within 30 days before or after the acquisition of the affiliate share by the disposing partnership,

ii. was, at all times at which it was a debt obligation of the disposing partnership, owing to a person or partnership that dealt, at all times during which the foreign currency debt was outstanding, at arm's length with the particular corporation, and

iii. could reasonably be considered to have been issued or incurred in relation to the acquisition of the affiliate share.

The agreement to which subparagraph 2 of subparagraph ii of subparagraph *b* of the second paragraph refers is an agreement that

(a) was entered into by the disposing partnership, within 30 days before or after the acquisition of the affiliate share by the disposing partnership, with a person or partnership that dealt, at all times during which the agreement was in force, at arm's length with the particular corporation;

(b) provides for the purchase, sale or exchange of currency; and

(c) can reasonably be considered to have been entered into by the disposing partnership for the principal purpose of hedging the foreign exchange exposure arising in connection with the acquisition of the affiliate share.

2004, c. 8, s. 121; 2015, c. 21, s. 198.

591.1.1. For the purposes of subparagraph ii of subparagraph *b* of the second paragraph of section 591.1, "specified gain" means a gain in respect of the settlement or extinguishment of a foreign currency debt referred to in subparagraph *b* of the fourth paragraph of that section or that arises under a particular agreement referred to in the fifth paragraph of that section, if the disposing partnership, or any person or partnership with which the particular corporation was not–at any time during which the foreign currency debt was outstanding or the particular agreement was in force, as the case may be–dealing at arm's length, entered into an agreement that may reasonably be considered to have been entered into for the principal purpose of hedging any foreign exchange exposure arising in connection with the foreign currency debt or the particular agreement.

2015, c. 21, s. 199.

591.2. The amount of a particular loss sustained by a vendor that is a particular corporation resident in Canada or a foreign affiliate of the particular corporation is determined in accordance with the rules set out in the second paragraph where

(a) the particular corporation has a particular loss, determined without reference to this chapter, from the disposition by it at any time (in this section referred to as the "disposition time") of an interest in a partnership that has a direct or indirect right in shares (in this section referred to as the "affiliate shares") of the capital stock of a foreign affiliate of the particular corporation; or

(b) the foreign affiliate of the particular corporation has a particular loss, determined without reference to this chapter, from the disposition by it at any time (in this section referred to as the "disposition time") of an interest in a partnership that has a direct or indirect right in shares (in this section referred to as the "affiliate shares") of the capital stock of another foreign affiliate of the particular corporation that would not be excluded property of the affiliate if the affiliate had owned the shares immediately before the disposition time.

Where a particular loss is a loss referred to in subparagraph *a* or *b* of the first paragraph, the amount of the particular loss is deemed to be equal to the greater of

(a) the amount determined by the formula

A - (B - C); and

(b) the lesser of

i. the portion of the particular loss, determined without reference to this chapter, that can reasonably be considered to be attributable to a fluctuation in the value of a currency other than Canadian currency relative to Canadian currency, and

ii. the amount determined in respect of the vendor that is

(1) if the particular loss is a capital loss, the amount of a gain (other than a specified gain) that was realized within 30 days before or after the disposition time by the vendor and is described in the fourth paragraph or that is a capital gain realized within 30 days before or after the disposition time by the vendor under an agreement described in the fifth paragraph, or

(2) in any other case, the amount of a gain (other than a specified gain or a capital gain) that was realized within 30 days before or after the disposition time by the vendor and that is included in computing the income of the vendor for the taxation year that includes the time the gain was realized if the gain meets any of the conditions of the sixth paragraph.

In the formula in subparagraph *a* of the second paragraph,

(a) A is the amount of the particular loss determined without reference to this chapter;

(b) B is the aggregate of all amounts each of which is an amount received before the disposition time, in respect of a tax-exempt dividend on affiliate shares or on shares for which affiliate shares were substituted, by

i. the particular corporation,

ii. another corporation that is related to the particular corporation,

iii. a foreign affiliate of the particular corporation, or

iv. a foreign affiliate of another corporation that is related to the particular corporation; and

(c) C is the total of

i. the aggregate of all amounts each of which is the amount by which a loss (determined without reference to this chapter), from a previous disposition by a corporation, or a foreign affiliate described in subparagraph *b*, of the affiliate shares or shares for which the affiliate shares were substituted, was reduced under subparagraph *a* of the second paragraph of section 591 in respect of tax-exempt dividends referred to in subparagraph *b*,

ii. the aggregate of all amounts each of which is twice the amount by which an allowable capital loss (determined without reference to this chapter) of a corporation or a foreign affiliate described in subparagraph *b*, from a previous disposition by a partnership of the affiliate shares or shares for which the affiliate shares were substituted, was reduced under subparagraph *a* of the second paragraph of section 591.1 in respect of tax-exempt dividends referred to in subparagraph *b*,

iii. the aggregate of all amounts each of which is the amount by which a loss (determined without reference to this chapter), from a previous disposition by a corporation, or a foreign affiliate described in subparagraph *b*, of an interest in a partnership, was reduced under subparagraph *a* of the second paragraph in respect of tax-exempt dividends referred to subparagraph *b*, and

iv. the aggregate of all amounts each of which is twice the amount by which an allowable capital loss (determined without reference to this chapter) of a corporation or a foreign affiliate described in subparagraph *b*, from a previous disposition by a partnership of an interest in another partnership, was reduced under subparagraph *a* of the second paragraph of section 591.3 in respect of tax-exempt dividends referred to in subparagraph *b*.

The gain to which subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph refers is a gain that

(a) is deemed under section 262 to be a capital gain of the vendor for the taxation year that includes the time the gain was realized from the disposition of currency other than Canadian currency; and

(b) is in respect of the settlement or extinguishment of a foreign currency debt that

i. was issued or incurred by the vendor within 30 days before or after the acquisition of a partnership interest by the vendor,

ii. was, at all times at which it was a debt obligation of the vendor, owing to a person or partnership that dealt, at all times during which the foreign currency debt was outstanding, at arm's length with the particular corporation, and

iii. could reasonably be considered to have been issued or incurred in relation to the acquisition of the partnership interest.

The agreement to which subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph refers is an agreement that

(a) was entered into by the vendor within 30 days before or after the acquisition of the partnership interest by the vendor with a person or partnership that dealt, at all times during which the agreement was in force, at arm's length with the particular corporation;

(b) provides for the purchase, sale or exchange of currency; and

(c) can reasonably be considered to have been entered into by the vendor for the principal purpose of hedging the foreign exchange exposure arising in connection with the acquisition of the partnership interest.

The conditions to which subparagraph 2 of subparagraph ii of subparagraph *b* of the second paragraph refers in respect of a gain described in that subparagraph 2 are the following:

(a) the gain is in respect of the settlement or extinguishment of a foreign currency debt that

i. was issued or incurred by the vendor within 30 days before or after the acquisition of the partnership interest by the vendor,

ii. was, at all times at which it was a debt obligation of the vendor, owing to a person or partnership that dealt, at all times during which it was outstanding, at arm's length with the particular corporation, and

iii. can reasonably be considered to have been issued or incurred in relation to the acquisition of the partnership interest; and

(b) the gain is provided for in an agreement described in the fifth paragraph.

2004, c. 8, s. 121; 2015, c. 21, s. 200; 2020, c. 16, s. 84.

591.2.1. For the purposes of subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the second paragraph of section 591.2, "specified gain" means a gain in respect of the settlement or extinguishment of a foreign currency debt referred to in subparagraph *b* of the fourth paragraph of that section or in subparagraph *a* of the sixth paragraph of that section, or that arises under a particular agreement referred to in the fifth paragraph of that section, if the particular corporation, or any person or partnership with which the particular corporation was not–at any time during which the foreign currency debt was outstanding or the particular agreement was in force, as the case may be–dealing at arm's length, entered into an agreement that may reasonably be considered to have been entered into for the principal purpose of hedging any foreign exchange exposure arising in connection with the foreign currency debt or the particular agreement.

2015, c. 21, s. 201.

591.3. The amount of a particular allowable capital loss sustained by a particular corporation resident in Canada or a foreign affiliate of the particular corporation is determined in accordance with the rules set out in the second paragraph where

(a) the particular corporation has a particular allowable capital loss, determined without reference to this chapter, from the disposition at any time (in this section referred to as the "disposition time") by a partnership (in this section and section 591.3.1 referred to as the "particular partnership") of an interest in another partnership that has a direct or indirect right in shares (in this section referred to as the "affiliate shares") of the capital stock of a foreign affiliate of the particular corporation; or

(b) the foreign affiliate of the particular corporation has a particular allowable capital loss, determined without reference to this chapter, from the disposition at any time (in this section referred to as the "disposition time") by a partnership (in this section and section 591.3.1 referred to as the "particular partnership") of an interest in another partnership that has a direct or indirect right in shares (in this section referred to as the "affiliate shares") of the capital stock of a foreign affiliate of the particular corporation that would not be excluded property of the affiliate if the affiliate had owned the shares immediately before the disposition time.

Where a particular allowable capital loss is a loss referred to in subparagraph *a* or *b* of the first paragraph, the amount of the particular allowable capital loss is deemed to be equal to the greater of

(a) the amount determined by the formula

A - (B - C); and

(b) the lesser of

i. the portion of the particular allowable capital loss, determined without reference to this chapter, that can reasonably be considered to be attributable to a fluctuation in the value of a currency other than Canadian currency relative to Canadian currency, and

ii. one-half of the amount determined in respect of the particular corporation or the foreign affiliate of the particular corporation that is the amount of a gain (other than a specified gain) that

(1) was realized within 30 days before or after the disposition time by the particular partnership to the extent that the gain is reasonably attributable to the particular corporation or the foreign affiliate, as the case may be, if the gain is described in the fourth paragraph, or

(2) is a capital gain (to the extent that the capital gain is reasonably attributable to the particular corporation or the foreign affiliate, as the case may be) realized within 30 days before or after the disposition time by the particular partnership under an agreement described in the fifth paragraph.

In the formula in subparagraph *a* of the second paragraph,

(a) A is the amount of the particular allowable capital loss determined without reference to this chapter;

(b) B is one-half of the aggregate of all amounts each of which is an amount received before the disposition time, in respect of a tax-exempt dividend on affiliate shares or on shares for which the affiliate shares were substituted, by

i. the particular corporation,

ii. another corporation that is related to the particular corporation,

iii. a foreign affiliate of the particular corporation, or

iv. a foreign affiliate of another corporation that is related to the particular corporation; and

(c) C is the total of

i. the aggregate of all amounts each of which is one-half of the amount by which a loss (determined without reference to this chapter), from a previous disposition by a corporation, or a foreign affiliate described in subparagraph *b*, of the affiliate shares or shares for which the affiliate shares were substituted, was reduced under subparagraph *a* of the second paragraph of section 591 in respect of tax-exempt dividends referred to in subparagraph *b*,

ii. the aggregate of all amounts each of which is the amount by which an allowable capital loss (determined without reference to this chapter), of a corporation or a foreign affiliate described in subparagraph *b*, from a previous disposition by a partnership of the affiliate shares or shares for which the affiliate shares were substituted, was reduced under subparagraph *a* of the second paragraph of section 591.1 in respect of tax-exempt dividends referred to in subparagraph *b*,

iii. the aggregate of all amounts each of which is one-half of the amount by which a loss (determined without reference to this chapter), of a corporation or a foreign affiliate described in subparagraph *b*, from a previous disposition by a corporation, or a foreign affiliate described in subparagraph *b*, of an interest in a partnership, was reduced under subparagraph *a* of the second paragraph of section 591.2 in respect of tax-exempt dividends referred to in subparagraph *b*, and

iv. the aggregate of all amounts each of which is the amount by which an allowable capital loss (determined without reference to this chapter), of a corporation or a foreign affiliate described in subparagraph *b*, from a previous disposition by a partnership of an interest in another partnership, was reduced under subparagraph *a* of the second paragraph in respect of tax-exempt dividends referred to in subparagraph *b*.

The gain to which subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph refers is a gain that

(a) is deemed under section 262 to be a capital gain of the particular partnership for the taxation year that includes the time the gain was realized from the disposition of currency other than Canadian currency; and

(b) is in respect of the settlement or extinguishment of a foreign currency debt that

i. was issued or incurred by the particular partnership within 30 days before or after the acquisition of the partnership interest by the partnership,

ii. was, at all times at which it was a debt obligation of the particular partnership, owing to a person or partnership that dealt, at all times during which the foreign currency debt was outstanding, at arm's length with the particular corporation, and

iii. could reasonably be considered to have been issued or incurred in relation to the acquisition of the partnership interest.

The agreement to which subparagraph 2 of subparagraph ii of subparagraph *b* of the second paragraph refers is an agreement that

(a) was entered into by the particular partnership, within 30 days before or after the acquisition of the partnership interest by the particular partnership, with a person or partnership that dealt, at all times during which the agreement was in force, at arm's length with the particular corporation;

(b) provides for the purchase, sale or exchange of currency; and

(c) can reasonably be considered to have been entered into by the particular partnership for the principal purpose of hedging the foreign exchange exposure arising in connection with the acquisition of the partnership interest.

2004, c. 8, s. 121; 2015, c. 21, s. 202; 2020, c. 16, s. 85.

591.3.1. For the purposes of subparagraph ii of subparagraph *b* of the second paragraph of section 591.3, "specified gain" means a gain in respect of the settlement or extinguishment of a foreign currency debt referred to in subparagraph *b* of the fourth paragraph of that section, or that arises under a particular agreement referred to in the fifth paragraph of that section, if the particular partnership, or any person or partnership with which the particular corporation was not–at any time during which the foreign currency debt was outstanding or the particular agreement was in force, as the case may be–dealing at arm's length, entered into an agreement that may reasonably be considered to have been entered into for the principal purpose of hedging any foreign exchange exposure arising in connection with the foreign currency debt or the particular agreement.

2015, c. 21, s. 203.

592. For the purposes of sections 591, 591.1, 591.2 and 591.3, the following rules apply:

(a) a dividend received by a corporation resident in Canada is a tax-exempt dividend to the extent of the portion of the dividend that is deductible in computing its taxable income under any of paragraphs *a* to *c* of section 746;

(b) a dividend received by a particular foreign affiliate of a corporation resident in Canada from another foreign affiliate of the corporation is a tax-exempt dividend to the extent of the amount by which the portion of the dividend that was not prescribed to have been paid out of the pre-acquisition surplus of the other affiliate exceeds the aggregate of such portion of the income or profits tax that can reasonably be considered to have been paid in relation to that portion of the dividend by the particular affiliate or by a partnership in

which the particular affiliate had, at the time of the payment of the income or profits tax, a partnership interest, either directly or indirectly; and

(c) a foreign affiliate of a corporation resident in Canada is deemed to have received from another foreign affiliate of the corporation an amount equal to the amount that is described in paragraph *c* of subsection 3 of section 93 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), at the time referred to in that paragraph and for the same purposes.

1972, c. 23, s. 453; 1975, c. 22, s. 163; 1997, c. 3, s. 71; 2004, c. 8, s. 122; 2015, c. 21, s. 204; 2015, c. 36, s. 27.

CHAPTER V.1

SHARES HELD BY A PARTNERSHIP

2004, c. 8, s. 123.

592.1. For the purpose of determining whether a corporation not resident in Canada is a foreign affiliate of a corporation resident in Canada for the purposes of a provision among those mentioned in the second paragraph, the shares of a class of the capital stock of a corporation that, based on the assumptions contained in paragraph *c* of section 600, are owned at a particular time by a partnership or are deemed under this section to be owned at a particular time by the partnership, are deemed to be owned at that time by each member of the partnership in proportion to the number of all of those shares that the fair market value of the member's interest in the partnership at that time is of the fair market value of all members' interests in the partnership at that time.

The provisions to which the first paragraph refers are the following:

(a) sections 146.1, 262.0.1, 576.2, 577, 577.2 to 577.11, 589 to 592, 592.2, 592.7 to 592.10 and 746 to 749 and paragraph *d* of section 785.1;

(b) sections 571 to 576.1, 578 and 579, where those sections apply for the purposes of the provisions mentioned in subparagraph *a*;

(c) the regulations made under the provisions mentioned in subparagraph *a*; and

(d) sections 572.2.1 to 572.2.3 and the provisions of Chapter I of Title III of Book V.

2004, c. 8, s. 123; 2015, c. 21, s. 205; 2017, c. 1, s. 143; 2021, c. 14, s. 48.

592.2. Where shares of a class of the capital stock of a foreign affiliate of a particular corporation resident in Canada are owned, based on the assumptions contained in paragraph *c* of section 600, by a partnership at the time when the foreign affiliate pays a dividend on those shares to the partnership, the following rules apply:

(a) for the purposes of sections 589 to 592 and 746 to 749 and any regulations made under those sections,

i. each member of the partnership (other than another partnership) is deemed to have received a portion of the dividend equal to the proportion of the dividend that the fair market value of the member's interest held, directly or indirectly through an interest in one or more other partnerships, in the partnership at that time is of the fair market value of all the interests in the partnership held directly by members of the partnership at that time, and

ii. the portion of the dividend that is deemed to have been received by a member of the partnership at that time, under subparagraph i, is deemed to have been received by the member in equal proportions on each share of the foreign affiliate that is property of the partnership at that time; and

(b) for the purpose of applying sections 746 to 749, in relation to the dividend referred to in subparagraph i of subparagraph *a*, each share of the foreign affiliate referred to in subparagraph ii of subparagraph *a* is deemed to be owned by each member of the partnership.

In addition, notwithstanding subparagraphs *a* and *b* of the first paragraph, the following rules apply:

(a) where the particular corporation is a member of the partnership, the amount deductible under sections 746 to 749, in relation to the dividend referred to in subparagraph i of subparagraph *a* of the first paragraph shall not exceed the portion of the amount of the dividend included in computing its income pursuant to section 600; and

(b) where another foreign affiliate of the particular corporation is a member of the partnership, the amount included in computing the income of that other foreign affiliate, in relation to the dividend referred to in subparagraph i of subparagraph *a* of the first paragraph shall not exceed the amount that would be included in computing its income pursuant to section 600, in relation to that dividend, but for this section and if the foreign accrual property income of that other foreign affiliate were determined without reference to the value of H of the formula provided for in the definition of "foreign accrual property income" in subsection 1 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2004, c. 8, s. 123; 2017, c. 1, s. 144.

592.3. A person or partnership that is (or is deemed by this section to be) a member of a particular partnership that is a member of another partnership is deemed to be a member of the other partnership and to have, directly, rights to the income or capital of the other partnership to the extent of the person or partnership's direct and indirect rights to that income or capital, for the purpose of applying

(a) except to the extent that the context requires otherwise, a provision of this Title; and

(b) sections 262.0.1 and 555.0.3.

2015, c. 21, s. 206; 2017, c. 1, s. 145.

CHAPTER V.2

NON-RESIDENT CORPORATIONS WITHOUT SHARE CAPITAL

2017, c. 1, s. 146.

592.4. In this chapter,

"equity interest", in a non-resident corporation without share capital, means any right, whether immediate or future and whether absolute or contingent, conferred by the corporation to receive an amount that can reasonably be regarded as all or any part of the capital, revenue or income of the corporation, but does not include a right as creditor;

"non-resident corporation without share capital" means a corporation not resident in Canada that, determined without reference to this chapter, does not have capital divided into shares.

2017, c. 1, s. 146.

592.5. For the purposes of this Part, the following rules apply:

(a) equity interests in a non-resident corporation without share capital that have identical rights and obligations, determined without reference to proportionate differences in all of those rights and obligations, are deemed to be shares of a separate class of the capital stock of the corporation;

(b) the corporation is deemed to have 100 issued and outstanding shares of each class of shares of its capital stock;

(c) each person or partnership that holds, at any time, an equity interest in a particular class of the capital stock of the corporation is deemed to own, at that time, that number of shares of the capital stock of the particular class that is equal to the proportion of 100 that the fair market value, at that time, of all the equity interests of the particular class held by the person or partnership is of the fair market value, at that time, of all the equity interests of the particular class; and

(d) shares of a particular class of shares of the capital stock of the corporation are deemed to have rights and obligations that are the same as those of the corresponding equity interests.

2017, c. 1, s. 146.

592.6. For the purposes of Division XIII of Chapter IV of Title IV, section 540 and Chapter V of Title IX, the following rules apply:

(a) subject to subparagraph *b*, where at any time a taxpayer resident in Canada or a foreign affiliate of the taxpayer (in this section referred to as the "vendor") disposes of capital property that is shares of the capital stock of a foreign affiliate of the taxpayer, or a debt obligation owing to the taxpayer by the affiliate, to—or exchanges the shares or debt for shares of the capital stock of—a non-resident corporation without share capital, that is immediately after that time a foreign affiliate of the taxpayer, in a manner that increases the fair market value of a class of shares of the capital stock of the non-resident corporation, the non-resident corporation is deemed to have issued, and the vendor is deemed to have received, new shares of the class as consideration in respect of the disposition or exchange; and

(b) if the taxpayer makes a valid election under paragraph *b* of subsection 3 of section 93.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), subparagraph *a* does not apply in relation to the disposition or exchange.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *b* of subsection 3 of section 93.2 of the Income Tax Act.

2017, c. 1, s. 146.

CHAPTER V.3

SPECIFIED TRUSTS

2017, c. 1, s. 146; 2024, c. 11, s. 53.

592.7. In this chapter,

"specified trust", at any time, means a trust in respect of which the following conditions are met at that time:

(a) in the absence of section 592.9, the trust would be described in paragraph *h* of the definition of "exempt foreign trust" in the first paragraph of section 593;

(b) the trust is resident in Australia or India (each of those jurisdictions being in this chapter referred to as a "specified jurisdiction");

(c) the interest of each beneficiary under the trust is described by reference to units of the trust; and

(d) the liability of each beneficiary under the trust is limited by the operation of any law governing the trust;

"fixed interest" has the meaning assigned by the first paragraph of section 593.

2017, c. 1, s. 146; 2024, c. 11, s. 54.

592.8. The rules of section 592.9 apply at any time, for the specified purpose provided for in section 592.10, in respect of a taxpayer resident in Canada in relation to a trust if

(a) a corporation not resident in Canada is at that time beneficially interested in the trust;

(b) the corporation not resident in Canada is at that time a foreign affiliate of the taxpayer in respect of which the taxpayer has a qualifying interest, within the meaning of paragraph *m* of subsection 2 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(c) the trust is at that time a specified trust;

(d) the total fair market value at that time of all fixed interests of a class in the trust held by the corporation not resident in Canada, or persons or partnerships that do not deal at arm's length with the corporation, is equal to at least 10% of the fair market value at that time of all fixed interests of the class; and

(e) unless the corporation not resident in Canada first acquires a beneficial interest in the trust at that time or first becomes a foreign affiliate of the taxpayer at that time, immediately before that time the rules of section 592.9 applied

i. in respect of the taxpayer in relation to the trust, or

ii. in respect of a corporation resident in Canada that, immediately before that time, did not deal at arm's length with the taxpayer, in relation to the trust.

2017, c. 1, s. 146; 2024, c. 11, s. 55.

592.9. The rules to which section 592.8 refers in respect of a taxpayer resident in Canada in relation to a trust are the following:

(a) the trust is deemed to be a corporation not resident in Canada that is resident in a specified jurisdiction and not to be a trust;

(b) each particular class of fixed interests in the trust is deemed to be a separate class of 100 issued shares, of the capital stock of the corporation not resident in Canada, that have the same attributes as the interests of the particular class;

(c) each beneficiary under the trust is deemed to hold the number of shares of each separate class described in paragraph *b* equal to the proportion of 100 that the fair market value, at the time referred to in section 592.8, of that beneficiary's fixed interests in the corresponding particular class of fixed interests in the trust is of the fair market value at that time of all fixed interests in the particular class;

(d) the corporation not resident in Canada is deemed to be controlled by the taxpayer resident in Canada —a foreign affiliate of which is referred to in paragraph *b* of section 592.8 and is beneficially interested in the trust—that has the greatest equity percentage in the corporation not resident in Canada;

(e) a particular foreign affiliate of the taxpayer in which the taxpayer has a direct equity percentage at a particular time, and that is not a controlled foreign affiliate of the taxpayer at that time, is deemed to be a controlled foreign affiliate of the taxpayer at that time if, at that time,

i. the particular foreign affiliate has an equity percentage in the foreign affiliate referred to in paragraph *b* of section 592.8, or

ii. the particular foreign affiliate is the foreign affiliate referred to in paragraph *b* of section 592.8; and

(f) Chapter VI.2 does not apply in respect of the taxpayer in relation to the trust.

2017, c. 1, s. 146; 2024, c. 11, s. 56.

592.10. The specified purpose to which section 592.8 refers is the determination, in respect of an interest in a specified trust, of the Québec tax results (as defined in section 21.4.16) of the taxpayer resident in Canada referred to in section 592.8 for a taxation year in respect of shares of the capital stock of a foreign affiliate of the taxpayer.

2017, c. 1, s. 146; 2024, c. 11, s. 57.

CHAPTER VI

FOREIGN TRUSTS

1975, c. 22, s. 164.

593. In this chapter and Chapter VI.2,

"arm's length transfer" at any time by a person or partnership (in this definition referred to as the "transferor") means a transfer or loan (which transfer or loan is referred to in this definition as the "transfer") of property (other than restricted property) that is made at that time (in this definition referred to as the "transfer time") by the transferor to another person or partnership (in this definition referred to as the "recipient") where

(a) it is reasonable to conclude that none of the reasons (with reference to all the circumstances including the terms of a trust, an intention, the laws of a country or the existence of an agreement, a memorandum, a letter of wishes or any other arrangement) for the transfer is the acquisition at any time by any person or partnership of an interest as a beneficiary under a trust that is not resident in Canada; and

(b) the transfer is

i. a payment of interest, of dividends, of rent, of royalties or of any other return on investment, or any substitute for such a return on investment, in respect of a particular property held by the recipient, if the amount of the payment is not more than the amount that the transferor would have paid if the transferor dealt at arm's length with the recipient,

ii. a payment made by a corporation on a reduction of the paid-up capital in respect of shares of a class of its capital stock held by the recipient, if the amount of the payment is not more than the lesser of the amount of the reduction in the paid-up capital and the consideration for which the shares were issued,

iii. a transfer in exchange for which the recipient transfers or loans property to the transferor, or becomes obligated to transfer or loan property to the transferor, and for which it is reasonable to conclude

(1) having regard only to the transfer and the exchange, that the transferor would have been willing to make the transfer if the transferor dealt at arm's length with the recipient, and

(2) that the terms and conditions, and circumstances, under which the transfer was made would have been acceptable to the transferor if the transferor dealt at arm's length with the recipient,

iv. a transfer made in satisfaction of an obligation referred to in subparagraph iii and for which it is reasonable to conclude

(1) having regard only to the transfer and the obligation, that the transferor would have been willing to make the transfer if the transferor dealt at arm's length with the recipient, and

(2) that the terms and conditions, and circumstances, under which the transfer was made would have been acceptable to the transferor if the transferor dealt at arm's length with the recipient,

v. a payment of an amount owing by the transferor under a written agreement the terms and conditions of which, when entered into, were terms and conditions that, having regard only to the amount owing and the agreement, would have been acceptable to the transferor if the transferor dealt at arm's length with the recipient,

vi. a payment made before 1 January 2002 to a trust, to a corporation controlled by a trust or to a partnership of which a trust is a majority-interest partner in repayment of or otherwise in respect of a loan made by a trust, corporation or partnership to the transferor, or

vii. a payment made after 31 December 2001 to a trust, to a corporation controlled by the trust or to a partnership of which the trust is a majority-interest partner, in repayment of or otherwise in respect of a particular loan made by the trust, corporation or partnership to the transferor and either

(1) the payment is made before 1 January 2011 and they would have been willing to enter into the particular loan if they dealt at arm's length with each other, or

(2) the payment is made before 1 January 2005 in accordance with fixed repayment terms agreed to before 23 June 2000;

"beneficiary" under a trust includes

(a) a person or partnership that is beneficially interested in the trust; and

(b) a person or partnership that would be beneficially interested in the trust if subparagraph ii of subparagraph *b* of the first paragraph of section 7.11.1 were read as follows:

"ii. because of the terms or conditions of the particular trust or any agreement in respect of the particular trust at the particular time (including the terms or conditions of a share, or any agreement in respect of a share, of the capital stock of a corporation that is beneficially interested in the particular trust), the particular person or partnership becomes (or could become on the exercise of any discretion by any person or partnership), directly or indirectly, entitled to any amount derived, directly or indirectly, from the income or capital of the particular trust or might, because of the exercise of any discretion by any person or partnership, become beneficially interested in the particular trust at the particular time or at a later time, and";

"closely held corporation" at any time means any corporation, other than a corporation in respect of which

(a) there is at least one class of shares of its capital stock that consists of shares prescribed for the purposes of paragraph *d* of subsection 1 of section 110 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.));

(b) it is reasonable to conclude that at that time, in respect of each class of shares described in paragraph *a*, shares of the class are held by at least 150 shareholders each of whom holds shares of the class that have a total fair market value of at least $500; and

(c) it is reasonable to conclude that at that time in no case does a particular shareholder (or a particular shareholder together with one or more other shareholders with whom the particular shareholder does not deal at arm's length) hold shares of the corporation

i. that would give the particular shareholder (or the group of other shareholders not dealing with each other at arm's length and of which the particular shareholder is a member) 10% or more of the votes that could be cast under any circumstance at an annual meeting of shareholders of the corporation if the meeting were held at that time, or

ii. that have a fair market value of 10% or more of the fair market value of all of the issued and outstanding shares of the corporation;

"connected contributor" to a trust at any time means a contributor to the trust at that time, other than a person all of whose contributions to the trust made at or before that time were made at a non-resident time of the person;

"contribution" to a trust by a particular person or partnership means

(a) a transfer or loan (other than an arm's length transfer) of property to the trust by the particular person or partnership;

(b) where a particular transfer or loan (other than an arm's length transfer) of property is made by the particular person or partnership as part of a series of transactions that includes another transfer or loan (other

than an arm's length transfer) of property to the trust by another person or partnership, that other transfer or loan to the extent that it can reasonably be considered to have been made in respect of the particular transfer or loan; or

(c) where the particular person or partnership undertakes to make a transfer or loan (other than a transfer or loan that would, if it were made, be an arm's length transfer) of property as part of a series of transactions that includes another transfer or loan (other than an arm's length transfer) of property to the trust by another person or partnership, that other transfer or loan to the extent that it can reasonably be considered to have been made in respect of the undertaking;

"contributor" to a trust at any time means a person, including a person that has ceased to exist, that is not an exempt person and that, at or before that time, has made a contribution to the trust;

"electing contributor" to a trust at any time means a resident contributor, to the trust, who has made a valid election under the definition of "electing contributor" in subsection 1 of section 94 of the Income Tax Act to have subsection 16 of that section 94 apply in respect of the contributor and the trust for a taxation year of the contributor that includes that time or that ends before that time and for any subsequent taxation year;

"electing trust" in respect of a particular taxation year means a trust that

(a) holds at any time in the particular taxation year, or in a prior taxation year throughout which it was deemed, for the purpose of computing its income, to be resident in Canada under paragraph *a* of section 595, property that is at that time included in its non-resident portion; and

(b) has made a valid election under paragraph *b* of the definition of "electing trust" in subsection 1 of section 94 of the Income Tax Act;

"exempt foreign trust" at a particular time means either a prescribed trust at the particular time or a trust that is not resident in Canada and that

(a) is a trust in respect of which the following conditions are met:

i. each beneficiary under the trust at the particular time is

(1) an individual (in this paragraph referred to as an "infirm beneficiary") who, because of mental or physical infirmity, was, at the time that the trust was created, dependent on an individual who is a contributor to the trust or on an individual related to such a contributor, or

(2) a person who is entitled, only after the particular time, to receive or otherwise obtain the enjoyment of all or part of the trust's income or capital,

ii. at the particular time there is at least one infirm beneficiary under the trust who suffers from a mental or physical infirmity that causes the beneficiary to be dependent on a person,

iii. each infirm beneficiary is, at all times that the infirm beneficiary is a beneficiary under the trust during the trust's taxation year that includes the particular time, not resident in Canada, and

iv. each contribution to the trust made at or before the particular time can reasonably be considered to have been, at the time that the contribution was made, made to provide for the maintenance of an infirm beneficiary during the expected period of the beneficiary's infirmity;

(b) is a trust in respect of which the following conditions are met:

i. the trust was created because of the breakdown of a marriage of two particular individuals to provide for the maintenance of a beneficiary under the trust who was, during that marriage,

(1) a child of both of those particular individuals (in this paragraph referred to as a "child beneficiary"), or

(2) one of those particular individuals (in this paragraph referred to as the "adult beneficiary"),

ii. each beneficiary under the trust at the particular time is

(1) a child beneficiary under 21 years of age,

(2) a child beneficiary under 31 years of age who is enrolled at any time in the trust's taxation year that includes the particular time at an educational institution that is described in the third paragraph,

(3) the adult beneficiary, or

(4) a person who is entitled, only after the particular time, to receive or otherwise obtain the enjoyment of all or part of the trust's income or capital,

iii. each beneficiary described in any of subparagraphs 1 to 3 of subparagraph ii is, at all times that the beneficiary is a beneficiary under the trust during the trust's taxation year that includes the particular time, not resident in Canada, and

iv. each contribution to the trust, at the time that the contribution was made, was

(1) an amount paid by the particular individual other than the adult beneficiary that would be a support amount as defined in section 312.3 if it had been paid by that particular individual directly to the adult beneficiary, or

(2) a contribution made by one of those particular individuals or a person related to one of those particular individuals to provide for the maintenance of a child beneficiary while the child was either under 21 years of age or under 31 years of age and enrolled at an educational institution located outside Canada that is described in the third paragraph;

(c) is a trust in respect of which one of the following conditions is met:

i. at the particular time the trust is an agency of the United Nations,

ii. at the particular time the trust owns and administers a university described in subparagraph iv of paragraph *a* of the definition of "qualified donee" in subsection 1 of section 149.1 of the Income Tax Act,

iii. at any time in the trust's taxation year that includes the particular time or at any time in the preceding calendar year Her Majesty in right of Canada has made a gift to the trust, or

iv. the trust is created under the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1992, or any protocol to it that has been ratified by the Government of Canada;

(d) is a trust in respect of which the following conditions are met:

i. throughout the particular period that began at the time the trust was created and ended at the particular time, the trust would not be resident in Canada for the purposes of the Income Tax Act if that Act were read without reference to subsection 1 of section 94 of that Act as that subsection read in its application to a taxation year that includes 31 December 2000,

ii. the trust was created exclusively for charitable purposes and has been operated throughout the particular period described in subparagraph i exclusively for charitable purposes,

iii. if the particular time is more than 24 months after the day on which the trust was created, the trust numbers at the particular time at least 20 persons (other than trusts) each of whom at that time

(1) is a contributor to the trust,

(2) exists, and

(3) deals at arm's length with at least 19 other contributors to the trust,

iv. the income of the trust (determined in accordance with the laws described in subparagraph v) for each of its taxation years that ends at or before the particular time would, if the income were not distributed and the laws described in subparagraph v did not apply, be subject to an income or profits tax in the country in which it was resident in the taxation year under consideration, and

v. the trust was, for each of its taxation years that ends at or before the particular time, exempt under the laws of the country in which it was resident from the payment of income or profits tax to the government of that country in recognition of the charitable purposes for which the trust is operated;

(e) is governed throughout the trust's taxation year that includes the particular time by a profit sharing plan, a retirement compensation arrangement or a foreign retirement arrangement;

(f) is a trust that

i. throughout the particular period that began when it was created and ended at the particular time has been operated exclusively for the purpose of administering or providing employee benefits in respect of employees or former employees, and

ii. meets the following conditions throughout the trust's taxation year that includes the particular time:

(1) the trust is a trust governed by an employee benefit plan or is a trust described in subparagraph *a*.1 of the third paragraph of section 647,

(2) the trust is maintained for the benefit of natural persons the majority of whom are not resident in Canada, and

(3) no benefits are provided under the trust other than benefits in respect of qualifying services;

(g) is a trust (other than a trust described in subparagraph *a*.1 of the third paragraph of section 647 or a prescribed trust) that throughout the particular period that began when it was created and ended at the particular time

i. has been resident in a foreign country the laws of which have, throughout the particular period,

(1) imposed an income or profits tax, and

(2) exempted the trust from the payment of all income tax, and all profits tax, to the government of that country in recognition of the purposes for which the trust is operated, and

ii. has been operated exclusively for the purpose of administering or providing pension benefits that are primarily in respect of services rendered in the foreign country by natural persons who were not resident in Canada at the time those services were rendered; or

(h) is a trust (other than a trust that has made a valid election, described in paragraph *h* of the definition of "exempt foreign trust" in subsection 1 of section 94 of the Income Tax Act, not to be an exempt foreign trust under that paragraph *h* for the taxation year for which the election is made and for any subsequent taxation year) in respect of which the following conditions are met at the particular time:

i. the only beneficiaries under the trust who for any reason are entitled to receive, at or after the particular time and directly from the trust, an amount from the income or capital of the trust are beneficiaries that hold fixed interests in the trust, and

ii. any of the following requirements are complied with:

(1) there are at least 150 beneficiaries among those described in subparagraph i under the trust each of whose fixed interests in the trust have at the particular time a total fair market value of at least $500,

(2) all fixed interests in the trust are listed on a designated stock exchange and in the 30 days immediately preceding the particular time fixed interests in the trust were traded on a designated stock exchange on at least 10 days,

(3) each outstanding fixed interest in the trust was issued by the trust for consideration that was not less than 90% of the interest's proportionate share of the net asset value of the trust's property at the time of its issuance, or was acquired for consideration equal to the fair market value of the interest at the time of its acquisition, or

(4) the trust is governed by a Roth IRA, within the meaning of section 408A of the United States Internal Revenue Code of 1986, as amended from time to time, or by a plan or arrangement created after 21 September 2007 that is subject to that Code and that is described in subclause II of clause D of subparagraph ii of paragraph *h* of the definition of "exempt foreign trust" in subsection 1 of section 94 of the Income Tax Act;

"exempt person" at any time means

(a) the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec;

(b) a person whose taxable income for the taxation year that includes that time is exempt from tax under this Part in accordance with Book VIII;

(c) a trust resident in Canada or a Canadian corporation

i. that was established by or arises under a law of Canada or of a province, and

ii. the principal activities of which at that time are to administer, manage or invest the monies of one or more superannuation or pension funds or plans established under a law of Canada or of a province;

(d) a trust or corporation established by or arising under a law of Canada or of a province in connection with a scheme or program for the compensation of workers injured in an accident arising out of or in the course of their employment;

(e) a trust resident in Canada all the beneficiaries under which are at that time exempt persons;

(f) a Canadian corporation all the shares, or rights to shares, of which are held at that time by exempt persons;

(g) a Canadian corporation without share capital all the property of which is held at that time exclusively for the benefit of exempt persons;

(h) a partnership all the members of which are at that time exempt persons; and

(i) a trust or corporation that is at that time a mutual fund;

"exempt service" means a service rendered at any time by a person or partnership (in this definition referred to as the "service provider") to, for or on behalf of, another person or partnership (in this definition referred to as the "recipient") where

(a) the recipient is a trust and the service relates to the administration of the trust; or

(b) the following conditions are met in respect of the service:

i. the service is rendered in the service provider's capacity at that time as an employee or agent of the recipient,

ii. in exchange for the service, the recipient transfers or loans property or undertakes to transfer or loan property, and

iii. it is reasonable to conclude

(1) having regard only to the service and the exchange, that the service provider would be willing to provide the service if the service provider were dealing at arm's length with the recipient, and

(2) that the terms, conditions and circumstances under which the service is provided would be acceptable to the service provider if the service provider were dealing at arm's length with the recipient;

"fixed interest" at any time of a person or partnership in a trust means an interest of the person or partnership as a beneficiary (in this definition, determined without reference to section 7.11.1) under the trust provided that no amount of the income or capital of the trust to be distributed at any time in respect of any interest in the trust depends on the exercise by any person or partnership of, or the failure by any person or partnership to exercise, any discretionary power, other than a discretionary power in respect of which it is reasonable to conclude that

(a) the power is consistent with normal commercial practice;

(b) the power is consistent with terms that would be acceptable to the beneficiaries under the trust if the beneficiaries were dealing with each other at arm's length; and

(c) the exercise of, or failure to exercise, the power will not materially affect the value of an interest as a beneficiary under the trust relative to the value of other such interests under the trust;

"joint contributor" at any time in respect of a contribution to a trust means, if more than one contributor has made the contribution, each of those contributors that is at that time a resident contributor to the trust;

"mutual fund" at any time means a mutual fund corporation or mutual fund trust (in this definition referred to as the "fund"), but does not include a fund in respect of which statements or representations have been made at or before that time–by the fund, or by a promoter or other representative of the fund, in respect of the acquisition or offering of an interest in the fund–that the taxes under this Act on the income, profit or gains for any taxation year–in respect of property that is held by the fund and that is, or derives its value from, an interest in a trust– are less than, or are expected to be less than, the tax that would have been applicable under this Act if the income, profits or gains from the property had been earned directly by a person who acquires an interest in the fund;

"non-resident portion" of a trust at any time means all property held by the trust to the extent that it is not at that time part of the resident portion of the trust;

"non-resident time" of a person in respect of a contribution to a trust and a particular time means a time (in this definition referred to as the "contribution time") at which the person made a contribution to a trust that is before the particular time and at which the person was not resident in Canada (or, if the person was not in existence at the contribution time, the person was not resident in Canada at any time in the 18 months before ceasing to exist), if the person was not resident in Canada or not in existence at any time in the period that began 60 months before the contribution time (or, if the person is an individual and the trust arose on and as a consequence of the death of the individual, 18 months before the contribution time) and ends at the earlier of

(a) the time that is 60 months after the contribution time; and

(b) the particular time;

"promoter" in respect of a trust or corporation at any time means

(a) a person or partnership that at or before that time establishes, organizes or substantially reorganizes the undertakings of the trust or corporation, as the case may be; and

(b) for the purposes of the definition of "mutual fund", a person or partnership described in paragraph *a* and a person or partnership who in the course of carrying on a business

i. issues or sells, or promotes the issuance, sale or acquisition of, an interest in a mutual fund corporation or mutual fund trust,

ii. acts as an agent or advisor in respect of the issuance or sale, or the promotion of the issuance, sale or acquisition of, an interest in a mutual fund corporation or mutual fund trust, or

iii. accepts, whether as a principal or agent, consideration in respect of an interest in a mutual fund corporation or mutual fund trust;

"qualifying services" means

(a) services that are rendered to an employer by an employee of the employer, provided that the employee was not resident in Canada at any time in the period during which the services were rendered;

(b) services that are rendered to an employer by an employee of the employer, other than

i. services that were rendered primarily in Canada,

ii. services that were rendered primarily in connection with a business carried on by the employer in Canada, or

iii. any combination of services described in subparagraphs i and ii;

(c) services that are rendered in a particular month to an employer by an employee of the employer, provided that the employee

i. was resident in Canada throughout no more than 60 months during the 72-month period that ended at the end of the particular month, and

ii. became a member of, or a beneficiary under, the plan or trust under which benefits in respect of the services may be provided (or a similar plan or trust for which the plan or the trust was substituted) before the end of the month following the month in which the employee became resident in Canada; or

(d) any combination of services that are qualifying services because of any of paragraphs *a* to *c*;

"resident beneficiary" under a trust at any time means a person that is, at that time, a beneficiary under the trust other than a successor beneficiary under the trust or an exempt person, if, at that time,

(a) the person is resident in Canada; and

(b) there is a connected contributor to the trust;

"resident contributor" to a trust at any time means a person that is, at that time, resident in Canada and a contributor to the trust, but–if the trust was created before 1 January 1960 by a person who was not resident in Canada when the trust was created–does not include an individual (other than a trust) who has not, after 31 December 1959, made a contribution to the trust;

"resident portion" of a trust at a particular time means all of the trust's property that is

(a) property in respect of which a contribution has been made at or before the particular time to the trust by a contributor that is at the particular time a resident contributor, or if there is at the particular time a resident beneficiary under the trust a connected contributor, to the trust and, for the purposes of this paragraph, the following rules apply:

i. if property is held by a contributor in common or in partnership immediately before the property is contributed to the trust, it is contributed by the contributor only to the extent that the contributor so held the property, and

ii. if the contribution to the trust is a transfer described in any of paragraphs *a*, *c*, *e* and *g* of section 594, the property in respect of which the contribution has been made is deemed to be

(1) in respect of a transfer under paragraph *a* of section 594 to which subparagraph 1 of subparagraph ii of that paragraph *a* applies, property the fair market value of which has increased because of a transfer or loan described in subparagraph i of that paragraph *a*, or, in respect of such a transfer to which subparagraph 2 of subparagraph ii of that paragraph *a* applies, property in respect of which a valid election under subclause II of clause A of subparagraph ii of paragraph *a* of the definition of "resident portion" in subsection 1 of section 94 of the Income Tax Act has been made,

(2) in respect of a transfer under paragraph *c* of section 594, property described in subparagraph ii of that paragraph *c*,

(3) in respect of a transfer under paragraph *e* of section 594, property acquired as a result of any undertaking including a guarantee, covenant or agreement given by a person or partnership other than the trust to ensure the repayment, in whole or in part, of a loan or other indebtedness incurred by the trust in accordance with that paragraph *e*, and

(4) in respect of a transfer under paragraph *g* of section 594, property in respect of which a valid election under clause D of subparagraph ii of paragraph *a* of the definition of "resident portion" in subsection 1 of section 94 of the Income Tax Act has been made;

(b) property that is acquired, at or before the particular time, by way of indebtedness incurred by the trust (in this paragraph referred to as the "subject property"), if

i. all or part of the indebtedness is secured on property (other than the subject property) that is held in the trust's resident portion,

ii. it was reasonable to conclude, at the time that the indebtedness was incurred, that the indebtedness would be repaid with recourse to any property (other than the subject property) held at any time in the trust's resident portion, or

iii. a person resident in Canada or partnership of which a person resident in Canada is a member is obligated, either absolutely or contingently, to effect any undertaking including any guarantee, covenant or agreement given to ensure the repayment, in whole or in part, of the indebtedness, or provided any other financial assistance in respect of the indebtedness;

(c) property to the extent that it is derived, directly or indirectly, in any manner whatever, from property described in any of paragraphs *a*, *b* and *d*, and, without limiting the generality of the foregoing, including property derived from the income (computed without reference to subparagraph f of the first paragraph of section 597.0.14, paragraphs *a* and *b* of section 657 and section 657.1) of the trust for a taxation year of the trust that ends at or before the particular time and property in respect of which an amount would be described at the particular time in respect of the trust in the definition of "capital dividend account" in subsection 1 of section 89 of the Income Tax Act if the trust were at that time a corporation; and

(d) property that is at the particular time substituted for property described in any of paragraphs *a* to *c*;

"restricted property" of a person or partnership means property that the person or partnership holds and that

(a) is a share (or a right to acquire a share) of the capital stock of a closely held corporation if the share or right, or property for which the share or right was substituted, was at any time acquired by the person or partnership as part of a transaction or series of transactions under which

i. a specified share of the capital stock of a closely held corporation was acquired by any person or partnership in exchange for or as consideration for the disposition of any property or upon the conversion of any property and the cost of the specified share to the person who acquired it was less than the fair market value of the specified share at the time of the acquisition, or

ii. a share (other than a specified share) of the capital stock of a closely held corporation becomes a specified share of the capital stock of the corporation;

(b) is an indebtedness or other obligation, or a right to acquire an indebtedness or other obligation, of a closely held corporation if

i. the indebtedness, obligation or right, or property for which the indebtedness, obligation or right was substituted, became property of the person or partnership as part of a transaction or series of transactions under which

(1) a specified share of the capital stock of a closely held corporation was acquired by any person or partnership in exchange for or as consideration for the disposition of any property or upon the conversion of any property and the cost of the specified share to the person who acquired it was less than the fair market value of the specified share at the time of the acquisition, or

(2) a share (other than a specified share) of the capital stock of a closely held corporation becomes a specified share of the capital stock of the corporation, and

ii. the amount of any payment under the indebtedness, obligation or right (whether the right to the amount is immediate or future, absolute or contingent or conditional on or subject to the exercise of a discretionary power by any person or partnership) is, directly or indirectly, determined primarily by one or more of the following criteria:

(1) the fair market value of, production from or use of any of the property of the closely held corporation,

(2) gains and profits from the disposition of any of the property of the closely held corporation,

(3) income, profits, revenue and cash flow of the closely held corporation, or

(4) any other criterion similar to a criterion referred to in any of subparagraphs 1 to 3; or

(c) is property

i. that the person or partnership acquired as part of a series of transactions described in paragraph *a* or *b* in respect of another property, and

ii. the fair market value of which is derived in whole or in part, directly or indirectly, from the other property referred to in subparagraph i;

"specified party" in respect of a particular person at any time means

(a) the particular person's spouse at that time;

(b) a corporation that at that time

i. is a controlled foreign affiliate of the particular person or the particular person's spouse, or

ii. would be a controlled foreign affiliate of a partnership, of which the particular person is a majority-interest partner, if the partnership were a person resident in Canada at that time;

(c) a person, or a partnership of which the particular person is a majority-interest partner, for which it is reasonable to conclude that the benefit referred to in subparagraph iv of subparagraph *a* of the first paragraph of section 597.0.5 was conferred

i. in anticipation of the person becoming after that time a corporation described in paragraph *b*, or

ii. to avoid or minimize a liability that arose, or that would otherwise have arisen, under this Act with respect to the particular person; or

(d) a corporation in which the particular person, or partnership of which the particular person is a majority-interest partner, is a shareholder if

i. the corporation is at or before that time a beneficiary under a trust, and

ii. the particular person or the partnership is a beneficiary under the trust solely because of the application of paragraph *b* of the definition of "beneficiary" in respect of the particular person or the partnership and in relation to the corporation;

"specified share" means a share of the capital stock of a corporation other than a share that is a prescribed share for the purposes of paragraph *d* of subsection 1 of section 110 of the Income Tax Act;

"specified time" in respect of a trust for a taxation year of the trust means

(a) if the trust exists at the end of the taxation year, the time that is the end of that taxation year; and

(b) in any other case, the time in that taxation year that is immediately before the time at which the trust ceases to exist;

"successor beneficiary" at a particular time under a trust means a person that is a beneficiary under the trust solely because of a right of the person to receive all or part of the trust's income or capital, provided that under that right the person may receive that income or capital only on or after the death after the particular time of an individual who, at the particular time, is alive and

(a) is a contributor to the trust;

(b) is related to (including, for the purposes of this paragraph and paragraph *c*, an uncle, aunt, niece or nephew of) a contributor to the trust; or

(c) would have been related to a contributor to the trust if every individual who was alive before the particular time were alive at that time;

"tax-liable taxpayer" in respect of a trust at a particular time in a taxation year means

(a) in the case of a taxpayer who is, at the particular time, either a resident contributor to the trust, a resident beneficiary under the trust or an electing contributor under the trust, or a joint contributor in respect of a contribution to the trust, a person (other than a corporation) who is resident in Québec at the end of the taxation year or a corporation that has an establishment in Québec in the taxation year; or

(b) in the case of a taxpayer who is, at the particular time, a connected contributor to the trust, a person (other than a corporation) who was resident in Québec at a time that is before the particular time and at which the person made a contribution to the trust, or a corporation that had an establishment in Québec at a time that is before the particular time and at which the corporation made a contribution to the trust;

"transaction" includes an arrangement or event.

In this chapter, "trust" includes, for greater certainty, a succession.

An educational institution referred to in subparagraph 2 of subparagraph ii of paragraph *b* of the definition of "exempt foreign trust" in the first paragraph and in subparagraph 2 of subparagraph iv of that paragraph *b* is an educational institution located outside Canada that

(a) is a university, college or any other institution that provides courses at a post-secondary school level; or

(b) provides courses designed to furnish a person with skills for, or improve a person's skills in, an occupation.

Chapter V.2 of Title II of Book I applies in relation to an election made under the definition of "electing contributor", "electing trust", "exempt foreign trust" and "resident portion" in subsection 1 of section 94 of the Income Tax Act or in relation to an election made before 20 December 2006 under paragraph *h* of the definition of "exempt foreign trust" in the first paragraph.

1975, c. 22, s. 164; 1984, c. 15, s. 130; 1994, c. 22, s. 209; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2015, c. 36, s. 28; 2019, c. 14, s. 157.

594. For the purposes of this chapter and Chapter VI.2, the following rules apply:

(a) a person or partnership is deemed to have transferred, at any time, property to a trust if

i. at that time the person or partnership transfers or loans property to another person or partnership and the transfer or loan is not an arm's length transfer, and

ii. because of that transfer or loan

(1) the fair market value of one or more properties held by the trust increases at that time, or

(2) a liability or potential liability of the trust decreases at that time;

(b) the fair market value, at any time, of property deemed under paragraph *a* to be transferred at that time by a person or partnership is deemed to be equal to the amount of the absolute value of the increase or decrease referred to in subparagraph ii of paragraph *a* in respect of the property, and if that time is after 27 August 2010 and the property that the person or partnership transfers or loans at that time is restricted property of the person or partnership, the property deemed under paragraph *a* to be transferred at that time to a trust is deemed to be restricted property transferred at that time to the trust;

(c) a person or partnership is deemed to have transferred, at any time, property to a trust if

i. at that time the person or partnership transfers restricted property, or loans property other than by way of an arm's length transfer, to another person (in this paragraph and paragraph *d* referred to as the "intermediary"),

ii. at or after that time, the trust holds property (other than property described in subparagraph *b* of the first paragraph of section 597.0.12) the fair market value of which is derived in whole or in part, directly or indirectly, from property held by the intermediary, and

iii. it is reasonable to conclude that one of the reasons the transfer or loan is made is to avoid or minimize a liability under this Act;

(d) the fair market value, at any time, of property deemed under paragraph *c* to be transferred at that time by a person or partnership is deemed to be equal to the fair market value of the property referred to in subparagraph i of paragraph *c*, and if that time is after 24 October 2012 and the property that the person or partnership transfers or loans to the intermediary is restricted property of the intermediary, the property deemed under paragraph *c* to be transferred at that time by the person or partnership to a trust is deemed to be restricted property transferred at that time to the trust throughout the period in which the intermediary holds the restricted property;

(e) where, at any time, a particular person or partnership is obligated, either absolutely or contingently, to effect any undertaking including any guarantee, covenant or agreement given to ensure the repayment, in whole or in part, of a loan or other indebtedness incurred by another person or partnership, or has provided any other financial assistance to another person or partnership,

i. the particular person or partnership is deemed to have transferred, at that time, property to that other person or partnership, and

ii. the property, if any, transferred to the particular person or partnership from the other person or partnership in exchange for the guarantee or other financial assistance is deemed to have been transferred to the particular person or partnership in exchange for the property deemed to have been transferred under subparagraph i;

(f) the fair market value at any time of property deemed under subparagraph i of paragraph *e* to have been transferred at that time to another person or partnership is deemed to be equal to the amount at that time of the loan or indebtedness incurred by the other person or partnership to which the property relates;

(g) where, at any time after 22 June 2000, a particular person or partnership renders any service (other than an exempt service) to, for or on behalf of another person or partnership,

i. the particular person or partnership is deemed to have transferred, at that time, property to that other person or partnership, and

ii. the property, if any, transferred to the particular person or partnership from the other person or partnership in exchange for the service is deemed to have been transferred to the particular person or partnership in exchange for the property deemed under subparagraph i to have been transferred;

(h) each of the following acquisitions of property by a particular person or partnership is deemed to be a transfer of the property, at the time of the acquisition of the property, to the particular person or partnership

from the person or partnership from which the property was acquired, namely, the acquisition by the particular person or partnership of

i. a share of a corporation from the corporation,

ii. an interest as a beneficiary under a trust (otherwise than from a beneficiary under the trust),

iii. an interest in a partnership (otherwise than from a member of the partnership),

iv. a debt owing by a person or partnership from the person or partnership, and

v. a right (granted after 22 June 2000 by the person or partnership from which the right was acquired) to acquire or to be loaned property;

(i) the fair market value at any time of property deemed under subparagraph i of paragraph *g* to have been transferred at that time is deemed to be equal to the fair market value at that time of the service to which the property relates;

(j) where, at any time, a person or partnership that becomes obligated to do an act that would, if done, constitute the transfer or loan of property to another person or partnership, the person or partnership is deemed to have become obligated at that time to transfer or loan, as the case may be, property to that other person or partnership;

(k) where a trust acquires property of an individual as a consequence of the death of the individual and the individual was immediately before death resident in Canada, the individual is deemed, in applying at any time the definition of "non-resident time" in the first paragraph of section 593, to have transferred the property to the trust immediately before the individual's death;

(l) a transfer or loan of property at any time is deemed to be made at that time jointly by a particular person or partnership and a second person or partnership (in this paragraph referred to as the "specified person") if

i. the particular person or partnership transfers or loans property at that time to another person or partnership,

ii. the transfer or loan is made at the direction, or with the consent, of the specified person, and

iii. it is reasonable to conclude that one of the reasons the transfer or loan is made is to avoid or minimize the liability, of any person or partnership, under this Act that arose, or that would otherwise have arisen, because of the application of this chapter;

(m) a transfer or loan of property made at any time after 8 November 2006 is deemed to be made at that time jointly by a particular person or partnership and a second person or partnership (in this paragraph referred to as the "specified person") if

i. the particular person or partnership transfers or loans property at that time to another person or partnership, and

ii. a purpose or effect of the transfer or loan may reasonably be considered to be to provide benefits in respect of services rendered by a person as an employee of the specified person (whether or not such a benefit may be received under a right that is immediate or future, absolute or contingent, or conditional on or subject to the exercise of any discretionary power by any person or partnership);

(n) a transfer or loan of property at a particular time is deemed to be made at the particular time jointly by a corporation and a person or partnership (in this paragraph referred to as the "specified person") if

i. the corporation transfers or loans property at the particular time to another person or partnership,

ii. the transfer or loan is made at the direction, or with the consent, of the specified person,

iii. the particular time is not, or would not be if the transfer or loan were a contribution of the specified person,

(1) a non-resident time of the specified person, or

(2) if the specified person is a partnership, a non-resident time of one or more members of the partnership, and

iv. the corporation is, at the particular time, a controlled foreign affiliate of the specified person, or would at that time be a controlled foreign affiliate of the specified person if the specified person were at the particular time resident in Canada, or it is reasonable to conclude that the transfer or loan was made in contemplation of the corporation becoming after the particular time such a controlled foreign affiliate of the specified person;

(o) a particular person or partnership is deemed to have transferred, at a particular time, particular property or a particular part of it, as the case may be, to a corporation described in subparagraph i or a second person or partnership described in subparagraph ii if

i. the particular property is a share of the capital stock of a corporation held at the particular time by the particular person or partnership, and as consideration for the disposition at or before the particular time of the share, the particular person or partnership received at the particular time (or became entitled at the particular time to receive) from the corporation a share of the capital stock of the corporation, or

ii. the particular property (or property for which the particular property is substituted) was acquired, before the particular time, from the second person or partnership by any person or partnership, in circumstances that are described in any of subparagraphs i to v of paragraph *h* (or would be so described if it applied at the time of that acquisition) and at the particular time,

(1) the terms or conditions of the particular property change,

(2) the second person or partnership redeems, acquires or cancels the particular property or the particular part of it,

(3) if the particular property is a debt owing by the second person or partnership, the debt or the particular part of it is settled or cancelled, or

(4) if the particular property is a right to acquire or to be loaned property, the particular person or partnership exercises the right;

(p) a contribution made at any time by a particular trust to another trust is deemed to be made at that time jointly by the particular trust and by each person or partnership that is at that time a contributor to the particular trust;

(q) a contribution made at any time by a particular partnership to a trust is deemed to be made at that time jointly by the particular partnership and by each person or partnership that is at that time a member of the particular partnership;

(r) subject to paragraph *s* and section 597.0.7, the amount of a contribution to a trust at the time it was made is deemed to be equal to the fair market value, at that time, of the property that was the subject of the contribution;

(s) a person or partnership that at any time acquires a fixed interest in a trust (or a right, issued by the trust, to acquire a fixed interest in the trust) from another person or partnership (other than from the trust that issued the interest or the right) is deemed to have made at that time a contribution to the trust and the amount

of the contribution is deemed to be equal to the fair market value at that time of the interest or right, as the case may be;

(t) a particular person or partnership that has acquired a fixed interest in a trust because of making a contribution to the trust–or that has made a contribution to the trust because of having acquired a fixed interest in the trust or a right described in paragraph s–is, for the purpose of applying this chapter from the time after the time that the particular person or partnership transfers the fixed interest or the right, as the case may be, to another person or partnership (which transfer is referred to in this paragraph as the "sale"), deemed not to have made the contribution in respect of the fixed interest, or right, that is the subject of the sale if

i. in exchange for the sale, the other person or partnership transfers or loans, or undertakes to transfer or loan, property (in subparagraph ii referred to as the "consideration") to the particular person or partnership, and

ii. it is reasonable to conclude

(1) having regard only to the sale and the consideration that the particular person or partnership would be willing to make the sale if the particular person or partnership were dealing at arm's length with the other person or partnership, and

(2) that the terms and conditions made or imposed in respect of the exchange would be acceptable to the particular person or partnership if the particular person or partnership were dealing at arm's length with the other person or partnership;

(u) a transfer to a trust by a particular person or partnership is deemed not to be, at a particular time, a contribution to the trust if

i. the particular person or partnership has transferred, at or before the particular time and in the ordinary course of business of the particular person or partnership, property to the trust,

ii. the transfer is not an arm's length transfer, but would be an arm's length transfer if the definition of "arm's length transfer" in the first paragraph of section 593 were read without reference to paragraph *a* and subparagraphs i, ii and iv to vii of paragraph *b*,

iii. it is reasonable to conclude that the particular person or partnership was the only person or partnership that acquired, in respect of the transfer, an interest as a beneficiary under the trust,

iv. the particular person or partnership was required, in accordance with the securities law of a country or of a political subdivision of such a country in respect of the issuance by the trust of interests as a beneficiary under the trust, to acquire an interest because of the particular person or partnership's status at the time of the transfer as a manager or promoter of the trust,

v. at the particular time the trust is not an exempt foreign trust, but would be at that time an exempt foreign trust if it had not made an election under paragraph *h* of the definition of "exempt foreign trust" in the first paragraph of section 593, and

vi. the particular time is before the earliest of

(1) the first time at which the trust becomes an exempt foreign trust,

(2) the first time at which the particular person or partnership ceases to be a manager or promoter of the trust, and

(3) the time that is 24 months after the first time at which the total fair market value of consideration received by the trust in exchange for interests as a beneficiary (other than the particular person or partnership's interest referred to in subparagraph iii) under the trust is greater than $500,000;

(v) a transfer, by a Canadian corporation of property, that is at a particular time a contribution by the Canadian corporation to a trust, is deemed not to be, after the particular time, such a contribution to the trust if

i. the trust acquired the property before the particular time from the Canadian corporation in circumstances described in subparagraph i or iv of paragraph *h*,

ii. as a result of a transfer (in this paragraph referred to as the "sale") at the particular time by any person or partnership (in this paragraph referred to as the "seller") to another person or partnership (in this paragraph referred to as the "buyer") the trust no longer holds any property that is

(1) shares of the capital stock of, or debt issued by, the Canadian corporation, or

(2) property the fair market value of which is derived in whole or in part, directly or indirectly, from shares of the capital stock of, or debt issued by, the Canadian corporation,

iii. the buyer deals at arm's length immediately before the particular time with the Canadian corporation, the trust and the seller,

iv. in exchange for the sale, the buyer transfers or becomes obligated to transfer property (in this paragraph referred to as the "consideration") to the seller, and

v. it is reasonable to conclude

(1) having regard only to the sale and the consideration that the seller would be willing to make the sale if the seller were dealing at arm's length with the buyer,

(2) that the terms and conditions made or imposed in respect of the exchange would be acceptable to the seller if the seller were dealing at arm's length with the buyer, and

(3) that the value of the consideration is not, from the particular time, determined in whole or in part, directly or indirectly, by reference to shares of the capital stock of, or debt issued by, the Canadian corporation;

(w) a transfer, before 11 October 2002, to a personal trust by an individual (other than a trust) of particular property is deemed not to be a contribution of the particular property by the individual to the trust if the transfer is deemed not to be a contribution of the particular property by the individual to the trust for the purposes of section 94 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) in accordance with paragraph *u* of subsection 2 of that section 94; and

(x) a loan made by a specified financial institution to a trust is deemed not to be a contribution to the trust if

i. the loan is made on terms and conditions that would have been agreed to by persons dealing at arm's length, and

ii. the loan is made by the specified financial institution in the ordinary course of the business carried on by it.

1975, c. 22, s. 164; 1984, c. 15, s. 130; 1986, c. 19, s. 129; 1993, c. 16, s. 236; 1997, c. 3, s. 71; 2015, c. 36, s. 28.

595. Where, but for this section, a trust would not be resident in Canada at a specified time in a particular taxation year and, at that time, there is a resident contributor to the trust or a resident beneficiary under the trust, the following rules apply, unless the trust is an exempt foreign trust at that time:

(a) the trust is deemed to be resident in Canada throughout the particular taxation year for the purpose of

i. computing the trust's income for the particular year,

ii. applying Chapter V of Title XII (except sections 669.3 and 669.4) and section 688.1 in respect of the trust and a beneficiary under the trust,

iii. applying subparagraph 3 of subparagraph i.1 of paragraph *n* of section 257, paragraph *c* of section 597.1, section 688.0.0.2 and Part II, in respect of a beneficiary under the trust,

iv. applying section 733.1,

v. determining the rights and obligations of the trust under Book IX, and

vi. determining whether a foreign affiliate of a taxpayer (other than the trust) is a controlled foreign affiliate of the taxpayer;

(b) no deduction is to be made under section 146 by the trust in computing its income for the particular taxation year, and for the purpose of applying section 146.1 and Chapter I of Title III of Book V to the trust for the particular taxation year, the following rules apply:

i. in determining the non-business-income tax (within the meaning assigned by section 772.2 for the purposes of this section) paid by the trust for the particular taxation year, paragraph *b* of the definition of that expression does not apply, and

ii. where, at that specified time, the trust is resident in a country other than Canada,

(1) the trust's income for the particular taxation year (other than income—not including dividends or interest—from sources in Canada) is deemed to be from sources in that country and not to be from any other source, and

(2) the business-income tax (within the meaning assigned by section 772.2), and the non-business-income tax, paid by the trust for the particular taxation year are deemed to be paid by the trust to the government of that country and not to any other government;

(c) where section 94 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) did not apply to deem, for the purposes of that Act, the trust to be resident in Canada throughout its taxation year (in this paragraph referred to as the "preceding year") immediately preceding the particular taxation year, the trust is deemed to have

i. immediately before the end of the preceding year, disposed of each property (other than property described in any of subparagraphs i to iv of paragraph *b* of section 785.1) held by the trust at that time for proceeds of disposition equal to its fair market value at that time, and

ii. at the beginning of the particular taxation year, acquired each of the properties deemed to be disposed of in accordance with subparagraph i at a cost equal to the property's proceeds of disposition determined under subparagraph i;

(d) where section 94 of the Income Tax Act applied to deem, for the purposes of that Act, the trust to be resident in Canada for its last taxation year that ended before 1 January 2007, the trust is deemed, from the particular taxation year, to have

i. disposed of each property (other than property described in any of subparagraphs i to iv of paragraph *b* of section 785.1) at the time the trust is deemed to have disposed of the property under section 128.1 of the Income Tax Act, because of the application of that section 94, for proceeds of disposition equal to the proceeds determined at that time under that section 128.1, and

ii. at the time the trust is deemed to have acquired the property under section 128.1 of the Income Tax Act, because of the application of that section 94, acquired each of the properties deemed to be disposed of in accordance with subparagraph i at a cost equal to the property's proceeds of disposition determined under subparagraph i;

(e) if the trust (in this paragraph referred to as the "particular trust") is an electing trust in respect of the particular taxation year, the following rules apply:

i. an inter vivos trust (in this paragraph referred to as the "non-resident portion trust") is deemed for the purposes of this Act (other than for the purposes of the first and second paragraphs of section 647) to be created at the first time at which the particular trust exists in its first taxation year in respect of which the particular trust is an electing trust and to continue in existence until the earliest of

(1) the time at which the particular trust ceases to be resident in Canada because of section 597 or 597.0.1,

(2) the time at which the particular trust ceases to exist, and

(3) the time at which the particular trust becomes resident in Canada otherwise than because of this section,

ii. all of the particular trust's property that is part of the particular trust's non-resident portion is deemed to be the property of the non-resident portion trust and not to be, except for the purposes of this paragraph and the definition of "electing trust" in the first paragraph of section 593, the particular trust's property,

iii. the terms and conditions of, and rights and obligations of beneficiaries under, the particular trust (determined with reference to all the circumstances including the terms of a trust, an intention, the laws of a country or the existence of an agreement, a memorandum, a letter of wishes or any other arrangement) are deemed to be the terms and conditions of, and rights and obligations of beneficiaries under, the non-resident portion trust,

iv. the trustees of the particular trust are deemed to be the trustees of the non-resident portion trust,

v. the beneficiaries under the particular trust are deemed to be the beneficiaries under the non-resident portion trust,

vi. the non-resident portion trust is deemed not to have a resident contributor or connected contributor to it,

vii. the non-resident portion trust is deemed to be, without affecting the liability of its trustees for their own income tax, in respect of its property an individual,

viii. if all or part of property becomes at a particular time part of the particular trust's non-resident portion and immediately before the particular time the property or that part of property was part of its resident portion, the particular trust is deemed to have transferred at the particular time the property or that part of property to the non-resident portion trust,

ix. if all or part of property becomes at a particular time part of the particular trust's resident portion and immediately before the particular time the property or that part of property was part of its non-resident portion, the non-resident portion trust is deemed to have transferred at the particular time the property or that part of property to the particular trust,

x. the particular trust and the non-resident portion trust are deemed at all times to be affiliated with each other and to not deal with each other at arm's length,

xi. the particular trust has solidarily with the non-resident portion trust the rights and obligations of the non-resident portion trust in respect of any taxation year under Book IX, and the Tax Administration Act (chapter A-6.002) applies in respect of those rights and obligations, and

xii. if the non-resident portion trust ceases to exist at a particular time determined in accordance with any of subparagraphs 1 to 3 of subparagraph i, the following rules apply:

(1) the non-resident portion trust is deemed, at the time (in this subparagraph xii referred to as the "disposition time") that is immediately before the time that is immediately before the particular time, to have disposed of each of its properties that is property described in any of subparagraphs i to iv of paragraph *b* of section 785.1 for proceeds of disposition equal to the cost amount to it of the property at the disposition time and of each of its other properties for proceeds of disposition equal to its fair market value of the property at the disposition time,

(2) the particular trust is deemed to have acquired, at the time that is immediately before the particular time, each property described in subparagraph 1 at a cost equal to the proceeds of disposition determined under subparagraph 1 in respect of the property, and

(3) each person or partnership that is at the time immediately before the particular time a beneficiary under the non-resident portion trust is deemed at the disposition time to have disposed of the beneficiary's interest as a beneficiary under the non-resident portion trust for proceeds of disposition equal to the beneficiary's cost amount in the interest at the disposition time and to have ceased to be, other than for purposes of this subparagraph 3, a beneficiary under the non-resident portion trust;

(f) where there is, at that time, a resident contributor to the trust that is a tax-liable taxpayer in respect of the trust or a resident beneficiary under the trust that is a tax-liable taxpayer in respect of the trust if a connected contributor to the trust at that time is a tax-liable taxpayer in respect of the trust at that time, the trust is deemed, for the purpose of applying Book II and determining the trust's tax liability under this Part, to be resident in Québec on the last day of the particular year and, where the trust is, in respect of the particular year, an electing trust or a trust that does not meet the condition of paragraph *a* of the definition of "electing trust" in the first paragraph of section 593, its income for the particular year is deemed to be equal to the portion of that income, otherwise determined, that may reasonably be considered as being attributable to property that was contributed to the trust at or before that time by a contributor that is at that time a resident contributor to the trust and a tax-liable taxpayer in respect of the trust or, if there is at that time a resident beneficiary under the trust that is a tax-liable taxpayer in respect of the trust, a connected contributor to the trust and a tax-liable taxpayer in respect of the trust; and

(g) each person that at any time in the particular taxation year is a resident contributor to the trust (other than an electing contributor to the trust at the specified time) or a resident beneficiary under the trust and that is a tax-liable taxpayer in respect of the trust at any time has, solidarily with the trust and with each other such person that is such a resident contributor or such a resident beneficiary, the rights and obligations of the trust in respect of the particular taxation year under Book IX, and the Tax Administration Act applies in respect of those rights and obligations.

1975, c. 22, s. 164; 1997, c. 3, s. 71; 2015, c. 36, s. 28; 2019, c. 14, s. 158; 2020, c. 16, s. 86.

596. For greater certainty, section 595 does not deem a trust to be resident in Canada

(a) for the purposes of subparagraph i of subparagraph *b* of the second paragraph of section 248;

(b) for the purposes of subparagraph i of paragraph *b* of the definition of "investment fund" in section 21.0.5, sections 440, 454 and 597.0.6, the definition of "Canadian partnership" in the first paragraph of section 599, paragraph *c* of section 692.5, the definition of "qualified disability trust" in the first paragraph of section 768.2, the definition of "eligible trust" in section 796.1 and paragraph *a* of section 1120;

(c) for the purpose of determining whether section 467 applies;

(d) for the purposes of the definitions of "arm's length transfer" and "exempt foreign trust" in the first paragraph of section 593;

(e) for the purpose of determining whether section 692 applies in respect of a distribution of property to the trust after 17 July 2005;

(f) for the purpose of determining whether, in applying section 785.1, the trust becomes resident in Canada at a particular time; and

(g) for the purpose of determining whether, in applying section 785.2, the trust ceases to be resident in Canada at a particular time.

1975, c. 22, s. 164; 1984, c. 15, s. 131; 1994, c. 22, s. 210; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 14, s. 92; 2015, c. 36, s. 28; 2017, c. 1, s. 147; 2017, c. 29, s. 83; 2021, c. 14, s. 49.

597. A trust is deemed to cease to be resident in Canada at the earliest time at which there is neither a resident contributor to the trust nor a resident beneficiary under the trust in a particular taxation year (determined without reference to section 785.2) of the trust if

(a) the particular taxation year immediately follows a taxation year of the trust throughout which the trust was deemed under section 595 to be resident in Canada for the purpose of computing its income; and

(b) at a specified time in the particular taxation year, the trust

i. is not resident in Canada,

ii. is not an exempt foreign trust, and

iii. has no resident contributor to it or resident beneficiary under it.

1975, c. 22, s. 164; 1987, c. 67, s. 127; 1990, c. 59, s. 210; 2015, c. 36, s. 28.

597.0.1. A trust is deemed to cease to be resident in Canada at the earliest time at which the trust becomes an exempt foreign trust in a particular taxation year (determined without reference to section 785.2) of the trust if

(a) the particular taxation year immediately follows a taxation year throughout which the trust was deemed under section 595 to be resident in Canada for the purpose of computing its income; and

(b) at a specified time in the particular taxation year,

i. there is a resident contributor to the trust or a resident beneficiary under the trust, and

ii. the trust is an exempt foreign trust.

2015, c. 36, s. 29.

597.0.2. Where a trust is deemed under section 597 or 597.0.1 to cease to be resident in Canada at a particular time, the following rules apply in respect of the trust in relation to the particular taxation year that is, because of that cessation of residence, deemed to end immediately before the particular time:

(a) the trust's fiscal return for the particular taxation year is deemed to be filed with the Minister on a timely basis if it is filed with the Minister on or before the 90th day after the end of the trust's taxation year that is deemed to start at the particular time because of that cessation of residence; and

(b) an amount that is included in computing the trust's income (determined without reference to paragraphs *a* and *b* of section 657 and section 657.1) for the particular taxation year but that otherwise became payable by the trust in the period after the particular taxation year and before the end of the trust's taxation year that is deemed to start at the particular time because of that cessation of residence, is deemed to have become payable by the trust immediately before the end of the particular taxation year and not at any other time.

2015, c. 36, s. 29.

597.0.3. Where at a specified time in a taxation year a trust is an exempt foreign trust, at a particular time in the immediately following taxation year (determined without reference to this section) the trust ceases to be an exempt foreign trust (otherwise than because of becoming resident in Canada), and at the particular time there is a resident contributor to, or resident beneficiary under, the trust, the trust's taxation year (determined without reference to this section) that includes the particular time is deemed to end immediately before the particular time and a new taxation year of the trust is deemed to begin at the particular time.

2015, c. 36, s. 29.

597.0.4. The maximum amount recoverable under paragraph *g* of section 595 at a particular time from a person in respect of a trust (other than a person that is deemed, under section 597.0.10 or 597.0.11, to be a contributor or a resident contributor to the trust) and a particular taxation year of the trust is equal to the person's recovery limit at the particular time in respect of the trust and the particular year if

(a) either

i. the person is liable under paragraph *g* of section 595 in respect of the trust and the particular taxation year solely because the person was a resident beneficiary under the trust that is a tax-liable taxpayer in respect of the trust at a specified time in respect of the trust in the particular taxation year, or

ii. at a specified time in respect of the trust in the particular taxation year, the aggregate of all amounts each of which is the amount, at the time it was made, of a contribution to the trust made before the specified time by the person or by another person or partnership not dealing at arm's length with the person, is not more than the greater of

(1) $10,000, and

(2) 10% of the aggregate of all amounts each of which is the amount, at the time it was made, of a contribution made to the trust before the specified time;

(b) the person has complied with the requirements of paragraph *b* of subsection 7 of section 94 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) in respect of the particular time; and

(c) it is reasonable to conclude that for each transaction that occurred before the end of the particular taxation year at the direction of, or with the consent of, the person

i. none of the purposes of the transaction was to enable the person to reduce or avoid any liability under paragraph *g* of section 595 in respect of the trust, and

ii. the transaction was not part of a series of transactions any of the purposes of which was to enable the person to reduce or avoid any liability under paragraph *g* of section 595 in respect of the trust.

2015, c. 36, s. 29.

597.0.5. The recovery limit referred to in section 597.0.4 at a particular time of a particular person in respect of a trust and a particular taxation year of the trust is equal to the amount by which the amount determined under the second paragraph is exceeded by the greater of

(a) the aggregate of all amounts each of which is

i. an amount received or receivable after 31 December 2000 and before the particular time by the particular person on the disposition of all or part of the person's interest as a beneficiary under the trust, or by a person or partnership (that was, when the amount became receivable, a specified party in respect of the particular person) on the disposition of all or part of the specified party's interest as a beneficiary under the trust,

ii. an amount (other than an amount described in subparagraph i) made payable by the trust after 31 December 2000 and before the particular time to the particular person because of the interest of the particular person as a beneficiary under the trust, or a person or partnership (that was, when the amount became payable, a specified party in respect of the particular person) because of the interest of the specified party as a beneficiary under the trust,

iii. an amount received after 27 August 2010 by the particular person, or a person or partnership (that was, when the amount was received, a specified party in respect of the particular person), as a loan from the trust to the extent that the amount has not been repaid,

iv. an amount (other than an amount described in any of subparagraphs i to iii) that is the fair market value of a benefit received or enjoyed, after 31 December 2000 and before the particular time, from or under the trust by the particular person, or a person or partnership (that was, when the benefit was received or enjoyed, a specified party in respect of the particular person), or

v. the amount determined in respect of the particular person in accordance with subparagraph v of paragraph *a* of subsection 8 of section 94 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)); and

(b) the aggregate of all amounts each of which is the amount, when made, of a contribution to the trust before the particular time by the particular person.

The amount referred to in the first paragraph is equal to the aggregate of all amounts each of which is

(a) an amount recovered before the particular time from the particular person in connection with a liability of the particular person (in respect of the trust and the particular year or a preceding taxation year of the trust) that arose because of the application of section 94 of the Income Tax Act or section 595;

(b) an amount (other than an amount to which this subparagraph has applied in respect of any other person) recovered before the particular time from a specified party in respect of the particular person in connection with a liability of the particular person (in respect of the trust and the particular year or a preceding taxation year of the trust) that arose because of the application of section 94 of the Income Tax Act or section 595;

(c) the amount by which the particular person's tax payable under this Part for any taxation year in which an amount described in any of subparagraphs i to iv of subparagraph *a* of the first paragraph was paid, became payable, was received, became receivable or was enjoyed by the particular person exceeds the amount that would have been the particular person's tax payable under this Part for that taxation year if no such amount were paid, became payable, were received, became receivable or were enjoyed by the particular person in that taxation year; or

(d) the amount determined in respect of the particular person in accordance with paragraph *e* of subsection 8 of section 94 of the Income Tax Act.

2015, c. 36, s. 29.

597.0.6. The rules in the second paragraph apply at a particular time in respect of a particular person, and to a particular property, in respect of a trust not resident in Canada, if at that time

(a) the particular person is resident in Canada; and

(b) the trust holds the particular property on condition that the particular property or property substituted for the particular property may revert to the particular person or pass to one or more persons or partnerships to be determined by the particular person, or may not be disposed of by the trust during the existence of the particular person, except with the particular person's consent or in accordance with the particular person's direction.

In applying this chapter in respect of the trust for a taxation year of the trust that includes the particular time, the rules referred to in the first paragraph are as follows:

(a) every transfer or loan made at or before the particular time by the particular person (or by a trust or partnership of which the particular person was a beneficiary or member, as the case may be) of the particular property, of another property for which the particular property is a substitute, or of property from which the particular property derives, or the other property derived, its value in whole or in part, directly or indirectly, is deemed to be a transfer or loan, as the case may be, by the particular person

i. that is not an arm's length transfer, and

ii. that is, for the purposes of paragraph *c* of section 594 and section 597.0.7, a transfer or loan of restricted property; and

(b) paragraph *c* of section 594 is to be read without reference to its subparagraph iii in its application to each transfer and loan described in subparagraph *a*.

2015, c. 36, s. 29.

597.0.7. Where a person or partnership contributes at any time restricted property to a trust, the amount of the contribution at that time is deemed, for the purposes of this chapter, to be equal to the greater of

(a) the amount, determined without reference to this section, of the contribution at that time; and

(b) the amount that is the greatest fair market value of the restricted property, or property substituted for it, in the period that begins immediately after that time and ends at the end of the third calendar year that ends after that time.

2015, c. 36, s. 29.

597.0.8. In applying this chapter at any specified time, in respect of a trust's taxation year, that is before the particular time at which a contributor to the trust becomes resident in Canada within 60 months after making a contribution to the trust, the contribution is deemed to have been made at a time other than a non-resident time of the contributor if

(a) in applying the definition of "non-resident time" in the first paragraph of section 593 at each of those specified times, the contribution was made at a non-resident time of the contributor; and

(b) in applying the definition of "non-resident time" in the first paragraph of section 593 immediately after the particular time, the contribution is made at a time other than a non-resident time of the contributor.

2015, c. 36, s. 29.

597.0.9. Sections 597.0.10 and 597.0.11 apply to a trust or a person in respect of a trust if

(a) at any time property of a trust (in this section and sections 597.0.10 and 597.0.11 referred to as the "original trust") is transferred or loaned, directly or indirectly, in any manner whatever, to another trust (in this section and sections 597.0.10 and 597.0.11 referred to as the "transferee trust");

(b) the original trust

i. is deemed to be resident in Canada immediately before that time under paragraph *a* of section 595,

ii. would be deemed to be resident in Canada immediately before that time under paragraph *a* of section 595 if this chapter, as it read in its application to the taxation year 2013, were read without reference to paragraph *a* of the definition of "connected contributor" in the first paragraph of section 593 and paragraph *a* of the definition of "resident contributor" in that first paragraph, or

iii. is an original trust to which subparagraph iii or iv of paragraph *b* of subsection 11 of section 94 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) applies; and

(c) it is reasonable to conclude that one of the reasons the transfer or loan is made is to reduce or avoid a liability under this Part, where the liability arose, or would otherwise have arisen, because of the application of this chapter, or under Part I of the Income Tax Act, where the liability arose, or would otherwise have arisen, because of the application of section 94 of that Act.

2015, c. 36, s. 29.

597.0.10. The original trust described in section 597.0.9 is deemed to be–at and after the time of the transfer or loan referred to in that section and for the purpose of applying this chapter in respect of the transferee trust referred to in that section–a resident contributor to the transferee trust, even if the original trust has ceased to exist.

2015, c. 36, s. 29.

597.0.11. A person that is, at the time of the transfer or loan referred to in section 597.0.9, a contributor to the original trust referred to in that section, is deemed to be at and after that time, even if the person has ceased to exist,

(a) a contributor to the transferee trust referred to in section 597.0.9; and

(b) a connected contributor to the transferee trust, if at that time the person is a connected contributor to the original trust.

2015, c. 36, s. 29.

597.0.12. A particular property that is, or will be, at a particular time held, loaned or transferred by a particular person or partnership is not restricted property held, loaned or transferred, as the case may be, at that time by the particular person or partnership if

(a) the particular property is property in respect of which the conditions of paragraph *a* of subsection 14 of section 94 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) are met in respect of the particular person or partnership; or

(b) at the particular time

i. the particular property is

(1) a share of the capital stock of a corporation,

(2) a fixed interest in a trust, or

(3) an interest, as a member of a partnership, under which, by operation of any law governing the arrangement in respect of the partnership, the liability of the member as a member of the partnership is limited,

ii. there are at least 150 persons each of whom holds at the particular time property that at that time

(1) is identical to the particular property, and

(2) has a total fair market value of at least $500,

iii. the aggregate of all amounts each of which is the fair market value, at the particular time, of the particular property (or of identical property that is held, at that time, by the particular person or partnership or a person with whom the particular person or partnership does not deal at arm's length) does not exceed 10%

of the aggregate of all amounts each of which is the fair market value, at the particular time, of the particular property or of identical property held by any person or partnership,

iv. property that is identical to the particular property can normally be acquired by and sold by members of the public in the open market, and

v. the particular property, or identical property, is listed on a designated stock exchange.

Chapter V.2 of Title II of Book I applies in relation to property identified by a particular person or partnership for the purposes of subparagraph iii of paragraph *a* of subsection 14 of section 94 of the Income Tax Act.

2015, c. 36, s. 29.

597.0.13. For the purposes of this chapter, the following rules apply:

(a) if it can reasonably be considered that one of the main reasons that a person or partnership

i. is at any time a shareholder of a corporation is to cause the condition of paragraph *b* of the definition of "closely held corporation" in the first paragraph of section 593 to be satisfied in respect of the corporation, the condition is deemed not to have been satisfied at that time in respect of the corporation,

ii. holds at any time an interest in a trust is to cause the condition of subparagraph 1 of subparagraph ii of paragraph *h* of the definition of "exempt foreign trust" in the first paragraph of section 593 to be satisfied in respect of the trust, the condition is deemed not to have been satisfied at that time in respect of the trust, and

iii. holds at any time a property is to cause the condition of subparagraph ii of subparagraph *b* of the first paragraph of section 597.0.12 to be satisfied in respect of the property or an identical property held by any person, the condition is deemed not to have been satisfied at that time in respect of the property or the identical property;

(b) where, at or before a specified time in a trust's particular taxation year, a resident contributor to the trust contributes to the trust property that is restricted property of the trust, or property for which restricted property of the trust is substituted, and the trust is at that specified time an exempt foreign trust because of paragraph *f* of the definition of "exempt foreign trust" in the first paragraph of section 593, the amount of the trust's income for the particular year from the restricted property, and the amount of any taxable capital gain from the disposition in the particular year by the trust of the restricted property, are to be included in computing the income of the resident contributor for its taxation year in which the particular taxation year of the trust ends and not in computing the income of the trust for that particular year; and

(c) where at a specified time in a particular taxation year a trust is an exempt foreign trust because of paragraph *h* of the definition of "exempt foreign trust" in the first paragraph of section 593, at a time immediately before a particular time in the immediately following taxation year (determined without reference to section 597.0.3) there is a resident contributor to, or resident beneficiary under, the trust, at the time that is immediately before the particular time a beneficiary under the trust holds a fixed interest in the trust, and at the particular time the interest ceases to be a fixed interest in the trust, the following rules apply:

i. the trust is deemed, other than for the purposes of section 597.0.3, not to be an exempt foreign trust at any time in the trust's taxation year (in this section referred to as the "assessment year") that ends, in accordance with section 597.0.3, at the time that is immediately before the particular time,

ii. the trust shall include in computing its income for its assessment year the amount determined by the formula

A - B - C, and

iii. if the trust has tax payable for its assessment year, then throughout the period that begins at the trust's balance-due day for each taxation year that ends in the interest gross-up period, within the meaning assigned by subparagraph *c* of the second paragraph, and ends at the trust's balance-due day for its assessment year, the trust is deemed to have unpaid tax (in addition to any unpaid tax otherwise determined in respect of the trust under that section) for the purposes of section 1037 equal to the amount determined by the formula

D/E × 25.75%.

In the formulas in the first paragraph,

(a) A is the amount by which the aggregate of all amounts each of which is equal to the fair market value of a property held by the trust at the end of its assessment year exceeds the aggregate of all amounts each of which is equal to the principal amount outstanding at the end of the assessment year of a liability of the trust;

(b) B is the amount by which the aggregate of all amounts each of which is equal to the fair market value of a property held by the trust at the earliest time (in this paragraph referred to as the "initial time") at which there is a resident contributor to, or resident beneficiary under, the trust and at which the trust is an exempt foreign trust exceeds the aggregate of all amounts each of which is equal to the principal amount outstanding at the initial time of a liability of the trust;

(c) C is the aggregate of all amounts each of which is the amount of a contribution made to the trust in the period that begins at the initial time and ends at the end of its assessment year (in this paragraph referred to as the "interest gross-up period");

(d) D is the amount determined in accordance with subparagraph ii of subparagraph *c* of the first paragraph in respect of the trust for the assessment year; and

(e) E is the number of the trust's taxation years that end in the interest gross-up period.

2015, c. 36, s. 29.

597.0.14. Where at a specified time in respect of a trust for a taxation year of the trust (in this section referred to as the "trust's year"), there is an electing contributor in respect of the trust, the following rules apply:

(a) the electing contributor is required to include in computing income for the contributor's taxation year (in this section referred to as the "contributor's year") in which the trust's year ends, the amount determined by the formula

A/B × (C - D);

(b) subject to subparagraph *c*, the amount, if any, required to be included in the electing contributor's income, in accordance with subparagraph *a*, for the contributor's year is deemed to be income from property from a source in Canada;

(c) for the purposes of this subparagraph, subparagraph *d* and sections 772.2 to 772.13, an amount in respect of the trust's income for the trust's year from a source in a foreign country is deemed to be income of

the electing contributor for the contributor's year from that source if the amount is deemed to be such income of the contributor for the purposes of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) under paragraph *c* of subsection 16 of section 94 of that Act;

(d) for the purposes of this subparagraph and sections 772.2 to 772.13, the electing contributor is deemed to have paid to the government of a foreign country or of a political subdivision of such a country, as business-income tax or non-business-income tax, as the case may be, for the contributor's year in respect of a particular source in that country, an amount equal to the amount determined by the formula

$$E \times F/G;$$

(e) in applying section 146.1 and sections 772.2 to 772.13 in respect of the trust's year there must be deducted

i. in computing the trust's income from a particular source for the trust's year the aggregate of all amounts each of which is an amount that, in accordance with subparagraph *c*, is deemed to be income from the particular source of the electing contributor for the contributor's year, and

ii. in computing the business-income tax or non-business-income tax paid by the trust for the trust's year in respect of a particular source the aggregate of all amounts in respect of that source each of which is an amount that, in accordance with subparagraph *d*, is deemed to be paid by the electing contributor as business-income tax or non-business-income tax in respect of the particular source;

(f) in computing the trust's income for the trust's year the trust may deduct an amount that does not exceed the amount included by the electing contributor, under subparagraph *a*, in computing the electing contributor's income for the contributor's year; and

(g) where before the specified time the electing contributor made a contribution to the trust as part of a series of transactions in which another person made the same contribution, in applying subparagraphs *a* to *f* in respect of the electing contributor and the other person, the other person is deemed not to be a joint contributor in respect of the contribution if the other person is deemed not to be a joint contributor in respect of that contribution for the purposes of the Income Tax Act under paragraph *g* of subsection 16 of section 94 of that Act.

In the formulas in the first paragraph,

(a) A is the aggregate of all amounts each of which is

i. where at or before the specified time the electing contributor has made a contribution to the trust and is not a joint contributor in respect of the trust and the contribution, the amount of the contribution, or

ii. where at or before the specified time the electing contributor has made a contribution to the trust and is a joint contributor in respect of the trust and the contribution, the quotient obtained when the amount of the contribution is divided by the number of joint contributors in respect of the contribution;

(b) B is the aggregate of all amounts each of which is the amount that would be determined in accordance with subparagraph *a* for each resident contributor, or connected contributor, to the trust at the specified time if all of those contributors were electing contributors in respect of the trust;

(c) C is the trust's income, computed without reference to subparagraph *f* of the first paragraph, for the trust's year;

(d) D is the amount deducted by the trust under sections 727 to 737 in computing its taxable income for the trust's year;

(e) E is the amount that, in the absence of subparagraph i of subparagraph *e* of the first paragraph, would be the business-income tax or non-business-income tax, as the case may be, paid by the trust to the government of a foreign country or of a political subdivision of such a country in respect of the particular source referred to in subparagraph *d* of the first paragraph for the trust's year;

(f) F is the aggregate of all amounts each of which is an amount deemed under subparagraph *c* of the first paragraph to be an income of the electing contributor for the contributor's year from the particular source referred to in subparagraph *d* of the first paragraph; and

(g) G is the trust's income for the trust's year from the particular source referred to in subparagraph *d* of the first paragraph.

In this section, "business-income tax" and "non-business-income tax" have the meaning assigned by section 772.2.

2015, c. 36, s. 29.

597.0.15. Where, at or before a specified time in a trust's taxation year (in this section referred to as the "trust's year"), there is an electing contributor who is both a tax-liable taxpayer in respect of the trust and a joint contributor in respect of a contribution to the trust, the following rules apply:

(a) each person who is both a joint contributor in respect of the contribution and a tax-liable taxpayer in respect of the trust has, in respect of the contribution, solidarily, the rights and obligations under Book IX of each other person (in this section referred to as the "specified person") who is, at or before the specified time, a joint contributor in respect of the contribution and a tax-liable taxpayer in respect of the trust, for the specified person's taxation year in which the trust's year ends, and the Tax Administration Act (chapter A-6.002) applies in respect of those rights and obligations; and

(b) the maximum amount recoverable under subparagraph *a* at a particular time from the person in respect of the contribution and a taxation year, of another person who is the specified person, in which the trust's year ends is the amount determined by the formula

A - B - C.

In the formula in the first paragraph,

(a) A is the aggregate of the amounts payable by the specified person under this Part for the specified person's taxation year in which the trust's year ends;

(b) B is the amount that would be determined in accordance with subparagraph *a* if the aggregate of the amounts payable by the specified person under this Part for the specified person's taxation year in which the trust's year ends were computed without reference to the contribution; and

(c) C is the amount recovered before the particular time from the specified person, and any other joint contributor in respect of the trust and the contribution, in connection with the liability of the specified person in respect of the contribution.

2015, c. 36, s. 29.

CHAPTER VI.1

OFFSHORE INVESTMENT FUNDS

1986, c. 15, s. 90.

597.1. In this chapter, the expression

(a) "offshore investment fund property" of a taxpayer means a share of the capital stock of, an interest in, or a debt of, a particular foreign entity other than a controlled foreign affiliate of the taxpayer or a prescribed foreign entity or a right in or a right or option to acquire such a share, interest or debt that may reasonably be considered to derive its value, directly or indirectly, primarily from portfolio investments of that or any other foreign entity in one or more of the assets listed in section 597.2;

(b) "designated cost" to a taxpayer at any time in a taxation year of an offshore investment fund property that he holds or has a right in means the amount determined in respect thereof at that time under section 597.3;

(c) "foreign entity" at any time means a corporation that is at that time not resident in Canada, a partnership, organization, fund or entity that is at that time not resident in Canada or is not at that time situated in Canada, or an exempt foreign trust, within the meaning assigned to that expression by the first paragraph of section 593, other than a trust described in any of paragraphs *a* to *g* of the definition of that expression.

1986, c. 15, s. 90; 1997, c. 3, s. 71; 2015, c. 36, s. 30; 2020, c. 16, s. 87.

597.2. For the purposes of paragraph *a* of section 597.1, the assets referred to therein are the following:

(a) shares of the capital stock of a corporation;

(b) indebtedness or annuities;

(c) interests in a fund, organization, corporation, entity, trust or partnership;

(d) commodities;

(e) immovable property;

(f) Canadian of foreign resource properties;

(g) foreign currency; and

(h) rights or options to acquire or dispose of any of the assets listed in paragraphs *a* to *g*.

1986, c. 15, s. 90; 1997, c. 3, s. 71; 2010, c. 5, s. 52.

597.3. The amount contemplated in paragraph *b* of section 597.1 at any time in a taxation year in respect of an offshore investment fund property that the taxpayer holds or has a right in is the aggregate of

(a) the cost amount to the taxpayer of the property at that time determined without reference to paragraphs *c*.5 and *h*.1 of section 255, paragraphs *b* and *b*.1 and subparagraph i.3 of paragraph *l* of section 257 and Title VIII of Book VI;

(b) where an additional amount has been made available by a person to another person after the calendar year 1984 and before that time, whether by way of gift, loan, payment for a share, transfer of property at less than its fair market value or otherwise, in circumstances such that it may reasonably be concluded that one of the main reasons for so making the additional amount available to the other person was to increase the value of the offshore investment fund property, the aggregate of all amounts each of which is the amount by which

such an additional amount exceeds any increase in the cost amount to the taxpayer of the offshore investment fund property by virtue of that additional amount;

(c) the aggregate of all amounts each of which is an amount included in respect of the offshore investment fund property by virtue of this chapter in computing the taxpayer's income for a preceding taxation year;

(d) where the taxpayer has held or has had the right in the property at all times since the end of the calendar year 1984, the amount by which the fair market value of the property at the end of the calendar year 1984 exceeds the cost amount to the taxpayer of the property at the end of the calendar year 1984, or, in any other case, the aggregate of

i. the amount by which the fair market value of the property at the time the taxpayer acquired the property exceeds the cost amount to the taxpayer of the property at that time, and

ii. the amount by which the aggregate of all amounts each of which is an amount that would have been included in respect of the property because of section 597.6 in computing the taxpayer's income for a taxation year that began before 20 June 1996 if the cost to the taxpayer of the property had been equal to the fair market value of the property at the time the taxpayer acquired it exceeds the aggregate of all amounts each of which is an amount that was included in respect of the property because of section 597.6 in computing the taxpayer's income for a taxation year that began before 20 June 1996.

Notwithstanding the foregoing, where the property is a prescribed offshore investment fund property, the amount determined under the first paragraph in respect thereof is deemed nil.

1986, c. 15, s. 90; 2001, c. 7, s. 60; 2020, c. 16, s. 88.

597.4. Where in a taxation year a taxpayer holds or has a right in an offshore investment fund property and it may reasonably be concluded, taking all the circumstances into account, that one of the main reasons for the taxpayer acquiring, holding or having the right in such property was to derive a benefit from portfolio investments in assets listed in paragraphs *a* to *h* of section 597.2 in such a manner that the taxes on the income, profits and gains from such assets for a particular year are significantly less than the tax that would have been payable under this Part if the income, profits and gains had been earned directly by the taxpayer, the amount determined under section 597.6 for that year in respect of that property is to be included in computing the taxpayer's income for the year.

1986, c. 15, s. 90; 1997, c. 3, s. 71; 2015, c. 36, s. 31; 2020, c. 16, s. 89.

597.5. For the purposes of section 597.4, the circumstances that must be taken into account include

(a) the nature, organization and operation of any foreign entity and the form of, and the terms and conditions governing, the taxpayer's interest in, or connection with, any such entity;

(b) the extent to which any income, profits and gains that may reasonably be considered to be earned or accrued, whether directly or indirectly, for the benefit of any foreign entity are subject to an income or profits tax that is significantly less than the income tax that would be applicable to such income, profits and gains if they were earned directly by the taxpayer;

(c) the extent to which the income, profits and gains of any foreign entity for any fiscal period are distributed in that or the following fiscal period.

1986, c. 15, s. 90.

597.6. The amount to be included in computing a taxpayer's income for a taxation year under section 597.4 in respect of an offshore investment fund property is equal to the amount by which the taxpayer's income for the year from the offshore investment fund property, determined without reference to this section or to section 597.4, is exceeded by the aggregate of all amounts each of which is the product obtained when

the designated cost to the taxpayer of the offshore investment fund property at the end of a particular month in the year is multiplied by the quotient obtained when the rate of interest that is the total of the rates determined in accordance with clauses A and B of subparagraph ii of paragraph *f* of subsection 1 of section 94.1 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) for the period including the particular month is divided by 12.

For the purposes of subparagraph *b* of the first paragraph, the taxpayer's income does not include a capital gain.

1986, c. 15, s. 90; 2010, c. 31, s. 175; 2015, c. 36, s. 32.

CHAPTER VI.2

FOREIGN COMMERCIAL TRUSTS

2015, c. 36, s. 33.

597.7. Section 597.8 applies to a beneficiary under a trust, and to a particular person of which such a beneficiary is a controlled foreign affiliate, at a particular time if

(a) the trust is at that time an exempt foreign trust (other than a trust described in any of paragraphs *a* to *g* of the definition of "exempt foreign trust" in the first paragraph of section 593);

(b) either

i. the total fair market value at that time of all fixed interests of a particular class in the trust held by the beneficiary, persons or partnerships not dealing at arm's length with the beneficiary, or persons or partnerships that acquired their interests in the trust in exchange for consideration given to the trust by the beneficiary, is at least 10% of the total fair market value at that time of all fixed interests of the particular class, or

ii. the beneficiary or the particular person has at or before that time contributed restricted property to the trust; and

(c) the beneficiary is at that time a

i. resident beneficiary,

ii. mutual fund,

iii. controlled foreign affiliate of the particular person, or

iv. partnership of which a person listed in any of subparagraphs i to iii is a member.

2015, c. 36, s. 33.

597.8. If, because of section 597.7, this section applies at a particular time to a beneficiary under, or a particular person in respect of, a trust, for the purposes of sections 571 to 576.1, 578 and 579 to 583, paragraph *a* of section 597.1 and section 598, the following rules apply:

(a) the trust is deemed to be at that time a corporation not resident in Canada

i. controlled by each of the beneficiary and the particular person, and

ii. having, for each particular class of fixed interests in the trust, a separate class of capital stock of 100 issued shares that have the same attributes as the interests of the particular class; and

(b) each beneficiary under the trust is deemed to hold at that time a percentage of the number of shares of each separate class described in subparagraph ii of paragraph *a* equal to the percentage representing the

proportion that the fair market value at that time of that beneficiary's fixed interests in the corresponding particular class of fixed interests in the trust is of the fair market value at that time of all fixed interests in the particular class.

2015, c. 36, s. 33.

597.9. For the purposes of this chapter in respect of a taxpayer for a taxation year, the fair market value of interests in a trust for the purposes of sections 597.7 and 597.8 in respect of the taxpayer for the year is deemed to be equal to the fair market value determined for the year, in respect of those interests, in accordance with subsection 4 of section 94.2 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)).

2015, c. 36, s. 33.

CHAPTER VII

SPECIAL RULES

1975, c. 22, s. 164.

598. For the purposes of this Title, except section 577,

(a) any person or partnership having a right under a contract or otherwise, either immediately or in the future and either absolutely or contingently, to shares of the capital stock of a corporation or interests in a partnership, is deemed to own those shares or interests, if it can reasonably be considered that the principal purpose for the existence of the right is to permit any person to avoid, reduce or defer the payment of tax or any other amount that would otherwise be payable under this Act; and

(b) where a person or partnership acquires or disposes of shares of the capital stock of a corporation or interests in a partnership, either directly or indirectly, and it can reasonably be considered that the principal purpose for the acquisition or disposition of the shares or interests is to permit a person to avoid, reduce or defer the payment of tax or any other amount that would otherwise be payable under this Act, those shares or interests are deemed not to have been acquired or disposed of, as the case may be, and not to have been issued if the corporation or partnership had not issued them immediately prior to the acquisition.

1975, c. 22, s. 164; 1990, c. 59, s. 211; 1996, c. 39, s. 163; 1997, c. 3, s. 71; 2004, c. 8, s. 124.

598.1. For the purposes of this Part, an individual resident in Québec who is a shareholder of a corporation described in the second paragraph may agree, with the approval in writing of the Minister and subject to the terms and conditions set out in the approval, to apply the following rules for the period during which the agreement is effective:

(a) the corporation is deemed to be a controlled foreign affiliate of the individual;

(b) the income of the corporation is deemed to be foreign accrual property income of a controlled foreign affiliate of the individual;

(c) for the purposes of section 146, the portion of the income that is included in computing the individual's income for a taxation year is deemed not to be income from a property; and

(d) the individual shall not include any amount in computing the individual's income in respect of a dividend paid to the individual on a share of the capital stock of the corporation and shall deduct the amount of the dividend in computing the adjusted cost base to the individual of the share.

The corporation to which the first paragraph refers is an S corporation within the meaning of the United States Internal Revenue Code of 1986, as amended from time to time.

2000, c. 39, s. 36; 2009, c. 15, s. 92.

TITLE XI

PARTNERSHIPS AND THEIR MEMBERS

1972, c. 23; 1997, c. 3, s. 71.

CHAPTER I

GENERALITIES

1972, c. 23.

599. For the purposes of this Title, the expression "Canadian partnership" means a partnership all the members of which, at any time when the expression applies, are resident in Canada.

Moreover, a reference to a member of a particular partnership or a reference to a person or a taxpayer who is a member of a particular partnership shall include a reference to another partnership that is a member of the particular partnership.

1972, c. 23, s. 454; 1988, c. 18, s. 49; 1997, c. 3, s. 71.

599.1. For the purposes of this chapter and Chapters II and II.1, a taxpayer includes a partnership.

2021, c. 14, s. 50.

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

(a) the partnership is a separate person resident in Canada;

(b) the taxation year of the partnership is its fiscal period;

(c) the partnership carries on as a separate person each of its activities, including the ownership of property and for each of its taxation years, computes the amount of:

i. each taxable capital gain and allowable capital loss from the disposition of property, and

ii. each income and loss of the partnership from each other source in Canada or from sources in another place;

(d) in computing each income or loss of the partnership for a taxation year, no account shall be taken of paragraph *z*.4 of section 87, sections 145 and 217.2 to 217.9.1, 217.18 to 217.34, paragraphs *a*, *d*, *e* and *e*.1 of section 330 and section 418.12, and no deduction is permitted under section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), section 217.13, the first paragraph of section 360 or sections 362 to 418.12;

(e) each gain of the partnership from the disposition of land used in a farming business of the partnership is computed without reference to paragraph *l* of section 255;

(e.1*)* the amount by which the aggregate of all amounts determined under sections 222 to 224 in respect of the partnership at the end of a taxation year exceeds the aggregate of all amounts determined under section 225 in respect of the partnership at the end of the year was deducted under the said sections in computing the income of the partnership for the year;

(f) subject to section 600.0.1, the income of the partnership, for a taxation year, from any source in Canada or from sources in another place is, to the extent of the taxpayer's share thereof, his income for his

taxation year during which the taxation year of the partnership ends, from such source in Canada or sources situated in such other place, as the case may be; and

(g) subject to section 600.0.1, the amount by which the loss of the partnership for a taxation year from any source in Canada or from sources in another place exceeds, in the case of a taxpayer who would be a specified member of the partnership in the year if the definition of "specified member" in section 1 were read without reference to paragraph *b* thereof, the amount deducted by the partnership under sections 222 to 230 in computing its income for the taxation year from that source or those sources, as the case may be, and, in any other case, nil, is the loss of the taxpayer from such source in Canada or sources situated in such other place, as the case may be, for the taxation year of the taxpayer in which the partnership's taxation year ends, to the extent of the taxpayer's share thereof.

1972, c. 23, s. 455; 1975, c. 22, s. 165; 1978, c. 26, s. 106; 1980, c. 11, s. 54; 1982, c. 5, s. 129; 1985, c. 25, s. 104; 1986, c. 19, s. 130; 1989, c. 5, s. 73; 1989, c. 77, s. 67; 1994, c. 22, s. 211; 1997, c. 3, s. 71; 1997, c. 31, s. 55; 1998, c. 16, s. 175; 2000, c. 5, s. 293; 2004, c. 8, s. 125; 2013, c. 10, s. 36.

600.0.1. Except for the purposes of Chapter II.1 of this Title, paragraph *i* of section 255 and paragraph *l* of section 257, where, in a particular taxation year, an individual is a member of a particular partnership and the particular partnership deducted, in computing its income for its taxation year ending in the particular taxation year, an amount under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a certified Québec film, within the meaning of the regulations under the said section 130, or another partnership deducted, in the same respect, an amount under one of the said paragraphs which may reasonably be considered to have contributed to the creation or increase of the individual's share of the loss of the particular partnership which, but for this section, would be determined for the particular taxation year, or to the reduction or cancellation of the individual's share of the income of the particular partnership which, but for this section, would be determined for the particular taxation year, the following rules apply:

(a) where the individual would, but for this section, have a share of the income of the particular partnership for the particular taxation year, that share is deemed, notwithstanding paragraph *f* of section 600, to be equal to the aggregate of his share of the income of the particular partnership for the particular taxation year which, but for this section, would be determined in the said paragraph *f* of his share of the amount so deducted by the particular partnership in computing its income for the particular taxation year pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 and, as the case may be, of the amount so deducted by the other partnership pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 to the extent that it may reasonably be considered that the deduction of that amount by the other partnership contributed to the reduction of that share of the income of the particular partnership for the particular taxation year which, but for this section, would have been determined in the said paragraph *f*,

(b) where the individual would, but for this section, have a share of the loss of the particular partnership for the particular taxation year, that share is deemed, notwithstanding paragraph *g* of section 600, to be equal to the amount by which his share of the loss of the particular partnership for the particular taxation year which, but for this section, would be determined in the said paragraph *g* exceeds the lesser of

i. the aggregate of his share of the amount so deducted by the particular partnership, in computing its income for that taxation year, pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 and, as the case may be, of the amount so deducted by the other partnership pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 to the extent that it may reasonably be considered that the deduction of that amount by the other partnership contributed to the creation or increase of that share of the loss of the particular partnership for the particular taxation year which, but for this section, would have been determined in the said paragraph *g*; and

ii. his share of the loss of the particular partnership for the particular taxation year which, but for this section, would be determined in paragraph *g* of section 600;

(c) where the amount determined in subparagraph i of paragraph *b* for the particular year exceeds the amount referred to in subparagraph ii of the said paragraph for the same year, the excess amount is deemed to constitute the individual's share of the income of the particular partnership for the particular taxation year;

(d) where, for the particular taxation year, the individual would, but for this section, have neither a share of the income of the particular partnership nor a share of the loss of the particular partnership, he is deemed to have a share of the income of the particular partnership for the particular taxation year in an amount equal to the aggregate of his share of the amount so deducted by the particular partnership, in computing its income for that taxation year, pursuant to the said paragraph *a* of section 130 or the said second paragraph of section 130.1 and, as the case may be, of the amount so deducted by the other partnership under the said paragraph *a* of section 130 or the said second paragraph of section 130.1 to the extent that it may reasonably be considered that the deduction of that amount by the other partnership contributed to the cancellation of the individual's share of the income of the particular partnership for the particular taxation year which, but for this section, would otherwise have been determined in paragraph *f* of section 600.

1989, c. 5, s. 74; 1990, c. 7, s. 19; 1997, c. 3, s. 71.

600.0.2. An individual's share of the loss of a partnership, determined pursuant to section 600.0.1 for a fiscal period of the partnership at the end of which the individual was a member of the partnership, in this section referred to as "corrected loss", shall not however exceed the proportion of at-risk amount of the individual in respect of the partnership at that date, within the meaning of sections 613.2 to 613.5, that his share of the corrected loss of the partnership which, but for this section, would be so determined under section 600.0.1 is of his share of the corrected loss of the partnership which, but for this section and section 600.0.1, would be determined under paragraph *g* of section 600.

1989, c. 5, s. 74; 1997, c. 3, s. 71.

600.0.3. Despite sections 231 and 600, where, in a particular taxation year of a taxpayer, the taxpayer is a member of a partnership with a fiscal period that ends in the particular year, the taxable capital gain, allowable capital loss or allowable business investment loss of the taxpayer for the particular year in respect of the partnership is determined by the formula

$$A \times B / C.$$

In the formula provided for in the first paragraph,

(a) A is the taxpayer's taxable capital gain, allowable capital loss or allowable business investment loss, as the case may be, for the particular year in respect of the partnership that would, but for this section, be determined under section 600;

(b) B is the fraction that applies under section 231 for the particular year in respect of the taxpayer; and

(c) C is the fraction that is used under section 231 for the fiscal period of the partnership.

1990, c. 59, s. 212; 1997, c. 3, s. 71; 2003, c. 2, s. 137; 2004, c. 8, s. 126; 2019, c. 14, s. 159; 2022, c. 23, s. 36.

600.0.4. For the purposes of section 600.0.3, where the fraction referred to in subparagraph *c* of the second paragraph of that section cannot be determined by a taxpayer in respect of a fiscal period of a partnership that ended before 28 February 2000, or includes 28 February 2000 or 17 October 2000, the fraction is deemed to be

(a) where the fiscal period ended before or began before 28 February 2000, 3/4;

(b) where the fiscal period began after 27 February 2000 but before 18 October 2000, 2/3; and

(c) in any other case, 1/2.

2003, c. 2, s. 138.

600.1. Subject to section 600.2, the share of a member of a partnership of any amount that would be an amount referred to in paragraph *e* of section 398, paragraph *b* or e of section 399, paragraph *d* of section 411, subparagraph i of paragraph *b* or paragraph *c* or *h* of section 412, paragraph *d* of section 418.5 or subparagraph i of paragraph *b* or paragraph *c* or *e* of section 418.6, in respect of the partnership for a taxation year of the partnership, but for paragraph *d* of section 600, is deemed to be an amount referred to in paragraph *e* of section 398, paragraph *b* or *e* of section 399, paragraph *d* of section 411, subparagraph of paragraph *b* or paragraph *c* or *h* of section 412, paragraph *d* of section 418.5 or subparagraph i of paragraph *b* or paragraph *c* or *e* of section 418.6, as the case may be, in respect of the member for the taxation year of the member in which the taxation year of the partnership ends.

1978, c. 26, s. 107; 1982, c. 5, s. 130; 1993, c. 16, s. 237; 1997, c. 3, s. 71.

600.2. However, where a person not resident in Canada is a member of a partnership that is deemed under section 1096.2 to have disposed of a property, the deemed amount in respect of the person under section 600.1 respecting section 411, 412, 418.5 or 418.6, as the case may be, is then so deemed for his taxation year that ended at the particular time referred to in section 1096.1.

1982, c. 5, s. 130; 1986, c. 19, s. 131; 1993, c. 16, s. 237; 1997, c. 3, s. 71; 2009, c. 5, s. 188.

601. If an individual who is a member of a partnership immediately before its dissolution, or who is a member of a partnership that, but for section 618, would have been dissolved at a particular time, makes a valid election under subsection 2 of section 99 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to a fiscal period of the partnership that is referred to in the third or fourth paragraph of section 7, the partnership's fiscal period is deemed, for the purpose of computing the individual's income, to have ended immediately before the time it would normally have ended if the partnership had continued to exist.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 99 of the Income Tax Act.

1972, c. 23, s. 456; 1978, c. 26, s. 108; 1996, c. 39, s. 164; 1997, c. 3, s. 71; 1997, c. 31, s. 56; 2009, c. 5, s. 189.

602. *(Repealed).*

1972, c. 23, s. 457; 1973, c. 17, s. 67; 1997, c. 3, s. 71; 2009, c. 5, s. 190.

602.1. If, at any time in a fiscal period of a partnership, a taxpayer ceases to be a member of the partnership, the following rules apply:

(a) for the purposes of subparagraph *b* of the second paragraph of section 7, sections 217.2 to 217.9.1, 600, 607, 634 and 635 and despite section 643, the taxpayer is deemed to be a member of the partnership at the end of the fiscal period; and

(b) for the purpose of applying subparagraphs i and viii of paragraph *i* of section 255, subparagraph i of paragraph *l* of section 257, section 261.2 and the second paragraph of section 613.1 to the taxpayer, the fiscal period of the partnership is deemed to end

i. immediately before the time at which the taxpayer is deemed under section 436 to have disposed of the interest in the partnership, if the taxpayer ceased to be a member of the partnership because of the taxpayer's death, and

ii. immediately before the time that is immediately before the time that the taxpayer ceased to be a member of the partnership, in any other case.

2009, c. 5, s. 191; 2015, c. 21, s. 207.

603. Where a taxpayer who was a member of a partnership during a fiscal period has, for the purpose of computing the taxpayer's income from the partnership for the fiscal period, entered into an agreement or made an election, a designation or a specification under the regulations made under section 104, under any of sections 96, 119.15, 156, 180 to 182, 230, 279, 280.3, 299, 485.6, 485.9 to 485.11, 485.42 to 485.52, 614, 832.23 and 832.24 or, because of subparagraph *a* of the second paragraph of section 614, under the first paragraph of section 522 that, but for this section, would be a valid agreement, designation, specification or election, as the case may be, the following rules apply:

(a) the agreement, designation, specification or election is not valid unless it was entered into or made on behalf of the taxpayer and each other member of the partnership during the fiscal period and the taxpayer had authority to act for the partnership;

(b) if the agreement, designation, specification or election is valid under paragraph *a*, each other member of the partnership during the fiscal period is deemed to have entered into the agreement or made the designation, specification or election, as the case may be; and

(c) despite paragraph *a*, any agreement, designation, specification or election deemed to have been entered into or made, as the case may be, by a member under paragraph *b* is deemed to be a valid agreement, designation, specification or election entered into or made by that member.

1973, c. 17, s. 68; 1975, c. 22, s. 166; 1982, c. 5, s. 131; 1986, c. 19, s. 132; 1993, c. 16, s. 238; 1994, c. 22, s. 212; 1995, c. 1, s. 47; 1996, c. 39, s. 165; 1997, c. 3, s. 71; 1997, c. 31, s. 57; 1997, c. 85, s. 96; 2001, c. 7, s. 61; 2001, c. 53, s. 86; 2003, c. 9, s. 39; 2009, c. 5, s. 192; 2009, c. 15, s. 93; 2019, c. 14, s. 160.

603.1. If a SIFT partnership becomes liable to pay the tax provided for in Part III.17 for a taxation year, the following rules apply:

(a) paragraph *f* of section 600 is to be read as if "the income of the partnership, for a taxation year, from any source in Canada or from sources in another place" was replaced by "the amount by which the partnership's income for a taxation year from any source in Canada or from sources in another place exceeds, the portion, determined in respect of each such source, of the partnership's taxable non-portfolio earnings for the year that is applicable to that source"; and

(b) the SIFT partnership is deemed to have received a dividend in the taxation year from a taxable Canadian corporation equal to the amount by which the amount of the SIFT partnership's taxable non-portfolio earnings for the taxation year exceeds the amount determined by the formula

$$A \times (B + C).$$

In the formula in the first paragraph,

(a) A is the amount of the SIFT partnership's taxable non-portfolio earnings for the taxation year;

(b) B is the basic rate determined in respect of the SIFT partnership for the taxation year under the third paragraph of section 1129.71 or, if the SIFT partnership has an establishment outside Québec in the year, the aggregate of the following rates:

i. that basic rate represented by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as that proportion would be determined under Chapters I and II of Title XXVII of the Regulation respecting the Taxation Act (chapter I-3, r. 1) if the SIFT partnership were a corporation, and

ii. the provincial SIFT tax rate, within the meaning assigned by subsection 1 of section 248 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and expressed as a percentage, that would be applicable to the SIFT partnership for the year if that definition applied in respect of the SIFT partnership for that year and if section 414 of the Income Tax Regulations made under that Act were read without reference to its subsection 4; and

(c) C is the net corporate income tax rate, within the meaning assigned by subsection 1 of section 248 of the Income Tax Act and expressed as a percentage, that is applicable to the SIFT partnership for the taxation year.

For the purposes of this section, "taxable non-portfolio earnings" of a SIFT partnership has the meaning assigned by section 1129.70.

2009, c. 5, s. 193; 2009, c. 15, s. 94.

604. *(Repealed).*

1975, c. 22, s. 167; 1997, c. 85, s. 97.

605. *(Repealed).*

1975, c. 22, s. 167; 1977, c. 26, s. 65; 1986, c. 15, s. 91; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1997, c. 14, s. 93; 1997, c. 85, s. 97.

605.1. For the purposes of this Part, where at a particular time a person resident in Canada becomes a member of a partnership, or a person who is a member of a partnership becomes resident in Canada, and immediately before the particular time no member of the partnership is resident in Canada, the following rules apply for the purpose of computing the partnership's income for fiscal periods ending after the particular time:

(a) where, at or before the particular time, the partnership held depreciable property of a prescribed class, other than taxable Canadian property,

i. no amount shall be included in determining the amounts under subparagraphs i, ii.1 and ii.2 of subparagraph *e* of the first paragraph of section 93 and under subparagraphs *c* to *f* of the second paragraph of that section in respect of the acquisition or disposition before the particular time of the property, and

ii. where the property is the partnership's property at the particular time, the property is deemed to have been acquired, immediately after the particular time, by the partnership at a capital cost equal to the lesser of its fair market value and its capital cost to the partnership otherwise determined;

(b) in the case of the partnership's property that is inventory, other than inventory of a business carried on in Canada, or non-depreciable capital property, other than taxable Canadian property, of the partnership at the particular time, its cost to the partnership is deemed to be, immediately after the particular time, equal to the lesser of its fair market value and its cost to the partnership otherwise determined; and

(c) any loss in respect of the disposition of a property, other than inventory of a business carried on in Canada or taxable Canadian property, by the partnership before the particular time is deemed to be nil;

(d) (paragraph repealed).

1995, c. 49, s. 149; 1997, c. 3, s. 71; 2001, c. 53, s. 87; 2005, c. 1, s. 121; 2019, c. 14, s. 161.

605.2. For the purposes of section 605.1 and this section,

(a) where it can reasonably be considered that one of the main reasons that a member of a partnership is resident in Canada is to avoid the application of section 605.1, the member is deemed not to be resident in Canada; and

(b) where at any time a particular partnership is a member of another partnership, the following rules apply:

i. each person or partnership that is, at that time, a member of the particular partnership is deemed to be a member of the other partnership at that time,

ii. each person or partnership that becomes a member of the particular partnership at that time is deemed to become a member of the other partnership at that time, and

iii. each person or partnership that ceases to be a member of the particular partnership at that time is deemed to cease to be a member of the other partnership at that time.

1995, c. 49, s. 149; 1997, c. 3, s. 71; 2015, c. 21, s. 208.

CHAPTER II

SHARING AGREEMENTS

1972, c. 23.

606. Section 607 applies where there is an agreement among the members of a partnership to share, according to an agreed proportion, any income or loss of the partnership from or arising out of any source in Canada or from sources in another place or any amount in respect of any activity of the partnership that is relevant to the computation of the income or taxable income of such members.

1972, c. 23, s. 458; 1975, c. 22, s. 168; 1997, c. 3, s. 71; 2009, c. 5, s. 194.

607. (1) Where the principal purpose for an agreement contemplated in section 606 may reasonably be considered to be the reduction of the tax that might otherwise be or become payable under this Part of the postponement of such payment, the share of each member in the income, loss or amount that is the object of that agreement shall be the amount that is reasonable, having regard to all the circumstances including the proportions in which the members have agreed to share profits and losses from other sources in Canada or from sources in another place.

(1.1) Where an agreement described in section 606 is entered into between members of a partnership not dealing with each other at arm's length, the share of each member in the income, loss or amount that is the object of that agreement is the amount that is reasonable, having regard to the work performed for the partnership by its members, the capital invested therein by them or any other relevant factor.

(2) For the purposes of this chapter, the word "losses" when used in the expression "profits and losses" means losses determined without reference to the other provisions of this Part.

1972, c. 23, s. 459; 1982, c. 5, s. 132; 1997, c. 3, s. 71.

608. For the purposes of sections 7 to 7.0.6, 217.2 to 217.34, 600, 607, 634 and 635, where the principal activity of a partnership is carrying on a business in Canada and its members have entered into an agreement to allocate a share of the income or loss of the partnership from any source in Canada or from sources in another place to any person described in section 609, that person is deemed to be a member of the partnership and the amount so allocated for a particular fiscal period of the partnership must be included in computing the person's income for the taxation year in which that fiscal period of the partnership ends.

1975, c. 22, s. 169; 1997, c. 3, s. 71; 1997, c. 31, s. 58; 2000, c. 5, s. 293; 2013, c. 10, s. 37.

609. The person to whom section 608 applies is:

(a) a taxpayer who at any time ceased to be a member of the partnership described therein or of any other partnership that has been dissolved at any time, or would, but for section 618, have been dissolved, where the members thereof or the members of a third partnership in which a member of such other partnership became a member immediately after the other partnership was dissolved, have entered into an agreement described in section 608 in favour of the taxpayer or of any person described in paragraph *b*; and

(b) the spouse, succession or legatee by particular title of the taxpayer referred to in paragraph *a* or a person referred to in section 611.

1975, c. 22, s. 169; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 134.

610. A taxpayer who, in a taxation year, disposes of a right to a share of the income or loss of a partnership under an agreement referred to in section 608 shall include in computing his income for the year the proceeds of the disposition and he is deemed to have acquired each property received as consideration for its fair market value at the time of such disposition.

1975, c. 22, s. 169; 1997, c. 3, s. 71.

611. A taxpayer who has included an amount in computing his income for the year by virtue of section 608 or 610 may deduct for the year the lesser of such amount and the amount by which the cost to him of the right to a share of the income or loss of a partnership under an agreement referred to in section 608 exceeds the aggregate of the amounts in respect of that right that were deductible by virtue of this section in computing his income for previous taxation years.

1975, c. 22, s. 169; 1997, c. 3, s. 71.

612. For the purposes of this Part, a right to a share of the income or loss of a partnership under an agreement referred to in section 608 is deemed not to be capital property and sections 429 and 430 apply with respect to such a right that a taxpayer had at his death.

1975, c. 22, s. 169; 1997, c. 3, s. 71.

612.1. Where a partnership carries on a business in Québec at any time during a taxation year, each taxpayer who is deemed to be a member of the partnership under section 608 is deemed, for the purposes of section 25, to carry on that business in Québec at any time during the year.

1994, c. 22, s. 213; 1997, c. 3, s. 71.

613. Where a partnership carries on a business in Canada at any time, each taxpayer who is deemed under section 608 to be a member of the partnership at that time is deemed, for the purposes of sections 26 and 1000 to 1003 and of Divisions VIII.1 and VIII.3 of Chapter V of Title III, subject to section 217.34, to carry on that business in Canada at that time.

1975, c. 22, s. 169; 1997, c. 3, s. 71; 1997, c. 31, s. 59; 2000, c. 5, s. 135; 2015, c. 24, s. 90.

CHAPTER II.1

TAXPAYER'S AT-RISK AMOUNT

1988, c. 4, s. 40.

613.1. Despite section 600, where a taxpayer is, at any time in a taxation year, a limited partner of a partnership, the amount by which the aggregate of all amounts each of which is the taxpayer's share of the amount of any loss of the partnership for a fiscal period of the partnership ending in the taxation year from a business (other than a farming business) or from property, determined in accordance with section 600, exceeds the amount determined under the second paragraph must not be deducted in computing the taxpayer's income for the year, must not be included in computing the taxpayer's non-capital loss for the year, and

(a) where the taxpayer is not a partnership, is deemed to be the taxpayer's limited partnership loss in respect of the partnership for the year; or

(b) where the taxpayer is a partnership, must reduce the taxpayer's share of any loss of the partnership for a fiscal period of the partnership ending in the taxation year of the taxpayer from a business (other than a farming business) or from property.

The amount referred to in the first paragraph is the amount, if any, by which the at-risk amount of the taxpayer in respect of the partnership at the end of its fiscal period exceeds the aggregate of

(a) the amount required by subsection 8 of section 127 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the partnership to be added in the year in computing the investment tax credit of the taxpayer for the year within the meaning assigned to that expression by the said Act for the purposes of the said subsection;

(b) the taxpayer's share of any losses of the partnership for the fiscal period from a farming business; and

(c) the taxpayer's share of the foreign resource pool expenses, Canadian exploration expense, Canadian development expense and Canadian oil and gas property expense incurred by the partnership in the fiscal period.

1988, c. 4, s. 40; 1989, c. 5, s. 75; 1997, c. 3, s. 71; 2004, c. 8, s. 127; 2021, c. 14, s. 51.

613.1.1. Where the taxation year of a taxpayer ends after 26 February 2018, the following rules apply:

(a) for the purposes of sections 727 to 737, the taxpayer's non-capital loss, or limited partnership loss in respect of a partnership, for a preceding taxation year must be determined as if section 599.1 and subparagraph *b* of the first paragraph of section 613.1 applied in respect of a taxation year that ends before 27 February 2018; and

(b) in computing the adjusted cost base of the taxpayer's interest in a partnership after 26 February 2018, the taxpayer shall add an amount equal to the portion of the amount that, because of paragraph *a*, must reduce the taxpayer's non-capital loss that can reasonably be considered to be attributable to the amount of a loss deducted under subparagraph i of paragraph *l* of section 257 in computing the adjusted cost base of that interest.

2021, c. 14, s. 52.

613.2. For the purposes of sections 600, 600.0.3, 600.0.4, 602.1, 603 to 605.2, 608 to 613.10 and 727 to 737, the at-risk amount of a taxpayer, in respect of a partnership of which the taxpayer is a limited partner, at any particular time is the amount by which the aggregate of the following amounts exceeds the amount determined under section 613.3:

(a) the adjusted cost base to the taxpayer of his partnership interest at that time, computed in accordance with section 613.5, where applicable;

(b) where the particular time is the end of the fiscal period of the partnership, the aggregate of

i. the taxpayer's share of the income of the partnership from a particular source for that fiscal period, computed under the method described in subparagraph i of paragraph *i* of section 255, and

ii. the amount referred to in subparagraph viii of paragraph *i* of section 255 in respect of the taxpayer for that fiscal period.

1988, c. 4, s. 40; 1990, c. 59, s. 213; 1997, c. 3, s. 71; 2001, c. 7, s. 62; 2022, c. 23, s. 37.

613.3. The amount referred to in section 613.2 is equal to the aggregate of the following amounts:

(a) the aggregate of all amounts each of which is an amount owing at the particular time to the partnership, or to a person or partnership not dealing at arm's length with the partnership, by the taxpayer or by a person or partnership not dealing at arm's length with the taxpayer, other than any amount deducted under subparagraph i.3 of paragraph *l* of section 257 in computing the adjusted cost base, or under Title VIII of Book VI in computing the cost, to the taxpayer of the taxpayer's partnership interest at that time; and

(b) any amount or benefit that the taxpayer or a person not dealing at arm's length with the taxpayer is entitled, either immediately or in the future and either absolutely or contingently, to receive or to obtain, whether by way of reimbursement, compensation, revenue guarantee, proceeds of disposition, loan or any other form of indebtedness, or in any other form or manner whatever, granted or to be granted for the purpose of reducing the impact, in whole or in part, of any loss that the taxpayer may sustain because the taxpayer is a member of the partnership or holds or disposes of an interest in the partnership, except to the extent that the amount or benefit is referred to in paragraph *e* of section 399, paragraph *h* of section 412 or paragraph *e* of section 418.6 in respect of the taxpayer, or the entitlement arises

i. by virtue of a contract of insurance with an insurance corporation dealing at arm's length with each member of the partnership under which the taxpayer is insured against any claim arising as a result of a liability incurred in the ordinary course of carrying on the partnership business;

ii. *(subparagraph repealed)*;

iii. as a consequence of the death of the taxpayer;

iv. *(subparagraph repealed)*;

v. *(subparagraph repealed)*;

vi. in respect of an amount not included in the at-risk amount of the taxpayer in respect of the partnership determined without reference to this paragraph; or

vii. by reason of an excluded obligation, within the meaning of the regulations made under section 359.1, in relation to a share issued to the partnership by a corporation.

1988, c. 4, s. 40; 1988, c. 18, s. 50; 1993, c. 16, s. 239; 1995, c. 63, s. 46; 1996, c. 39, s. 166; 1997, c. 3, s. 71; 1997, c. 31, s. 60; 2001, c. 7, s. 63.

613.4. For the purposes of sections 613.2 and 613.3,

(a) the amount or benefit to which the taxpayer referred to in section 613.2, or a person not dealing at arm's length with the taxpayer, is at any time entitled and that is provided by way of an agreement or other arrangement under which the taxpayer or the person has a right, either immediately or in the future and either absolutely or contingently, otherwise than as a consequence of the death of the taxpayer, to acquire other property in exchange for all or any part of the taxpayer's interest in the partnership referred to in that section shall not be considered to be less than the fair market value of the other property at that time; and

(b) the amount or benefit to which the taxpayer or the person is at any time entitled and that is provided by way of a guarantee, security or similar covenant in respect of any loan or other obligation of the taxpayer or the person shall not be considered to be less than the aggregate of the unpaid amount of the loan or obligation at that time and all other amounts outstanding in respect of the loan or obligation at that time.

1988, c. 4, s. 40; 1997, c. 3, s. 71; 2001, c. 7, s. 64.

613.5. For the purposes of sections 613.2 to 613.4, where a taxpayer has acquired his partnership interest at any time from a transferor other than the partnership, the adjusted cost base to the taxpayer of that interest shall be computed as if the cost to him of the interest were the lesser of

(a) his cost otherwise determined, and

(b) the greater of the adjusted cost base of that interest to the transferor immediately before that time, and nil.

Notwithstanding the foregoing, where the adjusted cost base to the transferor cannot be determined, it is deemed to be equal to the aggregate of the amounts determined in respect of the taxpayer under paragraphs *a* and *b* of section 613.3 immediately after that time.

1988, c. 4, s. 40; 1997, c. 3, s. 71.

613.6. For the purposes of sections 600, 600.0.3, 600.0.4, 602.1, 603 to 605.2, 608 to 613.10 and 727 to 737, a taxpayer who is a member of a partnership at a particular time is a limited partner of the partnership at that time if the member's partnership interest is not an exempt interest, within the meaning assigned by section 613.7, at that time and if, at that time or within three years after that time,

(a) by operation of any law governing the partnership arrangement, the liability of the member as a member of the partnership is limited, except by operation of a provision of a statute of Canada or a province that limits the member's liability only for debts and other obligations of the partnership, or any member of the partnership, arising from the misconduct or faults or omissions or negligent acts that another member of the partnership or an employee, agent or mandatary, or representative of that member or of the partnership commits in the course of the partnership's business while the partnership is a limited liability partnership referred to in that provision;

(b) the member or a person not dealing at arm's length with the member is entitled, either immediately or in the future and either absolutely or contingently, to receive an amount or to obtain a benefit that would be described in paragraph *b* of section 613.3 if that paragraph were read without reference to subparagraphs ii, as it applies before being struck out, and vi thereof;

(c) where the member who owns the interest is a corporation, partnership or trust, one of the reasons for the existence of the member can reasonably be considered to be to limit the liability of any person with respect to that interest, and cannot reasonably be considered to be to permit any person who has an interest in the corporation, partnership or trust, as the case may be, to carry on that person's business, other than an investment business, in the most effective manner; or

(d) one of the main reasons for the existence of an agreement or other arrangement for the disposition of an interest in the partnership can reasonably be considered to be to attempt to avoid the application of this section to the member.

1988, c. 4, s. 40; 1997, c. 3, s. 71; 2001, c. 7, s. 65; 2003, c. 2, s. 139; 2022, c. 23, s. 38.

613.7. For the purposes of section 613.6, an exempt interest in a partnership at any time means a prescribed partnership interest or an interest in a partnership that was actively carrying on business on a regular and a continuous basis immediately before 26 February 1986 and continuously thereafter until that time or that was earning income from the rental or leasing of property immediately before 26 February 1986 and continuously thereafter until that time, where there has not after 25 February 1986 and before that time been a substantial contribution of capital to the partnership or a substantial increase in the indebtedness of the partnership and, for this purpose, an amount will not be considered to be substantial where

(a) the amount was used by the partnership to make an expenditure required to be made pursuant to the terms of a written agreement entered into by it before 26 February 1986, or to repay a loan, debt or contribution of capital that had been received or incurred in respect of any such expenditure;

(b) the amount was raised pursuant to the terms of a final prospectus, preliminary prospectus or registration statement filed before 26 February 1986 with a public authority in Canada pursuant to and in accordance with the securities legislation of Canada or of any province, and, where required by law, accepted for filing by such public authority; or

(c) the amount was used for the activity that was carried on by the partnership on 25 February 1986 but was not used for a significant expansion of the activity.

1988, c. 4, s. 40; 1997, c. 3, s. 71; 2001, c. 53, s. 88.

613.8. For the purposes of section 613.7, the following rules apply:

(a) a partnership in respect of which paragraph *b* of section 613.7 applies shall be considered to have been actively carrying on a business on a regular and a continuous basis immediately before 26 February 1986 and continuously thereafter until the earlier of the closing date, if any, stipulated in the document referred to in paragraph *b* of section 613.7, and 1 January 1987; and

(b) an expenditure shall not be considered to have been required to be made pursuant to the terms of an agreement where the obligation to make the expenditure is conditional in any way on the consequences under this Part relating to the expenditure and the condition has not been satisfied or waived before 12 June 1986.

1988, c. 4, s. 40; 1997, c. 3, s. 71.

613.9. For the purposes of paragraph *a* of section 613.3, where at any time an amount owing by a taxpayer or a person with whom the taxpayer does not deal at arm's length is repaid and it is established, by subsequent events or otherwise, that the repayment was made as part of a series of loans or other transactions and repayments, the amount owing is deemed not to have been repaid.

1988, c. 4, s. 40.

613.10. For the purposes of paragraph *a* of section 613.2, where at any time a taxpayer makes a contribution of capital to a partnership and the partnership or a person or partnership with whom the partnership does not deal at arm's length makes a loan to the taxpayer or to a person with whom the taxpayer does not deal at arm's length or repays the contribution of capital, and it is established, by subsequent events or otherwise, that the loan or repayment, as the case may be, was made as part of a series of loans or other transactions and repayments, the contribution of capital is deemed not to have been made to the extent of the loan or repayment, as the case may be.

1988, c. 4, s. 40; 1997, c. 3, s. 71.

CHAPTER III

CONTRIBUTION OF PROPERTY

1972, c. 23.

614. Where at a particular time after 1971 a partnership acquires property from a taxpayer who is, immediately after such acquisition, a member of the partnership, it is deemed to acquire it at its fair market value at that time and the member is deemed to dispose of it for proceeds equal to such value.

Despite any other provision of this Part, other than section 93.3.1 and the third paragraph, where a taxpayer disposes of any property (other than an eligible derivative, within the meaning of section 85.8, of the taxpayer if subparagraph *b* of the first paragraph of section 85.7 applies to the taxpayer) that is a capital property, Canadian resource property, foreign resource property or inventory to a partnership that, immediately after the disposition, is a Canadian partnership of which the taxpayer is a member, and the taxpayer and all the other members of the partnership make a valid election for the purposes of subsection 2 of section 97 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the disposition or, where that election cannot be made because of subsection 21.2 of section 13 of that Act, make an election, in the prescribed form referred to in the first paragraph of section 520.1, the following rules apply:

(a) sections 520.1, 520.2, 521.2, 522 and 523 to 526 and paragraph *a* of section 528 apply in respect of the disposition as if the references therein to section 518 were references to this paragraph, and replacing therein

i. except in sections 525.1 and 525.2, the words “and the corporation” and “and by the corporation” respectively by the words “and all the other members of the partnership” and “and by all the other members of the partnership”,

ii. the words “a share of the capital stock of the corporation” and “a right to receive any such share” respectively by the words “an interest in the partnership” and “a right to receive any such interest”,

iii. the words “shareholder of the corporation” by the words “member of the partnership”,

iv. except in the second paragraph of section 522 and in section 526, any other occurrence of the word “corporation” by the word “partnership”, and

v. in the portion of subparagraph *a* of the third paragraph of section 520.1 before subparagraph i, the words “the taxation year which, of the taxation years of those persons, ends the latest” by the words “that taxation year of the taxpayer or the fiscal period of the partnership in which the disposition was made, whichever year or period in the latter case ends later”;

*(a.*1*) (subparagraph repealed);*

(b) in computing, after the disposition, the adjusted cost base of the taxpayer’s interest in the partnership immediately after the disposition, the taxpayer shall

i. add the amount by which the taxpayer’s proceeds of disposition of the property exceed the fair market value at the time of the disposition, of the consideration other than an interest in the partnership, received by the taxpayer for the property, and

ii. deduct the amount by which the fair market value, at the time of the disposition, of the consideration other than an interest in the partnership, received by the taxpayer for the property exceeds the fair market value of the property at that time; and

(c) where the taxpayer so disposes of any taxable Canadian property or any taxable Québec property as consideration for an interest in the partnership, the interest is deemed to be also, at any time that is within 60 months after the disposition, a taxable Canadian property or a taxable Québec property, as the case may be.

The second paragraph does not apply in respect of a disposition of a property by a taxpayer to a partnership if

(a) as part of a transaction or event or series of transactions or events that includes the disposition

i. control of a taxable Canadian corporation is acquired by another taxable Canadian corporation (in this paragraph referred to as the “subsidiary” and the “parent”, respectively),

ii. the subsidiary is amalgamated with one or more other corporations in the course of an amalgamation to which section 550.9 applies or is wound up in accordance with Chapter VII of Title IX, and

iii. the parent designates an amount in accordance with paragraph *d* of subsection 1 of section 88 of the Income Tax Act in respect of an interest in a partnership;

(b) the disposition of the property occurs after the acquisition of control of the subsidiary;

(c) the property is a capital property whose disposition may not be the subject of a valid election for the purposes of subsection 2 of section 97 of the Income Tax Act because of subsection 21.2 of section 13 of that Act but could, in the absence of this paragraph, be the subject of an election under the second paragraph given the inapplicability of section 93.3.1 in respect of the disposition; and

(d) the subsidiary is the taxpayer or has, before the disposition of the property, directly or indirectly in any manner whatever, an interest in the taxpayer.

1972, c. 23, s. 460; 1975, c. 22, s. 170; 1984, c. 15, s. 132; 1986, c. 19, s. 133; 1997, c. 3, s. 71; 1997, c. 31, s. 153; 1997, c. 85, s. 98; 2000, c. 5, s. 136; 2002, c. 40, s. 43; 2003, c. 9, s. 40; 2004, c. 8, s. 128; 2005, c. 1, s. 122; 2009, c. 5, s. 195; 2011, c. 6, s. 138; 2011, c. 34, s. 32; 2015, c. 21, s. 209; 2019, c. 14, s. 162; 2020, c. 16, s. 90; 2021, c. 18, s. 48.

614.1. Except for the purposes of this section, where a property is disposed of to a partnership before 26 March 1997 by a taxpayer, the second paragraph of section 614 and Divisions I to III of Chapter IV of Title IX, as they read in respect of property disposed of on 26 March 1997 and not as they read in respect of the disposition, apply in respect of the disposition where

(a) the disposition is made after 18 December 1996, or is part of a series of transactions or events that began before 19 December 1996 and ended after 18 December 1996; and

(b) it may not reasonably be considered that all or substantially all of an excess amount is attributable to the difference between the cost amount of the property to the taxpayer, immediately before the disposition, for the purposes of this Part and the cost amount of the property to the taxpayer, at that time, for the purposes of Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), where that excess amount is

i. the amount by which the taxpayer's income for the taxation year in which the disposition is made is reduced by reason of the application of the second paragraph of section 614 in respect of the disposition, exceeds the amount, if any, by which the taxpayer's income for that year, established for the purposes of Part I of the Income Tax Act, is reduced by reason of the application of subsection 2 of section 97 of that Act in respect of the disposition, or

ii. the amount by which the cost amount of the property to the partnership, immediately after the disposition, for the purposes of this Part, exceeds the cost amount of the property to the partnership established at that time for the purposes of Part I of the Income Tax Act.

However, the first paragraph does not apply where the disposition is of property in respect of which section 522, as it reads in respect of property disposed of on 26 March 1997, would apply if

(a) the disposition had been made on 26 March 1997;

(b) where the election referred to in the second paragraph of section 614, as that paragraph reads in respect of property disposed of on 26 March 1997, was not made in respect of the disposition, the election had been made for an amount agreed on equal to the fair market value of the property at the time of the disposition; and

(c) an amount had been agreed on in respect of the property in the prescribed form for the purposes of that section 522, and was equal to the amount agreed on in its respect in the election made under the second paragraph of section 614, as that paragraph reads in respect of the disposition, or to the fair market value of the property at the time of the disposition if no election were made.

1997, c. 85, s. 99; 1997, c. 85, s. 781.

615. *(Repealed).*

1972, c. 23, s. 461; 1984, c. 15, s. 133; 1996, c. 39, s. 167; 1997, c. 3, s. 71; 2000, c. 5, s. 137.

616. *(Repealed).*

1972, c. 23, s. 462; 1982, c. 5, s. 133; 1984, c. 15, s. 133; 1989, c. 77, s. 68; 1990, c. 59, s. 214; 1997, c. 3, s. 71; 2000, c. 5, s. 137.

617. For the purposes of sections 93 to 104, 130 and 130.1 and of the regulations made under paragraph *a* of section 130, where the second paragraph of section 614 applies to depreciable property the capital cost of which, to the taxpayer who disposed of it to the partnership, exceeds the proceeds of its disposition:

(a) the capital cost of the property, to the partnership, is deemed to be equal to the capital cost of the property to the taxpayer; and

(b) the excess is deemed to have been allowed to the partnership as depreciation for the taxation years preceding the acquisition of that property by it.

1972, c. 23, s. 463; 1974, c. 18, s. 24; 1979, c. 18, s. 50; 1997, c. 3, s. 71.

617.1. Where the second paragraph of section 614 has applied in respect of the disposition of any property by an individual to a partnership, the cost of the property to the individual was included in computing an amount determined under section 75.2.1 or 75.3 in respect of the individual, the property is depreciable property of the partnership, and the amount, in this section referred to as the "individual's original cost", that would be the cost of the property to the individual immediately before its disposition if this Act were read without reference to section 75.5 exceeds the individual's proceeds of disposition of the property, the following rules apply:

(a) the capital cost to the partnership of the property is deemed to be equal to the individual's original cost; and

(b) the amount by which the individual's original cost exceeds the individual's proceeds of disposition of the property is deemed to have been allowed to the partnership as depreciation in respect of the property for taxation years that end before the time of disposition.

2004, c. 8, s. 129; 2007, c. 12, s. 68.

CHAPTER IV

DISPOSITION OF PROPERTY

1972, c. 23.

DIVISION I

GENERALITIES

1972, c. 23.

618. For the purposes of this Part, where, but for this section, at any time after 31 December 1971 a partnership would be dissolved, the following rules apply:

(a) until such time as all the partnership property and any property substituted therefor has been distributed to the persons entitled by law to receive it, the partnership is deemed to continue to exist, and each person who was a member of the partnership is deemed to still be a member of the partnership;

(b) the right of each such person to share in that property is deemed to be an interest in the partnership; and

(c) notwithstanding section 261, where at the end of a fiscal period of the partnership, in respect of an interest in the partnership, the aggregate of all amounts required by section 257, to be deducted in computing the adjusted cost base to a taxpayer of the interest at that time exceeds the aggregate of the cost to the taxpayer of the interest determined for the purpose of computing the adjusted cost base to the taxpayer of that interest at that time and all amounts required by section 255 to be added to the cost to the taxpayer of the interest in computing the adjusted cost base to the taxpayer of that interest at that time, the amount of the

excess is deemed to be a gain of the taxpayer for the taxpayer's taxation year that includes that time from a disposition at that time of that interest and, for the purposes of Title VI.5.1 of Book IV, that interest is deemed to have been disposed of by the taxpayer at that time.

1972, c. 23, s. 464; 1977, c. 26, s. 66; 1996, c. 39, s. 168; 1997, c. 3, s. 71.

619. Subject to sections 529 to 533 and 620 to 631, a partnership disposing, at a particular time after 1971, of property to a taxpayer who is, immediately before such time, one of its members, is deemed to have received therefrom proceeds equal to its fair market value at that time and the taxpayer is deemed to have acquired the property at that same value.

1972, c. 23, s. 465; 1975, c. 22, s. 171; 1997, c. 3, s. 71.

619.1. For the purposes of sections 622, 623, 628 and 629, a leasehold interest in a depreciable property and an option to acquire a depreciable property are deemed to be depreciable properties.

2020, c. 16, s. 91.

DIVISION II

DISSOLUTION OF THE PARTNERSHIP

1972, c. 23; 1997, c. 3, s. 71.

620. The rules provided in this division apply where, at a particular time after 1971, a Canadian partnership is dissolved and its property is distributed to persons who were members thereof immediately before that time.

The rules referred to in the first paragraph apply only if each of those persons has in each such property, immediately after that time, an undivided right equal, when expressed as a percentage, to the person's undivided right, when so expressed, in each other property of the partnership and if all those persons make a valid election for the purposes of subsection 3 of section 98 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the property.

The percentage of the undivided right of each member of the partnership shall be referred to, in this division, as his share.

1972, c. 23, s. 466; 1975, c. 22, s. 172; 1984, c. 35, s. 16; 1997, c. 3, s. 71; 1997, c. 85, s. 100; 2020, c. 16, s. 92; 2021, c. 36, s. 71.

620.1. Where the rules provided for in this division apply in respect of the dissolution of a partnership, the prescribed form must be sent to the Minister.

In addition, where the form is not sent to the Minister on or before the date that is the earliest of the filing-due dates for the persons referred to in section 620 in respect of the dissolution, for the taxation year in which the dissolution occurred, those persons incur a penalty equal to the lesser of

(a) 0.25%, for each month or part of a month during the period from the earliest date of those filing-due dates until the day on which the form is sent to the Minister, of the amount by which the aggregate of the amounts of money and the fair market value of partnership property received by those persons as consideration for the disposition of their interests in the partnership at the time the partnership is dissolved, exceeds the aggregate of the proceeds of disposition determined in respect of each of those persons under section 621; and

(b) the lesser of $5,000 and the product obtained by multiplying $100 by the number of months each of which is a month all or part of which is during the period referred to in subparagraph *a*.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to give effect to the rules provided for in this division in respect of the dissolution of partnerships.

1997, c. 85, s. 101; 2000, c. 39, s. 37.

621. Each person contemplated in section 620 is deemed to receive, as proceeds of disposition of his interest in the partnership, an amount equal to the greater of:

(a) the adjusted cost base of his interest in the partnership, immediately before the particular time; and

(b) the amount of any money received by him on the dissolution of the partnership and of his share of the cost amount, to the partnership, of each of its properties, immediately before their distribution.

1972, c. 23, s. 467; 1997, c. 3, s. 71.

622. The cost to each person to whom section 620 applies of an undivided right in each property of the partnership is deemed to be equal to that person's share of the cost amount to the partnership of the property immediately before its distribution, plus, where the property is a non-depreciable capital property and the amount determined under paragraph *a* of section 621 in respect of that person exceeds the aggregate determined under paragraph *b* of section 621 in respect of that person, the portion of such excess designated by that person.

1972, c. 23, s. 468; 1988, c. 18, s. 51; 1994, c. 22, s. 214; 1997, c. 3, s. 71; 2003, c. 2, s. 140; 2005, c. 1, s. 123; 2019, c. 14, s. 163; 2020, c. 16, s. 93.

623. The amount designated under section 622 by a person contemplated in section 620 shall not exceed the excess of his share of the fair market value of the property concerned, immediately after its distribution, over his share of the cost amount of that property, to the partnership, immediately before its distribution.

Likewise, the aggregate of such designated amounts shall not exceed, in the case of non-depreciable capital property, the excess contemplated in section 622.

1972, c. 23, s. 469; 1988, c. 18, s. 52; 1997, c. 3, s. 71; 2019, c. 14, s. 164.

624. For the purposes of sections 93 to 104, 130 and 130.1 and of the regulations made under paragraph *a* of section 130, where depreciable property of a prescribed class is distributed and the share of a person contemplated in section 620 in the capital cost of that property to the partnership exceeds the cost, to the person, of the person's undivided right in that property, as determined under section 622, the following rules apply:

(a) the capital cost, to the person, of the person's undivided right in the property is deemed to be equal to the person's former share of the capital cost of such property to the partnership; and

(b) the excess is deemed to have been allowed to the person as depreciation for the taxation years before the acquisition by the person of the undivided right.

1972, c. 23, s. 470; 1979, c. 18, s. 51; 1997, c. 3, s. 71; 2020, c. 16, s. 94.

624.1. *(Repealed).*

1994, c. 22, s. 215; 1996, c. 39, s. 169; 1997, c. 3, s. 71; 2003, c. 2, s. 141; 2005, c. 1, s. 124; 2019, c. 14, s. 165.

625. The partnership contemplated in section 620 is deemed to dispose of each of its properties for proceeds equal to the cost amount of the property, to such partnership, immediately before its distribution.

1972, c. 23, s. 471; 1997, c. 3, s. 71.

DIVISION III

BUSINESS CARRIED ON AS SOLE PROPRIETORSHIP

1972, c. 23.

626. (1) The rules provided in this division apply where, at a particular time after 1971, a Canadian partnership is dissolved and, within three months after that time, one only of the persons who were members of the partnership immediately before such time carries on itself the business formerly carried on by the partnership.

(2) However, the rules contemplated in subsection 1 do not apply unless such person, whether an individual, a trust or a corporation, uses, in the business, any property that was partnership property immediately before that time and that was received by him as proceeds of disposition of his interest in the partnership.

1972, c. 23, s. 472; 1975, c. 22, s. 173; 1997, c. 3, s. 71.

627. The person contemplated in section 626 is deemed to receive, as consideration for the disposition of his interest in the partnership, an amount equal to the greater of:

(a) the aggregate of the adjusted cost base of his interest in the partnership immediately before the particular time, and the adjusted cost base to him of each other interest in the partnership deemed under section 632 to have been acquired by him at the particular time; and

(b) the aggregate of the cost amount, to the partnership, immediately before the particular time, of each property so received by that person and of the amount of any other proceeds from the disposition of his interest in the partnership.

1972, c. 23, s. 473; 1975, c. 22, s. 174; 1993, c. 16, s. 240; 1997, c. 3, s. 71.

628. The cost to a person to whom section 626 applies of a property so received is deemed to be equal to the cost amount to a partnership of the property immediately before the particular time, plus, where the property is a non-depreciable capital property of that person and the aggregate determined under paragraph *a* of section 627 exceeds the aggregate determined under paragraph *b* of section 627, the portion of such excess designated by that person.

1972, c. 23, s. 474; 1975, c. 22, s. 175; 1988, c. 18, s. 53; 1994, c. 22, s. 216; 1997, c. 3, s. 71; 2003, c. 2, s. 142; 2005, c. 1, s. 125; 2019, c. 14, s. 166.

629. The amount designated under section 628 shall not exceed the excess of the fair market value of the property concerned, immediately after the particular time, over its cost amount to the partnership immediately before that time.

Likewise, the aggregate of such designated amounts shall not exceed, in the case of non-depreciable capital property, the excess contemplated in section 628.

1972, c. 23, s. 475; 1973, c. 17, s. 69; 1988, c. 18, s. 54; 1997, c. 3, s. 71; 2019, c. 14, s. 167.

630. For the purposes of sections 93 to 104, 130 and 130.1 and of the regulations made under paragraph *a* of section 130, where property received by a person contemplated in section 626 is depreciable property of a prescribed class and where its capital cost to the partnership exceeds its capital cost, to such person, as determined under section 628,

(a) the capital cost to him of the property is deemed to be the capital cost of the property to the partnership; and

(b) the excess is deemed to have been allowed to that person as depreciation for the taxation years before its acquisition by him.

1972, c. 23, s. 476; 1979, c. 18, s. 52; 1997, c. 3, s. 71.

630.1. *(Repealed).*

1994, c. 22, s. 217; 1996, c. 39, s. 170; 1997, c. 3, s. 71; 2003, c. 2, s. 143; 2005, c. 1, s. 126; 2019, c. 14, s. 168.

631. The partnership contemplated in section 626 is deemed to have disposed of each of the properties referred to therein for proceeds equal to the cost amount of the property, to such partnership, immediately before the particular time.

1972, c. 23, s. 477; 1982, c. 5, s. 134; 1997, c. 3, s. 71.

632. Where, at the particular time referred to in section 626, all other persons who were members of the partnership immediately before that time dispose of their interests in the partnership to the person referred to in the said section, such person is deemed to acquire at that time partnership interests from those other persons and not partnership property.

1975, c. 22, s. 176; 1997, c. 3, s. 71.

DIVISION IV

BUSINESS CONTINUED BY A NEW PARTNERSHIP

1972, c. 23; 1997, c. 3, s. 71.

633. Where a Canadian partnership is dissolved at a particular time after 1971 and, at or before that time, all of its property has been transferred to another Canadian partnership all the members of which were members of the dissolved partnership, such new partnership is deemed to be a continuation of the dissolved partnership and any member's interest in the new partnership is deemed to be a continuation of his interest in the dissolved partnership.

1972, c. 23, s. 478; 1997, c. 3, s. 71.

DIVISION V

DISPOSITION OF FARMING LAND

1972, c. 23.

634. Any taxpayer who was a member of a partnership at the end of a taxation year of the partnership in which it disposed of land used in a farming business may deduct, in computing his income for his taxation year in which the taxation year of the partnership ended, subject to section 635.1, 1/2 of the aggregate of amounts each of which is an amount equal to the taxpayer's loss from the farming business for such taxation year or any preceding taxation year ending after 31 December 1971.

1972, c. 23, s. 479; 1990, c. 59, s. 215; 1997, c. 3, s. 71; 2003, c. 2, s. 144.

635. The taxpayer shall not make the deduction provided for in section 634 except to the extent that such loss:

(a) is not deductible in computing his income for the year under sections 205 to 207;

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

(c) does not exceed his share of the aggregate of the following amounts, to the extent that those amounts are included in computing the loss of the partnership from the farming business for its taxation year ending in the year:

(1) taxes, other than income or profits taxes or taxes imposed by reference to the transfer of the property, paid by the partnership in its taxation year ending in the year or payable by it in respect of that taxation year to a province or a Canadian municipality in respect of the property, and

(2) interest paid by the partnership in its taxation year ending in the year or payable by it in respect of that taxation year, pursuant to a legal obligation to pay interest on borrowed money used to acquire the property or on any amount as consideration payable for the property; and

(d) does not exceed the amount obtained by subtracting from, subject to section 635.1, twice the taxpayer's taxable capital gain from the disposition of the land contemplated in section 634 the aggregate of his losses from the farming business for taxation years preceding the year which must be included in computing the amount deductible under this division in respect of the taxpayer.

1972, c. 23, s. 480; 1985, c. 25, s. 105; 1990, c. 59, s. 216; 1995, c. 49, s. 150; 1997, c. 3, s. 71; 2003, c. 2, s. 145.

635.1. Where the taxation year of the taxpayer includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the following rules apply:

(a) the reference to the fraction "1/2" in section 634 shall be read as a reference to the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the taxpayer for the year; and

(b) the reference to the word "twice" in paragraph *d* of section 635 shall be read, with the necessary modifications, as a reference to the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the taxpayer for the year.

2003, c. 2, s. 146.

CHAPTER V

DISPOSITION OF AN INTEREST IN A PARTNERSHIP

1972, c. 23; 1997, c. 3, s. 71.

636. The rules provided for in paragraphs *a* to *c* of section 645 apply where, by virtue of the death of an individual, a taxpayer acquires a property that was an interest in a partnership immediately before the individual's death, other than an interest to which section 639 to 644 applied, and the taxpayer is not a member of the partnership and does not become a member of such partnership by reason of such acquisition.

1977, c. 26, s. 67; 1997, c. 3, s. 71.

637. If, as part of a transaction or event or series of transactions or events, a taxpayer disposes of an interest in a particular partnership and an interest in the partnership is acquired by a person or partnership described in any of paragraphs *a* to *d* of section 637.1, the taxpayer's taxable capital gain from the disposition of the interest is deemed, despite section 231, to be equal to the total of

(a) subject to the second paragraph, 1/2 of the portion of the taxpayer's capital gain for the year from the disposition that can reasonably be attributed to the increase in the value of a property of the particular partnership that is capital property (other than depreciable property) held directly or indirectly by the particular partnership through one or more other partnerships; and

(b) the whole of the remaining portion of such capital gain.

However, where the taxation year of the taxpayer includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the reference to the fraction "1/2" in subparagraph *a*

of the first paragraph, as it read in respect of that taxation year, is to be read as a reference to the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the taxpayer for the year.

1972, c. 23, s. 481; 1984, c. 15, s. 134; 1990, c. 59, s. 217; 1997, c. 3, s. 71; 2003, c. 2, s. 147; 2015, c. 21, s. 210; 2020, c. 16, s. 95.

637.1. Subject to section 637.2, section 637 applies in respect of a disposition of a partnership interest by a taxpayer if the interest is acquired by

(a) a person exempt from tax under sections 980 to 999.1;

(b) a person not resident in Canada;

(c) another partnership to the extent that the interest can reasonably be considered to be held, at the time of its acquisition by the other partnership, indirectly through one or more partnerships, by a person that is

i. a person exempt from tax under sections 980 to 999.1,

ii. a person not resident in Canada, or

iii. a trust resident in Canada (other than a mutual fund trust) if

(1) an interest as a beneficiary under the trust is held, directly or indirectly through one or more other partnerships, by a person exempt from tax under sections 980 to 999.1 or by a trust (other than a mutual fund trust), and

(2) the fair market value of all the interests as beneficiaries under the trust held by persons referred to in subparagraph 1 exceeds 10% of the fair market value of all the interests as beneficiaries under the trust; or

(d) a trust resident in Canada (other than a mutual fund trust) to the extent that the trust can reasonably be considered to have a beneficiary that is

i. a person exempt from tax under sections 980 to 999.1,

ii. a partnership, if

(1) an interest in the partnership is held, whether directly or indirectly through one or more other partnerships, by one or more persons exempt from tax under sections 980 to 999.1 or by one or more trusts (other than mutual fund trusts), and

(2) the fair market value of all the interests in the partnership held by persons referred to in subparagraph 1 exceeds 10% of the fair market value of all the interests in the partnership, or

iii. another trust (other than a mutual fund trust), if

(1) at least one beneficiary under the other trust is a person exempt from tax under sections 980 to 999.1, a partnership or a trust (other than a mutual fund trust), and

(2) the fair market value of all the interests as beneficiaries under the other trust held by the persons referred to in subparagraph 1 exceeds 10% of the fair market value of all the interests as beneficiaries under the other trust.

2015, c. 21, s. 211.

637.2. Section 637 does not apply in respect of a taxpayer's disposition of a partnership interest to a partnership or trust described in paragraph *c* or *d* of section 637.1 if the extent to which section 637 would, but for this section, apply to the taxpayer's disposition of the interest because of that paragraph *c* or *d* does not exceed 10% of the taxpayer's interest.

The first paragraph does not apply in respect of a disposition to a trust under which the amount of the income or capital to be distributed at any time in respect of any interest as a beneficiary under the trust depends on the exercise by any person or partnership of, or the failure by any person or partnership to exercise, a power to appoint.

2015, c. 21, s. 211.

637.3. Section 637 does not apply in respect of a taxpayer's disposition of a partnership interest to a person not resident in Canada if

(a) property of the partnership is used, immediately before and immediately after the acquisition of the interest by that person, in carrying on a business in an establishment situated in Canada; and

(b) the fair market value of all the property referred to in paragraph *a* is not less than 90% of the fair market value of all property of the partnership.

2015, c. 21, s. 211.

637.4. The rules of the second paragraph apply in respect of a taxpayer's particular interest in a partnership if

(a) it may be reasonable to conclude that one of the purposes of a dilution, reduction or alteration of the particular interest was to avoid the application of section 637 in respect of the particular interest; and

(b) as part of a transaction or event or series of transactions or events that includes the dilution, reduction or alteration of the particular interest, there is

i. an acquisition of an interest in the partnership by a person or partnership described in any of paragraphs *a* to *d* of section 637.1, or

ii. an increase in, or alteration of, an interest in the partnership held by a person or partnership described in any of paragraphs *a* to *d* of section 637.1.

For the purposes of section 637,

(a) the taxpayer is deemed to have disposed of an interest in the partnership at the time of the dilution, reduction or alteration;

(b) the taxpayer is deemed to have a capital gain from the disposition equal to the amount by which the fair market value of the particular interest immediately before the time of the dilution, reduction or alteration exceeds the fair market value of the particular interest immediately after that time; and

(c) the person or partnership referred to in subparagraph *b* of the first paragraph is deemed to have acquired an interest in the partnership as part of the transaction or event or series of transactions or events that includes the disposition referred to in subparagraph *a*.

2015, c. 21, s. 211.

638. A taxpayer shall include, in computing his gain from the disposition of an interest in a partnership, for a taxation year, in addition to the amount determined under section 234, the excess of the amounts to be deducted in computing the adjusted cost base of his interest in the partnership, immediately before the disposition, under section 257, over the aggregate of the cost of his interest in the partnership, determined for the purposes of computing the adjusted cost base of that interest at that time, and the amounts required by section 255 to be added to that cost in such computation at that time.

1972, c. 23, s. 482; 1973, c. 17, s. 70; 1975, c. 22, s. 177; 1997, c. 3, s. 71.

638.0.1. Where, as a result of an amalgamation or merger, an interest in a partnership owned by a predecessor corporation has become property of the new corporation formed as a result of the amalgamation or merger and the predecessor corporation was not related to the new corporation, the predecessor corporation is deemed to have disposed of the interest in the partnership to the new corporation immediately before the amalgamation or merger for proceeds of disposition equal to the adjusted cost base to the predecessor corporation of the interest in the partnership at the time of the disposition and the new corporation is deemed to have acquired the interest in the partnership from the predecessor corporation immediately after that time at a cost equal to the proceeds of disposition.

1989, c. 77, s. 69; 1997, c. 3, s. 71.

638.1. Notwithstanding the second paragraph of section 231, the capital loss of a taxpayer from the disposition at any time of an interest in a partnership is deemed to be equal to the amount of the loss otherwise determined minus the aggregate of all amounts each of which is an amount by which the taxpayer's share of the partnership's loss, in respect of a share of the capital stock of a corporation that is property of a particular partnership at that time, would be reduced under section 741.2 if the fiscal period of every partnership that includes that time had ended immediately before that time and the particular partnership had disposed of the share immediately before the end of that fiscal period for proceeds equal to its fair market value at that time.

1984, c. 15, s. 135; 1997, c. 3, s. 71; 2001, c. 7, s. 66.

638.2. A taxpayer who pays an amount at any time in a taxation year is deemed to have a capital loss from a disposition of property for the year if

(a) the taxpayer disposed of an interest in a partnership before that time or, because of section 636, acquired before that time a right to receive property of a partnership;

(b) that time is after the disposition or acquisition;

(c) the amount would have been described in subparagraph i of paragraph *i* of section 255 had the taxpayer been a member of the partnership at that time; and

(d) the amount is paid pursuant to a legal obligation of the taxpayer to pay the amount.

2009, c. 5, s. 196.

CHAPTER VI

RESIDUAL INTEREST IN A PARTNERSHIP

1975, c. 22, s. 178; 1997, c. 3, s. 71.

639. This chapter applies to a taxpayer who would otherwise have ceased at any time after 1971 to be a member of a partnership.

1975, c. 22, s. 178; 1997, c. 3, s. 71.

640. Subject to sections 428 to 451, Title VI.5 of Book IV and Chapter I of Title I.1 of Book VI, and notwithstanding any other provision of this Part, the taxpayer referred to in section 639 is deemed not to have disposed of and to continue to have an interest in the partnership, in this chapter referred to as a "residual interest", until such time as all his rights to receive any property as consideration for his interest in the partnership immediately before the time that he ceased to be a member of the partnership are satisfied in full.

For the purposes of this section, a right to receive any property does not include a right to a share of the income or loss of a partnership under a agreement referred to in section 608.

1975, c. 22, s. 178; 1980, c. 13, s. 61; 1995, c. 49, s. 151; 1997, c. 3, s. 71; 2001, c. 7, s. 67; 2004, c. 8, s. 130.

641. Despite section 640, a taxpayer is deemed not to have disposed of the taxpayer's residual interest before the end of the partnership's fiscal period in which the taxpayer ceased to be a member of the partnership even if all of the taxpayer's rights described in that section have been satisfied in full before the end of that fiscal period.

1975, c. 22, s. 178; 1997, c. 3, s. 71; 2019, c. 14, s. 169.

642. Paragraph *c* of section 618 applies to the residual interest of a taxpayer at the end of a fiscal period of the partnership.

1975, c. 22, s. 178; 1996, c. 39, s. 171; 1997, c. 3, s. 71.

643. A taxpayer who holds a residual interest is deemed not to be a member of the partnership:

(a) except for the purposes of sections 714 and 752.0.10.11, if he holds such interest by virtue of section 641; or

(b) except for the purposes of sections 530 to 533, if he holds such interest otherwise than as provided in paragraph *a*.

1975, c. 22, s. 178; 1993, c. 64, s. 39; 1997, c. 3, s. 71.

644. Where a partnership has been dissolved, or would have been dissolved but for section 618, at a time when a taxpayer had rights referred to in section 640 in respect of that partnership and the members of another partnership agree to satisfy all or part of those rights, such other partnership is, for the purposes of section 640, deemed to be a continuation of the original partnership.

1975, c. 22, s. 178; 1997, c. 3, s. 71.

645. Where by virtue of the death of an individual a taxpayer acquires a property that is an interest in a partnership to which, immediately before the individual's death, sections 639 to 644 applied:

(a) the taxpayer is deemed to acquire a right to receive partnership property and not to acquire an interest in the partnership;

(b) the taxpayer is deemed to acquire the right referred to in paragraph *a* at a cost equal to the amount deemed to be the proceeds of the disposition of the interest in the partnership to the deceased individual under section 436 or subparagraph *a* of the first paragraph of section 440; and

(c) section 254 does not apply to such right.

1975, c. 22, s. 178; 1994, c. 22, s. 218; 1997, c. 3, s. 71.

TITLE XII

TRUSTS AND THEIR BENEFICIARIES

1972, c. 23.

CHAPTER I

GENERALITIES

1972, c. 23.

646. In this Part, unless the context indicates a different meaning and subject to the third paragraph, a trust, wherever it is created, or a succession, in this Title referred to as a "trust", also includes the trustee or other legal representative having ownership or control of the trust property.

Likewise, a beneficiary shall include every person having a beneficial interest in a trust.

However, except for the purposes of this section, subparagraph v of subparagraph *b* of the first paragraph of section 248, subparagraph *g* of the second paragraph of that section and section 646.1, an arrangement under which a trust can reasonably be considered to act as agent or mandatary for all of the beneficiaries under the trust in respect of all of the dealings with all of the trust's property, is deemed not to be a trust, unless the trust is described in any of paragraphs *a* to *d* of the third paragraph of section 647.

1972, c. 23, s. 483; 1988, c. 18, s. 55; 1994, c. 22, s. 219; 1996, c. 39, s. 273; 1998, c. 16, s. 176; 2000, c. 5, s. 138; 2003, c. 2, s. 148.

646.0.1. For the purposes of this Title, a succession that is a graduated rate estate, of an individual at a particular time, is the succession that arose on and as a consequence of the individual's death and that meets the following conditions:

(a) the particular time is no more than 36 months after the death;

(b) the succession is at the particular time a testamentary trust;

(c) the individual's Social Insurance Number (or if the individual had not, before the death, been assigned a Social Insurance Number, such other information as is acceptable to the Minister) is provided in the succession's fiscal return under this Part for its taxation year that includes the particular time and for each of its earlier taxation years that ended after 31 December 2015;

(d) the succession designates itself as the succession that is the graduated rate estate of the individual in its fiscal return under this Part for its first taxation year that ends after 31 December 2015; and

(e) no other succession designates itself as the succession that is the graduated rate estate of the individual in a fiscal return under this Part for a taxation year that ends after 31 December 2015.

Where a succession is not resident in Québec on the last day of its first taxation year that begins after 31 December 2015 and it is, at a particular time, a succession that is a graduated rate estate, within the meaning of section 248 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the following rules apply:

(a) it is deemed to be a succession that is a graduated rate estate at that time for the purposes of this Part; and

(b) paragraph *b* of the definition of "taxation year" in section 1 is to be read as follows:

"(*b*) in the case of a succession that is a graduated rate estate, the particular period for which the succession's accounts are made up for purposes of assessment under the Income Tax Act; and".

2017, c. 1, s. 148; 2024, c. 11, s. 58.

646.1. Notwithstanding section 7.11.1 and for the purposes of subparagraph ii of paragraph *b* of section 454.2, section 646, subparagraph *a*.4 of the first paragraph of section 653 and paragraph *e* of section 692.5, a person or partnership is deemed not to be a beneficiary under a trust at a particular time where the person or partnership is beneficially interested in the trust at that time solely because of

(a) a right that may arise as a consequence of the terms of the will of an individual who, at that time, is a beneficiary under the trust;

(b) a right that may arise as a consequence of the law governing the intestacy of an individual who, at that time, is a beneficiary under the trust;

(c) a right as a shareholder under the terms of the shares of the capital stock of a corporation that, at that time, is a beneficiary under the trust;

(d) a right as a member of a partnership under the terms of the partnership agreement, where, at that time, the partnership is a beneficiary under the trust; or

(e) any combination of rights described in paragraphs *a* to *d*.

2003, c. 2, s. 149; 2009, c. 5, s. 197.

647. A trust is, for the purposes of this Part and as regards its property, deemed to be an individual, without affecting the liability of the trustee or legal representative for their own income tax.

However, where there are several trusts most of the property of which has been received from one person and the income of which, according to the terms governing such trusts, will ultimately accrue to the same beneficiary or same group or class of beneficiaries, the trustees whom the Minister designates are deemed to be one individual.

For the purposes of sections 653 to 656.2, 659 and 660 and paragraph *b* of section 657 at any time, a trust does not include a unit trust or a particular trust described in the fourth paragraph and, for the purposes of sections 653 to 656.2, 659, 660, 661, 662, 663.1, 663.2, 665, 665.1, 684 to 688.2, 690.0.1 and 691 to 692.0.1 and paragraph *b* of section 657, a trust does not include any of the following trusts:

(a) an amateur athlete trust, an employee trust, an employee life and health trust, a trust described in paragraph *c*.4 of section 998 or a trust governed by a foreign retirement arrangement, a registered pension plan, a pooled registered pension plan, a profit sharing plan, a registered supplementary unemployment benefit plan, a registered retirement savings plan, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan, an employee benefit plan, a registered retirement income fund, a tax-free savings account or a first home savings account;

(a.1) a trust, other than a trust described in subparagraph *a* or *d*, a trust to which section 53 or 58 applies or a trust prescribed for the purposes of section 688, all or substantially all of the property of which is held for the purpose of providing benefits to individuals each of whom is provided with benefits in respect of, or because of, an office or employment or former office or employment of any individual;

(b) a segregated fund trust referred to in section 851.2, a trust referred to in section 851.25 or an RCA trust within the meaning of subparagraph *c* of the first paragraph of section 890.1;

(c) a trust each of the beneficiaries under which was at all times after it was created a trust referred to in subparagraph *a* or *b*, other than a trust referred to in section 851.25, or a person who is a beneficiary of the trust only because of being a beneficiary under a trust referred to in either of those subparagraphs, other than a trust referred to in section 851.25;

(d) a cemetery care trust or a trust governed by an eligible funeral arrangement.

The particular trust referred to in the third paragraph is a trust all interests in which have vested indefeasibly at the time referred to in that paragraph, and that is not

(a) an *alter ego* trust, a joint spousal trust, a post-1971 spousal trust or a trust to which subparagraph *a*.4 of the first paragraph of section 653 applies;

(b) (subparagraph repealed);

(c) a trust that, in its fiscal return under this Part for its first taxation year ending after 31 December 1992, has elected that this paragraph not apply;

(d) a trust that is at that time resident in Canada where the total fair market value at that time of all interests in the trust held at that time by beneficiaries under the trust who at that time are not resident in Canada exceeds 20% of the total fair market value at that time of all interests in the trust held at that time by beneficiaries under the trust;

(e) a trust under the terms of which, at that time, all or part of a person's interest in the trust is to be terminated with reference to a period of time, including a period of time determined with reference to the person's death, otherwise than as a consequence of terms of the trust under which an interest in the trust is to be terminated as a consequence of a distribution to the person, or the person's succession, of trust property if the fair market value of the property to be distributed is required to be proportional to the fair market value of that interest immediately before the distribution; or

(f) a trust that, before that time and after 17 December 1999, has made a distribution to a beneficiary in respect of the beneficiary's capital interest in the trust, if the distribution can reasonably be considered to have been financed by a liability of the trust and one of the reasons for incurring the liability was to avoid taxes otherwise payable under this Part as a consequence of the death of an individual.

1972, c. 23, s. 484; 1975, c. 22, s. 179; 1978, c. 26, s. 109; 1979, c. 18, s. 53; 1982, c. 5, s. 135; 1989, c. 77, s. 70; 1990, c. 59, s. 218; 1991, c. 25, s. 81; 1993, c. 16, s. 241; 1994, c. 22, s. 220; 1996, c. 39, s. 172; 1997, c. 14, s. 94; 2000, c. 5, s. 139; 2003, c. 2, s. 150; 2005, c. 23, s. 53; 2009, c. 5, s. 198; 2009, c. 15, s. 95; 2011, c. 6, s. 139; 2015, c. 21, s. 212; 2023, c. 19, s. 37.

648. *(Repealed).*

1972, c. 23, s. 485; 1975, c. 22, s. 180; 1986, c. 15, s. 92; 1989, c. 5, s. 76.

649. For the purposes of this Part, a trust is a unit trust if, at a particular time, it is an *inter vivos* trust in which the interest of each beneficiary is described by reference to units of the trust, and

(a) the issued units of the trust representing a value of not less than 95% of the fair market value of all the issued units, determined without regard to any voting rights which may be attached to such units, are

i. units which provide that the trust must accept, at the demand of the holder of such units and at prices determined and payable in accordance with the conditions attached to such units, the surrender, in whole or in part, of the fully paid units, and

ii. units qualified in accordance with prescribed conditions relating to their redemption by the trust;

(b) it meets the following conditions:

i. throughout the taxation year in which the particular time occurs, in this paragraph referred to as the "current year", the trust was resident in Canada,

ii. throughout the period or periods, in this paragraph referred to as the "relevant periods", that are in the current year and throughout which the conditions under paragraph *a* are not satisfied in respect of the trust, its only undertaking is

(1) the investing of its funds in property, other than immovable property or a right in immovable property,

(2) the acquiring, holding, maintaining, improving, leasing or managing of any immovable property, or a right in immovable property, that is capital property of the trust, or

(3) any combination of the activities described in subparagraphs 1 and 2,

iii. throughout the relevant periods at least 80% of its property consists of any combination of

(1) shares,

(2) any property that, under the terms or conditions of which or under an agreement, is convertible into, is exchangeable for or confers a right to acquire, shares,

(3) cash,

(4) bonds, hypothecary claims, mortgages, debentures, notes and other similar obligations,

(5) marketable securities,

(6) immovable property situated in Canada and rights in such property, and

(7) rights in or to any rental or royalty computed by reference to the volume or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada,

iv. one of the following conditions is met:

(1) not less than 95% of its income for the current year, determined without reference to sections 262 and 295.1 and paragraph *a* of section 657, is derived from, or from the disposition of, investments described in subparagraph iii, or

(2) not less than 95% of its income for each of the relevant periods, determined without reference to sections 262 and 295.1 and paragraph *a* of section 657 and as though each of those periods were a taxation year, is derived from, or from the disposition of, investments described in subparagraph iii,

v. throughout the relevant periods, not more than 10% of its property consists of bonds, securities or shares of capital stock of any one corporation or debtor other than the Government of Québec, the Government of Canada, the government of another province or a Canadian municipality, and

v.1. where the trust would not be a unit trust at the particular time if this paragraph were read without reference to this subparagraph and subparagraph iii were read without reference to subparagraph 6, the units of the trust are listed at any time in the current year or in the following taxation year on a designated stock exchange located in Canada; or

vi. *(subparagraph repealed)*;

(c) (paragraph repealed);

(d) the following conditions are met:

i. the fair market value of the property of the trust at the end of the year 1993 was primarily attributable to immovable property, or a right in immovable property,

ii. the trust was a unit trust throughout any calendar year before the year 1994, and

iii. the fair market value of the property of the trust at the particular time is primarily attributable to property described in paragraph *a* or *b* of the definition of "qualified investment" in section 204 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), immovable property, or a right in immovable property, or any combination of those properties.

1972, c. 23, s. 486; 1973, c. 17, s. 71; 1987, c. 67, s. 128; 1993, c. 16, s. 242; 1996, c. 39, s. 173; 1997, c. 3, s. 71; 2000, c. 5, s. 140; 2001, c. 7, s. 68; 2003, c. 2, s. 151; 2005, c. 1, s. 127; 2010, c. 5, s. 53; 2015, c. 21, s. 213; 2020, c. 16, s. 96.

649.1. "Personal trust" means a trust (other than a trust that is, or was at any time after 31 December 1999, a unit trust) that is

(a) a succession that is a graduated rate estate; or

(b) a trust in which no beneficial interest was acquired for consideration payable directly or indirectly to the trust or to any person or partnership that has made a contribution to the trust by way of transfer, assignment or other disposition of property.

1990, c. 59, s. 219; 1994, c. 22, s. 221; 1996, c. 39, s. 273; 2003, c. 2, s. 152; 2010, c. 25, s. 49; 2017, c. 1, s. 149.

650. For the purposes of the second paragraph of section 21.43, the definition of "exempt foreign trust" in the first paragraph of section 593 and the definition of "income interest" in section 683, the income of a trust is computed without reference to the provisions of this Part and, for the purposes of the second paragraph of sections 440 to 441.2, paragraph *c* of section 454.1, the definition of "pre-1972 spousal trust" in section 652.1 and subparagraph *a* of the first paragraph of section 653, the income of a trust is equal to its income computed without reference to the provisions of this Part minus any dividend included therein that is not included by reason of sections 501 to 503 in computing the income of the trust for the purposes of the other provisions of this Part, or that is referred to in section 1106 or 1116.

1972, c. 23, s. 487; 1973, c. 17, s. 72; 1975, c. 22, s. 181; 1982, c. 5, s. 136; 1984, c. 15, s. 136; 1990, c. 59, s. 220; 1994, c. 22, s. 222; 2003, c. 2, s. 153; 2004, c. 21, s. 85; 2009, c. 15, s. 96; 2015, c. 36, s. 34.

651. For the purposes of the second paragraph of sections 440 to 441.2, paragraph *c* of section 454.1, the definition of "pre-1972 spousal trust" in section 652.1 and subparagraph *a* of the first paragraph of section 653, where a trust has been created by a taxpayer, no person is deemed to have received or otherwise obtained or to be entitled to receive or otherwise obtain enjoyment of any of the income or capital of the trust solely because

(a) the trust made a payment, or a provision for payment, of any duty by reason of the taxpayer's death or the death of the taxpayer's spouse who is a beneficiary under the trust, in respect of any property of, or interest in, the trust or any tax in respect of any income of the trust; or

(b) a particular individual inhabits, at a particular time, a housing unit that is, or is in respect of, property that is owned at the particular time by the trust, if

i. the property is described in the definition of "principal residence" in section 274.0.1 for the trust's taxation year that includes the particular time, and

ii. the particular individual is the taxpayer who created the trust or is the taxpayer's spouse, former spouse or child.

1973, c. 17, s. 73; 1990, c. 59, s. 220; 1994, c. 22, s. 222; 2003, c. 2, s. 153; 2004, c. 21, s. 86; 2021, c. 14, s. 53.

651.1. Except as otherwise provided in this Part and without restricting the application of sections 316.1, 456 to 458, 462.1 to 462.24, 467, 467.1, Division III of Chapter II.1 of Title I of Book V and section 1034.0.0.2, an amount included under any of sections 659 and 661 to 663 in computing the income for a taxation year of a beneficiary of a trust is deemed to be income of the beneficiary for the year from a property that is an interest in the trust and not from any other source, and an amount deductible in computing the amount that would, but for paragraphs *a* and *b* of section 657 and section 657.1, be the income of a trust for a taxation year is not to be deducted by a beneficiary of the trust in computing the beneficiary's income for a taxation year.

1984, c. 15, s. 137; 1987, c. 67, s. 129; 1990, c. 59, s. 220; 2001, c. 53, s. 89; 2012, c. 8, s. 57; 2015, c. 21, s. 214.

651.2. Where at a particular time the terms that govern a trust are varied, the following rules apply:

(a) subject to the second paragraph, for the purposes of sections 653 to 656.2, the trust is, at and after that time, deemed to be the same trust as, and a continuation of, the trust immediately before that time;

(b) for the purposes of the definition of "personal trust" in section 1, paragraph *n* of section 257, section 686 and the definition of "excluded right or interest" in section 785.0.1, no interest of a beneficiary under the trust before its terms were varied is considered to be consideration for the interest of the beneficiary in that trust whose terms were varied.

Subparagraph *a* of the first paragraph does not affect the application of subparagraph *a*.1 of the first paragraph of section 653.

2003, c. 2, s. 154; 2004, c. 8, s. 131.

651.3. For the purposes of the definition of "personal trust" in section 1, paragraph *n* of section 257, section 686 and the definition of "excluded right or interest" in section 785.0.1, the following rules apply:

(a) an interest in a trust is not deemed to be acquired for consideration solely because it was acquired in satisfaction of any right as a beneficiary under the trust to enforce payment of an amount by the trust; and

(b) where all the beneficial interests in a trust acquired by way of the transfer, assignment or other disposition of property to that trust were acquired by any of the persons described in the second paragraph, any beneficial interest in that trust acquired by such a person is deemed to be acquired for no consideration.

The person to which subparagraph *b* of the first paragraph refers is

(a) one person; or

(b) two or more persons who would be related to each other if

i. a trust and another person were related to each other, where the other person is a beneficiary under the trust or is related to a beneficiary under the trust, and

ii. a trust and another trust were related to each other, where a beneficiary under the trust is a beneficiary under the other trust or is related to a beneficiary under the other trust.

2003, c. 2, s. 154; 2004, c. 8, s. 132; 2017, c. 1, s. 150.

652. For the purposes of subparagraph i.1 of paragraph *n* of section 257, sections 597.0.2 and 597.0.5, paragraph *a* of section 657 and sections 657.1.2, 663, 663.4 and 667, an amount is deemed not to have become payable to a beneficiary in a taxation year unless it was paid in the year to the beneficiary or the beneficiary was entitled to enforce payment of it in that year.

1972, c. 23, s. 488; 1975, c. 22, s. 182; 1990, c. 59, s. 220; 2009, c. 5, s. 199; 2015, c. 36, s. 35.

CHAPTER II

DEEMED DISPOSITION AND PAYMENT

1972, c. 23; 1994, c. 22, s. 223.

652.1. In this Title,

"*alter ego* trust" means a trust to which subparagraph *a* of the first paragraph of section 653 would apply if that subparagraph were read without reference to subparagraph i and subparagraph 2 of subparagraph ii;

"excluded property" has the meaning assigned by the second paragraph of section 691.1;

"exempt property" of a taxpayer at any time means property any income or gain from the disposition of which by the taxpayer at that time would not cause an increase in the taxpayer's tax payable under this Part because the taxpayer is not resident in Canada or because of a provision contained in a tax agreement;

"joint spousal trust" means a trust to which subparagraph *a* of the first paragraph of section 653 would apply if that subparagraph were read without reference to subparagraph i and subparagraph 1 of subparagraph ii;

"post-1971 spousal trust" means a trust that would be described in subparagraph *a* of the first paragraph of section 653 if that subparagraph were read without reference to subparagraph ii;

"pre-1972 spousal trust" at a particular time means a trust that was created by the will of an individual who died before 1 January 1972, or created before 18 June 1971 by an individual during the individual's lifetime, that, throughout the period beginning at the time it was created and ending at the earliest of 1 January 1993, the day on which the individual's spouse died and the particular time, was a trust under which the individual's spouse was entitled to receive all of the income of the trust that arose before the spouse's death, but does not

include a trust under which a person other than the individual's spouse received or otherwise obtained enjoyment of any of the income or capital of the trust before the end of that period.

1994, c. 22, s. 224; 1997, c. 3, s. 71; 2000, c. 5, s. 141; 2003, c. 2, s. 155; 2021, c. 14, s. 54.

652.2. *(Repealed).*

1994, c. 22, s. 224; 1997, c. 14, s. 95; 2003, c. 2, s. 156.

653. A trust is, at the end of each of the following days, deemed to dispose of each property of the trust (other than exempt property) that is capital property or land included in the inventory of a business of the trust and to reacquire the property immediately after that day:

(a) the day on which

i. the spouse of the individual who created the trust died if the terms of the deed creating it entitled the spouse to receive all of the income of the trust that arose before the spouse's death and to receive or otherwise obtain, to the exclusion of any other person, enjoyment of the income or capital of the trust, or

ii. the individual died or, if it is later, the day on which the individual's spouse died, if the trust is a trust described in subparagraph ii of subparagraph *d* of the second paragraph and the terms of the deed creating it

(1) entitled the individual to receive all of the income of the trust that arose before the individual's death and to receive or otherwise obtain, to the exclusion of any other person, enjoyment of the income or capital of the trust, or

(2) entitled the individual and the individual's spouse to receive all of the income of the trust that arose before their deaths and to receive or otherwise obtain, to the exclusion of any other person, enjoyment of the income or capital of the trust;

(a.1) where the trust is a pre-1972 spousal trust on 1 January 1993 and the spouse referred to in the definition of "pre-1972 spousal trust" in section 652.1 in respect of the trust was, in the case of a trust created by the will of an individual, alive on 1 January 1976, and, in the case of a trust created by an individual during the individual's lifetime, alive on 26 May 1976, the day that is the later of 1 January 1993 and the day on which that spouse dies;

(a.2) where the trust distributes an amount in respect of a beneficiary as the beneficiary's capital interest in the trust, it can reasonably be considered that the distribution was financed by a liability of the trust and one of the reasons for incurring the liability was to avoid taxes otherwise payable under this Part as a consequence of the death of an individual, the day on which the distribution is made, determined as if a day ends for the trust immediately after the time at which each distribution is made by the trust to a beneficiary in respect of the beneficiary's capital interest in the trust;

(a.3) where property, other than property described in the fourth paragraph, has been transferred by an individual after 17 December 1999 to the trust in circumstances in which section 454 applied, it can reasonably be considered that the property was so transferred in anticipation that the individual would subsequently cease to be resident in Canada and the individual subsequently ceases to be resident in Canada, the first day after that transfer during which the individual ceases to be resident in Canada, determined as if a day ends for the trust immediately after each time at which the individual ceases to be resident in Canada;

(a.4) where the trust is a trust to which property was transferred by a taxpayer who is an individual, other than a trust, in circumstances in which sections 454 to 462.0.2 or section 692.8 applied, the transfer did not result in a change in beneficial ownership of that property and no person, other than the taxpayer, or partnership has any absolute or contingent right as a beneficiary under the trust, determined with reference to section 646.1, the day on which the taxpayer dies;

(b) the day of the twenty-first anniversary of the latest of 1 January 1972, the day on which the trust was created and, where applicable, the day determined under any of subparagraphs *a*, *a*.1 and *a*.4 as those subparagraphs applied from time to time after 31 December 1971;

(c) the day of the twenty-first anniversary of the day, other than a day determined under any of subparagraphs *a* to *a*.4, of any deemed disposition of such property under this section.

Subparagraph *a* of the first paragraph applies only where the trust contemplated therein is

(a) a trust that was created by the will of an individual who died after 31 December 1971 and that, at the time it was created, was a trust described in that subparagraph *a*;

(b) a trust that was created by the will of an individual who died after 31 December 1971 to which property was transferred in circumstances to which section 435 or subparagraph *a* of the first paragraph of section 440 applied and that, immediately after the property was indefeasibly vested in the trust as a consequence of the individual's death, was a trust described in subparagraph *a* of the first paragraph;

(c) a trust that was created after 17 June 1971 by an individual during his lifetime and that, at any time after 31 December 1971, was a trust described in subparagraph *a* of the first paragraph; or

(d) a trust, other than a trust the terms of which are described in subparagraph 1 of subparagraph ii of subparagraph *a* of the first paragraph that elects in its fiscal return filed under this Part for its first taxation year that this subparagraph not apply, that was created after 31 December 1999 by an individual during the individual's lifetime and that, at any time after that date, was

i. a trust described in subparagraph *a* of the first paragraph, or

ii. a trust that was created by a taxpayer who had attained 65 years of age.

However, subparagraph *a* of the first paragraph does not apply in respect of a trust described in subparagraph *b* of the second paragraph where the spouse who was the beneficiary of that trust died before 21 December 1991.

The property to which subparagraph *a*.3 of the first paragraph refers is

(a) an immovable situated in Canada;

(b) a Canadian resource property;

(c) a timber resource property;

(d) a capital property used in a business carried on through an establishment in Canada;

(e) a property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of a business carried on through an establishment in Canada;

(f) a property described in the inventory of a business carried on through an establishment in Canada; or

(g) a prescribed property.

1972, c. 23, s. 489; 1977, c. 26, s. 68; 1984, c. 15, s. 138; 1986, c. 19, s. 134; 1994, c. 22, s. 225; 1997, c. 31, s. 61; 2003, c. 2, s. 157; 2004, c. 21, s. 87; 2005, c. 1, s. 128; 2009, c. 5, s. 200; 2019, c. 14, s. 170; 2021, c. 14, s. 55.

654. The trust is deemed to have disposed of each property contemplated in section 653, at the time determined under that section, for proceeds equal to its fair market value at that time, determined with

reference to section 450.2, and to have reacquired the property immediately thereafter at a cost or a capital cost, as the case may be, equal to the proceeds of disposition.

1972, c. 23, s. 490; 1984, c. 15, s. 139; 1994, c. 22, s. 225; 2003, c. 2, s. 158.

655. *(Repealed).*

1972, c. 23, s. 491; 1977, c. 26, s. 69; 1994, c. 22, s. 226.

656. Notwithstanding section 654, where the capital cost to the trust of depreciable property of a prescribed class immediately before the deemed disposition thereof under section 653 exceeds the cost thereof to the trust as determined under section 654, for the purposes of sections 93 to 104, 130 to 130.1 and of the regulations made under paragraph *a* of section 130 as those sections and regulations apply to such property after that time,

(a) the capital cost to the trust of the property on its deemed reacquisition under section 653 is deemed to be the same as before the deemed disposition thereof under that section; and

(b) the excess is deemed to have been allowed to the trust as depreciation in respect of the property in computing the trust's income for the taxation years that ended before the deemed reacquisition under section 653 of the property by the trust.

1972, c. 23, s. 492; 1979, c. 18, s. 54; 1994, c. 22, s. 227; 1995, c. 49, s. 152.

656.1. For the purposes of sections 653 to 656,

(a) the words "at the end of a taxation year" and "of a prescribed class of a taxpayer" in section 94 shall be read respectively "at the particular time a trust is deemed, under section 653, to have disposed of its depreciable property of a prescribed class" and "of that class", and

(b) for the purpose of computing the excess referred in section 94, at the end of the taxation year of the trust that included the day on which the trust is deemed, under section 653, to have disposed of its depreciable property of a prescribed class, any amount that was included on that day in computing the trust's income for the year under the said section 94, as it must be read pursuant to paragraph *a*, is deemed to be an amount included in computing the trust's income under sections 93 to 104 for a preceding taxation year.

1978, c. 26, s. 110; 1994, c. 22, s. 227.

656.2. Where a trust owns a Canadian resource property or a foreign resource property, other than an exempt property, at the end of a day determined under section 653 in respect of the trust, the following rules apply:

(a) for the purpose of determining the amounts under paragraphs *a*, *e* and *e*.1 of section 330 and sections 371, 374, 411, 412, 418.1.3 to 418.1.5, 418.5, 418.6 and 418.12, the trust is deemed

i. to have a taxation year that ends at the end of that day and a new taxation year that begins immediately after that day, and

ii. to have disposed, immediately before the end of the taxation year so deemed to end, of each of those Canadian resource properties and foreign resource properties for proceeds that became receivable at that time equal to its fair market value at that time and to have reacquired, at the beginning of the new taxation year, each such property for an amount equal to that fair market value; and

(b) for the particular taxation year of the trust that included that day, the trust shall

i. include in computing its income for the particular taxation year the amount, if any, determined under paragraph *e* of section 330 in respect of the taxation year deemed to end in accordance with subparagraph i of

paragraph *a* and the amount so included is, for the purposes of paragraph *b* of section 411, deemed to have been included in computing its income for a preceding taxation year,

i.1. include in computing its income for the particular taxation year any amount determined under paragraph *e*.1 of section 330 in respect of the taxation year deemed to end in accordance with subparagraph i of paragraph *a* and the amount so included is, for the purposes of paragraph *b* of section 418.1.3, deemed to have been included in computing its income for a preceding taxation year, and

ii. deduct in computing its income for the particular taxation year the amount, if any, determined under sections 371 and 374 in respect of the taxation year deemed to end in accordance with subparagraph i of paragraph *a* and the amount so deducted is, for the purposes of paragraph *a* of section 371, deemed to have been deducted for a preceding taxation year.

1986, c. 19, s. 135; 2004, c. 8, s. 133.

656.3. Every trust that holds an interest in a NISA Fund No. 2 that was transferred to it in circumstances to which the second paragraph of section 441.1 applied is deemed, at the end of the day on which the spouse referred to in that paragraph dies, to have been paid an amount out of the fund equal to the balance at the end of that day in the fund so transferred.

1994, c. 22, s. 228; 2017, c. 1, s. 151.

656.3.1. Every trust that holds an interest in a farm income stabilization account that was transferred to it in circumstances to which the second paragraph of section 441.2 applied is deemed, at the end of the day on which the spouse referred to in that paragraph dies, to have been paid an amount out of the account equal to the balance at the end of that day in the account so transferred.

2004, c. 21, s. 88; 2017, c. 1, s. 151.

656.4. *(Repealed).*

1994, c. 22, s. 228; 1997, c. 31, s. 62; 2001, c. 7, s. 69; 2003, c. 2, s. 159; 2004, c. 21, s. 89; 2009, c. 5, s. 201; 2015, c. 21, s. 215.

656.4.1. *(Repealed).*

1997, c. 31, s. 63; 2015, c. 21, s. 215.

656.5. *(Repealed).*

1994, c. 22, s. 228; 2015, c. 21, s. 215.

656.6. *(Repealed).*

1994, c. 22, s. 228; 1996, c. 39, s. 273; 2015, c. 21, s. 215.

656.7. *(Repealed).*

1994, c. 22, s. 228; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2015, c. 21, s. 215.

656.8. *(Repealed).*

1994, c. 22, s. 228; 1997, c. 3, s. 71; 2015, c. 21, s. 215.

656.9. Where capital property, land included in inventory, Canadian resource property or foreign resource property is transferred at a particular time by a trust (in this section referred to as the "transferor trust") to another trust (in this section referred to as the "transferee trust") in circumstances in which subparagraph *b* of the second paragraph of section 248 or section 688 or 692.8 applies, the following rules apply:

(a) subject to paragraphs *b* to *b*.3, for the purposes of sections 653 to 656.3.1 after the particular time,

i. the first day, in this section referred to as the "disposition day", that ends at or after the particular time that would, but for subparagraphs *a*.2 and *a*.3 of the first paragraph of section 653, be determined in respect of the transferee trust is deemed to be the earliest of

(1) the first day ending at or after the particular time that would be determined in respect of the transferor trust under section 653 without regard to the transfer and any transaction or event occurring after the particular time,

(2) the first day ending at or after the particular time that would otherwise be determined in respect of the transferee trust under section 653 without regard to any transaction or event occurring after the particular time,

(3) where the transferor trust is a joint spousal trust, a post-1971 spousal trust or a pre-1972 spousal trust and the spouse referred to in subparagraph *a* of the first paragraph of section 653 or in the definition of "pre-1972 spousal trust" in section 652.1, is alive at the particular time, the first day that ends at or after the particular time,

(3.1) where the transferor trust is an *alter ego* trust, a trust to which subparagraph *a*.4 of the first paragraph of section 653 applies or a joint spousal trust, and the taxpayer referred to in subparagraph *a* or *a*.4 of that first paragraph, as the case may be, is alive at the particular time, the first day that ends at or after the particular time, and

(4) where the disposition day would, but for the application of this section to the transfer, be determined in respect of the transferee trust under paragraph *a* of section 656.4, and the particular time is after the day that would, but for section 656.4, be determined in respect of the transferee trust under subparagraph *b* of the first paragraph of section 653, the first day ending at or after the particular time, and

ii. where the disposition day determined in respect of the transferee trust under subparagraph i is earlier than the day referred to in subparagraph 2 of subparagraph i in respect of the transferee trust, sections 653 to 656.3.1 do not apply to the transferee trust on the day referred to in the said subparagraph 2 in respect of the transferee trust;

(b) where the transferor trust is a trust, in this paragraph referred to as an "eligible trust", that is a post-1971 spousal trust or a pre-1972 spousal trust, and the spouse referred to in subparagraph *a* of the first paragraph and the second paragraph of section 653 or in the definition of "pre-1972 spousal trust" in section 652.1 is alive at the particular time, paragraph *a* does not apply in respect of the transfer where the transferee trust is also an eligible trust;

(b.1*)* paragraph *a* does not apply in respect of the transfer where

i. the transferor trust is an *alter ego* trust,

ii. the taxpayer referred to in subparagraph *a* of the first paragraph of section 653 is alive at the particular time, and

iii. the transferee trust is an alter ego trust;

(b.2*)* paragraph *a* does not apply in respect of the transfer where

i. the transferor trust is a joint spousal trust,

ii. either the taxpayer referred to in subparagraph *a* of the first paragraph of section 653, or the taxpayer's spouse referred to in that subparagraph, is alive at the particular time, and

iii. the transferee trust is a joint spousal trust;

(b.3*)* paragraph *a* does not apply in respect of the transfer where

i. the transferor trust is a trust to which subparagraph *a*.4 of the first paragraph of section 653 applies,

ii. the taxpayer referred to in subparagraph *a*.4 of the first paragraph of section 653 is alive at the particular time, and

iii. the transferee trust is a trust to which subparagraph *a*.4 of the first paragraph of section 653 applies; and

(c) for the purposes of section 656.4, unless a day ending before the particular time has been determined under subparagraph *a*.1 or *b* of the first paragraph of section 653, or would, but for section 656.4, have been so determined, a day determined under subparagraph i of paragraph *a* is deemed to be a day determined under the said subparagraph *a*.1 or *b*, as the case may be, in respect of the transferee trust.

1994, c. 22, s. 228; 2003, c. 2, s. 160; 2004, c. 21, s. 90; 2021, c. 14, s. 56.

CHAPTER III

DEDUCTIONS

1972, c. 23.

657. Subject to sections 657.1.1 to 657.2, a trust may deduct, in computing its income for a taxation year, the following amounts:

(a) an amount that the trust claims as a deduction not exceeding the amount by which the amount determined under subparagraph i exceeds the amount determined under subparagraph ii or iv, as the case may be:

i. the part of the amount that would be its income for the year, but for this paragraph and paragraph *b*, that became payable in the year to a beneficiary or was included because of section 662 in computing the income of a beneficiary,

ii. if the trust is a trust for which a day is to be determined in accordance with subparagraph *a* or *a*.4 of the first paragraph of section 653 by reference to a particular death or later death, as the case may be, that has not occurred before the beginning of the year, the aggregate of

(1) the part of the amount that would be its income for the year, but for this paragraph and paragraph *b*, that became payable in the year to, or that was included under section 662 in computing the income of, a beneficiary (other than a beneficiary whose death is the particular death or later death), and

(2) the aggregate of all amounts each of which is an amount that is included, because of the application of any of sections 92.5.2 and 653 to 656.3, in computing the amount that, but for this paragraph and paragraph *b*, would be the trust's income for the year—if the year is the year in which the particular death or later death, as the case may be, occurs and section 663.0.1 does not apply in respect of the trust for the year—and that is not included in computing the amount determined in accordance with subparagraph 1 for the year, and

ii.1. *(subparagraph repealed),*

iii. *(subparagraph repealed),*

iv. if the trust is a SIFT trust for the year, the amount by which the particular amount determined under subparagraph i in relation to the trust for the year exceeds the amount by which the particular amount exceeds its non-portfolio earnings for the year, within the meaning assigned by the first paragraph of section 1129.70; and

(b) the aggregate of all amounts determined in relation to the trust for the year under section 659;

(c) (paragraph repealed).

1972, c. 23, s. 493; 1973, c. 17, s. 74; 1975, c. 22, s. 183; 1977, c. 26, s. 70; 1984, c. 15, s. 140; 1986, c. 15, s. 93; 1990, c. 59, s. 221; 1994, c. 22, s. 229; 1997, c. 3, s. 71; 1997, c. 31, s. 64; 2003, c. 2, s. 161; 2004, c. 21, s. 91; 2006, c. 13, s. 42; 2009, c. 5, s. 202; 2015, c. 21, s. 216; 2015, c. 36, s. 36; 2017, c. 1, s. 152; 2017, c. 29, s. 84.

657.1. Notwithstanding paragraph *a* of section 657,

(a) where that section applies to an employee trust, the amount that may be deducted by the trust under that paragraph *a* is equal to the amount by which the amount that would, but for this section and that paragraph *a*, be its income for the year exceeds the amount by which the aggregate of its income for the year from a business exceeds the aggregate of its losses for the year from a business;

(b) where that section applies to a trust governed by an employee benefit plan or a trust the taxable income of which for the year is subject to tax under this Part because of section 921.1 or 961.16.1, the amount that may be deducted by such a trust under that paragraph *a* is equal to the part of the amount that, but for this section and that paragraph *a*, would be the income of the trust for the year, to the extent that that part is paid in the year to a beneficiary;

(c) where that section applies to a trust deemed by section 851.25 to exist in respect of a congregation that is a part of a religious organization, the amount that may be deducted by such a trust under that paragraph *a* is equal to such part of its income as became payable in the year to a beneficiary; and

(d) where that section applies to an employee life and health trust, the amount that may be deducted by such a trust under that paragraph *a* is equal to the amount that became payable by the trust in the year as a designated employee benefit (as defined in section 869.1).

1982, c. 5, s. 137; 1984, c. 15, s. 141; 2000, c. 5, s. 142; 2003, c. 2, s. 162; 2011, c. 6, s. 140; 2017, c. 1, s. 153.

657.1.0.1. If a trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), designates an amount in respect of a beneficiary under the trust, in accordance with subsection 13.1 or 13.2 of section 104 of that Act, the amount that the trust may deduct under paragraph *a* of section 657 in computing its income for the year may in no case be greater than the total obtained by adding the amount determined under the second paragraph to

(a) if the trust deducts a particular amount for the year under subsection 6 of that section 104 in computing its income for the purposes of that Act, the amount by which that particular amount exceeds the amount by which the aggregate of all amounts each of which is an amount that, but for those subsections 13.1 and 13.2, would be included in computing the income of a beneficiary under the trust for the year for the purposes of that Act because of subsection 13 of that section 104 or subsection 2 of section 105 of that Act, exceeds the aggregate of all amounts each of which is an amount that, but for sections 663.1 and 663.2, would be included in computing the income of a beneficiary under the trust for the year because of section 662 or 663; and

(b) zero, if subparagraph *a* does not apply.

The amount to which the first paragraph refers is the amount by which the aggregate of all amounts each of which is an amount that, but for sections 663.1 and 663.2, would be included in computing the income of a beneficiary under the trust for the year because of section 662 or 663, exceeds the aggregate of all amounts each of which is an amount that, but for subsections 13.1 and 13.2 of section 104 of the Income Tax Act, would be included in computing the income of a beneficiary under the trust for the year for the purposes of that Act because of subsection 13 of that section 104 or subsection 2 of section 105 of that Act.

2006, c. 13, s. 43.

657.1.1. No deduction may be made under paragraph *a* of section 657 in computing the income for a taxation year of a trust in respect of such part of an amount that would otherwise be its income for the year as

became payable in the year to a beneficiary who was, at any time in the year, a designated beneficiary of the trust as that expression applies for the purposes of section 210.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) unless, throughout the year, the trust was resident in Canada.

1994, c. 22, s. 230.

657.1.2. A trust that is deemed, because of section 595, to be resident in Canada for a taxation year for the purpose of computing the trust's income for the year may not deduct, under paragraph *a* of section 657, in computing its income for the year, an amount greater than the amount determined in respect of the trust for the year in accordance with subsection 7.01 of section 104 of the Income Tax Act(R.S.C. 1985, c. 1, (5th Suppl.)).

2015, c. 36, s. 37.

657.1.3. No deduction may be made under paragraph *a* of section 657, for a taxation year, in computing the income of a succession that arose on and as a consequence of an individual's death in respect of a payment to the extent that the payment is a gift in respect of which an amount is deducted by the individual in computing the individual's tax payable for a taxation year under any of sections 752.0.10.6, 752.0.10.6.1 and 752.0.10.6.2.

2017, c. 29, s. 85.

657.2. Where it is reasonable to consider that one of the main purposes for the existence of any term, condition, right or other attribute of an interest in a trust, other than a personal trust, is to give a beneficiary a percentage interest in the property of the trust that is greater than his percentage interest in the income of the trust, no amount may be deducted by the trust in computing its income under paragraph *a* of section 657, except by reason of section 657.1.

1988, c. 18, s. 56; 1990, c. 59, s. 222.

657.3. Notwithstanding any other provision of this Act, where a taxpayer acquires a right to or to acquire an interest in a trust, or a right to or to acquire a property of a trust, and it is reasonable to consider that one of the main purposes of the acquisition is to avoid the application of section 657.2 in respect of the trust, there shall be included in computing the income of the taxpayer for the taxation year in which he disposes of the right, otherwise than pursuant to the exercise thereof, the interest or the property, the amount by which the proceeds of disposition of the right, interest or property, as the case may be, exceeds its cost amount to the taxpayer.

1988, c. 18, s. 56.

657.4. A trust shall, in computing its income for a taxation year, deduct tax paid by it for the year under Part XII.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1990, c. 59, s. 223.

CHAPTER IV

PREFERRED BENEFICIARY

1972, c. 23.

658. In this Title,

"accumulating income" of a trust for a taxation year means the amount that would be the income of the trust for the year if that amount were computed

(a) without reference to subparagraphs *a* and *a*.1 of the first paragraph of section 653, sections 656.2 to 656.3.1, paragraph *b* of section 657 and section 691;

(b) as if the trust were deducting, in computing its income for the year under paragraph *a* of section 657, the greatest amount it would, but for section 657.1.0.1, be entitled to deduct for the year under that paragraph;

(c) *(paragraph repealed)*;

(d) *(paragraph repealed)*;

(e) without reference to section 92.5.2, except where that section applies to an amount paid to a trust described in the second paragraph of section 441.1 and before the death of the spouse referred to in that paragraph;

(f) without reference to section 92.5.3.1, except where that section applies to an amount paid to a trust described in the second paragraph of section 441.2 and before the death of the spouse referred to in that paragraph;

"preferred beneficiary" under a trust for a taxation year of the trust means a beneficiary under the trust at the end of the year who is resident in Canada at that time if

(a) the beneficiary is

i. an individual in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the individual's taxation year, in this definition referred to as the "beneficiary's year", that ends in the taxation year of the trust, or

ii. an individual

(1) who attained the age of 18 years before the end of the beneficiary's year, was a dependant of another individual for the beneficiary's year and was dependent on the other individual because of an impairment in mental or physical functions, and

(2) whose income, computed without reference to section 659, for the beneficiary's year does not exceed the amount used for that year under clause B of subparagraph ii of paragraph *a* of the definition of "preferred beneficiary" in subsection 1 of section 108 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement); and

(b) the beneficiary is

i. the settlor of the trust,

ii. the spouse or former spouse of the settlor of the trust, or

iii. a child, grandchild or great grandchild of the settlor of the trust or the spouse of any such person;

"settlor"

(a) in relation to a testamentary trust, means the individual referred to in section 677; and

(b) in relation to an *inter vivos* trust,

i. if the trust is created by the transfer, assignment or other disposition of property thereto by not more than one individual and the fair market value of that property and of the property subsequently disposed of to the trust by the same individual exceeds the fair market value, at the time of disposition, of property subsequently disposed of to the trust by any other person, means that individual, and

ii. if the trust is created by the transfer, assignment or any other disposition of property made jointly by an individual and his spouse and by no other person and the rule provided for in subparagraph i applies to that disposition, means that individual and his spouse.

In the first paragraph, a dependant of an individual for a taxation year means a person who, during the year, is described in paragraph *f* of section 752.0.1.

1972, c. 23, s. 496; 1984, c. 15, s. 142; 1985, c. 25, s. 106; 1990, c. 59, s. 224; 1994, c. 22, s. 231; 1997, c. 31, s. 65; 2000, c. 5, s. 143; 2003, c. 2, s. 163; 2004, c. 21, s. 92; 2005, c. 1, s. 129; 2005, c. 38, s. 81; 2006, c. 13, s. 44; 2006, c. 36, s. 44.

659. If a trust and a preferred beneficiary under the trust for a taxation year of the trust make, in respect of the year, a valid election for the purposes of subsection 14 of section 104 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the lesser of the amount determined for the purposes of that subsection in respect of the beneficiary in relation to the trust for the year, in this section referred to as the "designated amount", and the proportion of the amount attributable to the preferred beneficiary in respect of the trust for the year that the designated amount is of the aggregate of all amounts determined for the purposes of that subsection in respect of the preferred beneficiaries under the trust in relation to the trust for the year, is to be included in computing the income of the beneficiary for the beneficiary's taxation year in which the taxation year of the trust ends and is not to be included in computing the income of a beneficiary under the trust for a subsequent taxation year.

1972, c. 23, s. 497; 1973, c. 17, s. 75; 1997, c. 31, s. 65; 1999, c. 83, s. 55; 2006, c. 13, s. 45.

659.1. Where section 659 applies in respect of a taxation year, the trust and the preferred beneficiary having made, in respect of the year, a valid election under that section shall send to the Minister, on or before the trust's filing-due date for the year, a copy of every document sent to the Minister of Revenue of Canada in connection with that election.

Where, as a consequence of the operation of subsection 3.2 of section 220 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the time for making a valid election referred to in section 659 is extended or such an election that was made is amended or rescinded, the following rules apply:

(a) the trust and the preferred beneficiary having made the election shall notify the Minister in writing and attach to the notice a copy of every document to that effect sent by the trust and the preferred beneficiary to the Minister of Revenue of Canada; and

(b) the trust incurs, jointly with the preferred beneficiary, a penalty equal to $100 for each complete month in the period beginning on the trust's filing-due date for the year and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister, up to $5,000.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the election or the amended or rescinded election referred to in the second paragraph.

1999, c. 83, s. 56; 2000, c. 5, s. 293; 2009, c. 5, s. 203.

659.2. *(Repealed).*

2000, c. 5, s. 144; 2017, c. 1, s. 154.

660. For the purposes of section 659, the allocable amount for a preferred beneficiary under a trust in respect of the trust for a taxation year is

(a) where the trust is, at the end of the year, an *alter ego* trust, a joint spousal trust, a post-1971 spousal trust or a pre-1972 spousal trust and a beneficiary, referred to in subparagraph *a* of the first paragraph of section 653 or in the definition of "pre-1972 spousal trust" in section 652.1, is alive at the end of the year, an amount equal to the trust's accumulating income for the year, if the preferred beneficiary is a beneficiary so referred to, and, in any other case, nil;

(b) where paragraph *a* does not apply and the preferred beneficiary's interest in the trust is not solely contingent on the death of another beneficiary who has a capital interest in the trust and who does not have an income interest in the trust, the trust's accumulating income for the year; and

(c) in any other case, nil.

1972, c. 23, s. 498; 1973, c. 17, s. 76; 1975, c. 22, s. 185; 1977, c. 26, s. 71; 1978, c. 26, s. 111; 1994, c. 22, s. 232; 1995, c. 49, s. 236; 1997, c. 31, s. 66; 2003, c. 2, s. 164.

660.1. *(Repealed).*

1994, c. 22, s. 233; 2009, c. 5, s. 204; 2017, c. 1, s. 155.

660.2. *(Repealed).*

2004, c. 21, s. 93; 2017, c. 1, s. 155.

CHAPTER V

RULES RESPECTING THE COMPUTATION OF INCOME OF A BENEFICIARY

1972, c. 23.

661. A taxpayer shall include, in computing his income for a taxation year, the value of all benefits received by him in the year under a trust, irrespective of when it was created, except to the extent that the value of such benefits is otherwise required to be included in computing his income for a taxation year, or has been deducted under paragraph *n* of section 257 in computing the adjusted cost base of his interest in the trust or would be so deducted if that paragraph applied in respect of such interest and were read without reference to subparagraph 3 of subparagraph *i*.1 of the said paragraph.

1972, c. 23, s. 499; 1990, c. 59, s. 225.

662. A reasonable amount, according to the circumstances, paid in a taxation year by a trust out of its own income for outlays, maintenance and taxes respecting a property which, under the trust arrangement, must be maintained for the use of a usufructuary for life or a beneficiary, must be included in computing the income of the latter from the trust for that year.

1972, c. 23, s. 500.

663. A beneficiary of a trust shall include, in computing his income for a particular taxation year,

(a) in the case of a trust, other than a trust referred to in subparagraph *a* of the third paragraph of section 647, such part of the amount that, but for paragraphs *a* and *b* of section 657, would be the trust's income for the trust's taxation year that ended in the particular year as became payable in the trust's taxation year to the beneficiary; and

(b) in the case of a trust governed by an employee benefit plan to which the beneficiary has contributed as an employer, such part of the amount that, but for paragraphs *a* and *b* of section 657, would be the trust's income for its taxation year that ended in the particular year as was paid to the beneficiary in that taxation year of the trust;

(c) (paragraph repealed).

1972, c. 23, s. 501; 1978, c. 26, s. 112; 1982, c. 5, s. 138; 1984, c. 15, s. 143; 1990, c. 59, s. 226; 1991, c. 25, s. 176; 2003, c. 2, s. 165.

663.0.1. If an individual's death occurs on a day in a particular taxation year of a trust and the death is the death or later death referred to in any of subparagraphs *a*, *a*.1 and *a*.4 of the first paragraph of section 653 in respect of the trust, the following rules apply:

(a) the particular taxation year is deemed to end at the end of that day and a new taxation year of the trust is deemed to begin immediately after that day;

(b) subject to the second paragraph, the trust's income (determined without reference to section 657) for the particular taxation year is, despite section 652, deemed to have become payable in the year to the individual and not to have become payable to another beneficiary or to be included under section 662 in computing the individual's income; and

(c) in respect of the particular taxation year

i. subparagraph ii of paragraph *b* of the definition of "balance-due day" in section 1 is to be read as if "the taxation year" were replaced by "the calendar year in which the taxation year ends",

ii. paragraph *d* of subsection 2 of section 1000 is to be read as if "its taxation year" were replaced by "the calendar year in which its taxation year ends", and

iii. the second paragraph of section 1086R57 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) is to be read as if "end of the taxation year" were replaced by "end of the calendar year in which the taxation year ends".

Subparagraph *b* of the first paragraph does not apply in respect of the trust for the particular year, unless

(a) the individual is resident in Canada immediately before the death;

(b) the trust is, immediately before the death, a testamentary trust that is a post-1971 spousal trust created by the will of a taxpayer who died before 1 January 2017; and

(c) the trust and the legal representative administering the succession of the individual that is a graduated rate estate have made a valid election under subparagraph iii of paragraph *b*.1 of subsection 13.4 of section 104 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) to have paragraph *b* of that subsection 13.4 apply in respect of the trust for the particular year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph iii of paragraph *b*.1 of subsection 13.4 of section 104 of the Income Tax Act.

2017, c. 1, s. 156; 2017, c. 29, s. 86.

663.1. Subject to section 671.7, where a trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 of section 104 of that Act, designates an amount in respect of a beneficiary under the trust, the lesser of the amount so designated and the amount determined under the second paragraph in respect of the beneficiary for the year, is deemed, for the purposes of sections 662 and 663, not to have been paid or to have become payable in the year to or for the benefit of the beneficiary or out of income of the trust.

The amount referred to in the first paragraph is, in respect of a beneficiary under a trust for a taxation year of the trust, determined by the following formula:

$$(A / B) \times (C - D - E).$$

For the purposes of the formula contemplated in the second paragraph,

(a) A is the beneficiary's share of the income of the trust for the year, computed without reference to this Act;

(b) B is the aggregate of all amounts each of which is a beneficiary's share of the income of the trust for the year, computed without reference to this Act;

(c) C is the aggregate of all amounts each of which is an amount that, but for this section and section 663.2, would be included in computing the income of a beneficiary under the trust for the year by reason of section 662 or 663;

(d) D is the amount deducted under paragraph *a* of section 657 in computing the income of the trust for the year;

(e) E is the amount determined by the trust for the year and used as the value of C for the purposes of the formula contemplated in the second paragraph of section 663.2 or, if no amount is so determined, nil.

A trust that designates an amount in respect of a beneficiary, in accordance with the first paragraph, in respect of a taxation year shall notify the Minister in writing on or before its filing-due date for the year.

1990, c. 59, s. 227; 1999, c. 83, s. 57; 2004, c. 21, s. 94.

663.2. Subject to section 671.7, where a trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.2 of section 104 of that Act, designates an amount in respect of a beneficiary under the trust, the lesser of the amount so designated and the amount determined under the second paragraph in respect of the beneficiary for the year, is deemed, for the purposes of sections 662 and 663, except where section 663 applies for the purposes of section 668, not to have been paid or to have become payable in the year to or for the benefit of the beneficiary or out of income of the trust, and, except for the purposes of section 668 as it applies for the purposes of sections 668.0.1 to 668.2, shall reduce the amount of the taxable capital gain of the beneficiary otherwise included in computing the beneficiary's income for the year by reason of section 668.

The amount referred to in the first paragraph is, in respect of a beneficiary under a trust for a taxation year of the trust, determined by the following formula:

$(A / B) \times C$.

In the formula in the second paragraph,

(a) A is the amount designated by the trust for the year in respect of the beneficiary under section 668;

(b) B is the aggregate of all amounts each of which has been designated for the year under section 668 in respect of a beneficiary under the trust;

(c) C is the amount determined by the trust and used in computing each of the amounts determined for the year in respect of its beneficiaries under the second paragraph, not exceeding the amount by which the aggregate of all amounts each of which is an amount that, but for this section and section 663.1, would be included in computing the income of a beneficiary under the trust by reason of section 662 or 663 for the year exceeds the amount deducted under paragraph *a* of section 657 in computing the income of the trust for the year;

(d) where B is an amount equal to zero, the fraction of which it is the denominator is deemed to be equal to the fraction that would be established if A were the amount attributed by the trust for the year to the beneficiary under subsection 21 of section 104 of the Income Tax Act and if B were the aggregate of all amounts each of which is an amount attributed for the year to a beneficiary under the trust under that subsection 21.

A trust that designates an amount in respect of a beneficiary, in accordance with the first paragraph, in respect of a taxation year shall notify the Minister in writing on or before its filing-due date for the year.

1990, c. 59, s. 227; 1999, c. 83, s. 58; 2004, c. 21, s. 95; 2006, c. 13, s. 46.

663.2.1. Where a designation referred to in section 663.1 or 663.2 and made by a trust in its fiscal return filed for a taxation year under Part I of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), in accordance with subsection 13.1 or 13.2, as the case may be, of section 104 of that Act, is invalid for the purposes of that Act under subsection 13.3 of section 104 of that Act, section 663.1 or 663.2, as the case may be, does not apply in respect of the designation for the year.

2017, c. 1, s. 157.

663.3. For the purposes of section 663, an amount referred to in subsection 31 of section 104 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) regarding a beneficiary under a trust in respect of a taxation year of the trust is deemed to be income of the trust for the year that has become payable by the trust to the beneficiary at the end of that year.

1990, c. 59, s. 227.

663.4. If an amount (in this section referred to as the "SIFT trust's non-deductible distributions amount for the taxation year") is determined under subparagraph iv of paragraph *a* of section 657 for a taxation year, in relation to a SIFT trust, the following rules apply:

(a) each beneficiary under the SIFT trust to whom at any time in the year an amount became payable by the trust is deemed to have received at that time a taxable dividend that was paid at that time by a taxable Canadian corporation;

(b) the amount of a dividend that, in accordance with subparagraph *a*, is deemed to have been received by a particular beneficiary at any time in a taxation year is equal to the amount determined by the formula

A/B × C; and

(c) the amount of a dividend described in subparagraph *a* in relation to a beneficiary under the SIFT trust is deemed for the purposes of section 663 not to have become payable to the beneficiary.

In the formula in subparagraph *b* of the first paragraph,

(a) A is the amount that became payable at the time determined under that subparagraph *b* by the SIFT trust to the particular beneficiary;

(b) B is the aggregate of all amounts each of which is an amount that became payable at any time in the taxation year by the SIFT trust to a beneficiary; and

(c) C is the SIFT trust's non-deductible distributions amount for the taxation year.

2009, c. 5, s. 205.

664. Notwithstanding section 652, any part of the amount that, but for paragraphs *a* and *b* of section 657, would be the income of a trust for a taxation year throughout which it was resident in Canada is, for the purposes of paragraph *a* of section 657 and section 663, deemed to have become payable to an individual in the year if

(a) that part of the amount has not become payable in the year;

(b) that part of the amount was held in trust for an individual who did not attain 21 years of age before the end of the year;

(c) the right to that part of the amount vested in the individual at or before the end of the year otherwise than because of the exercise by any person of, or the failure of any person to exercise, any discretionary power; and

(d) the right to that part of the amount is not subject to any future condition, other than a condition that the individual survive to an age not exceeding 40 years.

1972, c. 23, s. 502; 1990, c. 59, s. 228; 1997, c. 31, s. 67.

665. A taxpayer who has included in computing his income for a taxation year, under section 663 or 684, an amount in respect of his income interest in the trust may deduct, for the same year, except to the extent that an amount in respect thereof has been deducted in computing his taxable income pursuant to section 738 or 845, the lesser of such amount and the excess of the cost of his interest over the aggregate of the amounts deductible as such under this section in computing his income for previous taxation years.

1972, c. 23, s. 503; 1984, c. 15, s. 144; 1988, c. 18, s. 57; 1989, c. 5, s. 77.

665.1. The cost to a taxpayer of an income interest of the taxpayer in a trust is deemed to be nil unless any part of the interest was acquired by the taxpayer from a person who was the beneficiary in respect of the interest immediately before its acquisition by the taxpayer, or the cost of any part of the interest would be determined not to be nil under paragraph *c* of section 785.1 or subparagraph *c* of the first paragraph of section 785.2.

1984, c. 15, s. 144; 2003, c. 2, s. 166; 2009, c. 5, s. 206.

666. A portion of a taxable dividend received by a trust, in a particular taxation year of the trust, on a share of the capital stock of a taxable Canadian corporation, is deemed, for the purposes of the second paragraph of section 497, the third and fourth paragraphs of section 686 and sections 738 to 745, not to have been received by the trust and is deemed, for the purposes of this Part, to be a taxable dividend on the share received by a taxpayer in the taxpayer's taxation year in which the particular year ends if

(a) an amount equal to that portion is designated by the trust, in respect of the taxpayer, in the trust's fiscal return filed under this Part for the particular year and may reasonably be considered, having regard to all the circumstances including the terms and conditions of the trust arrangement, to be part of the amount that, because of any of sections 659, 661 and 662 or paragraph *a* of section 663, was included in computing the income for that taxation year of the taxpayer;

(b) the taxpayer is in the particular year a beneficiary under the trust;

(c) the trust is, throughout the particular year, resident in Canada; and

(d) the aggregate of all amounts each of which is an amount designated, under this section, by the trust in respect of a beneficiary under the trust in the trust's fiscal return filed under this Part for the particular year is not greater than the aggregate of all amounts each of which is the amount of a taxable dividend, received by the trust in the particular year, on a share of the capital stock of a taxable Canadian corporation.

1972, c. 23, s. 504; 1984, c. 15, s. 145; 1990, c. 59, s. 229; 1997, c. 3, s. 71; 2003, c. 2, s. 166; 2009, c. 5, s. 207.

667. For the purposes of subparagraph 3 of subparagraph i.1 of paragraph *n* of section 257, the third and fourth paragraphs of section 686 and sections 741.2, 742, 742.2 and 744.2, the portion of the aggregate of all amounts each of which is the amount of a dividend, other than a taxable dividend, paid to a trust in a taxation year throughout which it was resident in Canada, in respect of a share of the capital stock of a corporation resident in Canada, that may reasonably be considered, having regard to the circumstances and the terms and

conditions of the trust arrangement, to be part of an amount that became payable in the year to a beneficiary under the trust shall be designated by the trust, in its fiscal return for the year, in respect of the beneficiary.

1972, c. 23, s. 505; 1990, c. 59, s. 230; 1997, c. 3, s. 71; 2000, c. 5, s. 145; 2001, c. 7, s. 70.

668. For the purposes of sections 28 and 727 to 737, except as they apply to Title VI.5 of Book IV, an amount of a trust's net taxable capital gains for a particular taxation year of the trust is deemed to be a taxable capital gain, for the taxation year of a taxpayer in which the particular year ends, from the disposition by the taxpayer of capital property if

(a) the amount is designated by the trust, in respect of the taxpayer, in the trust's fiscal return filed under this Part for the particular year and may reasonably be considered, having regard to all the circumstances including the terms and conditions of the trust arrangement, to be part of the amount that, because of any of sections 659, 661 and 662 or paragraph *a* of section 663, was included in computing the income for that taxation year of the taxpayer;

(b) the taxpayer is

i. in the particular year, a beneficiary under the trust, and

ii. resident in Canada, unless the trust is, throughout the particular year, a mutual fund trust;

(c) the trust is, throughout the particular year, resident in Canada; and

(d) the aggregate of all amounts each of which is an amount designated, under this section, by the trust in respect of a beneficiary under the trust in the trust's fiscal return filed under this Part for the particular year is not greater than the trust's net taxable capital gains for the particular year.

1972, c. 23, s. 506; 1975, c. 22, s. 186; 1977, c. 26, s. 72; 1985, c. 25, s. 107; 1987, c. 67, s. 130; 1990, c. 59, s. 231; 1996, c. 39, s. 273; 2009, c. 5, s. 208.

668.0.1. *(Repealed).*

1990, c. 59, s. 232; 2015, c. 21, s. 217.

668.0.2. A trust that has filed its fiscal return for its taxation year that includes 22 February 1994 may subsequently designate an amount under section 668 for that year, or amend or revoke a designation made under that section for that year where the designation, amendment or revocation

(a) is made solely because of an increase or decrease in the net taxable capital gains of the trust for the year that results from an election or revocation to which section 726.9.8, 726.9.9 or 726.9.10 applies; and

(b) is filed with the Minister, with an amended fiscal return for the year, when the election or revocation referred to in subparagraph *a* is filed with the Minister.

A designation, amendment or revocation made in accordance with the first paragraph for the taxation year referred to in that paragraph that affects an amount determined in respect of a beneficiary under section 668.1 may be made only where the trust

(a) designates an amount, or amends or revokes a designation made, under section 668.1 for that year in respect of the beneficiary; and

(b) files the designation, amendment or revocation referred to in subparagraph *a* with the Minister when required by subparagraph *b* of the first paragraph.

Where a trust designates an amount, or amends or revokes a designation, under section 668 or 668.1 in accordance with this section, the designation or amended designation, as the case may be, is deemed to have

been made in the trust's fiscal return for the trust's taxation year that includes 22 February 1994, and the designation that was revoked is deemed, other than for the purposes of this section, never to have been made.

2000, c. 5, s. 146.

668.1. Where, for the purposes of section 668, a personal trust or a trust referred to in section 53 designates an amount in respect of a beneficiary in respect of its net taxable capital gains for a taxation year (in this section and section 668.2 referred to as the "designation year"), the following rules apply:

(a) the trust shall in its fiscal return filed under this Part for the designation year designate an amount in respect of its eligible taxable capital gains for the designation year in respect of the beneficiary equal to the amount determined in respect of the beneficiary under each of subparagraphs i and ii of paragraph *b*;

(b) the beneficiary is deemed, for the purposes of sections 28, 462.8 to 462.10 and 727 to 737, as they apply for the purposes of Title VI.5 of Book IV, and Divisions III and IV of Chapter II.1 of Title I of Book V, to have disposed of a capital property referred to in subparagraph i or ii if a capital gain is determined under either of those subparagraphs in respect of the beneficiary for the beneficiary's taxation year in which the designation year ends and to have a taxable capital gain for that taxation year

i. from a disposition of capital property that is qualified farm or fishing property of the beneficiary equal to the amount determined by the formula

$$(A \times B \times C)/(D \times E);$$

ii. from a disposition of capital property that is a qualified small business corporation share of the beneficiary equal to the amount determined by the formula

$$(A \times B \times F)/(D \times E);$$

iii. *(subparagraph repealed);*

(c) for the purposes of Title VI.5 of Book IV, the capital property referred to in paragraph *b* is deemed to have been disposed of by the beneficiary in the beneficiary's taxation year in which the designation year ends.

1987, c. 67, s. 130; 1990, c. 59, s. 233; 1996, c. 39, s. 174; 1997, c. 3, s. 71; 2003, c. 2, s. 167; 2007, c. 12, s. 69; 2009, c. 15, s. 97; 2017, c. 29, s. 87; 2020, c. 16, s. 97.

668.2. For the purposes of the formulas in subparagraphs i and ii of paragraph *b* of section 668.1,

(a) A is the lesser of

i. the amount by which the aggregate of amounts designated under section 668 for the designation year by the trust exceeds the aggregate of the amounts determined in relation to the trust under section 663.2 for the designation year, and

ii. the trust's eligible taxable capital gains for the designation year;

(b) B is the amount by which the amount designated under section 668 for the designation year by the trust in respect of the beneficiary exceeds the amount determined in relation to the trust in respect of the beneficiary under section 663.2 for the taxation year;

(c) C is the amount that would be determined under paragraph *b* of section 28 for the designation year in respect of the trust's capital gains and capital losses if the only properties referred to in that paragraph were, at the time they were disposed of, qualified farm properties, qualified fishing properties or qualified farm or fishing properties of the trust;

(d) D is the aggregate of all amounts each of which is the amount determined under paragraph *b* for the designation year in respect of a beneficiary under the trust;

(e) E is the aggregate of the amounts determined under paragraphs *c* and *f* for the designation year in respect of the beneficiary; and

(f) F is the amount that would be determined under paragraph *b* of section 28 for the designation year in respect of the trust's capital gains and capital losses if the only properties referred to in that paragraph were, at the time they were disposed of, qualified small business corporation shares of the trust, other than qualified farm properties, qualified fishing properties or qualified farm or fishing properties;

(g) (subparagraph repealed).

1987, c. 67, s. 130; 1990, c. 59, s. 233; 1993, c. 16, s. 243; 1994, c. 22, s. 234; 1996, c. 39, s. 174; 1997, c. 3, s. 71; 2006, c. 13, s. 47; 2007, c. 12, s. 70; 2017, c. 29, s. 88.

668.2.1. *(Repealed).*

2009, c. 15, s. 98; 2017, c. 29, s. 89.

668.2.2. *(Repealed).*

2009, c. 15, s. 98; 2017, c. 29, s. 89.

668.2.3. *(Repealed).*

2009, c. 15, s. 98; 2017, c. 29, s. 89.

668.2.4. *(Repealed).*

2009, c. 15, s. 98; 2017, c. 29, s. 89.

668.3. For the purposes of sections 668 to 668.2, the net taxable capital gains of a trust for a taxation year are the amount determined by the formula

A + B - C - D.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is the taxable capital gain of the trust for the year from the disposition of a capital property that was held by the trust immediately before the disposition;

(b) B is the aggregate of all amounts each of which is an amount deemed under section 668 to be a taxable capital gain of the trust for the year;

(c) C is the aggregate of all amounts each of which is the allowable capital loss (other than an allowable business investment loss) of the trust for the year from the disposition of a capital property; and

(d) D is the net capital losses deducted by the trust under section 729 in computing its taxable income for the year.

1987, c. 67, s. 130; 1989, c. 5, s. 78; 1990, c. 59, s. 234; 2015, c. 21, s. 218.

668.4. For the purposes of sections 668.1 and 668.2,

"eligible taxable capital gains" of a trust for a taxation year means the lesser of

(a) its annual gains limit, within the meaning assigned by the first paragraph of section 726.6, for the year; and

(b) the amount by which its cumulative gains limit, within the meaning assigned by the first paragraph of section 726.6, at the end of the year, exceeds the aggregate of all amounts designated under sections 668.1 and 668.2 by the trust in respect of beneficiaries for taxation years before that year;

"qualified farm or fishing property" of an individual has the meaning assigned by subparagraph *a*.0.2 of the first paragraph of section 726.6;

"qualified farm property" of an individual has the meaning assigned by subparagraph *a* of the first paragraph of section 726.6, as it read before being struck out;

"qualified fishing property" of an individual has the meaning assigned by subparagraph *a*.0.1 of the first paragraph of section 726.6, as it read before being struck out;

"qualified small business corporation share" of an individual has the meaning assigned to it by section 726.6.1.

1987, c. 67, s. 130; 1990, c. 59, s. 235; 1994, c. 22, s. 235; 1995, c. 49, s. 153; 1996, c. 39, s. 175; 1997, c. 3, s. 71; 2007, c. 12, s. 71; 2009, c. 15, s. 99; 2017, c. 29, s. 90; 2019, c. 14, s. 172.

668.5. *(Repealed).*

2003, c. 2, s. 168; 2015, c. 21, s. 219.

668.6. *(Repealed).*

2003, c. 2, s. 168; 2015, c. 21, s. 219.

668.7. *(Repealed).*

2003, c. 2, s. 168; 2009, c. 5, s. 209; 2015, c. 21, s. 219.

668.8. *(Repealed).*

2003, c. 2, s. 168; 2015, c. 21, s. 219.

669. *(Repealed).*

1975, c. 21, s. 17; 1975, c. 22, s. 187; 1978, c. 26, s. 113; 1982, c. 56, s. 14; 1987, c. 21, s. 15; 1989, c. 5, s. 79.

669.1. Where a trust, in a taxation year in which it is resident in Canada and is a succession that is the graduated rate estate of an individual, receives a pension benefit or a benefit out of or under a foreign retirement arrangement and designates, in its fiscal return for the year under this Part, an amount in respect of a beneficiary under the trust equal to such portion (in this section referred to as the "beneficiary's share") of the benefit as was designated by the trust exclusively in respect of the beneficiary and as may reasonably be considered (having regard to all the circumstances including the terms and conditions of the trust arrangement) to be part of the amount that, by reason of section 663, was included in computing the income of the beneficiary for a particular taxation year, the beneficiary's share of the benefit is deemed, for the purposes of section 752.0.8, to be a payment described in subparagraph i of paragraph *a* of that section that is

included in computing the beneficiary's income for the particular taxation year where the benefit is an amount described in that subparagraph i and the beneficiary is the spouse of the individual.

1984, c. 15, s. 146; 1988, c. 18, s. 58; 1989, c. 5, s. 80; 1991, c. 25, s. 82; 1993, c. 16, s. 244; 1994, c. 22, s. 236; 1997, c. 85, s. 102; 1999, c. 83, s. 59; 2017, c. 1, s. 158.

669.1.1. *(Repealed).*

1991, c. 25, s. 83; 1999, c. 83, s. 60.

669.2. The amount received by the succession that is a graduated rate estate of an individual on or after the individual's death in recognition of the individual's service in an office or employment is deemed to be an amount received by a particular beneficiary under the succession at a particular time on or after the individual's death in recognition of the individual's service in an office or employment and, except for the purposes of this section, not to have been received by the succession to the extent that the amount may reasonably be considered (having regard to all the circumstances including the terms and conditions of the trust arrangement) to be paid or payable at the particular time to the particular beneficiary.

1984, c. 15, s. 146; 2017, c. 1, s. 159.

669.3. For the purposes of sections 657 and 663, the amount designated by a trust in its fiscal return filed under this Part for a taxation year beginning before 1 January 2007 throughout which it was resident in Canada which does not exceed the amount determined in accordance with section 669.4 is deemed to have become payable by the trust to its beneficiaries in the year according to the share designated in the fiscal return for each of the beneficiaries.

The first paragraph does not apply unless the designated shares referred to in that paragraph are reasonable having regard to the portions of the income of the trust for the year determined without reference to the provisions of this Act which are included in computing the income of the beneficiaries for the year.

1986, c. 15, s. 94; 1989, c. 5, s. 81; 1990, c. 59, s. 236; 2005, c. 1, s. 130.

669.4. For the purposes of the first paragraph of section 669.3, the amount that may be designated by a trust under that section in respect of a taxation year shall not exceed the amount determined by the formula

$$(A - B) \times C / D.$$

In the formula provided for in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount that

i. is not deductible in computing the trust's income for the year, but that would be deductible were it not for section 144, or

ii. is required to be included in computing the trust's income for the year under section 89 or 425 or because of an amount designated under section 669.3 by another trust;

(b) B is the aggregate of all amounts each of which is an amount that

i. is deductible in computing the trust's income for the year under section 145, otherwise than because of the membership of the trust in a partnership, or

ii. is not included in computing the trust's income for the year, but that would be deductible were it not for section 486;

(c) C is the aggregate of all amounts each of which is a portion of the trust's income for the year, determined without reference to the provisions of this Act, that is payable in the year to a beneficiary of the trust or that is required to be included in computing the income of such a beneficiary for the year under section 662; and

(d) D is the trust's income for the year, determined without reference to the provisions of this Act.

1986, c. 15, s. 94; 1987, c. 67, s. 131; 1994, c. 22, s. 237; 1997, c. 3, s. 71; 2005, c. 1, s. 130.

669.5. If a testamentary trust receives, in a taxation year, an amount under an income-averaging annuity contract respecting income from artistic activities, that amount is deemed, for the purposes of paragraphs *c* and *d*.1 of section 312 and section 1129.68, to be an amount received at a particular time by a particular beneficiary under the trust, and not to have been received by the trust, to the extent that the amount may reasonably be considered, having regard to the circumstances and the terms and conditions of the trust arrangement, to be paid or payable at the particular time to the particular beneficiary.

2005, c. 23, s. 54.

670. *(Repealed).*

1972, c. 23, s. 507; 1978, c. 26, s. 114; 1990, c. 59, s. 237.

670.1. *(Repealed).*

1984, c. 15, s. 147; 1988, c. 18, s. 59; 1990, c. 59, s. 237.

670.2. *(Repealed).*

1988, c. 18, s. 60; 1990, c. 59, s. 237.

671. For the purposes of this section and sections 146.1, 671.1 and 772.2 to 772.13, an amount in respect of a trust's income for a particular taxation year of the trust from a source situated in a foreign country, is deemed to be income of a taxpayer, for the taxation year of the taxpayer in which the particular year ends, from that source if

(a) the amount is designated by the trust, in respect of the taxpayer, in the trust's fiscal return filed under this Part for the particular year and may reasonably be considered, having regard to all the circumstances including the terms and conditions of the trust arrangement, to be part of the amount that, because of section 659 or paragraph *a* of section 663, was included in computing the income for that taxation year of the taxpayer;

(b) the taxpayer is in the particular year a beneficiary under the trust;

(c) the trust is, throughout the particular year, resident in Canada; and

(d) the aggregate of all amounts each of which is an amount designated, under this section in respect of that source, by the trust in respect of a beneficiary under the trust in the trust's fiscal return filed under this Part for the particular year is not greater than the trust's income for the particular year from that source.

1972, c. 23, s. 508; 1972, c. 26, s. 52; 1973, c. 18, s. 23; 1982, c. 5, s. 139; 1984, c. 15, s. 148; 1990, c. 59, s. 238; 1995, c. 63, s. 47; 2009, c. 5, s. 210.

671.1. A taxpayer who is a beneficiary under a trust is deemed, for the purposes of this section and sections 146.1 and 772.2 to 772.13, to have paid to the government of a foreign country or political subdivision of a foreign country, as business-income tax or non-business-income tax, as the case may be, for a particular taxation year in respect of a particular source situated in that country, the amount determined by the formula

A × B / C.

For the purposes of the formula in the first paragraph,

(a) A is the amount that, but for section 671.3, would be the business-income tax or non-business-income tax, as the case may be, paid by the trust to the government of the foreign country or political subdivision of the foreign country in respect of the particular source for a taxation year, referred to in this paragraph as "that year", of the trust that ends in the particular year;

(b) B is the amount deemed, because of a designation made in accordance with section 671 for that year by the trust, to be the taxpayer's income from the particular source; and

(c) C is the trust's income for that year from the particular source.

1995, c. 63, s. 48.

671.2. For the purposes of sections 772.2 to 772.13, there shall be deducted in computing a trust's income from a particular source for a taxation year the aggregate of all amounts each of which is an amount deemed, because of a designation under section 671 by the trust for the year, to be income of beneficiaries under the trust from that source.

1995, c. 63, s. 48.

671.3. For the purposes of sections 146.1 and 772.2 to 772.13, there shall be deducted in computing the business-income tax or non-business-income tax, as the case may be, paid by a trust to the government of a foreign country or political subdivision of a foreign country in respect of a particular source situated in that country for a taxation year the aggregate of all amounts each of which is an amount deemed, because of a designation under section 671 by the trust for the year, to be paid by beneficiaries under the trust as business-income tax or non-business-income tax, as the case may be, in respect of that source.

1995, c. 63, s. 48.

671.4. In sections 671 to 671.3, "business-income tax" and "non-business-income tax" have the meanings assigned by section 772.2.

1995, c. 63, s. 48.

CHAPTER V.1

BENEFICIARY UNDER A DESIGNATED TRUST

2004, c. 21, s. 96.

671.5. In this chapter,

"designated beneficiary" under a designated trust for a taxation year of the designated trust means a tax-liable beneficiary under the designated trust for the year or, if a beneficiary under the designated trust is a partnership, a tax-liable member of the partnership for the partnership's fiscal period in which the designated trust's taxation year ends, who has for the year, with any person or partnership with whom the beneficiary or the member is not dealing at arm's length, a share of the aggregate of the income interests in the designated trust that is an amount of $5,000 or more, or a share of the aggregate of the income interests in the designated trust or of the aggregate of the capital interests in the designated trust that corresponds to at least 10% of the aggregate of the income interests or of the aggregate of the capital interests in the designated trust;

"designated trust" means a trust that is resident in Canada but outside Québec on the last day of a taxation year, but does not include a unit trust or a trust described in any of paragraphs *a* to *e*.1 of the definition of "trust" in subsection 1 of section 108 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

"tax-liable beneficiary" under a designated trust for a particular taxation year of the designated trust means a beneficiary under the designated trust who is

(a) an individual who is resident in Québec on the last day of the individual's taxation year in which the particular taxation year ends; or

(b) a corporation that has an establishment in Québec at any time in the corporation's taxation year in which the particular taxation year ends;

"tax-liable member" of a partnership for a fiscal period of the partnership in which ends a taxation year of a designated trust of which the partnership is a beneficiary, means a member of the partnership who is

(a) an individual who is resident in Québec on the last day of the individual's taxation year in which the fiscal period ends; or

(b) a corporation that has an establishment in Québec at any time in the corporation's taxation year in which the fiscal period ends.

For the purposes of the definitions of "tax-liable beneficiary" and "tax-liable member" in the first paragraph, the following rules apply:

(a) if an individual dies or ceases to be resident in Canada in a taxation year, the last day of the individual's taxation year is the day of the individual's death or the last day on which the individual was resident in Canada; and

(b) if an individual to whom the first paragraph of section 25 applies is a beneficiary under a designated trust or a member of a partnership that is a beneficiary under a designated trust, the individual is not a tax-liable beneficiary under the designated trust or a tax-liable member of the partnership, as the case may be, even though the individual is deemed to be resident in Québec on the last day of a taxation year for the purposes of the second paragraph of section 25.

2004, c. 21, s. 96; 2011, c. 6, s. 141.

671.6. For the purposes of this chapter, the Minister may determine that a beneficiary under a designated trust for a taxation year of the designated trust, or a member of a partnership that is a beneficiary under a designated trust for a taxation year of the designated trust, is a designated beneficiary under the designated trust for the year, if the Minister is of the opinion that the share, for the year, of the aggregate of the income interests or of the aggregate of the capital interests in the designated trust of the beneficiary or member, or of the aggregate of the income interests or of the aggregate of the capital interests in the designated trust of any person or partnership with whom or with which the beneficiary or member is not dealing at arm's length, has been reduced by reason of a transaction or event or a series of transactions or events.

2004, c. 21, s. 96.

671.7. Where a designated trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 or 13.2 of section 104 of that Act, designates an amount in respect of a beneficiary under the designated trust who is a designated beneficiary for the year or a partnership at least one member of which is a designated beneficiary for the year, the presumption in the first paragraph of section 663.1 or 663.2 does not apply in respect of the amount so designated in respect of that designated beneficiary or does not apply in respect of the amount that may reasonably be considered to relate to the share of the designated beneficiary who is a member of the partnership in the amount so designated in respect of that partnership.

2004, c. 21, s. 96.

671.8. Every tax-liable beneficiary under a designated trust for a particular taxation year of the designated trust and, if the beneficiary under the designated trust for the particular year is a partnership, every tax-liable member of the partnership for a fiscal period of the partnership in which the particular year ends shall enclose with the fiscal return the beneficiary or the member is required to file under section 1000 or would be required to file under that section if tax were payable by the beneficiary or the member under this Part for the tax-liable beneficiary's taxation year in which the particular year ends or for the tax-liable member's taxation year in which the fiscal period ends, as the case may be, an information return, in the prescribed form, containing

(a) the name of the designated trust;

(b) the name and address of the trustee under the designated trust for the particular year; and

(c) the date from which the beneficiary is such a beneficiary under the designated trust.

Where the beneficiary referred to in the first paragraph has, for the particular year, with any person or partnership with whom or with which the beneficiary is not dealing at arm's length, a share of the aggregate of the income interests in the designated trust that is an amount of $5,000 or more, or a share of the aggregate of the income interests in the designated trust or of the aggregate of the capital interests in the designated trust that corresponds to at least 10% of the aggregate of the income interests in the designated trust or of the aggregate of the capital interests in the designated trust, the information return referred to in that paragraph shall also contain the following information, for the particular year and for the four taxation years preceding the particular year:

(a) any former address of the trustee under the designated trust for the particular year; and

(b) the name and address of any trustee preceding the trustee under the designated trust for the particular year.

2004, c. 21, s. 96; 2011, c. 6, s. 142.

671.9. Every designated beneficiary under a designated trust for a particular taxation year of the designated trust shall enclose with the fiscal return the designated beneficiary is required to file under section 1000 for the designated beneficiary's taxation year in which the particular year ends, or would be required to so file if tax were payable by the designated beneficiary under this Part for the designated beneficiary's taxation year in which the particular year ends, an information return, in prescribed form, in which the designated beneficiary indicates the amounts that are paid to the designated beneficiary or became payable in the particular year by the designated trust, or that are paid for the benefit of the designated beneficiary, and that were designated by the designated trust in its fiscal return filed for the particular year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 or 13.2 of section 104 of that Act.

Every designated beneficiary who is a member of a partnership that is a beneficiary under the designated trust for a particular taxation year of the designated trust, shall enclose with the fiscal return the designated beneficiary is required to file under section 1000 for the designated beneficiary's taxation year in which ends the fiscal period of the partnership in which the particular year ends, or would be required to so file if tax were payable by the designated beneficiary under this Part for the designated beneficiary's taxation year in which ends the partnership's fiscal period in which the particular year ends, an information return, in prescribed form, in which the designated beneficiary indicates the designated beneficiary's share of the amounts that are paid or became payable in the particular year by the designated trust to the partnership of which the designated beneficiary is a member, or that are paid for the benefit of the designated beneficiary, and that were designated by the designated trust in its fiscal return filed for the particular year under Part I of the Income Tax Act, in accordance with subsection 13.1 or 13.2 of section 104 of that Act.

2004, c. 21, s. 96.

671.10. Every designated beneficiary under a designated trust for a taxation year of the designated trust who omits to include an amount, under section 662 or 663, in computing the designated beneficiary's income

for a particular taxation year, in relation to an amount designated by the designated trust in its fiscal return filed for the year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 or 13.2 of section 104 of that Act, incurs a penalty equal to the greater of $100 and 25% of the amount by which

(a) the tax that would have been payable by the designated beneficiary for the particular year under this Act if

i. the designated beneficiary's taxable income for the particular year, determined on the basis of the information provided in the fiscal return filed by the designated beneficiary for the purposes of this Act in respect of the particular year, were computed by adding that portion of the amount determined in the second paragraph that may reasonably be attributed to that omission, and

ii. the designated beneficiary's tax payable for the particular year were computed by subtracting from the aggregate of all deductions from the tax otherwise payable by the designated beneficiary for the particular year the portion of any such deduction as may reasonably be attributed to that omission, and by adding to that aggregate any amount not deducted from the tax otherwise payable by the designated beneficiary for the particular year and that is deductible under Book V, if the amount that entitles the designated beneficiary to that deduction is wholly applicable to an amount that was not reported by the designated beneficiary in the fiscal return filed by the designated beneficiary for the purposes of this Act in respect of the particular year and that were required to be included in computing the designated beneficiary's income for the particular year, under section 662 or 663, in relation to an amount designated by a designated trust in accordance with subsection 13.1 or 13.2 of section 104 of the Income Tax Act; exceeds

(b) the tax that would have been payable by the designated beneficiary for the particular year under this Act had it been determined on the basis of the information provided in the designated beneficiary's fiscal return filed for the purposes of this Act in respect of the particular year.

The amount to which subparagraph i of subparagraph *a* of the first paragraph refers in respect of a designated beneficiary under a designated trust for a taxation year of the designated trust is the aggregate of

(a) the amount by which the aggregate of the amounts that were not indicated by the designated beneficiary in the fiscal return filed by the designated beneficiary for the purposes of this Act in respect of the particular year and that were required to be included in computing the designated beneficiary's income for the particular year, under section 662 or 663, in relation to an amount designated by the designated trust in accordance with subsection 13.1 or 13.2 of section 104 of the Income Tax Act, exceeds the aggregate of the amounts that were not deducted by the designated beneficiary in computing the designated beneficiary's taxable income for the particular year indicated by the designated beneficiary in the fiscal return, were deductible in computing the designated beneficiary's taxable income under this Act and were wholly applicable to the amounts that were required to be so included therein; and

(b) the amount by which the aggregate of amounts, other than those provided for in sections 727 to 737, deducted by the designated beneficiary in computing the designated beneficiary's taxable income for the particular year indicated by the designated beneficiary in the fiscal return for the purposes of this Act in respect of the particular year exceeds the aggregate of amounts, other than those provided for in sections 727 to 737, deductible in computing the designated beneficiary's taxable income for the particular year under this Act.

For the purposes of the first paragraph, the taxable income of a designated beneficiary under a designated trust for a taxation year of the designated trust, determined on the basis of information provided in the designated beneficiary's fiscal return for the purposes of this Act in respect of the particular year, is deemed not to be less than zero.

However, the penalty provided for in the first paragraph does not apply where the designated beneficiary under a designated trust for a taxation year of the designated trust incurs in respect of the omission the penalty provided for in section 1049.

2004, c. 21, s. 96; 2005, c. 1, s. 131.

CHAPTER VI

Repealed, 1990, c. 59, s. 239.

1990, c. 59, s. 239.

672. *(Repealed).*

1975, c. 22, s. 188; 1984, c. 15, s. 149; 1985, c. 25, s. 108; 1990, c. 59, s. 239.

673. *(Repealed).*

1975, c. 22, s. 188; 1977, c. 26, s. 73; 1978, c. 26, s. 115; 1985, c. 25, s. 109; 1990, c. 59, s. 239.

674. *(Repealed).*

1975, c. 22, s. 188; 1977, c. 26, s. 74; 1978, c. 26, s. 116; 1984, c. 15, s. 150; 1985, c. 25, s. 110; 1990, c. 59, s. 239.

675. *(Repealed).*

1975, c. 22, s. 188; 1978, c. 26, s. 117; 1990, c. 59, s. 239.

676. *(Repealed).*

1975, c. 22, s. 188; 1977, c. 26, s. 75; 1984, c. 15, s. 151; 1985, c. 25, s. 111; 1990, c. 59, s. 239.

676.1. *(Repealed).*

1984, c. 15, s. 151; 1985, c. 25, s. 111; 1990, c. 59, s. 239.

CHAPTER VII

TESTAMENTARY TRUST

1972, c. 23.

677. Notwithstanding any inconsistent provision of this Part, the rules provided in this chapter apply to a testamentary trust.

For the purposes of this chapter, “testamentary trust”, in a taxation year, means a trust that arose upon and as a consequence of the death of an individual, including a trust referred to in section 7.4.1, but does not include

(a) a trust created by a person other than the individual;

(b) a trust created after 12 November 1981 if, before the end of the taxation year, property was contributed to the trust otherwise than by an individual on or after his death, and as a consequence thereof;

(c) a trust created before 13 November 1981 if after 28 June 1982 property has been contributed to the trust otherwise than by an individual on or after his death and as a consequence thereof, or if before the end of the taxation year, the fair market value of the property owned by the trust that was contributed to the trust otherwise than by an individual on or after his death and as a consequence thereof and the property owned by the trust that was substituted for such property exceeds the fair market value of the property owned by the trust that was contributed by an individual on or after his death and as a consequence thereof and the property

owned by the trust that was substituted for such property, and for the purposes of this paragraph, the fair market value of any property shall be determined as at the time it was acquired by the trust; and

(d) a trust that, at any time after 20 December 2002 and before the end of the taxation year, incurs a debt or any other obligation owed to, or guaranteed by, a beneficiary or any other person or partnership, which beneficiary, person or partnership is referred to in this subparagraph as the "specified party", with whom a beneficiary under the trust does not deal at arm's length, other than a debt or other obligation

i. incurred by the trust in satisfaction of the specified party's right as a beneficiary under the trust

(1) to enforce payment of an amount of the trust's income or capital gains payable at or before that time by the trust to the specified party, or

(2) to otherwise receive any part of the capital of the trust,

ii. owed to the specified party, if the debt or other obligation arose because of a service, not including any transfer or loan of property, rendered by the specified party to, for or on behalf of the trust,

iii. owed to the specified party, if

(1) the debt or other obligation arose because of a payment made by the specified party for or on behalf of the trust,

(2) in exchange for the payment and in full settlement of the debt or other obligation, the trust transfers property, the fair market value of which is not less than the principal amount of the debt or other obligation, to the specified party within 12 months after the payment was made or, if written application has been made to the Minister by the trust within that 12-month period, within any longer period that the Minister considers reasonable in the circumstances, and

(3) it is reasonable to conclude that the specified party would have been willing to make the payment if the specified party dealt at arm's length with the trust, unless the trust is the individual's succession and that payment was made within the first 12 months after the individual's death or, if written application has been made to the Minister by the succession within that 12-month period, within any longer period that the Minister considers reasonable in the circumstances, or

iv. incurred by the trust before 24 October 2012 if, in full settlement of the debt or other obligation, the trust transfers property, the fair market value of which is not less than the principal amount of the debt or other obligation, to the person or partnership to whom the debt or other obligation is owed within 12 months after 26 June 2013 or, if written application has been made to the Minister by the trust within that 12-month period, within any longer period that the Minister considers reasonable in the circumstances.

1972, c. 23, s. 509; 1984, c. 15, s. 152; 1986, c. 19, s. 136; 1995, c. 49, s. 154; 2009, c. 5, s. 211; 2015, c. 21, s. 220.

677.1. For the purposes of section 677, property is not considered to be contributed to a trust as a result of

(a) a qualifying expenditure (within the meaning of section 118.04 or 118.041 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) of a beneficiary under the trust; or

(b) an amount paid to, or on behalf of, the trust by another trust where

i. the trust is an individual's succession that is a graduated rate estate (determined without regard to the amount paid and this section),

ii. subparagraph *b* of the first paragraph of section 663.0.1 applies to the other trust, for a taxation year that ends at a time determined by reference to the death of the individual referred to in subparagraph i, because of an election referred to in subparagraph *c* of the second paragraph of section 663.0.1 and made by the other trust and the legal representative administering the individual's succession,

iii. the amount is paid on account of the tax payable by the individual referred to in subparagraph i, for the individual's taxation year that includes the day on which the individual dies, under this Part, Part I of the Income Tax Act or the law of another province in which the individual was resident immediately before the individual's death, that imposes a tax on the taxable income of individuals resident in that province, and

iv. the amount paid does not exceed the amount by which the tax payable referred to in subparagraph iii exceeds the amount that would have been payable on account of that tax if subparagraph *b* of the first paragraph of section 663.0.1 had not applied to the other trust in respect of the taxation year referred to in subparagraph ii.

2010, c. 25, s. 51; 2017, c. 1, s. 160; 2019, c. 14, s. 173.

678. *(Repealed).*

1972, c. 23, s. 510; 1997, c. 31, s. 68; 2009, c. 5, s. 212.

679. *(Repealed).*

1972, c. 23, s. 511; 2009, c. 5, s. 212.

680. The income of a person for a taxation year from a succession that is a graduated rate estate is deemed to be the aggregate of the person's benefits from or under the succession for any taxation year of the succession that ended in the year, determined under the provisions of this Title except for sections 683 to 692.

1972, c. 23, s. 512; 1973, c. 17, s. 77; 2017, c. 1, s. 161.

681. Where an individual with an income from a trust that is a succession that is a graduated rate estate died after the end of a taxation year of the trust and before the end of the calendar year during which that taxation year ended, his income from the trust for the period commencing immediately after the end of the taxation year of the trust and ending at the time of death shall be included in computing the individual's income for the year in which he died unless his legal representative has elected otherwise, in which case the legal representative shall file a separate fiscal return under this Part for the period comprised between the end of the taxation year of the trust and the date of the death and pay the tax for the period under this Part as if

(a) the individual were another person;

(b) the period were a taxation year;

(c) that other person's only income for the period were the individual's income from the trust for that period; and

(d) subject to sections 693.1, 752.0.26 and 776.1.5.0.19, that other person were entitled to the deductions to which the individual was entitled under sections 725 to 725.5, 752.0.0.1 to 752.0.13.3, 752.0.14 to 752.0.18.15, 776.1.5.0.17 and 776.1.5.0.18 for the period in computing the individual's taxable income or the individual's tax payable under this Part, as the case may be, for the period.

1972, c. 23, s. 513; 1973, c. 17, s. 78; 1986, c. 19, s. 137; 1989, c. 5, s. 82; 1993, c. 64, s. 40; 1994, c. 22, s. 238; 1997, c. 14, s. 290; 1999, c. 83, s. 273; 2001, c. 53, s. 90; 2005, c. 1, s. 132; 2006, c. 36, s. 45; 2017, c. 1, s. 162; 2019, c. 14, s. 174.

682. *(Repealed).*

1972, c. 23, s. 514; 1995, c. 49, s. 155; 2017, c. 1, s. 163.

CHAPTER VIII

DISPOSITION OF AN INTEREST

1972, c. 23.

683. In this chapter,

"capital interest" of a taxpayer in a trust means all rights of the taxpayer as a beneficiary under the trust, and after 31 December 1999 includes a right, other than a right acquired before 1 January 2000 and disposed of before 1 March 2000, to enforce payment of an amount by the trust that arises as a consequence of any such right, but does not include an income interest in the trust;

"eligible offset" at any time of a taxpayer in respect of all or part of the taxpayer's capital interest in a trust is the portion of any debt or obligation that is assumed by the taxpayer and that can reasonably be considered to be applicable to property distributed at that time as consideration for the interest or part of the interest, as the case may be, if the distribution is conditional upon the assumption by the taxpayer of the portion of the debt or obligation;

"income interest" of a taxpayer in a trust means a right, whether immediate or future and whether absolute or contingent, of the taxpayer as a beneficiary under a personal trust to, or to receive, all or any part of the income of the trust and, after 31 December 1999, includes a right, other than a right acquired before 1 January 2000 and disposed of before 1 March 2000, to enforce payment of an amount by the trust that arises as a consequence of any such right.

1972, c. 23, s. 515; 1989, c. 77, s. 71; 1990, c. 59, s. 240; 2003, c. 2, s. 169.

684. A taxpayer who disposes in a taxation year of an income interest of the taxpayer in a trust shall, if section 685 does not apply, include in computing the taxpayer's income for the year the amount by which the proceeds of disposition exceed, where that interest includes a right to enforce payment of an amount by the trust, the amount in respect of that right that has been included in computing the taxpayer's income for a taxation year because of section 663.

The disposition referred to in the first paragraph is deemed not to give rise to any capital gain or capital loss, to the taxpayer, and the cost of any property received by the taxpayer as consideration is the fair market value of the property at the time of the disposition.

1972, c. 23, s. 516; 2003, c. 2, s. 169.

685. Any trust distributing, at a particular time, any property owned by it to a beneficiary in satisfaction of all or any part of his income interest in the trust, is deemed to dispose of such property at its fair market value at that time.

1972, c. 23, s. 517; 1973, c. 17, s. 79; 2001, c. 7, s. 71.

686. In computing a taxpayer's taxable capital gain from the disposition of property that is all or any part of the taxpayer's capital interest in a personal trust or a prescribed trust, the adjusted cost base to the taxpayer of the property immediately before the disposition is deemed to be equal to the greater of

(a) the adjusted cost base, otherwise determined, to the taxpayer of the property immediately before that time; and

(b) the amount by which the cost amount to the taxpayer of the property immediately before that time exceeds the aggregate of all amounts deducted under paragraph *b*.1 of section 257 in computing the adjusted cost base to the taxpayer of the property immediately before the disposition.

The presumption referred to in the first paragraph does not apply where any part of such interest has ever been acquired for consideration and, at the time of disposition, the trust is not resident in Canada.

Where a taxpayer other than a mutual fund trust disposes of all or any part of the capital interest in a trust, the taxpayer's loss from the disposition is deemed to be equal to the amount by which the amount of that loss otherwise determined exceeds the amount by which

(a) the aggregate of all amounts each of which is an amount that was received or would, but for section 666, have been received by the trust on a share of the capital stock of a corporation before the disposition, and, where the trust is a unit trust, after 31 December 1987, and

i. where the taxpayer is a corporation,

(1) was a taxable dividend that was designated under section 666 by the trust in respect of the taxpayer, to the extent that the amount of the dividend was deductible because of sections 738 to 745 or section 845 in computing the taxpayer's taxable income for any taxation year, or

(2) was an amount designated under section 667 by the trust in respect of the taxpayer,

ii. where the taxpayer is another trust, was an amount designated under section 666 or 667 by the trust in respect of the taxpayer, and

iii. where the taxpayer is not a corporation, trust or partnership, was an amount designated under section 667 by the trust in respect of the taxpayer; exceeds

(b) the portion of the aggregate determined in accordance with subparagraph *a* that may reasonably be considered to have resulted in a reduction, under this paragraph, of the taxpayer's loss otherwise determined from a previous disposition of an interest in the trust.

Where a partnership disposes of all or any part of the capital interest in a trust, the share of a person, other than another partnership or a mutual fund trust, of any loss of the partnership from the disposition is deemed to be equal to the amount by which the amount of that loss otherwise determined exceeds the amount by which

(a) the aggregate of all amounts each of which is an amount that was received or would, but for section 666, have been received by the trust on a share of the capital stock of a corporation before the disposition, and, where the trust is a unit trust, after 31 December 1987, and

i. where the person is a corporation,

(1) was a taxable dividend that was designated under section 666 by the trust in respect of the partnership, to the extent that the amount of the dividend was deductible because of sections 738 to 745 or section 845 in computing the person's taxable income for any taxation year, or

(2) was a dividend designated under section 667 by the trust in respect of the partnership and was an amount received by the person,

ii. where the person is an individual other than a trust, was a dividend designated under section 667 by the trust in respect of the partnership and was an amount received by the person, and

iii. where the person is another trust, was a dividend designated under section 666 or 667 by the trust in respect of the partnership and was an amount received by the person, or that would have been received by the person if this Part were read without reference to section 666; exceeds

(b) the portion of the aggregate determined in accordance with subparagraph *a* that may reasonably be considered to have resulted in a reduction, under this paragraph, of the person's loss otherwise determined from a previous disposition of an interest in the trust.

Where all or part of a capital interest in a trust is disposed of by a taxpayer and the capital interest is not a capital property of the taxpayer, despite section 690, its cost amount is deemed to be the amount by which the amount that would, if this Part were read without reference to this paragraph and section 690, be its cost amount exceeds the aggregate of all amounts, each of which is an amount in respect of the capital interest that has become payable to the taxpayer before the disposition and that would be described in subparagraph i.1 of paragraph *n* of section 257 if its subparagraph 3 were read without reference to ", that is, subject to section 257.4, equal to the amount designated by the trust to be payable to the taxpayer under section 668".

1972, c. 23, s. 518; 1973, c. 17, s. 80; 1984, c. 15, s. 153; 1990, c. 59, s. 241; 1993, c. 16, s. 245; 1995, c. 49, s. 156; 1996, c. 39, s. 176; 1997, c. 3, s. 71; 2000, c. 5, s. 147; 2001, c. 7, s. 72; 2003, c. 2, s. 170; 2015, c. 24, s. 91.

687. The cost to a taxpayer of a capital interest in a personal trust or a prescribed trust is deemed to be

(a) where the taxpayer elects under section 726.9.2 in respect of the interest and the trust does not elect under that section in respect of any property of the trust, equal to the taxpayer's cost of the interest determined under subparagraph *a* of the first paragraph of section 726.9.2; and

(b) in any other case, nil, unless

i. any part of the interest was acquired by the taxpayer from a person who was the beneficiary in respect of the interest immediately before its acquisition by the taxpayer, or

ii. the cost of any part of the interest would be determined not to be nil under sections 242 to 247.1, as they read before 1 January 1993, subparagraph *c* of the second paragraph of section 736 and the third paragraph of that section, paragraph *c* of section 785.1 or subparagraph *c* of the first paragraph of section 785.2.

1975, c. 22, s. 189; 1984, c. 15, s. 154; 2000, c. 5, s. 147; 2003, c. 2, s. 171; 2009, c. 5, s. 215.

687.1. For the purposes of sections 83 to 85.6, the fair market value at any time of a capital interest in a trust is deemed to be equal to the aggregate of

(a) the amount that would, if this Part were read without reference to this section, be its fair market value at that time; and

(b) the aggregate of all amounts, each of which is an amount in respect of the capital interest that became payable to the taxpayer before that time and that would be described in subparagraph i.1 of paragraph *n* of section 257 if its subparagraph 3 were read without reference to ", that is, subject to section 257.4, equal to the amount designated by the trust to be payable to the taxpayer under section 668".

2015, c. 24, s. 92.

688. Subject to sections 688.0.0.1, 688.0.0.2 and 691 to 692, if at a particular time a property of a personal trust or a prescribed trust is distributed (otherwise than as a SIFT trust wind-up event) by the trust to a taxpayer who was a beneficiary under the trust and there is a resulting disposition of all or any part of the taxpayer's capital interest in the trust, the following rules apply:

(a) the trust is deemed to dispose of the property for proceeds of disposition equal to its cost amount to the trust immediately before that time;

(b) the taxpayer is, subject to section 688.2, deemed to acquire the property at a cost equal to the total of its cost amount to the trust immediately before that time and the specified percentage of the amount by which the adjusted cost base to the taxpayer of the capital interest or part thereof immediately before that time, determined without reference to the first paragraph of section 686, exceeds the cost amount to the taxpayer of the capital interest or part thereof immediately before that time;

(c) the taxpayer's proceeds of disposition of all or part, as the case may be, of the capital interest in the trust disposed of by the taxpayer on the distribution are deemed to be equal to the amount by which the cost at

which the taxpayer would be deemed under paragraph *b* to acquire the property if the specified percentage referred to in that paragraph were 100% exceeds the aggregate of all amounts each of which is an eligible offset at that time of the taxpayer in respect of the capital interest or part thereof;

(d) for the purposes of sections 93 to 104, Chapter III of Title III and any regulations made under paragraph *a* of section 130 or under section 130.1, where the property distributed was depreciable property of a prescribed class of the trust and the amount that was the capital cost to the trust of such property exceeds the cost at which, in accordance with sections 688, 689, 691 and 692, the taxpayer is deemed to acquire the property, the following rules apply:

i. the capital cost of the property to the taxpayer is deemed to be the capital cost of the property to the trust, and

ii. the excess is deemed to have been allowed to the taxpayer as depreciation in respect of the property for the taxation years preceding the acquisition by him of the property;

(d.1) (subparagraph repealed);

(e) (subparagraph repealed).

For the purposes of subparagraph *b* of the first paragraph, the specified percentage is

(a) where the property is capital property other than depreciable property, 100%;

(b) (subparagraph repealed);

(c) in any other case, 50%.

1972, c. 23, s. 519; 1973, c. 17, s. 81; 1975, c. 22, s. 190; 1977, c. 26, s. 76; 1979, c. 18, s. 55; 1990, c. 59, s. 242; 1993, c. 16, s. 246; 1994, c. 22, s. 239; 1996, c. 39, s. 177; 2000, c. 5, s. 148; 2001, c. 7, s. 73; 2003, c. 2, s. 172; 2005, c. 1, s. 133; 2009, c. 5, s. 216; 2010, c. 25, s. 52; 2011, c. 6, s. 143; 2015, c. 21, s. 221; 2019, c. 14, s. 175.

688.0.0.1. If a trust makes a distribution of a property to a beneficiary under the trust in full or partial satisfaction of the beneficiary's capital interest in the trust and makes a valid election under subsection 2.001 of section 107 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of the distribution of property, section 688 does not apply to the distribution if

(a) the trust is resident in Canada at the time of the distribution;

(b) the property is taxable Canadian property; or

(c) the property is capital property used in, or property included in the inventory of, a business carried on by the trust through an establishment in Canada immediately before the time of the distribution.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2.001 of section 107 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2003, c. 2, s. 173; 2005, c. 1, s. 134; 2009, c. 5, s. 217; 2019, c. 14, s. 176.

688.0.0.2. If a trust that is not resident in Canada makes a distribution of a property, other than a property described in subparagraph *b* or *c* of the first paragraph of section 688.0.0.1, to a beneficiary under the trust in full or partial satisfaction of the beneficiary's capital interest in the trust, and the beneficiary makes a valid election under subsection 2.002 of section 107 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of the distribution of property, the following rules apply:

(a) section 688 does not apply to the distribution; and

(b) for the purposes of subparagraph *b* of the first paragraph of section 686, the cost amount of the interest to the beneficiary is deemed to be nil.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2.002 of section 107 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2003, c. 2, s. 173; 2009, c. 5, s. 218.

688.0.1. If, at any time, a property is distributed by a personal trust to a taxpayer in circumstances in which section 688 applies, the property would, if the trust had so designated the property under section 274.0.1, be a principal residence, within the meaning of that section, of the trust for a taxation year, and the trust makes a valid election under subsection 2.01 of section 107 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of the distribution of property, the following rules apply:

(a) the trust is deemed to have disposed of the property immediately before the particular time that is immediately before that time for proceeds of disposition equal to the fair market value of the property at that time; and

(b) the trust is deemed to have reacquired the property at the particular time-a-cost equal to that fair market value.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2.01 of section 107 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1993, c. 16, s. 247; 1994, c. 22, s. 240; 2001, c. 7, s. 74; 2003, c. 2, s. 174; 2005, c. 23, s. 55; 2009, c. 5, s. 219.

688.1. Where at a particular time a property of a trust is distributed by the trust to a beneficiary under the trust, there would, if this Part were read without reference to subparagraphs *d* and *e* of the second paragraph of section 248, be a resulting disposition of all or any part of the beneficiary's capital interest in the trust, in this section referred to as the "former interest", and the rules in Title I.2 of Book VI and in sections 569.0.2, 688 and 688.4 do not apply in respect of the distribution, the following rules apply:

(a) the trust is deemed to dispose of the property for proceeds of disposition equal to its fair market value at that time;

(b) the beneficiary is deemed to acquire the property at a cost equal to the proceeds referred to in subparagraph *a*;

(c) unless the trust is a mutual fund trust, the beneficiary's proceeds of disposition of the portion of the former interest disposed of by the beneficiary on the distribution are deemed to be equal to the amount by which the proceeds referred to in subparagraph *a*, other than the portion of the proceeds that is a payment to which subparagraph *d* or *e* of the second paragraph of section 248 applies, exceed the amount determined under the second paragraph;

(d) notwithstanding subparagraphs *a* to *c*, where the trust is not resident in Canada at that time, the property is not described in subparagraph *b* or *c* of the first paragraph of section 688.0.0.1 and, but for this subparagraph, there would be no income, loss, taxable capital gain or allowable capital loss of a taxpayer in respect of the property by reason of the application of section 467 to the disposition at that time of the property, the following rules apply:

i. the trust is deemed to dispose of the property for proceeds of disposition equal to the cost amount of the property,

ii. the beneficiary is deemed to acquire the property at a cost equal to the fair market value of the property, and

iii. the beneficiary's proceeds of disposition of the portion of the former interest disposed of by the beneficiary on the distribution are deemed to be equal to the amount by which the fair market value of the property exceeds the aggregate of

(1) the portion of the amount of the distribution that is a payment to which subparagraph *d* or *e* of the second paragraph of section 248 applies, and

(2) the aggregate of all amounts each of which is an eligible offset at that time of the taxpayer in respect of the former interest; and

(e) where the trust is a mutual fund trust, the distribution occurs in a taxation year of the trust before its taxation year 2003, the trust has elected under section 688.1.1 for the year and the trust so elects in respect of the distribution in prescribed form filed with the Minister with the trust's fiscal return for the year, the following rules apply:

i. this section shall be read without reference to subparagraph *c* and the second paragraph, and

ii. the beneficiary's proceeds of disposition of the portion of the former interest disposed of by the beneficiary on the distribution are deemed to be equal to the amount determined under subparagraph *a*.

The amount to which subparagraph *c* of the first paragraph refers is equal to the aggregate of

(a) where the property referred to in the first paragraph is not a Canadian resource property or foreign resource property, an amount equal to the amount by which the fair market value of the property at the time referred to in that first paragraph exceeds the aggregate of

i. the cost amount to the trust of the property immediately before that time, and

ii. the portion, if any, of the excess that would be determined under this subparagraph *a* if it were read without reference to this subparagraph that is a payment to which subparagraph *d* or *e* of the second paragraph of section 248 applies; and

(b) the aggregate of all amounts each of which is an eligible offset at that time of the beneficiary in respect of the former interest.

1990, c. 59, s. 243; 2000, c. 5, s. 149; 2001, c. 7, s. 75; 2003, c. 2, s. 175; 2009, c. 5, s. 220; 2010, c. 25, s. 53; 2023, c. 19, s. 39.

688.1.1. If a trust that is resident in Canada for a taxation year makes in the taxation year one or more distributions of property in circumstances in which section 688.1 applies, the following rules apply:

(a) the income of the trust for the year, determined without reference to paragraph *a* of section 657, is to be computed, for the purposes of that paragraph *a* and section 663, without regard to all of those distributions to persons not resident in Canada, including a partnership other than a Canadian partnership, except for distributions of cash denominated in Canadian currency, if the trust makes a valid election under subsection 2.11 of section 107 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 to have paragraph *a* of that subsection 2.11 apply in relation to all of those distributions; and

(b) the income of the trust for the year, determined without reference to paragraph *a* of section 657, is to be computed, for the purposes of that paragraph *a* and section 663, without regard to all of those distributions, except for distributions of cash denominated in Canadian currency, if the trust makes a valid election under subsection 2.11 of section 107 of the Income Tax Act after 19 December 2006 to have paragraph *b* of that subsection 2.11 apply in relation to all of those distributions.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *a* or *b* of subsection 2.11 of section 107 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2003, c. 2, s. 176; 2009, c. 5, s. 221; 2015, c. 21, s. 222.

688.1.2. An election made under section 688.1.1 by a mutual fund trust is deemed, for the trust's 2003 and subsequent taxation years, not to have been made if

(a) the election is made after 20 December 2000 and applies to any taxation year that ends before 1 January 2003; and

(b) the proceeds of disposition of a beneficiary's interest in the trust have been determined under subparagraph *e* of the first paragraph of section 688.1.

2003, c. 2, s. 176.

688.2. Where at any time before 1 January 2005 a trust referred to in paragraph *c*, *d* or *e* of the definition of "flow-through entity" in the first paragraph of section 251.1 distributes property to a beneficiary under the trust as consideration for all or a portion of the beneficiary's interests in the trust and the beneficiary files with the Minister an election in respect of the property on or before the beneficiary's filing-due date for the taxation year that includes that time, the beneficiary shall include in the cost to the beneficiary of a particular property, other than money, received by the beneficiary as part of the distribution of property the least of

(a) the amount by which the beneficiary's exempt capital gains balance, within the meaning of section 251.1, in respect of the trust for the beneficiary's taxation year that includes that time exceeds the aggregate of all amounts each of which is

i. an amount by which a capital gain is reduced under Chapter II.1 of Title IV in the year because of the beneficiary's exempt capital gains balance in respect of the trust,

ii. subject to the second paragraph, twice an amount by which a taxable capital gain is reduced under Chapter II.1 of Title IV in the year because of the beneficiary's exempt capital gains balance in respect of the trust, or

iii. an amount included in the cost to the beneficiary of another property received by the beneficiary at or before that time in the year because of this section;

(b) the amount by which the fair market value of the particular property at that time exceeds the adjusted cost base to the trust of the particular property immediately before that time; and

(c) the amount designated in respect of the particular property in the election.

Where the beneficiary's taxation year includes 28 February 2000 or 17 October 2000 or begins after 28 February 2000 and ends before 17 October 2000, the reference to the word "twice" in subparagraph ii of subparagraph *a* of the first paragraph shall be read, with the necessary modifications, as a reference to the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the beneficiary for the year.

2000, c. 5, s. 150; 2001, c. 7, s. 76; 2003, c. 2, s. 177; 2010, c. 25, s. 54.

688.3. The rules in section 688.4 apply in respect of a trust's distribution of property to a taxpayer if

(a) the distribution is a SIFT trust wind-up event to which section 569.0.2 does not apply;

(b) the property is a share and all the shares distributed on any SIFT trust wind-up event of the trust are of a single class of shares of the capital stock of a taxable Canadian corporation; and

(c) where the trust is a SIFT wind-up entity, the distribution occurs no more than 60 days after the first SIFT trust wind-up event of the trust or, if it is earlier, the first distribution to the trust that is a SIFT trust wind-up event of another trust.

2010, c. 25, s. 55.

688.4. The rules to which section 688.3 refers, in relation to a trust's distribution of property, are as follows:

(a) the trust is deemed to have disposed of the property for proceeds of disposition equal to the adjusted cost base to the trust of the property immediately before the distribution;

(b) the taxpayer is deemed to have disposed of the taxpayer's interest as a beneficiary under the trust for proceeds of disposition equal to the cost amount to the taxpayer of the interest immediately before the distribution;

(c) the taxpayer is deemed to have acquired the property at a cost equal to

i. if, at all times at which the trust makes a distribution that is a SIFT trust wind-up event, the taxpayer is the only beneficiary under the trust and is a SIFT wind-up entity or a taxable Canadian corporation, the adjusted cost base to the trust of the property immediately before the distribution, and

ii. in any other case, the cost amount to the taxpayer of the taxpayer's interest as a beneficiary under the trust immediately before the distribution;

(d) if the taxpayer's interest as a beneficiary under the trust was immediately before the disposition taxable Québec property or taxable Canadian property of the taxpayer, the property is deemed to be, at any time that is within 60 months after the distribution, taxable Québec property or taxable Canadian property of the taxpayer, as the case may be; and

(e) if a liability of the trust becomes as a consequence of the distribution a liability of the corporation described in paragraph *b* of section 688.3 in respect of the distribution, and the amount payable by the corporation on the maturity of the liability is equal to the amount that would have been payable by the trust on its maturity,

i. the transfer of the liability by the trust to the corporation is deemed not to have occurred, and

ii. the liability is deemed to have been issued by the corporation at the time at which, and under the same agreement as that under which, it was issued by the trust, and not to have been issued by the trust.

2010, c. 25, s. 55; 2011, c. 6, s. 144.

689. *(Repealed).*

1972, c. 23, s. 520; 1975, c. 22, s. 191; 1985, c. 25, s. 112; 1987, c. 67, s. 132; 2003, c. 2, s. 178.

690. In this Title, notwithstanding the definition of "cost amount" in section 1, the cost amount to a taxpayer at a particular time of a capital interest or part of a capital interest in a trust, other than a trust that is a foreign affiliate of the taxpayer, means, except for the purposes of section 688.4 and of Chapter X,

(a) where the trust distributes to the taxpayer money or other property, in satisfaction of all or part of the taxpayer's capital interest, the aggregate of

i. the money so distributed,

ii. all amounts each of which is the cost amount to the trust, immediately before the distribution, of each such other property;

*(a.*1*)* where the particular time is immediately before the time that is immediately before the time of the taxpayer's death and sections 653 to 656.1 deem the trust to dispose of property at the end of the day that includes the particular time, the amount that would be determined under subparagraph *b* if the taxpayer had died on a day that ended immediately before the time that is immediately before the particular time; and

(b) in any other case, the amount determined by the formula

$$(A - B) \times (C / D).$$

For the purposes of the formula set forth in subparagraph *b* of the first paragraph,

(a) A is the aggregate of

i. all money of the trust on hand immediately before that time,

ii. all amounts each of which is the cost amount to the trust, immediately before that time, of each other property;

iii. *(subparagraph repealed)*;

(b) B is the aggregate of all amounts each of which is the amount of any debt owing by the trust immediately before that time;

(c) C is the fair market value, at that time, of the capital interest or any part thereof in the trust;

(d) D is the fair market value, at that time, of all capital interests in the trust.

1972, c. 23, s. 521; 1973, c. 17, s. 82; 1975, c. 22, s. 192; 1986, c. 15, s. 95; 1990, c. 59, s. 244; 1993, c. 16, s. 248; 1995, c. 49, s. 157; 2001, c. 7, s. 77; 2003, c. 2, s. 179; 2010, c. 25, s. 56; 2015, c. 21, s. 223.

690.0.1. Notwithstanding any other provision of this Part, where a person or partnership, in this section referred to as the "vendor", has disposed of property and would, but for this section, have had a loss from the disposition, the vendor's loss otherwise determined in respect of the disposition shall be reduced by such portion thereof as may reasonably be considered to have accrued during a period in which the following conditions are met:

(a) the property or property for which it was substituted was held by a trust; and

(b) either

i. the trust was not resident in Canada and the property or property for which it was substituted was not taxable Canadian property of the trust, or

ii. neither the vendor nor a person that would, but for the definition of "controlled" in section 21.0.1, be affiliated with the vendor had a capital interest in the trust.

1989, c. 77, s. 72; 1997, c. 3, s. 71; 2000, c. 5, s. 151; 2015, c. 21, s. 224.

690.1. Where a trust governed by an employee benefit plan has distributed, at a particular time, property owned by it to a taxpayer who was a beneficiary under the trust in satisfaction of all or any part of the taxpayer's interest in the trust, the following rules apply:

(a) the trust is deemed to have disposed of the property for proceeds of disposition equal to its cost amount to the trust immediately before that time;

(b) the taxpayer is deemed to have acquired the property at a cost equal to the greater of its fair market value at that time and the adjusted cost base of his interest in the trust or part thereof, as the case may be, immediately before that time;

(c) the taxpayer is deemed to have disposed of his interest in the trust or any part thereof, as the case may be, for proceeds of disposition equal to the adjusted cost base to him of that interest or part thereof, as the case may be, immediately before the particular time;

(d) for the purposes of sections 93 to 104, 130 and 130.1 and the regulations made under paragraph *a* of section 130, where the property distributed was depreciable property of a prescribed class of the trust and the amount that was the capital cost to the trust of that property exceeds the cost at which the taxpayer is deemed by paragraph *b* to have acquired the property,

i. the capital cost of the property to the taxpayer is deemed to be the capital cost of the property to the trust;

ii. the excess is deemed to have been allowed to the taxpayer as depreciation in respect of the property for taxation years preceding the acquisition by him of the property.

1982, c. 5, s. 140; 1990, c. 59, s. 245; 2001, c. 7, s. 78.

690.2. If at a particular time any property of an employee trust, an employee life and health trust or a trust described in subparagraph *a*.1 of the third paragraph of section 647 is distributed by the trust to a taxpayer who is a beneficiary under the trust as consideration for all or any part of the taxpayer's interest in the trust, the following rules apply:

(a) the trust is deemed to have disposed of the property for proceeds of disposition equal to its fair market value at the particular time;

(b) the taxpayer is deemed to have acquired the property at a cost equal to the proceeds determined in paragraph *a* in respect thereof;

(c) the taxpayer is deemed to have disposed of his interest in the trust or part thereof, as the case may be, for proceeds of disposition equal to the adjusted cost base to him of the interest or part thereof, as the case may be, immediately before the particular time;

(d) for the purposes of sections 93 to 104, 130 and 130.1 and the regulations made under paragraph *a* of section 130, where the property distributed was depreciable property of a prescribed class of the trust and the amount that was the capital cost of that property to the trust exceeds the cost at which, in accordance with paragraph *b*, the taxpayer is deemed to acquire the property, the following rules apply:

i. the capital cost of the property to the taxpayer is deemed to be the capital cost of the property to the trust;

ii. the excess is deemed to have been allowed to the taxpayer as depreciation in respect of the property for taxation years preceding the acquisition by him of the property.

1982, c. 5, s. 140; 1990, c. 59, s. 245; 2001, c. 7, s. 79; 2003, c. 2, s. 180; 2011, c. 6, s. 145.

690.3. Where a trust governed by a retirement compensation arrangement has distributed, at a particular time, property owned by it to a taxpayer who was a beneficiary under the trust in satisfaction of all or any part of the taxpayer's interest in the trust, the following rules apply:

(a) the trust is deemed to have disposed of the property for proceeds of disposition equal to its fair market value at the particular time;

(b) the trust is deemed to have paid to the taxpayer as a distribution an amount equal to the proceeds determined in respect of the property under paragraph *a*;

(c) the taxpayer is deemed to have acquired the property at a cost equal to the proceeds determined in respect of the property under paragraph *a*;

(d) the taxpayer is deemed to have disposed of his interest in the trust or part thereof, as the case may be, for proceeds of disposition equal to the adjusted cost base to him of that interest or part thereof, as the case may be, immediately before the particular time;

(e) for the purposes of sections 93 to 104, 130 and 130.1 and the regulations made under paragraph *a* of section 130, where the property distributed was depreciable property of a prescribed class of the trust and the amount that was the capital cost to the trust of that property exceeds the cost at which the taxpayer is deemed by paragraph *c* to have acquired the property

i. the capital cost of the property to the taxpayer is deemed to be the capital cost of the property to the trust;

ii. the excess is deemed to have been allowed to the taxpayer as depreciation in respect of the property for taxation years preceding the acquisition by him of the property.

1989, c. 77, s. 73; 1990, c. 59, s. 246; 2001, c. 7, s. 80.

691. Notwithstanding section 688, the rules set out in section 688.1 apply at any time to property distributed to a beneficiary by a trust described in subparagraph *a* of the first paragraph and the second paragraph of section 653 where

(a) the beneficiary is not

i. in the case of a post-1971 spousal trust, the spouse referred to in subparagraph *a* of the first paragraph of section 653,

ii. in the case of an *alter ego* trust, the taxpayer referred to in subparagraph *a* of the first paragraph of section 653, and

iii. in the case of a joint spousal trust, the taxpayer or spouse referred to in subparagraph *a* of the first paragraph of section 653; and

(b) the property is distributed on or before the earlier of

i. a reacquisition, in respect of any property of the trust, that occurs immediately after the day described in subparagraph *a* of the first paragraph of section 653, and

ii. the cessation of the trust's existence.

1972, c. 23, s. 522; 1977, c. 26, s. 77; 1984, c. 15, s. 155; 1986, c. 19, s. 138; 1994, c. 22, s. 241; 2001, c. 7, s. 81; 2003, c. 2, s. 181; 2015, c. 21, s. 225.

691.1. Despite section 688, the rules set out in section 688.1 apply where any particular property of a particular personal trust or a particular prescribed trust (other than an excluded property of the particular trust) is distributed by the particular trust to a taxpayer who is a beneficiary under the particular trust and where

(a) the distribution was made as consideration for all or any part of the taxpayer's capital interest in the particular trust;

(b) section 467 was applicable, or would have been applicable if it were read without reference to "while the transferor is resident in Canada" and if section 467.1, as it read in its application before 21 March 2013, were read without reference to its paragraph *c*.2, or section 597.0.6 was applicable, or would have been applicable if the first paragraph of that section were read without reference to its subparagraph *a*, at a particular time in respect of any property of

i. the particular trust, or

ii. a trust the property of which included a property that, through one or more dispositions to which section 692.8 applied, became a property of the particular trust, and the property was not, at any time after the particular time and before the distribution, the subject of a disposition for proceeds of disposition equal to the fair market value of the property at the time of the disposition;

(c) the taxpayer is neither

i. the person, other than a trust described in subparagraph ii of paragraph *b*, who directly or indirectly transferred the particular property, or a property for which the particular property was substituted, to the particular trust, nor

ii. an individual in respect of whom section 454 would be applicable on the transfer of capital property by the person described in subparagraph i; and

(d) the person described in subparagraph i of paragraph *c* was in existence at the time the particular property was distributed.

For the purposes of the first paragraph, "excluded property" of a trust means property owned by the trust at, and distributed by the trust after, the end of 31 December 2016, if

(a) the trust was not, in its first taxation year that begins after 31 December 2016, a trust described in subparagraph *c*.1 of the second paragraph of section 274.0.1; and

(b) the property is a property that would be the trust's principal residence (within the meaning of section 274.0.1) for the taxation year in which the distribution occurs if

i. the second paragraph of section 274.0.1 were read without reference to its subparagraph *c*.1, and

ii. the trust designated the property, in accordance with section 274.0.1, as its principal residence for the taxation year.

1990, c. 59, s. 247; 2001, c. 7, s. 82; 2003, c. 2, s. 182; 2015, c. 21, s. 226; 2015, c. 36, s. 38; 2021, c. 14, s. 57.

691.2. Despite section 688, the rules set out in section 688.1 apply at any time to property distributed after 20 December 2002 to a beneficiary by a personal trust or a trust prescribed for the purposes of section 688, if

(a) at a particular time before 21 December 2002 there was a qualifying disposition, within the meaning assigned by section 692.5, of the property, or of other property for which the property is substituted, by a particular partnership or a particular corporation to a trust; and

(b) the beneficiary is neither the particular partnership nor the particular corporation.

2009, c. 5, s. 229.

692. Despite section 688, the rules set out in section 688.1 apply if a property, other than a property referred to in the second paragraph, is distributed by a trust to a taxpayer not resident in Canada, including a partnership other than a Canadian partnership, as consideration for all or part of the taxpayer's capital interest in the trust.

The property to which the first paragraph refers is

(a) a share of the capital stock of a non-resident-owned investment corporation; or

(b) a property referred to in any of subparagraphs i to iii of subparagraph *b* of the first paragraph of section 785.2;

(c) (subparagraph repealed);

(d) (subparagraph repealed);

(e) (subparagraph repealed);

(f) (subparagraph repealed);

(g) (subparagraph repealed);

(h) (subparagraph repealed).

1972, c. 23, s. 523; 1977, c. 26, s. 78; 1990, c. 59, s. 248; 1994, c. 22, s. 242; 1997, c. 3, s. 71; 2001, c. 7, s. 83; 2003, c. 2, s. 183; 2004, c. 8, s. 134; 2009, c. 5, s. 230.

692.0.1. Where, solely by reason of the application of section 692, subparagraphs *a* to *c* of the first paragraph of section 688 do not apply to a distribution in a taxation year of taxable Canadian property by a trust, for the purposes of sections 1025, 1026 and 1026.0.2 to 1026.2, the first, second and third paragraphs of section 1038 and any regulations made under those provisions, the aggregate of the taxes payable by the trust under this Part for the year is deemed to be the lesser of

(a) the aggregate of the taxes payable by the trust under this Part for the year, determined without reference to the specified tax consequences for the year; and

(b) the amount that would be determined under paragraph *a* if section 692 did not apply to each distribution in the year of taxable Canadian property to which the rules set out in section 688 do not apply solely by reason of the application of section 692.

2003, c. 2, s. 184; 2015, c. 21, s. 227.

CHAPTER IX

ENVIRONMENTAL TRUSTS

1996, c. 39, s. 178; 2000, c. 5, s. 293.

692.1. Where a taxpayer is a beneficiary under an environmental trust in a taxation year of the trust, in this section referred to as the "trust's year", that ends in a particular taxation year of the taxpayer, the following rules apply:

(a) subject to paragraph *b*, the taxpayer's income, non-capital loss and net capital loss for the particular year shall be computed as if the amount of the income or loss of the trust for the trust's year from any source in Canada or from sources in another place were the income or loss of the taxpayer from that source in Canada or from sources in that other place for the particular year, to the extent of the portion thereof that can reasonably be considered to be the taxpayer's share of such income or loss; and

(b) if the taxpayer is not resident in Canada at any time in the particular year and an income or loss described in paragraph *a* or an amount to which paragraph *z* or *z*.1 of section 87 applies would not otherwise be included in computing the taxpayer's taxable income or taxable income earned in Canada, as the case may be, notwithstanding any other provision of this Act, the income, the loss or the amount shall be attributed to the carrying on of business in Canada by the taxpayer through a fixed place of business located in the province in which the site to which the trust relates is situated.

1996, c. 39, s. 178; 2000, c. 5, s. 152.

692.2. Where property of an environmental trust is transferred at any time to a beneficiary under the trust in satisfaction of all or any part of the beneficiary's interest as a beneficiary under the trust,

(a) the trust is deemed to have disposed of the property at that time and to have received proceeds of disposition equal to its fair market value at that time; and

(b) the beneficiary is deemed to have acquired the property at that time at a cost equal to its fair market value at that time.

1996, c. 39, s. 178; 2000, c. 5, s. 293; 2001, c. 7, s. 84.

692.3. Where a trust ceases at a particular time to be an environmental trust,

(a) (paragraph repealed);

(b) (paragraph repealed);

(b.1) for the purposes of sections 736, 736.0.2, 736.0.3.1 and 999.1, the trust is deemed to cease at that time to be exempt from tax under this Part on its taxable income;

(c) each beneficiary under the trust immediately before the particular time is deemed to receive at that time from the trust, as a beneficiary under an environmental trust, an amount equal to the portion of the fair market value of the properties of the trust at the particular time that can reasonably be considered to be the beneficiary's interest in the trust; and

(d) each beneficiary under the trust is deemed to acquire at the particular time an interest in the trust at a cost equal to the amount deemed by paragraph *c* to be received by the beneficiary from the trust.

1996, c. 39, s. 178; 2000, c. 5, s. 293; 2017, c. 1, s. 164.

692.4. Sections 661 to 663, 665, 665.1, 684 to 689, 690.0.1 and 691 to 692 do not apply to a trust with respect to a taxation year during which it is an environmental trust.

1996, c. 39, s. 178; 2000, c. 5, s. 293.

CHAPTER X

QUALIFYING DISPOSITION

2003, c. 2, s. 185.

692.5. In this chapter, "qualifying disposition" means a disposition of property made by a person or partnership before 21 December 2002 and a disposition of property made by an individual after 20 December 2002, the person, partnership or individual being in this section referred to as the "contributor", as a result of a transfer of the property to a particular trust if

(a) the disposition does not result in a change in the beneficial ownership of the property;

(b) the proceeds of disposition would, but for sections 422 to 424, 427.4, 454 to 462.0.2 and this chapter, not be determined under any provisions of this Part;

(c) the particular trust is resident in Canada at the time of the transfer;

(d) (paragraph repealed);

(e) unless the contributor is a trust, there is immediately after the disposition no absolute or contingent right of a person or partnership, other than the contributor or, where the property is co-owned, each of the joint contributors, as a beneficiary, determined with reference to section 646.1, under the particular trust;

(f) the contributor is not an individual, other than a trust described in any of subparagraphs *a* to *d* of the third paragraph of section 647, if the particular trust is described in any of those subparagraphs;

(g) the disposition is not part of a series of transactions or events

i. that begins after 17 December 1999 and that includes the subsequent acquisition, for a particular consideration given to a personal trust, of a capital interest or an income interest in the trust,

ii. that begins after 17 December 1999 and that includes the disposition of all or part of a capital interest or an income interest in a personal trust, other than a disposition solely as a consequence of a distribution from a trust to a person or partnership as consideration for all or part of that interest, or

iii. that begins after 5 June 2000 and that includes the transfer to the particular trust of property as consideration for the acquisition of a capital interest in the particular trust, if the property can reasonably be considered to have been received by the particular trust in order to fund a distribution, other than a distribution that is proceeds of disposition of a capital interest in the particular trust;

(h) the disposition is not, and is not part of, a transaction that occurs after 17 December 1999 and that includes the giving to the contributor, for the disposition, of any consideration, other than consideration that is an interest of the contributor as a beneficiary under the particular trust or that is the assumption by the particular trust of debt for which the property can, at the time of the disposition, reasonably be considered to be security;

(i) section 454 does not apply to the disposition and would not apply to the disposition if no election had been made under that section and if sections 454 to 462.0.2 were read without reference to section 454.2; and

(j) if the contributor is an amateur athlete trust, a cemetery care trust, an employee trust, an employee life and health trust, a trust deemed by section 851.25 to exist in respect of a congregation that is a constituent part of a religious organization, a segregated fund trust within the meaning of section 851.2, a trust described in paragraph *c*.4 of section 998 or a trust governed by an eligible funeral arrangement, a profit sharing plan, a registered education savings plan, a registered disability savings plan, a registered supplementary unemployment benefit plan or a tax-free savings account, the particular trust is the same type of trust.

2003, c. 2, s. 185; 2004, c. 21, s. 97; 2009, c. 5, s. 232; 2009, c. 15, s. 100; 2011, c. 6, s. 146; 2017, c. 1, s. 165.

692.6. For the purposes of paragraph *a* of section 692.5, the following rules apply:

(a) except where paragraph *b* applies, where a trust, in this paragraph and in section 692.7 referred to as the "transferor trust", in a period that does not exceed one day, disposes of one or more properties in the period to one or more other trusts, there is deemed to be no resulting change in the beneficial ownership of those properties if

i. the transferor trust receives no consideration for the disposition, and

ii. as a consequence of the disposition, the value of each beneficiary's beneficial ownership at the beginning of the period under the transferor trust in each particular property of the transferor trust, or group of two or more properties of the transferor trust that are identical to each other, is the same as the value of the beneficiary's beneficial ownership at the end of the period under the transferor trust and the other trust or trusts in each particular property, or in property that was immediately before the disposition included in the group of identical properties referred to above; and

(b) where a trust, in this paragraph referred to as the "transferor", governed by a registered retirement savings plan or a registered retirement income fund transfers a property to a trust, in this paragraph referred to as the "transferee", governed by a registered retirement savings plan or a registered retirement income fund, the transfer is deemed not to result in a change in the beneficial ownership of the property if the annuitant of the plan or fund that governs the transferor is also the annuitant of the plan or fund that governs the transferee.

2003, c. 2, s. 185.

692.7. For the purpose of applying paragraph *a* of section 692.6 in respect of a transfer by a transferor trust of property that includes a share and money, the other trust or trusts referred to in that section may receive, in lieu of a transfer of a fractional interest in a share that would otherwise be required, a disproportionate amount of money or interest in the share, the value of which does not exceed the lesser of $200 and the fair market value of the fractional interest.

2003, c. 2, s. 185.

692.8. Where at a particular time there is a qualifying disposition of property by a person or partnership, in this section referred to as the "transferor", to a trust, in this section referred to as the "transferee trust", the following rules apply:

(a) the transferor's proceeds of disposition of the property are deemed to be

i. where the transferor makes a valid election under subparagraph i of paragraph *a* of subsection 3 of section 107.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the disposition, the greater of the cost amount to the transferor of the property immediately before the particular time and the amount specified in respect of the property in the election in accordance with that subparagraph i, and

ii. in any other case, the cost amount to the transferor of the property immediately before the particular time;

(b) the transferee trust's cost of the property is deemed to be the amount by which the amount determined under subparagraph *a* in respect of the qualifying disposition exceeds the amount by which the transferor's loss otherwise determined from the qualifying disposition would be reduced by reason of section 638.1, the third and fourth paragraphs of section 686 or sections 741 to 744.2, if the amount determined under subparagraph *a* were equal to the fair market value of the property at the particular time;

(c) for the purposes of sections 93 to 104, Chapter III of Title III and any regulations made under paragraph *a* of section 130 or under section 130.1, if the property was depreciable property of a prescribed class of the transferor and its capital cost to the transferor exceeds the cost at which the transferee trust is deemed by this section to have acquired the property, the following rules apply:

i. the capital cost of the property to the transferee trust is deemed to be the amount that was the capital cost of the property to the transferor, and

ii. the excess is deemed to have been allowed as depreciation to the transferee trust in respect of the property for taxation years that ended before the particular time;

(d) (subparagraph repealed);

(e) if, as a result of a transaction or event, the property was deemed to be taxable Québec property or taxable Canadian property of the transferor under this subparagraph, subparagraph *c* of the first paragraph of section 280.6, subparagraph *d* of the first paragraph of section 301, any of sections 521, 538 and 540.4, paragraph *b* of section 540.6, section 554, subparagraph *c* of the second paragraph of section 614 or paragraph *d* of section 688.4, the property is also deemed to be, at any time that is within 60 months after the transaction or event, taxable Québec property or taxable Canadian property of the transferee trust;

(f) where the transferor is a segregated fund trust, within the meaning of section 851.2, the following rules apply:

i. section 851.14 does not apply in respect of a disposition of interest in the transferor that occurs in connection with the qualifying disposition, and

ii. for the purpose of computing the amount referred to in section 851.14 in respect of a subsequent disposition of an interest in the transferee trust where the interest is deemed to exist in connection with a life

insurance policy, the acquisition fee, within the meaning of section 851.17, in respect of the policy shall be determined as if each amount referred to in sections 851.17 and 851.18 in respect of the policyholder's interest in the transferor had been determined in respect of the policyholder's interest in the transferee trust;

(g) if the transferor is a trust to which property was transferred by an individual, other than a trust, the following rules apply:

i. where section 454 applied in respect of the property so transferred and it is reasonable to consider that the property was so transferred in anticipation of the individual ceasing to be resident in Canada, for the application of subparagraph *a*.3 of the first paragraph of section 653 and this subparagraph to a disposition by the transferee trust after the particular time, the transferee trust is deemed after the particular time to be a trust to which the individual had transferred property in anticipation of the individual ceasing to be resident in Canada and in circumstances to which section 454 applied, and

ii. for the purposes of paragraph *j* of the definition of "excluded right or interest" in section 785.0.1 and the application of this subparagraph to a disposition by the transferee trust after the particular time, where the property so transferred was transferred in circumstances to which this section would apply if section 692.5 were read without reference to paragraphs *h* and *i* thereof, the transferee trust is deemed after the particular time to be a trust an interest in which was acquired by the individual as a consequence of a qualifying disposition;

(h) if the transferor is a trust, other than a personal trust or a trust prescribed for the purposes of section 688, the transferee trust is deemed to be neither a personal trust nor a trust prescribed for the purposes of section 688;

(i) if the transferor is a trust and a taxpayer disposes of all or part of a capital interest in the transferor because of the qualifying disposition and, as a consequence, acquires a capital interest or part of it in the transferee trust, the following rules apply:

i. the taxpayer is deemed to dispose of the capital interest or part of it in the transferor for proceeds equal to the cost amount to the taxpayer of that interest or part of it immediately before the particular time, and

ii. the taxpayer is deemed to acquire the capital interest or part of it in the transferee trust at a cost equal to the amount by which the cost amount referred to in subparagraph i exceeds the amount by which the taxpayer's loss otherwise determined from the disposition referred to in subparagraph i would be reduced by reason of the third and fourth paragraphs of section 686, if the proceeds under that subparagraph were equal to the fair market value of the capital interest or part of it in the transferor immediately before the particular time;

(j) where the transferor is a trust, a taxpayer's beneficial ownership in the property ceases to be derived from the taxpayer's capital interest in the transferor because of the qualifying disposition and no part of the taxpayer's capital interest in the transferor was disposed of because of the qualifying disposition, there shall, immediately after the particular time, be added to the cost otherwise determined of the taxpayer's capital interest in the transferee trust, the amount determined by the formula

$$A \times [(B - C)/B] - D;$$

(k) where subparagraph *j* applies to the qualifying disposition in respect of a taxpayer, the amount that would be determined under that subparagraph in respect of the qualifying disposition if the amount determined under subparagraph *d* of the second paragraph were nil shall, immediately after the particular time, be deducted in computing the cost otherwise determined of the taxpayer's capital interest in the transferor;

(l) where subparagraphs *i* and *j* do not apply in respect of the qualifying disposition, the transferor is deemed to acquire the capital interest or part of it in the transferee trust that is acquired as a consequence of the qualifying disposition

i. where the transferee trust is a personal trust, at a cost equal to nil, and

ii. in any other case, at a cost equal to the excess referred to in subparagraph *b* in respect of the qualifying disposition; and

(m) for the purposes of section 684, where the transferor is a trust and a taxpayer disposes of all or part of an income interest in the transferor because of the qualifying disposition and, as a consequence, acquires an income interest or a part of an income interest in the transferee trust, the taxpayer is deemed not to dispose of any part of the income interest in the transferor at the particular time.

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

(a) A is the cost amount to the taxpayer of the taxpayer's capital interest in the transferor immediately before the particular time;

(b) B is the fair market value immediately before the particular time of the taxpayer's capital interest in the transferor;

(c) C is the fair market value at the particular time of the taxpayer's capital interest in the transferor, determined as if the only property disposed of at the particular time were the particular property; and

(d) D is the lesser of

i. the amount by which the cost amount to the taxpayer of the taxpayer's capital interest in the transferor immediately before the particular time exceeds the fair market value of the taxpayer's capital interest in the transferor immediately before the particular time, and

ii. the maximum amount by which the taxpayer's loss from a disposition of a capital interest otherwise determined would be reduced by reason of the third and fourth paragraphs of section 686 if the taxpayer's capital interest in the transferor had been disposed of immediately before the particular time.

Chapter V.2 of Title II of Book I applies in relation to an election made under subparagraph i of paragraph *a* of subsection 3 of section 107.4 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2003, c. 2, s. 185; 2004, c. 8, s. 135; 2005, c. 1, s. 135; 2009, c. 5, s. 233; 2009, c. 15, s. 101; 2010, c. 25, s. 57; 2011, c. 6, s. 147; 2019, c. 14, s. 177.

692.9. Where a capital interest in a trust is held by a beneficiary at any time, the interest is vested indefeasibly at that time, the trust is not described in any of subparagraphs *a* to *d* of the third paragraph of section 647 and interests under the trust are not ordinarily disposed of for consideration that reflects the fair market value of the net assets of the trust, the fair market value of the interest at that time is deemed to be not less than the amount determined by the formula

$$(A - B) \times (C / D).$$

In the formula provided for in the first paragraph,

(a) A is the total fair market value of all properties of the trust at the time referred to in the first paragraph;

(b) B is the aggregate of all amounts each of which is the amount of a debt owing by the trust at the time referred to in the first paragraph or the amount of any other obligation of the trust to pay any amount that is outstanding at that time;

(c) C is the fair market value at the time referred to in the first paragraph of the interest referred to in the first paragraph, determined without reference to this section; and

(d) D is the total fair market value at the time referred to in the first paragraph of all interests as beneficiaries under the trust, determined without reference to this section.

2003, c. 2, s. 185.

BOOK IV

COMPUTATION OF TAXABLE INCOME

1972, c. 23.

TITLE I

RULE OF APPLICATION

1972, c. 23.

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

However, the taxpayer shall apply the provisions of this Book in the following order: Title I.0.0.1, sections 694.0.1, 694.0.2, 737.17, 737.18.12, 726.29 and 726.43 to 726.43.2, Titles V, VI.8, V.1, VI.2, VI.3, VI.3.1, VI. 3.2, VI.3.2.1, VI.3.2.2, VI.3.2.3, VII, VII.0.1, VI.5 and VI.5.1, and sections 725.1.2, 737.16, 737.18.10, 737.18.11, 737.18.17.5, 737.18.17.17, 737.18.40, 737.18.44, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7, 737.22.0.10, 737.22.0.13, 737.25, 737.28, 726.28 and 726.42.

1972, c. 23, s. 524; 1975, c. 22, s. 193; 1976, c. 18, s. 7; 1979, c. 14, s. 2; 1985, c. 25, s. 113; 1986, c. 15, s. 96; 1987, c. 67, s. 133; 1988, c. 4, s. 41; 1989, c. 5, s. 83; 1990, c. 7, s. 20; 1993, c. 16, s. 249; 1993, c. 19, s. 23; 1993, c. 64, s. 41; 1995, c. 1, s. 48; 1995, c. 63, s. 49; 1997, c. 14, s. 96; 1997, c. 85, s. 103; 1999, c. 83, s. 61; 2000, c. 39, s. 38; 2002, c. 9, s. 10; 2002, c. 40, s. 44; 2003, c. 9, s. 41; 2004, c. 21, s. 98; 2005, c. 23, s. 56; 2005, c. 38, s. 82; 2006, c. 36, s. 46; 2010, c. 25, s. 58; 2012, c. 8, s. 58; 2013, c. 10, s. 38; 2015, c. 21, s. 228; 2017, c. 29, s. 91; 2019, c. 14, s. 178; 2021, c. 14, s. 58; 2022, c. 23, s. 39; 2024, c. 11, s. 59.

693.1. Where a separate fiscal return with respect to an individual is filed under any of sections 429, 681 and 1003 for a particular period and another fiscal return under this Part with respect to the same individual is filed for a period ending in the calendar year in which the particular period ends, for the purpose of computing the taxable income under this Part of the individual in such fiscal returns, the aggregate of all deductions claimed in all such returns under sections 725 to 725.5 shall not exceed the aggregate of the deductions that could be claimed thereunder for the year with respect to the individual if no separate fiscal returns were filed under sections 429, 681 and 1003.

1986, c. 19, s. 139; 1987, c. 67, s. 134; 1989, c. 5, s. 84; 1993, c 64, s. 42; 2019, c. 14, s. 179.

693.2. In this Book, except Title VI.11, the following rules apply in respect of a taxpayer if one or more partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between the taxpayer and a given partnership, for a given fiscal period of the given partnership:

(a) the taxpayer is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the taxpayer's taxation year in which ends the fiscal period of the interposed partnership of which the taxpayer is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period (in this section referred to as the "interposed fiscal period") of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the taxpayer is a member, or deemed to be a member under this subparagraph *a*, of the interposed partnership described in subparagraph i at the end of the interposed partnership's interposed fiscal period; and

(b) the taxpayer's share in an amount in respect of the given partnership for the given fiscal period is deemed to be equal to the proportion of that amount represented by the proportion obtained by multiplying the agreed proportion in respect of the taxpayer for the interposed fiscal period of the interposed partnership of which the taxpayer is directly a member, by

i. if there is only one interposed partnership, the agreed proportion in respect of the interposed partnership for the given partnership's given fiscal period, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the agreed proportion in respect of an interposed partnership for the particular fiscal period of the particular partnership referred to in subparagraph *a* of which the interposed partnership is a member at the end of that particular fiscal period.

If the first paragraph applies for the purpose of determining an amount that a corporation may deduct under Title V because of section 714, subparagraph *b* of that paragraph is to be read as follows:

"(*b*) the proportion of the taxpayer's share in the given partnership for the given fiscal period is deemed to be equal to the product obtained by multiplying the proportion of the taxpayer's share in the interposed partnership of which the taxpayer is directly a member for the interposed partnership's interposed fiscal period, by

i. if there is only one interposed partnership, the proportion of the interposed partnership's share in the given partnership for the given fiscal period, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the proportion of an interposed partnership's share in the particular partnership referred to in subparagraph *a* of which the interposed partnership is a member at the end of the particular partnership's particular fiscal period for that particular fiscal period."

2009, c. 15, s. 102; 2017, c. 29, s. 92; 2021, c. 14, s. 59.

693.3. Section 693.2 does not apply in respect of a taxpayer, in relation to a given partnership, if the Minister is of the opinion that the interposition, between the taxpayer and the given partnership, of one or more other partnerships is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to cause the taxpayer to be able to deduct, in computing the taxpayer's taxable income for a taxation year under a provision of this Book, an amount greater than the amount that the taxpayer could have so deducted for that taxation year, but for that interposition.

2009, c. 15, s. 102.

693.4. In this Book, except Titles V, VI.3 and VI.9, where a Minister other than the Minister of Revenue or a body replaces or revokes a certificate, qualification certificate or other similar document that has been issued to a person or a partnership, the following rules apply in respect of the document, unless a more specific similar rule applies to it:

(a) the replaced document is null as of the date of its coming into force or of its deemed coming into force and the new document is deemed, unless it provides otherwise, to come into force as of that date and to have been issued at the time the replaced document was issued or is deemed to have been issued; and

(b) the revoked document is null as of the effective date of the revocation and is deemed not to have been issued, obtained or held as of that date.

Where a document is, without being replaced, amended by the revocation or replacement of any of its parts or in any other manner, the document before the amendment and the document as amended are deemed, for the purposes of this section, to be separate documents the first of which (referred to as the "replaced document") has been replaced by the second (referred to as the "new document").

Where, in the circumstances described in the second paragraph, a document is amended only for a part of its period of validity, the new document is deemed to describe both the situation prevailing before the amendment, as proven by the content of the replaced document, and the new situation, as proven by the content of the new document.

2012, c. 8, s. 59.

693.5. Where the amount of $400,000 referred to in subparagraph *a* of the first paragraph of section 726.7.1 is to be used for a taxation year subsequent to the taxation year 2014, it must be adjusted annually in such a manner that the amount used for that taxation year is equal to the total of the amount that, but for the fifth paragraph, would have been used for the preceding taxation year and the product that is obtained by multiplying that amount so used by the factor determined by the formula

(A/B) - 1.

In the formula in the first paragraph,

(a) A is the Consumer Price Index for the 12-month period that ended on 30 September of the taxation year preceding that for which an amount is to be adjusted; and

(b) B is the Consumer Price Index for the 12-month period preceding the period described in subparagraph *a*.

For the purposes of the second paragraph, the Consumer Price Index for a 12-month period is equal to the quotient obtained by dividing the aggregate of each monthly Consumer Price Index for that period for Canada established by Statistics Canada under the Statistics Act (R.S.C.1985, c. S-19) by 12.

If an index established in accordance with the third paragraph or the factor determined by the formula in the first paragraph has more than three decimal places, only the first three decimal digits are retained and the third is increased by one unit if the fourth is greater than 4.

If the amount that results from the adjustment provided for in the first paragraph is not a multiple of $1, it must be rounded to the nearest multiple of $1 or, if it is equidistant from two such multiples, to the higher of the two.

2015, c. 24, s. 93; 2020, c. 16, s. 98.

694. For the purpose of computing the taxable income of a taxpayer for a taxation year, any deduction granted to the taxpayer under a provision of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) in computing the taxpayer's taxable income for a preceding taxation year in respect of which the taxpayer was

not subject to tax under this Part, is deemed to have been also granted to the taxpayer under the corresponding provision of this Part in computing the taxpayer's taxable income for that preceding year.

1977, c. 26, s. 79; 1984, c. 15, s. 156; 2001, c. 53, s. 91; 2010, c. 25, s. 59.

TITLE I.0.0.1

INCLUSION OF CERTAIN AMOUNTS

2006, c. 36, s. 47; 2009, c. 15, s. 103.

694.0.0.1. An individual shall include, in computing the individual's taxable income for a taxation year, the aggregate of all amounts each of which is

(a) an amount received in the year by the individual as a benefit under section 4 of the Universal Child Care Benefit Act, enacted by section 168 of the Budget Implementation Act, 2006 (S.C. 2006, c. 4), if the individual does not have a spouse at the end of 31 December of the year or if the income for the year of the individual's spouse at the end of 31 December of the year is equal to or greater than the individual's income for the year; or

(b) an amount received in the year by the individual's spouse at the end of 31 December of the year as a benefit under section 4 of the Universal Child Care Benefit Act, if the spouse's income for the year is greater than the individual's income for the year.

Despite the first paragraph, the individual is not required to include, in computing taxable income for the year, if the individual so elects, the portion of the amount referred to in the first paragraph that relates to one or more preceding taxation years that are eligible taxation years of the individual (in this paragraph referred to as the "particular portion"), if the total of the particular portion and of the particular portion described in the first paragraph of section 725.1.2 that the individual elects to deduct in computing taxable income for the year, if applicable, is not less than $300.

For the purposes of the second paragraph, "eligible taxation year" of an individual means a taxation year throughout which the individual was resident in Canada, other than a taxation year that ends in a calendar year in which the individual became a bankrupt.

2006, c. 36, s. 47; 2009, c. 5, s. 234; 2010, c. 25, s. 60.

694.0.0.2. For the purposes of the first paragraph of section 694.0.0.1, if an individual has a spouse at the end of 31 December of a taxation year and the individual or the spouse became a bankrupt in the year, section 779 does not apply for the purpose of determining the individual's or the spouse's income for the year.

2009, c. 5, s. 235.

694.0.0.3. An individual shall, in computing the individual's taxable income for a taxation year, include an amount received by the individual in the year as a payment under a registered disability savings plan, to the extent provided for in section 905.0.14.

2009, c. 15, s. 104.

TITLE I.0.1

DEDUCTED AMOUNTS TO BE INCLUDED IN COMPUTING INCOME

1997, c. 85, s. 104.

694.0.1. An individual shall, in computing the individual's taxable income for a taxation year, include the portion, relating to one or more preceding taxation years that are eligible taxation years of the individual, of

the aggregate of all amounts deducted by the individual in computing the individual's income for the year under section 336.0.3 or 336.0.4, if the total of that portion is at least $300.

For the purposes of the first paragraph, "eligible taxation year" of an individual means a taxation year throughout which the individual was resident in Canada, other than a taxation year that ends in a calendar year in which the individual became a bankrupt or a taxation year included, in whole or in part, in an averaging period determined in respect of the individual for the purposes of Division II of Chapter II of Title I of Book V, as it read before being repealed.

1997, c. 85, s. 104; 1998, c. 16, s. 177; 2005, c. 38, s. 83.

694.0.2. Despite section 7.19, a taxpayer shall, in computing the taxpayer's taxable income for a taxation year, include any amount deducted in computing the taxpayer's income for the year as a repayment of a particular amount the taxpayer included in computing the taxpayer's income for a preceding taxation year, to the extent that the particular amount has been deducted in computing the taxpayer's taxable income for that preceding taxation year.

1997, c. 85, s. 104; 1998, c. 16, s. 251; 2001, c. 51, s. 39; 2001, c. 53, s. 92; 2005, c. 38, s. 84.

694.0.3. *(Repealed).*

2002, c. 40, s. 45; 2005, c. 38, s. 85.

TITLE I.1

Repealed, 1989, c. 5, s. 85.

1979, c. 38, s. 21; 1989, c. 5, s. 85.

694.1. *(Repealed).*

1979, c. 38, s. 21; 1984, c. 15, s. 157; 1986, c. 15, s. 97; 1989, c. 5, s. 85.

694.2. *(Repealed).*

1979, c. 38, s. 21; 1986, c. 15, s. 98.

694.3. *(Repealed).*

1979, c. 38, s. 21; 1986, c. 15, s. 99; 1989, c. 5, s. 85.

TITLE II

Repealed, 1989, c. 5, s. 85.

1989, c. 5, s. 85.

695. *(Repealed).*

1972, c. 23, s. 525; 1972, c. 26, s. 53; 1973, c. 17, s. 83; 1974, c. 18, s. 25; 1975, c. 22, s. 194; 1976, c. 18, s. 8; 1978, c. 26, s. 118; 1984, c. 15, s. 158; 1986, c. 15, s. 100; 1987, c. 21, s. 16; 1987, c. 67, s. 135; 1988, c. 4, s. 42; 1988, c. 18, s. 61; 1989, c. 5, s. 85.

695.1. *(Repealed).*

1986, c. 15, s. 100; 1989, c. 5, s. 85.

695.2. *(Repealed).*

1986, c. 15, s. 100; 1989, c. 5, s. 85.

696. *(Repealed).*

1972, c. 23, s. 526; 1986, c. 15, s. 100; 1987, c. 21, s. 17; 1989, c. 5, s. 85.

697. *(Repealed).*

1972, c. 23, s. 527; 1986, c. 15, s. 100; 1988, c. 18, s. 62; 1989, c. 5, s. 85.

698. *(Repealed).*

1972, c. 23, s. 528; 1986, c. 15, s. 100; 1989, c. 5, s. 85.

699. *(Repealed).*

1972, c. 23, s. 529; 1982, c. 17, s. 53; 1986, c. 15, s. 100; 1989, c. 5, s. 85.

700. *(Repealed).*

1972, c. 23, s. 530; 1986, c. 15, s. 100; 1987, c. 21, s. 18; 1989, c. 5, s. 85.

701. *(Repealed).*

1972, c. 23, s. 531; 1986, c. 15, s. 100; 1989, c. 5, s. 85.

TITLE III

Repealed, 1989, c. 5, s. 85.

1989, c. 5, s. 85.

702. *(Repealed).*

1975, c. 21, s. 18; 1975, c. 22, s. 195; 1977, c. 26, s. 80; 1979, c. 38, s. 22; 1987, c. 21, s. 19; 1988, c. 4, s. 43; 1989, c. 5, s. 85.

702.1. *(Repealed).*

1987, c. 21, s. 19; 1988, c. 4, s. 44.

703. *(Repealed).*

1975, c. 21, s. 18; 1975, c. 22, s. 196; 1977, c. 26, s. 81; 1978, c. 26, s. 119; 1979, c. 18, s. 56; 1980, c. 13, s. 62; 1984, c. 15, s. 159; 1986, c. 15, s. 101; 1989, c. 5, s. 85.

704. *(Repealed).*

1975, c. 21, s. 18; 1978, c. 26, s. 120; 1980, c. 13, s. 63; 1984, c. 15, s. 160; 1989, c. 5, s. 85.

705. *(Repealed).*

1975, c. 22, s. 197; 1980, c. 13, s. 64; 1984, c. 15, s. 161; 1985, c. 25, s. 114; 1986, c. 15, s. 102; 1987, c. 67, s. 136; 1989, c. 5, s. 85.

706. *(Repealed).*

1975, c. 22, s. 197; 1987, c. 67, s. 136; 1989, c. 5, s. 85.

TITLE IV

Repealed, 1989, c. 5, s. 85.

1989, c. 5, s. 85.

707. *(Repealed).*

1975, c. 22, s. 198; 1978, c. 26, s. 121; 1979, c. 18, s. 57; 1984, c. 15, s. 162; 1987, c. 21, s. 20; 1988, c. 4, s. 45; 1989, c. 5, s. 85.

707.1. *(Repealed).*

1987, c. 21, s. 21; 1988, c. 4, s. 46.

708. *(Repealed).*

1975, c. 22, s. 198; 1984, c. 15, s. 162; 1987, c. 21, s. 22; 1988, c. 4, s. 47; 1989, c. 5, s. 85.

708.1. *(Repealed).*

1987, c. 21, s. 23; 1988, c. 4, s. 48.

709. *(Repealed).*

1975, c. 22, s. 198; 1982, c. 5, s. 141; 1986, c. 15, s. 103; 1988, c. 18, s. 63; 1989, c. 5, s. 85.

TITLE IV.1

Repealed, 1989, c. 5, s. 85.

1988, c. 4, s. 49; 1989, c. 5, s. 85.

709.1. *(Repealed).*

1988, c. 4, s. 49; 1989, c. 5, s. 85.

709.2. *(Repealed).*

1988, c. 4, s. 49; 1989, c. 5, s. 85.

TITLE V

CHARITABLE GIFTS AND OTHER DEDUCTIONS

1972, c. 23; 1993, c. 16, s. 250; 1995, c. 49, s. 236; 2015, c. 21, s. 229.

710. Subject to section 711.1, a corporation may deduct in computing its taxable income for a taxation year such of the following amounts as the corporation claims:

(a) subject to section 711, the aggregate of all amounts each of which is the eligible amount of a gift, other than a gift the eligible amount of which is included in the aggregate described in any of paragraphs *c* to *e*, made by the corporation in the year, in any of the five preceding taxation years, if the gift was made in a taxation year that ended before 24 March 2006, or in any of the 20 preceding taxation years, if the gift is made in a taxation year that ends after 23 March 2006, to a qualified donee;

(a.1) (paragraph repealed);

(b) (paragraph repealed);

(c) the aggregate of all amounts each of which is the eligible amount of a gift the fair market value of which is certified by the Minister of Sustainable Development, Environment and Parks and the object of which is any of the properties described in section 710.0.1, other than a gift the eligible amount of which is included in the aggregate described in paragraph *d* or *e*, made by the corporation in the year, in any of the five preceding taxation years, if the gift was made in a taxation year that ended before 24 March 2006, or in any of the 20 preceding taxation years, if the gift is made in a taxation year that ends after 23 March 2006,

i. in the case of a property described in paragraph *a* or *b* of section 710.0.1, to a qualified donee that is

(1) a registered charity (other than a private foundation) whose mission in Québec, at the time of the gift, consists mainly, in the opinion of the Minister of Sustainable Development, Environment and Parks, in the conservation of the ecological heritage and that is, in the opinion of that Minister, an appropriate donee in the circumstances,

(2) a municipality in Québec that is, in the opinion of the Minister of Sustainable Development, Environment and Parks, an appropriate donee in the circumstances,

(2.1) a municipal or public body performing a function of government in Québec and that is, in the opinion of the Minister of Sustainable Development, Environment and Parks, an appropriate donee in the circumstances, or

(3) the State or Her Majesty in right of Canada, and

ii. in the case of a property described in paragraph *c* or *d* of section 710.0.1, to any of the following entities that, except in the case provided for in subparagraph 3, is a qualified donee:

(1) a registered charity (other than a private foundation) one of the main missions of which, at the time of the gift, consists, in the opinion of the Minister of the Environment of Canada, in the conservation and protection of Canada's environmental heritage and that is, in the opinion of the Minister of Sustainable Development, Environment and Parks, an appropriate donee in the circumstances,

(2) the State or Her Majesty in right of Canada or a province, other than Québec,

(2.1) a municipality in Canada or a municipal or public body performing a function of government in Canada that is, in the opinion of the Minister of Sustainable Development, Environment and Parks, an appropriate donee in the circumstances,

(3) the United States or any state of that country, or

(4) a municipality in the United States or a municipal or public body performing a function of government in the United States that is, in the opinion of the Minister of Sustainable Development, Environment and Parks, an appropriate donee in the circumstances;

(d) the aggregate of all amounts each of which is the eligible amount of a gift, other than a gift the eligible amount of which is included in the aggregate described in paragraph *e*, made by the corporation in the year, in any of the five preceding taxation years, if the gift was made in a taxation year that ended before 24 March 2006, or in any of the 20 preceding taxation years, if the gift is made in a taxation year that ends after 23 March 2006, to

i. an institution or a public authority referred to in subparagraph *a* of the third paragraph of section 232, where the object of the gift is a cultural property described in that paragraph, or

ii. a museum established under the Act respecting the Montréal Museum of Fine Arts (chapter M-42) or the National Museums Act (chapter M-44), a certified archival centre or a recognized museum, if the object of the gift is a cultural property described in subparagraph *c* of the third paragraph of section 232, unless it is also described in subparagraph *a* of that third paragraph; and

(e) the aggregate of all amounts each of which is the eligible amount of a gift the object of which is a musical instrument, made by the corporation in the year or in any of the 20 preceding taxation years to any of the following entities, if it is situated in Québec:

i. an elementary or secondary educational institution to which the Education Act (chapter I-13.3) or the Education Act for Cree, Inuit and Naskapi Native Persons (chapter I-14) applies,

ii. a college governed by the General and Vocational Colleges Act (chapter C-29),

iii. a private educational institution accredited for purposes of subsidies under the Act respecting private education (chapter E-9.1),

iv. an educational institution at the university level within the meaning of the Act respecting educational institutions at the university level (chapter E-14.1), and

v. an institution providing instruction in music and forming part of the network of the Conservatoire de musique et d'art dramatique du Québec.

1972, c. 23, s. 532; 1972, c. 26, s. 54; 1975, c. 22, s. 199; 1978, c. 26, s. 122; 1984, c. 15, s. 163; 1986, c. 19, s. 140; 1988, c. 4, s. 50; 1992, c. 65, s. 43; 1993, c. 16, s. 251; 1993, c. 19, s. 24; 1993, c. 64, s. 43; 1994, c. 14, s. 34; 1994, c. 22, s. 243; 1995, c. 1, s. 49; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 1997, c. 14, s. 97; 1998, c. 16, s. 251; 1999, c. 36, s. 160; 1999, c. 83, s. 62; 2001, c. 7, s. 169; 2003, c. 2, s. 186; 2003, c. 9, s. 42; 2004, c. 21, s. 99; 2005, c. 23, s. 57; 2006, c. 3, s. 35; 2006, c. 36, s. 48; 2009, c. 5, s. 236; 2009, c. 15, s. 105; 2012, c. 8, s. 60; 2017, c. 1, s. 166; 2019, c. 14, s. 180.

710.0.0.1. *(Repealed).*

2009, c. 15, s. 106; 2019, c. 14, s. 181.

710.0.0.2. *(Repealed).*

2009, c. 15, s. 106; 2019, c. 14, s. 181.

710.0.1. The property to which paragraph *c* of section 710 refers is

(a) land situated in Québec which, in the opinion of the Minister of Sustainable Development, Environment and Parks, has undeniable ecological value;

(b) a personal servitude which has a term of not less than 100 years or a real servitude granted for the benefit of land belonging to an entity referred to in any of subparagraphs 1 to 3 of subparagraph i of paragraph *c* of section 710 and encumbering the whole or part of land situated in Québec which, in the opinion of the Minister of Sustainable Development, Environment and Parks, has undeniable ecological value;

(c) land situated in a region bordering on Québec which, in the opinion of the Minister of Sustainable Development, Environment and Parks, has undeniable ecological value, the preservation and conservation of which is important to the protection and development of Québec's ecological heritage; and

(d) a personal servitude which has a term of not less than 100 years or a real servitude granted for the benefit of land belonging to an entity referred to in any of subparagraphs 1 to 2.1 of subparagraph ii of paragraph *c* of section 710 and encumbering the whole or part of land situated in a region bordering on Québec which, in the opinion of the Minister of Sustainable Development, Environment and Parks, has undeniable ecological value, the preservation and conservation of which is important to the protection and development of Québec's ecological heritage.

1995, c. 1, s. 50; 1999, c. 36, s. 158; 1999, c. 83, s. 63; 2003, c. 9, s. 43; 2006, c. 3, s. 35; 2019, c. 14, s. 182.

710.0.1.1. For the purposes of paragraphs *c* and *d* of section 710.0.1, a region bordering on Québec is a province or a state of the United States sharing a common border with Québec.

2003, c. 9, s. 44.

710.0.2. For the purpose of applying subparagraph ii of paragraph *c* of section 422 and sections 710 to 716.0.11 in respect of a gift made by a taxpayer and referred to in paragraph *c* of section 710, the fair market value of the gift at the time the gift was made or, for the purposes of section 716, the fair market value otherwise determined of the gift at that time and, subject to section 716, the taxpayer's proceeds of disposition of the property that is the subject of the gift, are deemed to be the amount determined by the Minister of Sustainable Development, Environment and Parks to be

(a) where the subject of the gift is land, the fair market value of the gift; or

(b) where the subject of the gift is a servitude referred to in paragraph *b* or *d* of section 710.0.1, the greater of its fair market value otherwise determined and the amount by which the fair market value of the land encumbered by the servitude has been reduced as a result of the making of the gift of the servitude.

1999, c. 83, s. 64; 2003, c. 2, s. 187; 2003, c. 9, s. 45; 2006, c. 3, s. 35; 2012, c. 8, s. 61.

710.1. For the purposes of subparagraph i of paragraph *d* of section 710, the fair market value of a cultural property described in subparagraph *a* of the third paragraph of section 232 is deemed to be the fair market value determined by the Canadian Cultural Property Export Review Board or, where an appeal has been instituted under subsection 1 of section 33.1 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51), the fair market value deemed to have been determined by the Board, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), under subsection 2 of that section 33.1.

1993, c. 16, s. 252; 1997, c. 85, s. 105; 1999, c. 83, s. 65; 2003, c. 9, s. 46.

710.2. For the purposes of subparagraph ii of paragraph *d* of section 710, the fair market value of a cultural property referred to therein is deemed to be the fair market value determined by the Conseil du patrimoine culturel du Québec.

1993, c. 19, s. 25; 1997, c. 85, s. 105; 1999, c. 83, s. 273; 2011, c. 21, s. 232.

710.2.1. For the purposes of subparagraph ii of paragraph *c* of section 422 and sections 710 to 716.0.11, where at any time the Canadian Cultural Export Review Board or the Minister of Sustainable Development, Environment and Parks, as the case may be, determines or redetermines an amount to be the fair market value of a property that is the subject of a gift described in paragraph *a* of section 710 made by a taxpayer within the two-year period that begins at that time, the last amount so determined or redetermined within the period is deemed to be the fair market value of the property at the time the gift was made and, subject to section 716, to be the taxpayer's proceeds of disposition of the property.

2001, c. 53, s. 93; 2003, c. 2, s. 188; 2006, c. 3, s. 35; 2012, c. 8, s. 62; 2011, c. 21, s. 232; 2015, c. 21, s. 230.

710.2.1.1. Despite section 710.2.1, for the purposes of paragraph *a* of section 422, subparagraph ii of paragraph *c* of that section and sections 710 to 716.0.11, where the Minister of Culture and Communications determines an amount to be the fair market value of a property that is the subject of a gift made by a taxpayer on or before the day that is two years after the time that amount is determined and referred to in paragraph *a* of section 710, the following rules apply:

(a) the amount so determined is deemed to be the fair market value of the property at the time of the gift or, for the purposes of section 716, its fair market value otherwise determined at that time; and

(b) subject to section 716, the amount so determined is deemed to be the taxpayer's proceeds of disposition of the property.

2015, c. 21, s. 231.

710.2.2. A corporation may request, by notice in writing to the Minister of Sustainable Development, Environment and Parks, a determination of the fair market value of a property it disposes of or proposes to dispose of and that would, if the disposition were made and the certificates described in section 712.0.2 were issued by the Minister of Sustainable Development, Environment and Parks in respect of the property, be a gift described in paragraph *c* of section 710.

2003, c. 2, s. 189; 2006, c. 3, s. 35.

710.2.3. The Minister of Sustainable Development, Environment and Parks shall with all due dispatch make a determination in accordance with section 710.0.2 of the fair market value of the property that is the subject of the request referred to in section 710.2.2 and give notice of the determination in writing to the corporation that has disposed of, or that proposes to dispose of, the property.

However, no such determination shall be made if the request is received by the Minister of Sustainable Development, Environment and Parks after three years after the end of the corporation's taxation year in which the disposition occurred.

2003, c. 2, s. 189; 2006, c. 3, s. 35.

710.2.4. Where the Minister of Sustainable Development, Environment and Parks has, in accordance with section 710.2.3, notified a corporation of the amount determined to be the fair market value of a property it has disposed of or proposes to dispose of, the following rules apply:

(a) on receipt of a written request made by the corporation on or before the day that is 90 days after the day that the corporation was so notified, the Minister of Sustainable Development, Environment and Parks shall with all due dispatch confirm or redetermine the fair market value;

(b) the Minister of Sustainable Development, Environment and Parks may, on that Minister's own initiative, at any time redetermine the fair market value;

(c) in the cases referred to in paragraphs *a* and *b*, the Minister of Sustainable Development, Environment and Parks shall notify the corporation in writing of that Minister's confirmation or redetermination; and

(d) any such redetermination is deemed to replace all preceding determinations and redeterminations of the fair market value of the property from the time at which the first such determination was made.

2003, c. 2, s. 189; 2006, c. 3, s. 35.

710.2.5. Where the Minister of Sustainable Development, Environment and Parks determines in accordance with section 710.2.3 the fair market value of a property, or redetermines that fair market value in accordance with section 710.2.4, and the property has been disposed of to a qualified donee described in paragraph *c* of section 710, the Minister shall issue to the person who made the disposition a certificate that states the fair market value of the property so determined or redetermined.

Where the Minister of Sustainable Development, Environment and Parks has issued more than one certificate in respect of the same property, the last certificate is deemed to replace all preceding certificates from the time at which the first certificate was issued.

2003, c. 2, s. 189; 2006, c. 3, s. 35.

710.2.6. A corporation may request, by notice in writing to the Minister of Culture and Communications, a determination of the fair market value of a property (other than a cultural property described in the third paragraph of section 232) it disposes of or proposes to dispose of and that would, if the disposition were made

and the documents referred to in section 716.0.1.3 were issued by the Minister of Culture and Communications in respect of the property, be a gift described in subparagraph *b* of the second paragraph of section 716.0.1.1 or in section 716.0.1.2.

2015, c. 21, s. 232.

710.2.7. The Minister of Culture and Communications shall with all due dispatch make a determination of the fair market value of a property that is the subject of a request referred to in section 710.2.6 and give notice of the determination in writing to the corporation that has disposed of, or that proposes to dispose of, the property.

However, no such determination is made if the request is received by the Minister of Culture and Communications more than three years after the end of the corporation's taxation year in which the disposition occurred.

2015, c. 21, s. 232.

710.2.8. Where the Minister of Culture and Communications has, in accordance with section 710.2.7, notified a corporation of the amount determined to be the fair market value of a property it has disposed of or proposes to dispose of, the following rules apply:

(a) on receipt of a written request made by the corporation on or before the day that is 90 days after the day that the corporation was so notified, the Minister of Culture and Communications shall with all due dispatch confirm or redetermine the fair market value;

(b) the Minister of Culture and Communications may, on that Minister's own initiative, at any time redetermine the fair market value;

(c) in the cases referred to in paragraphs *a* and *b*, the Minister of Culture and Communications shall notify the corporation in writing of the confirmation or redetermination; and

(d) any such redetermination is deemed to replace all preceding determinations and redeterminations of the fair market value of the property from the time at which the first such determination was made.

2015, c. 21, s. 232.

710.2.9. Where the Minister of Culture and Communications determines the fair market value of a property in accordance with section 710.2.7, or redetermines that fair market value in accordance with section 710.2.8, and the property has been the subject of a gift described in subparagraph *b* of the second paragraph of section 716.0.1.1 or in section 716.0.1.2, that Minister shall issue to the corporation who made the disposition a certificate that states the fair market value of the property so determined or redetermined and send a copy of that certificate to the donee and the Minister.

Where the Minister of Culture and Communications has issued more than one certificate in respect of the same property, the last certificate is deemed to replace all preceding certificates from the time at which the first certificate was issued.

2015, c. 21, s. 232.

710.3. Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect

(a) to a certificate issued under section 105 of the Cultural Heritage Act (chapter P-9.002) or to a decision of a court resulting from a contestation under section 107 of that Act;

(b) to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (R.S.C. 1985, c. C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act; or

(c) to a certificate issued under section 710.2.5 or 710.2.9 or to a decision of a court resulting from a contestation under section 93.1.15.2 or 93.1.15.3 of the Tax Administration Act (chapter A-6.002).

1997, c. 85, s. 106; 2003, c. 2, s. 190; 2010, c. 31, s. 175; 2011, c. 21, s. 233; 2015, c. 21, s. 233; 2020, c. 12, s. 144.

710.4. For the purposes of this Title, the following rules apply:

(a) the gift of the bare ownership of a work of art or a cultural property described in the third paragraph of section 232 and made in the course of a recognized gift with reserve of usufruct or use is deemed to be, subject to section 714.1, the gift of a work of art or of such a cultural property ; and

(b) the fair market value of a recognized gift with reserve of usufruct or use, in relation to a work of art or a cultural property described in the third paragraph of section 232, is deemed to be equal to the product obtained by multiplying the amount of the fair market value of the work of art or of the cultural property, as the case may be, otherwise determined with reference to sections 710.1, 710.2, 710.2.1, 710.2.1.1, 714.2 and 716 by the appropriate percentage determined in section 710.5.

2003, c. 9, s. 47; 2015, c. 21, s. 234.

710.5. The percentage to which section 710.4 refers in respect of a recognized gift with reserve of usufruct or use is

(a) 87% where the duration of the usufruct or right of use provided for in the deed of gift granting it is 10 years or less;

(b) 74% where the duration of the usufruct or right of use provided for in the deed of gift granting it is more than 10 years and 20 years or less; and

(c) 61% in any other case.

2003, c. 9, s. 47.

711. The deduction allowed by paragraph *a* of section 710 shall not exceed the lesser of the corporation's income for the year and the amount determined by the formula

$$0.75 \times A + 0.25 \times (B + C + D).$$

In the formula provided for in the first paragraph,

(a) A is the corporation's income for the year computed before any deduction under section 800;

(b) B is the aggregate of all amounts each of which is equal to that proportion of the corporation's taxable capital gain for the year in respect of a gift made by the corporation in the year and in respect of which gift an eligible amount is described in paragraph *a* of section 710 for the year, that the eligible amount of the gift is of the corporation's proceeds of disposition in respect of the gift;

(c) C is the aggregate of all amounts each of which is a taxable capital gain of the corporation for the year, by reason of the application of section 234.0.1, from a disposition of a property in a preceding taxation year; and

(d) D is the aggregate of all amounts each of which is determined in respect of the corporation's depreciable property of a prescribed class and equal to the lesser of

i. the amount included under section 94 in respect of the class in computing the corporation's income for the year, and

ii. the aggregate of the amounts determined in respect of a disposition that is the making of a gift of a property of the class by the corporation in the year and in respect of which gift an eligible amount is described in paragraph *a* of section 710 for the year, each of which is equal to the lesser of

(1) that proportion of the amount by which the proceeds of disposition of the property exceed any outlays made or expenses incurred by the corporation for the purpose of making the disposition, that the eligible amount of the gift is of the corporation's proceeds of disposition in respect of the gift, and

(2) that proportion of the capital cost to the corporation of the property that the eligible amount of the gift is of the corporation's proceeds of disposition in respect of the gift.

1972, c. 23, s. 533; 1975, c. 22, s. 200; 1982, c. 5, s. 142; 1986, c. 19, s. 141; 1993, c. 16, s. 253; 1993, c. 19, s. 26; 1993, c. 64, s. 44; 1995, c. 1, s. 51; 1997, c. 3, s. 71; 1999, c. 83, s. 66; 2005, c. 23, s. 58; 2009, c. 5, s. 237.

711.1. For the purpose of determining the amount deductible under section 710 in computing the taxable income of a corporation for a taxation year, the following rules apply:

(a) an amount relating to a gift is deductible only to the extent that it exceeds amounts in respect of the gift deducted in computing the corporation's taxable income for preceding taxation years; and

(b) no amount in respect of a gift made in a particular taxation year is deductible under any of paragraphs *a* to *e* of section 710 until amounts deductible under that paragraph in respect of gifts made in taxation years preceding the particular year have been deducted.

1999, c. 83, s. 67; 2006, c. 36, s. 49.

711.2. Despite section 563, if control of a particular corporation is acquired at any time by a person or group of persons, the following rules apply:

(a) no amount is deductible under any of paragraphs *a* to *e* of section 710 in computing any corporation's taxable income for a taxation year that ends at or after that time in respect of a gift made by the particular corporation before that time; and

(b) no amount is deductible under any of paragraphs *a* to *e* of section 710 in computing any corporation's taxable income for a taxation year that ends at or after that time in respect of a gift made by any corporation at or after that time if the property that is the subject of the gift was acquired by the particular corporation under an arrangement under which it was expected that control of the particular corporation would be so acquired by a person or group of persons, other than a qualified donee that received the gift, and that the gift would be so made.

2005, c. 38, s. 86; 2006, c. 36, s. 50.

712. No corporation may deduct, for a taxation year, an amount under section 710, unless the making of the gift is proven by

(a) a receipt for the gift filed with the Minister that meets the prescribed requirement and contains in a clear and unalterable manner the prescribed statement and the prescribed information; and

(b) in the case of a gift described in subparagraph i of paragraph *d* of section 710, the certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51).

1972, c. 23, s. 534; 1978, c. 26, s. 123; 1982, c. 5, s. 142; 1994, c. 22, s. 244; 2003, c. 2, s. 191.

712.0.0.1. An organization or a donee shall meet the prescribed requirements in respect of a spoiled receipt form.

For the purposes of the first paragraph, "donee", "receipt form" and "organization" have the meaning assigned by the regulations made under section 712.

1994, c. 22, s. 245.

712.0.1. No corporation may deduct, for a taxation year, an amount under section 710 in respect of a gift of a property described in subparagraph ii of paragraph *d* of that section unless it files with the Minister, together with the fiscal return it is required to file under section 1000 for the year, a certificate issued by the Conseil du patrimoine culturel du Québec stating that the property was acquired by a museum established under the Act respecting the Montréal Museum of Fine Arts (chapter M-42) or the National Museums Act (chapter M-44), a certified archival centre or a recognized museum, in accordance with its acquisition and conservation policy and with the directives of the Ministère de la Culture et des Communications, and specifying the fair market value of the property determined in accordance with section 710.2 and, if applicable, section 710.4.

1993, c. 19, s. 27; 1993, c. 64, s. 45; 1995, c. 1, s. 199; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1999, c. 83, s. 273; 2003, c. 9, s. 48; 2006, c. 36, s. 51; 2011, c. 1, s. 33; 2011, c. 21, s. 232.

712.0.2. No corporation may deduct, for a taxation year, an amount under paragraph *c* of section 710 in respect of a gift unless it files with the Minister, along with the fiscal return it is required to file under section 1000 for the year, the following certificates issued by the Minister of Sustainable Development, Environment and Parks:

(a) the certificate certifying that

i. in the case of a gift whose object is a property described in paragraph *a* or *b* of section 710.0.1, the land referred to in that paragraph *a* or the land encumbered with a servitude referred to in that paragraph *b*, as the case may be, has undeniable ecological value and, where such is the case, that the mission in Québec of a charity referred to in subparagraph 1 of subparagraph i of paragraph *c* of section 710 consists mainly, at the time of the gift, in the conservation of the ecological heritage, and

ii. in the case of a gift whose object is a property described in paragraph *c* or *d* of section 710.0.1, the land referred to in that paragraph *c* or the land encumbered with a servitude referred to in that paragraph *d*, as the case may be, has undeniable ecological value, the preservation and conservation of which is important to the protection and development of Québec's ecological heritage and, where such is the case, that a charity referred to in subparagraph 1 of subparagraph ii of paragraph *c* of section 710 is an appropriate donee in the circumstances; and

(b) the certificate relating to the fair market value of the gift referred to in that paragraph *c*.

1995, c. 1, s. 52; 1997, c. 3, s. 71; 1999, c. 36, s. 160; 1999, c. 83, s. 68; 2003, c. 2, s. 192; 2003, c. 9, s. 49; 2006, c. 3, s. 35; 2010, c. 25, s. 61.

712.1. *(Repealed).*

1984, c. 15, s. 164; 1986, c. 19, s. 142; 1993, c. 64, s. 46.

713. *(Repealed).*

1972, c. 23, s. 535; 1984, c. 15, s. 164; 1993, c. 64, s. 46.

713.1. Notwithstanding section 710, no amount may be deducted by a corporation in respect of a gift of property that is a certified Québec film or a Québec film production, within the meaning assigned to those terms by the regulations under section 130, if the gift is made by the corporation within a period of three years commencing on the day on which the property is acquired by it.

1992, c. 1, s. 34; 1993, c. 64, s. 47; 1997, c. 3, s. 71.

714. For the purposes of this Title, where a corporation is a member of a partnership at the end of the fiscal period of such partnership, the eligible amount of a gift made in the name of the partnership is deemed to be the eligible amount of a gift made by the corporation during its taxation year in which the fiscal period of the partnership ends, up to the proportion of its share in such partnership.

1972, c. 23, s. 536; 1993, c. 64, s. 48; 1997, c. 3, s. 71; 2009, c. 5, s. 238; 2019, c. 14, s. 183.

714.1. For the purposes of this Title, where at any time a corporation makes a gift of a work of art referred to in the second paragraph to a donee referred to in any of paragraphs *b* to *e* and *g* to *j* of the definition of "qualified donee" in section 999.2 or in any of subparagraphs i, iv and v of paragraph *a* of the definition of "qualified donee" in subsection 1 of section 149.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and whose registration as a qualified donee has not been revoked by the Minister of National Revenue, other than such a donee who acquires the work of art in connection with its primary mission, the corporation is deemed, in respect of that work of art, not to have made a gift unless the donee disposes of the work of art on or before 31 December of the fifth calendar year following the year that includes that time.

The work of art to which the first paragraph refers is a print, an etching, a drawing, a painting, a sculpture or any work of a similar nature, a tapestry or hand-woven carpet or hand-made appliqué, a lithograph, a rare folio, a rare manuscript or a rare book, a stamp or a coin.

This section does not apply where a corporation makes a gift of a work of art referred to in section 716.0.1.2 to a donee described in subparagraph *c* of the second paragraph of that section.

1995, c. 63, s. 50; 1997, c. 3, s. 71; 1999, c. 83, s. 69; 2004, c. 21, s. 100; 2005, c. 23, s. 59; 2006, c. 36, s. 52; 2012, c. 8, s. 63; 2013, c. 10, s. 39; 2015, c. 21, s. 235.

714.2. If, at any given time, a corporation makes a gift of a work of art referred to in section 714.1 to a donee referred to in that section, the lesser of the amount that may reasonably be considered as the consideration for the disposition by the donee of the work of art and its fair market value at the time of the disposition, is deemed, for the purposes of section 710, to be the fair market value for the purpose of computing the eligible amount of the gift at the given time and, for the purposes of section 716, to be the fair market value of the capital property at the given time.

1995, c. 63, s. 50; 1997, c. 3, s. 71; 2009, c. 5, s. 239.

715. *(Repealed).*

1973, c. 17, s. 84; 1993, c. 64, s. 49.

716. The rule set out in the second paragraph applies if, at any time, a corporation makes a gift of a capital property to a qualified donee or, if the corporation is not resident in Canada, a gift of an immovable property situated in Canada to a prescribed donee who provides an undertaking, in a form satisfactory to the Minister, to the effect that the property will be held for use in the public interest, the corporation designates, after 19 December 2006 and in accordance with subsection 3 of section 110.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), an amount in respect of the gift, and, at that time, the fair market value of the capital property or immovable property exceeds

(a) in the case of a depreciable property of a prescribed class, the lesser of the undepreciated capital cost of that class at the end of the taxation year of the corporation that includes that time, determined without reference to the proceeds of disposition determined in respect of the property under the second paragraph, and the adjusted cost base to the corporation of the property immediately before that time; and

(b) in any other case, the adjusted cost base to the corporation of the capital property or immovable property immediately before that time.

The lesser of the fair market value of the capital property or immovable property otherwise determined and the greatest of the following amounts, is deemed to be both the corporation's proceeds of disposition of the capital property or immovable property and, for the purposes of section 7.21, the fair market value of the gift:

(a) in the case of a gift made after 20 December 2002, the amount of the advantage in respect of the gift;

(b) the amount determined under subparagraph *a* or *b* of the first paragraph in respect of the capital property or immovable property; and

(c) the amount designated in respect of the gift in accordance with subsection 3 of section 110.1 of the Income Tax Act.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 3 of section 110.1 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.

1973, c. 17, s. 84; 1986, c. 15, s. 104; 1987, c. 67, s. 137; 1993, c. 64, s. 50; 1994, c. 22, s. 246; 1995, c. 1, s. 53; 1997, c. 3, s. 71; 1999, c. 83, s. 70; 2003, c. 2, s. 193; 2009, c. 5, s. 240; 2012, c. 8, s. 64.

716.0.1. Where a corporation makes a gift of a work of art referred to in section 714.1 in a taxation year, referred to in this section as the "gift year", to a donee referred to in section 714.1, the corporation may, on or before its filing-due date for a subsequent taxation year, referred to in this section as the "year of disposition", that includes 31 December of the calendar year in which the donee disposed of the work of art, file with the Minister for a taxation year referred to in the second paragraph an amended fiscal return in which the corporation shall take into account the tax consequences of that disposition in respect of an amount relating to that taxation year.

The taxation year to which the first paragraph refers is a taxation year of the corporation for which it filed a fiscal return pursuant to section 1000 and that is previous to the year of disposition but after the fourth taxation year of the corporation that precedes the gift year.

Notwithstanding sections 1010 to 1011, the Minister shall, where the corporation has filed an amended fiscal return in accordance with the first paragraph, make such assessment, reassessment or additional assessment of the tax, interest and penalties payable by the corporation under this Part as is necessary for any taxation year to give effect to the disposition referred to in the first paragraph.

1995, c. 63, s. 51; 1997, c. 3, s. 71; 1997, c. 31, s. 69.

716.0.1.1. For the purpose of determining the amount that is deductible under paragraphs *a* and *d* of section 710 in computing the taxable income of a corporation for a taxation year, the eligible amount of a gift described in the second paragraph is to be increased by 1/4 of that amount.

The gift to which the first paragraph refers is

(a) a gift of a work of art to a Québec museum; or

(b) any of the following gifts if the fair market value of the property that is the subject of the gift is determined under any of sections 710.1, 710.2, 710.2.1 and 710.2.1.1:

i. unless it is described in subparagraph *a*, a gift of a work of public art that meets the following conditions:

(1) it is made to the State, except an educational institution that is a mandatary of the State, or

(2) a certificate has been issued by the Minister of Culture and Communications in respect of the work for the purposes of this section,

ii. a gift of an eligible immovable if a qualification certificate has been issued by the Minister of Culture and Communications in respect of the building for the purposes of this section, or

iii. a gift of an eligible immovable to any of the following entities that acquires the building with a view to carrying on all or part of its activities in it:

(1) a registered charity operating in Québec in the field of arts or culture,

(2) a registered cultural or communications organization, or

(3) a registered museum.

For the purposes of subparagraphs ii and iii of subparagraph *b* of the second paragraph, an eligible immovable means a building situated in Québec, including the land subjacent to it and such portion of any contiguous land as can reasonably be regarded as contributing to the use and enjoyment of the building.

2001, c. 51, s. 40; 2009, c. 5, s. 241; 2015, c. 21, s. 236.

716.0.1.2. For the purpose of determining the amount that is deductible under paragraphs *a* and *d* of section 710 in computing the taxable income of a corporation for a taxation year, the eligible amount of a gift of a work of public art described in the second paragraph is to be increased by 1/2 of that amount if the fair market value of the work is determined under any of sections 710.1, 710.2, 710.2.1 and 710.2.1.1.

The gift to which the first paragraph refers is the gift of a work of public art in respect of which a certificate has been issued by the Minister of Culture and Communications for the purposes of this section and that is made to

(a) an educational institution that is a mandatary of the State;

(b) a school service centre governed by the Education Act (chapter I-13.3) or a school board governed by the Education Act for Cree, Inuit and Naskapi Native Persons (chapter I-14); or

(c) a registered charity whose mission is teaching and that is

i. an educational institution established under an Act of the Parliament of Québec, other than an institution described in subparagraph *a*,

ii. a college governed by the General and Vocational Colleges Act (chapter C-29),

iii. a private educational institution accredited for subsidies purposes under the Act respecting private education (chapter E-9.1), or

iv. a university-level educational institution referred to in any of paragraphs 1 to 11 of section 1 of the Act respecting educational institutions at the university level (chapter E-14.1).

2015, c. 21, s. 237; 2020, c. 1, s. 282.

716.0.1.3. No corporation is entitled to an increase of the eligible amount of a gift for a taxation year, in relation to a gift described in subparagraph *b* of the second paragraph of section 716.0.1.1 or in section

716.0.1.2, unless it files with the Minister, together with the fiscal return it is required to file under section 1000 for the year, the following documents issued by the Minister of Culture and Communications:

(a) in relation to a gift of a work of public art,

i. in respect of which subparagraph 1 of subparagraph i of subparagraph *b* of the second paragraph of section 716.0.1.1 applies, a copy of any certificate relating to the fair market value of the work, or

ii. in respect of which subparagraph 2 of subparagraph i of subparagraph *b* of the second paragraph of section 716.0.1.1 or section 716.0.1.2 applies, a copy of the certificate relating to the work and of any certificate relating to the fair market value of the work; or

(b) in relation to the gift of an eligible immovable,

i. in respect of which subparagraph ii of subparagraph *b* of the second paragraph of section 716.0.1.1 applies, a copy of the qualification certificate relating to the building and of any certificate relating to the fair market value of the immovable, or

ii. in respect of which subparagraph iii of subparagraph *b* of the second paragraph of section 716.0.1.1 applies, a copy of any certificate relating to the fair market value of the immovable.

2015, c. 21, s. 237.

716.0.1.4. For the purpose of determining the amount deductible under paragraph *a* of section 710 in computing the taxable income of a corporation for a taxation year, the eligible amount of the following gifts made to a registered charity that is a prescribed charity is to be increased by 1/2 of that amount:

(a) a gift made by a recognized farm producer of an eligible agricultural product produced by such a producer; or

(b) a gift of an eligible food product made by a corporation carrying on a food processing business or by a corporation that is a member of a partnership carrying on such a business.

In this section, "recognized farm producer" has the meaning that would be assigned by the definition of that expression in the first paragraph of section 752.0.10.1 if that definition were read as if "an individual" were replaced, wherever it appears, by "a corporation", and "eligible agricultural product" and "eligible food product" have the meaning assigned by that section.

2015, c. 36, s. 39; 2017, c. 1, s. 167.

716.0.2. The definitions of "excepted gift" and "non-qualifying security" in the first paragraph of section 752.0.10.1, the third paragraph of that section and sections 752.0.10.16 to 752.0.10.18 apply in respect of a corporation as if the references therein to "an individual" were read as references to "a corporation", as if the reference therein to "752.0.10.12" were read as a reference to "716" and as if a non-qualifying security of a corporation included a share, other than a share listed on a designated stock exchange, of the capital stock of the corporation.

1999, c. 83, s. 71; 2001, c. 7, s. 169; 2010, c. 5, s. 54; 2012, c. 8, s. 65.

716.0.3. If, but for this section, a corporation, other than a corporation that was a predecessor corporation in an amalgamation to which section 544 applied or a corporation that was wound up in a winding-up to which Chapter VII of Title IX of Book III applied, would be deemed under section 752.0.10.16 to have made a gift after the corporation ceased to exist, for the purposes of this Title, the corporation is deemed to have made the gift in its last taxation year.

Any amount of interest payable under this Part must be determined as if the presumption provided in the first paragraph did not apply.

1999, c. 83, s. 71.

716.0.4. Subject to sections 716.0.6 and 716.0.7, if a corporation has granted an option to a qualified donee in a taxation year, no amount in respect of the option is to be included in computing an amount under any of paragraphs *a* to *e* of section 710 in respect of the corporation for any year.

2012, c. 8, s. 66.

716.0.5. Section 716.0.6 applies if

(a) an option to acquire a property of a corporation is granted to a qualified donee;

(b) the option is exercised so that the property is disposed of by the corporation and acquired by the qualified donee at a particular time; and

(c) either

i. the amount that is 80% of the fair market value of the property at the particular time is greater than or equal to the aggregate of

(1) the consideration received by the corporation from the qualified donee for the property, and

(2) the consideration received by the corporation from the qualified donee for the option, or

ii. the corporation establishes to the satisfaction of the Minister that the granting of the option or the disposition of the property was made by the corporation with the intention to make a gift to the qualified donee.

2012, c. 8, s. 66.

716.0.6. If this section applies because of section 716.0.5, the following rules apply despite paragraph *a* of section 296:

(a) the corporation is deemed to have received proceeds of disposition of the property equal to the property's fair market value at the particular time referred to in paragraph *b* of section 716.0.5; and

(b) there shall be included in the aggregate referred to in paragraph *a* of section 710, for the corporation's taxation year that includes the particular time, the amount by which the property's fair market value exceeds the aggregate of the amounts described in subparagraphs 1 and 2 of subparagraph i of paragraph *c* of section 716.0.5.

2012, c. 8, s. 66.

716.0.7. If an option to acquire a particular property of a corporation is granted to a qualified donee and the option is disposed of by the qualified donee (otherwise than by the exercise of the option) at a particular time, the following rules apply:

(a) the corporation is deemed to dispose of a property at the particular time

i. the adjusted cost base of which to the corporation immediately before the particular time is equal to the consideration paid by the qualified donee for the option, and

ii. the proceeds of disposition of which are equal to the lesser of the fair market value of the particular property at the particular time and the fair market value of any consideration (other than a non-qualifying security of a person) received by the qualified donee for the option; and

(b) there shall be included in the aggregate referred to in paragraph *a* of section 710 for the corporation's taxation year that includes the particular time the amount by which the proceeds of disposition as determined by subparagraph ii of paragraph *a* exceed the consideration paid by the qualified donee for the option.

2012, c. 8, s. 66.

716.0.8. Section 716.0.9 applies if a qualified donee has issued to a corporation a receipt referred to in section 712 in respect of a transfer of a property (in this section and section 716.0.9 referred to as the "original property") and a property (in this section and sections 716.0.9 to 716.0.11 referred to as the "particular property") that is

(a) the original property is later transferred to the corporation (unless that later transfer is reasonable consideration or remuneration for property acquired by or services rendered to a person); or

(b) any other property that may reasonably be considered compensation for or a substitute for, in whole or in part, the original property, is later transferred to the corporation.

2012, c. 8, s. 66.

716.0.9. If this section applies because of section 716.0.8, the following rules apply:

(a) irrespective of whether the transfer of the original property by the corporation is a gift, the corporation is deemed not to have disposed of the original property at the time of that transfer nor to have made a gift;

(b) if the particular property is identical to the original property, the particular property is deemed to be the original property; and

(c) if the particular property is not the original property,

i. the corporation is deemed to have disposed of the original property at the time that the particular property is transferred to the corporation for proceeds of disposition equal to the greater of the fair market value of the particular property at that time and the fair market value of the original property at the time that it was transferred by the corporation to the qualified donee, and

ii. if, but for paragraph *a*, the transfer of the original property by the corporation would be a gift, the corporation is deemed to have, at the time of that transfer, transferred to the qualified donee a property that is the subject of a gift having a fair market value equal to the amount by which the fair market value of the original property at the time of that transfer exceeds the fair market value of the particular property at the time that it is transferred to the corporation.

2012, c. 8, s. 66.

716.0.10. If section 716.0.9 applies in respect of a transfer of a particular property to a corporation and that particular property has a fair market value greater than $50, the transferor must, in respect of that transfer, file a return containing prescribed information with the Minister not later than 90 days after the day on which the particular property was transferred and provide a copy of the return to the corporation.

2012, c. 8, s. 66.

716.0.11. If section 716.0.9 applies in respect of a transfer of a particular property to a corporation, the Minister may, despite sections 1010 to 1011, make any assessment, reassessment or additional assessment of tax, interest or penalties payable under this Part by a person for any taxation year to the extent that the assessment, reassessment or additional assessment can reasonably be regarded as relating to the transfer of the particular property.

2012, c. 8, s. 66.

716.1. *(Repealed).*

1987, c. 67, s. 137; 1993, c. 16, s. 254; 1993, c. 64, s. 51.

716.2. *(Repealed).*

1993, c. 16, s. 255; 1993, c. 64, s. 52.

717. *(Repealed).*

1972, c. 23, s. 537; 1986, c. 19, s. 143; 1989, c. 5, s. 85.

718. *(Repealed).*

1972, c. 23, s. 538; 1973, c. 17, s. 85; 1986, c. 15, s. 105; 1989, c. 5, s. 85.

719. *(Repealed).*

1972, c. 23, s. 539; 1986, c. 19, s. 144; 1989, c. 5, s. 85.

720. *(Repealed).*

1972, c. 23, s. 540; 1986, c. 19, s. 145.

721. *(Repealed).*

1972, c. 23, s. 541; 1985, c. 25, s. 115; 1986, c. 19, s. 146; 1989, c. 5, s. 85.

722. *(Repealed).*

1972, c. 23, s. 542; 1986, c. 15, s. 106.

723. *(Repealed).*

1972, c. 23, s. 543; 1974, c. 18, s. 26; 1978, c. 26, s. 124; 1986, c. 15, s. 107; 1987, c. 67, s. 138; 1989, c. 5, s. 85.

724. *(Repealed).*

1976, c. 18, s. 12; 1978, c. 26, s. 125; 1986, c. 15, s. 108; 1986, c. 19, s. 147; 1987, s. 67, s. 138; 1989, c. 5, s. 85.

724.1. *(Repealed).*

1986, c. 19, s. 148; 1989, c. 5, s. 85.

724.2. *(Repealed).*

1987, c. 67, s. 139; 1989, c. 5, s. 85.

725. An individual may deduct any amount he includes in computing his income for the year that is

(a) an amount exempt from income tax in Québec or Canada because of a provision contained in a tax agreement with a country other than Canada;

(a.0.1*)* 35% of the total of all benefits (in this paragraph referred to as "U.S. social security benefits") to which paragraph 5 of Article XVIII of the Convention between Canada and the United States of America with respect to Taxes on Income and on Capital as set out in Schedule I to the Canada-United States Tax Convention Act, 1984 (S.C. 1984, c. 20) applies, if

i. the individual has, continuously during a period that begins before 1996 and ends in the year, been resident in Canada, and has received U.S. social security benefits in each taxation year that ends in that period, or

ii. in the case where the benefits are payable to the individual in respect of a deceased person,

(1) the individual was, immediately before the person's death, the person's spouse,

(2) the individual has, continuously during a period that begins at the time of the person's death and ends in the year, been resident in Canada,

(3) the person was, in respect of the taxation year in which the person died, an individual described in subparagraph i, and

(4) in each taxation year that ends in the period described in subparagraph i, the individual, the deceased person, or both of them, received U.S. social security benefits;

(a.1) an amount received as an income replacement indemnity or as compensation for the loss of financial support under a public compensation plan;

(b) (paragraph repealed);

(b.1) (paragraph repealed);

(c) a social assistance payment made on the basis of a means, needs or income test, that is a payment other than a payment received as financial assistance under the Individual and Family Assistance Act (chapter A-13.1.1) or as similar government assistance and that is included in computing the individual's income because of section 311.1 or because of section 317 as a supplement or allowance received under the Old Age Security Act (R.S.C. 1985, c. O-9) or in respect of any similar payment made under a law of a province;

(c.0.1) an amount received as a scholarship, fellowship or bursary, or a prize for achievement in a field of endeavour ordinarily carried on by the individual, that is included under paragraph *g* of section 312;

(c.1) an amount received by the individual from the Minister of Higher Education, Research, Science and Technology as a postdoctoral research fellowship under the Fellowship for Excellence and included as such under paragraph *h* of section 312;

(c.2) an amount received by the individual under a program referred to in paragraph *e*.3 or *e*.4 of section 311, a program established under the Department of Employment and Social Development Act (S.C. 2005, c. 34) or a prescribed program, if the amount

i. is financial assistance for the payment of tuition fees of the individual, that are not included in computing an amount deductible under section 752.0.18.10 in computing the individual's tax payable under this Part for any taxation year, and

ii. is not otherwise deductible in computing the individual's taxable income for the year;

(d) income from employment with an international organization, namely the United Nations or any specialized agency that is brought into relationship with the United Nations in accordance with Article 63 of the Charter of the United Nations, except, where the following conditions are met, the portion of such income that is attributable to employment duties performed in Québec by the individual:

i. the international organization, or any other international governmental organization in the service of which the individual was employed, was established in Québec at any time in the year, and

ii. the income is not covered for the year by an agreement between the international organization, or other international governmental organization, and the Government of Québec concerning the exemption from tax under this Part on such income;

(d.1) the lesser of

i. the employment income earned by the individual as a member of the Canadian Forces, or as a police officer, while serving on a mission recognized for the purposes of clause A of subparagraph v of paragraph *f* of subsection 1 of section 110 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), and

ii. the employment income that would have been earned by the individual while serving on the mission referred to in subparagraph i if the individual had been paid at the maximum rate of pay that applied, during the mission, to a Lieutenant-Colonel (General Service Officers) of the Canadian Forces; or

(e) income situated on a reserve or on premises, if the individual is an Indian.

1972, c. 23, s. 544; 1975, c. 22, s. 201; 1984, c. 15, s. 165; 1987, c. 67, s. 140; 1990, c. 59, s. 249; 1993, c. 16, s. 256; 1993, c. 64, s. 53; 1995, c. 49, s. 158; 1997, c. 14, s. 98; 1997, c. 85, s. 107; 1999, c. 83, s. 72; 2000, c. 39, s. 39; 2001, c. 53, s. 94; 2002, c. 40, s. 46; 2004, c. 8, s. 136; 2004, c. 21, s. 101; 2005, c. 1, s. 136; 2005, c. 28, s. 195; 2005, c. 38, s. 87; 2006, c. 13, s. 48; 2006, c. 36, s. 53; 2007, c. 12, s. 72; 2011, c. 6, s. 148; 2013, c. 28, s. 140; 2015, c. 21, s. 238; 2020, c. 16, s. 99.

725.0.1. For the purposes of this section, paragraph *e* of section 725 and section 725.0.2,

"band" means

(a) a band within the meaning of subsection 1 of section 2 of the Indian Act (R.S.C. 1985, c. I-5);

(b) a band within the meaning of subsection 1 of section 2 of the Naskapi and the Cree-Naskapi Commission Act (S.C. 1984, c. 18);

(c) a designated corporation within the meaning of section 2 of the Indians and Bands on certain Indian Settlements Remission Order made by Order in Council P.C. 1992-1052 dated 14 May 1992, as amended by Order in Council P.C. 1994-2096 dated 14 December 1994, under the Financial Administration Act (R.S.C. 1985, c. F-11); or

(d) a Band within the meaning of subsection 1 of section 2 of the Sechelt Indian Band Self-Government Act (S.C. 1986, c. 27);

"council of the band" means

(a) in the case of a band referred to in paragraph *a* of the definition of "band", a council of the band within the meaning of subsection 1 of section 2 of the Indian Act;

(b) in the case of a band referred to in paragraph *b* of the definition of "band", a council within the meaning of subsection 1 of section 2 of the Naskapi and the Cree-Naskapi Commission Act; or

(c) in the case of a Band referred to in paragraph *d* of the definition of "band", a Council within the meaning of subsection 1 of section 2 of the Sechelt Indian Band Self-Government Act;

"Indian" means an Indian within the meaning of the Indian Act (R.S.C. 1985, c. I-5);

"premises" means a place in Québec used exclusively for purposes of negotiation between the Government and an agency representing Indians of Québec and so designated by the Government;

"reserve" means

(a) a reserve within the meaning of subsection 1 of section 2 of the Indian Act;

(b) Category IA land or Category IA-N land within the meaning of subsection 1 of section 2 of the Naskapi and the Cree-Naskapi Commission Act (S.C. 1984, c. 18);

(c) the Hunter's Point, Kitcisakik and Pakuashipi Indian settlements and an Indian settlement within the meaning of section 2 of the Indians and Bands on certain Indian Settlements Remission Order made by Order in Council P.C. 1992-1052 dated 14 May 1992, as amended by Order in Council P.C. 1994-2096 dated 14 December 1994, under the Financial Administration Act, or within the meaning of section 1 of the Indians and Bands on Certain Indian Settlements Remission Order (1997) made by Order in Council P.C. 1997-1529 dated 23 October 1997 under that Act; and

(d) Sechelt lands within the meaning of subsection 1 of section 2 of the Sechelt Indian Band Self-Government Act (S.C. 1986, c. 27).

1997, c. 85, s. 108; 1999, c. 83, s. 73; 2006, c. 13, s. 49; 2006, c. 36, s. 54; I.N. 2022-04-01.

725.0.2. For the purposes of paragraph *e* of section 725, the income of an Indian from an office or employment that the Indian performs for an employer who both resides on a reserve and is described in the second paragraph is deemed to be an income situated on a reserve if the duties of that Indian related to that office or employment form part of the non-commercial activities of the employer that are intended solely for the greater welfare of the Indians living on the reserve.

The employer to which the first paragraph refers is

(a) a band that owns a reserve;

(b) a council of the band representing one or more bands referred to in subparagraph *a*; or

(c) an Indian organization that falls within the jurisdiction of one or more bands described in subparagraph *a* or of one or more councils of the band described in subparagraph *b* and that is exclusively devoted to the social, cultural, educational or economic development of Indians the majority of whom live on a reserve.

If the income of an Indian from an office or employment is deemed, under the first paragraph, to be income situated on a reserve, any other amount received by that Indian and related to that office or employment is also, for the purposes of paragraph *e* of section 725, deemed to be situated on a reserve.

1997, c. 85, s. 108; 1999, c. 83, s. 74; 2006, c. 36, s. 55.

725.0.3. A corporation may deduct an amount that it includes in computing its income for the year under paragraph *g* of section 312 and that is an amount received as a prize for achievement in a field of endeavour ordinarily carried on by the corporation.

2009, c. 15, s. 107.

725.1. *(Repealed).*

1980, c. 13, s. 65; 1993, c. 16, s. 257.

TITLE V.0.1

DEDUCTION IN RESPECT OF TAX

1990, c. 59, s. 250.

725.1.1. A taxpayer may deduct, in computing his taxable income for a taxation year, an amount equal to the amount deductible by him for the year in computing his taxable income for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under paragraph *k* of subsection 1 of section 110 of the said Act.

1990, c. 59, s. 250; 1991, c. 25, s. 84.

TITLE V.0.2

DEDUCTION IN RESPECT OF A RETROACTIVE PAYMENT

1997, c. 85, s. 109.

725.1.2. An individual, other than a trust, may deduct, in computing the individual's taxable income for a taxation year, if the individual so elects, the portion, relating to one or more preceding taxation years that are eligible taxation years of the individual, of the aggregate of all amounts each of which is an amount described in the second paragraph that the individual includes in computing the individual's income for the year (in this paragraph referred to as the "particular portion"), if the total of the particular portion and of the particular portion described in the second paragraph of section 694.0.0.1 that the individual elects not to include in computing taxable income for the year, if applicable, is at least $300.

The amount to which the first paragraph refers is an amount received in the year as, or in lieu of, full or partial payment of

(a) income from an office or employment, under the terms of a court judgment, arbitration award or a contract by which the parties put an end to a lawsuit;

(a.1) an amount received because of the loss of all or part of the income from an office or employment, in accordance with an insurance plan, that is referred to in section 43;

(b) a benefit under the Labour Adjustment Benefits Act (R.S.C. 1985, c. L-1), the Unemployment Insurance Act (R.S.C. 1985, c. U-1), the Employment Insurance Act (S.C. 1996, c. 23), the Act respecting parental insurance (chapter A-29.011) or under the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act;

(c) an amount that is a support amount as defined in the first paragraph of section 312.3 or an amount referred to in the first paragraph of section 312.5 in respect of an amount deducted for a taxation year preceding the taxation year 1998 or a taxation year subsequent to the taxation year 2002;

(c.1) an earnings loss benefit, a supplementary retirement benefit or a career impact allowance payable under Part 2 of the Veterans Well-being Act (S.C. 2005, c. 21);

(d) an amount paid in accordance with a distribution plan, approved on 4 December 1995 by a judgment of the Superior Court of Québec, in respect of the pension fund surplus of the Consolidated Retirement Plan for Employees of Singer Company of Canada Limited (Sewing Division), if the amount is paid to the individual as a member, within the meaning of section 965.0.1, of the pension fund or by reason of the death of the individual's spouse who was a member of the pension fund;

(d.1) an amount of adjustment in compensation paid in accordance with sections 176.27 to 176.29 of the Act respecting municipal territorial organization (chapter O-9); or

(e) any other amount, other than income from an office or employment, that would be, in the opinion of the Minister, an additional undue tax burden on the individual were the individual to include it in computing income for the year in which it is received by the individual.

For the purposes of the first paragraph, "eligible taxation year" of an individual means a taxation year throughout which the individual was resident in Canada, other than a taxation year that ends in a calendar year in which the individual became a bankrupt or a taxation year included in an averaging period determined in respect of the individual for the purposes of Division II of Chapter II of Title I of Book V, as it read before being repealed.

For the purposes of the first paragraph in respect of an amount described in subparagraph *d* of the second paragraph that an individual receives in a particular taxation year, the proportion of the amount that the

number of preceding taxation years that are subsequent to the taxation year 1985 is of that number of taxation years, plus one, is deemed to relate to one or more taxation years preceding the particular year.

1997, c. 85, s. 109; 1998, c. 16, s. 178; 2000, c. 5, s. 153; 2002, c. 40, s. 47; 2003, c. 9, s. 50; 2004, c. 21, s. 102; 2005, c. 38, s. 88; 2010, c. 25, s. 62; 2015, c. 21, s. 239; 2017, c. 1, s. 168; 2019, c. 14, s. 184.

TITLE V.1

SECURITIES OPTIONS, DEFERRED PROFIT SHARING PLANS AND OTHER PARTICULARS

1987, c. 67, s. 141; 1991, c. 25, s. 85; 2005, c. 23, s. 60; I.N. 2018-06-05; 2019, c. 14, s. 185.

725.1.3. In this Title,

"consolidated financial statements" has the meaning assigned by subsection 1 of section 233.8 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

"qualified corporation" for a particular calendar year means a corporation that meets the following conditions:

(a) in the particular calendar year, the corporation operates a business in Québec and has an establishment in Québec;

(b) the assets shown in its financial statements submitted to the shareholders or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown had such financial statements been prepared in accordance with generally accepted accounting principles, for its taxation year that ended in the calendar year that precedes the particular calendar year or, if the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than $50,000,000; and

(c) an amount is deemed, under any of Divisions II, II.1, II.2.1, II.3 and II.3.0.1 of Chapter III.1 of Title III of Book IX, to have been paid to the Minister by the qualified corporation for its taxation year that ended in the particular calendar year or for any of its three preceding taxation years;

"qualifying person" has the meaning assigned by section 47.18;

"security" has the meaning assigned by section 47.18;

"specified corporation" for a particular calendar year means a corporation in respect of which the aggregate of all amounts each of which is wages paid or deemed to be paid by the corporation in the year, for the purpose of determining the amount payable by the corporation for the year as the contribution provided for in section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), is at least $10,000,000.

"specified person", at a particular time, means a qualifying person that meets the following conditions:

(a) it is not a Canadian-controlled private corporation;

(b) where it is a member of a group that annually prepares consolidated financial statements, the total consolidated group revenue — reflected in the group's last consolidated financial statements presented to the shareholders or unitholders of the member of the group that would be the ultimate parent entity, within the meaning of subsection 1 of section 233.8 of the Income Tax Act, of the group if the group were a multinational enterprise group, within the meaning of that subsection — before that time exceeds $500,000,000; and

(c) where paragraph *b* does not apply, it has gross revenue in excess of $500,000,000 based on

i. the amounts reflected in the qualifying person's financial statements presented to the qualifying person's shareholders or unitholders for the qualifying person's last fiscal period that ended before that time,

ii. where subparagraph i does not apply, the amounts reflected in the qualifying person's financial statements presented to the qualifying person's shareholders or unitholders for the qualifying person's last fiscal period that ended before the end of the fiscal period referred to in subparagraph i, or

iii. where subparagraph i does not apply and if no financial statements are presented as provided for in subparagraph ii, the amounts that would have been reflected in the qualifying person's financial statements for the qualifying person's last fiscal period that ended before that time, if such statements had been prepared in accordance with generally accepted accounting principles;

"vesting year" in respect of a security to be acquired under an agreement means

(a) where the agreement specifies the calendar year in which a taxpayer's right to acquire the security first becomes exercisable (otherwise than because of an event that is not reasonably foreseeable at the time the agreement is entered into), that calendar year; or

(b) in any other case, the calendar year in which the right to acquire the security would become exercisable if the agreement had specified that all identical rights to acquire securities become exercisable on a pro rata basis over the period that

i. begins on the day that the agreement was entered into, and;

ii. ends on the day that is 60 months after the day the agreement is entered into or, if it is earlier, on the last day that the right to acquire the security could become exercisable under the agreement.

2009, c. 15, s. 108; 2019, c. 14, s. 186; 2022, c. 23, s. 40.

725.1.4. For the purposes of paragraph *b* of the definition of "qualified corporation" in section 725.1.3, the following rules apply in computing the assets of such a corporation at the time referred to in that paragraph:

(a) the amount of the surplus reassessment of its property and the amount of its incorporeal assets are to be subtracted, to the extent that the amount shown in their respect exceeds the expenditure made in their respect; and

(b) if all or part of an expenditure made in respect of incorporeal assets consists of shares of the corporation's capital stock, all or part of the expenditure, as the case may be, is deemed to be nil.

2009, c. 15, s. 108.

725.1.5. For the purposes of the definition of "qualified corporation" in section 725.1.3, the assets of a corporation that is associated in a taxation year with one or more other corporations are equal to the amount by which the aggregate of the assets of the corporation and those of each corporation associated with it, determined in accordance with that definition and section 725.1.4, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

2009, c. 15, s. 108.

725.1.6. For the purposes of paragraph *b* of the definition of "qualified corporation" in section 725.1.3 and sections 725.1.4 and 725.1.5, if a corporation or another corporation with which it is associated reduces its assets by any transaction in a taxation year and, but for that reduction, the corporation would not be a qualified corporation, the assets are deemed not to have been so reduced unless the Minister decides otherwise.

2009, c. 15, s. 108.

725.2. An individual may deduct an amount equal to 25% of the amount of the benefit the individual is deemed to have received in a taxation year under section 49 or any of sections 50 to 52.1, in respect of a security, other than a non-qualified security, that a particular qualifying person has agreed to sell or issue under an agreement referred to in section 48, in respect of the transfer or any other disposition of rights under

the agreement, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire the security under the agreement, if

(a) where rights under the agreement were not acquired by the individual as a result of the disposition of rights to which section 49.4 applied,

i. the amount payable by the individual to acquire the security under the agreement is not less than the amount by which the fair market value of the security at the time the agreement was made exceeds the amount paid by the individual to acquire the right to acquire the security, and

ii. immediately after the agreement was made, the individual was dealing at arm's length with the following persons:

(1) the particular qualifying person,

(2) each other qualifying person that, immediately after the agreement was made, was an employer of the individual and was not dealing at arm's length with the particular qualifying person, and

(3) the qualifying person of which the individual had, under the agreement, a right to acquire a security;

(b) where rights under the agreement were acquired by the individual as a result of one or more dispositions to which section 49.4 applied,

i. the amount payable by the individual to acquire the security under the agreement is not less than the amount that was included, in respect of the security, in the amount determined under the second paragraph of section 49.4 in respect of the most recent of those dispositions,

ii. immediately after the agreement the rights under which were the subject of the first of those dispositions, in this subparagraph referred to as the "original agreement", was made the individual was dealing at arm's length with

(1) the qualifying person that made the original agreement,

(2) each other qualifying person that, immediately after the agreement was made, was an employer of the individual and was not dealing at arm's length with the qualifying person that made the original agreement, and

(3) the qualifying person of which the individual had, under the original agreement, a right to acquire a security,

iii. the amount that was included, in respect of each particular security that the individual had a right to acquire under the original agreement, in the amount determined under the third paragraph of section 49.4 in respect of the first of those dispositions was not less than the amount by which the fair market value of the particular security at the time the original agreement was made exceeded the amount paid by the individual to acquire the right to acquire the security, and

iv. for the purpose of determining if the condition in subparagraph *b* of the first paragraph of section 49.4 was satisfied in respect of each of the particular dispositions following the first of those dispositions, the amount that was included, in respect of each particular security that could be acquired under the agreement the rights under which were the subject of the particular disposition, in the amount determined under the third paragraph of section 49.4 in respect of the particular disposition, was not less than the amount that was included, in respect of the particular security, in the amount determined under the second paragraph of that section in respect of the last of those dispositions preceding the particular disposition;

*(b.*1*)* the security was acquired under the agreement by the individual or a person not dealing at arm's length with the individual in circumstances described in section 51 or, in the case of a benefit deemed to have

been received by the individual under section 52.1, was acquired under the agreement, within the first taxation year of the individual's succession that is a graduated rate estate, by that succession or by

i. a person who is a beneficiary, within the meaning of the second paragraph of section 646, under the individual's succession that is a graduated rate estate, or

ii. a person in whom the rights of the individual under the agreement have vested as a consequence of the death; and

(c) the security

i. is described in clause A or B of subparagraph i.1 of paragraph *d* of subsection 1 of section 110 of the Income Tax Act (R.S.C. 1985, c. 1, 5th (Suppl.)),

i.1. in the case of a benefit deemed to have been received by the individual under section 52.1, would have been referred to in clause A of subparagraph i.1 of paragraph *d* of subsection 1 of section 110 of the Income Tax Act if it had been issued or sold to the individual immediately before the death of the individual,

ii. would have been a unit of a mutual fund trust at the time of its sale or issue if those units issued by the trust that were not identical to the security had not been issued,

iii. would have been a unit of a mutual fund trust if it were issued or sold to the individual at the time the individual disposed of rights under the agreement, and those units issued by the trust that were not identical to the security had not been issued, or

iv. in the case of a benefit deemed to have been received by the individual under section 52.1, would have been a unit of a mutual fund trust if it had been issued or sold to the individual immediately before the death of the individual and if those units issued by the trust that were not identical to the security had not been issued.

1987, c. 67, s. 141; 1988, c. 4, s. 51; 1990, c. 59, s. 251; 1992, c. 1, s. 35; 1993, c. 16, s. 258; 1995, c. 49, s. 159; 1997, c. 3, s. 71; 2001, c. 53, s. 95; 2003, c. 2, s. 194; 2004, c. 21, s. 103; 2005, c. 23, s. 61; 2011, c. 34, s. 33; 2021, c. 14, s. 60; 2022, c. 23, s. 41.

725.2.0.1. Where section 725.2 applies in respect of a security that a qualifying person has agreed to sell or issue under an agreement referred to in section 48 and the qualifying person was a qualified corporation for the calendar year that includes the time at which the individual to whom that section 725.2 applies acquired rights under the agreement in relation to the acquisition of the security, it is to be read as if "25%" in the portion before paragraph *a* were replaced by "50%" and without reference to subparagraphs ii to iv of paragraph *c*.

2009, c. 15, s. 109; 2017, c. 1, s. 169; 2021, c. 14, s. 61.

725.2.0.1.1. Where section 725.2 applies in respect of a security that is a share of the capital stock of a corporation, it is to be read as if "25%" in the portion before paragraph *a* were replaced by "50%" and without reference to subparagraphs ii to iv of paragraph *c* if

(a) the share belongs to a class of shares listed on a recognized stock exchange; and

(b) the right to acquire the share under an agreement referred to in section 48 is granted to an employee of a corporation that is a specified corporation for a particular calendar year that includes

i. the time at which the agreement is entered into, or

ii. the time at which the share is acquired.

2019, c. 14, s. 187; 2021, c. 14, s. 62.

725.2.0.2. Where section 725.2 applies to an individual for a particular taxation year in respect of the transfer or disposition of rights under an agreement referred to in section 48 as regards a security of a particular qualifying person, it is to be read without reference to its paragraph *b*.1 if

(a) the particular qualifying person made a valid election under subsection 1.1 of section 110 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) in relation to the transfer or disposition; and

(b) the individual encloses a prescribed form containing prescribed information with the fiscal return the individual is required to file for the particular year under section 1000, or would be required to so file if tax were payable under this Part by the taxpayer.

2011, c. 34, s. 34.

725.2.1. For the purposes of section 725.2, the following rules apply:

(a) the amount payable by an individual to acquire a security under an agreement referred to in section 48 shall be determined without reference to any change in the value of a currency of a country other than Canada, relative to Canadian currency, occurring after the agreement was made;

(b) the fair market value of a security at the time an agreement in respect of the security was made shall be determined on the assumption that all specified events associated with the security referred to in the second paragraph that occurred after the agreement was made and before the sale or issue of the security or the disposition of the taxpayer's rights under the agreement in respect of the security, as the case may be, occurred immediately before the agreement was made; and

(c) for the purpose of determining the amount that was included, in respect of a security that a qualifying person has agreed to sell or issue to an individual, in the amount determined under the second paragraph of section 49.4 for the purpose of determining if the condition in subparagraph *b* of the first paragraph of that section was satisfied in respect of a particular disposition, all specified events associated with the security referred to in the second paragraph that occurred after the particular disposition and before the sale or issue of the security or the individual's subsequent disposition of rights under the agreement in respect of the security, as the case may be, are deemed to have occurred immediately before the particular disposition.

For the purposes of the first paragraph, the following events are specified events associated with a security:

(a) where the security is a share of the capital stock of a corporation, any subdivision or consolidation of shares of the capital stock of the corporation, any reorganization of share capital of the corporation and any stock dividend of the corporation; and

(b) where the security is a unit of a mutual fund trust, any subdivision or consolidation of the units of the trust, and an issuance of units of the trust as payment, or in satisfaction of a person's right to enforce payment, out of the trust's income, determined before the application of paragraph *a* of section 657 and section 657.1, or out of the trust's capital gains.

1993, c. 16, s. 259; 1997, c. 3, s. 71; 2001, c. 53, s. 95; 2003, c. 2, s. 195.

725.2.2. Subject to section 725.2.3, an individual may deduct, in computing the individual's taxable income for a taxation year, where the individual disposes of a security acquired in the year by the individual under an agreement referred to in section 48 by making a gift of the security to a qualified donee, an amount in respect of the disposition of the security equal to 1/2 of the lesser of the benefit deemed by section 49 to have been received by the individual in the year in respect of the acquisition of the security and the amount that would have been that benefit had the value of the security at the time of its acquisition by the individual been equal to the value of the security at the time of the disposition if

(a) the security is a security described in any of subparagraphs i to v of paragraph *a* of section 231.2;

(b) (paragraph repealed);

(c) the gift is made in the year and on or before the day that is 30 days after the day on which the individual acquired the security; and

(d) the individual is entitled to a deduction under section 725.2 in respect of the acquisition of the security.

2003, c. 2, s. 196; 2004, c. 8, s. 137; 2006, c. 36, s. 56; 2009, c. 15, s. 110; 2017, c. 1, s. 170; 2017, c. 29, s. 93.

725.2.3. Where an individual, in exercising a right to acquire a security that a qualifying person has agreed to sell or issue to the individual under an agreement referred to in section 48, directs a broker or dealer appointed by the qualifying person, or by another qualifying person that does not deal at arm's length with the qualifying person, to immediately dispose of the security and pay all or a portion of the proceeds of disposition of the security to a qualified donee, the following rules apply:

(a) if the payment is a gift, the individual is deemed, for the purposes of section 725.2.2, to have disposed of the security to the qualified donee at the time the payment is made; and

(b) the amount deductible under section 725.2.2 by the individual in respect of the disposition of the security is the amount determined by the formula

$$A \times B / C.$$

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

(a) A is the amount that would be deductible under section 725.2.2 in respect of the disposition of the security if this section were read without reference to subparagraph *b* of the first paragraph;

(b) B is the amount of the payment; and

(c) C is the amount of the proceeds of disposition of the security.

2003, c. 2, s. 196.

725.2.4. If the amount payable by an individual to acquire a security from a qualifying person under an agreement referred to in section 48 is reduced at a particular time and the conditions set out in the second paragraph are satisfied, the following rules apply:

(a) rights (in this section referred to as the "old rights") under the agreement immediately before the particular time are deemed to have been disposed of by the individual immediately before the particular time;

(b) rights (in this section referred to as the "new rights") under the agreement at the particular time are deemed to be acquired by the individual at the particular time; and

(c) the individual is deemed to receive the new rights as consideration for the disposition of the old rights.

The conditions to which the first paragraph refers are as follows:

(a) the individual could not, but for this section, deduct an amount under section 725.2 if the individual acquired the security under the agreement immediately after the particular time; and

(b) the individual could deduct an amount under section 725.2 if the individual

i. disposed of the old rights immediately before the particular time,

ii. acquired the new rights at the particular time as consideration for the disposition of the old rights, and

iii. acquired the security under the agreement immediately after the particular time.

2009, c. 15, s. 111.

725.3. An individual may deduct an amount equal to 25% of the amount of the benefit he is deemed to have received in the year under section 49, by virtue of section 49.2, in respect of a share acquired by him after 22 May 1985, if

(a) the individual has not disposed of the share otherwise than as a consequence of his death or exchanged the share within two years after the date he acquired it; and

(b) the individual has not deducted an amount under section 725.2 in respect of the benefit deemed received in computing his taxable income for the year.

1987, c. 67, s. 141; 1988, c. 18, s. 123; 1990, c. 59, s. 252; 2003, c. 2, s. 197; 2004, c. 21, s. 104; 2005, c. 23, s. 62.

725.3.1. Where section 725.3 applies in respect of a share that an individual has acquired under an agreement referred to in section 48 and entered into with a corporation that was a qualified corporation for the calendar year that includes the time at which the individual acquired rights under the agreement in relation to the acquisition of the share, it is to be read as if "25%" in the portion before paragraph *a* were replaced by "50%".

2009, c. 15, s. 112; 2017, c. 1, s. 171.

725.4. A taxpayer may deduct an amount equal to 1/2 of the amount the taxpayer has included under paragraph *b* of section 218 in computing the taxpayer's income for the year in respect of a share received after 22 May 1985, unless the amount is exempt from income tax in Québec or Canada because of a provision contained in a tax agreement with a country other than Canada.

1987, c. 67, s. 141; 1988, c. 18, s. 123; 1990, c. 59, s. 253; 2001, c. 53, s. 96; 2003, c. 2, s. 198.

725.5. An individual may deduct an amount equal to 1/2 of the amount he has included under section 888.1 in computing his income for the year.

1987, c. 67, s. 141; 1988, c. 18, s. 123; 1990, c. 59, s. 254; 2003, c. 2, s. 199.

725.5.1. A taxpayer may deduct an amount equal to the amount of the benefit an individual is deemed to have received in the year in relation to an employment the individual holds with the taxpayer under section 49 or any of sections 50 to 52.1, in respect of a non-qualified security that the taxpayer (or a qualifying person that does not deal at arm's length with the taxpayer) has agreed to sell or issue under an agreement with the individual, if

(a) the taxpayer is a qualifying person;

(b) at the time the agreement was entered into, the individual was an employee of the taxpayer;

(c) the amount is not claimed as a deduction in computing the taxable income of another qualifying person;

(d) an amount would have been deductible in computing the taxable income of the individual under section 725.2 if the security were not a non-qualified security;

(e) in the case of an individual who is not resident in Canada throughout the year, the benefit deemed to have been received by the individual under section 49 or any of sections 50 to 52.1 was included in computing the individual's taxable income earned in Canada for the year; and

(f) the notification requirements provided for in section 725.5.9 are met in respect of the security.

2022, c. 23, s. 42.

725.5.2. Section 725.5.3 applies to a taxpayer in respect of an agreement if

(a) a particular qualifying person agrees to sell or issue securities of the particular qualifying person (or of another qualifying person that does not deal at arm's length with the particular qualifying person) to the taxpayer under the agreement;

(b) at the time the agreement is entered into (in this section and section 725.5.3 referred to as the "relevant time"), the taxpayer is an employee of the particular qualifying person or of another qualifying person that does not deal at arm's length with the particular qualifying person; and

(c) at the relevant time, any of the following persons is a specified person:

i. the particular qualifying person,

ii. the other qualifying person referred to in paragraph *a*, or

iii. the other qualifying person referred to in paragraph *b*.

2022, c. 23, s. 42.

725.5.3. Where, because of section 725.5.2, this section applies to a taxpayer in respect of an agreement, the securities to be sold or issued under the particular agreement, for each vesting year of those securities, are deemed to be non-qualified securities for the purposes of this Title in the proportion determined by the formula

A/B.

In the formula in the first paragraph,

(a) A is the amount determined by the formula

C + D − $200,000; and

(b) B is the aggregate of all amounts each of which is the fair market value at the relevant time of each security under the agreement that has that same vesting year.

In the formula in subparagraph *a* of the second paragraph,

(a) C is the value of B in the formula in the first paragraph; and

(b) D is the lesser of

i. $200,000, and

ii. the aggregate of all amounts each of which is an amount represented by B in the formula in the first paragraph in respect of securities that have that same vesting year under agreements (other than the particular agreement) entered into at or before the relevant time with the particular qualifying person referred to in section 725.5.2 (or another qualifying person that does not deal at arm's length with the particular qualifying person), other than

(1) designated securities referred to in section 725.5.4,

(2) old securities within the meaning of section 49.4,

(3) securities where the right to acquire those securities is an old right within the meaning of section 725.2.4, and

(4) securities in respect of which the right to acquire those securities has expired, or has been cancelled, before the relevant time and in respect of which no amount is deductible under section 725.2 in computing the taxable income of the taxpayer for any year.

2022, c. 23, s. 42.

725.5.4. Where the particular qualifying person referred to in paragraph *a* of section 725.5.2 designates, in accordance with subsection 1.4 of section 110 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), one or more securities to be sold or issued under an agreement as non-qualified securities, those securities are deemed to be non-qualified securities for the purposes of this Title.

2022, c. 23, s. 42.

725.5.5. For the purposes of this Title, where a taxpayer acquires a security under an agreement and the acquired security could be a security that is not a non-qualified security, the security is to be considered a security that is not a non-qualified security.

2022, c. 23, s. 42.

725.5.6. Where two or more agreements to sell or issue securities are entered into at the same time and the particular qualifying person referred to in paragraph *a* of section 725.5.2 designates the order of the agreements, in accordance with subsection 1.42 of section 110 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), then the agreements are deemed to have been entered into in that order for the purposes of subparagraph ii of subparagraph *b* of the third paragraph of section 725.5.3.

2022, c. 23, s. 42.

725.5.7. Section 725.5.8 applies in respect of a taxpayer's right to acquire a security under an agreement if

(a) section 725.5.3 applies to the taxpayer in respect of the agreement;

(b) the security is not a non-qualified security; and

(c) a payment is made to or for the benefit of the taxpayer for the taxpayer's transfer or disposition of the right.

2022, c. 23, s. 42.

725.5.8. Where, because of section 725.5.7, this section applies in respect of a taxpayer's right to acquire a security under an agreement, the following rules apply:

(a) no qualifying person may deduct, in computing its income for a taxation year, an amount (other than a designated amount described in subsection 1.2 of section 110 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the payment referred to in paragraph *c* of section 725.5.7; and

(b) section 725.2 applies, in respect of the right, without reference to its paragraph *b*.1.

2022, c. 23, s. 42.

725.5.9. Where a security to be sold or issued under an agreement entered into between an employee and a qualifying person is a non-qualified security, the employer of the employee shall

(a) notify the employee in writing that the security is a non-qualified security no later than 30 days after the day that the agreement is entered into; and

(b) send to the Minister a copy of every document sent to the Minister of Revenue of Canada in accordance with paragraph *b* of subsection 1.9 of section 110 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) on or before the filing-due date for the taxation year of the qualifying person that includes the date on which the agreement is entered into.

2022, c. 23, s. 42.

725.6. *(Repealed).*

1987, c. 67, s. 141; 1988, c. 4, s. 52; 1988, c. 18, s. 123; 1989, c. 77, s. 74; 1999, c. 83, s. 75; 2000, c. 39, s. 40; 2002, c. 40, s. 48; 2003, c. 9, s. 51; 2004, c. 21, s. 105; 2013, c. 10, s. 40; 2019, c. 14, s. 188.

725.7. *(Repealed).*

1987, c. 67, s. 141; 1988, c. 18, s. 123; 2019, c. 14, s. 188.

725.7.1. An individual may deduct, in computing taxable income for a taxation year, the aggregate of all amounts each of which is an amount paid in the year as a reimbursement, under the Universal Child Care Benefit Act, enacted by section 168 of the Budget Implementation Act, 2006 (S.C. 2006, c. 4), of an amount that was included in computing taxable income for the year or a preceding taxation year under the first paragraph of section 694.0.0.1 or that would have been so included for the year or a preceding taxation year had the individual not made an election under the second paragraph of that section.

2006, c. 36, s. 57; 2009, c. 5, s. 242.

725.7.2. An individual may deduct, in computing the individual's taxable income for a taxation year, the aggregate of all amounts each of which is an amount paid in the year as a repayment, under the Canada Disability Savings Act (S.C. 2007, c. 35) or a designated provincial program as defined in the first paragraph of section 905.0.3, of an amount that was included because of section 905.0.14 in computing the individual's taxable income for the year or for a preceding taxation year.

2009, c. 15, s. 113; 2011, c. 6, s. 149; 2015, c. 21, s. 240.

TITLE V.1.1

Repealed, 2004, c. 21, s. 106.

1993, c. 19, s. 28; 2004, c. 21, s. 106.

725.8. *(Repealed).*

1993, c. 19, s. 28; 1997, c. 3, s. 71; 2004, c. 21, s. 106.

725.9. *(Repealed).*

1993, c. 19, s. 28; 1994, c. 16, s. 51; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1999, c. 8, s. 20; 2003, c. 29, s. 170; 2004, c. 21, s. 106.

TITLE VI

Repealed, 1989, c. 5, s. 85.

1989, c. 5, s. 85.

726. *(Repealed).*

1976, c. 18, s. 13; 1978, c. 26, s. 126; 1984, c. 15, s. 166; 1985, c. 25, s. 116; 1986, c. 15, s. 109; 1988, c. 4, s. 53; 1989, c. 5, s. 85.

TITLE VI.0.1

Repealed, 2005, c. 23, s. 63.

1990, c. 7, s. 21; 2005, c. 23, s. 63.

726.0.1. *(Repealed).*

1990, c. 7, s. 21; 2005, c. 23, s. 63.

TITLE VI.1

Repealed, 2017, c. 29, s. 94.

1979, c. 14, s. 3; 2017, c. 29, s. 94.

726.1. *(Repealed).*

1979, c. 14, s. 3; 1983, c. 44, s. 27; 1985, c. 25, s. 117; 2017, c. 29, s. 94.

726.2. *(Repealed).*

1982, c. 15, s. 122; 2011, c. 6, s. 150.

TITLE VI.2

QUÉBEC BUSINESS INVESTMENT COMPANIES

1986, c. 15, s. 110.

726.3. An individual may deduct for the year the amount contemplated in section 965.32.

1986, c. 15, s. 110.

TITLE VI.3

COOPERATIVE INVESTMENT PLANS

1986, c. 15, s. 110.

726.4. An individual may deduct for the year the amounts provided for in sections 965.37 and 965.39.4.

1986, c. 15, s. 110; 2006, c. 37, s. 34.

TITLE VI.3.0.1

STOCK SAVINGS PLANS II

2006, c. 13, s. 50; 2010, c. 5, s. 55.

726.4.0.1. An individual may deduct, for the year, the amount provided for in section 965.126.

2006, c. 13, s. 50.

TITLE VI.3.0.2

TAX-FREE RESERVE OF A QUALIFIED SHIPOWNER

2015, c. 21, s. 241.

726.4.0.2. A corporation may deduct for the year the amount provided for in section 979.38.

2015, c. 21, s. 241.

TITLE VI.3.1

CERTIFIED QUÉBEC FILMS

1989, c. 5, s. 86.

726.4.1. An individual may deduct, in computing his taxable income for a taxation year subsequent to his taxation year 1987, the part or amount, deductible pursuant to the regulations under paragraph *a* of section 130, of the capital cost of a certified Québec film which he could have deducted, but for section 130.0.1, in computing his income for the year pursuant to paragraph *a* of the said section.

In this Title, the expression “certified Québec film” has the meaning assigned by the regulations under section 130.

1989, c. 5, s. 86; 1991, c. 8, s. 12.

726.4.2. An amount deducted by an individual under section 726.4.1 in computing his taxable income for a taxation year is, for the purposes of sections 93 to 104, section 130.1 and the regulations under paragraph *a* of section 130, deemed to have been deducted for that year in computing his income from a business or property pursuant to paragraph *a* of section 130.

1989, c. 5, s. 86.

726.4.3. An individual who is a member of a partnership at the end of a fiscal period of the partnership may deduct, in computing his taxable income for a taxation year in which the fiscal period ends, an amount not exceeding the aggregate

(a) of his portion of the aggregate of amounts deducted by a partnership under paragraph *a* of section 130 or the second paragraph of section 130.1 in computing its income for a fiscal period in respect of a certified Québec film, to the extent that such portion would, but for section 600.0.1, have reduced his portion of the income of the partnership for that fiscal period as determined under paragraph *f* of section 600 or would, but for the said section 600.0.1, have caused such portion of income so determined to be nil; and

(b) of his portion of the aggregate of amounts deducted by a partnership under paragraph *a* of section 130 or the second paragraph of section 130.1 in computing its loss for a fiscal period in respect of a certified Québec film, to the extent that such portion of such amounts has either created or increased such portion of the loss, without exceeding the proportion of the at-risk amount of the individual in respect of the partnership

at the end of the fiscal period of the partnership, within the meaning of sections 613.2 to 613.5, that such amounts which have either created or increased such portion of the loss are of the aggregate of all amounts which, but for section 600.0.1, would be his portion of the loss of the partnership for that fiscal period as determined under paragraph *g* of section 600.

1989, c. 5, s. 86; 1991, c. 8, s. 13; 1997, c. 3, s. 71.

726.4.4. An individual shall deduct, in computing his taxable income for a taxation year subsequent to his taxation year 1987, the excess amount referred to in the first paragraph of section 130.1, which concerns a prescribed class including a certified Québec film, which he would have been bound to deduct in computing his income for the year pursuant to the second paragraph of section 130.1 but for the fourth paragraph of that section.

For the purposes of sections 93 to 104, the excess amount is deemed to have been deducted by the individual under paragraph *a* of section 130 in computing his income for the year from a business or property.

1989, c. 5, s. 86; 1991, c. 8, s. 14.

726.4.5. An individual may deduct, in computing his taxable income for a taxation year subsequent to his taxation year 1987, the amount by which the amounts he could have deducted for the year, but for section 157.4.3, in computing his income, pursuant to sections 157.4 to 157.4.2, exceed any amount deducted under this section in computing his taxable income for a previous taxation year.

1989, c. 5, s. 86.

726.4.6. Subject to section 726.4.8, an individual who has acquired as first purchaser a certified Québec film may deduct, in computing his taxable income for a taxation year at the end of which he is the owner of the film and which film he has owned without interruption from the acquisition, an amount not exceeding the amount by which the amount obtained by applying the stated percentage, in respect of the film, to the aggregate of all amounts deducted by him in computing his taxable income for that year or a previous taxation year, in respect of the film, pursuant to section 726.4.1 or 726.4.4, exceeds any amount deducted under this section, in respect of the film, in computing his taxable income for a previous taxation year.

1989, c. 5, s. 86; 1991, c. 8, s. 15.

726.4.7. Subject to section 726.4.8, where an individual is a member of a partnership at the end of a particular fiscal period of the partnership in which it acquired, as first purchaser, a certified Québec film, he may deduct, in computing his taxable income for a taxation year in which a fiscal period of the partnership ends and at the end of which period he is a member of the partnership and has been such a member, without interruption, from the end of the particular fiscal period, an amount not exceeding the amount by which his portion of the amount obtained by applying the stated percentage, in respect of the film, to the aggregate of the amounts deducted by the partnership in computing its income for that fiscal period or a previous fiscal period, in respect of the film, pursuant to paragraph *a* of section 130 or the second paragraph of section 130.1, exceeds any amount deducted by the individual under this section, in respect of the film, in computing his taxable income for a previous taxation year.

For the purposes of this section, the portion of an individual is deemed to be equal to the lesser of

(a) his portion of the profits of the partnership determined without taking account of this paragraph; and

(b) his portion of the profits of the partnership determined in respect of the fiscal period of the partnership in which it acquired the film.

1989, c. 5, s. 86; 1991, c. 8, s. 16; 1997, c. 3, s. 71.

726.4.7.1. For the purposes of sections 726.4.6 and 726.4.7, the stated percentage applicable to an individual referred to therein, in respect of a certified Québec film, is

(a) 66 2/3% in the case of any such film

i. described in section 726.4.7.2, or

ii. described in section 726.4.7.3 where the financial commitment of the individual or of the partnership of which he is a member, as the case may be, to the film is more than 55% of the capital cost of the film to the individual or partnership, as the case may be;

(b) 33 1/3% in the case of any such film described in section 726.4.7.3 where the financial commitment of the individual or of the partnership of which he is a member, as the case may be, to the film is more than 45%, but not over 55%, of the capital cost of the film to the individual or partnership, as the case may be;

(c) 0% in the case of any other film described in section 726.4.7.3.

1991, c. 8, s. 17; 1997, c. 3, s. 71.

726.4.7.2. A certified Québec film is contemplated in subparagraph i of paragraph *a* of section 726.4.7.1 where the film is a motion picture film or video tape

(a) that was acquired before 1 January 1990 and the principal taping or photography thereof was commenced before that date or was completed not later than 1 March 1990;

(b) that was acquired after 31 December 1989 pursuant to an agreement in writing entered into by an individual or a partnership, as the case may be, not later than 18 December 1989 or in accordance with a final prospectus, preliminary prospectus or offering memorandum filed with the Commission des valeurs mobilières du Québec not later than 18 December 1989, to the extent that the total amount of funds so collected for the production of the film or tape does not exceed the amount stipulated in this regard in the agreement at the time it was entered into or in the final prospectus, preliminary prospectus or offering memorandum, as the case may be, at the time it was filed with the Commission des valeurs mobilières du Québec;

(c) that was acquired after 31 December 1989 but not later than 31 December 1990, where the following conditions are met:

i. the individual or partnership having acquired the film or tape has paid for it in full not later than 31 December 1990 and, as the case may be, all members of the partnership have done so with their acquired partnership interest or their additional contribution of capital to the partnership in respect of the film or tape;

ii. a favourable ruling, prior to the financing necessary for the production of the film or tape, has been obtained from the Société de développement des entreprises culturelles to the effect that

(1) the film or tape is not a sponsored film, a sports, quiz, variety or public affairs programme, or an advertising, industrial or educational film,

(2) the film or tape is part of a series that includes other certified Québec films that have been acquired before 1 January 1990, and

(3) the film or tape is produced at a fixed cost or at a cost determined on the basis of a formula stipulated in a production option agreement entered into before 1 April 1990 by a licensed radio broadcaster or a genuine distributor of films or video tapes;

(d) the principal taping or photography of which was completed not later than 1 March 1991, which film or tape would be described in paragraph *c* if subparagraph ii thereof were read as follows:

“ii. the Société de développement des entreprises culturelles has received, not later than 1 March 1990, an application for a ruling and the documents necessary to give such ruling and has given a favourable ruling to the effect that

(1) the film or tape is not a sponsored film, a sports, quiz, variety or public affairs programme, or an advertising, industrial or educational film, and

(2) the film or tape was at a substantially advanced stage on 18 December 1989;".

1991, c. 8, s. 17; 1994, c. 21, s. 50; 1997, c. 3, s. 71.

726.4.7.3. A certified Québec film referred to in subparagraph ii of paragraph *a* of section 726.4.7.1 or in paragraph *b* or *c* of the said section is a certified Québec film that is not described in section 726.4.7.2.

1991, c. 8, s. 17.

726.4.7.4. For the purposes of section 726.4.7.1, the financial commitment of an individual or partnership, in this section referred to as an "investor", to a certified Québec film means, subject to the second paragraph, the capital cost of the film to the investor.

Where, in respect of the film, a person or partnership has obtained, is entitled to obtain or can reasonably expect to obtain a benefit or advantage, whether by way of reimbursement, compensation, revenue guarantee or proceeds of disposition of a property exceeding the fair market value of the property, or in any other form or manner whatever, and it may reasonably be considered that the direct or indirect effect of such benefit or advantage is to compensate or indemnify the investor or, as the case may be, one of its members, or to otherwise benefit, in any manner whatever, the investor or, as the case may be, one of its members, the investor's financial commitment to the film means the amount by which the capital cost of the film to the investor exceeds the amount of the benefit or advantage obtained by the person or partnership, or established or stated,

(a) where the investor is an individual, not later than on the closing date of the investment in respect of the financing necessary for the production of the film or, failing that, on the date on which the investor irrevocably acquired the film, or

(b) where the investor is a partnership, not later than the later of the date that would be determined in respect of the film under paragraph *a* if the investor were an individual and the dates on which, in respect of the film, an individual referred to in section 726.4.7 irrevocably acquired his partnership interest or made an additional contribution of capital to the partnership.

1991, c. 8, s. 17; 1997, c. 3, s. 71.

726.4.8. Notwithstanding sections 726.4.6 and 726.4.7, no amount may be deducted, in either of the following cases, in computing the taxable income of an individual, for a taxation year, in accordance with those sections in respect of a certified Québec film:

(a) where the individual was allowed a deduction, for the year or a preceding taxation year, in respect of the film under section 726.4.5;

(b) where the part or the amount of the capital cost of the film that was deductible for the year or a preceding taxation year, in accordance with the regulations under paragraph *a* of subsection 1 of section 20 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), exceeded 30% of that cost, computed without reference to any additional deduction based on the income from a film and granted in accordance with the latter regulations.

1989, c. 5, s. 86; 1991, c. 8, s. 18.

TITLE VI.3.1.1

Repealed, 1997, c. 14, s. 99.

1992, c. 1, s. 36; 1997, c. 14, s. 99.

CHAPTER I

Repealed, 1997, c. 14, s. 99.

1992, c. 1, s. 36; 1997, c. 14, s. 99.

726.4.8.1. *(Repealed).*

1992, c. 1, s. 36; 1993, c. 64, s. 54; 1997, c. 3, s. 29; 1997, c. 14, s. 99.

726.4.8.2. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

726.4.8.3. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

CHAPTER II

Repealed, 1997, c. 14, s. 99.

1992, c. 1, s. 36; 1997, c. 14, s. 99.

726.4.8.4. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 14, s. 99.

726.4.8.5. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

726.4.8.6. *(Repealed).*

1992, c. 1, s. 36; 1993, c. 19, s. 29; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

726.4.8.7. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

726.4.8.7.1. *(Repealed).*

1993, c. 19, s. 30; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

726.4.8.8. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 14, s. 99.

726.4.8.9. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

726.4.8.10. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 14, s. 99.

CHAPTER III

Repealed, 1997, c. 14, s. 99.

1992, c. 1, s. 36; 1997, c. 14, s. 99.

726.4.8.11. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 14, s. 99.

726.4.8.12. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

726.4.8.13. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

CHAPTER IV

Repealed, 1997, c. 14, s. 99.

1992, c. 1, s. 36; 1997, c. 14, s. 99.

726.4.8.14. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 14, s. 99.

CHAPTER V

Repealed, 1997, c. 14, s. 99.

1992, c. 1, s. 36; 1997, c. 14, s. 99.

726.4.8.15. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 3, s. 30; 1997, c. 14, s. 99.

726.4.8.16. *(Repealed).*

1992, c. 1, s. 36; 1993, c. 16, s. 260; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

726.4.8.17. *(Repealed).*

1992, c. 1, s. 36; 1997, c. 3, s. 71; 1997, c. 14, s. 99.

TITLE VI.3.2

ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN EXPLORATION EXPENSES INCURRED IN QUÉBEC

1989, c. 5, s. 86.

726.4.9. An individual may deduct, in computing his taxable income for a taxation year, an amount not exceeding his exploration base relating to certain Québec exploration expenses at the end of the year, computed before any deduction for the year under this section.

1989, c. 5, s. 86.

726.4.10. For the purposes of this Title, the exploration base relating to certain Québec exploration expenses of an individual, at any time after 31 December 1987, means an amount equal to the amount by which the aggregate of the following amounts exceeds the amount computed under section 726.4.11:

(a) 33 1/3% of the amount by which

i. the aggregate of the expenses, except those described in section 726.4.12, incurred in Québec by the individual after 30 June 1988 and before that time, and that are

(1) Canadian exploration expenses that would be described in paragraph *a*, *b*.1 or *c* of section 395 if the reference in those paragraphs to "Canada", wherever it appears except in subparagraph iv of that paragraph *b*.1, were a reference to "Québec", described in paragraph *d* of the said section 395 if the reference therein to "expenses described in paragraphs *a* to *b*.1 and *c* to *c*.2" were replaced by a reference to "expenses that would be described in paragraph *a*, *b*.1 or *c*, if the reference in those paragraphs to "Canada", wherever it appears except in subparagraph iv of paragraph *b*.1, were a reference to "Québec"", or described in paragraph *e* of the said section 395 if the reference therein to "an expense described in paragraphs *a* to *c*.1" were replaced by a reference to "any expense that would be described in paragraph *a*, *b*.1 or *c*, if the reference in those paragraphs to "Canada", wherever it appears except in subparagraph iv of paragraph *b*.1, were a reference to "Québec"", other than expenses described in paragraph *b*.1 of section 395 that are incurred before 10 May 1996 or incurred after 9 May 1996 pursuant to an agreement in writing referred to in section 359.1 that was entered into before 10 May 1996 in respect of the issue of a flow-through share, or incurred, directly or indirectly, out of the proceeds of a public issue of shares or interests in a partnership in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted before 10 May 1996, or

(2) Canadian development expenses that would be described in paragraph *a* or *a*.1 of section 408 if the reference in those paragraphs to "Canada", wherever it appears, were a reference to "Québec", described in paragraph *d* of the said section 408 if the reference therein to "expense described in paragraphs *a* to *c*" were replaced by a reference to "expense that would be described in paragraph *a* or *a*.1, if the reference in those paragraphs to "Canada", wherever it appears, were a reference to "Québec"", which are deemed, under paragraph *a* of section 359.3, to be Canadian exploration expenses of the individual by reason of a renunciation to the individual under section 359.2.1, exceeds

ii. the aggregate of all amounts of assistance, within the meaning of paragraph *c*.0.1 of section 359, which a person, including a partnership, has received, is entitled to receive or becomes, at any time, entitled to receive in respect of an expense referred to in subparagraph i, to the extent that the assistance has not reduced the Canadian exploration expenses of the individual by reason of subparagraph *a* of the first paragraph of section 359.2, or, by reason of paragraph *a* of section 359.2.1, the Canadian development expenses deemed to be Canadian exploration expenses of the individual and is not an amount received, receivable or that became, at any time, entitled to be received under subsection 5 of section 127 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of a flow-through mining expenditure or a flow-through critical mineral mining expenditure, within the meaning assigned to those expressions by subsection 9 of that section 127; and

(b) his "Québec exploration base", within the meaning assigned to that expression by regulation, at that time.

1989, c. 5, s. 86; 1990, c. 7, s. 22; 1990, c. 59, s. 255; 1991, c. 8, s. 19; 1992, c. 1, s. 37; 1993, c. 64, s. 55; 1995, c. 1, s. 54; 1995, c. 49, s. 160; 1997, c. 3, s. 71; 1997, c. 14, s. 100; 1997, c. 85, s. 330; 1998, c. 16, s. 179; 2002, c. 40, s. 49; 2004, c. 8, s. 138; 2004, c. 21, s. 107; 2005, c. 23, s. 64; 2023, c. 19, s. 40.

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

The first paragraph does not apply in respect of an expense

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

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

1993, c. 19, s. 31; 1997, c. 3, s. 71.

726.4.10.2. Notwithstanding section 726.4.10.1, where an expense referred to in subparagraph i of paragraph *a* of section 726.4.10 was incurred after 12 June 2003, the percentage of 33 1/3% mentioned in that paragraph *a* shall, in respect of the expense, be replaced by a percentage of 10.42%.

The first paragraph does not apply in respect of an expense incurred as a result of

(a) an investment made on or before 12 June 2003, in relation to a flow-through share issued after that date; or

(b) an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus, as the case may be, made on or before 12 June 2003, in relation to a flow-through share issued after that date.

2004, c. 21, s. 108.

726.4.10.3. Despite sections 726.4.10.1 and 726.4.10.2, if an expense referred to in subparagraph i of paragraph *a* of section 726.4.10 was incurred after 30 March 2004, the percentage of 33 1/3% mentioned in that paragraph *a* is to be replaced, in respect of the expense, by a percentage of 25%.

The first paragraph does not apply in respect of an expense if it was incurred as a consequence of the acquisition of a flow-through share before 31 March 2004.

2005, c. 23, s. 65.

726.4.10.4. Despite sections 726.4.10.1 to 726.4.10.3, if an expense referred to in subparagraph i of paragraph *a* of section 726.4.10 was incurred after 4 June 2014, the percentage of 33 1/3% mentioned in that paragraph *a* is to be replaced, in respect of the expense, by a percentage of 10%.

The first paragraph does not apply in respect of an expense incurred as a result of

(a) an investment made on or before 4 June 2014, in relation to a flow-through share issued after that date; or

(b) an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus, as the case may be, made on or before 4 June 2014, in relation to a flow-through share issued after that date.

2015, c. 21, s. 242.

726.4.11. The amount that must be deducted from the aggregate determined under section 726.4.10 at any time referred to therein is equal to the aggregate of

(a) each amount deducted by the individual under section 726.4.9 in computing his taxable income for a taxation year ending before that time and

(b) 33 1/3% of each amount that became receivable by the individual before that time but after 30 June 1988 and in respect of which the consideration given by him was a property other than a property disposed of by the individual to any person with whom he was not dealing at arm's length, a share, depreciable property of a prescribed class or a Canadian resource property, or services, the cost of which may reasonably be regarded as having been an expenditure in respect of which an amount was included, under section 726.4.10, in computing the exploration base relating to certain Québec exploration expenses of the individual or of a person with whom he was not dealing at arm's length.

1989, c. 5, s. 86.

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

1993, c. 19, s. 32.

726.4.11.2. Notwithstanding section 726.4.11.1, where an amount referred to in paragraph *b* of section 726.4.11 in respect of an individual is an amount in respect of which the consideration given by the individual is a property or services the cost of which may reasonably be regarded as an expenditure in respect of which section 726.4.10.2 applied, the percentage of 33 1/3% mentioned in paragraph *b* of section 726.4.11 shall, in respect of the amount, be replaced by a percentage of 10.42%.

2004, c. 21, s. 109.

726.4.11.3. Despite sections 726.4.11.1 and 726.4.11.2, if an amount referred to in paragraph *b* of section 726.4.11 in respect of an individual is an amount in respect of which the consideration given by the individual is a property or services the cost of which may reasonably be considered to be an expenditure in respect of which section 726.4.10.3 applied, the percentage of 33 1/3% mentioned in paragraph *b* of section 726.4.11 is to be replaced, in respect of the amount, by a percentage of 25%.

2005, c. 23, s. 66.

726.4.11.4. Despite sections 726.4.11.1 to 726.4.11.3, if an amount referred to in paragraph *b* of section 726.4.11 in respect of an individual is an amount in respect of which the consideration given by the individual was property or services the cost of which may reasonably be regarded as an expense in respect of which section 726.4.10.4 applied, the percentage of 33 1/3% mentioned in paragraph *b* of section 726.4.11 is to be replaced, in respect of that amount, by a percentage of 10%.

2015, c. 21, s. 243.

726.4.12. Expenses referred to in subparagraph i of paragraph *a* of section 726.4.10 do not include

(a) any amount included in the Canadian exploration and development overhead expenses of the individual, within the meaning of the regulations;

(b) any amount relating to Canadian exploration expenses or Canadian development expenses that is renounced by a corporation that is not a qualified corporation, effective after 30 June 1988, pursuant to section 359.2 or 359.2.1, as the case may be, in respect of a share;

(c) any amount relating to financing, including expenses incurred before the beginning of the carrying on of a business;

(d) expenses that are Canadian exploration expenses of the individual under paragraph *d* or *e* of section 395, to the extent that they refer

i. to expenses incurred after 30 June 1988 and before the time referred to in section 726.4.10, by a partnership that is not a qualified partnership or by a qualified partnership in accordance with an agreement described in that paragraph *e* entered into with a corporation that is not a qualified corporation, or

ii. to expenses incurred in the period described in subparagraph i by the individual in accordance with an agreement described in that paragraph *e* with a corporation that is not a qualified corporation;

(d.1) expenses (other than Canadian exploration expenses renounced by a corporation, under section 359.2, in respect of a share) that are incurred after 31 March 2023 and that would be Canadian exploration expenses if the definition of "mineral resource" in section 1 were read as follows:

""mineral resource" means a coal deposit, a bituminous sands deposit or an oil shale deposit;"; or

(e) any prescribed expense.

1989, c. 5, s. 86; 1990, c. 7, s. 23; 1991, c. 8, s. 20; 1992, c. 1, s. 38; 1993, c. 64, s. 56; 1995, c. 1, s. 55; 1995, c. 49, s. 161; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 85, s. 330; 2002, c. 40, s. 50; 2004, c. 21, s. 110; 2005, c. 23, s. 67; 2023, c. 19, s. 41.

726.4.13. Where an expense incurred before any time is included in the aggregate determined under subparagraph i of paragraph *a* of section 726.4.10 in respect of an individual and, after that time, a person, including a partnership, becomes entitled to receive assistance, within the meaning of paragraph *c*.0.1 of section 359, in respect of that expense, the assistance must be included in the aggregate referred to in subparagraph ii of that paragraph *a* in respect of the individual at the time the expense was incurred, to the extent that it has not reduced the amount of the expense by reason of subparagraph *a* of the first paragraph of section 359.2 or paragraph *a* of section 359.2.1.

1989, c. 5, s. 86; 1995, c. 49, s. 162; 1997, c. 3, s. 71; 1999, c. 83, s. 76.

726.4.14. In this Title, a qualified partnership is a partnership all the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses referred to in paragraph *d* of section 395 are incurred and throughout the twelve-month period preceding that time, fulfils the following conditions:

(a) neither the partnership nor any of its members operates a mineral resource or an oil or gas well;

(b) none of its members is a member of an associated group, within the meaning of section 726.4.17.18.1, a member of which operates a mineral resource or an oil or gas well.

1989, c. 5, s. 86; 1990, c. 7, s. 24; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2015, c. 21, s. 244.

726.4.15. In this Title, a qualified corporation is a corporation all of the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses in respect of which an amount is renounced under section 359.2 or 359.2.1 or at the time the expenses referred to in paragraph *e* of section 395, as the case may be, are incurred, and throughout the 12-month period preceding that time, fulfils the following conditions:

(a) the corporation does not operate any mineral resource or oil or gas well;

(b) the corporation is not a member of an associated group, within the meaning of section 726.4.17.18.1, a member of which operates a mineral resource or an oil or gas well.

1989, c. 5, s. 86; 1990, c. 7, s. 25; 1995, c. 49, s. 163; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2015, c. 21, s. 245.

726.4.16. For the purposes of this Title and for greater certainty, the operation of a mineral resource or an oil or gas well shall be interpreted as such an operation carried out in reasonable commercial quantities.

1989, c. 5, s. 86.

726.4.17. For the purposes of this Title, where a member of a partnership is deemed to have incurred Canadian exploration expenses under paragraph *d* of section 395, the expenses are deemed to have been incurred by the member at the time they were incurred by the partnership.

1989, c. 5, s. 86; 1997, c. 3, s. 71.

TITLE VI.3.2.1

ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN SURFACE MINING EXPLORATION EXPENSES INCURRED IN QUÉBEC

1990, c. 7, s. 26; 1997, c. 14, s. 101; 2023, c. 19, s. 42.

726.4.17.1. An individual may deduct, in computing his taxable income for a taxation year, an amount not exceeding his exploration base relating to certain Québec surface mining exploration expenses at the end of the year, computed before any deduction for the year under this section.

1990, c. 7, s. 26; 1997, c. 14, s. 290; 2023, c. 19, s. 43.

726.4.17.2. In this Title, the exploration base relating to certain Québec surface mining exploration expenses of an individual, at any time, means an amount equal to the amount by which the amount computed under section 726.4.17.3 is exceeded by 33 1/3% of the amount by which

(a) the aggregate of the expenses, except those described in section 726.4.17.4, incurred in Québec by the individual before that time, and that are

i. Canadian exploration expenses incurred by the individual after 31 December 1988 and that would be described in paragraph *c* of section 395 if the reference therein to "Canada", wherever it appears, were a reference to "Québec", described in paragraph *d* of the said section 395 if the reference therein to "expenses described in paragraphs *a* to *b*.1 and *c* to *c*.2" were replaced by a reference to "expenses that would be described in paragraph *c*, if the reference therein to "Canada", wherever it appears, were a reference to "Québec"", or described in paragraph *e* of the said section 395 if the reference therein to "an expense described in paragraphs *a* to *c*.1" were replaced by a reference to "any expense that would be described in paragraph *c*, if the reference therein to "Canada", wherever it appears, were a reference to "Québec"", except any of those expenses that are related to removing overburden and stripping, where such work is more than is needed to obtain indicators of mineralization or for the preliminary sampling thereof, or related to drilling and trenching or digging test pits, where such work constitutes underground exploration work, or

ii. expenses referred to in subparagraph 1 or 2 of subparagraph i of paragraph *a* of section 726.4.10, incurred by the individual after 9 May 1996, other than expenses that would be referred to in subparagraph i if that subparagraph were read without reference to ", except any of those expenses that are related to removing overburden and stripping, where such work is more than is needed to obtain indicators of mineralization or for the preliminary sampling thereof, or related to drilling and trenching or digging test pits, where such work constitutes underground exploration work"; exceeds

(b) the aggregate of all amounts of assistance, within the meaning of paragraph *c*.0.1 of section 359, which a person, including a partnership, has received, is entitled to receive or becomes, at any time, entitled to

receive in respect of an expense referred to in paragraph *a*, to the extent that the assistance has not reduced the Canadian exploration expenses of the individual by reason of subparagraph *a* of the first paragraph of section 359.2 and is not an amount received, receivable or that became, at any time, entitled to be received under subsection 5 of section 127 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of a flow-through mining expenditure or a flow-through critical mineral mining expenditure, within the meaning assigned to those expressions by subsection 9 of that section 127.

1990, c. 7, s. 26; 1990, c. 59, s. 256; 1991, c. 8, s. 21; 1992, c. 1, s. 39; 1993, c. 64, s. 57; 1995, c. 1, s. 56; 1997, c. 3, s. 71; 1997, c. 14, s. 102; 1997, c. 85, s. 330; 1998, c. 16, s. 180; 2002, c. 40, s. 51; 2004, c. 8, s. 139; 2004, c. 21, s. 111; 2005, c. 23, s. 68; 2023, c. 19, s. 44.

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

The first paragraph does not apply in respect of an expense

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

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

1993, c. 19, s. 33; 1997, c. 3, s. 71.

726.4.17.2.2. Notwithstanding section 726.4.17.2.1, where an expense referred to in paragraph *a* of section 726.4.17.2 was incurred after 12 June 2003, the percentage of 33 1/3% mentioned in that section shall, in respect of the expense, be replaced by a percentage of 20.83%.

The first paragraph does not apply in respect of an expense incurred as a result of

(a) an investment made on or before 12 June 2003, in relation to a flow-through share issued after that date; or

(b) an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus, as the case may be, made on or before 12 June 2003 in relation to a flow-through share issued after that date.

2004, c. 21, s. 112.

726.4.17.2.3. Despite sections 726.4.17.2.1 and 726.4.17.2.2, if an expense referred to in paragraph *a* of section 726.4.17.2 was incurred after 30 March 2004, the percentage of 33 1/3% mentioned in that section is to be replaced, in respect of the expense, by a percentage of 25%.

The first paragraph does not apply in respect of an expense if it was incurred as a consequence of the acquisition of a flow-through share before 31 March 2004.

2005, c. 23, s. 69.

726.4.17.2.4. Despite sections 726.4.17.2.1 to 726.4.17.2.3, if an expense referred to in paragraph *a* of section 726.4.17.2 was incurred after 4 June 2014, the percentage of 33 1/3% mentioned in that section is to be replaced, in respect of the expense, by a percentage of 10%.

The first paragraph does not apply in respect of an expense incurred as a result of

(a) an investment made on or before 4 June 2014, in relation to a flow-through share issued after that date; or

(b) an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus, as the case may be, made on or before 4 June 2014, in relation to a flow-through share issued after that date.

2015, c. 21, s. 246.

726.4.17.3. The amount that must be deducted from the amount determined under section 726.4.17.2 at any time referred to therein is equal to the aggregate of

(a) each amount deducted by the individual under section 726.4.17.1 in computing his taxable income for a taxation year ending before that time, and

(b) 33 1/3% of each amount that became receivable by the individual before that time but after 31 December 1988 and in respect of which the consideration given by him was a property other than a property disposed of by the individual to any person with whom he was not dealing at arm's length, a share, depreciable property of a prescribed class or a Canadian resource property, or services, the cost of which may reasonably be regarded as having been an expenditure in respect of which an amount was included, under section 726.4.17.2, in computing the exploration base relating to certain Québec surface mining exploration expenses of the individual or of a person with whom he was not dealing at arm's length.

1990, c. 7, s. 26; 1997, c. 14, s. 290; 2023, c. 19, s. 45.

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

1993, c. 19, s. 34.

726.4.17.3.2. Notwithstanding section 726.4.17.3.1, where an amount referred to in paragraph *b* of section 726.4.17.3 in respect of an individual is an amount in respect of which the consideration given by the individual is a property or services the cost of which may reasonably be regarded as an expenditure in respect of which section 726.4.17.2.2 applied, the percentage of 33 1/3% mentioned in paragraph *b* of section 726.4.17.3 shall, in respect of the amount, be replaced by a percentage of 20.83%.

2004, c. 21, s. 113.

726.4.17.3.3. Despite sections 726.4.17.3.1 and 726.4.17.3.2, if an amount referred to in paragraph *b* of section 726.4.17.3 in respect of an individual is an amount in respect of which the consideration given by the individual is a property or services the cost of which may reasonably be considered to be an expenditure in respect of which section 726.4.17.2.3 applied, the percentage of 33 1/3% mentioned in paragraph *b* of section 726.4.17.3 is to be replaced, in respect of the amount, by a percentage of 25%.

2005, c. 23, s. 70.

726.4.17.3.4. Despite sections 726.4.17.3.1 to 726.4.17.3.3, if an amount referred to in paragraph *b* of section 726.4.17.3 in respect of an individual is an amount in respect of which the consideration given by the individual was property or services the cost of which may reasonably be regarded as an expense in respect of which section 726.4.17.2.4 applied, the percentage of 33 1/3% mentioned in paragraph *b* of section 726.4.17.3 is to be replaced, in respect of that amount, by a percentage of 10%.

2015, c. 21, s. 247.

726.4.17.4. Expenses referred to in paragraph *a* of section 726.4.17.2 do not include

(a) any amount included in the Canadian exploration and development overhead expenses of the individual, within the meaning of the regulations;

(b) any amount relating to Canadian exploration expenses that is renounced by a corporation that is not a qualified corporation, effective after 31 December 1988, pursuant to section 359.2 in respect of a share;

(c) any amount relating to financing, including expenses incurred before the beginning of the carrying on of a business;

(d) expenses that are Canadian exploration expenses of the individual under paragraph *d* or *e* of section 395, to the extent that they refer

i. to expenses incurred after 31 December 1988 and before the time referred to in section 726.4.17.2, by a partnership that is not a qualified partnership or by a qualified partnership in accordance with an agreement described in that paragraph *e* entered into with a corporation that is not a qualified corporation, or

ii. to expenses incurred in the period described in subparagraph i by the individual in accordance with an agreement described in that paragraph *e* entered into with a corporation that is not a qualified corporation;

(e) expenses (other than Canadian exploration expenses renounced by a corporation, under section 359.2, in respect of a share) that are incurred after 31 March 2023 and that would be Canadian exploration expenses if the definition of "mineral resource" in section 1 were read as follows:

""mineral resource" means a coal deposit, a bituminous sands deposit or an oil shale deposit;".

1990, c. 7, s. 26; 1991, c. 8, s. 22; 1992, c. 1, s. 40; 1993, c. 64, s. 58; 1995, c. 1, s. 57; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 85, s. 330; 2002, c. 40, s. 52; 2004, c. 21, s. 114; 2005, c. 23, s. 71; 2023, c. 19, s. 46.

726.4.17.5. Where an expense incurred before a particular time is included in the aggregate determined under paragraph *a* of section 726.4.17.2 in respect of an individual and, after that time, a person, including a partnership, becomes entitled to receive assistance, within the meaning of paragraph *c*.0.1 of section 359, in respect of that expense, the assistance must be included in the aggregate referred to in paragraph *b* of that section 726.4.17.2 in respect of the individual at the time the expense was incurred, to the extent that he has not reduced the expense by virtue of subparagraph *a* of the first paragraph of section 359.2.

1990, c. 7, s. 26; 1997, c. 3, s. 71.

726.4.17.6. In this Title, a qualified partnership is a partnership all the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses referred to in paragraph *d* of section 395 are incurred and throughout the twelve-month period preceding that time, fulfils the following conditions:

(a) neither the partnership nor any of its members operates a mineral resource or an oil or gas well;

(b) none of its members is a member of an associated group, within the meaning of section 726.4.17.18.1, a member of which operates a mineral resource or an oil or gas well.

1990, c. 7, s. 26; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2015, c. 21, s. 248.

726.4.17.7. In this Title, a qualified corporation is a corporation all of the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses referred to in paragraph *e* of section 395 or at the time the expenses in respect of which an amount is renounced under section 359.2, as the case may be, are incurred, and throughout the twelve-month period preceding that time, fulfils the following conditions:

(a) the corporation does not operate any mineral resource or oil or gas well;

(b) the corporation is not a member of an associated group, within the meaning of section 726.4.17.18.1, a member of which operates a mineral resource or an oil or gas well.

1990, c. 7, s. 26; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2015, c. 21, s. 249.

726.4.17.8. For the purposes of this Title and for greater certainty, the operation of a mineral resource or an oil or gas well shall be interpreted as such an operation carried out in reasonable commercial quantities.

1990, c. 7, s. 26.

726.4.17.9. For the purposes of this Title, where a member of a partnership is deemed to have incurred Canadian exploration expenses under paragraph *d* of section 395, the expenses are deemed to have been incurred by the member at the time they were incurred by the partnership.

1990, c. 7, s. 26; 1997, c. 3, s. 71.

TITLE VI.3.2.2

ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN ISSUE EXPENSES

1992, c. 1, s. 41.

726.4.17.10. An individual may deduct, in computing his taxable income for a taxation year, an amount not exceeding his issue base relating to certain issue expenses at the end of the year, computed before any deduction for the year under this section.

1992, c. 1, s. 41.

726.4.17.11. For the purposes of this Title, the issue base relating to certain issue expenses of an individual, at any time, means an amount equal to the amount by which the aggregate of the following amounts exceeds the aggregate of the amounts deducted by the individual under section 726.4.17.10 in computing his taxable income for a taxation year ending before that time:

(a) the aggregate of all amounts each of which is equal to such proportion of the amount that is renounced under section 726.4.17.12 by a corporation in respect of a share issue as is represented by the ratio between, on the one hand, the aggregate determined under subparagraph i of paragraph *a* of section 726.4.10 in respect of the individual, for a taxation year ending at or before that time, relating to Canadian exploration expenses incurred out of the proceeds of the share issue and, on the other hand, the aggregate described in subparagraph *b* of the second paragraph of section 726.4.17.12 in respect of the share issue; and

(b) the aggregate of all amounts each of which is equal to such proportion of the amount that is renounced under section 726.4.17.13 by a partnership in respect of a security issue the proceeds of which have been used to acquire flow-through shares issued by a corporation as is represented by the ratio between, on the one hand, the aggregate determined under subparagraph i of paragraph *a* of section 726.4.10 in respect of the individual, for a taxation year ending at or before that time, relating to Canadian exploration expenses incurred out of the portion, subscribed by the partnership, of the proceeds of the issue of the flow-through shares and, on the other hand, the aggregate described in subparagraph *b* of the second paragraph of section 726.4.17.13 in respect of the security issue.

However, subject to the third paragraph, the amount that an individual may include for a taxation year, under subparagraph *a* of the first paragraph, in his issue base relating to certain issue expenses in relation to a share issue, shall in no case be greater than the amount by which

(a) the aggregate of

i. the amount of the consideration paid by the individual to acquire shares at the time of the share issue; and

ii. where the amount, or part of the amount, is an amount included in the issue base by reason of the individual's being a member of a particular partnership, the amount that may reasonably be considered to be the individual's share in the consideration that the particular partnership, or, as the case may be, another partnership, paid to acquire shares at the time of the share issue; exceeds

(b) the aggregate of

i. the amounts renounced by a corporation at or before the end of the year to the individual in respect of the shares contemplated in subparagraph i of subparagraph *a* under section 359.2 or 359.4, or that may reasonably be expected to be renounced by the corporation after the end of the year to the individual in respect of the said shares under the said sections;

ii. the individual's share and, where applicable, the share of any other person having possessed or able to acquire the individual's interest in the particular partnership contemplated in subparagraph ii of subparagraph *a*, in the aggregate of the amounts renounced by a corporation at or before the end of the year to a partnership in respect of the shares contemplated in subparagraph ii of subparagraph *a* under section 359.2 or 359.4, or that may reasonably be expected to be renounced by the corporation after the end of the year to a partnership in respect of the said shares under the said sections; and

iii. the amounts previously included under this section in the individual's issue base in relation to the said share issue.

Notwithstanding the foregoing, where at any time in a taxation year an individual is a limited partner, within the meaning of section 613.6, of a partnership, the following rules apply:

(a) the aggregate of all amounts each of which is an amount determined under subparagraph *a* or *b* of the first paragraph by reference to the portion, which is referred to in subparagraph i of paragraph *a* of section 726.4.10 for the year in respect of the individual, of his share of the Canadian exploration expenses incurred by the partnership in a fiscal period thereof ending in the year shall in no case be greater than the amount by which the amount determined for the individual under the second paragraph of section 613.1, in respect of the partnership at the end of that fiscal period, exceeds the aggregate of

i. any amount that may reasonably be expected to be an amount referred to in subparagraph *c* of the second paragraph of the said section 613.1 for the individual, or for another person having acquired the individual's partnership interest, in respect of the partnership at the end of a subsequent fiscal period thereof; and

ii. all amounts each of which is the individual's share of any loss of the partnership for the fiscal period from a business, other than a farming business, or from property, that may be deducted by the individual in computing his income for the year or included in computing his non-capital loss for the year;

(b) the amount of the reduction, by reason of subparagraph *a*, of the aggregate described firstly in that subparagraph in respect of the individual for the year is deemed to be a loss of the individual as a limited partner in respect of the partnership for the year.

1992, c. 1, s. 41; 1993, c. 64, s. 59; 1995, c. 1, s. 58; 1997, c. 3, s. 71; 1997, c. 14, s. 103; 1998, c. 16, s. 181; 2000, c. 5, s. 293; 2001, c. 7, s. 85.

726.4.17.12. A corporation which makes a public issue of shares, including flow-through shares, the receipt for the final prospectus or the exemption from filing a prospectus of which was granted after 2 May 1991 may renounce, in respect of the share issue, an amount not exceeding the amount determined, in respect of that share issue, by the formula

$(A \times B) / C.$

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

(a) A is the lesser of

i. the aggregate of the expenses incurred by the corporation, in the course of the share issue and out of the proceeds thereof, at or before the time the renunciation is made and, where such is the case, the reasonable additional expenses the corporation expects to incur after that time, in the course of the share issue and out of the proceeds thereof, and

ii. 15% of the aggregate of the proceeds of the share issue at or before the time the renunciation is made and, where such is the case, the additional proceeds the corporation expects to receive for the additional shares it intends to issue after that time as part of the share issue;

(b) B is the aggregate of all amounts each of which is either an expense referred to in subparagraph i of paragraph *a* of section 726.4.10 in respect of an individual and incurred, at or before the time the renunciation is made, out of the proceeds of the share issue, or any amount that may reasonably be expected to be such an expense in respect of an individual incurred after that time out of the proceeds of the share issue;

(c) C is the amount by which the aggregate of the proceeds of the share issue at or before the time the renunciation is made and, where such is the case, the additional proceeds the corporation expects to receive for the additional shares it intends to issue after that time as part of the share issue, exceeds the amount used for A.

Any renunciation made by a corporation under the first paragraph in respect of a share issue is valid only if it is made, in prescribed form, on 31 December in the calendar year in which the share issue commenced or within 60 days thereafter.

The first paragraph does not apply in respect of a public issue of shares in respect of which the application for a receipt for the preliminary prospectus or the application for an exemption from filing a prospectus, as the case may be, is made after 12 June 2003, in relation to a flow-through share acquired before 31 March 2004.

1992, c. 1, s. 41; 1993, c. 19, s. 35; 1995, c. 1, s. 59; 1997, c. 3, s. 71; 2000, c. 5, s. 154; 2004, c. 21, s. 115; 2005, c. 23, s. 72.

726.4.17.12.1. Where, after 4 June 2014, a corporation makes a public issue of shares referred to in the first paragraph of section 726.4.17.12, the percentage of 15% mentioned in subparagraph ii of subparagraph *a* of the second paragraph of that section is, in respect of the share issue, to be replaced by a percentage of 12%.

The first paragraph does not apply in respect of a public issue of shares following

(a) an investment made on or before 5 June 2014; or

(b) an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus, as the case may be, made on or before 4 June 2014.

2015, c. 21, s. 250.

726.4.17.13. Where a partnership makes a public issue of securities that are interests in the partnership, where the receipt for the final prospectus or the exemption from filing a prospectus of the security issue was granted after 2 May 1991, and where the partnership uses the proceeds of the security issue to acquire flow-through shares issued by a corporation, it may renounce, in respect of the security issue, an amount not exceeding the amount determined, in respect of the security issue, by the formula

$(A \times B) / C.$

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

(a) A is the lesser of

i. the aggregate of the expenses incurred by the partnership, in the course of the issue of securities and out of the proceeds thereof, at or before the time the renunciation is made and, where such is the case, the reasonable additional expenses the partnership expects to incur after that time, in the course of that security issue and out of the proceeds thereof, and

ii. 15% of the aggregate of the proceeds of the security issue at or before the time the renunciation is made and, where such is the case, the additional proceeds the partnership expects to receive for the additional partnership interests it intends to issue after that time as part of the security issue;

(b) B is the aggregate of all amounts each of which is

i. an expense referred to in subparagraph i of paragraph *a* of section 726.4.10 in respect of an individual and incurred, at or before the time the renunciation is made, out of such portion of the proceeds of the flow-through share issue as is subscribed by the partnership at or before that time out of the proceeds of the security issue, or

ii. any amount that may reasonably be expected to be an expense referred to in subparagraph i of paragraph *a* of section 726.4.10 in respect of an individual and incurred, after the time the renunciation is made, out of that portion of the proceeds of the flow-through share issue that the partnership subscribed at or before that time, or intends to subscribe after that time, out of the proceeds of the security issue;

(c) C is the amount by which the aggregate of the proceeds of the security issue at or before the time the renunciation is made and, where such is the case, the additional proceeds the partnership expects to receive for the additional partnership interests it intends to issue after that time as part of the security issue, exceeds the amount used for A.

Any renunciation made by a partnership under the first paragraph in respect of a security issue is valid only if it is made, in prescribed form, on 31 December in the calendar year in which the security issue commenced or within 60 days thereafter.

The first paragraph does not apply in respect of a public issue of securities in respect of which the application for a receipt for the preliminary prospectus or the application for an exemption from filing a prospectus, as the case may be, is made after 12 June 2003 and the proceeds of which were used by the partnership to acquire flow-through shares before 31 March 2004.

1992, c. 1, s. 41; 1993, c. 19, s. 36; 1997, c. 3, s. 71; 2000, c. 5, s. 293; 2004, c. 21, s. 116; 2005, c. 23, s. 73.

726.4.17.13.1. Where, after 4 June 2014, a partnership makes a public issue of securities referred to in the first paragraph of section 726.4.17.13, the percentage of 15% mentioned in subparagraph ii of subparagraph *a* of the second paragraph of that section is, in respect of the security issue, to be replaced by a percentage of 12%.

The first paragraph does not apply in respect of a public issue of securities following

(a) an investment made on or before 4 June 2014; or

(b) an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus, as the case may be, made on or before 4 June 2014.

2015, c. 21, s. 251.

726.4.17.14. A corporation or partnership may renounce an amount under section 726.4.17.12 or 726.4.17.13, as the case may be, in respect of an expense,

(a) on the one hand, only if the expense is an expense that would be deductible under section 147, but for the second paragraph thereof and sections 147.1 and 147.2, in computing the income of the corporation or partnership, as the case may be, for any taxation year; and

(b) on the other hand, only to the extent that the corporation or partnership, as the case may be, has not deducted the expense in computing its income for any taxation year preceding the year in which the renunciation is made, has not been or cannot reasonably expect to be reimbursed for the expense, has not received or cannot reasonably expect to receive government assistance or non-government assistance, within the meanings assigned by the first paragraph of section 1029.6.0.0.1, in respect of the expense, and has not transferred to another person its right to such a reimbursement or such assistance.

1992, c. 1, s. 41; 1993, c. 64, s. 60; 1997, c. 3, s. 71; 2004, c. 21, s. 117.

726.4.17.15. Where a corporation renounces an amount under section 726.4.17.12 in respect of a share issue, or where a partnership renounces an amount under section 726.4.17.13 in respect of a security issue, the corporation or partnership, as the case may be, shall file with the Minister, on or before the last day of the month following that in which the renunciation is made, a prescribed form in respect of the renunciation it has so made.

1992, c. 1, s. 41; 1997, c. 3, s. 71.

726.4.17.16. *(Repealed).*

1992, c. 1, s. 41; 1993, c. 16, s. 261; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2004, c. 21, s. 118; 2010, c. 31, s. 175; 2012, c. 8, s. 67.

726.4.17.17. Where the amount that a corporation or partnership purported to renounce, in respect of a share issue or a security issue, under section 726.4.17.12 or 726.4.17.13, as the case may be, in respect of expenses incurred by it in the course of the issue either exceeds the amount it may renounce under that section in respect of the issue or, where upon making the renunciation, it took into account expenses not yet incurred at that time or any other amount not yet received or subscribed at that time, differs from the particular amount it would have been entitled to renounce under the said section in respect of that issue if, at that time, it could have taken into account the expenses actually incurred after that time and other amounts actually received or subscribed after that time, the following rules apply:

(a) the corporation or partnership shall, as the case may be, either reduce the amount so renounced in respect of the issue by the amount of the excess, or alter it to make it equal to the particular amount;

(b) the corporation or partnership, as the case may be, shall file a statement with the Minister indicating the adjustments made in the amount so renounced.

For the purposes of this Title, where the corporation or the partnership fails to comply with subparagraphs *a* and *b* of the first paragraph within 30 days after notice in writing by the Minister has been forwarded to it that the adjustment as provided in the said subparagraph *a* is or will be required for the purposes of any assessment of tax under this Part, the Minister may, as the case may be, either reduce the amount purported to be renounced by it in respect of the issue contemplated in the first paragraph by the amount of the excess referred to in that paragraph, or alter it to make it equal to the particular amount referred to in that paragraph.

In either such case, the amount renounced by the corporation or partnership in respect of the issue is deemed, notwithstanding section 726.4.17.12 or 726.4.17.13, as the case may be, to be the amount as reduced or altered, as the case may be, by the corporation or partnership or by the Minister, as the case may be.

1992, c. 1, s. 41; 1997, c. 3, s. 71.

TITLE VI.3.2.3

ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN EXPLORATION EXPENSES INCURRED IN THE NEAR NORTH AND FAR NORTH OF QUÉBEC

1999, c. 83, s. 77.

726.4.17.18. In this Title,

"associated group" at any time has the meaning assigned by section 726.4.17.18.1;

"northern exploration zone" means a territory situated in Québec, which comprises

(a) the territory situated north of the 49th degree of north latitude and north of the St. Lawrence River and the Gulf of St. Lawrence, and south of the 55th degree of north latitude; and

(b) (paragraph repealed);

(c) the territory situated north of the 55th degree of north latitude;

"qualified corporation" means a corporation all of the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses in respect of which an amount is renounced under section 359.2 or 359.2.1 are incurred, and throughout the 12-month period preceding that time, fulfills the following conditions:

(a) the corporation does not operate any mineral resource or oil or gas well;

(b) the corporation is not a member of an associated group a member of which operates a mineral resource or an oil or gas well;

"qualified partnership" means a partnership all the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses referred to in paragraph *d* of section 395 are incurred and, throughout the 12-month period preceding that time, fulfills the following conditions:

(a) neither the partnership nor any of its members operates a mineral resource or an oil or gas well;

(b) none of its members is a member of an associated group a member of which operates a mineral resource or an oil or gas well.

1999, c. 83, s. 77; 2002, c. 40, s. 53; 2011, c. 34, s. 35; 2015, c. 21, s. 252; 2017, c. 29, s. 95.

726.4.17.18.1. An associated group at any given time means all the corporations that are associated with each other at that time.

For the purposes of the first paragraph, the following rules apply:

(a) a business carried on by an individual, other than a trust, is deemed to be carried on by a corporation all the voting shares in the capital stock of which are owned at the given time by the individual;

(b) a partnership is deemed to be a corporation whose taxation year corresponds to the partnership's fiscal period and all the voting shares in the capital stock of which are owned at the given time by each member of the partnership in a proportion equal to the agreed proportion in respect of the member for the partnership's fiscal period that includes that time; and

(c) a trust is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this subparagraph *c* referred to as the "distribution date") and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) if such a beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and if the given time occurs before the distribution date, are owned at that time by the beneficiary, or

(2) if subparagraph 1 does not apply and the given time occurs before the distribution date, are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries,

ii. if a beneficiary's share of the accumulating income or of the capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at the given time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at the given time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at the given time by the person referred to in that section from whom property of the trust or property for which property of the trust was substituted was directly or indirectly received.

2015, c. 21, s. 253.

726.4.17.19. A corporation may deduct, in computing its taxable income for a taxation year, an amount not exceeding its exploration base relating to certain exploration expenses incurred in a northern exploration zone at the end of the year, computed before any deduction for the year under this section.

1999, c. 83, s. 77.

726.4.17.20. In this Title, the exploration base relating to certain exploration expenses incurred in a northern exploration zone of a corporation, at any time, means an amount equal to the amount by which the amount computed under section 726.4.17.21 is exceeded by 25% of the amount by which

(a) the aggregate of the expenses, except those described in section 726.4.17.22, incurred by the corporation in a northern exploration zone after 31 March 1998 and before that time, and that are

i. Canadian exploration expenses that would be described in paragraph *a*, *b*.1 or *c* of section 395 if the reference in those paragraphs to "Canada", wherever it appears except in subparagraph iv of that paragraph *b*.1, were a reference to "the northern exploration zone", or described in paragraph *d* of that section 395 if the reference therein to "expenses described in paragraphs *a* to *b*.1 and *c* to *c*.2" were replaced by a reference to "expenses that would be described in paragraph *a*, *b*.1 or *c*, if the reference in those paragraphs to "Canada", wherever it appears except in subparagraph iv of paragraph *b*.1, were a reference to "the northern exploration zone" ", or

ii. Canadian development expenses that would be described in paragraph *a* or *a*.1 of section 408 if the reference in those paragraphs to "Canada", wherever it appears, were a reference to "the northern exploration zone", or described in paragraph *d* of that section 408 if the reference therein to "expense described in paragraphs *a* to *c*" were replaced by a reference to "expense that would be described in paragraph *a* or *a*.1, if the reference in those paragraphs to "Canada", wherever it appears, were a reference to "the northern exploration zone" ", and that are deemed, under paragraph *a* of section 359.3, to be Canadian exploration expenses of the corporation by reason of a renunciation to the corporation under section 359.2.1; exceeds

(b) the aggregate of all amounts of assistance, within the meaning of paragraph *c*.0.1 of section 359, that a person, including a partnership, has received, is entitled to receive or becomes, at any time, entitled to receive in respect of an expense referred to in paragraph *a*, to the extent that the assistance has not reduced, by reason of subparagraph *a* of the first paragraph of section 359.2, the Canadian exploration expenses of the

corporation or, by reason of paragraph *a* of section 359.2.1, the Canadian development expenses deemed to be Canadian exploration expenses of the corporation.

1999, c. 83, s. 77; 2002, c. 40, s. 54; 2004, c. 21, s. 119; 2005, c. 23, s. 74.

726.4.17.21. The amount to which section 726.4.17.20 refers is equal, at any time referred to therein, to the aggregate of

(a) any amount deducted by the corporation under section 726.4.17.19 in computing its taxable income for a taxation year ending before that time, and

(b) 25% of each amount that became receivable by the corporation before that time but after 31 March 1998 and in respect of which the consideration given by the corporation was a property, other than a property disposed of by the corporation to any person with whom the corporation was not dealing at arm's length, a share, depreciable property of a prescribed class or a Canadian resource property, or services, the cost of which may reasonably be regarded as having been an expenditure in respect of which an amount was included, under section 726.4.17.20, in computing the exploration base relating to certain exploration expenses of the corporation or of a person with whom the corporation was not dealing at arm's length, incurred in a northern exploration zone.

1999, c. 83, s. 77.

726.4.17.22. The expenses to which paragraph *a* of section 726.4.17.20 refers are

(a) any amount included in the Canadian exploration and development overhead expenses of the corporation, within the meaning of the regulations;

(b) any amount relating to Canadian exploration expenses or Canadian development expenses that is renounced by a corporation that is not a qualified corporation, effective after 31 March 1998, under section 359.2 or 359.2.1, as the case may be, in respect of a share;

(c) any amount relating to financing, including expenses incurred before the beginning of the carrying on of a business;

(d) expenses that are Canadian exploration expenses of the corporation under paragraph *d* of section 395, to the extent that they refer to expenses incurred, after 31 March 1998 and before the time referred to in section 726.4.17.20, by a partnership that is not a qualified partnership;

(e) any prescribed expense; and

(f) expenses that are eligible expenses, within the meaning of section 1029.8.36.167, taken into account in computing an amount that the corporation is deemed to have paid to the Minister for a taxation year under Division II.6.15 of Chapter III.1 of Title III of Book IX.

1999, c. 83, s. 77; 2005, c. 1, s. 137.

726.4.17.23. Where an expense incurred before any time is included in the aggregate determined under paragraph *a* of section 726.4.17.20 in respect of a corporation and, after that time, a person, including a partnership, becomes entitled to receive assistance, within the meaning of paragraph *c*.0.1 of section 359, in respect of that expense, the assistance shall be included in the aggregate referred to in paragraph *b* of that section 726.4.17.20 in respect of the corporation at the time the expense was incurred, to the extent that it has not reduced the amount of the expense by reason of subparagraph *a* of the first paragraph of section 359.2 or paragraph *a* of section 359.2.1.

1999, c. 83, s. 77.

726.4.17.24. For the purposes of this Title, the operation of a mineral resource or an oil or gas well shall be interpreted as such an operation carried out in reasonable commercial quantities.

1999, c. 83, s. 77.

726.4.17.25. For the purposes of this Title, where a member of a partnership is deemed to have incurred Canadian exploration expenses under paragraph *d* of section 395, the expenses are deemed to have been incurred by the member at the time they were incurred by the partnership.

1999, c. 83, s. 77.

TITLE VI.3.3

Repealed, 1993, c. 64, s. 61.

1989, c. 5, s. 86; 1993, c. 64, s. 61.

CHAPTER I

Repealed, 1993, c. 64, s. 61.

1989, c. 5, s. 86; 1993, c. 64, s. 61.

726.4.18. *(Repealed).*

1989, c. 5, s. 86; 1989, c. 77, s. 75; 1990, c. 7, s. 27; 1991, c. 8, s. 23; 1992, c. 1, s. 42; 1993, c. 16, s. 262; 1993, c. 19, s. 37; 1993, c. 64, s. 61.

726.4.18.1. *(Repealed).*

1990, c. 7, s. 28; 1993, c. 64, s. 61.

726.4.19. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 29; 1993, c. 64, s. 61.

726.4.19.1. *(Repealed).*

1990, c. 7, s. 30; 1993, c. 64, s. 61.

726.4.20. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 31; 1993, c. 64, s. 61.

726.4.20.1. *(Repealed).*

1990, c. 7, s. 32; 1993, c. 64, s. 61.

726.4.20.2. *(Repealed).*

1990, c. 7, s. 32; 1993, c. 64, s. 61.

726.4.20.2.1. *(Repealed).*

1992, c. 1, s. 43; 1993, c. 64, s. 61.

726.4.20.3. *(Repealed).*

1990, c. 7, s. 32; 1993, c. 64, s. 61.

726.4.20.4. *(Repealed).*

1990, c. 7, s. 32; 1993, c. 64, s. 61.

726.4.20.5. *(Repealed).*

1990, c. 7, s. 32; 1991, c. 8, s. 24; 1993, c. 64, s. 61.

CHAPTER I.1

Repealed, 1993, c. 64, s. 61.

1990, c. 7, s. 32; 1993, c. 64, s. 61.

726.4.20.6. *(Repealed).*

1990, c. 7, s. 32; 1993, c. 64, s. 61.

726.4.20.7. *(Repealed).*

1990, c. 7, s. 32; 1993, c. 64, s. 61.

CHAPTER II

Repealed, 1993, c. 64, s. 61.

1989, c. 5, s. 86; 1993, c. 64, s. 61.

726.4.21. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 33; 1991, c. 8, s. 25; 1993, c. 64, s. 61.

726.4.22. *(Repealed).*

1989, c. 5, s. 86; 1989, c. 77, s. 76; 1990, c. 7, s. 34; 1991, c. 8, s. 26; 1993, c. 64, s. 61.

726.4.22.1. *(Repealed).*

1990, c. 7, s. 35; 1991, c. 8, s. 27; 1992, c. 1, s. 44; 1993, c. 19, s. 38; 1993, c. 64, s. 61.

726.4.22.2. *(Repealed).*

1990, c. 7, s. 35; 1991, c. 8, s. 28; 1993, c. 64, s. 61.

726.4.23. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 36; 1991, c. 8, s. 29; 1993, c. 64, s. 61.

726.4.24. *(Repealed).*

1989, c. 5, s. 86; 1989, c. 77, s. 77; 1990, c. 7, s. 37; 1991, c. 8, s. 30; 1993, c. 64, s. 61.

726.4.24.1. *(Repealed).*

1990, c. 7, s. 38; 1991, c. 8, s. 31; 1992, c. 1, s. 45; 1993, c. 19, s. 39; 1993, c. 64, s. 61.

726.4.24.2. *(Repealed).*

1990, c. 7, s. 38; 1991, c. 8, s. 32; 1993, c. 64, s. 61.

726.4.25. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 39; 1991, c. 8, s. 33; 1993, c. 64, s. 61.

726.4.26. *(Repealed).*

1989, c. 5, s. 86; 1989, c. 77, s. 78; 1990, c. 7, s. 40; 1991, c. 8, s. 34; 1993, c. 64, s. 61.

726.4.26.1. *(Repealed).*

1990, c. 7, s. 41; 1991, c. 8, s. 35; 1992, c. 1, s. 46; 1993, c. 19, s. 40; 1993, c. 64, s. 61.

726.4.26.2. *(Repealed).*

1990, c. 7, s. 41; 1991, c. 8, s. 36; 1993, c. 64, s. 61.

726.4.27. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 42; 1993, c. 64, s. 61.

726.4.28. *(Repealed).*

1989, c. 5, s. 86; 1993, c. 64, s. 61.

726.4.29. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 43; 1991, c. 8, s. 37; 1993, c. 64, s. 61.

726.4.30. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 44; 1993, c. 64, s. 61.

CHAPTER III

Repealed, 1993, c. 64, s. 61.

1989, c. 5, s. 86; 1990, c. 7, s. 45; 1993, c. 64, s. 61.

DIVISION I

Repealed, 1993, c. 64, s. 61.

1990, c. 7, s. 46; 1993, c. 64, s. 61.

726.4.30.1. *(Repealed).*

1990, c. 7, s. 46; 1993, c. 64, s. 61.

726.4.30.2. *(Repealed).*

1990, c. 7, s. 46; 1993, c. 64, s. 61.

DIVISION II

Repealed, 1993, c. 64, s. 61.

1990, c. 7, s. 46; 1993, c. 64, s. 61.

726.4.31. *(Repealed).*

1989, c. 5, s. 86; 1993, c. 64, s. 61.

726.4.32. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 47; 1993, c. 64, s. 61.

726.4.32.1. *(Repealed).*

1991, c. 8, s. 38; 1993, c. 64, s. 61.

DIVISION III

Repealed, 1993, c. 64, s. 61.

1990, c. 7, s. 48; 1993, c. 64, s. 61.

726.4.33. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 49; 1992, c. 1, s. 47; 1993, c. 64, s. 61.

CHAPTER IV

Repealed, 1993, c. 64, s. 61.

1989, c. 5, s. 86; 1993, c. 64, s. 61.

726.4.34. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 50; 1990, c. 59, s. 257; 1993, c. 64, s. 61.

726.4.34.1. *(Repealed).*

1990, c. 7, s. 51; 1993, c. 64, s. 61.

726.4.35. *(Repealed).*

1989, c. 5, s. 86; 1991, c. 8, s. 39.

726.4.36. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 52; 1993, c. 16, s. 263; 1993, c. 64, s. 61.

726.4.37. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 53; 1993, c. 64, s. 61.

TITLE VI.3.4

Repealed, 1995, c. 63, s. 52.

1989, c. 5, s. 86; 1995, c. 63, s. 52.

CHAPTER I

Repealed, 1995, c. 63, s. 52.

1989, c. 5, s. 86; 1995, c. 63, s. 52.

726.4.38. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 63, s. 52.

726.4.39. *(Repealed).*

1989, c. 5, s. 86; 1993, c. 64, s. 62; 1995, c. 63, s. 52.

726.4.40. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 63, s. 52.

726.4.41. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 49, s. 236; 1995, c. 63, s. 52.

726.4.42. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 63, s. 52.

CHAPTER II

Repealed, 1995, c. 63, s. 52.

1989, c. 5, s. 86; 1995, c. 63, s. 52.

DIVISION I

Repealed, 1995, c. 63, s. 52.

1989, c. 5, s. 86; 1995, c. 63, s. 52.

726.4.43. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 54; 1993, c. 19, s. 41; 1993, c. 64, s. 63; 1995, c. 1, s. 60; 1995, c. 63, s. 52.

DIVISION II

Repealed, 1995, c. 63, s. 52.

1989, c. 5, s. 86; 1995, c. 63, s. 52.

726.4.44. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 63, s. 52.

726.4.45. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 55; 1993, c. 64, s. 64; 1995, c. 1, s. 61; 1995, c. 63, s. 52.

726.4.46. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 49, s. 236; 1995, c. 63, s. 52.

726.4.47. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 63, s. 52.

DIVISION III

Repealed, 1995, c. 63, s. 52.

1989, c. 5, s. 86; 1995, c. 63, s. 52.

726.4.48. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 49, s. 236; 1995, c. 63, s. 52.

726.4.49. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 49, s. 236; 1995, c. 63, s. 52.

726.4.50. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 49, s. 236; 1995, c. 63, s. 52.

726.4.51. *(Repealed).*

1989, c. 5, s. 86; 1995, c. 63, s. 52.

726.4.52. *(Repealed).*

1989, c. 5, s. 86; 1990, c. 7, s. 56; 1995, c. 63, s. 52.

TITLE VI.4

Repealed, 1993, c. 19, s. 42.

1986, c. 19, s. 149; 1993, c. 19, s. 42.

726.5. *(Repealed).*

1986, c. 19, s. 149; 1993, c. 19, s. 42.

TITLE VI.5

CAPITAL GAINS EXEMPTION

1987, c. 67, s. 142.

CHAPTER I

INTERPRETATION

1987, c. 67, s. 142.

726.6. In this Title, the expression

(a) (subparagraph repealed);

(a.0.1*) (subparagraph repealed);*

(a.0.2*)* "qualified farm or fishing property", of an individual (other than a trust that is not a personal trust) at any time, means a property that is owned at that time by the individual, the spouse of the individual or a partnership, an interest in which is an interest in a family farm or fishing partnership of the individual or the individual's spouse and that is

i. an immovable or a fishing boat that was used in the course of carrying on a farming or fishing business in Canada by

(1) the individual,

(2) where the individual is a personal trust, a beneficiary under the trust that is entitled to receive directly from the trust all or part of the income or capital of the trust,

(3) the spouse, a child or the father or mother of an individual referred to in subparagraph 1 or 2,

(4) a corporation, a share of the capital stock of which is a share of the capital stock of a family farm or fishing corporation of an individual referred to in any of subparagraphs 1 to 3, or

(5) a partnership, an interest in which is an interest in a family farm or fishing partnership of an individual referred to in any of subparagraphs 1 to 3,

ii. a share of the capital stock of a family farm or fishing corporation of the individual or the individual's spouse,

iii. an interest in a family farm or fishing partnership of the individual or the individual's spouse, or

iv. a property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), used in the course of carrying on a farming or fishing business in Canada by a person or partnership referred to in any of subparagraphs 1 to 5 of subparagraph i or by a personal trust from which the individual acquired the property;

(a.1*)* "child" means a child within the meaning of subparagraph *d* of the first paragraph of section 451;

(a.2*)* "investment expense" of an individual for a taxation year means an amount equal to the amount by which the aggregate of the amount included in computing the individual's income for the year under section 313.10 and the amount included in computing the individual's taxable income for the year under section 737.0.1 is exceeded by the aggregate of

i. the aggregate of all amounts each of which is an amount deducted in computing his income for the year from property, except to the extent that the amount was otherwise taken into account in computing his investment expense or his investment income for the year, other than any such amount deducted under

(1) section 147, 160, 163, 176, 176.4 or 178, in respect of borrowed money that was used by the individual, or that was used to acquire property that was used by the individual, to make a payment as consideration for an income-averaging annuity contract, to pay a premium under a registered retirement savings plan or to make a contribution to a registered pension plan, a pooled registered pension plan or a deferred profit sharing plan, or

(2) section 177, the first paragraph of section 360 or section 371, 401, 413, 414, 418.1.10 or 418.7,

ii. the aggregate of

(1) all amounts each of which is an amount deducted under section 147, paragraph *d* of section 157 or section 160, 163, 176, 176.4, 178 or 179 in computing his income for the year from a partnership of which he was a specified member in the fiscal period thereof ending in the year, and

(2) all amounts each of which is an amount deducted under section 147.2 or 176.3 in computing his income for the year in respect of an expense incurred by a partnership of which he was a specified member in the fiscal period thereof ending immediately before the partnership ceased to exist,

iii. the aggregate of

(1) all amounts, other than allowable capital losses, each of which is an amount deducted in computing his income for the year in respect of his share of any loss of a partnership of which he was a specified member in the fiscal period thereof ending in the year, and

(2) all amounts each of which is an amount deducted under section 733.0.0.1 in computing his taxable income for the year,

iv. 50% of the aggregate of all amounts each of which is an amount deducted under section 371, 401, 413, 414, 418.1.10 or 418.7 in computing his income for the year in respect of expenses incurred and renounced under section 359.2, 359.2.1, 359.4 or 359.6 by a corporation or in respect of expenses incurred by a partnership of which he was a specified member in the fiscal period of the partnership in which the expense was incurred, other than any such expense that would be referred to in subparagraph i of paragraph *a* of section 726.4.10 if the reference therein to “30 June 1988” were a reference to “31 December 1988”,

v. the aggregate of all amounts each of which is the amount of his loss for the year from property or from renting or leasing a rental property within the meaning of section 130R88 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) or a property described in Class 31 or 32 of Schedule B to the said regulation, if the property was owned by the individual or by a partnership of which he was a member other than a partnership of which he was a specified member in the fiscal period thereof ending in the year, and

vi. the amount by which the aggregate of his net capital losses for other taxation years deducted under section 729 in computing his taxable income for the year exceeds the amount determined in respect of the individual for the year under subparagraph 1 of subparagraph ii of subparagraph *b*;

vii. the amount deducted in computing the individual’s income for the year under section 336.6;

(a.3) (subparagraph repealed);

(a.4) (subparagraph repealed);

(a.5) “interest in a family farm or fishing partnership”, of an individual (other than a trust that is not a personal trust) at any time, means a partnership interest owned by the individual at that time if

i. throughout any 24-month period ending before that time, more than 50% of the fair market value of the property of the partnership was attributable to

(1) property that was used by the partnership or any of the persons or partnerships described in the second paragraph, principally in the course of carrying on a farming or fishing business in Canada in which the individual, a beneficiary referred to in subparagraph *b* of the second paragraph or the spouse, a child or the father or mother of the individual or of such a beneficiary was actively engaged on a regular and continuous basis,

(2) shares of the capital stock or indebtedness of one or more corporations of which all or substantially all of the fair market value of the property was attributable to property described in subparagraph 4,

(3) a partnership interest in or indebtedness of one or more partnerships of which all or substantially all of the fair market value of the property was attributable to property described in subparagraph 4, or

(4) property described in any of subparagraphs 1 to 3, and

ii. at that time, all or substantially all of the fair market value of the property of the partnership was attributable to property described in subparagraph 4 of subparagraph i;

(b) "annual gains limit" of an individual for a taxation year means the amount, if any, by which

i. the lesser of

(1) the amount determined in respect of the individual for the year under paragraph *b* of section 28 in respect of capital gains and capital losses, and

(2) the amount that would be determined in respect of the individual for the year under paragraph *b* of section 28 in respect of capital gains and capital losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were qualified farm properties or qualified fishing properties, within the meaning of subparagraphs *a* and *a*.0.1, as they read before being struck out, qualified farm or fishing properties and qualified small business corporation shares, exceeds

ii. the aggregate of

(1) the amount by which the individual's net capital losses for other taxation years deducted under section 729 in computing the individual's taxable income for the year exceeds the amount by which the amount determined in respect of the individual for the year under paragraph *b* of section 28 in respect of capital gains and capital losses exceeds the amount determined under subparagraph i in respect of the individual for the year, and

(2) the individual's allowable business investment losses for the year;

(c) "cumulative gains limit" of an individual at the end of a taxation year means the amount, if any, by which

i. the aggregate of all amounts determined under subparagraph i of subparagraph *b* in respect of the individual for the year or preceding taxation years that end after 31 December 1984, exceeds

ii. the aggregate of

(1) all amounts determined under subparagraph ii of subparagraph *b* in respect of the individual for the year or preceding taxation years that end after 31 December 1984,

(2) the amount deducted by the individual under subparagraph iii of subparagraph *c* of the first paragraph of section 28 in computing his income for the taxation year 1985,

(3) all amounts deducted by the individual under this Title in computing his taxable income for preceding taxation years, and

(4) the individual's cumulative net investment loss at the end of the year;

(d) "cumulative net investment loss" of an individual at the end of a taxation year means the amount by which

i. the aggregate of all amounts each of which is the investment expense of the individual for the year or a preceding taxation year ending after 31 December 1987, exceeds

ii. the aggregate of all amounts each of which is the investment income of the individual for the year or a preceding taxation year ending after 31 December 1987;

(e) "investment income" of an individual for a taxation year means the aggregate of the following amounts:

i. the aggregate of all amounts each of which is an amount included in computing his income for the year from property, other than an amount included under section 113, paragraph *c* of section 312 or paragraph *c*.1 of section 312, as that paragraph read for that year before being struck out, including any amount so included under section 94 in respect of a property the income from which would be income from property, except to the extent that the amount was otherwise taken into account in computing his investment income or investment expense for the year,

ii. the aggregate of all amounts, other than taxable capital gains, each of which is an amount included in computing his income for the year in respect of his share of the income of a partnership of which he was a specified member in the fiscal period thereof ending in the year, including his share of all amounts included in computing the income of the partnership under section 94,

iii. 50% of all amounts included in computing his income for the year under paragraphs *c* to *e*.1 of section 330,

iv. the aggregate of all amounts each of which is the amount of his income for the year from property or from renting or leasing a rental property within the meaning of section 130R88 of the Regulation respecting the Taxation Act or a property described in Class 31 or 32 of Schedule B to the said regulation, if the property was owned by the individual or by a partnership of which he was a member, other than a partnership of which he was a specified member in the fiscal period thereof ending in the year, including any amount included in computing his income for the year under section 94 in respect of a rental property of the individual or the partnership or in respect of a property any income from which would be income from property,

v. the amount by which the aggregate of all amounts, other than amounts in respect of an income-averaging annuity contract, an income-averaging annuity contract respecting income from artistic activities or an annuity contract purchased pursuant to a deferred profit sharing plan or a revoked plan, referred to in section 879, included in computing the individual's income for the year under paragraph *c* of section 312 or paragraph *c*.1 of section 312, as that paragraph read for the year before being struck out, exceeds the aggregate of all amounts deducted under paragraph *f* of section 336 in computing the individual's income for the year; and

vi. the amount by which the aggregate of all amounts included under paragraph *b* of section 28 in respect of capital gains and capital losses in computing his income for the year exceeds the amount determined in respect of the individual for the year under subparagraph i of subparagraph *b*.

The persons and partnerships referred to in subparagraph 1 of subparagraph i of subparagraph *a*.5 of the first paragraph are

(a) the individual;

(b) where the individual is a personal trust, a beneficiary of the trust;

(c) a spouse, a child or the father or mother of the individual or of a beneficiary referred to in subparagraph *b*;

(d) a corporation, a share of the capital stock of which was a share of the capital stock of a family farm or fishing corporation of the individual, of a beneficiary referred to in subparagraph *b* or of the spouse, a child or the father or mother of the individual or of such a beneficiary; or

(e) a partnership, an interest in which was an interest in a family farm or fishing partnership of the individual, of a beneficiary referred to in subparagraph *b* or of the spouse, a child or the father or mother of the individual or of such a beneficiary.

1987, c. 67, s. 142; 1990, c. 59, s. 258; 1993, c. 16, s. 264; 1994, c. 22, s. 247; 1995, c. 49, s. 164; 1996, c. 39, s. 179; 1997, c. 3, s. 71; 1997, c. 14, s. 104; 1998, c. 16, s. 251; 2004, c. 8, s. 140; 2004, c. 21, s. 120; 2005, c. 1, s. 138; 2005, c. 23, s. 75; 2005, c. 38, s. 89; 2006, c. 13, s. 51; 2007, c. 12, s. 73; 2009, c. 15, s. 114; 2015, c. 21, s. 254; 2017, c. 29, s. 96; 2019, c. 14, s. 189.

726.6.1. In this Title,

"qualified small business corporation share" of an individual, other than a trust that is not a personal trust, at any time, in this definition and the second paragraph referred to as the "determination time", means a share of the capital stock of a corporation that,

(a) at the determination time, is a share of the capital stock of a small business corporation owned by the individual, his spouse or a partnership related to the individual;

(b) throughout the 24 months immediately preceding the determination time, was not owned by anyone other than the individual or a person or partnership related to the individual; and

(c) throughout that part of the 24 months immediately preceding the determination time while it was owned by the individual or a person or partnership related to the individual, was a share of the capital stock of a Canadian-controlled private corporation more than 50% of the fair market value of the assets of which was attributable to

i. assets used principally in a qualified business carried on primarily in Canada by the corporation or by a corporation related to it,

ii. shares of the capital stock or indebtedness of one or more other corporations that are connected, within the meaning of the regulations, with the corporation, if the following conditions are met:

(1) throughout that part of the 24 months immediately preceding the determination time that ends at the time the corporation acquired such a share or indebtedness, the share or indebtedness was not owned by anyone other than the corporation, a person or partnership related to the corporation or a person or partnership related to such a person or partnership, and

(2) throughout that part of the 24 months immediately preceding the determination time while such a share or indebtedness was owned by the corporation, a person or partnership related to it or a person or partnership related to such a person or partnership, it was a share or indebtedness of a Canadian-controlled private corporation more than 50% of the fair market value of the assets of which was attributable to assets described in subparagraph iii, or

iii. assets described in either of subparagraphs i and ii;

"share of the capital stock of a family farm or fishing corporation", of an individual (other than a trust that is not a personal trust) at any time, means a share of the capital stock of a corporation owned by the individual at that time if

(a) throughout any 24-month period ending before that time, more than 50% of the fair market value of the property owned by the corporation was attributable to

i. property that was used principally in the course of carrying on a farming or fishing business in Canada in which an individual referred to in any of subparagraphs 2 to 4 was actively engaged on a regular and continuous basis, by

(1) the corporation,

(2) the individual,

(3) if the individual is a personal trust, a beneficiary under the trust,

(4) the spouse, a child or the father or mother of an individual referred to in subparagraph 2 or 3,

(5) another corporation that is related to the corporation and of which a share of the capital stock was a share of the capital stock of a family farm or fishing corporation of an individual referred to in any of subparagraphs 2 to 4, or

(6) a partnership, an interest in which was an interest in a family farm or fishing partnership of an individual referred to in any of subparagraphs 2 to 4,

ii. shares of the capital stock or indebtedness of one or more corporations of which all or substantially all of the fair market value of the property was attributable to property described in subparagraph iv,

iii. a partnership interest in or indebtedness of one or more partnerships of which all or substantially all of the fair market value of the property was attributable to property described in subparagraph iv, or

iv. property described in any of subparagraphs i to iii; and

(b) at that time, all or substantially all of the fair market value of the property owned by the corporation was attributable to property described in subparagraph iv of paragraph *a*.

For the purposes of the definition of "qualified small business corporation share" in the first paragraph,

(a) where, for any period of time in the 24-month period ending at the determination time, all or substantially all of the fair market value of the assets of a particular corporation that is the corporation or another corporation that was connected with the corporation cannot be attributed to assets described in subparagraph i of subparagraph *c* of the said definition, shares or indebtedness of corporations described in subparagraph 2 of subparagraph ii of subparagraph *c* of the said definition, or any combination thereof, the reference in the said subparagraph 2 to "more than 50%" shall, for the particular period of time, be read as a reference to "all or substantially all" in respect of each other corporation that was connected with the particular corporation and, for the purposes of this subparagraph, a corporation is connected with another corporation only where

i. the corporation is connected, within the meaning of the regulations, with the other corporation, and

ii. the other corporation owns shares of the capital stock of the corporation and, for the purposes of this subparagraph, the other corporation is deemed to own the shares of the capital stock of any corporation that are owned by a corporation any shares of the capital stock of which are owned or are deemed by this subparagraph to be owned by the other corporation;

(b) where, at any time in the 24-month period ending at the determination time, the share was substituted for another share, the share shall be considered to have met the requirements of the said definition only where the other share

i. was not owned by any person or partnership other than a person or partnership described in subparagraph *b* of the said definition throughout the period commencing 24 months before the determination time and ending at the time of substitution, and

ii. was a share of the capital stock of a corporation described in subparagraph *c* of the said definition throughout that part of the period referred to in subparagraph i during which such share was owned by a person or partnership described in subparagraph *b* of the said definition;

(c) where, at any time in the 24-month period ending at the determination time, a share referred to in subparagraph ii of subparagraph *c* of the said definition was substituted for another share, that share shall be considered to have met the requirements of that subparagraph ii only where the other share

i. was not owned by any person or partnership other than a person or partnership described in subparagraph 1 of subparagraph ii of subparagraph *c* of the said definition throughout the period commencing 24 months before the determination time and ending at the time of substitution, and

ii. was a share of the capital stock of a corporation described in subparagraph *c* of the said definition throughout that part of the period referred to in subparagraph i during which such share was owned by a person or partnership described in subparagraph 1 of subparagraph ii of that subparagraph *c*;

(d) a taxpayer is deemed to have disposed of shares that are identical properties in the order in which he acquired them;

(e) in determining whether a corporation is a small business corporation or a Canadian-controlled private corporation at any time, a right referred to in paragraph *b* of section 20 shall not include a right under a purchase and sale agreement relating to a share of the capital stock of a corporation;

(f) a personal trust is deemed

i. to be related to a person or partnership for any period throughout which the person or partnership was a beneficiary of the trust, and

ii. in respect of a share of the capital stock of a corporation, to be related to the person from whom it acquired the share where, at the time the trust disposed of the share, all of the beneficiaries, other than registered charities, of the trust were related to that person or would have been so related if that person were living at that time;

(g) a partnership is deemed to be related to a person for any period throughout which the person was a member of the partnership;

(g.1) a person who is a member of a partnership that is a member of another partnership is deemed to be a member of the other partnership;

(h) a corporation that acquires shares of a class of the capital stock of another corporation from any person is deemed in respect of those shares to be related to the person where all or substantially all of the consideration received by that person from the corporation in respect of those shares was common shares of the capital stock of the corporation;

(i) shares issued after 13 June 1988 by a corporation to a particular person or partnership are deemed to have been owned immediately before their issue by a person who was not related to the particular person or partnership unless the shares were issued

i. as consideration for other shares,

ii. as part of a transaction or series of transactions in which the particular person or partnership disposed of property to the corporation that consisted of

(1) all or substantially all of the assets used in a qualified business carried on by the particular person or the members of that partnership, or

(2) an interest in a partnership all or substantially all of the assets of which were used in a qualified business carried on by the members of the partnership, or

iii. as payment of a stock dividend; and

(j) where, immediately before the death of an individual, a share would, but for subparagraph *a* of the said definition, be a qualified small business corporation share of an individual, the share is deemed to be a qualified small business corporation share of the individual if it was a qualified small business corporation share of the individual at any time in the 12-month period immediately preceding the death of the individual.

For the purposes of the definitions of "qualified small business corporation share" and "share of the capital stock of a family farm or fishing corporation" in the first paragraph, the fair market value of a net income stabilization account or of a farm income stabilization account is deemed to be nil.

For the purposes of the definitions of "qualified small business corporation share" and "share of the capital stock of a family farm corporation" in the first paragraph, the fair market value of a net income stabilization account or of a farm income stabilization account is deemed to be nil.

1990, c. 59, s. 259; 1993, c. 16, s. 265; 1994, c. 22, s. 248; 1995, c. 49, s. 165; 1996, c. 39, s. 180; 1997, c. 3, s. 31; 2000, c. 5, s. 155; 2004, c. 21, s. 121; 2007, c. 12, s. 74; 2009, c. 5, s. 243; 2017, c. 29, s. 97.

726.6.2. For the purposes of the definition of "small business corporation" in section 1, of subparagraph *a*.2 of the first paragraph of section 451, of the definitions of "qualified small business corporation share" and "share of the capital stock of a family farm or fishing corporation" in the first paragraph of section 726.6.1, and of the second paragraph of section 726.6.1, the following rules apply:

(a) where a person, in this section referred to as the "insured", whose life was insured under an insurance policy owned by a particular corporation, owned particular shares of the capital stock of the particular corporation, any corporation connected with the particular corporation or with which the particular corporation is connected or any other corporation connected with any such corporation or with which any such corporation is connected, within the meaning of the regulations,

i. the fair market value of the life insurance policy is deemed, at any time before the death of the insured, to be its cash surrender value, within the meaning of paragraph *d* of section 966, at that time, and

ii. the total fair market value of assets described in the second paragraph—other than assets described in subparagraphs i to iii of paragraph *c* of the definition of "qualified small business corporation share" in the first paragraph of section 726.6.1, subparagraphs i to iii of paragraph *a* of the definition of "share of the capital stock of a family farm or fishing corporation" in that first paragraph, or paragraphs *a* to *c* of the definition of "small business corporation" in section 1, as the case may be—of any of those corporations not in excess of the fair market value of the assets immediately after the death of the insured is deemed, until the later of the redemption, acquisition or cancellation referred to in subparagraph *b* of the second paragraph and the day that is 60 days after the payment of the proceeds under the policy, not to exceed the cash surrender value, within the meaning of paragraph *d* of section 966, of the life insurance policy immediately before the death of the insured; and

(b) the fair market value of an asset of a particular corporation that is a share of the capital stock or indebtedness of another corporation with which the particular corporation is connected is deemed to be nil.

The assets referred to in subparagraph ii of subparagraph *a* of the first paragraph are

(a) the proceeds, the right to receive the proceeds or attributable to the proceeds of the life insurance policy of which the particular corporation was a beneficiary, and

(b) used, directly or indirectly, within the 24-month period commencing at the time of the death of the insured or, where written application therefor is made by the particular corporation within that period, within

such longer period as the Minister considers reasonable in the circumstances, to redeem, acquire or cancel the particular shares owned by the insured immediately before the death of the insured.

For the purposes of subparagraph *b* of the first paragraph, a particular corporation is connected with another corporation only where

(a) the particular corporation is connected, within the meaning of subparagraph *a* of the second paragraph of section 726.6.1, with the other corporation; and

(b) the other corporation is not connected, within the meaning of the regulations if the latter were read without reference to subparagraph *b* of the first paragraph of section 739, with the particular corporation.

Subparagraph *b* of the first paragraph applies only in determining whether a share of the capital stock of another corporation with which the particular corporation referred to in that subparagraph *b* is connected is a qualified small business corporation share or a share of the capital stock of a family farm or fishing corporation and in determining whether the other corporation is a small business corporation.

1993, c. 16, s. 266; 1995, c. 49, s. 166; 1997, c. 3, s. 71; 2012, c. 8, s. 68; 2017, c. 29, s. 98.

726.6.3. For the purposes of subparagraph *a*.0.2 of the first paragraph of section 726.6, at any time, a property owned at that time by an individual, the individual's spouse or a partnership, an interest in which is an interest in a family farm or fishing partnership of the individual or of the individual's spouse will not be considered to have been used in the course of carrying on a farming or fishing business in Canada, unless

(a) the property or a property for which the property was substituted meets the following conditions:

i. throughout the period of at least 24 months preceding that time, the property was owned by any one or more of

(1) the individual or the spouse, a child or the father or mother of the individual,

(2) a partnership, an interest in which is an interest in a family farm or fishing partnership of the individual or of the individual's spouse,

(3) if the individual is a personal trust, the individual from whom the trust acquired the property or the spouse, a child or the father or mother of the individual, or

(4) a personal trust from which the individual or a child or the father or mother of the individual acquired the property, and

ii. either

(1) in at least two years while the property was owned by one or more persons or partnerships referred to in subparagraph i, the property was used principally in a farming or fishing business carried on in Canada in which an individual referred to in subparagraph i, or where the individual is a personal trust, a beneficiary under the trust, was actively engaged on a regular and continuous basis, and the gross revenue of a person referred to in subparagraph i (in this subparagraph 1 referred to as the "operator") from such a business for the period during which the property was owned by a person or partnership referred to in subparagraph i exceeded the income of the operator from all other sources for that period, or

(2) throughout a period of at least 24 months while the property was owned by one or more persons or partnerships referred to in subparagraph i, the property was used by a corporation described in subparagraph 4 of subparagraph i of subparagraph *a*.0.2 of the first paragraph of section 726.6 or by a partnership described in subparagraph 5 of that subparagraph i in a farming or fishing business in which an individual referred to in any of subparagraphs 1 to 3 of that subparagraph i was actively engaged on a regular and continuous basis; and

(b) (subparagraph repealed);

(c) if the property or a property for which the property was substituted was last acquired by the individual or a partnership before 18 June 1987 or after 17 June 1987 under an agreement in writing entered into before that date,

i. in the year the property was disposed of by the individual, the property was used principally in the course of carrying on a farming business in Canada by

(1) the individual or the spouse, a child or the father or mother of the individual,

(2) a beneficiary described in subparagraph 2 of subparagraph i of subparagraph *a*.0.2 of the first paragraph of section 726.6, or the spouse, a child or the father or mother of that beneficiary,

(3) a corporation described in subparagraph 4 of subparagraph i of subparagraph *a*.0.2 of the first paragraph of section 726.6,

(4) a partnership described in subparagraph 5 of subparagraph i of subparagraph *a*.0.2 of the first paragraph of section 726.6, or

(5) a personal trust from which the individual acquired the property, or

ii. in at least five years during which the property was owned by any of the persons or partnerships described in subparagraph i, the property was used principally in the course of carrying on a farming business in Canada by any of those persons or partnerships.

Where, at any time, a qualified farm or fishing property is encumbered with a real servitude, the property that results from the establishment of that servitude is considered, at that time, to have been used in the course of carrying on a farming or fishing business in Canada only if the qualified farm or fishing property so encumbered satisfies the conditions set out in subparagraphs *a* and *c* of the first paragraph.

2007, c. 12, s. 75; 2015, c. 21, s. 255; 2017, c. 29, s. 99; 2019, c. 14, s. 190.

726.6.4. *(Repealed).*

2007, c. 12, s. 75; 2017, c. 29, s. 100.

CHAPTER II

DEDUCTIONS

1987, c. 67, s. 142.

726.7. In computing the taxable income for a taxation year of an individual other than a trust, there shall be deducted, if the individual was resident in Canada throughout the year and disposed of qualified farm or fishing property in the year or a preceding taxation year or disposed of qualified farm property or qualified fishing property before 1 January 2014, an amount equal to the least of

(a) the amount determined by the formula

$$[\$500{,}000 - (A + B + C + D)] \times E;$$

(b) his cumulative gains limit at the end of the year;

(c) his annual gains limit for the year;

(d) the amount that would be determined in respect of the individual for the year under paragraph *b* of section 28 in respect of capital gains and capital losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were qualified farm properties, qualified fishing properties or qualified farm or fishing properties; and

(e) the amount that is allowed as a deduction in computing the individual's taxable income for the year for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) under section 110.6 of that Act, in respect of properties referred to in this paragraph or, if the amount that is so allowed as a deduction is equal to the maximum amount that the individual may claim as a deduction in that computation under that section in respect of such properties, the amount that the individual specifies and that is not less than that maximum amount.

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

(a) A is the aggregate of all amounts each of which is an amount deducted under this Title in computing the individual's taxable income for a preceding taxation year that ended before 1 January 1988 or began after 17 October 2000;

(b) B is the aggregate of all amounts each of which is

i. 3/4 of an amount deducted under this Title in computing the individual's taxable income for a preceding taxation year that ended after 31 December 1987 but before 1 January 1990, other than amounts deducted under this Title for a taxation year in respect of an amount that was included in computing an individual's income for that year by reason of subparagraph ii of paragraph *a* of section 105, as that subparagraph applied for a taxation year that ended before 28 February 2000, or

ii. 3/4 of an amount deducted under this Title in computing the individual's taxable income for a preceding taxation year that began after 28 February 2000 and ended before 17 October 2000;

(c) C is 2/3 of the aggregate of all amounts each of which is an amount deducted under this Title in computing the individual's taxable income

i. for a preceding taxation year that ended after 31 December 1989 but before 28 February 2000, or

ii. in respect of an amount that was included in computing the individual's income for a preceding taxation year that began after 31 December 1987 and ended before 1 January 1990, by reason of subparagraph ii of paragraph *a* of section 105, as that subparagraph applied for a taxation year that ended before 28 February 2000;

(d) D is the aggregate of all amounts each of which is, in relation to an amount deducted under this Title in computing the individual's taxable income for a preceding taxation year that includes 28 February 2000 or 17 October 2000, the product obtained when that amount is multiplied by the reciprocal of the fraction determined in respect of the individual under subparagraph i of subparagraph *e* for that preceding taxation year; and

(e) E is

i. in the case of a taxation year that includes 28 February 2000 or 17 October 2000 or that begins after 28 February 2000 and ends before 17 October 2000, the fraction determined by the formula

$[2 \times (F + G)]/H$, and

ii. in any other case, 1.

In the formula provided for in subparagraph i of subparagraph *e* of the second paragraph,

(a) F is the amount deemed by section 105.3 to be a taxable capital gain of the individual for the year;

(b) G is the amount by which the amount determined in respect of the individual for the year under paragraph *b* of section 28 exceeds the amount deemed by section 105.3 to be a taxable capital gain of the individual for the year; and

(c) H is the aggregate of

i. the amount deemed by section 105.3 to be a taxable capital gain of the individual for the year multiplied by

(1) where that amount is the amount referred to in subparagraph *a* of the first paragraph of section 105.3, the reciprocal of the fraction obtained by multiplying 3/4 by the fraction in section 105.2 that applies to the individual for the year,

(2) where that amount is the amount referred to in subparagraph *b* of the first paragraph of section 105.3 and the year does not end after 27 February 2000 and before 18 October 2000, 2, and

(3) where that amount is the amount referred to in subparagraph *b* of the first paragraph of section 105.3 and the year ends after 27 February 2000 and before 18 October 2000, 3/2, and

ii. the excess referred to in subparagraph *b* multiplied by the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for the year.

For the purposes of the first paragraph, "qualified farm property" and "qualified fishing property" have the meaning assigned by section 726.6, as it read before subparagraphs *a* and *a*.0.1 of the first paragraph of that section were struck out.

For the purposes of subparagraph *e* of the first paragraph, where section 517.5.5 applies in respect of the disposition in a taxation year of eligible shares of an individual that are described in paragraph *a* of the definition of that expression in the first paragraph of section 517.5.3 and where subsection 1 of section 84.1 of the Income Tax Act applies in respect of the disposition, the amount that would be determined in respect of the individual for the year under paragraph *b* of section 28 if those shares were the only properties referred to in that paragraph *b* is deemed to have been allowed as a deduction in computing the individual's taxable income for the year for the purposes of the Income Tax Act under section 110.6 of that Act in respect of qualified farm or fishing properties.

Sections 21.4.6 and 21.4.7 apply, with the necessary modifications, in relation to a claim for a deduction made under section 110.6 of the Income Tax Act in respect of properties referred to in the first paragraph.

1987, c. 67, s. 142; 1990, c. 59, s. 260; 1994, c. 22, s. 249; 1996, c. 39, s. 181; 2003, c. 2, s. 200; 2007, c. 12, s. 76; 2009, c. 5, s. 244; 2009, c. 15, s. 115; 2015, c. 24, s. 94; 2017, c. 1, s. 172; 2017, c. 29, s. 101; 2021, c. 36, s. 72.

726.7.0.1. Where the second amount in dollars referred to in subparagraph *a* of the first paragraph of section 726.7.1 is, with reference to section 693.5, greater than $500,000 for a taxation year, the following rules apply:

(a) the amount of $500,000 in the formula in subparagraph *a* of the first paragraph of section 726.7 is to be replaced for the year by that greater amount; and

(b) section 726.19.1 is to be read for the year without reference to its third paragraph.

2015, c. 24, s. 95.

726.7.1. An individual other than a trust, in computing his taxable income for a taxation year, shall deduct, if he was resident in Canada throughout the year and disposed in the year or a preceding taxation year and after 17 June 1987 of a share of a corporation that, at the time of disposition, was a qualified small business corporation share of the individual, an amount equal to the least of

(a) the amount that would be determined by the formula in subparagraph *a* of the first paragraph of section 726.7 in respect of the individual for the year, if that formula were read as if "$500,000" were replaced by "$400,000";

(b) the amount by which his cumulative gains limit at the end of the year exceeds the amount deducted under section 726.7 in computing his taxable income for the year;

(c) the amount by which his annual gains limit for the year exceeds the amount deducted under section 726.7 in computing his taxable income for the year;

(d) the amount that would be determined in respect of the individual for the year under paragraph *b* of section 28, to the extent that that amount is not included in computing the amount determined in respect of the individual under subparagraph d of the first paragraph of section 726.7, in respect of capital gains and capital losses if the only properties referred to in paragraph *b* of section 28 were qualified small business corporation shares of the individual; and

(e) the amount that is allowed as a deduction in computing the individual's taxable income for the year for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) under section 110.6 of that Act, in respect of qualified small business corporation shares or, if the amount that is so allowed as a deduction is equal to the maximum amount that the individual may claim as a deduction in that computation under that section in respect of such shares, the amount that the individual specifies and that is not less than that maximum amount.

For the purposes of subparagraph *e* of the first paragraph, where section 517.5.5 applies in respect of the disposition in a taxation year of eligible shares of an individual that are described in paragraph *b* of the definition of that expression in the first paragraph of section 517.5.3 and where subsection 1 of section 84.1 of the Income Tax Act applies in respect of the disposition, the amount that would be determined in respect of the individual for the year under paragraph *b* of section 28 if those shares were the only properties referred to in that paragraph *b* is deemed to have been allowed as a deduction in computing the individual's taxable income for the year for the purposes of the Income Tax Act under section 110.6 of that Act in respect of qualified small business corporation shares.

Sections 21.4.6 and 21.4.7 apply, with the necessary modifications, in relation to a claim for a deduction made under section 110.6 of the Income Tax Act in respect of qualified small business corporation shares.

1990, c. 59, s. 261; 1996, c. 39, s. 182; 1997, c. 3, s. 71; 2003, c. 2, s. 201; 2007, c. 12, s. 77; 2009, c. 5, s. 245; 2015, c. 24, s. 96; 2017, c. 1, s. 173; 2017, c. 29, s. 102; 2021, c. 36, s. 73.

726.7.2. *(Repealed).*

2004, c. 21, s. 122; 2007, c. 12, s. 78; 2009, c. 5, s. 246; 2017, c. 1, s. 174; 2017, c. 29, s. 103.

726.7.3. *(Repealed).*

2009, c. 15, s. 116; 2017, c. 29, s. 103.

726.8. *(Repealed).*

1987, c. 67, s. 142; 1990, c. 59, s. 262; 1994, c. 22, s. 250; 1996, c. 39, s. 183.

726.9. Despite sections 726.7 and 726.7.1, the total amount that may be deducted under this Title in computing an individual's taxable income for a taxation year must not exceed the amount determined by the formula in subparagraph *a* of the first paragraph of section 726.7 in respect of the individual for the year.

1987, c. 67, s. 142; 1990, c. 59, s. 263; 1996, c. 39, s. 184; 2003, c. 2, s. 202; 2004, c. 21, s. 123; 2009, c. 15, s. 117; 2017, c. 29, s. 104
.

726.9.1. For the purposes of subparagraph i of subparagraph *b* of the second paragraph of section 726.7 and subparagraph ii of subparagraph *c* of that paragraph, amounts deducted under this Title in computing an individual's taxable income for a taxation year that ended before 1 January 1990 are deemed to have first been deducted in respect of amounts that were included in computing the individual's income under this Part for the year because of subparagraph ii of paragraph *a* of section 105, as it applied to a taxation year that ended before 28 February 2000, before being deducted in respect of any other amounts that were included in computing the individual's income under this Part for the year.

1994, c. 22, s. 251; 1996, c. 39, s. 185; 2003, c. 2, s. 202.

CHAPTER II.1

ELECTION FOR PROPERTY OWNED BY AN INDIVIDUAL ON 22 FEBRUARY 1994

1996, c. 39, s. 186.

726.9.2. Subject to section 726.9.3, where an individual, other than a trust, or a personal trust, each of which is referred to in this chapter as the "elector", elects in prescribed form to have the provisions of this section apply in respect of

(a) a capital property, other than an interest in a trust referred to in any of paragraphs *b* to *f* of the definition of "flow-through entity" in the first paragraph of section 251.1, owned at the end of 22 February 1994 by the elector, the property is deemed, except for the purposes of Division VI of Chapter II of Title II of Book III, sections 218 to 220 and paragraph *a* of section 725.3,

i. to have been disposed of by the elector at that time for proceeds of disposition equal to the greater of

(1) the amount by which the amount designated in respect of the capital property in the election exceeds the amount that would, if the disposition were a disposition for the purposes of Division VI of Chapter II of Title II of Book III or sections 218 to 220, be included under that division and those sections as a result of the disposition in computing the income of the elector, and

(2) the adjusted cost base to the elector of the capital property immediately before the disposition, and

ii. to have been reacquired by the elector immediately after that time at a cost equal to

(1) where the capital property is an interest in or a share of the capital stock of a flow-through entity, within the meaning assigned by section 251.1, of the elector, the cost to the elector of the property immediately before the disposition referred to in subparagraph i,

(2) where an amount would, if the disposition referred to in subparagraph i were a disposition for the purposes of Division VI of Chapter II of Title II of Book III or sections 218 to 220, be included under that division and those sections as a result of the disposition in computing the income of the elector, the lesser of the elector's proceeds of disposition of the property determined under subparagraph i, and the amount determined by the formula

A − B;

(3) in any other case, the lesser of the amount designated in respect of the capital property in the election, and the amount by which the fair market value of the property at that time exceeds the amount determined by the formula

C − 1.1D;

(b) a business carried on by the elector, otherwise than as a member of a partnership, on 22 February 1994,

i. the amount that would be determined under subparagraph ii of paragraph *a* of section 105 at the end of 22 February 1994 in respect of the elector if the fiscal period of the business ended at that time and all the incorporeal capital property owned at that time by the elector in respect of the business were disposed of by the elector immediately before that time for proceeds of disposition equal to the amount designated in the election in respect of the business is deemed to be a taxable capital gain of the elector for the taxation year in which the fiscal period of the business that includes that time ends from the disposition of a particular property, and

ii. for the purposes of subparagraph *b* of the first paragraph of section 106.1, the amount of the taxable capital gain determined under subparagraph i is deemed to have been claimed, by a person who does not deal at arm's length with each particular person or partnership that does not deal at arm's length with the elector, as a deduction under this Title in respect of a disposition at that time of the incorporeal capital property; and

(c) an interest owned at the end of 22 February 1994 by the elector in a trust referred to in any of paragraphs *b* to *f* of the definition of "flow-through entity" in the first paragraph of section 251.1, the elector is deemed to have a capital gain for the year from the disposition on 22 February 1994 of property equal to the lesser of

i. the total of amounts designated in elections made under this section by the elector in respect of interests in the trust, and

ii. 4/3 of the amount that would, if all of the trust's capital properties were disposed of at the end of 22 February 1994 for proceeds of disposition equal to their fair market value at that time and that portion of the trust's capital gains and capital losses or its net taxable capital gains, as the case may be, arising from the dispositions as can reasonably be considered to represent the elector's share thereof were allocated to or designated in respect of the elector, be the increase in the annual gains limit of the elector for the 1994 taxation year as a result of the dispositions.

For the purposes of the formulas in subparagraphs 2 and 3 of subparagraph ii of subparagraph *a* of the first paragraph,

(a) A is the amount by which the fair market value of the capital property at the end of 22 February 1994 exceeds the amount that would, if the disposition referred to in subparagraph i of subparagraph *a* of the first paragraph were a disposition for the purposes of Division VI of Chapter II of Title II of Book III or sections 218 to 220, be included under that division and those sections as a result of the disposition in computing the income of the elector;

(b) B is the amount that would be determined by the formula in subparagraph 3 of subparagraph ii of subparagraph *a* of the first paragraph in respect of the capital property if that subparagraph 3 applied to the property;

(c) C is the amount designated in respect of the capital property in the election; and

(d) D is the fair market value of the capital property at the end of 22 February 1994.

For the purposes of this Title, the elector is deemed to have disposed of the particular property referred to in subparagraph i of subparagraph *b* of the first paragraph at the end of 22 February 1994.

1996, c. 39, s. 186; 1997, c. 3, s. 71; 2001, c. 53, s. 260; 2003, c. 2, s. 203; 2005, c. 1, s. 139.

726.9.3. Section 726.9.2 applies to a property or to a business of an elector only if

(a) where the elector is an individual, other than a trust,

i. its application to all of the properties in respect of which elections were made under that section by the elector or a spouse of the elector and to all the businesses in respect of which elections were made under that section by the elector

(1) would result in an increase in the amount deductible under section 726.8 in computing the taxable income of the elector or a spouse of the elector, and

(2) in respect of each of the taxation years 1994 and 1995, where no part of the taxable capital gain resulting from an election by the elector is included in computing the income of a spouse of the elector, would not result in the amount determined under paragraph *a* of section 726.8 for the year in respect of the elector being exceeded by the lesser of the amounts determined under paragraphs *b* and *c* of section 726.8 for the year in respect of the elector, and where no part of the taxable capital gain resulting from an election by the elector is included in computing the income of the elector, would not result in the amount determined under paragraph *a* of section 726.8 for the year in respect of a spouse of the elector being exceeded by the lesser of the amounts determined under paragraphs *b* and *c* of section 726.8 for the year in respect of the spouse,

ii. the amount designated in the election in respect of the property exceeds 11/10 of its fair market value at the end of 22 February 1994, or

iii. the amount designated in the election in respect of the business is $1.00 or exceeds 11/10 of the fair market value at the end of 22 February 1994 of all the incorporeal capital property owned at that time by the elector in respect of the business; and

(b) where the elector is a personal trust, its application to all of the properties in respect of which an election was made under that section 726.9.2 by the elector would result in

i. an increase in the amount deemed by section 668.1 to be a taxable capital gain of an individual, other than a trust, who was a beneficiary under the trust at the end of 22 February 1994 and resident in Canada at any time in the individual's taxation year in which the trust's taxation year that includes that day ends, or

ii. where section 726.19 applies to the trust for the trust's taxation year that includes 22 February 1994, an increase in the amount deductible under that section in computing the trust's taxable income for that year.

1996, c. 39, s. 186; 2005, c. 1, s. 140.

726.9.4. Where an elector is deemed by section 726.9.2 to have disposed of a non-qualifying immovable property,

(a) in computing the elector's taxable capital gain from the disposition, there shall be deducted an amount equal to 3/4 of the amount by which the elector's capital gain from the disposition exceeds the elector's eligible immovable property gain from the disposition; and

(b) in determining at any time after the disposition the capital cost to the elector of the property, where it is a depreciable property, and the adjusted cost base to the elector of the property in any other case, other than where the property was at the end of 22 February 1994 an interest in or a share of the capital stock of a flow-through entity within the meaning assigned by the first paragraph of section 251.1, there shall be deducted 4/3 of the amount determined under paragraph *a* in respect of the property.

1996, c. 39, s. 186.

726.9.5. Where an elector is deemed by subparagraph *a* of the first paragraph of section 726.9.2 to have reacquired a property, there shall be deducted in computing the adjusted cost base to the elector of the property at any time after the reacquisition the amount by which

(a) the amount by which the amount designated in the election under section 726.9.2 in respect of the property exceeds the product obtained by multiplying 1.1 by the fair market value of the property at the end of 22 February 1994, exceeds

(b) where the property is an interest in or a share of the capital stock of a flow-through entity, within the meaning assigned by the first paragraph of section 251.1, 4/3 of the taxable capital gain that would have resulted from the election if the amount designated in the election were equal to the fair market value of the property at the end of 22 February 1994 and, in any other case, the fair market value of the property at the end of 22 February 1994.

1996, c. 39, s. 186.

726.9.6. Where an elector is deemed by section 726.9.2 to have disposed of an interest in a partnership, in computing the adjusted cost base to the elector of the interest immediately before the disposition

(a) there shall be added the amount determined by the formula

$$(A - B) \times (C / D) + E;$$ and

(b) there shall be deducted the amount determined by the formula

$$(B - A) \times (C / D) - E.$$

For the purposes of the formulas in subparagraphs *a* and *b* of the first paragraph,

(a) A is the aggregate of all amounts each of which is the elector's share of the partnership's income, other than a taxable capital gain from the disposition of a property, from a source in Canada or from sources in another place for its fiscal period that includes 22 February 1994, in this paragraph referred to as the "particular period" ;

(b) B is the aggregate of all amounts each of which is the elector's share of the partnership's loss, other than an allowable capital loss from the disposition of a property, from a source in Canada or from sources in another place for the particular period;

(c) C is the number of days in the period that begins the first day of the particular period and ends on 22 February 1994;

(d) D is the number of days in the particular period; and

(e) E is 4/3 of the amount that would be determined under paragraph *b* of section 28 in computing the elector's income for the taxation year in which the particular period ends if the elector had no taxable capital gains or allowable capital losses other than those arising from dispositions of property by the partnership that occurred before 23 February 1994.

1996, c. 39, s. 186; 1997, c. 3, s. 71.

726.9.7. An election made under section 726.9.2 shall be filed with the Minister

(a) where the elector is an individual, other than a trust,

i. if the election is in respect of a business of the elector, on or before the individual's filing-due date for the taxation year in which the fiscal period of the business that includes 22 February 1994 ends, and

ii. in any other case, on or before the day on or before which the individual is required to file his fiscal return under section 1000 for the taxation year 1994; and

(b) where the elector is a personal trust, on or before 31 March of the calendar year following the calendar year in which the taxation year of the trust that includes 22 February 1994 ends.

1996, c. 39, s. 186; 1997, c. 31, s. 70.

726.9.8. Subject to section 726.9.11, an elector may revoke an election made under section 726.9.2 by filing a written notice of the revocation with the Minister on or before 31 December 1997.

1996, c. 39, s. 186.

726.9.9. Where an election made under section 726.9.2 is filed with the Minister after the time prescribed in section 726.9.7, the election is deemed for the purposes of this Title, except section 726.9.12, to have been filed within the time prescribed if it is filed within two years after the expiry of the time limit and if an estimate of the penalty under section 726.9.12 is paid by the elector when the election is filed with the Minister.

1996, c. 39, s. 186; 2001, c. 7, s. 86.

726.9.10. Subject to section 726.9.11, an election made under section 726.9.2 in respect of a property or a business is deemed to be amended and the election, as amended, is deemed, for the purposes of this Title, other than section 726.9.12, to have been filed within the time prescribed in section 726.9.7 if an amended election in prescribed form in respect of the property or the business is filed with the Minister on or before 31 December 1997 and an estimate of the penalty under section 726.9.12 is paid by the elector when the amended election is filed with the Minister.

1996, c. 39, s. 186; 2000, c. 5, s. 156.

726.9.11. An election made under section 726.9.2 cannot be revoked or amended where the amount designated in the election exceeds the product obtained by multiplying 11/10 by

(a) if the election is in respect of a property other than an interest in a partnership, the fair market value of the property at the end of 22 February 1994;

(b) if the election is in respect of an interest in a partnership, the greater of $1 and the fair market value of the property at the end of 22 February 1994; and

(c) if the election is in respect of a business, the greater of $1 and the fair market value at the end of 22 February 1994 of all the incorporeal capital property owned at that time by the elector in respect of the business.

1996, c. 39, s. 186; 2000, c. 5, s. 157; 2005, c. 1, s. 141.

726.9.12. The penalty in respect of an election to which section 726.9.9 or 726.9.10 applies is the amount determined by the formula

$(A \times B) / 300.$

For the purposes of the formula in the first paragraph,

(a) A is the number of months each of which is a month all or part of which is during the period that begins the day after the expiry of the time prescribed in section 726.9.7 and ends the day the election to which section 726.9.9 applies or the amended election to which section 726.9.10 applies, as the case may be, is filed with the Minister; and

(b) B is the amount by which the aggregate of all amounts each of which is the taxable capital gain of the elector or a spouse of the elector that results from the application of section 726.9.2 to the property or the business in respect of which the election is made exceeds, where section 726.9.10 applies to the election, the aggregate of all amounts each of which would, if this Act were read without reference to sections 726.9.3 and 726.9.10, be the taxable capital gain of the elector or a spouse of the elector that resulted from the application of section 726.9.2 to the property or the business.

1996, c. 39, s. 186.

726.9.13. The Minister shall, with all due dispatch, examine each election to which section 726.9.9 or 726.9.10 applies, assess the penalty payable and send a notice of assessment to the elector who made the election, and the elector shall pay forthwith to the Minister the unpaid balance of the penalty.

1996, c. 39, s. 186.

CHAPTER III

SPECIAL RULES OF APPLICATION

1987, c. 67, s. 142.

726.10. For the purposes of sections 726.7 and 726.7.1, an individual is deemed to have been resident in Canada throughout a particular taxation year if the individual was resident in Canada at any time in the particular year and throughout the preceding taxation year or the following taxation year.

1987, c. 67, s. 142; 1990, c. 59, s. 264; 1996, c. 39, s. 187; 2004, c. 21, s. 124; 2009, c. 15, s. 118; 2017, c. 29, s. 105.

726.11. Despite sections 726.7 and 726.7.1, no amount may be deducted under this Title in respect of the capital gain of an individual for a particular taxation year in computing the individual's taxable income for the particular year or any subsequent taxation year, if the individual knowingly or under circumstances amounting to gross negligence

(a) fails to file the individual's fiscal return for the particular year within one year after the individual's filing-due date for the particular year; or

(b) fails to report the capital gain in the fiscal return the individual was required to file for the particular year under section 1000.

1987, c. 67, s. 142; 1990, c. 59, s. 265; 1996, c. 39, s. 188; 1997, c. 31, s. 71; 2004, c. 21, s. 125; 2007, c. 12, s. 79; 2009, c. 15, s. 119; 2015, c. 21, s. 256; 2017, c. 29, s. 106.

726.12. For the purposes of section 726.11, the Minister establishes the facts justifying that the individual may not make a deduction under this Title.

1987, c. 67, s. 142; 2007, c. 12, s. 79.

726.13. Despite sections 726.7 and 726.7.1, no amount may be deducted under this Title in computing an individual's taxable income for a taxation year in respect of a capital gain of the individual for the year, if the capital gain is from the disposition of a property, which disposition is part of a series of transactions or events

(a) that includes a dividend received by a corporation to which dividend section 308.1 does not apply but would apply if this Act were read without reference to section 308.3; or

(b) in which any property is acquired by a corporation or partnership for consideration that is significantly less than the fair market value of the property at the time of acquisition, other than an acquisition as the result of an amalgamation or merger of corporations or the winding-up of a corporation or partnership or a distribution of property of a trust in satisfaction of all or part of a corporation's capital interest in the trust.

1987, c. 67, s. 142; 1990, c. 59, s. 266; 1996, c. 39, s. 189; 1997, c. 3, s. 71; 2007, c. 12, s. 80; 2009, c. 15, s. 120; 2017, c. 29, s. 107.

726.14. Despite sections 726.7 and 726.7.1, where an individual has a capital gain for a taxation year from the disposition of property, no amount in respect of that capital gain shall be deducted under this Title in computing the individual's taxable income for the year if it may reasonably be considered, having regard to all the circumstances, that a significant portion of the capital gain is attributable to the fact that dividends were not paid on a share, other than a prescribed share, or that dividends paid on such a share in the year or in any preceding taxation year were less than 90% of the average annual rate of return on that share for that year.

1987, c. 67, s. 142; 1990, c. 59, s. 267; 1996, c. 39, s. 189; 2007, c. 12, s. 81; 2009, c. 15, s. 121; 2017, c. 29, s. 108.

726.15. For the purposes of section 726.14, the average annual rate of return on a share other than a prescribed share of a corporation for a taxation year is the annual rate of return by way of dividends that a knowledgeable and prudent investor who purchased the share on the day it was issued would expect to receive in that year, other than the first year after the issue, in respect of the share if

(a) there was no delay or postponement of the payment of dividends and no failure to pay dividends in respect of the share;

(b) there was no variation from year to year in the amount of dividends payable in respect of the share other than where the amount of dividends payable is expressed as an invariant percentage of or by reference to an invariant difference between the dividend expressed as a rate of interest and a generally quoted market interest rate; and

(c) the proceeds to be received by the investor on the disposition of the share is the same amount the corporation received as consideration on the issue of the share.

1987, c. 67, s. 142; 1997, c. 3, s. 71.

726.16. *(Repealed).*

1987, c. 67, s. 142; 1990, c. 59, s. 268.

726.17. Notwithstanding any other provision of this Act, where it may reasonably be considered that one of the main reasons for an individual acquiring, holding or having an interest in a partnership or trust, other than an interest in a personal trust, or a share of an investment corporation, mortgage investment corporation or mutual fund corporation, or that one of the main reasons for the existence of any terms, conditions, rights or other attributes of the interest or share, as the case may be, is to enable the individual to receive or have allocated to him a percentage of any capital gain or taxable capital gain of the partnership, trust or corporation that is larger than the percentage of the income of the partnership, trust or corporation to which the individual is entitled, the following rules apply:

(a) no amount may be deducted under this Title by the individual in respect of any gain contemplated in this section allocated or distributed to him after 21 November 1985; and

(b) where the individual is a trust, any gain contemplated in this section allocated or distributed to it after 21 November 1985 shall not be included in computing its eligible taxable capital gain within the meaning of section 668.4.

1987, c. 67, s. 142; 1990, c. 59, s. 269; 1996, c. 39, s. 273; 1997, c. 3, s. 32.

726.18. *(Repealed).*

1987, c. 67, s. 142; 1988, c. 18, s. 64; 1990, c. 59, s. 270.

726.19. *(Repealed).*

1987, c. 67, s. 142; 1990, c. 59, s. 271; 1994, c. 22, s. 252; 1996, c. 39, s. 190; 1997, c. 3, s. 71; 2003, c. 2, s. 204; 2007, c. 12, s. 82; 2015, c. 21, s. 257; 2017, c. 29, s. 109.

726.19.1. Where an amount is included in computing an individual's income for a particular taxation year because of the second paragraph of section 234 in respect of a disposition of property in a preceding taxation year that, at the time of the disposition, is qualified farm property or qualified fishing property, within the meaning assigned by section 726.6, as it read before subparagraphs *a* and *a*.0.1 of the first paragraph of that section were struck out, a qualified small business corporation share or qualified farm or fishing property, the total of all amounts deductible by the individual for the particular year under this Title is reduced by the amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount deductible under this Title by the individual for the particular year or a preceding taxation year, computed without reference to this section; and

(b) B is the aggregate of all amounts each of which is an amount that would be deductible under this Title by the individual for the particular year or a preceding taxation year if the individual had not for any preceding taxation year claimed a reserve under subparagraph *b* of the first paragraph of section 234 and had claimed, for each taxation year ending before the particular year, the amount that would have been deductible under this Title.

This section does not apply in respect of a disposition of qualified farm or fishing property after 2 December 2014.

2009, c. 15, s. 122; 2015, c. 24, s. 97; 2017, c. 29, s. 110.

726.20. For the purposes of this Title, the excess amount determined under paragraph *b* of section 28 in respect of an individual for a period throughout which he was not resident in Canada is nil.

1987, c. 67, s. 142.

TITLE VI.5.1

ADDITIONAL CAPITAL GAINS EXEMPTION IN RESPECT OF CERTAIN RESOURCE PROPERTIES

1993, c. 19, s. 43.

CHAPTER I

INTERPRETATION

1993, c. 19, s. 43.

726.20.1. In this Title,

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

(a) subject to the third paragraph, the amount by which the amount determined under the second paragraph is exceeded by 1/2 of

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

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

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

iv. where the particular property was owned by a particular partnership of which the individual is a member, whether directly or indirectly through another partnership, immediately before the disposition and was a property referred to in paragraph *d* of the definition of "resource property" in respect of the individual that was substituted for another property that was a flow-through share or an interest in a partnership, the amount that may reasonably be considered to be the individual's share of the amount by which the cost to the partnership of the other property, determined without reference, where applicable, to section 419.0.1, exceeds the aggregate of the adjusted cost base to the partnership of the other property immediately before the substitution and the capital gain, if any, of the partnership from the disposition, at the time of such a substitution, of the other property or of a property substituted for the other property;

(b) where paragraph *a* or *d* of section 231.2 applies in respect of the disposition of the particular property, the amount that would correspond to the individual's taxable capital gain for the year from the disposition if that section were read without reference to that paragraph and, in any other case, the individual's taxable capital gain for the year from the disposition of the particular property; and

(c) subject to the fourth paragraph, nil, where the particular property is property described in section 726.7 or 726.7.1 and the amount by which the amount determined in respect of the individual for the year by the formula provided for in subparagraph *a* of the first paragraph of section 726.7 exceeds the amount, if any, deducted under Title VI.5 by the individual in computing the individual's taxable income for the year is not nil;

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

(a) a flow-through share issued to the individual or partnership pursuant to an agreement in writing entered into after 14 May 1992, as part of a public share issue, where the flow-through share was issued as part of such an issue, in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after that date, except for a flow-through share that

i. was issued following an investment made after 12 June 2003, or following an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus made after 12 June 2003, and

ii. was acquired by the individual or partnership before 31 March 2004;

(b) an interest in a particular partnership acquired by the individual or partnership after 14 May 1992 as part of a public issue of interests in a partnership, where the interest in the particular partnership was acquired as part of such an issue, in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted after that date, provided that

i. any of the following conditions is met:

(1) a flow-through share referred to in paragraph *a* is issued to the particular partnership, or

(2) the particular partnership incurs Canadian exploration expenses or Canadian development expenses after 14 May 1992 otherwise than by reason of the acquisition of a flow-through share, and

ii. where the condition set out in subparagraph 2 of subparagraph i is met, the interest in the particular partnership was not acquired by the individual or partnership before 31 March 2004 following an investment made after 12 June 2003, or following an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus made after 12 June 2003; and

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

i. the new property was then acquired by the individual through a transaction in respect of which an election referred to in section 518, 614 or 620 was made or in respect of which sections 530 to 533, 536 to 539, 541 to 543.2 or 626 to 632 apply, on the winding-up of a Canadian corporation in respect of which sections 556 to 564.1 and 565 apply, or by reason of an amalgamation within the meaning of section 544, and

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

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

i. the new property was then acquired by the partnership through a transaction in respect of which an election referred to in section 529 was made, and

ii. each individual who is a member of the partnership has elected, in a letter enclosed with the fiscal return the individual is required to file under section 1000 for the individual's taxation year in which ends the fiscal period of the partnership in which the substitution occurred and containing a description of the other property and the circumstances in which the new property was acquired, on or before the individual's filing-due date for that taxation year, to consider the new property as being a resource property of the partnership under this paragraph.

The amount to which the portion of paragraph *a* of the definition of "eligible taxable capital gain amount" in the first paragraph before subparagraph i refers is the aggregate of

(a) any amount that can reasonably be considered as deducted by the individual under this Title in respect of the disposition of the particular property in computing the individual's taxable income for a preceding taxation year that began after 17 October 2000;

(b) any amount that is the quotient obtained when the amount that can reasonably be considered as deducted by the individual under this Title in respect of the disposition of the particular property in computing the individual's taxable income for a preceding taxation year that includes 28 February 2000 or 17 October 2000, or that began after 28 February 2000 and ended before 17 October 2000, is divided by twice the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for that preceding taxation year; and

(c) 2/3 of any amount that can reasonably be considered as deducted by the individual under this Title in respect of the disposition of the particular property in computing the individual's taxable income for a preceding taxation year that ended before 28 February 2000.

Where the individual's taxation year includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the following rules apply:

(a) the reference to the fraction "1/2" in the portion of paragraph *a* of the definition of "eligible taxable capital gain amount" in the first paragraph before subparagraph i shall be read as a reference to the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for the year;

(b) the reference to the word "twice" in subparagraph *b* of the second paragraph shall be read, with the necessary modifications, as a reference to the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for the year; and

(c) the reference to the fraction "2/3" in subparagraph *c* of the second paragraph shall be read as a reference to the fraction obtained when the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for the year is divided by 3/4.

When paragraph *c* of the definition of "eligible taxable capital gain amount" in the first paragraph applies

(a) to a taxation year that ends after 18 March 2007 and that includes 19 March 2007, it is to be read as follows:

"(*c*) nil, where the particular property is property described in any of sections 726.7 to 726.7.2 and the amount by which the total of the amount determined in respect of the individual for the year by the formula provided for in subparagraph *a* of the first paragraph of section 726.7 and, if the particular property was disposed of after 18 March 2007, $125,000, exceeds the amount, if any, deducted under Title VI.5 by the individual in computing the individual's taxable income for the year, otherwise than under section 726.7.3 if the particular property was disposed of before 19 March 2007, is not nil;"; and

(b) to a taxation year that begins after 19 March 2007 in relation to a resource property the disposition of which occurred before that date, it is to be read as follows:

"(*c*) nil, where the particular property is property described in any of sections 726.7 to 726.7.2 and the amount by which the amount that would be determined in respect of the individual for the year by the formula provided for in subparagraph *a* of the first paragraph of section 726.7 if the formula were read as if "$375,000" was replaced by "$250,000", exceeds the amount, if any, deducted under Title VI.5 by the individual in computing the individual's taxable income for the year is not nil;".

For the purposes of paragraph *d* of the definition of "resource property" in the first paragraph, if an individual makes an election under subparagraph ii of that paragraph *d*, the following rules apply:

(a) the election is not valid unless it was made on behalf of the individual and of each other individual who is a member of the partnership and the individual had authority to act for the partnership;

(b) if the election is valid because of subparagraph *a*, each other individual who is a member of the partnership in the fiscal period is deemed to have made the election; and

(c) despite subparagraph *a*, an election deemed to have been made by a member under paragraph *b* is deemed to be a valid election made by that member.

1993, c. 19, s. 43; 1993, c. 64, s. 65; 1995, c. 1, s. 62; 1996, c. 39, s. 191; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 85, s. 110; 1998, c. 16, s. 182; 2000, c. 5, s. 158; 2002, c. 40, s. 55; 2003, c. 2, s. 205; 2004, c. 21, s. 126; 2005, c. 23, s. 76; 2007, c. 12, s. 83; 2009, c. 15, s. 123; 2012, c. 8, s. 69; 2017, c. 29, s. 111.

CHAPTER II

DEDUCTION

1993, c. 19, s. 43.

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

(a) subject to the third paragraph, the amount by which the amount determined under the second paragraph is exceeded by 1/2 of the excess amount that would be computed under paragraph *a* of section 726.4.10 in respect of the individual at the end of the year if

i. the only expenses referred to in that paragraph *a* were expenses in respect of which section 726.4.10.1 applies, and

ii. the expenses incurred as a consequence of the acquisition, before 31 March 2004, of a flow-through share or of an interest in a partnership following an investment made after 12 June 2003, or an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus made after 12 June 2003, were not referred to in that paragraph *a*;

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

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

(d) the amount by which the amount determined in respect of the individual for the year under paragraph *b* of section 28 in respect of capital gains and capital losses exceeds the aggregate of the amount of the net capital losses of the individual in other taxation years deducted under section 729 in computing the individual's taxable income for the year and the amount deducted under Title VI.5 by the individual in computing the individual's taxable income for the year;

(e) (subparagraph repealed).

The amount to which subparagraph *a* of the first paragraph refers is the aggregate of

(a) any amount that the individual deducted under this section in computing the individual's taxable income for a preceding taxation year that began after 17 October 2000;

(b) any amount that is the quotient obtained when the amount that the individual deducted under this section in computing the individual's taxable income for a preceding taxation year that includes 28 February 2000 or 17 October 2000, or began after 28 February 2000 and ended before 17 October 2000, is divided by twice the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for that preceding taxation year; and

(c) 2/3 of any amount that the individual deducted under this section in computing the individual's taxable income for a preceding taxation year that ended before 28 February 2000.

For the purposes of subparagraph *c* of the first paragraph, where an individual is deemed to have realized, at any time in a taxation year, a capital gain from the disposition of another capital property under section 262.5, the capital gain is deemed to be a capital gain realized by the individual in the year in respect of the disposition of a resource property.

Where the individual's taxation year includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the following rules apply:

(a) the reference to the fraction "1/2" in subparagraph *a* of the first paragraph shall be read as a reference to the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for the year;

(b) the reference to the word "twice" in subparagraph *b* of the second paragraph shall be read, with the necessary modifications, as a reference to the fraction that is the reciprocal of the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for the year; and

(c) the reference to the fraction "2/3" in subparagraph *c* of the second paragraph shall be read as a reference to the fraction obtained by dividing 3/4 by the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for the year.

1993, c. 19, s. 43; 1995, c. 1, s. 63; 1996, c. 39, s. 192; 2003, c. 2, s. 206; 2006, c. 13, s. 52; 2012, c. 8, s. 70; 2013, c. 10, s. 41.

CHAPTER III

SPECIAL RULES OF APPLICATION

1993, c. 19, s. 43.

726.20.3. Sections 726.10 to 726.13, 726.17 and 726.20 apply to this Title, with the necessary modifications.

1993, c. 19, s. 43; 1995, c. 63, s. 261.

726.20.4. Any reference in section 261, 261.1, 270, 462.6, 517.4.2 or 517.4.4, to Title VI.5 or to sections 726.6 to 726.20 is deemed to include a reference to this Title.

1993, c. 19, s. 43; 1996, c. 39, s. 193.

TITLE VI.6

Repealed, 2003, c. 9, s. 52.

1988, c. 18, s. 65; 2003, c. 9, s. 52.

726.21. *(Repealed).*

1988, c. 18, s. 65; 1993, c. 16, s. 267; 2003, c. 9, s. 52.

726.22. *(Repealed).*

1988, c. 18, s. 65; 1989, c. 5, s. 87; 1993, c. 16, s. 267; 1994, c. 22, s. 253; 1997, c. 85, s. 111; 1999, c. 83, s. 78; 2000, c. 39, s. 41; 2002, c. 40, s. 56; 2003, c. 9, s. 52.

726.22.1. *(Repealed).*

1993, c. 16, s. 268; 1997, c. 85, s. 112; 2003, c. 9, s. 52.

726.23. *(Repealed).*

1988, c. 18, s. 65; 1991, c. 25, s. 86; 1993, c. 16, s. 269; 2001, c. 53, s. 97; 2003, c. 9, s. 52.

726.23.1. *(Repealed).*

1993, c. 16, s. 270; 2003, c. 9, s. 52.

TITLE VI.7

Repealed, 1993, c. 16, s. 271.

1989, c. 5, s. 88; 1991, c. 8, s. 40; 1993, c. 16, s. 271.

726.24. *(Repealed).*

1989, c. 5, s. 88; 1991, c. 8, s. 41; 1993, c. 16, s. 271.

726.25. *(Repealed).*

1989, c. 5, s. 88; 1993, c. 16, s. 271.

TITLE VI.8

DEDUCTION IN RESPECT OF THE COPYRIGHT INCOME OF AN INDIVIDUAL

1995, c. 63, s. 53.

726.26. An individual who in a taxation year is an artist within the meaning of the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts (chapter S-32.1), may deduct, in computing his taxable income for the taxation year, the lesser of

(a) his copyright income for the year; and

(b) the amount by which $15,000 exceeds an amount equal to one-half of the amount by which the individual's copyright income for the year exceeds $30,000.

In the first paragraph, an individual's copyright income for a taxation year is equal to the amount by which the aggregate of the amounts included in computing the individual's income for the year from rights described in the third paragraph of which the individual is the first owner, exceeds the aggregate of the amounts deducted in computing the individual's income for the year and that may reasonably be considered as relating to expenses incurred to collect the amounts from those rights described in the third paragraph.

The rights to which the second paragraph refers are the following:

(a) copyrights and public lending rights paid under a program administered by the Public Lending Right Commission under the authority of the Canada Council for the Arts, in respect of a work of which the individual is the creator;

(b) copyrights including an exclusive right in respect of a performance of the individual as a performing artist;

(c) the right to be paid equitable remuneration conferred on the individual by the Copyright Act (Revised Statutes of Canada, 1985, chapter C-42) for the performance in public or the communication to the public by telecommunication of the sound recording of a performance of the individual as a performing artist; and

(d) the right to receive remuneration for the reproduction for private use of sound recordings conferred on the individual by the Copyright Act.

1995, c. 63, s. 53; 2002, c. 9, s. 11; 2004, c. 21, s. 127; 2005, c. 23, s. 77; 2022, c. 20, s. 37.

TITLE VI.9

DEDUCTION FOR QUALIFIED PATRONAGE DIVIDENDS

2004, c. 21, s. 128.

CHAPTER I

INTERPRETATION

2004, c. 21, s. 128.

726.27. In this Title,

"qualified cooperative" for a taxation year means a cooperative or a federation of cooperatives to which a qualification certificate has been issued by the Minister of Economy and Innovation for the purposes of this Title, for which it has not received a notice of revocation at the end of the year;

"qualified patronage dividend" for a taxation year means a patronage dividend allocated in the form of a preferred share received in the year and before 1 January 2026 by a taxpayer who is a member of a cooperative or a federation of cooperatives, or of a partnership that is a member of a cooperative or a federation of cooperatives, and included by the taxpayer in computing the taxpayer's income for the year under section 795, if the patronage dividend is allocated by the cooperative or the federation of cooperatives in respect of a taxation year for which it is a qualified cooperative.

2004, c. 21, s. 128; 2006, c. 8, s. 31; 2010, c. 25, s. 64; 2013, c. 10, s. 42; 2019, c. 29, s. 1; 2023, c. 2, s. 17.

726.27.1. For the purposes of the definition of "qualified patronage dividend" in section 726.27, if a partnership receives, at any time before 1 January 2026, a patronage dividend allocated in the form of a preferred share, a taxpayer who is a member of the partnership at the end of the partnership's fiscal period that includes that time is deemed to have received, at that time, and included, under section 795, in computing the taxpayer's income for the year in which the fiscal period ends, the portion of the patronage dividend that is equal to the product obtained by multiplying the agreed proportion in respect of the taxpayer for the fiscal period by the patronage dividend received by the partnership.

2010, c. 25, s. 65; 2013, c. 10, s. 43; 2023, c. 2, s. 18.

CHAPTER II

DEDUCTION

2004, c. 21, s. 128.

726.28. A taxpayer may deduct in computing the taxpayer's taxable income for a taxation year the amount of the taxpayer's qualified patronage dividends for the year, if the taxpayer encloses with the fiscal return the taxpayer is required to file under section 1000 for the year the prescribed form containing the prescribed information.

2004, c. 21, s. 128.

CHAPTER III

AMOUNT TO BE INCLUDED

2004, c. 21, s. 128.

726.29. There shall be included in computing a taxpayer's taxable income for a taxation year the amount of a qualified patronage dividend deducted by the taxpayer under section 726.28 in computing the taxpayer's taxable income for the year or for a preceding taxation year, where the preferred share relating to the qualified

patronage dividend is disposed of in the year by the taxpayer or in the fiscal period ended in the year by the partnership of which the taxpayer is a member at the end of that fiscal period or was a member at the end of the fiscal period ended in the preceding year.

For the purposes of the first paragraph, a member of a cooperative or of a federation of cooperatives is deemed to dispose of the preferred shares issued by the cooperative or federation of cooperatives, as the case may be, that are identical properties in the order in which the member acquired them.

The first paragraph does not apply if the disposition by a member of a preferred share issued by a cooperative or a federation of cooperatives results from any of the operations referred to in the fourth paragraph and if, after the operation,

(a) all of the outstanding preferred shares issued by the cooperative or federation of cooperatives, as the case may be, and relating to qualified patronage dividends for a particular taxation year have been exchanged for consideration consisting only of preferred shares or fractions of such shares; and

(b) except in respect of the order of priority for the repayment of shares in the event of a winding-up, the new preferred shares or the fractions of such shares have the same characteristics as do the shares and fractions of shares they replace.

The operations to which the third paragraph refers are the following:

(a) an amalgamation, within the meaning of section 544, an amalgamation by absorption, within the meaning of Division III of Chapter XXI of Title I of the Cooperatives Act (chapter C-67.2), or a winding-up of the cooperative or federation of cooperatives, if, as a consequence of the amalgamation or winding-up, the member receives from another cooperative or federation of cooperatives a new preferred share issued by the other cooperative or federation of cooperatives, as the case may be, to replace the preferred share so disposed of; and

(b) a conversion of the preferred share or a reorganization of the capital stock of the cooperative or federation of cooperatives, if, as a consequence of the conversion or reorganization, the member receives from the cooperative or federation of cooperatives a new preferred share to replace the preferred share so disposed of.

2004, c. 21, s. 128; 2005, c. 38, s. 90; 2009, c. 15, s. 124; 2010, c. 25, s. 66; 2013, c. 10, s. 44; 2021, c. 18, s. 50.

TITLE VI.10

(Repealed).

2006, c. 36, s. 58; 2021, c. 14, s. 63.

CHAPTER I

(Repealed).

2006, c. 36, s. 58; 2021, c. 14, s. 63.

726.30. *(Repealed).*

2006, c. 36, s. 58; 2010, c. 3, s. 290; 2021, c. 14, s. 63.

726.31. *(Repealed).*

2006, c. 36, s. 58; 2021, c. 14, s. 63.

726.32. *(Repealed).*

2006, c. 36, s. 58; 2009, c. 15, s. 125; 2018, c. 23, s. 811; 2021, c. 14, s. 63.

CHAPTER II

(Repealed).

2006, c. 36, s. 58; 2021, c. 14, s. 63.

726.33. *(Repealed).*

2006, c. 36, s. 58; 2009, c. 15, s. 126; 2010, c. 3, s. 291; 2021, c. 14, s. 63.

726.34. *(Repealed).*

2006, c. 36, s. 58; 2009, c. 15, s. 127; 2010, c. 3, s. 292; 2021, c. 14, s. 63.

CHAPTER III

(Repealed).

2006, c. 36, s. 58; 2021, c. 14, s. 63.

726.35. *(Repealed).*

2006, c. 36, s. 58; 2010, c. 3, s. 293; 2021, c. 14, s. 63.

726.36. *(Repealed).*

2009, c. 15, s. 128; 2010, c. 3, s. 294; 2021, c. 14, s. 63.

726.37. *(Repealed).*

2009, c. 15, s. 128; 2021, c. 14, s. 63.

TITLE VI.11

DEDUCTION FOR FOREST PRODUCERS FOR A YEAR SUBSEQUENT TO 2015

2017, c. 29, s. 112.

CHAPTER I

INTERPRETATION AND GENERAL RULES

2017, c. 29, s. 112.

726.38. In this Title,

"eligible individual" for a taxation year means an individual who is resident in Québec at the end of the year;

"eligible taxpayer" for a taxation year means an eligible individual for the year or a qualified corporation for the year;

"qualified corporation" for a taxation year means a Canadian-controlled private corporation whose paid-up capital attributed to the corporation for the year, determined in accordance with section 726.39, is not greater than $50,000,000;

"recognized commercial activity" in respect of a private forest means the sale of timber to a purchaser having an establishment in Québec, other than a retail sale, derived from the operation of the private forest.

2017, c. 29, s. 112; 2023, c. 19, s. 47.

726.39. The paid-up capital attributed to a corporation for a taxation year that ends in a calendar year is equal to

(a) where the corporation is not associated with any other corporation in the taxation year, its paid-up capital determined as provided in section 771.2.1.9 either for its preceding taxation year or, if the corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of that fiscal period in accordance with generally accepted accounting principles or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles; and

(b) where the corporation is associated with one or more other corporations in the taxation year, the aggregate of all amounts each of which is, for the corporation or any of the other corporations, the amount of its paid-up capital determined as provided in section 771.2.1.9 either for its last taxation year that ended in the preceding calendar year or, if such a corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of that fiscal period in accordance with generally accepted accounting principles or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles.

2017, c. 29, s. 112.

726.40. In this Title, the following rules apply in respect of a taxpayer if one or more partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between the taxpayer and a given partnership that is a certified forest producer under the Sustainable Forest Development Act (chapter A-18.1) in respect of a private forest at the end of a given fiscal period of the given partnership:

(a) the taxpayer is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the taxpayer's particular taxation year in which ends the fiscal period of the interposed partnership of which the taxpayer is directly a member (in this section referred to as the "last interposed partnership"), if

i. the particular fiscal period is that which ends in the fiscal period (in this section referred to as the "interposed fiscal period") of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the taxpayer is a member, or deemed to be a member under this paragraph, of the interposed partnership described in subparagraph i at the end of the interposed partnership's interposed fiscal period;

(b) the taxpayer is deemed to be a member of the given partnership at the end of the particular taxation year if

i. the taxpayer is a member of the last interposed partnership throughout the part of the particular taxation year that begins immediately after the end of that interposed partnership's interposed fiscal period, and

ii. in the period described in subparagraph i, the link between the taxpayer and the given partnership did not cease to exist as a result of the interposed partnership ceasing, in the part of the interposed fiscal period of an interposed partnership that begins immediately after the end of the particular fiscal period of the particular

partnership referred to in paragraph *a* of which the interposed partnership was a member at that time, to be a member of that particular partnership;

(c) for the purpose of determining the taxpayer's share in an amount in respect of the given partnership for the given fiscal period, the agreed proportion in respect of the taxpayer for that fiscal period of the given partnership is deemed to be equal to the product obtained by multiplying the agreed proportion in respect of the taxpayer for the interposed fiscal period of the last interposed partnership of which the taxpayer is directly a member, by

i. if there is only one interposed partnership, the agreed proportion in respect of the interposed partnership for the given partnership's given fiscal period, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the agreed proportion in respect of an interposed partnership for the particular fiscal period of the particular partnership referred to in paragraph *a* of which the interposed partnership is a member at the end of that particular fiscal period; and

(d) the taxpayer is deemed to cease to be a member of the given partnership in a taxation year subsequent to the particular year, if any of the following events occurs and, as a result, the link between the taxpayer and that given partnership ceases to exist:

i. at a particular time in that subsequent taxation year, the taxpayer ceases to be a member of the last interposed partnership,

ii. the last interposed partnership ceases, at a particular time in its subsequent fiscal period that ends in that subsequent taxation year, to be a member of the particular partnership whose particular fiscal period ends in that subsequent fiscal period, or

iii. an interposed partnership ceases, at a particular time in its subsequent fiscal period that would be deemed to end in the subsequent taxation year if paragraph *a* were applied to that interposed partnership for that fiscal period, without reference to the event described in this subparagraph, to be a member of the particular partnership whose particular fiscal period ends in the subsequent fiscal period.

2017, c. 29, s. 112.

726.41. Section 726.40 does not apply in respect of a taxpayer, in relation to a given partnership, if the Minister is of the opinion that the interposition, between the taxpayer and the given partnership, of one or more other partnerships is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to cause the taxpayer to be able to deduct, in computing taxable income for a taxation year under this Title, an amount greater than the amount that the taxpayer could have so deducted for that taxation year, but for that interposition.

2017, c. 29, s. 112.

CHAPTER II

DEDUCTION

2017, c. 29, s. 112.

726.42. An eligible taxpayer for a taxation year ending before 1 January 2026 who, at the end of the year, is a certified forest producer under the Sustainable Forest Development Act (chapter A-18.1) in respect of a private forest, or is a member of a partnership that is such a certified forest producer in respect of a private forest at the end of a fiscal period of the partnership that ends in the year, may deduct in computing taxable income for the year, if the taxpayer encloses the documents described in the third paragraph with the fiscal return the taxpayer is required to file for the year under section 1000, an amount not exceeding the lesser of $170,000 and 85% of the amount determined by the formula

(A − B) + (C − D).

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is the eligible taxpayer's income deriving from recognized commercial activities for the year in respect of a private forest;

(b) B is the aggregate of all amounts each of which is the eligible taxpayer's loss deriving from recognized commercial activities for the year in respect of a private forest;

(c) C is the aggregate of all amounts each of which is the eligible taxpayer's share of the partnership's income deriving from recognized commercial activities for its fiscal period that ends in the year in respect of a private forest; and

(d) D is the aggregate of all amounts each of which is the eligible taxpayer's share of the partnership's loss deriving from recognized commercial activities for its fiscal period that ends in the year in respect of a private forest.

The documents to which the first paragraph refers are

(a) the prescribed form containing prescribed information; and

(b) a copy of the valid qualification certificate issued to the eligible taxpayer or to the partnership, as the case may be, attesting to the eligible taxpayer's or the partnership's capacity as a certified forest producer in respect of the private forest.

For the purposes of subparagraphs *c* and *d* of the second paragraph, the share, for a fiscal period of a partnership, of a taxpayer who is a member of the partnership of the income or loss of the partnership deriving from recognized commercial activities for the fiscal period in respect of a private forest is equal to the agreed proportion of the income or loss in respect of the taxpayer for the fiscal period.

2017, c. 29, s. 112; 2019, c. 14, s. 191; 2021, c. 14, s. 64.

CHAPTER III

AMOUNT TO BE INCLUDED

2017, c. 29, s. 112.

726.43. A taxpayer who deducted an amount in computing taxable income for a particular taxation year under section 726.42, all or part of which may reasonably be considered to derive from recognized commercial activities in respect of a private forest carried on before 10 March 2020 (the amount or part of the amount being in this section referred to as the "particular amount"), shall include, in computing taxable income for each taxation year (in this paragraph referred to as an "inclusion year") that is one of the six taxation years that follow the particular year, except a taxation year for which the taxpayer is required to include an amount in computing taxable income under subparagraph *a* of the first or second paragraph of section 726.43.2 in respect of the particular amount, an amount at least equal to 10% of the particular amount unless, for the inclusion year, that minimum amount is greater than the excess amount that corresponds to the amount by which the particular amount exceeds the aggregate of all amounts each of which is an amount that the taxpayer included in computing taxable income in respect of the particular amount under this section or subparagraph *a* of the first or second paragraph of section 726.43.2 for a taxation year preceding the inclusion

year, in which case the taxpayer shall include the excess amount in computing taxable income for the inclusion year.

The taxpayer to which the first paragraph refers shall include, in computing taxable income for the seventh taxation year that follows the particular year, an amount equal to the amount by which the particular amount exceeds the aggregate of all amounts each of which is an amount that the taxpayer included, under this section or subparagraph *a* of the first or second paragraph of section 726.43.2, in computing taxable income, in respect of the particular amount, for a preceding taxation year.

2017, c. 29, s. 112; 2021, c. 14, s. 65.

726.43.1. A taxpayer who deducted an amount in computing taxable income for a particular taxation year under section 726.42, all or part of which may reasonably be considered to derive from recognized commercial activities in respect of a private forest carried on after 9 March 2020 (the amount or part of the amount being in this section referred to as the "particular amount"), shall include, in computing taxable income for each taxation year (in this paragraph referred to as an "inclusion year") that is one of the nine taxation years that follow the particular year, except a taxation year for which the taxpayer is required to include an amount in computing taxable income under subparagraph *b* of the first or second paragraph of section 726.43.2 in respect of the particular amount, an amount at least equal to 10% of the particular amount unless, for the inclusion year, that minimum amount is greater than the excess amount that corresponds to the amount by which the particular amount exceeds the aggregate of all amounts each of which is an amount that the taxpayer included in computing taxable income in respect of the particular amount under this section or subparagraph *b* of the first or second paragraph of section 726.43.2 for a taxation year preceding the inclusion year, in which case the taxpayer shall include the excess amount in computing taxable income for the inclusion year.

The taxpayer to which the first paragraph refers shall include, in computing taxable income for the tenth taxation year that follows the particular year, an amount equal to the amount by which the particular amount exceeds the aggregate of all amounts each of which is an amount that the taxpayer included, under this section or subparagraph *b* of the first or second paragraph of section 726.43.2, in computing taxable income, in respect of the particular amount, for a preceding taxation year.

2021, c. 14, s. 66.

726.43.2. Where the particular amount referred to in the first paragraph of section 726.43 or 726.43.1 and determined in relation to a taxpayer for a particular taxation year is in respect of a single private forest, the taxpayer shall include, in computing taxable income for a taxation year described in the third paragraph (in this paragraph and the second paragraph referred to as the "year concerned"), an amount equal to

(a) where the particular amount is referred to in the first paragraph of section 726.43, the amount by which the particular amount exceeds the aggregate of all amounts each of which is an amount that the taxpayer included, in computing taxable income, in respect of the particular amount, under section 726.43, for a taxation year preceding the year concerned; or

(b) where the particular amount is referred to in the first paragraph of section 726.43.1, the amount by which the particular amount exceeds the aggregate of all amounts each of which is an amount that the taxpayer included, in computing taxable income, in respect of the particular amount, under section 726.43.1, for a taxation year preceding the year concerned.

Where the particular amount referred to in the first paragraph of section 726.43 or 726.43.1 and determined in relation to a taxpayer for a particular taxation year is in respect of more than one private forest, the taxpayer shall include, in computing taxable income for a year concerned, an amount equal to

(a) where the particular amount is referred to in the first paragraph of section 726.43, the greater of the amount that the taxpayer should include in respect of the particular amount for the year concerned but for this paragraph and the lesser of the proportion, described in the fourth paragraph, of the particular amount and the

amount by which the particular amount exceeds the aggregate of all amounts each of which is an amount that the taxpayer included in respect of the particular amount in computing taxable income, under section 726.43 or this paragraph, for a taxation year preceding the year concerned; or

(b) where the particular amount is referred to in the first paragraph of section 726.43.1, the greater of the amount that the taxpayer should include in respect of the particular amount for the year concerned but for this paragraph and the lesser of the proportion, described in the fourth paragraph, of the particular amount and the amount by which the particular amount exceeds the aggregate of all amounts each of which is an amount that the taxpayer included in respect of the particular amount in computing taxable income, under section 726.43.1 or this paragraph, for a taxation year preceding the year concerned.

A taxation year to which the first or second paragraph refers is, in the case of subparagraph *a* of that paragraph, one of the six taxation years that follow the particular year or, in the case of subparagraph *b* of that paragraph, one of the nine taxation years that follow the particular year, and

(a) the taxation year in which the taxpayer disposes of a private forest referred to in that paragraph;

(b) the taxation year in which ends a partnership's fiscal period in which the partnership disposes of a private forest referred to in that paragraph; or

(c) the taxation year in which the taxpayer ceases to be a member of a partnership referred to in section 726.42.

The proportion to which subparagraphs *a* and *b* of the second paragraph refer is the proportion that the aggregate of all amounts each of which is an amount referred to in subparagraph *a* or *c* of the second paragraph of section 726.42 for the particular year in relation to a private forest in respect of which any of subparagraphs *a* to *c* of the third paragraph applies is of the aggregate of all amounts each of which is an amount referred to in subparagraph *a* or *c* of the second paragraph of section 726.42 for the particular year in relation to a private forest.

2021, c. 14, s. 66.

726.44. Where an individual deducted a particular amount in computing taxable income for a taxation year under section 726.42, is resident in Canada outside Québec on the last day of a subsequent taxation year and should include an amount under this chapter in computing taxable income for the subsequent year, in respect of the particular amount, if the individual was resident in Québec on the last day of the subsequent year, the individual is deemed, for the purposes of sections 25 and 1088, to be carrying on a business through an establishment in Québec at any time in that subsequent year.

2017, c. 29, s. 112; 2021, c. 14, s. 67.

TITLE VII

LOSSES

1972, c. 23.

727. A taxpayer may deduct, in a particular taxation year, the non-capital losses sustained by the taxpayer

(a) in the seven taxation years that precede and in the three taxation years that follow the particular year if the losses are sustained in a taxation year that ends after 31 December 1983, but before 23 March 2004;

(b) in the 10 taxation years that precede and in the three taxation years that follow the particular year if the losses are sustained in a taxation year that ends after 22 March 2004, but before 1 January 2006;

(c) in the 20 taxation years that precede and in the three taxation years that follow the particular year if the losses are sustained in a taxation year that ends after 31 December 2005; and

(d) despite paragraph *c*, in the seven taxation years that precede and in the three taxation years that follow the particular year, if the taxpayer is an employee life and health trust.

1972, c. 23, s. 545; 1978, c. 26, s. 127; 1985, c. 25, s. 118; 2005, c. 38, s. 91; 2006, c. 36, s. 59; 2011, c. 6, s. 151; 2022, c. 23, s. 43.

727.1. Despite section 727, no amount in respect of a loss other than a trust's non-capital loss for a taxation year in which the trust was an employee life and health trust may be deducted in computing the trust's taxable income for another taxation year (in this section referred to as the "specified year") if

(a) the trust was not an employee life and health trust for the specified year; or

(b) the trust is an employee life and health trust that, because of the application of section 869.3, may not deduct an amount under paragraph *a* of section 657 for the specified year.

2011, c. 6, s. 152.

728. For the purposes of section 727, the "non-capital loss" of a taxpayer for a taxation year means, at a particular time, the amount by which the amount determined under section 728.0.1 in respect of the taxpayer for the year exceeds the aggregate of

(a) the taxpayer's farm loss for the year; and

(b) any amount by which the non-capital loss of the taxpayer for the year is required to be reduced because of sections 485 to 485.18.

1972, c. 23, s. 546; 1978, c. 26, s. 127; 1979, c. 18, s. 58; 1985, c. 25, s. 118; 1986, c. 19, s. 150; 1993, c. 19, s. 44; 1996, c. 39, s. 194; 2001, c. 53, s. 98; 2006, c. 36, s. 60.

728.0.1. The amount to which section 728 refers is the amount by which

(a) the aggregate of

i. the taxpayer's losses for the year from an office, employment, business or property,

i.1. the amount deductible in computing the taxpayer's income for the year as a consequence of the application of paragraph *d* of section 657.1,

ii. the aggregate of the amounts deducted by the taxpayer in computing the taxpayer's taxable income for the year under sections 726.4.1, 726.4.3 to 726.4.7, 726.28 and 729, and Titles VI.5 and VI.5.1, or that the taxpayer could have so deducted for the year under section 726.4.3 if the taxpayer's income had been sufficient for that purpose, and of the amounts deductible in computing the taxpayer's taxable income for the year under any of sections 725, 725.0.3, 725.1.1, 725.1.2, 725.2 to 725.5.1, 738 to 746 and 845, and

iii. if the particular time referred to in section 728 precedes the taxpayer's eleventh taxation year that follows the year, the taxpayer's allowable business investment losses for the year, exceeds

(b) the amount by which, for the year, in respect of the taxpayer, the total of the aggregate of the amounts determined under paragraphs *a* and *b* of section 28, the portion of the amount determined under section 737.0.1 that does not exceed the amount determined under any of paragraphs *b*, *c*, *c*.1, *c*.2 and *d*, as the case may be, of the definition of "additional investment expense" in section 336.5 and the aggregate of all amounts each of which is an amount the taxpayer is required to include in computing the taxpayer's taxable income under section 726.29, exceeds the aggregate of

i. the amount determined under subparagraph i of paragraph *c* of section 28, and

ii. the amount by which the aggregate of the amounts deducted by the taxpayer in computing the taxpayer's taxable income under sections 725.7.1 and 725.7.2, or that the taxpayer could have so deducted if

the taxpayer's income had been sufficient for that purpose, exceeds the aggregate of the amounts the taxpayer is required to include in computing the taxpayer's taxable income under sections 694.0.0.1 and 694.0.0.3.

1986, c. 19, s. 151; 1987, c. 67, s. 143; 1989, c. 5, s. 89; 1990, c. 59, s. 272; 1993, c. 19, s. 45; 1994, c. 22, s. 254; 1997, c. 85, s. 113; 2001, c. 53, s. 99; 2004, c. 21, s. 129; 2005, c. 38, s. 92; 2006, c. 36, s. 61; 2009, c. 15, s. 129; 2011, c. 6, s. 153; 2019, c. 14, s. 192; 2021, c. 18, s. 51; 2022, c. 23, s. 44.

728.0.2. Notwithstanding section 728, the non-capital loss of a corporation for a particular taxation year ending after 30 June 1988, determined for the purposes of computing its taxable income for a taxation year ending before 1 July 1988, is deemed to be equal to the amount by which the amount that would, but for this section, be its non-capital loss for the particular taxation year, exceeds 1/5 of the lesser of

(a) the amount deductible under section 725.1.1 in computing the corporation's taxable income for the particular taxation year, and

(b) the amount that would, but for this section, be its non-capital loss for the particular year.

1990, c. 59, s. 273; 1997, c. 3, s. 71.

728.0.3. Notwithstanding section 728, the non-capital loss of a corporation for a particular taxation year ending before 1 July 1988, determined for the purposes of computing its taxable income for a taxation year ending after 30 June 1988, is deemed to be equal to the aggregate of

(a) the amount that would, but for this section, be its non-capital loss for the particular taxation year, and

(b) 1/4 of the lesser of

i. the amount deductible under section 725.1.1 in computing the corporation's taxable income for the particular taxation year, and

ii. the amount that would, but for this section, be its non-capital loss for the particular taxation year.

1990, c. 59, s. 273; 1997, c. 3, s. 71.

728.0.4. For the purposes of sections 734 and 735, any amount deducted in computing a corporation's taxable income for a taxation year ending before 1 July 1988 in respect of a non-capital loss for another taxation year ending after 30 June 1988, is deemed to be equal to the aggregate of the amount so deducted and 1/4 of the amount by which the amount so deducted exceeds the amount by which

(a) the amount deductible for the year in respect of the non-capital loss, exceeds

(b) 4/5 of the amount deductible under section 725.1.1 in computing its taxable income for the other taxation year.

1990, c. 59, s. 273; 1997, c. 3, s. 71.

728.1. A taxpayer may deduct, in a particular taxation year, the farm losses sustained by the taxpayer

(a) in the 10 taxation years that precede and in the three taxation years that follow the particular year if the losses are sustained in a taxation year that ends after 31 December 1983, but before 1 January 2006; and

(b) in the 20 taxation years that precede and in the three taxation years that follow the particular year if the losses are sustained in a taxation year that ends after 31 December 2005.

1985, c. 25, s. 118; 2006, c. 36, s. 62.

728.2. In section 728.1, the farm loss of a taxpayer for a taxation year means the amount by which the lesser of the following amounts exceeds any amount by which the farm loss of the taxpayer for the year is required to be reduced because of sections 485 to 485.18:

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

(b) the amount that would be the taxpayer's non-capital loss if section 728 were read without paragraph *a* thereof.

1985, c. 25, s. 118; 1996, c. 39, s. 195; 2001, c. 53, s. 100.

729. A taxpayer may deduct his net capital losses for the taxation years preceding and the three taxation years following the year.

1972, c. 23, s. 547; 1982, c. 5, s. 143; 1985, c. 25, s. 118; 1987, c. 67, s. 144; 1990, c. 59, s. 274.

729.1. Notwithstanding section 729, the amount that may be deducted by reason of that section in computing the taxable income of a taxpayer for a particular taxation year is the aggregate of

(a) the lesser of

i. the excess contemplated in paragraph *b* of section 28 for the particular taxation year in respect of the taxpayer, and

ii. the aggregate of all amounts each of which is an amount determined by the formula

$$A \times B/C;$$

(b) where the taxpayer is an individual, the least of

i. $1,000,

ii. his pre-1986 capital loss balance for the particular taxation year, and

iii. the amount by which the amount claimed as a deduction in respect of the taxpayer's net capital losses under section 729 for the particular taxation year exceeds the aggregate of such amounts determined in respect of his net capital losses by the formula set forth in subparagraph ii of subparagraph *a*, that would be required to be claimed as a deduction under section 729 for the particular taxation year to produce the amount determined under subparagraph *a* for the particular taxation year; and

(c) the amount that the Minister determines to be reasonable in the circumstances for the particular taxation year, after considering the application to the taxpayer of sections 668.7, 851.16.2, 1106 and 1113 as they read in their application to the taxpayer's last taxation year that began before 1 November 2011.

In the formula in subparagraph ii of subparagraph *a* of the first paragraph,

(a) A is the amount claimed as a deduction for the particular taxation year by the taxpayer under section 729 in respect of net capital loss for a taxation year, in this paragraph referred to as the "loss year" ;

(b) B is the fraction that would have been used in respect of the taxpayer for the particular taxation year under section 231 if he had had a capital loss for that year;

(c) C is the fraction required to be used under section 231 in respect of the taxpayer for the loss year.

1990, c. 59, s. 275; 1993, c. 16, s. 272; 2009, c. 5, s. 247; 2017, c. 29, s. 113.

730. In this Title, the net capital loss of a taxpayer for a taxation year means the amount by which the aggregate of the following amounts exceeds the aggregate of all amounts by which the net capital loss of the taxpayer for the year is required to be reduced because of sections 485 to 485.18:

(a) the amount by which the amount obtained under subparagraph ii of paragraph *b* of section 28, for the year, exceeds the amount obtained under subparagraph i of paragraph *b* of section 28; and

(b) the least of

i. the amount of the allowable business investment losses of the taxpayer for the taxpayer's tenth preceding taxation year,

ii. the amount by which the non-capital loss of the taxpayer for the taxpayer's tenth preceding taxation year exceeds the aggregate of all amounts relating to that non-capital loss deducted by the taxpayer in computing the taxpayer's taxable income for the taxation year or for any preceding taxation year or in respect of which the taxpayer has made an election under section 1029.1, as it read for the taxation year in which the non-capital loss was sustained, and

iii. where the taxpayer was subject to a loss restriction event before the end of the year and after the end of the taxpayer's tenth preceding taxation year, zero.

1972, c. 23, s. 548; 1986, c. 19, s. 152; 1987, c. 67, s. 145; 1989, c. 77, s. 79; 1996, c. 39, s. 196; 1997, c. 3, s. 71; 2000, c. 39, s. 42; 2005, c. 38, s. 93; 2017, c. 1, s. 175.

730.1. In this Title, "pre-1986 capital loss balance" of an individual for a particular taxation year means the amount by which the amount determined under section 730.2 in respect of the individual for the particular year exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount deducted under Titles VI.5 and VI.5.1 in computing the individual's taxable income for taxation years that precede the particular year and that ended before 1 January 1988 or began after 17 October 2000;

(b) 3/4 of the aggregate of all amounts each of which is an amount deducted under Titles VI.5 and VI.5.1 in computing the individual's taxable income for taxation years that precede the particular year and that ended after 31 December 1987 but before 1 January 1990, or that began after 28 February 2000 and ended before 17 October 2000;

(c) 2/3 of the aggregate of all amounts each of which is an amount deducted under Titles VI.5 and VI.5.1 in computing the individual's taxable income for taxation years that precede the particular year and that ended after 31 December 1989 but before 28 February 2000; and

(d) any amount that is the quotient obtained by dividing the amount deducted under Titles VI.5 and VI. 5.1 in computing the individual's taxable income for a taxation year that precedes the particular year and includes 28 February 2000 or 17 October 2000 by twice the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the individual for that taxation year that precedes the particular year.

1987, c. 67, s. 146; 1990, c. 59, s. 276; 1993, c. 19, s. 46; 2003, c. 2, s. 207.

730.2. The amount to which section 730.1 refers is equal to the aggregate of

(a) the amount by which the individual's net capital losses for taxation years ending before 1 January 1985 exceeds the aggregate of amounts claimed by him under this Title, in respect of those losses, in computing his taxable income for taxation years preceding the particular taxation year; and

(b) the amount by which the aggregate of amounts claimed by him under this Title in respect of his net capital loss for the taxation year 1985 in computing his taxable income for a taxation year preceding the particular taxation year is exceeded by the lesser of

i. the amount of his net capital loss for the taxation year 1985, and

ii. the excess amount that would represent, in respect of the individual for the taxation year 1985, the amount by which the amount determined under subparagraph ii of paragraph *b* of the first paragraph of section 28 exceeds the amount determined under subparagraph i of paragraph *b* of the first paragraph of section 28 if the individual's taxable capital gains and his allowable capital losses did not include such gains or losses from the disposition of property by him in the year and after 22 May 1985 and if the rules set forth in the second paragraph of section 28 applied for the purposes of computing that last excess amount, the amount deductible by virtue of subparagraph iii of paragraph *c* of the first paragraph of section 28 in computing his taxable income for the taxation year 1985.

1987, c. 67, s. 146; 1993, c. 16, s. 273.

731. A taxpayer may deduct, in a particular taxation year, up to the taxpayer's income for the particular year from all farming businesses carried on by the taxpayer, the restricted farm losses sustained by the taxpayer

(a) in the 10 taxation years that precede and in the three taxation years that follow the particular year if those losses are sustained in a taxation year that ends after 31 December 1983, but before 1 January 2006; and

(b) in the 20 taxation years that precede and in the three taxation years that follow the particular year if those losses are sustained in a taxation year that ends after 31 December 2005.

1972, c. 23, s. 549; 1985, c. 25, s. 119; 2006, c. 36, s. 63.

732. For the purposes of section 731, a loss by a taxpayer resulting from a farming business during a taxation year is deemed, to the extent that such loss is included in the amount of a deduction permitted by sections 634 and 635 in computing his income for a subsequent year, not to be a loss for the purpose of computing his taxable income for that subsequent year or any year subsequent to it.

1972, c. 23, s. 550.

733. A loss by a taxpayer resulting from a farming business during a taxation year is not deductible for the purposes of section 731, when the taxpayer has disposed of the land used in such farming business, to the extent that such loss must be, under paragraph *l* of section 255, added in computing the adjusted cost base of the taxpayer's land, immediately before the disposition.

1972, c. 23, s. 551; 2000, c. 39, s. 43; 2003, c. 2, s. 208.

733.0.0.1. A taxpayer may deduct his limited partnership losses in respect of a partnership for taxation years preceding the year, but no amount is deductible for the year in respect of a limited partnership loss except to the extent of the amount by which his at-risk amount in respect of the partnership, within the meaning assigned by sections 613.2 to 613.4, at the end of the last fiscal period of the partnership ending in the year exceeds the aggregate of all amounts each of which is

(a) that part of the amount determined in respect of the partnership which is required by subsection 8 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to be added in computing the investment tax credit of the taxpayer for the taxation year within the meaning assigned to that expression by the said Act for the purposes of the said subsection;

(b) the taxpayer's share of any losses of the partnership for that fiscal period from a business or property; or

(c) the taxpayer's share of the foreign resource pool expenses, the Canadian exploration expense, the Canadian development expense, and the Canadian oil and gas property expense, incurred by the partnership in that fiscal period.

1988, c. 4, s. 54; 1997, c. 3, s. 71; 2004, c. 8, s. 141.

733.0.1. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss, restricted farm loss and limited partnership loss of a taxpayer for a taxation year, the rules in section 70 of the Act respecting international financial centres (chapter C-8.3) also apply.

1986, c. 15, s. 111; 1988, c. 4, s. 55; 1997, c. 3, s. 71; 1999, c. 86, s. 76; 2022, c. 23, s. 45.

733.0.2. *(Repealed).*

1999, c. 83, s. 79; 2012, c. 8, s. 71.

733.0.3. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss for a taxation year of an individual who, for that year, benefited from the deduction provided for in section 737.18.10, income realized by the individual during the individual's exemption period, within the meaning of section 737.18.6, in relation to an employment, or a loss sustained by the individual during such a period is deemed to be nil.

2000, c. 39, s. 44; 2004, c. 21, s. 130.

733.0.4. *(Repealed).*

2000, c. 39, s. 44; 2021, c. 18, s. 52.

733.0.5. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss or limited partnership loss for a taxation year of a corporation that carries on a recognized business in the year or is a member of a partnership that carries on such a recognized business in a fiscal period of the partnership ending in the year, in relation to a major investment project of the corporation or partnership, in respect of which the Minister of Finance issued an annual qualification certificate for the taxation year of the corporation or fiscal period of the partnership, the following rules apply:

(a) where the amount determined under subparagraph *a* of the second paragraph of section 737.18.17 in respect of the corporation for the year exceeds the amount determined under subparagraph *b* of that paragraph in its respect for the year,

i. the amount that is the income or portion of the income of the corporation for the year, determined under subparagraph *a* of the second paragraph of section 737.18.17, is deemed to be nil, and

ii. the amount that is the loss or portion of the loss of the corporation for the year, determined under subparagraph *b* of the second paragraph of section 737.18.17, is deemed to be nil; and

(b) where the amount determined under subparagraph *d* of the second paragraph of section 737.18.17 in respect of the partnership for the fiscal period exceeds the amount determined under subparagraph *e* of that paragraph in respect of the partnership for the fiscal period,

i. the corporation's share of the amount that is the income or portion of the income, determined under subparagraph *d* of the second paragraph of section 737.18.17 in respect of the partnership for the fiscal period, is deemed to be nil, and

ii. the corporation's share of the amount that is the loss or portion of the loss, determined under subparagraph *e* of the second paragraph of section 737.18.17 in respect of the partnership for the fiscal period, is deemed to be nil.

For the purposes of the first paragraph, a corporation's share of an amount is equal to the proportion of that amount that the corporation's share of the partnership's income for the fiscal period is of the partnership's income for that fiscal period.

In this section, the following rules apply:

(a) "annual qualification certificate", "major investment project" and "recognized business" have the meaning assigned by the first paragraph of section 737.18.14, as it read before being repealed; and

(b) a reference to section 737.18.17 is a reference to that section as it read before being repealed.

2002, c. 9, s. 12; 2004, c. 21, s. 131; 2019, c. 14, s. 193.

733.0.5.1. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss or limited partnership loss for a taxation year of a corporation that carries on a recognized business in the year or is a member of a partnership that carries on such a recognized business in a fiscal period of the partnership ending in the year, in relation to a large investment project of the corporation or partnership, as the case may be, in respect of which a certificate was issued for the corporation's taxation year or the partnership's fiscal period, the following rules apply:

(a) where, in respect of the corporation for the year, the amount determined under subparagraph *a* of the second paragraph of section 737.18.17.5 exceeds the amount determined under subparagraph *b* of that paragraph,

i. the amount that is the income or portion of the income, as the case may be, of the corporation for the year, determined under that subparagraph *a*, is, in the proportion determined in the second paragraph, deemed to be nil, and

ii. the amount that is the loss or portion of the loss, as the case may be, of the corporation for the year, determined under that subparagraph *b*, is, in the proportion determined in the second paragraph, deemed to be nil; and

(b) where, in respect of the partnership for the fiscal period, the amount determined under subparagraph *d* of the second paragraph of section 737.18.17.5 exceeds the amount determined under subparagraph *e* of that paragraph,

i. the corporation's share of the amount that is the income or portion of the income, as the case may be, determined under that subparagraph *d* in respect of the partnership for the fiscal period, is, in the proportion determined in the second paragraph, deemed to be nil, and

ii. the corporation's share of the amount that is the loss or portion of the loss, as the case may be, determined under that subparagraph *e* in respect of the partnership for the fiscal period, is, in the proportion determined in the second paragraph, deemed to be nil.

The proportion to which the first paragraph refers is the proportion that the amount that would be determined in respect of the corporation for the year under section 737.18.17.5 if, for the purposes of section 737.18.17.6, its taxable income for the year otherwise determined were equal to the particular amount that is the total of the amounts determined in accordance with subparagraphs i and ii of subparagraph *a* of the first paragraph of section 737.18.17.5, is of that particular amount.

For the purposes of the first paragraph, a corporation's share of an amount is equal to the agreed proportion of that amount in respect of the corporation for the partnership's fiscal period.

In this section, "certificate", "large investment project" and "recognized business" have the meaning assigned by the first paragraph of section 737.18.17.1.

2015, c. 21, s. 258; 2024, c. 11, s. 60.

733.0.6. *(Repealed).*

2002, c. 40, s. 57; 2004, c. 21, s. 132; 2009, c. 5, s. 248; 2010, c. 25, s. 67; 2022, c. 23, s. 46.

733.0.7. *(Repealed).*

2003, c. 9, s. 53; 2004, c. 21, s. 133; 2022, c. 23, s. 46.

733.0.8. *(Repealed).*

2003, c. 9, s. 53; 2004, c. 21, s. 134; 2005, c. 38, s. 94; 2022, c. 23, s. 46.

733.1. For the purposes of this Title, a taxpayer's non-capital loss, farm loss, net capital loss, restricted farm loss and limited partnership loss for a taxation year during which the taxpayer was not resident in Canada shall be determined as if, in the part of the year throughout which the individual was not resident in Canada, in the case of an individual referred to in any of sections 23, 24 and 25 for the year, and throughout the year, in any other case, the taxpayer had no income other than income described in subparagraphs *a* to *l* of the first paragraph of section 1090, the taxpayer's only taxable capital gains and allowable capital losses were taxable capital gains and allowable capital losses from the disposition of taxable Canadian property, other than tax-agreement-protected property, and the taxpayer's only other losses were losses from the duties of an office or employment performed by the taxpayer in Canada and the taxpayer's only other losses from businesses, other than tax-agreement-protected businesses, carried on by the taxpayer in Canada that were attributable, in the manner prescribed for the purposes of section 1090, to an establishment in Canada.

1985, c. 25, s. 120; 1988, c. 4, s. 56; 1994, c. 22, s. 255; 1997, c. 3, s. 71; 2001, c. 53, s. 101; 2004, c. 8, s. 142.

734. An amount in respect of a non-capital loss, a farm loss, a restricted farm loss or a limited partnership loss is deductible, and an amount in respect of a net capital loss may be claimed, for a particular taxation year under section 727, 728.1, 729, 731, 733.0.0.1 or 737 only to the extent that it exceeds the aggregate of

(a) the amounts deducted under this Title in respect of that non-capital loss, farm loss, restricted farm loss or limited partnership loss in computing taxable income for taxation years preceding the particular taxation year, and

(b) the deduction that was claimed under section 729 in respect of that net capital loss for taxation years preceding the particular taxation year.

1972, c. 23, s. 552; 1985, c. 25, s. 120; 1988, c. 4, s. 57; 1990, c. 59, s. 277; 1993, c. 16, s. 274; 1997, c. 3, s. 71.

735. No amount is deductible as a non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss under section 727, 728.1, 729, 731, 733.0.0.1 or 737 for any taxation year, as long as the corresponding deductible losses for the previous years have not been deducted.

1972, c. 23, s. 553; 1985, c. 25, s. 120; 1988, c. 4, s. 57; 1997, c. 3, s. 71.

735.1. Notwithstanding sections 727 and 728.1, no amount may be deducted by a corporation in computing its taxable income for a taxation year in respect of a non-capital loss or a farm loss, as the case may be, sustained in any preceding taxation year, where an election was made in respect of that loss under section 1029.1, as it read for that preceding taxation year.

1981, c. 12, s. 7; 1985, c. 25, s. 120; 1997, c. 3, s. 71; 2000, c. 39, s. 45.

736. Despite section 729 and subject to section 736.0.5, where, at any time (in this section referred to as "that time") a taxpayer is subject to a loss restriction event, the following rules apply:

(a) no amount in respect of a net capital loss for a taxation year ending before that time is deductible in computing the taxpayer's taxable income for a taxation year ending after that time; and

(b) no amount in respect of a net capital loss for a taxation year ending after that time is deductible in computing the taxpayer's taxable income for a taxation year ending before that time.

In addition, where, at that time, the taxpayer neither became nor ceased to be exempt from tax under this Part on the taxpayer's taxable income, the following rules apply:

(a) in computing the adjusted cost base to the taxpayer at and after that time of each capital property, other than a depreciable property, owned by the taxpayer immediately before that time, there is to be deducted an amount equal to the amount by which the adjusted cost base to the taxpayer of the capital property immediately before that time exceeds its fair market value immediately before that time;

(b) each amount required by subparagraph *a* to be deducted in computing the adjusted cost base to the taxpayer of a property is deemed to be a capital loss of the taxpayer for the taxation year ending immediately before that time from the disposition of the property;

(c) each capital property that is owned by the taxpayer immediately before that time (other than a property in respect of which an amount would, but for this subparagraph, be required under subparagraph *a* to be deducted in computing its adjusted cost base to the taxpayer or a depreciable property of a prescribed class to which, but for this subparagraph, paragraph *a* of section 736.0.2 would apply) and that the taxpayer designates after 19 December 2006 in accordance with paragraph *e* of subsection 4 of section 111 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the loss restriction event, is deemed to have been disposed of by the taxpayer immediately before the time that is immediately before that time for proceeds of disposition equal to the lesser of the fair market value of the capital property immediately before that time and the greater of the adjusted cost base to the taxpayer of the capital property immediately before the disposition and the amount designated by the taxpayer after 19 December 2006, in respect of the loss restriction event, in accordance with that paragraph e in respect of the capital property, and is deemed, subject to the third paragraph, to have been reacquired by the taxpayer at that time at a cost equal to those proceeds of disposition; and

(d) each amount that under subparagraph *b* or *c* is a capital loss or gain of the taxpayer from a disposition of a property for the taxation year ending immediately before that time is deemed, for the purposes of paragraph *b* of section 570, to be a capital loss or gain, as the case may be, of the taxpayer from the disposition of the property immediately before the time that a capital property of the taxpayer in respect of which subparagraph *c* would be applicable would be deemed by that subparagraph to have been disposed of by the taxpayer.

Despite subparagraph *c* of the second paragraph and for the purposes of Division II of Chapter II of Title III of Book III, sections 130, 130.1, 142 and 149 and any regulation made under paragraph *a* of section 130 or section 130.1, where the property is depreciable property of the taxpayer the capital cost of which to the taxpayer immediately before the disposition exceeds the proceeds of disposition determined under that subparagraph *c*, the following rules apply:

(a) the capital cost of the property to the taxpayer at that time is deemed to be the amount that was its capital cost immediately before the disposition; and

(b) the excess is deemed to have been allowed to the taxpayer in respect of the property under the regulations made under paragraph a of section 130 in computing the taxpayer's income for taxation years that ended before that time.

For the purposes of subparagraph *c* of the second paragraph, the taxpayer is deemed to have designated a particular capital property, as well as an amount in its respect, after 19 December 2006 in accordance with paragraph *e* of subsection 4 of section 111 of the Income Tax Act in respect of the loss restriction event, or to have designated after that date, in respect of that event, in accordance with that paragraph *e* in respect of a particular capital property, a particular amount different from that designated by the taxpayer after that date, in relation to that event, in accordance with that paragraph *e* in its respect, if

(a) the taxpayer files an application with the Minister in that respect, in a document containing information that is satisfactory to the Minister, on or before the day that is 90 days after the day on which a notice of assessment of tax payable for the taxation year ending immediately before that time or a notice that no tax is payable for the year is sent to the taxpayer;

(b) it may reasonably be considered that the taxpayer's designation regarding the particular capital property and the amount in its respect, or the change made to the amount designated in respect of the particular capital property, as the case may be, is justified only because of a difference between tax attributes, in particular the adjusted cost base of the particular capital property or the undeducted balance of a deductible loss, for the purposes of Part I of the Income Tax Act and the corresponding tax attributes for the purposes of this Part; and

(c) the Minister is of the opinion that the tax consequences of the application are consistent with the objectives of subparagraph *c* of the second paragraph, and grants the application.

Chapter V.2 of Title II of Book I applies in relation to a designation made under paragraph *e* of subsection 4 of section 111 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.

1972, c. 23, s. 554; 1974, c. 18, s. 28; 1984, c. 15, s. 167; 1985, c. 25, s. 120; 1989, c. 77, s. 80; 1993, c. 16, s. 275; 1997, c. 3, s. 71; 2004, c. 4, s. 5; 2009, c. 5, s. 249; 2017, c. 1, s. 176.

736.0.0.1. For the purposes of section 736, if at a particular time a taxpayer owes a foreign currency debt in respect of which the taxpayer would have had, if the foreign currency debt had been repaid at that time, a capital loss or gain, the taxpayer is deemed to own at the time (in this section referred to as the "measurement time") that is immediately before the particular time a property

(a) the adjusted cost base of which at the measurement time is equal to the amount determined by the formula

A + B - C; and

(b) the fair market value of which is equal to the amount that would be the amount of principal owed by the taxpayer under the foreign currency debt at the measurement time if that amount were calculated using the exchange rate applicable at the time of the original borrowing.

In the formula in subparagraph *a* of the first paragraph,

(a) A is the amount of principal owed by the taxpayer under the foreign currency debt at the measurement time, calculated using the exchange rate applicable at that time;

(b) B is the portion of any gain, previously recognized in respect of the foreign currency debt because of this Title, that is reasonably attributable to the amount determined under subparagraph *a*; and

(c) C is the portion of any capital loss, previously recognized in respect of the foreign currency debt because of this Title, that is reasonably attributable to the amount determined under subparagraph *a*.

2010, c. 5, s. 56; 2017, c. 1, s. 177.

736.0.0.2. In this Title,

"exchange rate" at a particular time in respect of a foreign currency means the rate of exchange between that currency and Canadian currency quoted by the Bank of Canada on the day that includes the particular

time or, if that day is not a working day, on the day that immediately precedes that day, or a rate of exchange acceptable to the Minister;

"foreign currency debt" means a debt obligation denominated in a foreign currency.

2010, c. 5, s. 56; 2021, c. 14, s. 68.

736.0.1. Where, at any time, a taxpayer is subject to a loss restriction event, no amount in respect of a non-capital loss or farm loss for a taxation year ending before that time is deductible by the taxpayer for a taxation year ending after that time.

However, the taxpayer may deduct, for a particular taxation year ending after that time, such portion of a non-capital loss or farm loss, as the case may be, for a taxation year ending before that time as may reasonably be regarded as the taxpayer's loss from carrying on a business and, where a business was carried on by the taxpayer in that taxation year, such portion of the non-capital loss as may reasonably be regarded as being attributable to an amount deductible under section 725.1.1 in computing the taxpayer's taxable income for that taxation year, if the following conditions are met:

(a) the business was carried on by the taxpayer for profit or with a reasonable expectation of profit throughout the particular year; and

(b) the amount that the taxpayer may deduct must not exceed the aggregate of the taxpayer's income for the particular year from the business and, where the taxpayer sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time, from any other business substantially all the income of which was derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

1984, c. 15, s. 167; 1985, c. 25, s. 120; 1986, c. 19, s. 153; 1989, c. 77, s. 80; 1990, c. 59, s. 278; 1997, c. 3, s. 71; 2017, c. 1, s. 178.

736.0.1.1. Where, at any time, a taxpayer is subject to a loss restriction event, no amount in respect of a non-capital loss or farm loss for a taxation year ending after that time is deductible by the taxpayer for a taxation year ending before that time.

However, the taxpayer may deduct, for a particular taxation year ending before that time, such portion of a non-capital loss or farm loss, as the case may be, for a taxation year ending after that time as may reasonably be regarded as the taxpayer's loss from carrying on a business and, where a business was carried on by the taxpayer in that taxation year, such portion of the non-capital loss as may reasonably be regarded as being attributable to an amount deductible under section 725.1.1 in computing the taxpayer's taxable income for that taxation year, if the following conditions are met:

(a) the business was carried on by the taxpayer for profit or with a reasonable expectation of profit throughout the taxation year and in the particular year; and

(b) the amount that the taxpayer may deduct must not exceed the taxpayer's income for the particular year from the business and, where the taxpayer sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time, from any other business substantially all of the income of which was derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

1985, c. 25, s. 120; 1989, c. 77, s. 80; 1990, c. 59, s. 279; 1997, c. 3, s. 71; 2017, c. 1, s. 178.

736.0.1.2. For the purposes of sections 736.0.1 and 736.0.1.1, a taxpayer's business that is at any time an adventure or concern in the nature of trade is deemed to be a business carried on at that time by the taxpayer.

2000, c. 5, s. 159; 2017, c. 1, s. 178.

736.0.2. Subject to section 736.0.5, where, at any time, a taxpayer (other than a taxpayer who, at that time, became or ceased to be exempt from tax under this Part on the taxpayer's taxable income) is subject to a

loss restriction event and the undepreciated capital cost to the taxpayer of depreciable property of a prescribed class immediately before that time would have exceeded, if this Part were read without reference to section 93.4, the aggregate of the fair market value of all the property of that class immediately before that time and the amount in respect of property of that class otherwise allowed under regulations made under paragraph *a* of section 130 or deductible under the second paragraph of section 130.1 in computing the taxpayer's income for the taxation year ending immediately before that time, the excess is to be deducted in computing the taxpayer's income for the taxation year ending immediately before that time and is deemed to have been allowed to the taxpayer in respect of the property of that class under regulations made under paragraph *a* of section 130.

1984, c. 15, s. 167; 1985, c. 25, s. 121; 1989, c. 77, s. 80; 1990, c. 59, s. 280; 1997, c. 3, s. 71; 2005, c. 1, s. 142; 2017, c. 1, s. 178; 2019, c. 14, s. 194.

736.0.3. *(Repealed).*

1984, c. 15, s. 167; 1989, c. 77, s. 81.

736.0.3.1. Subject to section 736.0.5, where, at any time, a taxpayer, other than a taxpayer who at that time became or ceased to be exempt from tax under this Part on the taxpayer's taxable income, is subject to a loss restriction event, no amount may be deducted under section 140 in computing the taxpayer's income for the taxpayer's taxation year ending immediately before that time and each amount that is the greatest amount that would, but for this section, have been deductible under section 140 in respect of a debt owing to the taxpayer immediately before that time is deemed to be a separate debt and is, despite any other provision of this Part, to be deducted as a bad debt under section 141 in computing the taxpayer's income for the year.

In addition, the amount by which the debt exceeds that separate debt is deemed to be a separate debt incurred at the same time and under the same circumstances as the debt was incurred.

1989, c. 77, s. 82; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 1997, c. 31, s. 72; 2017, c. 1, s. 179.

736.0.4. Where control of a corporation has been acquired at any time by a person or persons, such portion of the corporation's non-capital loss for a taxation year ending before that time to the extent that it was not deductible in computing the corporation's income for such a year and may be considered such a loss of a subsidiary, within the meaning of section 556, from carrying on a particular business and in respect of which sections 564.2, 564.3 and 564.4 apply, as they read on 12 November 1981, is deemed to be a non-capital loss of the corporation from carrying on the particular business of the subsidiary.

1984, c. 15, s. 167; 1997, c. 3, s. 71.

736.0.5. Where a taxpayer is subject to a loss restriction event at a particular time and it can reasonably be considered that the main reason that the taxpayer is subject to the loss restriction event was to cause subparagraph *b* of the second paragraph of section 736 or section 736.0.2 or 736.0.3.1 to apply, the following provisions do not apply with respect to the loss restriction event:

(a) the said subparagraph *b* of the second paragraph of section 736, the said sections 736.0.2 and 736.0.3.1 and subparagraph *c* of the second paragraph of section 736;

(b) where, but for paragraph *a*, the said subparagraph *b* of the second paragraph of section 736 would apply, subparagraph *a* of the second paragraph of section 736.

1989, c. 77, s. 83; 1997, c. 3, s. 71; 2017, c. 1, s. 180.

736.1. *(Repealed).*

1978, c. 26, s. 128; 2017, c. 29, s. 114.

736.2. *(Repealed).*

1978, c. 26, s. 128; 1979, c. 18, s. 59; 2017, c. 29, s. 114.

736.3. Despite section 727, an individual to whom the Minister grants an authorization following an application to that effect may deduct, under that section, in computing the individual's taxable income for a particular taxation year an amount in respect of a non-capital loss sustained by the individual in a taxation year, in this section referred to as the "reimbursement year", subsequent to the third taxation year that follows the particular taxation year, if

(a) the individual deducted in computing the individual's income for the reimbursement year, under section 78.1, an amount paid by or on behalf of the individual as the reimbursement of an amount the individual included in computing the individual's income from an office or employment for the particular taxation year;

(b) the amount for which the application is made does not exceed the portion of the non-capital loss sustained by the individual in the reimbursement year that may reasonably be considered to be attributable to the reimbursement referred to in paragraph *a*; and

(c) in the Minister's opinion, it is reasonable to expect, by reason of the nature and severity of the individual's disability, that the individual will not earn sufficient income in a taxation year subsequent to the reimbursement year to allow the individual to deduct in computing the individual's taxable income, under section 727, the non-capital loss sustained by the individual in the reimbursement year.

Despite section 1010, the Minister shall make such assessments, reassessments or additional assessments of tax, interest and penalties and such determinations or redeterminations as are necessary for any taxation year to give effect to the first paragraph.

2005, c. 23, s. 78; 2011, c. 6, s. 154.

736.4. Despite section 727, an individual may deduct, under that section, in computing the individual's taxable income for a particular taxation year subsequent to the taxation year 2003, an amount in respect of a non-capital loss sustained by the individual in a taxation year (in this section referred to as the "reimbursement year") subsequent to the third taxation year that follows the particular taxation year, if

(a) the individual deducted, in computing the individual's income for the reimbursement year, an amount paid by or on behalf of the individual as the reimbursement of an amount the individual included in computing the individual's income for the particular taxation year;

(b) the reimbursement referred to in subparagraph *a* results from the determination, in respect of the individual, in the reimbursement year of an amount relating to the particular taxation year that is a covered benefit attributable to a preceding taxation year, within the meaning assigned to that expression by section 766.3.1; and

(c) the amount deducted does not exceed the portion of the non-capital loss sustained by the individual in the reimbursement year that may reasonably be considered to be attributable to the reimbursement referred to in subparagraph *a*.

Despite section 1010, the Minister shall make such assessments, reassessments or additional assessments of tax, interest and penalties and such determinations and redeterminations as are necessary for any taxation year in order to give effect to the first paragraph.

2011, c. 6, s. 155; 2015, c. 21, s. 259.

737. Where a taxpayer dies in a taxation year, for the purposes of computing his taxable income for that year and the preceding taxation year, the following rules apply:

(a) section 729 shall read as follows:

"**729.** A taxpayer may deduct the taxpayer's net capital losses for all his taxation years not claimed in computing the taxpayer's taxable income for any other taxation year."; and

(b) subparagraph *b* of the first paragraph of section 729.1 shall read as follows:

"(*b*) the amount by which the amount claimed in respect of the taxpayer's net capital losses under section 729 for the particular taxation year exceeds the aggregate of

i. all amounts in respect of the taxpayer's net capital losses that, using the formula in subparagraph ii of subparagraph *a*, would be required to be claimed under section 729 for the particular taxation year to produce the amount determined under subparagraph *a* for the particular taxation year, and

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

1972, c. 23, s. 555; 1972, c. 26, s. 55; 1973, c. 17, s. 86; 1978, c. 26, s. 129; 1985, c. 25, s. 122; 1987, c. 67, s. 147; 1990, c. 59, s. 281; 1993, c. 16, s. 276; 1993, c. 19, s. 47.

TITLE VII.0.1

ADJUSTMENT IN RESPECT OF AN ADDITIONAL INVESTMENT EXPENSE

2005, c. 38, s. 95.

737.0.1. An individual, other than a trust that is not a personal trust, shall include in computing the individual's taxable income for a taxation year an amount equal to the amount by which the amount of the individual's additional investment expense for the year exceeds the portion of the individual's investment income for the year in excess of the individual's investment expense for the year.

If the individual benefits for the year from the deduction provided for in section 737.16 or 737.18.10 in respect of an employment, the amount determined under the first paragraph must be determined on the assumption that the rules set out in the second paragraph of section 313.10 apply in respect of the particular amounts otherwise included in the investment expense or investment income of the individual for the year and, with the necessary modifications, in respect of the particular amounts taken into account in computing the amounts otherwise included in the additional investment expense of the individual for the year.

In this section, "additional investment expense", "investment expense" and "investment income" have the meaning assigned by section 336.5.

2005, c. 38, s. 95; 2022, c. 23, s. 47.

TITLE VII.1

Repealed, 2001, c. 53, s. 102.

1984, c. 15, s. 168; 2001, c. 53, s. 102.

CHAPTER I

Repealed, 2001, c. 53, s. 102.

1984, c. 15, s. 168; 2001, c. 53, s. 102.

737.1. *(Repealed).*

1984, c. 15, s. 168; 1986, c. 19, s. 154; 1989, c. 5, s. 90; 1993, c. 16, s. 277; 2001, c. 53, s. 102.

CHAPTER II

Repealed, 2001, c. 53, s. 102.

1984, c. 15, s. 168; 2001, c. 53, s. 102.

737.2. *(Repealed).*

1984, c. 15, s. 168; 1985, c. 25, s. 123; 1989, c. 5, s. 91; 2001, c. 53, s. 102.

737.3. *(Repealed).*

1984, c. 15, s. 168; 1986, c. 19, s. 155; 1987, c. 67, s. 148; 1989, c. 5, s. 92.

CHAPTER III

Repealed, 1989, c. 5, s. 92.

1984, c. 15, s. 168; 1989, c. 5, s. 92.

737.4. *(Repealed).*

1984, c. 15, s. 168; 1986, c. 19, s. 156; 1989, c. 5, s. 92.

737.5. *(Repealed).*

1984, c. 15, s. 168; 1986, c. 19, s. 157; 1987, c. 67, s. 149; 1989, c. 5, s. 92.

737.6. *(Repealed).*

1984, c. 15, s. 168; 1986, c. 19, s. 158; 1989, c. 5, s. 92.

737.7. *(Repealed).*

1984, c. 15, s. 168; 1985, c. 25, s. 124; 1986, c. 19, s. 159; 1989, c. 5, s. 92.

CHAPTER IV

Repealed, 2001, c. 53, s. 102.

1984, c. 15, s. 168; 2001, c. 53, s. 102.

737.8. *(Repealed).*

1984, c. 15, s. 168; 1985, c. 25, s. 125; 1989, c. 5, s. 93; 1997, c. 31, s. 73; 2001, c. 53, s. 102.

CHAPTER V

Repealed, 2001, c. 53, s. 102.

1984, c. 15, s. 168; 2001, c. 53, s. 102.

737.9. *(Repealed).*

1984, c. 15, s. 168; 1989, c. 5, s. 94; 2001, c. 53, s. 102.

737.10. *(Repealed).*

1984, c. 15, s. 168; 1989, c. 5, s. 95.

737.11. *(Repealed).*

1984, c. 15, s. 168; 1989, c. 5, s. 96; 2001, c. 53, s. 102.

737.12. *(Repealed).*

1984, c. 15, s. 168; 1986, c. 19, s. 160.

737.12.1. *(Repealed).*

1986, c. 19, s. 161; 1989, c. 5, s. 97; 1997, c. 31, s. 74; 2001, c. 53, s. 102.

TITLE VII.2

INTERNATIONAL FINANCIAL CENTRE

1986, c. 15, s. 112.

CHAPTER I

Repealed, 1999, c. 86, s. 77.

1986, c. 15, s. 112; 1999, c. 86, s. 77.

737.13. *(Repealed).*

1986, c. 15, s. 112; 1987, c. 21, s. 24; 1995, c. 1, s. 64; 1997, c. 3, s. 71; 1999, c. 86, s. 77.

737.13.1. *(Repealed).*

1992, c. 1, s. 48; 1995, c. 1, s. 65; 1997, c. 3, s. 71; 1999, c. 86, s. 77.

CHAPTER II

DEDUCTIONS

1986, c. 15, s. 112.

737.14. *(Repealed).*

1986, c. 15, s. 112; 1992, c. 1, s. 49; 1995, c. 1, s. 66; 1995, c. 49, s. 167; 1997, c. 3, s. 71; 1999, c. 86, s. 78; 2022, c. 23, s. 48.

737.15. *(Repealed).*

1986, c. 15, s. 112; 1987, c. 21, s. 25; 1990, c. 7, s. 57; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 14, s. 105; 1999, c. 86, s. 79.

737.16. An individual described in section 66 of the Act respecting international financial centres (chapter C-8.3) who holds employment with a particular corporation referred to in that section may deduct, in computing the individual's taxable income for a taxation year, the amount determined in respect of the individual for the year, under section 65 of that Act, in relation to that employment.

1986, c. 15, s. 112; 1997, c. 3, s. 71; 1999, c. 86, s. 80; 2002, c. 40, s. 343; 2004, c. 21, s. 135; 2022, c. 23, s. 49.

737.16.1. *(Repealed).*

1995, c. 1, s. 67; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 14, s. 106; 1999, c. 86, s. 80; 2022, c. 23, s. 50.

CHAPTER III

Repealed, 2022, c. 23, s. 51.

1986, c. 15, s. 112; 2022, c. 23, s. 51.

737.17. *(Repealed).*

1986, c. 15, s. 112; 1992, c. 1, s. 50; 1997, c. 3, s. 71; 1999, c. 86, s. 81; 2022, c. 23, s. 51.

CHAPTER IV

COMPUTATION OF TAXABLE INCOME

1987, c. 67, s. 150.

737.18. For the purpose of computing the taxable income of the individual referred to in section 737.16 for a taxation year, the following rules apply:

(a) for the purpose of computing the deduction under section 725.2, the amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement, and that the individual has included in computing income for the year, shall not include the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year;

(b) for the purpose of computing the deduction under section 725.3, the amount that is the benefit the individual is deemed to receive in the year under section 49, as a consequence of the application of section 49.2, in respect of a share acquired by the individual after 22 May 1985 and that the individual has included in computing income for the year, shall not include the portion of such an amount that is included in

the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year;

(c) for the purpose of computing the deduction under section 725.4, the individual shall subtract from the amount included by the individual under paragraph *b* of section 218 in computing income for the year in respect of a share the individual has received after 22 May 1985, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of any of the individual's specified periods, established under the fourth paragraph of section 65 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined under subparagraph 1 of the second paragraph of that section 65 in respect of that period;

(d) for the purpose of computing the deduction under section 725.5, the individual shall subtract from the amount included by the individual under section 888.1 in computing income for the year, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of any of the individual's specified periods, established under the fourth paragraph of section 65 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined under subparagraph 1 of the second paragraph of that section 65 in respect of that period;

(e) for the purpose of computing the deduction under section 725, the individual shall subtract from the amount included by the individual in computing income for the year, and that is an amount described in any of the paragraphs of that section, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of any of the individual's specified periods, established under the fourth paragraph of section 65 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined under subparagraph 1 of the second paragraph of that section 65 in respect of that period;

(f) for the purpose of computing the deduction under section 725.1.2, the individual shall subtract from the amount included by the individual in computing income for the year, and that is an amount described in the second paragraph of that section, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of any of the individual's specified periods, established under the fourth paragraph of section 65 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined under subparagraph 1 of the second paragraph of that section 65 in respect of that period;

(g) (paragraph repealed);

(h) any capital gain realized during any of the individual's specified periods, established under the fourth paragraph of section 65 of the Act respecting international financial centres, in relation to an employment, or any capital loss, including any allowable business investment loss, for such a period is, for the purposes of Titles VI.5 and VI.5.1, deemed to be equal to the product obtained by multiplying the capital gain or capital loss by the amount by which 100% exceeds the percentage determined under subparagraph 1 of the second paragraph of that section 65 in respect of that period.

1987, c. 67, s. 150; 1991, c. 25, s. 87; 1992, c. 1, s. 51; 1993, c. 19, s. 48; 1997, c. 85, s. 114; 1999, c. 86, s. 82; 2001, c. 53, s. 103; 2004, c. 21, s. 136; 2005, c. 38, s. 96; 2019, c. 14, s. 195; 2021, c. 14, s. 69.

737.18.0.1. *(Repealed).*

2002, c. 40, s. 58; 2021, c. 14, s. 70; 2022, c. 23, s. 52.

TITLE VII.2.1

Repealed, 2012, c. 8, s. 72.

1999, c. 83, s. 80; 2012, c. 8, s. 72.

CHAPTER I

Repealed, 2012, c. 8, s. 72.

1999, c. 83, s. 80; 2012, c. 8, s. 72.

737.18.1. *(Repealed).*

1999, c. 83, s. 80; 2000, c. 39, s. 46; 2012, c. 8, s. 72.

737.18.2. *(Repealed).*

1999, c. 83, s. 80; 2005, c. 38, s. 97; 2012, c. 8, s. 72.

CHAPTER II

Repealed, 2012, c. 8, s. 72.

1999, c. 83, s. 80; 2012, c. 8, s. 72.

737.18.3. *(Repealed).*

1999, c. 83, s. 80; 2000, c. 39, s. 264; 2012, c. 8, s. 72.

737.18.3.1. *(Repealed).*

2000, c. 39, s. 47; 2012, c. 8, s. 72.

CHAPTER III

Repealed, 2012, c. 8, s. 72.

1999, c. 83, s. 80; 2012, c. 8, s. 72.

737.18.4. *(Repealed).*

1999, c. 83, s. 80; 2000, c. 39, s. 264; 2004, c. 4, s. 6; 2012, c. 8, s. 72.

737.18.5. *(Repealed).*

1999, c. 83, s. 80; 2000, c. 39, s. 48; 2012, c. 8, s. 72.

TITLE VII.2.2

DEDUCTIONS RELATING TO THE CREATION OF THE INTERNATIONAL TRADE ZONE AT MIRABEL

CHAPTER I

INTERPRETATION AND GENERAL

2000, c. 39, s. 49.

737.18.6. In this Title,

"base period" applicable to a corporation or partnership in respect of eligible activities of a recognized business carried on by the corporation in a taxation year, or by the partnership in a fiscal period, means

(a) where the certificate issued to the corporation or partnership in respect of the recognized business became effective or is deemed to have become effective, in accordance with section 737.18.9.1, before 1 January 2001, the period beginning on the day after the effective date of the certificate and, subject to subparagraph ii of subparagraph *a* of the first paragraph of section 737.18.9.2 and subparagraph *b* of that paragraph, ending on the earlier of

i. the day preceding the day when the corporation or partnership ceases to carry on the eligible activities, and

ii. 31 December 2010;

(b) where the certificate issued to the corporation or partnership in respect of the recognized business became effective or is deemed to have become effective, in accordance with section 737.18.9.1, after 31 December 2000 and before 1 January 2004, the period beginning on the day after the effective date of the certificate and, subject to subparagraph ii of subparagraph *a* of the first paragraph of section 737.18.9.2 and subparagraph *b* of that paragraph, ending on the earlier of

i. the day preceding the day when the corporation or partnership ceases to carry on the eligible activities, and

ii. the day of the tenth anniversary of the effective date of the certificate; and

(c) where the certificate issued to the corporation or partnership in respect of the recognized business became effective or is deemed to have become effective, in accordance with section 737.18.9.1, after 31 December 2003, the period beginning on the day after the effective date of the certificate and, subject to subparagraph ii of subparagraph *a* of the first paragraph of section 737.18.9.2 and subparagraph *b* of that paragraph, ending on the earlier of

i. the day preceding the day when the corporation or partnership ceases to carry on the eligible activities, and

ii. 31 December 2013;

"eligible activities" of a recognized business carried on by a corporation in a taxation year, or by a partnership in a fiscal period, means the activities shown on the certificate issued to the corporation or partnership in respect of the recognized business and carried on in the international trade zone by the corporation in the year or by the partnership in the fiscal period;

"eligible employer" means a corporation or a partnership that carries on a recognized business;

"exemption period" of an individual who is a foreign specialist for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the later of the day on which the individual begins to perform the duties of that employment and 10 March 1999, and that, subject to subparagraph i of subparagraph *a* of the first paragraph of section 737.18.9.2, ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign specialist; and

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.18.6.2 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.18.10, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.18.6.2 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1;

"foreign specialist" for all or part of a taxation year, means an individual in respect of whom the following conditions are met:

(a) at a particular time after 9 March 1999 but before 2 September 2003, the individual takes up employment, as an employee, with an eligible employer under an employment contract that they entered into before 13 June 2003;

(b) the individual is not resident in Canada immediately before taking up employment, as an employee, with the eligible employer;

(c) from the particular time to the end of the year or the part of the year

i. the individual performs employment duties for the eligible employer exclusively or almost exclusively in the international trade zone,

ii. the individual works exclusively or almost exclusively for the eligible employer, and

iii. the individual's duties for the eligible employer consist exclusively or almost exclusively in carrying out work relating to activities shown on the certificate issued to the employer in respect of the recognized business carried on by the employer in the international trade zone; and

(d) the eligible employer has obtained in respect of the individual, for the purposes of this Title, a certificate issued by Investissement Québec for the taxation year and the certificate and, if applicable, all the similar certificates that were obtained in respect of the individual for preceding taxation years certify that, from the particular time to the end of the year or the part of the year, the individual is recognized as a specialist;

"international trade zone" has the meaning assigned by the first paragraph of section 1029.8.36.0.38;

"recognized business" has the meaning assigned by the first paragraph of section 1029.8.36.0.38 and by section 1029.8.36.0.38.1.

Where the certificate referred to in the definition of "foreign specialist" was not issued in respect of an individual for the taxation year that includes the particular day that is the later of the day on which the individual began to perform the duties of an employment the individual holds with an eligible employer and 10 March 1999, the exemption period of the individual in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a certificate has been issued in respect of the individual.

Where an individual holds employment with an eligible employer on 10 March 1999 under a particular contract, but took up employment, as an employee, with that employer before that date, and the particular

contract is not deemed to end under the first or second paragraph of section 737.18.7.2, the definition of "foreign specialist" in the first paragraph shall be read

(a) with paragraphs *a* and *b* replaced by the following paragraphs:

"(*a*) on 10 March 1999, the individual holds employment with an eligible employer under an employment contract that they entered into before that date;

"(*b*) the individual is not resident in Canada immediately before 10 March 1999;";

(b) with "from the particular time" in the portion of paragraph *c* before subparagraph i and in paragraph *d* replaced by "from 10 March 1999".

2000, c. 39, s. 49; 2001, c. 51, s. 41; 2003, c. 9, s. 54; 2004, c. 21, s. 137; 2005, c. 23, s. 79; 2012, c. 8, s. 73.

737.18.6.1. For the purposes of this Title, where, in a taxation year or a fiscal period, as the case may be, a corporation or a partnership carries on a business in respect of which section 1029.8.36.0.38.1 applies and whose activities are carried on in Québec but outside the international trade zone, the following rules apply:

(a) the activities shown on the certificate referred to in paragraph *a* of section 1029.8.36.0.38.1 in respect of the recognized business, that are carried on in Québec but outside the international trade zone, are deemed to be activities carried on in the international trade zone;

(b) the individual who, at a particular time after 13 March 2000, holds employment with that corporation or partnership and whose duties consist in carrying out work relating to the activities referred to in paragraph *a* exclusively or almost exclusively in Québec is deemed, from that time and throughout the period in which the individual actually performs those duties, to carry out work, exclusively or almost exclusively, that is related to the activities shown on the certificate issued to the corporation or partnership in respect of the recognized business and to perform the duties of the individual's employment exclusively or almost exclusively in the international trade zone.

2001, c. 51, s. 42.

737.18.6.2. For the purpose of establishing the exemption period of an individual in relation to an employment, a preceding period to which subparagraph i of paragraph *b* of the definition of "exemption period" in the first paragraph of section 737.18.6 and subparagraph 2 of subparagraph ii of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed.

2004, c. 21, s. 138.

737.18.6.3. If, in a taxation year, an individual is absent from an employment the individual holds with an eligible employer and, were it not for that absence, would be a foreign specialist for the part of the year that is included in the individual's period of absence, the Minister may, for the purposes of this Title, consider that part of the year to be included in the individual's exemption period in relation to the employment if the Minister is of the opinion that the individual is temporarily absent from the employment for reasons the Minister considers reasonable.

The individual is deemed to be a foreign specialist for the part of the year in respect of which the Minister has exercised discretion in the individual's favour in accordance with the first paragraph.

2005, c. 23, s. 80.

737.18.7. For the purposes of the definition of "foreign specialist" in the first paragraph of section 737.18.6, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with an eligible employer if

(a) the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition set out in paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

2000, c. 39, s. 49; 2004, c. 21, s. 139.

737.18.7.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign specialist working for the eligible employer if the definition of "foreign specialist" in the first paragraph of section 737.18.6 were read

i. without reference to paragraph *b* thereof, and

ii. with the reference to "from the particular time to the end of the year or the part of the year" in the portion of paragraph *c* before subparagraph i and in paragraph *d* replaced by a reference to "throughout the year or the part of the year".

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign specialist working for the eligible employer if the portion of paragraph *c* of the definition of "foreign specialist" in the first paragraph of section 737.18.6 before subparagraph i and paragraph *d* of that definition were read with the reference to "from the particular time to the end of the year or the part of the year" replaced by a reference to "throughout the year or the part of the year".

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no exemption period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

2004, c. 21, s. 140.

737.18.7.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the "original contract", or a deemed contract within the meaning of subparagraph *a* of the third paragraph, is deemed to end at the time when the individual ceases to be a foreign specialist.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the "original contract", is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign specialist if this section were read without reference to the first and second paragraphs and the portion of paragraph *c* of the definition of "foreign specialist" in the first paragraph of section 737.18.6 before subparagraph i and paragraph *d* of that definition were read with the reference to "from the particular time to the end of the year or the part of the year" replaced by a reference to "throughout the year or the part of the year", the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the "deemed contract", and that contract is deemed to be entered into before 13 June 2003; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before taking up employment, as an employee, with the eligible employer;

(b) has no exemption period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.18.10, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in paragraph *f* of the definition of "foreign specialist" in section 737.18.6, as it read for that preceding taxation year.

Where an individual holds employment with an eligible employer on 10 March 1999 under the original contract, but took up employment, as an employee, with that employer before that date, the following rules apply:

(a) the third paragraph, where it applies for the first time since the original contract is deemed to have ended under the first or second paragraph, shall be read with the reference to "from the particular time" replaced by a reference to "from 10 March 1999"; and

(b) if the second paragraph applies to the original contract, subparagraph *a* of the fourth paragraph shall be read as follows:

"(*a*) the individual is not resident in Canada immediately before 10 March 1999;".

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

2004, c. 21, s. 140.

737.18.7.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of "foreign specialist" in the first paragraph of section 737.18.6 and in this section referred to as the "original contract", is deemed not to be an employment contract separate from the original contract.

The rule set out in the first paragraph applies, with the necessary modifications, to a new employment contract that is entered into after 12 June 2003 with another eligible employer, who is deemed not to be an employer separate from the eligible employer, in this section referred to as the "first employer", who entered into the original contract, provided that

(a) the other eligible employer

i. controls directly or indirectly the first employer,

ii. is, directly or indirectly, a controlled subsidiary of the first employer, or

iii. as a result of a transaction referred to in section 518 or 566, continues to carry on the business of the first employer in the course of which the individual who entered into the original contract performed the individual's duties as a foreign specialist; and

(b) it may reasonably be considered that, but for the change of employer, the individual who entered into the original contract would have continued to be a foreign specialist working for the first employer until the time when the individual took up employment, as an employee, with the other eligible employer.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.18.7.2.

2004, c. 21, s. 140.

737.18.8. For the purpose of determining, for the purposes of this Title, the income or loss of a corporation for a taxation year, or of a partnership for a fiscal period, from the eligible activities of a recognized business carried on by the corporation or partnership, as the case may be, the income or loss shall be computed as if the activities were the carrying on, by the corporation or partnership, of a separate business.

2000, c. 39, s. 49.

737.18.9. For the purposes of the definition of "eligible employer" in the first paragraph of section 737.18.6 and despite any provision to the contrary, a certificate that has been issued to a corporation or a partnership in respect of a recognized business is deemed to be valid until the time the certificate is revoked and it is deemed, only as of that time, not to have been issued.

2000, c. 39, s. 49; 2005, c. 23, s. 81; 2005, c. 38, s. 98; 2012, c. 8, s. 74.

737.18.9.1. For the purposes of this Title, where, at a particular time in a taxation year or fiscal period, a corporation or partnership, in this section referred to as the "transferee entity", carries on a business in respect of which Investissement Québec issued a qualification certificate and the business, according to Investissement Québec, is the continuation of a recognized business or part of a recognized business carried on before that time by a corporation or partnership, in this section referred to as the "transferor entity", the

effective date of the qualification certificate issued to the transferee entity, in relation to the recognized business, is deemed to be the same as the effective date of the qualification certificate issued to the transferor entity, in relation to the recognized business or part of the recognized business.

2004, c. 21, s. 141; 2005, c. 23, s. 82.

737.18.9.2. For the purposes of this Title, where, at any time after 11 June 2003, control of a corporation that carries on at that time a recognized business or is a member of a partnership that carries on at that time a recognized business is acquired by a person or group of persons, the following rules apply:

(a) where the recognized business is carried on by the corporation,

i. the exemption period of an individual, in relation to an employment the individual holds with the corporation, is deemed to end immediately before that time, and

ii. the base period applicable to the corporation, in respect of the eligible activities of the recognized business, is deemed to end immediately before that time; and

(b) where the recognized business is carried on by the partnership, the base period applicable to the partnership, in respect of the eligible activities of the recognized business, is deemed, for the purpose of computing the amount that the corporation may deduct under section 737.18.11 for the taxation year in which the fiscal period of the partnership that includes that time ends and for a subsequent taxation year, to end immediately before that time.

However, the first paragraph does not apply if the acquisition of control

(a) occurs before 1 July 2004 and Investissement Québec certifies that it results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date;

(b) is by a corporation carrying on at that time a recognized business, by a person or group of persons that controls such a corporation, or by a group of persons each member of which is such a corporation or a person who, alone or together with other members of the group, controls such a corporation;

(c) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003; or

(d) derives from the performance after 11 June 2003 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 12 June 2003.

2004, c. 21, s. 141; 2005, c. 23, s. 83; 2006, c. 13, s. 53.

CHAPTER II

DEDUCTIONS

2000, c. 39, s. 49.

737.18.10. Subject to the third paragraph, an individual who, for all or part of a taxation year, is a foreign specialist who holds employment with an eligible employer, may deduct, in computing the individual's taxable income for the year, an amount not greater than the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to that employment that is included in the year.

For the purposes of the first paragraph, the following rules apply:

(a) if the individual is a member of a partnership in a taxation year, the individual's share of the income or loss of the partnership for a fiscal period that ended in the year must be considered to be earned or sustained during the part of the year referred to in that paragraph if the fiscal period ends in that part of the

year, and to be earned or sustained during another part of the year if the fiscal period ends in that other part of the year; and

(b) if the individual includes an amount in computing the individual's income for a taxation year under section 313.11, the amount must be considered to be income earned by the individual on the last day of that year.

An individual may deduct an amount under the first paragraph in computing the individual's taxable income for a taxation year only if the individual encloses, with the fiscal return the individual is required to file under section 1000 for the year, a copy of the certificate that

(a) was issued to the eligible employer for the year in respect of the individual; and

(b) certifies that the individual is recognized as a specialist for all or part of the year;

(c) (subparagraph repealed).

2000, c. 39, s. 49; 2004, c. 21, s. 142; 2009, c. 5, s. 252; 2012, c. 8, s. 75.

737.18.10.1. Where, at a particular time included in an individual's exemption period in relation to an employment held by the individual with an eligible employer, the individual, who was a foreign specialist for all or part of the taxation year that includes the particular time, acquired a right to a security under an agreement referred to in section 48 and, at a later time after the expiration of the exemption period, the individual is deemed to receive a benefit in a particular taxation year by reason of the application of any of sections 49 and 50 to 52.1, either in respect of the security or of the transfer or any other disposition of the rights under the agreement, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire the security under the agreement, the following rules apply:

(a) for the purposes of the first paragraph of section 737.18.10, the individual is deemed, for a part of the particular taxation year that includes the later time, to be a foreign specialist who holds that employment with the eligible employer;

(b) for the purposes of the first paragraph of section 737.18.10 and paragraphs *a* and *b* of section 737.18.13 in respect of the amount of the benefit included by the individual in computing the individual's income for the particular taxation year, the later time is deemed to be an exemption period of the individual in relation to that employment;

(c) the third paragraph of section 737.18.10 shall be read with "for the year" in subparagraph *a* replaced by "for the taxation year that includes the particular time referred to in the portion of section 737.18.10.1 before paragraph *a*" and without reference to subparagraph *b* thereof; and

(d) paragraph *a* of section 737.18.13 is to be read as if "in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48" were replaced by "either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement".

2002, c. 40, s. 59; 2004, c. 21, s. 143; 2021, c. 14, s. 71.

737.18.11. Subject to the second paragraph, a corporation that, in a taxation year, carries on a recognized business or is a member of a partnership that, in a fiscal period of the partnership ending in that year, carries on a recognized business, may deduct, in computing its taxable income for the year, an amount not exceeding the part of its income for the year that may reasonably be considered to be the amount by which

(a) the aggregate of all amounts each of which is

i. the amount obtained by multiplying the corporation's income for the year from the eligible activities of a recognized business carried on by the corporation, by the proportion that the number of days in the year that are within the base period applicable to the corporation in respect of the eligible activities is of the number of days in the year during which the corporation carries on the eligible activities, or

ii. the amount obtained by multiplying the corporation's share of the partnership's income for the fiscal period from the eligible activities of a recognized business carried on by the partnership, by the proportion that the number of days in the fiscal period that are within the base period applicable to the partnership in respect of the eligible activities is of the number of days in the fiscal period during which the partnership carries on the eligible activities; exceeds

(b) the aggregate of all amounts each of which is

i. the amount obtained by multiplying the corporation's loss for the year from the eligible activities of a recognized business carried on by the corporation, by the proportion that the number of days in the year that are within the base period applicable to the corporation in respect of the eligible activities is of the number of days in the year during which the corporation carries on the eligible activities, or

ii. the amount obtained by multiplying the corporation's share of the partnership's loss for the fiscal period from the eligible activities of a recognized business carried on by the partnership, by the proportion that the number of days in the fiscal period that are within the base period applicable to the partnership in respect of the eligible activities is of the number of days in the fiscal period during which the partnership carries on the eligible activities.

A corporation may deduct an amount under the first paragraph in computing its taxable income for a taxation year only if it encloses, with its fiscal return it is required to file under section 1000 for the year, the prescribed form containing the prescribed information and, in relation to each recognized business carried on by the corporation or the partnership, a copy of the certificate issued to the corporation or partnership in respect of the recognized business.

2000, c. 39, s. 49.

CHAPTER III

INCLUSION

2000, c. 39, s. 49.

737.18.12. A corporation that, in a taxation year, carries on a recognized business or is a member of a partnership that, in a fiscal period of the partnership ending in that year, carries on a recognized business, shall include, in computing its taxable income for the year, an amount equal to the lesser of

(a) the amount by which the amount determined in its respect for the year under subparagraph *b* of the first paragraph of section 737.18.11 exceeds the amount determined in its respect for the year under subparagraph *a* of that paragraph; and

(b) its income for the year, computed as if the amount determined in its respect for the year under subparagraph *a* of the first paragraph of section 737.18.11 and the amount determined in its respect for the year under subparagraph *b* of that paragraph were nil.

2000, c. 39, s. 49.

CHAPTER IV

COMPUTATION OF TAXABLE INCOME

2000, c. 39, s. 49.

737.18.13. For the purpose of computing the taxable income of an individual referred to in section 737.18.10 for a taxation year, the following rules apply:

(a) for the purpose of computing the deduction under section 725.2, the amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48 and which the individual has included in computing the individual's income for the year, shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(b) for the purpose of computing the deduction under section 725.3, the amount that is the benefit the individual is deemed to receive in the year under section 49, as a consequence of the application of section 49.2, in respect of a share acquired by the individual after 22 May 1985 and which the individual has included in computing the individual's income for the year, shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(c) for the purpose of computing the deduction under section 725.4, the amount included by the individual under paragraph *b* of section 218 in computing the individual's income for the year in respect of a share the individual has received after 22 May 1985 shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(d) for the purpose of computing the deduction under section 725.5, the amount included by the individual under section 888.1 in computing the individual's income for the year shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(e) for the purpose of computing the deduction under section 725, the amount included by the individual in computing the individual's income for the year, which is an amount described in any of the paragraphs of that section, shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(f) for the purpose of computing the deduction under section 725.1.2, the amount included by the individual in computing the individual's income for the year, which is an amount described in the second paragraph of that section, shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(g) where the individual has included in computing the individual's income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction provided for in section 725.6,

i. subtract, from the amount determined in paragraph *a* of section 725.6, the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's exemption period, in relation to an employment,

ii. subtract, from the amount determined in paragraph *b* of section 725.6, the amount of interest, computed pursuant to that paragraph, for the part of the year that is included in the individual's exemption period, in relation to an employment, and

iii. subtract, from the amount determined in paragraph *c* of section 725.6, the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's exemption period, in relation to an employment; and

(h) a capital gain realized during the individual's exemption period, in relation to an employment, or a capital loss, including any allowable business investment loss, for such a period is deemed to be nil for the purposes of Titles VI.5 and VI.5.1.

2000, c. 39, s. 49; 2001, c. 53, s. 104; 2004, c. 21, s. 144.

TITLE VII.2.3

(Repealed).

2002, c. 9, s. 13; 2019, c. 14, s. 196.

CHAPTER I

(Repealed).

2002, c. 9, s. 13; 2019, c. 14, s. 196.

737.18.14. *(Repealed).*

2002, c. 9, s. 13; 2006, c. 13, s. 54; 2009, c. 5, s. 253; 2009, c. 15, s. 130; 2011, c. 1, s. 34; 2012, c. 8, s. 76; 2019, c. 14, s. 196.

737.18.15. *(Repealed).*

2002, c. 9, s. 13; 2005, c. 1, s. 143; 2012, c. 8, s. 77; 2019, c. 14, s. 196.

737.18.16. *(Repealed).*

2002, c. 9, s. 13; 2019, c. 14, s. 196.

737.18.16.1. *(Repealed).*

2009, c. 5, s. 254; 2019, c. 14, s. 196.

CHAPTER II

(Repealed).

2002, c. 9, s. 13; 2019, c. 14, s. 196.

737.18.17. *(Repealed).*

2002, c. 9, s. 13; 2019, c. 14, s. 196.

TITLE VII.2.3.1

DEDUCTION RELATING TO THE CARRYING OUT OF A LARGE INVESTMENT PROJECT

2015, c. 21, s. 260.

CHAPTER I

INTERPRETATION AND GENERAL RULES

2015, c. 21, s. 260.

737.18.17.1. In this Title, unless the context indicates otherwise,

"adjusted taxable income" of a corporation for a taxation year means the corporation's adjusted taxable income that is determined for the year in accordance with section 737.18.17.16 or that would be so determined if Title VII.2.3.2 applied to the corporation for the year and section 737.18.17.16 were read as if the necessary modifications were made;

"certificate" for a taxation year of a corporation or a fiscal period of a partnership, in relation to a large investment project, means the certificate that, for the purposes of this Title, is issued by the Minister of Finance, in relation to the large investment project for the corporation's taxation year or the partnership's fiscal period, as the case may be;

"computation method election" applicable to a corporation's taxation year or a partnership's fiscal period, in relation to a large investment project, means the election that the corporation or partnership makes in relation to the large investment project and to which subparagraph *b* of the first paragraph of section 737.18.17.5 refers for that year or fiscal period, as the case may be;

"date of the beginning of the tax-free period" in respect of a large investment project of a corporation or a partnership means the date that is specified as such in the first certificate, in relation to the large investment project, or in the qualification certificate issued to the corporation or partnership, in relation to the project, where it acquired all or substantially all of the recognized business in relation to the project and where the Minister of Finance authorized the transfer of the carrying out of the project to the corporation or partnership, according to the qualification certificate;

"date of the end of the start-up period" of a large investment project of a corporation or partnership means the date that is specified as such either in the first certificate in relation to the large investment project or in the qualification certificate issued to the corporation or partnership, in relation to the project, where it acquired all or substantially all of the recognized business in relation to the project and where the Minister of Finance authorized the transfer of the carrying out of the project to the corporation or partnership, according to the qualification certificate;

"digital platform" is a computer environment that enables content management or use and that, as an intermediary, enables access to information, services or property supplied or edited by the corporation or partnership operating it or by a third party;

"eligible activities" of a corporation or a partnership, in relation to a large investment project, means, subject to section 737.18.17.4, the activities or part of the activities that are carried on by the corporation or partnership, as the case may be, in the course of carrying on its recognized business in relation to the large investment project and that arise from the project, except

(a) where the large investment project concerns the development of a digital platform, activities relating to the sale of property or the supply of services through that platform; or

(b) in the case of a corporation's large investment project, the activities that

i. are carried on under a contract that is an eligible contract for the purposes of Division II.6.0.1.8 of Chapter III.1 of Title III of Book IX, or

ii. are eligible activities for the purposes of Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX;

"large investment project" of a corporation or a partnership means an investment project in respect of which a qualification certificate has been issued to the corporation or partnership, as the case may be, by the Minister of Finance, for the purposes of this Title;

"last day of the tax-free period" in respect of a large investment project means the last day of the 15-year period that begins on the date of the beginning of the tax-free period in respect of the project;

"maximum annual contribution exemption amount" of a corporation or a partnership for a taxation year or fiscal period, in relation to a large investment project, means the amount determined, for the year or fiscal period, as the case may be, in respect of the large investment project, by the formula in the second paragraph of section 34.1.0.3.1 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5);

"maximum annual tax exemption amount" of a corporation for a taxation year, in relation to a large investment project, means the amount determined for the year, in respect of the large investment project, by the formula in subparagraph i of subparagraph *b* of the second paragraph of section 737.18.17.5.1, where the project is the corporation's project, or in subparagraph ii of that subparagraph *b*, where the project is that of a partnership of which the corporation is a member at the end of the partnership's fiscal period that ends in that year;

"prior loss attributable to eligible activities" of a corporation for a taxation year or of a partnership for a fiscal period means the amount determined by the formula

A - B;

"recognized business" of a corporation or a partnership in relation to a large investment project means a business or part of a business, carried on in Québec by the corporation or partnership, in connection with which the large investment project was carried out or is in the process of being carried out and in respect of which the corporation or partnership keeps separate accounts in respect of its eligible activities, in relation to the project, unless it made a computation method election in relation to the project;

"tax-free period" of a corporation or a partnership, for a taxation year or a fiscal period, in relation to a large investment project, means, subject to the third paragraph of section 737.18.17.1.1, the part of the taxation year or fiscal period that is both covered by a certificate issued to the corporation or partnership in respect of the large investment project and included in the 15-year period that begins on the date of the beginning of the tax-free period in respect of the project or, where the corporation or partnership acquired all or substantially all of the recognized business in relation to the project and the Minister of Finance authorized the transfer of the carrying out of the project to the corporation or partnership, according to the qualification certificate issued to the corporation or partnership, in relation to the project, in the part of that 15-year period that begins on the date of acquisition of the recognized business;

"total qualified capital investments", at a particular date, of a corporation or a partnership, in relation to a large investment project, means the aggregate of the expenditures of a capital nature incurred by the corporation or partnership, as the case may be, from the beginning of the carrying out of the large investment project until that date, to obtain goods or services with a view to establishing, in Québec, the recognized business of the corporation or partnership, in relation to the project, or with a view to increasing or modernizing the production of such a business, except such expenditures that are related to the purchase or use of land or the acquisition of a business already carried on in Québec.

In the formula in the definition of "prior loss attributable to eligible activities" of a corporation for a particular taxation year or of a partnership for a particular fiscal period, in the first paragraph,

(a) A is

i. in relation to a corporation, the aggregate of all amounts each of which is the amount, in respect of the corporation, for a taxation year preceding the particular year, by which the amount determined under subparagraph *b* of the second paragraph of section 737.18.17.5 exceeds the amount determined under subparagraph *a* of that second paragraph, and

ii. in relation to a partnership, the aggregate of all amounts each of which is the amount, in respect of the partnership, for a fiscal period preceding the particular fiscal period, by which the amount determined under subparagraph *e* of the second paragraph of section 737.18.17.5 exceeds the amount determined under subparagraph *d* of that second paragraph; and

(b) B is

i. in relation to a corporation, the aggregate of all amounts each of which is the amount that reduced, because of C in the formula in subparagraph i of subparagraph *a* of the first paragraph of section 737.18.17.5, the amount that would have been otherwise deductible by the corporation, under that section, for a taxation year preceding the particular year, and

ii. in relation to a partnership, the aggregate of all amounts each of which is the amount that reduced, because of F in the formula in subparagraph ii of subparagraph *a* of the first paragraph of section 737.18.17.5, the amount of which a portion would have been otherwise deductible by a corporation that is a member of the partnership, under that section, for a taxation year in which a fiscal period preceding the particular fiscal period of the partnership ends.

For the purpose of applying the definition of "total qualified capital investments" in the first paragraph in respect of a corporation or a partnership in relation to a large investment project that concerns the digital transformation of a business of the corporation or partnership, the expenditures of a capital nature referred to in that definition include only those that are incurred either to acquire digital equipment, software or other components of the technological infrastructure or information system or to adapt the business's equipment to the computing solution.

For the purposes of the third paragraph, a large investment project concerns the digital transformation of a business if it consists in developing and implementing a computing solution, by integrating or upgrading an information system or a technology infrastructure, resulting in organizational changes in the business and changes to its operations.

Where a corporation has made a computation method election applicable to a particular taxation year, in relation to a large investment project, such an election is deemed, for the purpose of applying this Title to the corporation for the particular year or a subsequent taxation year, to have been made in relation to all its other large investment projects as well as in relation to those of a partnership of which the corporation is a member; for that purpose, a certificate issued for the year in relation to another large investment project of the corporation, or for the partnership's fiscal period that ends in the year in relation to a large investment project of the partnership, is deemed, for the purpose of applying subparagraph *b* of the first paragraph of section 737.18.17.5 to that year, to certify that such an election was made by the corporation or the partnership, as the case may be.

In this Title, the tax assistance limit, in relation to a large investment project, is, except for the purposes of section 737.18.17.12, determined in accordance with section 737.18.17.8 where the tax assistance limit is that of a corporation carrying out the project, section 737.18.17.9 where the tax assistance limit is that of a corporation that is a member of a partnership carrying out the project and section 34.1.0.4 of the Act respecting the Régie de l'assurance maladie du Québec where the tax assistance limit is that of such a partnership.

2015, c. 21, s. 260; 2017, c. 1, s. 181; 2019, c. 14, s. 197; 2021, c. 36, s. 74; 2024, c. 11, s. 61.

737.18.17.1.1. In this Title, two large investment projects that are covered by the same qualification certificate are deemed to be a single large investment project (referred to as a "deemed large investment project"), except as regards the determination, in respect of each project, of the total qualified capital investments of the corporation or partnership carrying out the projects, the date of the beginning of the tax-free period and the last day of the tax-free period.

Such a rule applies throughout the particular period that begins on the date of the beginning of the tax-free period in respect of the large investment project that began first (in this Title referred to as the "first large investment project") and that ends on the last day of the tax-free period in respect of the other large investment project (in this Title referred to as the "second large investment project").

The definition of "tax-free period" in the first paragraph of section 737.18.17.1 is, in relation to a deemed large investment project, to be read as follows:

""tax-free period" of a corporation or a partnership, for a taxation year or a fiscal period, in relation to a deemed large investment project, means the part of the taxation year or fiscal period that is both covered by a certificate issued to the corporation or partnership in respect of the large investment project and included in the particular period referred to in the second paragraph of section 737.18.17.1.1 or, where the corporation or partnership acquired all or substantially all of the recognized business in relation to the project and the Minister of Finance authorized the transfer of the carrying out of the project to the corporation or partnership, according to the qualification certificate issued to the corporation or partnership, in relation to the project, in the part of that particular period that begins on the date of acquisition of the recognized business.

2019, c. 14, s. 198.

737.18.17.2. For the purposes of this Title, to determine the income or loss of a corporation for a taxation year, or of a partnership for a fiscal period, from its eligible activities in relation to a large investment project, the income or loss is to be computed as if

(a) the eligible activities were the carrying on of a separate business; and

(b) the corporation or partnership were deducting in computing its income for the taxation year or fiscal period and had deducted in computing its income for any preceding taxation year or fiscal period, in relation to the separate business, the maximum amount in respect of any reserve, allowance or other amount.

For the purposes of subparagraph *b* of the first paragraph, the undepreciated capital cost, on the date described in the third paragraph for the corporation or partnership, in respect of the large investment project, of depreciable property of a prescribed class in relation to the separate business referred to in subparagraph *a* of the first paragraph, is deemed to include the amount that is the amount by which the total depreciation, within the meaning of paragraph *b* of section 93, allowed to the corporation or partnership, as the case may be, before that date, in respect of property of that class, exceeds the aggregate of 102 all amounts each of which is an amount that the corporation or partnership, as the case may be, included, under section 94, in respect of property of that class, in computing its income for a taxation year or fiscal period that ended before that date.

The date to which the second paragraph refers is the date of the beginning of the tax-free period in respect of the large investment project or, in the case of a deemed large investment project within the meaning of section 737.18.17.1.1, of the first large investment project, unless the corporation or partnership acquired all or substantially all of the recognized business in relation to the large investment project and the Minister of Finance authorized the transfer of the carrying out of the project to the corporation or partnership, according to the qualification certificate issued to the corporation or partnership, in relation to the project, in which case it is the date of acquisition of the recognized business.

Where a large investment project concerns the development of a digital platform, the income or loss of a corporation or partnership in relation to the project determined in accordance with the first paragraph is only to take into account the income reasonably attributable to the use of the digital platform, which includes the fees and royalties charged by the corporation or partnership for the use of that platform, the part of the subscription fees to that platform that can reasonably be considered to have been paid for its use, except for any part of the fees paid as consideration for services received or property acquired, the amounts paid by a third party to use it as a gateway to the third party's own website, or any other similar amount.

The income or loss of a corporation or partnership from its eligible activities in relation to a deemed large investment project within the meaning of section 737.18.17.1.1, for a taxation year or fiscal period that ends after the last day of the tax-free period in respect of the first large investment project (in this section referred to as the "particular day") is deemed to be equal to

(a) where the taxation year or fiscal period includes the particular day, the amount determined by the formula

$$A - \{A \times [B/(B + C)] \times D\}; \text{ or}$$

(b) in any other case, the amount determined by the formula

$$A \times [C/(B + C)].$$

In the formulas in the fifth paragraph,

(a) A is the income or loss of the corporation for the taxation year, or of the partnership for the fiscal period, from its eligible activities in relation to the deemed large investment project, otherwise determined;

(b) B is the total qualified capital investments of the corporation or partnership, in relation to the first large investment project, on the date of the beginning of the tax-free period in respect of the project;

(c) C is the total qualified capital investments of the corporation or partnership, in relation to the second large investment project, on the date of the beginning of the tax-free period in respect of the project; and

(d) D is the proportion that the number of days in the taxation year or fiscal period that follow the particular day is of the number of days in that taxation year or fiscal period.

2015, c. 21, s. 260; 2019, c. 14, s. 199.

737.18.17.3. Where, at any time, a corporation or a partnership (in this section referred to as the "acquirer") acquired all or substantially all of a recognized business from another corporation or partnership (in this section referred to as the "vendor"), in relation to a large investment project, and the Minister of Finance previously authorized the transfer of the carrying out of the large investment project to the acquirer, according to a qualification certificate issued by that Minister to the acquirer in respect of the project,

(a) the following rules must, if applicable, be taken into consideration for the purposes of this Title:

i. where subparagraph *a* of the first paragraph of section 737.18.17.5 applies to the acquirer or to a corporation that is a member of the acquirer and where the prior loss attributable to eligible activities of the acquirer for a taxation year or fiscal period that ends after that time is to be computed, there shall be added to the amount otherwise represented by A in the formula in the definition of "prior loss attributable to eligible activities" in the first paragraph of section 737.18.17.1, unless it is otherwise included in that amount, the portion that is reasonably attributable to the recognized business of the amount by which the aggregate of the following amounts exceeds the amount represented by C or F in the formula in subparagraph i or ii of subparagraph *a* of the first paragraph of section 737.18.17.5, in respect of the vendor for that taxation year or fiscal period:

(1) the amount, in respect of the vendor for the taxation year or fiscal period, by which the amount determined under subparagraph *b* or *e* of the second paragraph of section 737.18.17.5 exceeds the amount determined under subparagraph *a* or *d* of that second paragraph, and

(2) the prior loss attributable to eligible activities of the vendor for that taxation year or fiscal period, and

ii. where subparagraph *a* of the first paragraph of section 737.18.17.5 applies to the vendor or to a corporation that is a member of the vendor and where the prior loss attributable to eligible activities of the vendor for a taxation year or fiscal period that ends after that time is to be computed, there shall be added to the amount otherwise represented by B in the formula in the definition of "prior loss attributable to eligible activities" in the first paragraph of section 737.18.17.1 the portion of the excess amount determined under subparagraph i, in respect of the acquirer for such a taxation year or fiscal period, or that would be determined under that subparagraph i if it applied to the acquirer;

(b) the following rules must, if applicable, be taken into consideration when determining, for the purposes of subparagraphs *a* and *b* or *d* and *e* of the second paragraph of section 737.18.17.5, the amount referred to in those subparagraphs in relation to the large investment project:

i. where subparagraph *a* of the first paragraph of section 737.18.17.5 applies to the vendor or to a corporation that is a member of the vendor, the vendor's taxation year or fiscal period that includes that time is deemed to end immediately before that time, and

ii. where subparagraph *a* of the first paragraph of section 737.18.17.5 applies to the acquirer or to a corporation that is a member of the acquirer, the acquirer's taxation year or fiscal period that includes that time is deemed to begin at that time; and

(c) the following rules must, if applicable, be taken into consideration for the purposes of subparagraphs *b* and *c* of the third paragraph of section 737.18.17.5.1:

i. where subparagraph *b* of the first paragraph of section 737.18.17.5 applies to the vendor or to a corporation that is a member of the vendor,

(1) the vendor's taxation year or fiscal period that includes the day on which that time occurs is deemed to end at the end of that day, and

(2) the last day of the vendor's tax-free period, in respect of the large investment project, is deemed to correspond to the day that includes that time, and

ii. where subparagraph *b* of the first paragraph of section 737.18.17.5 applies to the acquirer or to a corporation that is a member of the acquirer, the acquirer's taxation year or fiscal period that includes the day on which that time occurs is deemed to begin at the beginning of that day.

2015, c. 21, s. 260; 2024, c. 11, s. 62.

737.18.17.4. If, at a particular time, the activities carried on in Québec by a person or a partnership in relation to a business diminish or cease and it may reasonably be considered that, as a result, a corporation or another partnership begins, after the particular time, to carry on similar activities in the course of carrying on a recognized business, in relation to a large investment project, or increases the scope of similar activities carried on in the course of carrying on such a business, those activities or portions of activities, as the case may be, are, subject to section 737.18.17.3, deemed not to be eligible activities of the corporation or of the other partnership carried on in the course of carrying on the recognized business.

2015, c. 21, s. 260.

CHAPTER II

DEDUCTION

2015, c. 21, s. 260.

737.18.17.5. A corporation that, in a taxation year, carries on a recognized business in relation to a large investment project or is a member of a partnership that carries on such a recognized business in the partnership's fiscal period ending in that year may, subject to the third paragraph, deduct in computing its taxable income for the year, if a certificate has been issued for the year or fiscal period in relation to the large investment project, an amount not exceeding the portion of its income for the year that may reasonably be considered to be equal, as the case may be,

(a) where subparagraph *b* does not apply, to the lesser of the amount determined in accordance with section 737.18.17.6, in respect of the corporation for the year, and the aggregate of

i. the amount determined by the formula

(A – B) – C, and

ii. the aggregate of all amounts each of which is the corporation's share of the amount determined, in respect of such a partnership of which the corporation is a member, by the formula

(D – E) – F; or

(b) if the certificate certifies that the corporation or the partnership, as the case may be, has elected to use the alternate computation method provided for in section 737.18.17.5.1, to the lesser of the amount determined in respect of the corporation for the year in accordance with that section and of its adjusted taxable income for that year.

In the formulas in the first paragraph,

(a) A is the aggregate of all amounts each of which is equal to the amount obtained by multiplying the corporation's income for the taxation year from its eligible activities, in relation to a large investment project, by the proportion that the number of days in the corporation's tax-free period for the year, in relation to the large investment project, is of the number of days in the year;

(b) B is the aggregate of all amounts each of which is equal to the amount obtained by multiplying the corporation's loss for the taxation year from its eligible activities, in relation to a large investment project, by the proportion that the number of days in the corporation's tax-free period for the year, in relation to the large investment project, is of the number of days in the year;

(c) C is the prior loss attributable to eligible activities of the corporation for the year;

(d) D is the aggregate of all amounts each of which is equal to the amount obtained by multiplying the partnership's income for the fiscal period from its eligible activities, in relation to a large investment project, by the proportion that the number of days in the partnership's tax-free period for the fiscal period, in relation to the large investment project, is of the number of days in the fiscal period;

(e) E is the aggregate of all amounts each of which is equal to the amount obtained by multiplying the partnership's loss for the fiscal period from its eligible activities, in relation to a large investment project, by the proportion that the number of days in the partnership's tax-free period for the fiscal period, in relation to the large investment project, is of the number of days in the fiscal period; and

(f) F is the prior loss attributable to eligible activities of the partnership for the fiscal period.

A corporation may deduct an amount under the first paragraph in computing its taxable income for a taxation year only if it encloses, with the fiscal return it is required to file under section 1000 for the year,

(a) the prescribed form containing prescribed information; and

(b) in relation to each large investment project referred to in the first paragraph of the corporation or of a partnership of which the corporation is a member,

i. the financial statements relating to the eligible activities of the corporation or partnership, in relation to the large investment project, for the taxation year or fiscal period, as the case may be, unless it made a computation method election in relation to the project,

ii. a copy of the qualification certificate issued to the corporation or partnership in respect of the large investment project,

iii. a copy of the certificate issued for the corporation's taxation year or the partnership's fiscal period, as the case may be, in relation to the large investment project,

iv. where the large investment project is a project of the partnership, a copy of each agreement referred to in section 737.18.17.10 or 737.18.17.10.1 in respect of the partnership's fiscal period that ends in the taxation year or in a preceding taxation year, in relation to the project, unless it has already been filed, and

v. where the corporation or partnership acquired or sold all or substantially all of the recognized business in relation to the large investment project, a copy of the agreement referred to in section 737.18.17.12 in respect of the transfer, unless it has already been filed.

If a particular corporation that carries out one or more large investment projects has not made a computation method election in respect of any of those projects, a partnership of which it is a member is deemed, for the purpose of applying this section and section 737.18.17.1 to a taxation year of the corporation, not to have made a computation method election in respect of any of its large investment projects and, for that purpose, the certificate issued to the partnership for its fiscal period that ends in the year, in relation to a large investment project, is deemed, for the purposes of subparagraph *b* of the first paragraph, not to certify that the partnership has elected to use the alternate computation method.

For the purposes of subparagraph ii of subparagraph *a* of the first paragraph, the corporation's share of an amount, for a fiscal period of a partnership, is equal to the agreed proportion of that amount in respect of the corporation for the partnership's fiscal period.

2015, c. 21, s. 260; 2024, c. 11, s. 63.

737.18.17.5.1. The amount to which subparagraph *b* of the first paragraph of section 737.18.17.5 refers, in respect of a corporation for a particular taxation year, is equal to the aggregate of the following amounts that is multiplied, where the corporation has an establishment situated outside Québec, by the reciprocal of the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771:

(a) 100/11.5 of the lesser of the corporation's maximum tax holiday amount for the particular year in respect of one or more large investment projects of the corporation, or of a partnership of which it is a member, that are referred to in the first paragraph of section 737.18.17.5 and the amount determined in its respect for the year under the fourth paragraph; and

(b) 100/3.2 of the amount by which the corporation's maximum tax holiday amount for the particular year in respect of one or more large investment projects of the corporation, or of a partnership of which it is a member, that are referred to in the first paragraph of section 737.18.17.5 exceeds the amount determined in its respect for the year under the fourth paragraph.

For the purposes of this section, a corporation's maximum tax holiday amount for a particular taxation year in respect of one or more large investment projects of the corporation, or of a partnership of which it is a member, is equal to the lesser of

(a) the tax that would be determined, in respect of the corporation for the particular year, in accordance with subsection 1 of section 771, if its taxable income for the year were computed without reference to section 737.18.17.5, or, where the corporation has an establishment outside Québec, the result obtained by multiplying that tax by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771; and

(b) the aggregate of all amounts each of which is, for the particular year, in relation to any of those large investment projects,

i. in the case of a large investment project of the corporation, the amount determined by the formula

$(A \times B/C) - D$, or

ii. in the case of a large investment project of a partnership of which the corporation is a member, the amount determined by the formula

$[(A \times B/C) + E] - D$.

In the formulas in the second paragraph,

(a) A is

i. where the large investment project is the corporation's project, the unused portion of the corporation's tax assistance limit for the particular year, in relation to the project, that is determined under the fifth paragraph, or

ii. where the large investment project is that of a partnership of which the corporation is a member, the total of

(1) the amount that would be the balance of the corporation's tax assistance limit in relation to the large investment project, determined in accordance with subparagraph *b* of the third paragraph of section 737.18.17.6, for its first taxation year in which a fiscal period of the partnership in respect of which the computation method election in relation to the project applies ends, if the partnership had not made that election, and

(2) if the computation method election applicable to the partnership's fiscal period that ends in the particular year is deemed to have been made by the partnership under the fifth paragraph of section 737.18.17.1 and the particular year is not the year referred to in subparagraph 1, the aggregate of all amounts each of which is either the amount that was allocated to the corporation for the particular year, or for a preceding taxation year (other than the year referred to in subparagraph 1) in which a fiscal period of the

partnership to which the computation method election applies ends, pursuant to the agreement referred to in section 737.18.17.10, in relation to the large investment project, in respect of the partnership's fiscal period that ends in that year, or zero if, in respect of that fiscal period, no such agreement has been entered into in relation to the project;

(b) B is the number of days in the period that begins on the first day of the corporation's first taxation year, or of the partnership's first fiscal period, to which the computation method election applies, in relation to the large investment project, or, if it is later, on the date of the beginning of the tax-free period in respect of the project, and that ends on the earlier of

i. the last day of the particular taxation year or of the partnership's fiscal period that ends in the particular year, or

ii. the last day of the tax-free period in respect of the large investment project;

(c) C is the number of days in the period that begins on the first day of the corporation's first taxation year, or of the partnership's first fiscal period, to which the computation method election applies, in relation to the large investment project, or, if it is later, on the date of the beginning of the tax-free period in respect of the project, and that ends on the last day of the tax-free period in respect of the project;

(d) D is the cumulative value of the corporation's tax assistance for the particular taxation year, in respect of the large investment project, that is determined under the sixth paragraph; and

(e) E is the aggregate of all amounts each of which is either the amount that was allocated to the corporation, for the particular year or a preceding taxation year, pursuant to the agreement referred to in section 737.18.17.10.1, in relation to the partnership's large investment project, in respect of the partnership's fiscal period that ends in that year, or zero if, in respect of that fiscal period, no such agreement has been entered into in relation to the project.

The amount to which subparagraphs *a* and *b* of the first paragraph refer for a particular taxation year is equal to

(a) the amount by which the tax that would be determined, in respect of the corporation for the particular year, in accordance with subsection 1 of section 771, if its taxable income for the year were computed without reference to section 737.18.17.5, exceeds 3.2% of the amount that would be determined in respect of the corporation for the particular year under section 771.2.1.2 if, for the purposes of paragraph *b* of that section, its taxable income for the year were computed without reference to section 737.18.17.5; or

(b) where the corporation has an establishment situated outside Québec for the particular year, the product obtained by multiplying the excess amount determined under subparagraph *a* by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771 for that year.

The unused portion of a corporation's tax assistance limit for a particular taxation year, in relation to a large investment project, is, subject to the eighth paragraph, either the amount (in this paragraph referred to as the "particular amount") that would be the balance of the corporation's tax assistance limit in respect of the large investment project, determined in accordance with subparagraph *a* of the third paragraph of section 737.18.17.6, for its first taxation year to which the computation method election in relation to the project applies (in this paragraph referred to as the "first taxation year"), if the corporation had not made such an election and subparagraph ii of that subparagraph *a* were read without reference to "the particular taxation year or", or, in the case of a deemed large investment project within the meaning of section 737.18.17.1.1, where the first taxation year is not later than the taxation year that includes the date of the beginning of the tax-free period in respect of the second large investment project and where the particular year is not that first year and is referred to in subparagraph *a* or *b*, whichever of the following amounts is applicable:

(a) where the particular year begins before the date of the beginning of the tax-free period in respect of the second large investment project and ends on that date or later, the total of the particular amount and the amount determined by the formula

F × G; or

(b) where the particular year begins on the date of the beginning of the tax-free period in respect of the second large investment project or later, the total of the particular amount and the corporation's tax assistance limit in relation to that second large project.

The cumulative value of a corporation's tax assistance, for a particular taxation year, in respect of a large investment project, is equal to

(a) in the case of a large investment project of the corporation, the aggregate of

i. the aggregate of all amounts each of which is, in respect of the large investment project, for a preceding taxation year to which the computation method election in relation to the project applies, equal to the amount determined by the formula

H × I × J,

ii. the aggregate of all amounts each of which is, in respect of the large investment project, for the particular year or a preceding taxation year to which the computation method election in relation to the project applies, equal to the amount determined by the formula

K × L,

iii. where, at any time in the particular taxation year, the corporation transfers its recognized business in relation to the large investment project to another corporation or a partnership, the amount that was transferred to the other corporation or the partnership pursuant to the agreement referred to in section 737.18.17.12 in respect of the transfer, and

iv. in the case of a deemed large investment project within the meaning of section 737.18.17.1.1, either of the following amounts, if any:

(1) where the particular taxation year includes the last day of the tax-free period in respect of the first large investment project and ends after that day, the amount determined by the formula

M – [(M × N) + (F × O)], or

(2) where the particular taxation year is subsequent to the year that includes the last day of the tax-free period in respect of the first large investment project, the amount determined by the formula

M – F; or

(b) in the case of a large investment project of a partnership of which the corporation is a member, the aggregate of all amounts each of which is, in respect of the project, for a preceding taxation year to which the computation method election applies, equal to the amount determined by the formula

H × I × J.

In the formulas in the fifth and sixth paragraphs,

(a) F is the corporation's tax assistance limit in relation to the second large investment project;

(b) G is the proportion that the number of days in the part of the particular year that begins on the date of the beginning of the tax-free period in respect of the second large investment project is of the number of days in that year;

(c) H is 1, unless the corporation has an establishment situated outside Québec for the preceding taxation year, in which case it is the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771 for the preceding year;

(d) I is the aggregate of

i. 3.2% of the amount by which the amount that would be determined in respect of the corporation for the preceding taxation year under section 771.2.1.2 if, for the purposes of paragraph *b* of that section, its taxable income for the preceding year were computed without reference to section 737.18.17.5, exceeds the amount that is determined in its respect for that year under section 771.2.1.2, and

ii. 11.5% of the amount by which the amount deducted by the corporation in computing its taxable income for the preceding year under section 737.18.17.5 exceeds the excess amount determined under subparagraph i;

(e) J is the proportion that the corporation's maximum annual tax exemption amount for the preceding taxation year, in relation to the large investment project, is of the aggregate of all amounts each of which is the corporation's maximum annual tax exemption amount for the preceding year, in relation to a large investment project of the corporation or of a partnership of which it is a member, that is referred to in the first paragraph of section 737.18.17.5 for that year;

(f) K is the aggregate of the amounts that are not payable by the corporation for the taxation year under subparagraph ii of subparagraph *d*.1 of the sixth paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5);

(g) L is the proportion that the corporation's maximum annual contribution exemption amount for the taxation year, in relation to the large investment project, is of the aggregate of all amounts each of which is the corporation's maximum annual contribution exemption amount for the year, in relation to a large

investment project of the corporation that is referred to in subparagraph *d*.1 of the sixth paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec for that year;

(h) M is

i. where the particular taxation year is referred to in subparagraph 1 of subparagraph iv of subparagraph *a* of the sixth paragraph, the amount by which the unused portion of the corporation's tax assistance limit, in relation to the deemed large investment project, for the particular year, exceeds the cumulative value of the corporation's tax assistance for that year in respect of the project, determined without reference to that subparagraph 1, or

ii. where the particular taxation year is referred to in subparagraph 2 of subparagraph iv of subparagraph *a* of the sixth paragraph, the amount by which the unused portion of the corporation's tax assistance limit, in relation to the deemed large investment project, for the first taxation year that follows the year that includes the last day of the tax-free period in respect of the first large investment project, exceeds the cumulative value of the corporation's tax assistance for that first year in respect of the project, determined without reference to that subparagraph 2;

(i) N is the proportion that the number of days in the part of the particular year that ends on the last day of the tax-free period in respect of the first large investment project is of the number of days in that year; and

(j) O is the proportion that the number of days in the particular year that follow the last day of the tax-free period in respect of the first large investment project is of the number of days in that year.

Where the first taxation year to which the computation method election applies, in relation to a large investment project of a corporation, ends before the date of the end of the start-up period of the large investment project, the unused portion of the corporation's tax assistance limit, in relation to the project, must be increased, for a particular taxation year that is subsequent to that first year, by the amount that is the product obtained by multiplying by 15% the amount that would be the corporation's total qualified capital investments on the date of the end of the start-up period or, if it is earlier, the date of the end of the particular year, if the definition of "total qualified capital investments" in the first paragraph of section 737.18.17.1 were read as if "from the beginning of the carrying out of the large investment project" were replaced by "from the time that immediately follows the end of the corporation's first taxation year to which the computation method election applies".

For the purpose of applying subparagraphs *b* and *c* of the third paragraph to a deemed large investment project within the meaning of section 737.18.17.1.1, the following rules must be taken into consideration:

(a) the date of the beginning of the tax-free period that is referred to in those subparagraphs is the date that is determined in respect of the first large investment project; and

(b) the last day of the tax-free period that is referred to in those subparagraphs is the day that is determined in respect of the second large investment project, unless the particular year precedes the year for which a first certificate has been issued in relation to the project, in which case it is the day that is determined in respect of the first large investment project.

2024, c. 11, s. 64.

737.18.17.6. The amount to which subparagraph *a* of the first paragraph of section 737.18.17.5 refers in respect of a corporation for a taxation year is equal, subject to paragraph *a* of section 737.18.17.7 or 737.18.17.7.1, as the case may be, to the aggregate of the following amounts that is multiplied, if the corporation has an establishment situated outside Québec, by the reciprocal of the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771:

(a) the product obtained by multiplying the proportion that is the reciprocal of the basic rate determined for the year in respect of the corporation under section 771.0.2.3.1 by the lesser of

i. the aggregate of all amounts each of which is the corporation's tax exemption amount for the year in respect of a large investment project of the corporation, or of a partnership of which it is a member, that is referred to in the first paragraph of section 737.18.17.5, and

ii. the amount that is determined in its respect for the year under subparagraph ii of subparagraph *d* of the fifth paragraph, or, where the corporation has an establishment situated outside Québec, the product obtained by multiplying that amount by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771; and

(b) the product obtained by multiplying the proportion that is the reciprocal of the rate determined in respect of the corporation for the year in accordance with the sixth paragraph by the amount by which the aggregate of all amounts each of which is the corporation's tax exemption amount for the year in respect of a large investment project of the corporation, or of a partnership of which it is a member, that is referred to in the first paragraph of section 737.18.17.5 exceeds

i. the amount that is determined in its respect for the year under subparagraph ii of subparagraph *d* of the fifth paragraph, or

ii. where the corporation has an establishment situated outside Québec, the product obtained by multiplying the amount described in subparagraph i by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771.

For the purposes of this section, a corporation's tax exemption amount for a taxation year in respect of a large investment project of the corporation, or of a partnership of which it is a member, is equal to the lesser of the amount that is determined under the fourth paragraph, for the year, in relation to the large investment project and the balance of the corporation's tax assistance limit for the year in respect of the project.

The balance of a corporation's tax assistance limit, for a particular taxation year, in respect of a large investment project, is equal to

(a) in the case of a large investment project of the corporation, the amount by which the corporation's tax assistance limit for the particular year, in relation to the project, exceeds the aggregate of

i. the aggregate of all amounts each of which is, for a preceding taxation year, in relation to the large investment project, equal to the amount determined by the formula

$$A \times B \times C,$$

ii. the aggregate of all amounts each of which is the corporation's contribution exemption amount, for the particular taxation year or a preceding taxation year, in respect of the large investment project, determined in accordance with the second paragraph of section 34.1.0.3 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5),

iii. where, at any time in the particular taxation year, the corporation transfers its recognized business in relation to the large investment project to another corporation or a partnership, the amount that was transferred to the other corporation or the partnership pursuant to the agreement referred to in section 737.18.17.12 in respect of the transfer; and

iv. in the case of a deemed large investment project within the meaning of section 737.18.17.1.1, the aggregate of the following amounts, if any:

(1) the amount determined by the following formula for the taxation year that includes the last day of the tax-free period in respect of the first large investment project and ends after that day, unless the balance of the corporation's tax assistance limit for that year, in respect of the deemed large investment project, determined without reference to this subparagraph, is less than or equal to the corporation's tax assistance limit in relation to the second large investment project:

F – [(F × H) + (G × I)], and

(2) the amount determined by the following formula for the taxation year that follows the taxation year that includes the last day of the tax-free period in respect of the first large investment project, unless the balance of the corporation's tax assistance limit for that year, in respect of the deemed large investment project, determined without reference to this subparagraph, is less than or equal to the corporation's tax assistance limit in relation to the second large investment project:

F – G; or

(b) in the case of a large investment project of a partnership of which the corporation is a member, the amount by which the corporation's tax assistance limit for the particular year, in relation to the large investment project, exceeds the aggregate of all amounts each of which is, for a preceding taxation year, in relation to the project, equal to the amount determined by the formula

A × B × C.

The amount to which the second paragraph refers, for a taxation year of the corporation, in relation to a large investment project, is determined by the formula

A × D × E.

In the formulas in the third and fourth paragraphs,

(a) A is 1, unless the corporation has an establishment situated outside Québec for the taxation year, in which case it is the proportion that the corporation's business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771 for the year;

(b) B is, subject to paragraph *b* of sections 737.18.17.7 and 737.18.17.7.1, the aggregate of

i. the product obtained by multiplying the rate determined in respect of the corporation for the year in accordance with the sixth paragraph by the amount by which the amount that would be determined in respect of the corporation for the year under section 771.2.1.2 if no reference were made to section 771.2.5.1 and if, for the purposes of paragraph *b* of section 771.2.1.2, its taxable income for the year were computed without

reference to section 737.18.17.5, exceeds the amount determined in its respect for the year under section 771.2.1.2, and

ii. the product obtained by multiplying the basic rate determined for the year in respect of the corporation under section 771.0.2.3.1 by the amount by which the amount that is deducted by the corporation in computing its taxable income for the year under section 737.18.17.5 exceeds the excess amount determined under subparagraph i;

(c) C is the proportion that the corporation's tax exemption amount for the year in respect of the large investment project is of the aggregate of all amounts each of which is the corporation's tax exemption amount for the year in respect of a large investment project of the corporation, or of a partnership of which it is a member, that is referred to in the first paragraph of section 737.18.17.5 for the year;

(d) D is, subject to paragraph *b* of sections 737.18.17.7 and 737.18.17.7.1, the aggregate of

i. the product obtained by multiplying the rate determined in respect of the corporation for the year in accordance with the sixth paragraph by the amount by which the amount that would be determined in respect of the corporation for the year under section 771.2.1.2 if no reference were made to section 771.2.5.1 and if, for the purposes of paragraph *b* of section 771.2.1.2, its taxable income for the year were computed without reference to section 737.18.17.5, exceeds the amount that would be determined in its respect for the year under section 771.2.1.2 if the corporation were to deduct, in computing its taxable income, the amount that, but for this section, would be determined under section 737.18.17.5, and

ii. the product obtained by multiplying the basic rate determined for the year in respect of the corporation under section 771.0.2.3.1 by the amount by which the amount that could be deducted in computing the corporation's taxable income for the year under section 737.18.17.5 if no reference were made to this section exceeds the excess amount determined under subparagraph i;

(e) E is

i. in the case of a large investment project of the corporation, the proportion that the amount that A would be in the formula in subparagraph i of subparagraph *a* of the first paragraph of section 737.18.17.5, for the taxation year, in respect of the corporation, if the corporation's income referred to in subparagraph *a* of the second paragraph of that section were derived only from its eligible activities, in relation to the large investment project, is of the total of the amount that A is for the year, in respect of the corporation, and the aggregate of all amounts each of which is the corporation's share of the amount that D is in the formula in subparagraph ii of subparagraph *a* of that first paragraph for the fiscal period of a partnership of which the corporation is a member that ends in the year, or

ii. in the case of a large investment project of a partnership of which the corporation is a member, the proportion that the corporation's share of the amount that D would be in the formula in subparagraph ii of subparagraph *a* of the first paragraph of section 737.18.17.5, for the partnership's fiscal period that ends in the taxation year, if the partnership's income referred to in subparagraph *d* of the second paragraph of that section were derived only from its eligible activities, in relation to the large investment project, is of the total of the amount that A is in the formula in subparagraph i of subparagraph *a* of that first paragraph for the year, in respect of the corporation, and the aggregate of all amounts each of which is the corporation's share of the amount that D is for the fiscal period of a partnership of which the corporation is a member that ends in the year;

(f) F is the balance of the corporation's tax assistance limit for the taxation year referred to in subparagraph 1 or 2 of subparagraph iv of subparagraph *a* of the third paragraph, in respect of the deemed large investment project, determined without reference to that subparagraph 1 or 2, as the case may be;

(g) G is the corporation's tax assistance limit in relation to the second large investment project;

(h) H is the proportion that the number of days in the part of the year referred to in subparagraph 1 of subparagraph iv of subparagraph *a* of the third paragraph that ends on the last day of the tax-free period in respect of the first large investment project is of the number of days in that year; and

(i) I is the proportion that the number of days in the year referred to in subparagraph 1 of subparagraph iv of subparagraph *a* of the third paragraph that follow the last day of the tax-free period in respect of the first large investment project is of the number of days in that year.

The rate to which subparagraph *b* of the first paragraph and subparagraph i of subparagraphs *b* and *d* of the fifth paragraph refer in respect of a corporation for a taxation year is equal to the amount by which the basic rate determined for the year in respect of the corporation under section 771.0.2.3.1 exceeds the percentage determined for the year in its respect under subparagraph *c* of the first paragraph of section 771.0.2.4.

For the purpose of determining the amount referred to in subparagraph i of subparagraph *a* of the third paragraph or in subparagraph *b* of that paragraph for any preceding taxation year for which section 733.0.5.1 applies to the corporation, subparagraph *b* of the fifth paragraph is to be read as if

(a) the amount that is deducted by the corporation in computing its taxable income for the year under section 737.18.17.5 were increased by the amount by which its non-capital loss for the year exceeds the amount that would be that loss if it were determined without reference to section 733.0.5.1; and

(b) the corporation's taxable income for the year, determined without reference to section 737.18.17.5, were equal to the amount that, but for this section, would be determined in its respect for the year under section 737.18.17.5.

For the purposes of subparagraph *e* of the fifth paragraph, the corporation's share of an amount for a partnership's fiscal period is equal to the agreed proportion of that amount in respect of the corporation for the partnership's fiscal period.

2015, c. 21, s. 260; 2017, c. 1, s. 182; 2019, c. 14, s. 200; 2024, c. 11, s. 65.

737.18.17.7. Where the corporation described in section 737.18.17.5 for a taxation year is a manufacturing corporation, within the meaning assigned by the first paragraph of section 771.1, to which paragraph *d*.3 of subsection 1 of section 771 applies for the year, section 737.18.17.6, as it reads in its application to a taxation year that begins before 1 January 2017, is to be read

(a) as if "100/8 of" in subparagraph *b* of the first paragraph were replaced by "the product obtained by multiplying the proportion that is the reciprocal of the difference between the basic rate determined for the year in respect of the corporation under section 771.0.2.3.1 and the percentage determined for the year in its respect under section 771.0.2.5 by"; and

(b) as if "8% of" in subparagraph i of subparagraphs *b* and *d* of the fifth paragraph were replaced by "the product obtained by multiplying the difference between the basic rate determined for the year in respect of the corporation under section 771.0.2.3.1 and the percentage determined for the year in its respect under section 771.0.2.5 by".

2015, c. 21, s. 260; 2017, c. 1, s. 183; 2019, c. 14, s. 201.

737.18.17.7.1. Where the corporation described in section 737.18.17.5 for a taxation year is a primary and manufacturing sectors corporation, within the meaning assigned by the first paragraph of section 771.1, to which paragraph *d*.4 of subsection 1 of section 771 applies for the year, section 737.18.17.6 is to be read as if "subparagraph *c* of the first paragraph of section 771.0.2.4" in the sixth paragraph were replaced by "section 771.0.2.6".

2017, c. 1, s. 184; 2019, c. 14, s. 202.

737.18.17.8. Subject to the second, fourth and fifth paragraphs, a corporation's tax assistance limit in relation to a large investment project is 15% of its total qualified capital investments on the date of the end of the start-up period of the large investment project, unless the corporation acquired all or substantially all of the recognized business in relation to the project, in which case it is the amount that was transferred to the corporation pursuant to the agreement referred to in section 737.18.17.12 in respect of the acquisition.

In the case of a deemed large investment project within the meaning of section 737.18.17.1.1, the corporation's tax assistance limit in relation to the project is, for a particular taxation year,

(a) where the particular year ends before the date of the beginning of the tax-free period in respect of the second large investment project, the corporation's tax assistance limit in relation to the first large investment project;

(b) where the particular year begins before the date of the beginning of the tax-free period in respect of the second large investment project and ends on or after that date, the amount determined by the formula

$A + (B \times C)$; or

(c) where the particular year begins on or after the date of the beginning of the tax-free period in respect of the second large investment project, the amount determined by the formula

$A + B$.

In the formulas in the second paragraph,

(a) A is the corporation's tax assistance limit in relation to the first large investment project;

(b) B is the corporation's tax assistance limit in relation to the second large investment project; and

(c) C is the proportion that the number of days in the part of the particular year that begins on the date of the beginning of the tax-free period in respect of the second large investment project is of the number of days in that year.

Where the corporation has begun to carry on the recognized business in relation to the large investment project in a taxation year that ends before the date of the end of the start-up period of the project, the corporation's tax assistance limit in relation to the project, for any taxation year that ends before that date, is to be computed, under the first paragraph, on the date on which that year ends.

Where the corporation has acquired all or substantially all of the recognized business in relation to the large investment project before the date of the end of the start-up period of the project, the corporation's tax assistance limit in relation to the project, for any taxation year that ends on or after that date, is to be increased by an amount equal to the product obtained by multiplying by 15% the amount that would be the corporation's total qualified capital investments on the date of the end of the start-up period if the definition of "total qualified capital investments" in the first paragraph of section 737.18.17.1 were read as if "from the beginning of the carrying out of the large investment project" were replaced by "from the time the corporation or partnership acquired the recognized business in relation to the large investment project".

2015, c. 21, s. 260; 2019, c. 14, s. 203; 2021, c. 36, s. 75.

737.18.17.9. A corporation's tax assistance limit, in relation to a large investment project of a partnership of which the corporation is a member, for a particular taxation year in which a fiscal period of the partnership ends is

(a) the aggregate of all amounts each of which is an amount allocated to the corporation, for the particular year or for a preceding taxation year, pursuant to the agreement referred to in section 737.18.17.10 in respect of the fiscal period of the partnership that ends in that year, in relation to the large investment project; or

(b) zero, if in respect of any fiscal period of the partnership that ends in the particular taxation year or in a preceding taxation year, no such agreement has been entered into in relation to the large investment project.

Where the presumption provided for in the fourth paragraph of section 737.18.17.5 applies in respect of the partnership for a fiscal period of the partnership that ends in the particular taxation year or in a preceding taxation year, the amount that was allocated to the corporation for that year, pursuant to the agreement referred to in section 737.18.17.10.1 in respect of that fiscal period, in relation to the large investment project, is deemed, for the purposes of subparagraph *a* of the first paragraph, to have been allocated in accordance with section 737.18.17.10.

2015, c. 21, s. 260; 2024, c. 11, s. 66.

737.18.17.10. The agreement to which the first paragraph of section 737.18.17.9 refers in respect of a particular fiscal period of a partnership, in relation to a large investment project of the partnership, is the agreement under which the partnership and all its members agree on an amount in respect of the partnership's tax assistance limit in relation to the large investment project, for the purpose of allocating to each corporation that is a member of the partnership, for the taxation year in which the particular fiscal period ends, its share of the agreed amount, which amount must not be greater than the amount by which the tax assistance limit exceeds the aggregate of

(a) the aggregate of all amounts each of which is the amount so agreed on, in respect of a preceding fiscal period of the partnership, in relation to the particular large investment project;

(b) the aggregate of all amounts each of which is the partnership's contribution exemption amount for a preceding fiscal period, in respect of the large investment project, determined in accordance with the second paragraph of section 34.1.0.3 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5);

(c) where, at any time in the particular fiscal period, the partnership transfers its recognized business in relation to the large investment project to a corporation or another partnership, the amount that was transferred to the corporation or the other partnership pursuant to the agreement referred to in section 737.18.17.12 in respect of the transfer; and

(d) in the case of a deemed large investment project within the meaning of section 737.18.17.1.1, the aggregate of the following amounts, if any:

i. the amount determined by the following formula for the partnership's fiscal period that includes the last day of the tax-free period in respect of the first large investment project and ends after that day, unless the excess amount referred to in this paragraph, for that fiscal period, in respect of the deemed large investment project, determined without reference to this subparagraph, is less than or equal to the partnership's tax assistance limit in relation to the second large investment project:

$A - [(A \times C) + (B \times D)]$, and

ii. the amount determined by the following formula for the partnership's fiscal period that follows the fiscal period that includes the last day of the tax-free period in respect of the first large investment project,

unless the excess amount referred to in this paragraph, for that fiscal period, in respect of the deemed large investment project, determined without reference to this subparagraph, is less than or equal to the partnership's tax assistance limit in relation to the second large investment project:

A − B.

In the formulas in the first paragraph,

(a) A is the excess amount referred to in the first paragraph for the partnership's fiscal period referred to in subparagraph i or ii of subparagraph *d* of the first paragraph, in respect of the deemed large investment project, determined without reference to that subparagraph i or ii, as the case may be;

(b) B is the partnership's tax assistance limit in relation to the second large investment project;

(c) C is the proportion that the number of days in the part of the fiscal period referred to in subparagraph i of subparagraph *d* of the first paragraph that ends on the last day of the tax-free period in respect of the first large investment project is of the number of days in that fiscal period; and

(d) D is the proportion that the number of days in the fiscal period referred to in subparagraph i of subparagraph *d* of the first paragraph that follow the last day of the tax-free period in respect of the first large investment project is of the number of days in that fiscal period.

The share of a corporation that is a member of the partnership of the amount agreed on under an agreement referred to in the first paragraph, in respect of a fiscal period, is the agreed proportion of that amount in respect of the corporation for the partnership's fiscal period.

2015, c. 21, s. 260; 2019, c. 14, s. 204; 2024, c. 11, s. 67.

737.18.17.10.1. The agreement to which subparagraph *e* of the third paragraph of section 737.18.17.5.1 refers in respect of a particular fiscal period of a partnership, in relation to a large investment project of the partnership, is the agreement under which the partnership and all its members agree on an amount in respect of the partnership's maximum annual tax assistance amount, for that fiscal period, in relation to the large investment project, for the purpose of allocating to each corporation that is a member of the partnership, for its taxation year in which the particular fiscal period ends, its share of the agreed amount, which amount must not be greater than that maximum amount.

A partnership's maximum annual tax assistance amount, for a particular fiscal period of the partnership, in relation to a large investment project, is the amount that would be determined for that fiscal period in respect of the large investment project using the formula in the second paragraph of section 34.1.0.3.1 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), if subparagraph ii of subparagraph *b* of the fifth paragraph of that section were read without reference to "the particular fiscal period or".

The share of a corporation that is a member of the partnership of the amount agreed on pursuant to an agreement referred to in the first paragraph, in respect of a fiscal period, is the agreed proportion of that amount in respect of the corporation for the partnership's fiscal period.

2024, c. 11, s. 68.

737.18.17.11. Where the amount agreed on, in respect of a particular fiscal period of a partnership, in relation to a large investment project, pursuant to an agreement referred to in section 737.18.17.10 or 737.18.17.10.1, is greater than the excess amount referred to in the first paragraph of section 737.18.17.10 or the maximum annual tax assistance amount referred to in the first paragraph of section 737.18.17.10.1, the agreed amount is, for the purposes of this Title and section 34.1.0.3 or 34.1.0.3.1 of the Act respecting the

Régie de l'assurance maladie du Québec (chapter R-5), as the case may be, deemed to be equal to that excess amount or maximum amount.

2015, c. 21, s. 260; 2024, c. 11, s. 69.

737.18.17.12. Where, at any time in a particular taxation year or fiscal period, a corporation or a partnership (in this section referred to as the "acquirer") acquired all or substantially all of a recognized business from another corporation or partnership (in this section referred to as the "vendor") in relation to a large investment project, and the Minister of Finance previously authorized the transfer of the carrying out of the large investment project to the acquirer, according to a qualification certificate issued by that Minister to the acquirer in respect of the project, the vendor and the acquirer shall, subject to the third paragraph, enter into an agreement under which an amount in respect of the vendor's tax assistance limit in relation to the project is transferred to the acquirer, which amount must not be greater than the amount by which the limit, determined in accordance with the second paragraph, exceeds,

(a) where the vendor is a corporation, the total of

i. the aggregate of all amounts each of which is, for a preceding taxation year, in relation to the large investment project, equal to the amount determined by the formula

$A \times B \times C$, and

ii. the aggregate of all amounts each of which is either the vendor's contribution exemption amount, for a preceding taxation year, in respect of the large investment project, determined in accordance with the second paragraph of section 34.1.0.3 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), or, for a preceding taxation year to which the computation method election in relation to the project applies, the amount determined by the formula

$H \times I$; or

(b) where the vendor is a partnership, the total of

i. the aggregate of all amounts each of which is the amount agreed on, in respect of a preceding fiscal period of the vendor, in relation to the large investment project, pursuant to an agreement referred to in section 737.18.17.10 or 737.18.17.10.1 in respect of that fiscal period, and

ii. the aggregate of all amounts each of which is either the vendor's contribution exemption amount, for a preceding fiscal period, in respect of the large investment project, determined in accordance with the second paragraph of section 34.1.0.3 of the Act respecting the Régie de l'assurance maladie du Québec, or, for a preceding fiscal period to which the computation method election in relation to the project applies, the amount determined by the formula

$H \times I$.

A vendor's tax assistance limit in relation to a large investment project is 15% of its total qualified capital investments on the date of the end of the start-up period of the large investment project or, if it is earlier, on the day that includes the time referred to in the first paragraph, unless the vendor acquired all or substantially all of the recognized business in relation to the project following a previous transfer, in which case it is the amount, subject to the ninth paragraph, that was transferred to the vendor pursuant to the agreement referred to in this section in respect of the acquisition.

Where the recognized business referred to in the first paragraph is operated by the vendor in relation to a deemed large investment project within the meaning of section 737.18.17.1.1, the vendor and the acquirer shall, for the purpose of determining, in accordance with section 737.18.17.8 or section 34.1.0.4 of the Act respecting the Régie de l'assurance maladie du Québec, the acquirer's tax assistance limit in relation to the deemed large investment project, agree on one or more of the following amounts in the agreement referred to in the first paragraph:

(a) where the time referred to in the first paragraph is before the date of the beginning of the tax-free period in respect of the second large investment project, an amount in respect of the vendor's tax assistance limit in relation to the first large investment project, which amount must not be greater than the amount determined by the formula

D − F;

(b) where the time referred to in the first paragraph is included in the 15-year period that begins on the date of the beginning of the tax-free period in respect of the second large investment project, but is not after the last day of the tax-free period in respect of the first large investment project, a first amount in respect of the vendor's tax assistance limit in relation to the first large investment project, which amount may be equal to zero, and a second amount in respect of the vendor's tax assistance limit in relation to the second large investment project, subject to the total of those amounts not being greater than the amount determined by the formula

(D + E) − F; or

(c) in any other case, an amount in respect of the vendor's tax assistance limit in relation to the second large investment project, which amount must not be greater than the amount determined by the formula

(D + E) − (F + G).

In the formulas in the first and third paragraphs,

(a) A is 1, unless the vendor has an establishment situated outside Québec for the preceding year, in which case it is the proportion that the vendor's business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771 for that preceding year;

(b) B is, subject to the seventh and eighth paragraphs, the aggregate of

i. the product obtained by multiplying the rate determined in respect of the corporation for the year in accordance with the sixth paragraph by the amount by which the amount that would be determined in respect of the vendor for the preceding year under section 771.2.1.2 if no reference were made to section 771.2.5.1 and if, for the purposes of paragraph *b* of section 771.2.1.2, its taxable income for the preceding year were computed without reference to section 737.18.17.5, exceeds the amount determined in its respect for the preceding year under section 771.2.1.2, and

ii. the product obtained by multiplying the basic rate determined for the preceding year in respect of the vendor under section 771.0.2.3.1 by the amount by which the amount that the vendor deducts in computing its taxable income for the preceding year under section 737.18.17.5 exceeds the excess amount determined under subparagraph i;

(c) C is

i. where the computation method election in relation to the large investment project does not apply to the preceding year, the proportion that the vendor's tax exemption amount for the preceding year in respect of the project, determined in accordance with the second paragraph of section 737.18.17.6, is of the aggregate of all amounts each of which is the vendor's tax exemption amount for the preceding year, determined in accordance with that second paragraph, in respect of a large investment project of the vendor, or of a partnership of which it is a member, that is referred to in the first paragraph of section 737.18.17.5 for that year, or

ii. where the computation method election in relation to the large investment project applies to the preceding year, the proportion that the vendor's maximum annual tax exemption amount for the preceding year, in relation to the large investment project, is of the aggregate of all amounts each of which is the vendor's maximum annual tax exemption amount for the preceding year, in relation to a large investment project of the vendor, or of a partnership of which it is a member, that is referred to in the first paragraph of section 737.18.17.5 for that year;

(d) D is the vendor's tax assistance limit in relation to the first large investment project;

(e) E is the vendor's tax assistance limit in relation to the second large investment project;

(f) F is the amount determined in respect of the deemed large investment project in accordance with subparagraph *a* or *b* of the first paragraph for the particular taxation year or fiscal period, as the case may be;

(g) G is the amount by which the vendor's tax assistance limit in relation to the first large investment project exceeds the amount determined in respect of the deemed large investment project in accordance with subparagraph *a* or *b* of the first paragraph for the vendor's taxation year or fiscal period that includes the last day of the tax-free period in respect of the first large investment project;

(h) H is the aggregate of the amounts that are not payable by the vendor, for the preceding taxation year or fiscal period, under subparagraph ii of subparagraph *d*.1 of the sixth paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec; and

(i) I is the proportion that the vendor's maximum annual contribution exemption amount for the preceding taxation year or fiscal period, in relation to the large investment project, is of the aggregate of all amounts each of which is the vendor's maximum annual contribution exemption amount for the preceding year or fiscal period, in relation to a large investment project of the vendor that is referred to in subparagraph *d*.1 of the sixth paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec for that year or fiscal period.

For the purpose of determining the amount referred to in subparagraph i of subparagraph *a* of the first paragraph for any preceding taxation year for which section 733.0.5.1 applies to the vendor, subparagraph *b* of the fourth paragraph is to be read as if

(a) the amount that is deducted by the vendor in computing its taxable income for the preceding year under section 737.18.17.5 were increased by the amount by which its non-capital loss for the preceding year exceeds the amount that would be that loss if it were determined without reference to section 733.0.5.1; and

(b) the vendor's taxable income for the preceding year, determined without reference to section 737.18.17.5, were equal to the amount that, but for section 737.18.17.6, would be determined in its respect for the preceding year under section 737.18.17.5.

The rate to which subparagraph i of subparagraph *b* of the fourth paragraph refers in respect of a corporation for a taxation year is equal to the amount by which the basic rate determined for the year in respect of the corporation under section 771.0.2.3.1 exceeds the percentage determined for the year in its respect under subparagraph *c* of the first paragraph of section 771.0.2.4.

Where the corporation is a manufacturing corporation, within the meaning assigned by the first paragraph of section 771.1, to which paragraph *d*.3 of subsection 1 of section 771 applies for the preceding taxation year, this section, as it reads in its application to a taxation year that begins before 1 January 2017, is to be read as if "8% of" in subparagraph i of subparagraph *b* of the third paragraph were replaced by "the product obtained by multiplying the difference between the basic rate determined for the preceding year in respect of the vendor under section 771.0.2.3.1 and the percentage determined for the preceding year in its respect under section 771.0.2.5 by

Where the corporation is a primary and manufacturing sectors corporation, within the meaning assigned by the first paragraph of section 771.1, to which paragraph *d*.4 of subsection 1 of section 771 applies for the preceding taxation year, the sixth paragraph is to be read as if "subparagraph *c* of the first paragraph of section 771.0.2.4" were replaced by "section 771.0.2.6".

Where the previous transfer to which the second paragraph refers occurred before the date of the end of the start-up period of the large investment project concerned, the vendor's tax assistance limit in relation to the project is to be increased by an amount equal to the product obtained by multiplying by 15% the amount that would be its total qualified capital investments on the date of the end of the start-up period or, if it is earlier, on the day that includes the time referred to in the first paragraph, if the definition of "total qualified capital investments" in the first paragraph of section 737.18.17.1 were read as if "from the beginning of the carrying out of the large investment project" were replaced by "from the time the corporation or partnership acquired the recognized business in relation to the large investment project".

2015, c. 21, s. 260; 2017, c. 1, s. 185; 2019, c. 14, s. 205; 2021, c. 36, s. 76; 2024, c. 11, s. 70.

737.18.17.13. Where the amount that was transferred to a corporation or a partnership, in relation to a large investment project, pursuant to an agreement referred to in section 737.18.17.12 is greater than the excess amount referred to in the first paragraph of that section, the amount transferred to the corporation or partnership is, for the purposes of this Title and sections 34.1.0.3 and 34.1.0.4 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), deemed to be equal to the excess amount.

2015, c. 21, s. 260.

TITLE VII.2.3.2

NEW DEDUCTION RELATING TO THE CARRYING OUT OF A LARGE INVESTMENT PROJECT

2024, c. 11, s. 71.

CHAPTER I

INTERPRETATION AND GENERAL RULES

2024, c. 11, s. 71.

737.18.17.14. In this Title,

"certificate" for a taxation year of a corporation or a fiscal period of a partnership, in relation to a large investment project, means the certificate that, for the purposes of this Title, is issued by the Minister of Finance, in relation to the large investment project, for the corporation's taxation year or the partnership's fiscal period, as the case may be;

"cumulative total eligible expenses" of a corporation at the end of a particular taxation year or of a partnership at the end of a particular fiscal period, in relation to a large investment project, means the lesser of $1,000,000,000 and the amount determined by the formula

$$(A + B) - (C + D);$$

"date of the beginning of the tax-free period" in respect of a large investment project of a corporation or a partnership means the date that is specified as such in the first certificate, in relation to the large investment project, or in the qualification certificate issued to the corporation or partnership, in relation to the project, where it acquired all or substantially all of the activities arising from the carrying out of the large investment project and where the Minister of Finance authorized the transfer of those activities to the corporation or partnership, according to the qualification certificate;

"excluded corporation" for a taxation year means a corporation that meets any of the following conditions:

(a) it is exempt from tax for the year under Book VIII;

(b) it would be exempt from tax for the year under section 985, but for section 192; or

(c) more than 25% of its gross revenue for the year derives from activities carried on in one or more excluded sectors of activities;

"excluded expense" of a corporation or a partnership means

(a) an expense incurred with a person with which the corporation or a corporation that is a member of the partnership is not dealing at arm's length;

(b) financing expenses, including borrowing costs; or

(c) the salaries or wages incurred in respect of the employees of the corporation or partnership and the consideration incurred in respect of services rendered to the corporation or partnership, other than salaries, wages or consideration related to the installation of a property;

"excluded partnership" for a fiscal period means a partnership more than 25% of whose gross revenue for the fiscal period derives from activities carried on in one or more excluded sectors of activities;

"excluded sector of activities" means any of the sectors of activities described in section 10.10 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1);

"investment period" in respect of a large investment project of a corporation or a partnership means the 48-month period that begins on the date that is specified as such in the qualification certificate issued to the corporation or partnership in relation to the large investment project;

"large investment project" of a corporation or a partnership means an investment project in respect of which a qualification certificate has been issued to the corporation or partnership, as the case may be, by the Minister of Finance, for the purposes of this Title;

"last day of the tax-free period" in respect of a large investment project means the last day of the 10-year period that begins on the date of the beginning of the tax-free period in respect of the project;

"maximum annual contribution exemption amount" of a corporation or a partnership for a taxation year or fiscal period, in relation to a large investment project, means the amount determined, for the year or fiscal period, as the case may be, in respect of the large investment project, by the formula in the second paragraph of section 34.1.0.5 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5);

"maximum annual tax exemption amount" of a corporation for a taxation year, in relation to a large investment project, means the amount determined for the year, in respect of the large investment project, by the formula in subparagraph i of subparagraph *b* of the first paragraph of section 737.18.17.18, where the project is the corporation's project, or in subparagraph ii of that subparagraph *b*, where the project is that of a partnership of which the corporation is a member at the end of the partnership's fiscal period that ends in that year;

"qualified corporation" for a taxation year means a corporation (other than an excluded corporation for the year) that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified partnership" for a fiscal period means a partnership (other than an excluded partnership for the fiscal period) that, in the fiscal period, carries on a business in Québec and has an establishment in Québec;

"qualified property" of a corporation or a partnership, in respect of a large investment project, means a property that

(a) is included in any of the classes of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1);

(b) is acquired by the corporation or partnership to be used mainly in Québec in the course of carrying out the large investment project;

(c) was not, before its acquisition by the corporation or partnership, used for any purpose or acquired to be used or leased for any purpose whatsoever; and

(d) is not acquired in substitution for a property in respect of which an expense is included in the total eligible expenses in relation to the large investment project;

"tax-free period" of a corporation or a partnership, for a taxation year or a fiscal period, in relation to a large investment project, means the part of the taxation year or fiscal period that is both covered by a certificate issued to the corporation or partnership in respect of the large investment project and included in the 10-year period that begins on the date of the beginning of the tax-free period in respect of the project or, where the corporation or partnership acquired all or substantially all of the activities arising from the carrying out of the large investment project and the Minister of Finance authorized the transfer of those activities to the corporation or partnership, according to the qualification certificate issued to the corporation or partnership, in relation to the project, in the part of that 10-year period that begins on the date of acquisition;

"territory with high economic vitality" means a municipality mentioned in Schedule I to the Act respecting the Communauté métropolitaine de Montréal (chapter C-37.01) or Schedule A to the Act respecting the Communauté métropolitaine de Québec (chapter C-37.02);

"territory with intermediate economic vitality" means a territory situated in Québec that is neither a territory with high economic vitality nor a territory with low economic vitality;

"territory with low economic vitality" means

(a) one of the following regional county municipalities, subject to the third paragraph:

i. Municipalité régionale de comté d'Antoine-Labelle,

ii. Municipalité régionale de comté d'Avignon,

iii. Municipalité régionale de comté de Bonaventure,

iv. Municipalité régionale de comté de Charlevoix-Est,

v. Municipalité régionale de comté de La Haute-Côte-Nord,

vi. Municipalité régionale de comté de La Haute-Gaspésie,

vii. Municipalité régionale de comté de La Matanie,

viii. Municipalité régionale de comté de La Matapédia,

ix. Municipalité régionale de comté de La Mitis,

x. Municipalité régionale de comté de La Vallée-de-la-Gatineau,

xi. Municipalité régionale de comté de Maria-Chapdelaine,

xii. Municipalité régionale de comté de Maskinongé,

xiii. Municipalité régionale de comté de Mékinac,

xiv. Municipalité régionale de comté de Papineau,

xv. Municipalité régionale de comté de Pontiac,

xvi. Municipalité régionale de comté de Témiscamingue,

xvii. Municipalité régionale de comté de Témiscouata,

xviii. Municipalité régionale de comté des Appalaches,

xix. Municipalité régionale de comté des Basques,

xx. Municipalité régionale de comté des Etchemins,

xxi. Municipalité régionale de comté des Sources,

xxii. Municipalité régionale de comté du Domaine-du-Roy,

xxiii. Municipalité régionale de comté du Golfe-du-Saint-Laurent, or

xxiv. Municipalité régionale de comté du Rocher-Percé;

(b) the urban agglomeration of La Tuque, as described in section 8 of the Act respecting the exercise of certain municipal powers in certain urban agglomerations (chapter E-20.001); or

(c) Ville de Shawinigan;

"total eligible expenses" at a particular time, of a corporation or a partnership, in relation to a large investment project, means the aggregate of all amounts each of which is an expense (other than an excluded expense) incurred by the corporation or partnership before that time for the acquisition, in the investment period in respect of the large investment project, of a qualified property in respect of the project, to the extent that the expense is included in the capital cost of the property for a taxation year or a fiscal period, as the case may be, that ends at or before that time and to the extent that it is paid at or before that time.

In the formula in the definition of "cumulative total eligible expenses" in the first paragraph,

(a) A is the total eligible expenses of the corporation or partnership at the end of the particular taxation year or particular fiscal period, as the case may be, in relation to the large investment project;

(b) B is the aggregate of all amounts each of which is government assistance or non-government assistance, within the meaning assigned to those expressions by the first paragraph of section 1029.6.0.0.1, that, because of D in the formula, reduced the cumulative total eligible expenses of the corporation for a preceding taxation year or of the partnership for a preceding fiscal period, in relation to the large investment project, and that is repaid, pursuant to a legal obligation, at or before the end of the particular taxation year or particular fiscal period, as the case may be;

(c) C is the aggregate of all amounts each of which is the greater of the consideration received following the disposition of a qualified property, in respect of the large investment project, before the end of the 730-day period that follows the beginning of its use by the corporation or partnership and of the fair market value of the qualified property at the time of the disposition, unless the disposition results from the loss of the property, of the involuntary destruction of the property by fire, theft or water, or of a major breakdown of the property; and

(d) D is the aggregate of all amounts each of which is government assistance or non-government assistance, within the meaning assigned to those expressions by the first paragraph of section 1029.6.0.0.1, that the corporation or partnership has received, is entitled to receive or may reasonably expect to receive and that is attributable to an expense included in the total eligible expenses referred to in subparagraph *a*.

Where this Title applies in respect of the tax-free period of a corporation or a partnership, in relation to a large investment project, that begins, as the case may be,

(a) before 1 April 2023, paragraph *a* of the definition of "territory with low economic vitality" in the first paragraph is to be read without reference to subparagraphs xvi and xviii; or

(b) before 1 July 2025, paragraph *a* of the definition of "territory with low economic vitality" in the first paragraph is to be read as if

i. the following subparagraph were inserted after subparagraph i:

"i.1. Municipalité régionale de comté d'Argenteuil,", and

ii. the following subparagraph were inserted after subparagraph xii:

"xii.1. Municipalité régionale de comté de Matawinie,".

For the purposes of subparagraph *b* of the second paragraph, an amount of assistance is deemed to be repaid at a particular time by a corporation or a partnership, as the case may be, pursuant to a legal obligation, if that amount

(a) reduced, because of D in the formula in the definition of "cumulative total eligible expenses" in the first paragraph, the cumulative total eligible expenses of the corporation for a taxation year or of the partnership for a fiscal period;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership could reasonably expect to receive.

2024, c. 11, s. 71.

737.18.17.15. Where, at any time, a corporation or a partnership (in this section referred to as the "acquirer") acquired from another corporation or partnership (in this section referred to as the "vendor") all or substantially all of the activities arising from the carrying out of a large investment project and the Minister of Finance previously authorized the transfer of those activities to the acquirer, according to a qualification certificate issued by that Minister to the acquirer in respect of the project, the following rules must be taken into consideration, as the case may be:

(a) for the purposes of subparagraph *a* of the first paragraph of section 737.18.17.16, if applicable,

i. where the vendor and the acquirer are corporations, the vendor's non-capital loss for a taxation year ending before that time that is deductible in computing the vendor's adjusted taxable income for its taxation year including that time is deemed, according to the proportion provided for in the second paragraph, to be a non-capital loss of the acquirer,

ii. where the vendor is a partnership and the acquirer is a corporation, the non-capital loss that, if throughout its existence the vendor were a corporation whose taxation year corresponded to its fiscal period, would be determined in its respect for a taxation year that ends before that time and would be deductible in computing the vendor's adjusted taxable income for its taxation year that includes that time is deemed, according to the proportion provided for in the second paragraph and subject to the third paragraph, to be a non-capital loss of the acquirer, or

iii. the vendor's non-capital loss referred to in subparagraph i or ii is deemed to be reduced, for the vendor's taxation year or fiscal period that includes that time, by the amount determined under subparagraph i or ii, as the case may be, in respect of that loss, for the purpose of computing the vendor's adjusted taxable income for a taxation year that ends after that time, where the vendor is a corporation, and for the purpose of applying subparagraph ii in relation to a subsequent transfer of another large investment project of the vendor, where the vendor is a partnership;

(b) for the purposes of subparagraph *b* of the first paragraph of section 737.18.17.16, if applicable,

i. where the vendor is a corporation and the acquirer is a partnership, the vendor's non-capital loss for a taxation year ending before that time that is deductible in computing the vendor's adjusted taxable income for its taxation year including that time is deemed, according to the proportion provided for in the second paragraph, to be a non-capital loss of the acquirer (in subparagraph iii of subparagraph *b* of the first paragraph of section 737.18.17.16 referred to as the "deemed non-capital loss"),

ii. where the vendor and the acquirer are partnerships, the non-capital loss that, if throughout its existence the vendor were a corporation whose taxation year corresponded to its fiscal period, would be determined in its respect for a taxation year that ends before that time and would be deductible in computing the vendor's adjusted taxable income for its taxation year that includes that time is deemed, according to the proportion provided for in the second paragraph and subject to the third paragraph, to be a non-capital loss of the acquirer (in subparagraph iii of subparagraph *b* of the first paragraph of section 737.18.17.16 referred to as the "deemed non-capital loss"), or

iii. the vendor's non-capital loss referred to in subparagraph i or ii is deemed to be reduced, for the vendor's taxation year or fiscal period that includes that time, by the amount determined under subparagraph i or ii, as the case may be, in respect of that loss, for the purpose of computing the vendor's adjusted taxable income for a taxation year that ends after that time, where the vendor is a corporation, and for the purpose of applying subparagraph ii in relation to a subsequent transfer of another large investment project of the vendor, where the vendor is a partnership; or

(c) for the purposes of subparagraphs *b* and *c* of the second paragraph of section 737.18.17.18,

i. the vendor's taxation year or fiscal period that includes the day on which the time occurs is deemed to end at the end of that day,

ii. the vendor's last day of the tax-free period, in relation to the large investment project, is deemed to correspond to the day that includes that time,

iii. the acquirer's taxation year or fiscal period that includes the day on which the time occurs is deemed to begin at the beginning of that day, and

iv. the date of the beginning of the acquirer's tax-free period, in relation to the large investment project, is deemed to correspond to the date of the day that includes that time.

The proportion to which the first paragraph refers is the result obtained by multiplying the proportion that the amount transferred to the acquirer pursuant to the agreement referred to in the first paragraph of section 737.18.17.21 is of the excess amount determined under that first paragraph by the proportion that the amount determined under the second paragraph of section 737.18.17.21, in respect of the large investment project the activities of which are transferred (in this paragraph referred to as the "particular amount"), is of the aggregate of all amounts each of which is either the particular amount or the amount that would be determined under that second paragraph in respect of another large investment project of the vendor if it were transferred to the acquirer at the time referred to in the first paragraph, unless the vendor carries out only one large investment project, in which case the latter proportion is equal to 1.

For the purposes of subparagraph ii of subparagraphs *a* and *b* of the first paragraph, the non-capital loss referred to in that subparagraph ii does not include any portion of the loss that—for a taxation year of a corporation, member of the vendor at the time referred to in the first paragraph, that ends in a fiscal period of the vendor that ends before that time—reduced the corporation's adjusted taxable income.

This section also applies to the transfer of a large investment project, within the meaning of the first paragraph of section 737.18.17.1, in relation to which the vendor has made a computation method election within the meaning of that first paragraph.

2024, c. 11, s. 71.

737.18.17.16. For the purposes of this Title, the following rules apply:

(a) except where the third paragraph applies, a corporation's adjusted taxable income for a particular taxation year is equal to the amount that would be its taxable income for that year if it were determined without reference to this Title and subparagraph *b* of the first paragraph of section 737.18.17.5 and if the following rules applied:

i. the adjusted income of a partnership of which the corporation is a member at the end of the partnership's fiscal period that ends in the particular year and that holds a certificate, in relation to a large investment project, for the fiscal period is the partnership's income for that fiscal period, and

ii. the corporation's share of the incomes or losses of a partnership of which the corporation is a member at the end of the partnership's fiscal period that ends in the particular year but that does not hold such a certificate for that fiscal period is equal to zero,

iii. the corporation's income is computed without taking into account

(1) the amount by which the corporation's taxable capital gains exceed its allowable capital losses,

(2) the amount by which the aggregate of the corporation's incomes that are attributable to a source that is a property exceeds the aggregate of its losses attributable to that source, and

(3) the portion of the aggregate of its losses referred to in subparagraph 2 that reduced the aggregate of the corporation's incomes referred to in that subparagraph, and

iv. the corporation deducts, in computing its income or taxable income for the particular year and for any preceding taxation year, the maximum amount in respect of any reserve, allowance or other amount; and

(b) a partnership's adjusted income for a particular fiscal period is equal to the amount that would be its income for that fiscal period if the following rules applied:

i. the income is computed without taking into account

(1) the amount by which the partnership's taxable capital gains exceed its allowable capital losses,

(2) the amount by which the aggregate of the partnership's incomes that are attributable to a source that is a property exceeds the aggregate of its losses attributable to that source, and

(3) the portion of the aggregate of its losses referred to in subparagraph 2 that reduced the aggregate of the partnership's incomes referred to in that subparagraph,

ii. the income is computed taking into consideration that the partnership deducts, in computing its income for the particular fiscal period or for any preceding fiscal period, the maximum amount in respect of any reserve, allowance or other amount, and

iii. where the partnership is the acquirer referred to in section 737.18.17.15 of a large investment project, Title VII applies for the purpose of determining the amount that is deductible as a deemed non-capital loss of the acquirer, within the meaning of subparagraph *b* of the first paragraph of that section, in computing the partnership's adjusted income for a fiscal period that ends after the transfer time as if

(1) the partnership were a corporation whose taxation year corresponds to its fiscal period, and

(2) the partnership's adjusted income otherwise determined for any subsequent fiscal period were its adjusted taxable income for that year.

For the purposes of the first paragraph, the undepreciated capital cost of depreciable property of a prescribed class to the corporation or partnership, on the date of the beginning of the tax-free period in respect of a large investment project of the corporation or partnership that occurs first, is deemed, except to the extent that it may reasonably be considered that the second paragraph of section 737.18.17.2 applied previously in respect of that class, to include the amount that is the amount by which the total depreciation, within the meaning of subparagraph *b* of the first paragraph of section 93, allowed to the corporation or partnership, as the case may be, before that date, in respect of the property of that class, exceeds the aggregate of all amounts each of which is an amount that the corporation or partnership has included, under section 94, in respect of the property of that class, in computing its income for a taxation year or fiscal period that ended before that date.

Where no qualification certificate has been issued to the corporation by the Minister of Finance in relation to a large investment project at the end of the particular taxation year, but the corporation is a member of a qualified partnership that holds a certificate, in relation to such a project, for its fiscal period that ends in that particular year, the corporation's adjusted taxable income for the particular year is equal to the amount that would be its taxable income for that particular year if the following rules were taken into account:

(a) the taxable income is determined without reference to this Title and subparagraph *b* of the first paragraph of section 737.18.17.5 and as if the adjusted income of such a partnership for its fiscal period that ends in the particular year were its income for that fiscal period and as if the only incomes and losses of the corporation for the particular year were its share of the incomes and losses of such a partnership for such a fiscal period; and

(b) the taxable income, determined after applying subparagraph *a*, is reduced for the particular year by the aggregate of all amounts each of which would be a non-capital loss of the corporation for a preceding taxation year that would be deductible in computing its taxable income for the particular year if the only incomes or losses of the corporation for the preceding year were its share of the incomes and losses of such a partnership that are taken into account in computing its income for its fiscal period that ends in that preceding year and if the corporation had deducted, in computing its taxable income for another taxation year preceding the particular year, computed in accordance with this paragraph, the maximum amount deductible in respect of that loss.

For the purpose of applying paragraph *f* of section 600 in computing the adjusted taxable income of a corporation that is a member of a partnership, the aggregate of all of the partnership's incomes each of which is from a source that is a business, for a fiscal period of the partnership, must, if applicable, be reduced by the deemed non-capital losses referred to in subparagraph iii of subparagraph *b* of the first paragraph that, for that fiscal period, were deducted from the partnership's adjusted income.

For the purposes of this section, the following rules must be taken into consideration:

(a) a large investment project includes a large investment project in respect of which a computation method election within the meaning of Title VII.2.3.1 has been made; and

(b) the share of a member of a partnership of an amount for a fiscal period is equal to the agreed proportion, in respect of the member for that fiscal period, of that amount.

2024, c. 11, s. 71.

CHAPTER II

DEDUCTION

2024, c. 11, s. 71.

737.18.17.17. A qualified corporation that, in a particular taxation year, carries on activities arising from the carrying out of a large investment project or is a member of a qualified partnership that carries on such activities in its fiscal period ending in that year may, subject to the third paragraph, deduct in computing its taxable income for the particular year, if a certificate has been issued for the particular year or the fiscal period in relation to the large investment project, an amount equal to the lesser of the amount by which its adjusted taxable income for the particular year exceeds the amount it deducts in computing its taxable income under subparagraph *b* of the first paragraph of section 737.18.17.5 and the aggregate of the following amounts that is multiplied, where the corporation has an establishment situated outside Québec, by the reciprocal of the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771:

(a) 100/11.5 of the lesser of the amount determined in accordance with the first paragraph of section 737.18.17.18 in respect of the corporation for the particular year, in relation to one or more large investment projects of the corporation or of such a qualified partnership of which it is a member, and the amount determined in its respect for the particular year under the second paragraph; and

(b) 100/3.2 of the amount by which the amount determined in accordance with the first paragraph of section 737.18.17.18 in respect of the corporation for the particular year, in relation to one or more large investment projects of the corporation or of such a qualified partnership of which it is a member, exceeds the amount determined in its respect for the particular year under the second paragraph.

The amount to which subparagraphs *a* and *b* of the first paragraph refer for a particular taxation year is equal to

(a) the amount by which the tax that would be determined, in respect of the corporation for the particular year, in accordance with subsection 1 of section 771, if its taxable income for the year were computed without reference to this section, exceeds 3.2% of the amount that would be determined in respect of the corporation for the particular year under section 771.2.1.2 if, for the purposes of paragraph *b* of that section, its taxable income for the year were computed without reference to this section; or

(b) where the corporation has an establishment situated outside Québec for the particular year, the product obtained by multiplying the excess amount determined under subparagraph a by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771 for that year.

A corporation may deduct an amount under the first paragraph in computing its taxable income for a taxation year only if it encloses, with the fiscal return it is required to file for the year under section 1000,

(a) the prescribed form containing prescribed information; and

(b) in relation to each large investment project referred to in the first paragraph of the corporation or of a partnership of which the corporation is a member,

i. a copy of the qualification certificate issued to the corporation or partnership in respect of the large investment project,

ii. a copy of the certificate issued for the corporation's taxation year or the partnership's fiscal period, as the case may be, in relation to the large investment project,

iii. where the large investment project is such a project of the partnership, a copy of each agreement referred to in section 737.18.17.20 in respect of the partnership's fiscal period that ends in the taxation year or in a preceding taxation year, in relation to the project, unless it has already been filed,

iv. where the corporation or partnership acquired or sold all or substantially all of the activities arising from the carrying out of the large investment project, a copy of the agreement referred to in section 737.18.17.21 in respect of the transfer, unless it has already been filed, and

v. a copy of the independent auditor's report that the corporation or partnership enclosed with the application for the first certificate relating to the large investment project.

2024, c. 11, s. 71.

737.18.17.18. The amount to which subparagraphs *a* and *b* of the first paragraph of section 737.18.17.17 refer in respect of a qualified corporation for a particular taxation year, in relation to one or more large investment projects of the corporation or of a qualified partnership of which it is a member, is equal to the lesser of

(a) the tax that would be determined, in respect of the corporation for the particular year, in accordance with subsection 1 of section 771, if its taxable income for the particular year were computed without reference to section 737.18.17.17 or, where the corporation has an establishment outside Québec, the result obtained by multiplying that tax by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771; and

(b) the aggregate of all amounts each of which is, for the particular year, in relation to any of those large investment projects,

i. in the case of a large investment project of the corporation, the amount determined by the formula

$(A \times B/C) - D$, or

ii. in the case of a large investment project of a partnership of which the corporation is a member, the amount determined by the formula

$E - D$.

In the formulas in subparagraph *b* of the second paragraph,

(a) A is either the product obtained by multiplying by the rate provided for in section 737.18.17.19, in respect of the large investment project, the corporation's cumulative total eligible expenses in relation to the project at the end of the particular year or, where the corporation acquired all or substantially all of the activities arising from the carrying out of the project, subject to the fourth paragraph, the amount that was transferred to the corporation pursuant to the agreement referred to in section 737.18.17.21 in respect of the transfer;

(b) B is the number of days in the period that begins on the date of the beginning of the tax-free period in respect of the large investment project and that ends on the last day of the particular taxation year or, if it is earlier, the last day of the tax-free period in respect of the project;

(c) C is the number of days in the period that begins on the date of the beginning of the tax-free period in respect of the large investment project and that ends on the last day of the tax-free period in respect of the project;

(d) D is

i. where the large investment project is that of the corporation, the aggregate of

(1) the aggregate of all amounts each of which is, for a preceding taxation year, in relation to the large investment project, equal to the amount determined by the formula

$$F \times G \times H,$$

(2) the aggregate of all amounts each of which is, for the particular taxation year or a preceding taxation year, in relation to the large investment project, equal to the amount determined by the formula

$$I \times J, \text{ and}$$

(3) where, at any time in the particular taxation year, the corporation transfers all or substantially all of its activities arising from the carrying out of the large investment project to another corporation or a partnership, the amount that was transferred to the other corporation or the partnership pursuant to the agreement referred to in section 737.18.17.21 in respect of the transfer, or

ii. where the large investment project is that of a partnership of which the corporation is a member, the aggregate of all amounts each of which is, for a preceding taxation year, in relation to the large investment project, equal to the amount determined by the formula

$$F \times G \times H; \text{ and}$$

(e) E is the aggregate of all amounts each of which is either the amount that was allocated to the corporation for the particular year, or for a preceding taxation year, pursuant to the agreement referred to in section 737.18.17.20, in relation to the large investment project, in respect of the partnership's fiscal period

that ends in that year, or zero if, in respect of that fiscal period, no such agreement has been entered into in relation to the project.

In the formulas in subparagraph *d* of the second paragraph,

(a) F is 1, unless the corporation has an establishment situated outside Québec for the preceding taxation year, in which case it is the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771 for the preceding year;

(b) G is the aggregate of

i. 3.2% of the amount by which the amount that would be determined in respect of the corporation for the preceding taxation year under section 771.2.1.2 if, for the purposes of paragraph *b* of that section, its taxable income for the preceding year were computed without reference to section 737.18.17.17 exceeds the amount that is determined in its respect for that year under section 771.2.1.2, and

ii. 11.5% of the amount by which the amount deducted by the corporation in computing its taxable income for the preceding taxation year under section 737.18.17.17 exceeds the excess amount determined under subparagraph i;

(c) H is the proportion that the corporation's maximum annual tax exemption amount for the preceding taxation year, in relation to the large investment project, is of the aggregate of all amounts each of which is the corporation's maximum annual tax exemption amount for the preceding year, in relation to a large investment project of the corporation or of a partnership of which it is a member, that is referred to in the first paragraph of section 737.18.17.17 for that year;

(d) I is the aggregate of the amounts that are not payable by the corporation for the taxation year under subparagraph *d*.2 of the sixth paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5); and

(e) J is the proportion that the corporation's maximum annual contribution exemption amount for the taxation year, in relation to the large investment project, is of the aggregate of all amounts each of which is the corporation's maximum annual contribution exemption amount for the year, in relation to a large investment project of the corporation, that is referred to in subparagraph *d*.2 of the sixth paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec for the year.

Where a corporation has acquired all or substantially all of the activities arising from the carrying out of a large investment project before the end of the investment period in respect of that project, the amount that was transferred to the corporation pursuant to the agreement referred to in section 737.18.17.21 in respect of the transfer, for any taxation year that ends on or after the day of the transfer, must be increased by an amount equal to the product obtained by multiplying by the rate provided for in section 737.18.17.19, in respect of the project, the amount that would be the corporation's total eligible expenses, in respect of the large investment project, at the end of the investment period if the definition of "total eligible expenses" in the first paragraph of section 737.18.17.14 were read as if "in the investment period" were replaced by "in the part of the investment period that follows the day of the transfer".

2024, c. 11, s. 71.

737.18.17.19. The rate to which sections 737.18.17.18 and 737.18.17.21 refer in respect of a large investment project of a corporation or a partnership is

(a) 25%, where all or substantially all of the expenses that are included, or that may reasonably be expected to be included, in the corporation's total eligible expenses in relation to the large investment project are or will be incurred in respect of qualified property acquired to be used mainly in one or more territories with low economic vitality;

(b) 20%, where paragraph *a* does not apply and all or substantially all of the expenses that are included, or that may reasonably be expected to be included, in the corporation's total eligible expenses in relation to the large investment project are or will be incurred in respect of qualified property acquired to be used mainly in one or more territories with low economic vitality or territories with intermediate economic vitality; or

(c) 15%, in any other case.

2024, c. 11, s. 71.

737.18.17.20. The agreement to which subparagraph *e* of the second paragraph of section 737.18.17.18 refers in respect of a particular fiscal period of a partnership, in relation to a large investment project of the partnership, is the agreement under which the partnership and all its members agree on an amount in respect of the particular amount determined in relation to the partnership in accordance with the second paragraph of section 34.1.0.5 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) for the particular fiscal period, in relation to the large investment project, for the purpose of allocating to each corporation that is a member of the partnership, for its taxation year in which the particular fiscal period ends, its share of the agreed amount, which amount must not be greater than the amount that would be the partnership's particular amount in relation to the large investment project for the particular fiscal period if subparagraph 2 of subparagraph ii of subparagraph *d* of the third paragraph of that section 34.1.0.5 were read without reference to "the particular fiscal period or".

The share of a corporation that is a member of the partnership of the amount agreed on pursuant to an agreement referred to in the first paragraph, in respect of a fiscal period, is the agreed proportion of that amount in respect of the corporation for the partnership's fiscal period.

Where the amount agreed on, in respect of a particular fiscal period of a partnership, in relation to a large investment project, pursuant to an agreement referred to in the first paragraph, is greater than the amount referred to in the first paragraph, the agreed amount is, for the purposes of this Title and section 34.1.0.5 of the Act respecting the Régie de l'assurance maladie du Québec, deemed to be equal to the amount referred to in the first paragraph.

2024, c. 11, s. 71.

737.18.17.21. Where, at any time in a particular taxation year or fiscal period, a corporation or a partnership (in this section referred to as the "acquirer") acquired all or substantially all of the activities arising from the carrying out of a large investment project from another corporation or partnership (in this section referred to as the "vendor") and the Minister of Finance previously authorized the transfer of those activities to the acquirer, according to a qualification certificate issued by that Minister to the acquirer in respect of the project, the vendor and the acquirer shall enter into an agreement under which is transferred to the acquirer an amount not greater than the amount by which the amount determined under the second paragraph exceeds,

(a) where the vendor is a corporation, the total of

i. the aggregate of all amounts each of which is, for a preceding taxation year, in relation to the large investment project, equal to the amount determined by the formula

$A \times B \times C$, and

ii. the aggregate of all amounts each of which is, for a preceding taxation year, in relation to the large investment project, equal to the amount determined by the formula

D × E; or

(b) where the vendor is a partnership, the total of

i. the aggregate of all amounts each of which is the amount agreed on, in respect of a preceding fiscal period of the vendor, in relation to the large investment project, pursuant to an agreement referred to in section 737.18.17.20 in respect of that fiscal period, and

ii. the aggregate of all amounts each of which is, for a preceding fiscal period of the vendor, in relation to the large investment project, the amount determined by the formula

D × E.

The amount to which the first paragraph refers is equal either to the amount obtained by multiplying by the rate provided for in section 737.18.17.19 in respect of the large investment project the vendor's cumulative total eligible expenses in relation to the project at the end of the particular taxation year or of the particular fiscal period, or, where the vendor acquired all or substantially all of the activities arising from the carrying out of the project following a previous transfer, subject to the fifth paragraph, to the amount that was transferred to the vendor pursuant to the agreement referred to in this section in respect of the acquisition.

In the formulas in the first paragraph,

(a) A is 1, unless the vendor has an establishment situated outside Québec for the preceding year, in which case it is the proportion that the vendor's business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771 for that preceding year;

(b) B is the aggregate of

i. the product obtained by multiplying by 3.2% the amount by which the amount that would be determined in respect of the vendor for the preceding year under section 771.2.1.2 if, for the purposes of paragraph *b* of section 771.2.1.2, its taxable income for the preceding year were computed without reference to section 737.18.17.17, exceeds the amount determined in its respect for that year under section 771.2.1.2, and

ii. the product obtained by multiplying by 11.5% the amount by which the amount deducted by the vendor in computing its taxable income for the preceding year under section 737.18.17.17 exceeds the excess amount determined under subparagraph i;

(c) C is the proportion that the vendor's maximum annual tax exemption amount for the preceding year, in relation to the large investment project, is of the aggregate of all amounts each of which is the vendor's maximum annual tax exemption amount for the preceding year, in relation to a large investment project of the vendor, or of a partnership of which it is a member, that is referred to in the first paragraph of section 737.18.17.17 for that year;

(d) D is the aggregate of all amounts that are not payable by the vendor for the preceding taxation year or fiscal period under subparagraph *d*.2 of the sixth paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5); and

(e) E is the proportion that the vendor's maximum annual contribution exemption amount for the preceding taxation year or fiscal period, in relation to the large investment project, is of the aggregate of all

amounts each of which is the vendor's maximum annual contribution exemption amount for the preceding year or fiscal period, in relation to a large investment project of the vendor that is referred to in subparagraph *d*.2 of the sixth paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec for that year or fiscal period.

Where the amount that was transferred to an acquirer, in relation to a large investment project, pursuant to an agreement referred to in the first paragraph is greater than the excess amount referred to in that paragraph, the amount transferred to the acquirer is, for the purposes of this Title and sections 34.1.0.5 and 34.1.0.6 of the Act respecting the Régie de l'assurance maladie du Québec, deemed to be equal to the excess amount.

Where the previous transfer to which the second paragraph refers occurred before the end of the investment period in respect of a large investment project, the amount that was transferred to the vendor pursuant to the agreement referred to in this section in respect of the acquisition must be increased by an amount equal to the product obtained by multiplying by the rate provided for in section 737.18.17.19, in respect of the project, the amount that would be the vendor's total eligible expenses on the last day of the investment period or, if it is earlier, on the day that includes the time referred to in the first paragraph, if the definition of "total eligible expenses" in the first paragraph of section 737.18.17.14 were read as if "in the investment period" were replaced by "in the part of the investment period that follows the time of the transfer".

2024, c. 11, s. 71.

TITLE VII.2.4

Repealed, 2022, c. 23, s. 53.

2002, c. 40, s. 60; 2022, c. 23, s. 53.

CHAPTER I

(Repealed).

2002, c. 40, s. 60; 2022, c. 23, s. 53.

737.18.18. *(Repealed).*

2002, c. 40, s. 60; 2003, c. 9, s. 55; 2004, c. 21, s. 145; 2006, c. 13, s. 55; 2009, c. 5, s. 255; 2009, c. 15, s. 131; 2011, c. 1, s. 35; 2022, c. 23, s. 53.

737.18.19. *(Repealed).*

2002, c. 40, s. 60; 2022, c. 23, s. 53.

737.18.20. *(Repealed).*

2002, c. 40, s. 60; 2005, c. 1, s. 144; 2009, c. 15, s. 132; 2022, c. 23, s. 53.

737.18.21. *(Repealed).*

2002, c. 40, s. 60; 2022, c. 23, s. 53.

737.18.22. *(Repealed).*

2002, c. 40, s. 60; 2022, c. 23, s. 53.

737.18.23. *(Repealed).*

2002, c. 40, s. 60; 2022, c. 23, s. 53.

737.18.24. *(Repealed).*

2002, c. 40, s. 60; 2022, c. 23, s. 53.

737.18.25. *(Repealed).*

2002, c. 40, s. 60; 2003, c. 9, s. 56; 2004, c. 21, s. 146; 2005, c. 38, s. 99; 2009, c. 15, s. 133; 2018, c. 23, s. 811; 2022, c. 23, s. 53.

CHAPTER II

(Repealed).

2002, c. 40, s. 60; 2022, c. 23, s. 53.

737.18.26. *(Repealed).*

2002, c. 40, s. 60; 2004, c. 21, s. 147; 2009, c. 5, s. 256; 2010, c. 25, s. 68; 2022, c. 23, s. 53.

737.18.26.1. *(Repealed).*

2010, c. 25, s. 69; 2022, c. 23, s. 53.

TITLE VII.2.5

Repealed, 2010, c. 25, s. 70.

2003, c. 9, s. 57; 2010, c. 25, s. 70.

CHAPTER I

Repealed, 2010, c. 25, s. 70.

2003, c. 9, s. 57; 2010, c. 25, s. 70.

737.18.27. *(Repealed).*

2003, c. 9, s. 57; 2010, c. 25, s. 70.

CHAPTER II

Repealed, 2010, c. 25, s. 70.

2003, c. 9, s. 57; 2010, c. 25, s. 70.

737.18.28. *(Repealed).*

2003, c. 9, s. 57; 2010, c. 25, s. 70.

TITLE VII.2.6

Repealed, 2022, c. 23, s. 53.

2003, c. 9, s. 57; 2022, c. 23, s. 53.

CHAPTER I

(Repealed).

2003, c. 9, s. 57; 2022, c. 23, s. 53.

737.18.29. *(Repealed).*

2003, c. 9, s. 57; 2004, c. 21, s. 148; 2004, c. 37, s. 90; 2005, c. 38, s. 100; 2006, c. 13, s. 56; 2009, c. 58, s. 87; 2010, c. 25, s. 71; 2012, c. 8, s. 78; 2022, c. 23, s. 53.

737.18.29.1. *(Repealed).*

2004, c. 21, s. 149; 2022, c. 23, s. 53.

737.18.29.2. *(Repealed).*

2005, c. 23, s. 84; 2022, c. 23, s. 53.

737.18.30. *(Repealed).*

2003, c. 9, s. 57; 2004, c. 21, s. 150; 2022, c. 23, s. 53.

737.18.30.1. *(Repealed).*

2004, c. 21, s. 151; 2012, c. 8, s. 79; 2022, c. 23, s. 53.

737.18.30.2. *(Repealed).*

2004, c. 21, s. 151; 2005, c. 38, s. 101; 2012, c. 8, s. 80; 2022, c. 23, s. 53.

737.18.30.3. *(Repealed).*

2004, c. 21, s. 151; 2022, c. 23, s. 53.

737.18.31. *(Repealed).*

2003, c. 9, s. 57; 2022, c. 23, s. 53.

737.18.32. *(Repealed).*

2003, c. 9, s. 57; 2004, c. 21, s. 152; 2005, c. 38, s. 102; 2021, c. 14, s. 72; 2022, c. 23, s. 53.

CHAPTER II

(Repealed).

2003, c. 9, s. 57; 2022, c. 23, s. 53.

737.18.33. *(Repealed).*

2003, c. 9, s. 57; 2004, c. 21, s. 153; 2022, c. 23, s. 53.

737.18.34. *(Repealed).*

2003, c. 9, s. 57; 2004, c. 21, s. 154; 2005, c. 38, s. 103; 2009, c. 5, s. 257; 2012, c. 8, s. 81; 2022, c. 23, s. 53.

CHAPTER III

(Repealed).

2003, c. 9, s. 57; 2022, c. 23, s. 53.

737.18.35. *(Repealed).*

2003, c. 9, s. 57; 2004, c. 21, s. 155; 2005, c. 38, s. 104; 2021, c. 14, s. 73; 2022, c. 23, s. 53.

TITLE VII.2.7

DEDUCTION FOR INNOVATIVE MANUFACTURING CORPORATIONS

2017, c. 29, s. 115.

CHAPTER I

INTERPRETATION AND GENERAL RULES

2017, c. 29, s. 115.

737.18.36.

In this Title, unless the context indicates otherwise,

"cost of labour" of a corporation for a taxation year means the portion of the cost of labour of the corporation for the year, determined in accordance with the definition of that expression in section 5202 of the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), that may reasonably be attributed to activities carried out in Québec;

"cost of manufacturing and processing labour" of a corporation for a taxation year means the lesser of the cost of labour of the corporation for the year and the amount that would be the cost of manufacturing and processing labour of the corporation for the year, determined in accordance with the definition of that expression in section 5202 of the Income Tax Regulations, if that definition were read without reference to the portion after paragraph *b* and if the definition of "qualified activities" in that section 5202 were read as if "Canada" were replaced wherever it appears by "Québec";

"manufacturing corporation" for a taxation year means a corporation in respect of which the proportion of the manufacturing and processing activities for the year is at least 50%;

"proportion of the manufacturing and processing activities" of a corporation for a taxation year means the proportion that the cost of manufacturing and processing labour of the corporation for the year is of the cost of labour of the corporation for the year;

"qualified manufacturing corporation" for a taxation year means a manufacturing corporation for the year whose paid-up capital determined for the year in accordance with section 737.18.37 is at least $15,000,000;

"qualified patented part" of a qualified manufacturing corporation for a taxation year means an invention of the corporation if

(a) the corporation has made sustained innovation efforts in relation to the invention;

(b) the invention derives in whole or in part from scientific research and experimental development work undertaken in Québec by the corporation or another corporation associated with it at the time the work was undertaken, or on behalf of the corporation or the other corporation, as the case may be, and the corporation or the other corporation is deemed to have paid an amount to the Minister under any of Divisions II to II.3.0.1 of Chapter III.1 of Title III of Book IX in respect of the work; and

(c) the corporation, alone or together with other persons, holds a patent, in respect of the invention, that satisfies the following conditions:

i. it is issued under the Patent Act (R.S.C. 1985, c. P-4) or an Act having the same effect of a jurisdiction other than Canada,

ii. the application by virtue of which the patent is issued is made, after 17 March 2016, in accordance with the requirements of an Act referred to in subparagraph i, and

iii. it is valid throughout the year;

"qualified property" of a qualified manufacturing corporation for a taxation year means property in respect of which the following conditions are satisfied:

(a) it incorporates at least one qualified patented part of the corporation;

(b) it is sold, leased or rented by the corporation in the year;

(c) the corporation keeps a register containing the information necessary to prepare separate accounts, in respect of the property, by virtue of which the corporation designates, in relation to the property, a portion of the corporation's gross revenue for the year from the sale, lease or rental of the property and a portion of the expenses, reserves, allowances and other amounts otherwise deductible by the corporation in computing its income for the year that may reasonably be considered to be attributable to the property; and

(d) the gross revenue of the corporation for the year from the sale, lease or rental of the property is reasonably attributable to an establishment of the corporation situated in Québec.

A qualified manufacturing corporation is deemed to hold a patent and satisfy the conditions of paragraph *c* of the definition of "qualified patented part" in the first paragraph, in respect of the patent, for a taxation year if the application for a patent is made, after 17 March 2016, in accordance with the requirements of an Act referred to in subparagraph i of that paragraph *c* and if a decision by the competent authority regarding the application is pending in the year.

2017, c. 29, s. 115.

737.18.37. The paid-up capital of a corporation for a particular taxation year of the corporation that ends in a calendar year is equal,

(a) where the corporation is not associated with any other corporation in the particular year, to the corporation's paid-up capital determined in accordance with section 737.18.38 either for the taxation year that precedes the particular year or, if the corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of that fiscal period in accordance with generally accepted accounting principles or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles; and

(b) where the corporation is associated with one or more other corporations in the particular year, to the aggregate of all amounts each of which is, for the corporation or each of the other corporations, its paid-up capital determined in accordance with section 737.18.38 either for its last taxation year that ends in the preceding calendar year or, if such a corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of that fiscal period in accordance with generally accepted accounting principles or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles.

2017, c. 29, s. 115.

737.18.38. For the purposes of section 737.18.37, the paid-up capital of a corporation for a taxation year is the corporation's paid-up capital that would be determined for that year in accordance with Book III of Part IV if no reference were made to section 1138.2.6.

2017, c. 29, s. 115.

737.18.39. For the purposes of paragraph *a* of the definition of "qualified patented part" in the first paragraph of section 737.18.36, a corporation has made sustained innovation efforts in relation to an invention if the total of all amounts each of which is an aggregate described in the second paragraph, reduced, where applicable, as provided in section 1029.8.19.13 or 1029.8.19.13.1 and determined in relation to scientific research and experimental development work undertaken in the particular period described in the third paragraph by the corporation or by another corporation with which it is associated in the taxation year in which the work was undertaken, or on behalf of the corporation or of the other corporation, as the case may be, and in respect of which the corporation or the other corporation is deemed to have paid an amount to the Minister under any of Divisions II to II.3.0.1 of Chapter III.1 of Title III of Book IX is at least $500,000.

An aggregate to which the first paragraph refers in respect of a corporation for a taxation year included in the particular period described in the third paragraph is

(a) the aggregate of all amounts each of which is the amount of wages that are, or of a portion of a consideration that is, referred to in any of subparagraphs *a* to *i* of the first paragraph of section 1029.7, determined with reference to subdivisions 2, 4 and 6 of Division II.4 of Chapter III.1 of Title III of Book IX;

(b) the aggregate of all amounts each of which is the amount of an expenditure that is referred to in subparagraph *a* or *b* of the first paragraph of section 1029.8.6, determined with reference to subdivisions 2, 4 and 6 of Division II.4 of Chapter III.1 of Title III of Book IX;

(c) the aggregate of all amounts each of which is the amount of an eligible fee or eligible fee balance, within the meaning assigned to those expressions by section 1029.8.9.0.2, determined with reference to subdivisions 2, 4 and 6 of Division II.4 of Chapter III.1 of Title III of Book IX; or

(d) the aggregate of all amounts each of which is the amount of an expenditure that is referred to in any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.16.1.4, determined with reference to subdivisions 2, 4 and 6 of Division II.4 of Chapter III.1 of Title III of Book IX.

The particular period to which the first paragraph refers is the five-taxation-year period that precedes the taxation year in which the application referred to in subparagraph ii of paragraph *c* of the definition of "qualified patented part" in the first paragraph of section 737.18.36 is made in relation to the invention referred to in the first paragraph.

2017, c. 29, s. 115; 2021, c. 14, s. 74; 2021, c. 36, s. 77.

CHAPTER II

DEDUCTION

2017, c. 29, s. 115.

737.18.40. Subject to the third paragraph, a qualified manufacturing corporation for a taxation year that begins before 1 January 2021 may deduct in computing its taxable income for the year an amount not exceeding the product obtained by multiplying the annual percentage determined in its respect for the year under section 737.18.42 by the aggregate of all amounts each of which is equal, in respect of a qualified property of the corporation, to the lesser of

(a) the ceiling determined under section 737.18.41 for the year in respect of the qualified property; and

(b) the portion of the particular amount described in the second paragraph, determined in respect of the qualified property for the year, that may reasonably be considered to be attributable to the added value that one or more qualified patented parts of the corporation bring to the property.

The particular amount to which the first paragraph refers, in relation to a qualified property of the corporation for a taxation year, is equal to the amount by which the portion of the corporation's gross revenue for the year from the sale, lease or rental of the property exceeds the portion of the expenses, reserves, allowances and other amounts otherwise deductible by the corporation in computing its income for the year that may reasonably be considered to be attributable to the property, such portions being determined on the basis of the separate accounts relating to the property referred to in paragraph *c* of the definition of "qualified property" in the first paragraph of section 737.18.36.

A corporation may deduct an amount under the first paragraph in computing its taxable income for a taxation year only if it encloses, with the fiscal return it is required to file for the year under section 1000,

(a) the prescribed form containing prescribed information; and

(b) in relation to each qualified property of the corporation referred to in the first paragraph, a copy of the register kept by the corporation containing the information necessary to prepare separate accounts in respect of the property for the year.

2017, c. 29, s. 115; 2021, c. 14, s. 75.

737.18.41. The ceiling to which subparagraph *a* of the first paragraph of section 737.18.40 refers, determined for a taxation year in respect of a qualified property of a corporation, is equal to 50% of the particular amount determined under the second paragraph of section 737.18.40 in relation to that property for the year.

2017, c. 29, s. 115.

737.18.42. The annual percentage determined for a taxation year of a qualified manufacturing corporation is equal to the total of

(a) the proportion of 66.1% that the number of days in the taxation year that precede 1 January 2018 is of the number of days in the taxation year;

(b) the proportion of 65.8% that the number of days in the taxation year that follow 31 December 2017 but precede 1 January 2019 is of the number of days in the taxation year;

(c) the proportion of 65.5% that the number of days in the taxation year that follow 31 December 2018 but precede 1 January 2020 is of the number of days in the taxation year; and

(d) the proportion of 65.2% that the number of days in the taxation year that follow 31 December 2019 is of the number of days in the taxation year.

2017, c. 29, s. 115.

TITLE VII.2.8

INCENTIVE DEDUCTION FOR THE COMMERCIALIZATION OF INNOVATIONS IN QUÉBEC

2021, c. 14, s. 76.

737.18.43. In this Title,

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII; or

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

"gross revenue from the commercialization of an asset" of a corporation for a taxation year means the portion of the corporation's gross revenue for the year that is reasonably attributable to an establishment of the corporation situated in Québec and that consists of

(a) a payment (in this Title referred to as a "royalty") for the use of or the right to use the asset;

(b) income from the sale, rental or lease of a property incorporating the asset;

(c) income from the provision of a service intrinsically linked to the asset; and

(d) an amount obtained as damages in the context of a remedy of a judicial nature relating to the asset;

"protected invention" of a corporation means an invention that meets either of the following conditions:

(a) the invention is covered by a valid patent or certificate of supplementary protection that was applied for after 17 March 2016 and of which the corporation is the holder under the Patent Act (R.S.C. 1985, c. P-4) or any other Act having the same effect of a jurisdiction other than Canada; or

(b) the invention was the subject of an application for a patent or certificate of supplementary protection by the corporation, after 17 March 2016, in accordance with the requirements of an Act referred to in paragraph *a*, and a decision regarding the application is pending;

"protected plant variety" of a corporation means a new plant variety, within the meaning of section 2 of the Plant Breeders' Rights Act (S.C. 1990, c. 20), that is originated, discovered or developed and that meets either of the following conditions:

(a) the plant variety is the subject of a valid certificate of plant breeder's rights that was applied for after 10 March 2020 and of which the corporation is the holder under the Plant Breeders' Rights Act or any other Act having the same effect of a jurisdiction other than Canada; or

(b) the plant variety was the subject of an application for a certificate of plant breeder's rights by the corporation, after 10 March 2020, in accordance with the requirements of an Act referred to in paragraph *a*, and a decision regarding the application is pending;

"protected software" of a corporation means a computer program, within the meaning of section 2 of the Copyright Act (R.S.C. 1985, c. 42), in respect of which the following conditions are met:

(a) the corporation is the holder of the copyright on the computer program under the Copyright Act or any other Act having the same effect of a jurisdiction other than Canada; and

(b) the creation date of the computer program is subsequent to 10 March 2020;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation, that, at a particular time in the year, has an establishment in Québec, carries on a business in Québec and earns income from the commercialization of a qualified intellectual property asset;

"qualified intellectual property asset" of a corporation means an incorporeal property that meets the following conditions:

(a) it is

i. a protected invention of the corporation,

ii. a protected plant variety of the corporation, or

iii. a protected software of the corporation; and

(b) it results from scientific research and experimental development activities that are carried on in whole or in part in Québec and that contribute significantly to the creation, development or improvement of the property.

2021, c. 14, s. 76; 2023, c. 2, s. 19.

737.18.44. A qualified corporation for a particular taxation year may deduct, in computing its taxable income for the particular year, the aggregate of all amounts each of which is, in respect of a particular qualified intellectual property asset of the corporation (in this section referred to as the "particular asset"), an amount determined by the formula

$$\{[A \times (B/C)] - D\} \times E \times F.$$

In the formula in the first paragraph,

(a) A is the corporation's income for the particular year;

(b) B is the corporation's gross revenue from the commercialization of the particular asset for the particular year;

(c) C is the corporation's gross revenue for the particular year;

(d) D is the greater of

i. the amount determined by the formula

$$10\% \times \{G - [(H + I) \times (G/J)]\}, \text{ and}$$

ii. the amount determined by the formula

$$25\% \times [H \times (G/J)];$$

(e) E is, subject to the fourth paragraph, the quotient obtained by dividing by seven the total of all fractions each of which is determined, in respect of a year (in subparagraphs *e* and *f* of the third paragraph

referred to as a "year concerned") that is either the particular year or any of the six preceding taxation years, by the formula

K/L; and

(f) F is the rate determined by the formula

(M – N)/M.

In the formulas in the second paragraph,

(a) G is the amount by which the gross revenue from the commercialization of the corporation's particular asset for the particular year exceeds the aggregate of all amounts each of which is, in respect of the particular asset for the particular year, a royalty or an amount obtained as damages in the context of a remedy of a judicial nature;

(b) H is the corporation's income for the particular year;

(c) I is the amount of the expenditures of a current nature deducted in the particular year by the corporation under section 222;

(d) J is the corporation's gross revenue for the particular year;

(e) K is an amount equal to the lesser of the amount determined under subparagraph *f* for the year concerned and the total of

i. the aggregate of all amounts each of which is the amount of wages paid by the corporation and described in subparagraph *a* of the first paragraph of section 1029.7 for the year concerned,

ii. the aggregate of all amounts each of which is the portion of a consideration paid by the corporation and referred to in any of subparagraphs *b*, *b*.1, *d*, *d*.1, *f*, *f*.1, *h* and *h*.1 of the first paragraph of section 1029.7 for the year concerned,

iii. 50% of the aggregate of all amounts, other than an amount described in subparagraph iv, each of which is the portion of a consideration paid by the corporation and referred to in any of subparagraphs *c*, *e*, *g* and *i* of the first paragraph of section 1029.7 for the year concerned,

iv. 80% of the aggregate of all amounts each of which is the total or partial amount of an expenditure paid by the corporation and described in subparagraph *b* of the first paragraph of section 1029.8.6 for the year concerned, and

v. the product obtained by multiplying, by the proportion that the business carried on in Québec by the corporation in the year concerned is of the aggregate of its business carried on in Canada or in Québec and elsewhere in the year concerned, as determined under subsection 2 of section 771, half of the aggregate of the amounts that, for the year concerned, are described in neither subparagraph iii nor subparagraph iv but would be described in either of those subparagraphs if all the scientific research and experimental development work undertaken on behalf of the corporation outside Québec had been undertaken in Québec;

(f) L is the greater of $1 and the total of

i. the aggregate of the amounts that would be described in subparagraph i of subparagraph *e* for the year concerned if all the wages paid by the corporation in respect of scientific research and experimental development work had been paid to employees of an establishment situated in Québec,

ii. the aggregate of the amounts that would be described in subparagraph ii of subparagraph *e* for the year concerned if all the scientific research and experimental development work undertaken on behalf of the corporation had been undertaken in Québec, and

iii. 50% of the aggregate of the amounts that, for the year concerned, would be described in subparagraph iii or iv of subparagraph *e* if all the scientific research and experimental development work undertaken on behalf of the corporation had been undertaken in Québec;

(g) M is the basic rate determined in respect of the corporation for the particular year under section 771.0.2.3.1; and

(h) N is 2%.

Where a corporation has incurred an amount described in any of subparagraphs i to iii of subparagraph *f* of the third paragraph for the first time in the particular year or any of the five preceding taxation years, subparagraph *e* of the second paragraph is to be read as if "seven" were replaced by the number of taxation years included in the period that begins at the beginning of the taxation year in which the corporation first incurred such an amount and ends at the end of the particular year.

For the purposes of subparagraphs *e* and *f* of the third paragraph, the following rules apply:

(a) section 1029.7 is to be read without reference to subparagraphs i and ii of subparagraph *b* of its third paragraph; and

(b) no reference is to be made to section 230.0.0.5.

A corporation may deduct an amount under the first paragraph in computing its taxable income for a taxation year only if it encloses, with the fiscal return it is required to file for the year under section 1000, the prescribed form containing prescribed information.

2021, c. 14, s. 76; 2022, c. 23, s. 54.

TITLE VII.3

DEDUCTION IN RESPECT OF A FOREIGN RESEARCHER

1988, c. 4, s. 58.

CHAPTER I

INTERPRETATION AND GENERAL

1988, c. 4, s. 58; 2005, c. 38, s. 105.

737.19. In this Title,

"eligible employer" means a person or partnership who or which carries on a business in Canada, undertakes or causes to be undertaken, on the person's or the partnership's behalf in Québec, scientific research and experimental development related to a business of the person or partnership and who or which is not

(a) a person exempt from tax under section 984 or 985 or that would be exempt from tax under section 985 but for section 192;

(b) an eligible university entity within the meaning of paragraph *f* of section 1029.8.1, or

(c) an eligible public research centre within the meaning of paragraph *a*.1 of section 1029.8.1;

"eligible income", for a taxation year, of an individual who is a foreign researcher at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as wages in the year by that employer to undertake scientific research and experimental development in Québec that may reasonably be attributed to the individual's research activity period in relation to that employment;

"foreign researcher" for all or part of a taxation year, means an individual in respect of whom the following conditions are met:

(a) at a particular time, the individual takes up employment, as an employee, with an eligible employer under an employment contract entered into with that employer;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) from the particular time to the end of the year or the part of the year,

i. the individual works exclusively or almost exclusively for the eligible employer, and

ii. the individual's duties for the eligible employer consist exclusively or almost exclusively in carrying on, as an employee, scientific research and experimental development that cannot reasonably be considered to be scientific research and experimental development activities carried on in an eligible university entity within the meaning of paragraph *f* of section 1029.8.1 or an eligible public research centre within the meaning of paragraph *a*.1 of that section; and

(d) the eligible employer has obtained in respect of the individual, for the purposes of this Title, from the Minister of Economy and Innovation, a certificate certifying that the individual is recognized as a researcher;

"research activity period" of an individual who is a foreign researcher for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign researcher; and

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.19.2 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.21, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.19.2 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1;

(c) where the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual's taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification

certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;

"specified period" of an individual in relation to an employment held by the individual with an eligible employer means

(a) where the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, any part of the individual's research activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of "research activity period"; and

(b) in any other case, the individual's research activity period in relation to that employment;

"wages" means the income computed under Chapters I and II of Title II of Book III.

Where an individual is not a foreign researcher for any part of the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer because the certificate referred to in the definition of "foreign researcher" in the first paragraph was not obtained in respect of the individual, the individual's research activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for all or part of which the individual is a foreign researcher.

For the purposes of the definition of "eligible income" in the first paragraph, any benefit that an individual is deemed to receive, in a particular taxation year, in connection with an employment the individual holds with an eligible employer, because of the application of any of sections 49 and 50 to 52.1, is considered to be included in the amounts that are paid to the individual as wages in the year by that employer.

1988, c. 4, s. 58; 1989, c. 5, s. 98; 1990, c. 7, s. 58; 1992, c. 1, s. 52; 1995, c. 1, s. 68; 1997, c. 3, s. 71; 1997, c. 14, s. 107; 1997, c. 31, s. 75; 1999, c. 8, s. 25; 1999, c. 83, s. 81; 1999, c. 86, s. 99; 2000, c. 5, s. 160; 2000, c. 39, s. 50; 2002, c. 40, s. 61; 2003, c. 29, s. 137; 2004, c. 21, s. 156; 2005, c. 38, s. 106; 2006, c. 8, s. 31; 2012, c. 8, s. 82; 2013, c. 28, s. 141; 2019, c. 29, s. 85; 2021, c. 36, s. 78.

737.19.1. In determining, for the purposes of this Title, whether work undertaken by or on behalf of a partnership constitutes scientific research and experimental development, the references in subsection 3 of section 222 to "taxpayer" shall be read as references to "partnership".

2000, c. 5, s. 161.

737.19.2. For the purpose of establishing the research activity period of an individual in relation to an employment, a period preceding the period to which subparagraph i of paragraph *b* of the definition of "research activity period" in the first paragraph of section 737.19 and subparagraph 2 of subparagraph ii of that paragraph *b* refer means all or part of a particular period referred to in the second paragraph to which an amount referred to in the third paragraph may reasonably be attributed.

The particular period to which the first paragraph refers is a period that precedes the research activity period and is established in respect of the individual under any of sections 737.18.6, 737.19, 737.22.0.0.1, 737.22.0.0.5, 737.22.0.1, 737.22.0.4.1 and 737.22.0.5, or section 69 of the Act respecting international financial centres (chapter C-8.3), or regulations made under the first paragraph of section 737.16, as they read for a taxation year beginning on or before 20 December 1999.

The amount to which the first paragraph refers is an amount that the individual may deduct in computing the individual's taxable income for a taxation year, in relation to a preceding employment, under any of sections 737.16, 737.18.10, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7 and 737.22.0.7.

2004, c. 21, s. 157; 2013, c. 10, s. 45; 2022, c. 23, s. 55.

737.19.3. If, in a taxation year, an individual is absent from an employment the individual holds with an eligible employer and, were it not for that absence, would be a foreign researcher for the part of the year that is included in the individual's period of absence, the Minister may, for the purposes of this Title, consider the remuneration paid by the eligible employer to the individual for that part of the year to be included in the individual's eligible income for the year in relation to the employment, that the eligible employer certifies in prescribed manner, if the Minister is of the opinion that the individual is temporarily absent from the employment for reasons the Minister considers reasonable.

The individual is deemed to be a foreign researcher for the part of the year in respect of which the Minister has exercised discretion in the individual's favour in accordance with the first paragraph.

2005, c. 23, s. 85.

737.19.4. If, in a taxation year, it is impossible for an individual to carry on, exclusively or almost exclusively, scientific research and experimental development in connection with the employment the individual holds with an eligible employer, otherwise than because of the individual being absent from the individual's employment, and if, were it not for that impossibility, the individual would be a foreign researcher for the part of the year that is included in the period during which the impossibility subsists, the Minister may, for the purposes of this Title, consider that the individual is a foreign researcher for that part of the year if the Minister is of the opinion that the impossibility is directly attributable to the measures taken to mitigate the effects of the COVID-19 pandemic.

2021, c. 36, s. 79.

737.20. For the application of the definition of "foreign researcher" in the first paragraph of section 737.19 to an individual who is resident in Canada immediately before entering into an employment contract with an eligible employer and immediately before taking up employment, as an employee, with that employer, the following rules apply:

(a) the individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with the eligible employer if

i. the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, or

ii. the individual would meet the condition set out in subparagraph i if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of sections 737.18.6, 737.19, 737.22.0.0.1, 737.22.0.0.5, 737.22.0.1, 737.22.0.4.1 and 737.22.0.5, section 3.5 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1), section 19 of the Act respecting international financial centres (chapter C-8.3), as it read before being repealed, or section 737.15, as it read before being repealed; and

(b) a certificate referred to in paragraph *d* of the definition of "foreign researcher" in the first paragraph of section 737.19 that has been issued in respect of the individual, in relation to a preceding employment contract entered into with any eligible employer, is deemed to be issued to the eligible employer, in relation to the employment contract.

1988, c. 4, s. 58; 1997, c. 3, s. 71; 1997, c. 31, s. 76; 2000, c. 39, s. 51; 2002, c. 40, s. 62; 2004, c. 21, s. 158; 2012, c. 1, s. 61; 2012, c. 8, s. 83; 2013, c. 10, s. 46; 2022, c. 23, s. 56.

737.20.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign researcher working for the eligible employer if the definition of "foreign researcher" in the first paragraph of section 737.19 were read

i. without reference to paragraph *b* thereof, and

ii. with the reference to "from the particular time to the end of the year or the part of the year" in the portion of paragraph *c* before subparagraph i replaced by a reference to "throughout the year or the part of the year".

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign researcher working for the eligible employer if the portion of paragraph *c* of the definition of "foreign researcher" in the first paragraph of section 737.19 before subparagraph i were read with the reference to "from the particular time to the end of the year or the part of the year" replaced by a reference to "throughout the year or the part of the year".

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no research activity period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

2004, c. 21, s. 159.

737.20.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the "original contract", or a deemed contract, is deemed to end at the time when the individual ceases to be a foreign researcher.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the "original contract", is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign researcher if this section were read without reference to the first and second paragraphs and the portion of paragraph *c* of the definition of "foreign researcher" in the first paragraph of section 737.19 before subparagraph i were read with the reference to "from the particular time to the end of the year or the part of the year" replaced by a reference to "throughout the year or the part of the year", the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the "deemed contract", and that contract is deemed to be entered into at the particular time; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(b) has no research activity period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.21, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in the definition of "foreign researcher" in section 737.19, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

2004, c. 21, s. 159; 2005, c. 38, s. 107.

737.20.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of "foreign researcher" in the first paragraph of section 737.19 is deemed not to be an employment contract separate from the employment contract referred to in that definition.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.20.2.

2004, c. 21, s. 159.

CHAPTER II

DEDUCTION

1988, c. 4, s. 58.

737.21. An individual who, at any time, holds employment as a foreign researcher with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater

than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula

$A \times (B - C)$.

In the formula provided for in the first paragraph,

(a) A is

i. if the individual entered into the individual's employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%,

i.1. if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of "research activity period" in the first paragraph of section 737.19,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and

ii. in any other case, 100%;

(b) B is the portion of the individual's eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign researcher during that specified period of the individual.

1988, c. 4, s. 58; 2004, c. 21, s. 160; 2005, c. 38, s. 108.

CHAPTER III

COMPUTATION OF TAXABLE INCOME

1988, c. 4, s. 58.

737.22. For the purpose of computing the taxable income of an individual referred to in section 737.21 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement, and the amount of the benefit is included in the

individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.21 in respect of that period; and

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.21 in respect of that period;

(e) (paragraph repealed).

1988, c. 4, s. 58; 1988, c. 18, s. 66; 1991, c. 25, s. 88; 1992, c. 1, s. 53; 1993, c. 16, s. 278; 1993, c. 19, s. 49; 1997, c. 3, s. 71; 1997, c. 85, s. 115; 1999, c. 83, s. 82; 2001, c. 53, s. 105; 2003, c. 9, s. 58; 2004, c. 21, s. 161; 2005, c. 38, s. 109; 2019, c. 14, s. 206; 2021, c. 14, s. 77.

TITLE VII.3.0.1

DEDUCTION IN RESPECT OF A FOREIGN RESEARCHER ON A POSTDOCTORAL INTERNSHIP

1999, c. 83, s. 83.

CHAPTER I

INTERPRETATION AND GENERAL

1999, c. 83, s. 83; 2005, c. 38, s. 110.

737.22.0.0.1. In this Title,

"eligible employer" means an eligible public research centre within the meaning of paragraph *a*.1 of section 1029.8.1 or an eligible university entity within the meaning of paragraph *f* of that section;

"eligible income", for a taxation year, of an individual who is a foreign researcher on a postdoctoral internship at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as wages in the year by that employer and that may reasonably be attributed to the individual's research activity period in relation to that employment;

"foreign researcher on a postdoctoral internship" for all or part of a taxation year, means an individual in respect of whom the following conditions are met:

(a) at a particular time after 31 March 1998, the individual takes up employment, as an employee, with an eligible employer under an employment contract entered into with that employer after that date;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) from the particular time to the end of the year or the part of the year,

i. the individual works exclusively or almost exclusively for the eligible employer, and

ii. the individual's duties for the eligible employer consist exclusively or almost exclusively in carrying on, as an employee, scientific research and experimental development; and

(d) the eligible employer has obtained in respect of the individual, for the purposes of this Title, a certificate issued by the Minister of Higher Education, Research, Science and Technology for the taxation year and the certificate and, if applicable, all the similar certificates that were obtained in respect of the individual for preceding taxation years certify that, from the particular time to the end of the year or the part of the year, the individual is recognized as a researcher on a postdoctoral internship;

(e) (paragraph repealed);

"research activity period" of an individual who is a foreign researcher on a postdoctoral internship for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign researcher on a postdoctoral internship; and

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.22.0.0.1.1 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.22.0.0.3, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.22.0.0.1.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1;

(c) if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual's taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;

"specified period" of an individual in relation to an employment held by the individual with an eligible employer means

(a) if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, any part of the individual's research activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of "research activity period"; and

(b) in any other case, the individual's research activity period in relation to that employment;

"wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

Where the certificate referred to in paragraph *d* of the definition of "foreign researcher on a postdoctoral internship" in the first paragraph was not issued in respect of an individual for the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, the individual's research activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a certificate was issued in respect of the individual.

1999, c. 83, s. 83; 2000, c. 39, s. 52; 2004, c. 21, s. 162; 2005, c. 28, s. 195; 2005, c. 38, s. 111; 2012, c. 8, s. 84; 2013, c. 28, s. 140.

737.22.0.0.1.1. For the purpose of establishing the research activity period of an individual in relation to an employment, a preceding period to which subparagraph i of paragraph *b* of the definition of "research activity period" in the first paragraph of section 737.22.0.0.1 and subparagraph 2 of subparagraph ii of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed.

2004, c. 21, s. 163.

737.22.0.0.1.2. If, in a taxation year, an individual is absent from an employment the individual holds with an eligible employer and, were it not for that absence, would be a foreign researcher on a postdoctoral internship for the part of the year that is included in the individual's period of absence, the Minister may, for the purposes of this Title, consider the remuneration paid by the eligible employer to the individual for that part of the year to be included in the individual's eligible income for the year in relation to the employment, that the eligible employer certifies in prescribed manner, if the Minister is of the opinion that the individual is temporarily absent from the employment for reasons the Minister considers reasonable.

The individual is deemed to be a foreign researcher on a postdoctoral internship for the part of the year in respect of which the Minister has exercised discretion in the individual's favour in accordance with the first paragraph.

2005, c. 23, s. 86; 2021, c. 36, s. 80.

737.22.0.0.1.3. If, in a taxation year, it is impossible for an individual to carry on, exclusively or almost exclusively, scientific research and experimental development in connection with the employment the individual holds with an eligible employer, otherwise than because of the individual being absent from the individual's employment, and if, were it not for that impossibility, the individual would be a foreign researcher on a postdoctoral internship for the part of the year that is included in the period during which the impossibility subsists, the Minister may, for the purposes of this Title, consider that the individual is a foreign researcher on a postdoctoral internship for that part of the year if the Minister is of the opinion that the impossibility is directly attributable to the measures taken to mitigate the effects of the COVID-19 pandemic.

2021, c. 36, s. 81.

737.22.0.0.2. For the purposes of the definition of "foreign researcher on a postdoctoral internship" in the first paragraph of section 737.22.0.0.1, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with an eligible employer if

(a) the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition set out in paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

1999, c. 83, s. 83; 2004, c. 21, s. 164.

737.22.0.0.2.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign researcher on a postdoctoral internship working for the eligible employer if the definition of "foreign researcher on a postdoctoral internship" in the first paragraph of section 737.22.0.0.1 were read

i. without reference to paragraph *b* thereof, and

ii. as if "from the particular time to the end of the year or the part of the year" in the portion of paragraph *c* before subparagraph i and in paragraph *d* was replaced by "throughout the year or the part of the year".

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign researcher on a postdoctoral internship working for the eligible employer if the portion of paragraph *c* of the definition of "foreign researcher on a postdoctoral internship" in the first paragraph of section 737.22.0.0.1 before subparagraph i and paragraph *d* of that definition were read as if "from the particular time to the end of the year or the part of the year" was replaced by "throughout the year or the part of the year".

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no research activity period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an

amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

2004, c. 21, s. 165; 2012, c. 8, s. 85.

737.22.0.0.2.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the "original contract", or a deemed contract, is deemed to end at the time when the individual ceases to be a foreign researcher on a postdoctoral internship.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the "original contract", is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign researcher on a postdoctoral internship if this section were read without reference to the first and second paragraphs and the portion of paragraph *c* of the definition of "foreign researcher on a postdoctoral internship" in the first paragraph of section 737.22.0.0.1 before subparagraph i and paragraph *d* of that definition were read as if "from the particular time to the end of the year or the part of the year" was replaced by "throughout the year or the part of the year", the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the "deemed contract", and that contract is deemed to be entered into at the particular time; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(b) has no research activity period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.22.0.0.3, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in the definition of "foreign researcher on a postdoctoral internship" in section 737.22.0.0.1, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

2004, c. 21, s. 165; 2005, c. 38, s. 112; 2012, c. 8, s. 86.

737.22.0.0.2.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of "foreign researcher on a postdoctoral internship" in the first paragraph of section 737.22.0.0.1 is deemed not to be an employment contract separate from the employment contract referred to in that definition.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.22.0.0.2.2.

2004, c. 21, s. 165.

CHAPTER II

DEDUCTION

1999, c. 83, s. 83.

737.22.0.0.3. An individual who, at any time, holds employment as a foreign researcher on a postdoctoral internship with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula

$$A \times (B - C).$$

In the formula provided for in the first paragraph,

(a) A is

i. if the individual entered into the individual's employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%,

i.1. if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of "research activity period" in the first paragraph of section 737.22.0.0.1,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and

ii. in any other case, 100%;

(b) B is the portion of the individual's eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign researcher on a postdoctoral internship during that specified period of the individual.

1999, c. 83, s. 83; 2004, c. 21, s. 166; 2005, c. 38, s. 113.

CHAPTER III

COMPUTATION OF TAXABLE INCOME

1999, c. 83, s. 83.

737.22.0.0.4. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.0.3 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement, and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.3 in respect of that period; and

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.3 in respect of that period;

(e) (paragraph repealed).

1999, c. 83, s. 83; 2001, c. 53, s. 106; 2003, c. 9, s. 59; 2004, c. 21, s. 167; 2005, c. 38, s. 114; 2019, c. 14, s. 207; 2021, c. 14, s. 78.

TITLE VII.3.0.2

DEDUCTION IN RESPECT OF FOREIGN EXPERTS

CHAPTER I

INTERPRETATION AND GENERAL

2000, c. 39, s. 53; 2005, c. 38, s. 115.

737.22.0.0.5. In this Title,

"eligible activity period" of an individual who is a foreign expert for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the

second paragraph, begins on the day on which the individual begins to perform the duties of that employment and that ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign expert;

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.22.0.0.5.1 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.22.0.0.7, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.22.0.0.5.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1; and

(c) if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual's taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;

"eligible employer" means a person or a partnership who or which carries on a business in Canada, but does not include a person mentioned in section 984 or 985 or an eligible university entity within the meaning of paragraph *f* of section 1029.8.1, for the period in which the person or partnership undertakes or causes to be undertaken on the person's or partnership's behalf in Québec, as part of a project, scientific research and experimental development related to a business of the person or partnership and for the periods that precede and follow the carrying out of the project;

"eligible income", for a taxation year, of an individual who is a foreign expert at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as wages in the year by that employer and that may reasonably be attributed to the foreign expert's eligible activity period in relation to that employment;

"foreign expert" for all or part of a taxation year means an individual in respect of whom the following conditions are met:

(a) at a particular time after 9 March 1999, the individual takes up employment, as an employee, with an eligible employer under an employment contract entered into with the eligible employer after that date;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) from the particular time to the end of the year or the part of the year,

i. the individual works exclusively or almost exclusively for the eligible employer, and

ii. the individual performs duties as an employee of the eligible employer exclusively or almost exclusively as part of a scientific research and experimental development project, whether before, during or after the carrying out of the project; and

(d) the eligible employer has obtained in respect of the individual, for the purposes of this Title, a certificate issued by the Minister of Economy and Innovation for the taxation year and the certificate and, if applicable, all the similar certificates that were obtained in respect of the individual for preceding taxation years certify that, from the particular time to the end of the year or the part of the year, the individual is recognized as an expert;

"specified period" of an individual in relation to an employment held by the individual with an eligible employer means

(a) if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, any part of the individual's eligible activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of "eligible activity period"; and

(b) in any other case, the individual's eligible activity period in relation to that employment;

"wages" means the income computed under Chapters I and II of Title II of Book III.

Where an individual is not a foreign expert for any part of the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, because the certificate referred to in the definition of "foreign expert" in the first paragraph was not obtained in respect of the individual, the individual's eligible activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for all or part of which the individual is a foreign expert.

For the purposes of the definition of "eligible income" in the first paragraph, any benefit that an individual is deemed to receive, in a particular taxation year, in connection with an employment held by the individual with an eligible employer, because of the application of any of sections 49 and 50 to 52.1, is considered to be included in the amounts that are paid to the individual as wages in the year by that employer.

2000, c. 39, s. 53; 2002, c. 9, s. 14; 2003, c. 29, s. 137; 2004, c. 21, s. 168; 2005, c. 38, s. 116; 2006, c. 8, s. 31; 2012, c. 8, s. 87; 2013, c. 28, s. 141; 2019, c. 29, s. 86.

737.22.0.0.5.1. For the purpose of establishing the eligible activity period of an individual in relation to an employment, a preceding period to which subparagraph i of paragraph *b* of the definition of "eligible activity period" in the first paragraph of section 737.22.0.0.5 and subparagraph 2 of subparagraph ii of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed.

2004, c. 21, s. 169.

737.22.0.0.5.2. If, in a taxation year, an individual is absent from an employment the individual holds with an eligible employer and, were it not for that absence, would be a foreign expert for the part of the year that is included in the individual's period of absence, the Minister may, for the purposes of this Title, consider the remuneration paid by the eligible employer to the individual for that part of the year to be included in the individual's eligible income for the year in relation to the employment, that the eligible employer certifies in prescribed manner, if the Minister is of the opinion that the individual is temporarily absent from the employment for reasons the Minister considers reasonable.

The individual is deemed to be a foreign expert for the part of the year in respect of which the Minister has exercised discretion in the individual's favour in accordance with the first paragraph.

2005, c. 23, s. 87.

737.22.0.0.5.3. If, in a taxation year, it is impossible for an individual to perform duties exclusively or almost exclusively as part of a scientific research and experimental development project in relation to the employment the individual holds with an eligible employer, otherwise than because of the individual being absent from the individual's employment, and if, were it not for that impossibility, the individual would be a foreign expert for the part of the year that is included in the period during which the impossibility subsists, the Minister may, for the purposes of this Title, consider that the individual is a foreign expert for that part of the year if the Minister is of the opinion that the impossibility is directly attributable to the measures taken to mitigate the effects of the COVID-19 pandemic.

2021, c. 36, s. 82.

737.22.0.0.6. For the application of the definition of "foreign expert" in the first paragraph of section 737.22.0.0.5 to an individual who entered into an employment contract with an eligible employer, the following rules must be taken into consideration:

(a) the individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with the eligible employer if

i. the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, or

ii. the individual would meet the condition set out in subparagraph i if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20; and

(b) where, in relation to taxation years preceding the year 2011, a particular certificate referred to in paragraph *d* of that definition has been issued in respect of the individual to any eligible employer,

i. the particular certificate is deemed to have been issued for each of the preceding taxation years, and

ii. the particular certificate is deemed to have been issued to the eligible employer in relation to the employment contract, if the contract has been entered into in any of the preceding taxation years.

2000, c. 39, s. 53; 2002, c. 9, s. 15; 2002, c. 40, s. 63; 2004, c. 21, s. 170; 2012, c. 8, s. 88.

737.22.0.0.6.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign expert working for the eligible employer if the definition of "foreign expert" in the first paragraph of section 737.22.0.0.5 were read

i. without reference to paragraph *b* thereof, and

ii. as if "from the particular time to the end of the year or the part of the year" in the portion of paragraph *c* before subparagraph i and in paragraph *d* was replaced by "throughout the year or the part of the year".

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign expert working for the eligible employer if the portion of paragraph *c* of the definition of "foreign expert" in the first paragraph of section 737.22.0.0.5 before subparagraph i and paragraph *d* of that definition were read as if "from the particular time to the end of the year or the part of the year" was replaced by "throughout the year or the part of the year".

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no eligible activity period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

2004, c. 21, s. 171; 2012, c. 8, s. 89.

737.22.0.0.6.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the "original contract", or a deemed contract, is deemed to end at the time when the individual ceases to be a foreign expert.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the "original contract", is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign expert if this section were read without reference to the first and second paragraphs and the portion of paragraph *c* of the definition of "foreign expert" in the first paragraph of section 737.22.0.0.5 before subparagraph i and paragraph *d* of that definition were read as if "from the particular time to the end of the year or the part of the year" was replaced by "throughout the year or the part of the year", the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the "deemed contract", and that contract is deemed to be entered into at the particular time; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(b) has no eligible activity period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.22.0.0.7, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in the definition of "foreign expert" in section 737.22.0.0.5, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

2004, c. 21, s. 171; 2005, c. 38, s. 117; 2012, c. 8, s. 90.

737.22.0.0.6.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of "foreign expert" in the first paragraph of section 737.22.0.0.5 is deemed not to be an employment contract separate from the employment contract referred to in that definition.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.22.0.0.6.2.

2004, c. 21, s. 171.

CHAPTER II

DEDUCTION

2000, c. 39, s. 53.

737.22.0.0.7. An individual who, at any time, holds employment as a foreign expert with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula

$$A \times (B - C).$$

In the formula provided for in the first paragraph,

(a) A is

i. if the individual entered into the individual's employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%,

i.1. if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of "eligible activity period" in the first paragraph of section 737.22.0.0.5,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and

ii. in any other case, 100%;

(b) B is the portion of the individual's eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign expert during that specified period of the individual.

2000, c. 39, s. 53; 2004, c. 21, s. 172; 2005, c. 38, s. 118.

CHAPTER III

COMPUTATION OF TAXABLE INCOME

2000, c. 39, s. 53.

737.22.0.0.8. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.0.7 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement, and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.7 in respect of that period; and

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the portion of the

individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.7 in respect of that period;

(e) (paragraph repealed).

2000, c. 39, s. 53; 2001, c. 53, s. 107; 2003, c. 9, s. 60; 2004, c. 21, s. 173; 2005, c. 38, s. 119; 2019, c. 14, s. 208; 2021, c. 14, s. 79.

TITLE VII.3.1

DEDUCTION IN RESPECT OF A FOREIGN SPECIALIST

1997, c. 85, s. 116; 2000, c. 39, s. 54.

CHAPTER I

INTERPRETATION AND GENERAL

1997, c. 85, s. 116; 2005, c. 38, s. 120.

737.22.0.1. In this Title,

"biotechnology development centre" has the meaning assigned by the first paragraph of section 771.1;

"eligible activity" of an eligible employer for a taxation year means

(a) an eligible activity of the eligible employer for that year within the meaning of

i. the first paragraph of section 1029.8.36.0.3.28, as it read for the year, where the eligible employer is a corporation referred to in paragraph *b* of the definition of "eligible employer",

ii. the first paragraph of section 1029.8.36.0.3.38, as it read for the year, where the eligible employer is a corporation referred to in paragraph *c* of the definition of "eligible employer", or

iii. the first paragraph of section 1029.8.36.0.3.46, where the eligible employer is a corporation referred to in paragraph *e* of the definition of "eligible employer";

(b) a specified activity of the eligible employer for the year within the meaning of section 1029.8.36.0.17, where the eligible employer is a corporation referred to in paragraph *d* or *f* of the definition of "eligible employer";

(c) an activity of a recognized business of the eligible employer for that year within the meaning of

i. the first paragraph of section 1029.8.36.0.3.60, where the eligible employer is a corporation referred to in paragraph *g* of the definition of "eligible employer", or

ii. the first paragraph of section 1029.8.36.72.83, where the eligible employer is a corporation referred to in paragraph *h* of the definition of "eligible employer"; or

(d) an activity of a recognized business of the eligible employer for that year within the meaning of the first paragraph of section 1029.8.36.72.56 that is a recognized business described

i. in paragraph *a* of the definition of "recognized business" in that first paragraph, if the eligible employer is a corporation described in paragraph *i* of the definition of "eligible employer", or

ii. in paragraph *b* of the definition of "recognized business" in that first paragraph, if the eligible employer is a corporation described in paragraph *j* of the definition of "eligible employer";

"eligible employer" for a taxation year means

(a) a corporation that would be an exempt corporation within the meaning of sections 771.12 and 771.13 for that year if section 771.12 were read without reference to paragraph *e* and paragraph *d* were replaced by the following paragraph:

"(*d*) the year is comprised in whole or in part in the corporation's eligibility period within the meaning assigned by section 1029.8.36.0.17, without reference to the sixth paragraph, if the definition of "eligibility period" in the first paragraph of that section applies for the purpose of determining the amount referred to in paragraph *a* of that definition.";

(b) where the taxation year of the corporation begins before 21 December 2001, a qualified corporation within the meaning of the first paragraph of section 1029.8.36.0.3.28, as it read for that taxation year, that holds an unrevoked certificate issued by Investissement Québec for the purposes of Division II.6.0.1.4 of Chapter III.1 of Title III of Book IX, as it read before being repealed, certifying that an eligible activity is carried on by the qualified corporation for that year;

(c) where the taxation year of the corporation begins before 21 December 2001, a qualified corporation within the meaning of the first paragraph of section 1029.8.36.0.3.38, as it read for that taxation year, that holds an unrevoked certificate issued by Investissement Québec for the purposes of Division II.6.0.1.5 of Chapter III.1 of Title III of Book IX, as it read before being repealed, certifying that an eligible activity is carried on by the qualified corporation for that year;

(d) a corporation that is

i. where this paragraph applies after 29 March 2001, a specified corporation for the year within the meaning of the first paragraph of section 1029.8.36.0.17, other than a corporation that carries on or may carry on its business in a biotechnology development centre, and

ii. in any other case, a specified corporation within the meaning of the first paragraph of section 1029.8.36.0.17 that is not a corporation referred to in paragraph *a* for the year and that holds an unrevoked certificate issued by Investissement Québec for the purposes of Division II.6.0.3 of Chapter III.1 of Title III of Book IX, certifying that the specified corporation carries out or may carry out in that year a specified activity in a building housing all or any part of a new economy centre;

(e) a qualified corporation within the meaning of the first paragraph of section 1029.8.36.0.3.46 that holds a valid qualification certificate issued by the Minister of Finance for the purposes of Division II.6.0.1.6 of Chapter III.1 of Title III of Book IX;

(f) a specified corporation for the year within the meaning of section 1029.8.36.0.17 that carries on or may carry on its business in a biotechnology development centre;

(g) a qualified corporation, for the calendar year ending in the taxation year, within the meaning of the first paragraph of section 1029.8.36.0.3.60 that, in that taxation year, carries on a recognized business within the meaning of that paragraph;

(h) a qualified corporation, for the calendar year ending in the taxation year, within the meaning of the first paragraph of section 1029.8.36.72.83 that, in that taxation year, carries on a recognized business within the meaning of that paragraph;

(i) a qualified corporation, for the calendar year ending in the taxation year, within the meaning of the first paragraph of section 1029.8.36.72.56 that, in the taxation year, carries on a recognized business, within the meaning of that paragraph, that is described in paragraph *a* of the definition of "recognized business" in that first paragraph; or

(j) a qualified corporation, for the calendar year ending in the taxation year, within the meaning of the first paragraph of section 1029.8.36.72.56 that, in the taxation year, carries on a recognized business, within the meaning of that paragraph, that is described in paragraph *b* of the definition of "recognized business" in that first paragraph;

"eligible income", for a taxation year, of an individual who is a foreign specialist at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as

wages in the year by that employer and that may reasonably be attributed to the foreign specialist's specialized activity period in relation to that employment;

"foreign specialist" for all or part of a taxation year means an individual in respect of whom the following conditions are met:

(a) at a particular time the individual takes up employment, as an employee, with an eligible employer under an employment contract they have entered into in the hiring period of the eligible employer;

(a.1) the individual took up employment, as an employee, with the eligible employer before 2 September 2003, except if the eligible employer was, at the time the individual took up employment, a corporation referred to in subparagraph iii of paragraph *a* of section 771.12 or, where the employment contract was entered into after 30 March 2004, a corporation referred to in paragraph *f* of the definition of "eligible employer";

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) the individual works exclusively or almost exclusively for the eligible employer from the particular time to the end of the year or the part of the year; and

(d) the eligible employer has obtained in respect of the individual, for the purposes of this Title, a certificate issued by Investissement Québec for the taxation year and the certificate and, if applicable, all the similar certificates that were obtained in respect of the individual for preceding taxation years certify that, from the particular time to the end of the year or the part of the year, the individual is recognized as a specialist;

(e) (paragraph repealed);

"hiring period" of an eligible employer means

(a) where the eligible employer is a corporation referred to in subparagraph i of paragraph *a* of section 771.12, the period that begins on 26 March 1997 and that ends on 12 June 2003;

(b) where the eligible employer is a corporation referred to in subparagraph ii of paragraph *a* of section 771.12, the period that begins on 10 March 1999 and that ends on 12 June 2003;

(c) where the eligible employer is a corporation referred to in paragraph *b* or *c* of the definition of "eligible employer", the period that begins on 15 March 2000 and that ends on the last day of the last taxation year of the corporation that begins before 21 December 2001;

(d) where the eligible employer is a corporation referred to in paragraph *d* of the definition of "eligible employer", the period that begins on 15 March 2000 and that ends on 12 June 2003;

(e) where the eligible employer is a corporation referred to in paragraph *e* of the definition of "eligible employer", the period that begins on 12 May 2000 and that ends on 12 June 2003;

(f) where the eligible employer is a corporation referred to in subparagraph iii of paragraph *a* of section 771.12, the period that begins on 30 March 2001;

(g) where the eligible employer is a corporation referred to in paragraph *f* of the definition of "eligible employer", the period that begins on 30 March 2001 and that ends on 12 June 2003 or the period that begins on 31 March 2004; and

(h) where the eligible employer is a corporation referred to in any of paragraphs *g* to *j* of the definition of "eligible employer", the period that begins on 20 March 2002 and that ends on 12 June 2003;

"new economy centre" has the meaning assigned by section 771.1;

"specialized activity period" of an individual who is a foreign specialist for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign specialist;

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.22.0.1.1 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.22.0.3, in relation to a preceding employment, may reasonably be attributed; or

(2) a preceding period within the meaning of section 737.22.0.1.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1; and

(c) where the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual's taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;

"specified period" of an individual in relation to an employment held by the individual with an eligible employer means

(a) where the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, any part of the individual's specialized activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of "specialized activity period"; and

(b) in any other case, the individual's specialized activity period in relation to that employment;

"wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

Where the certificate referred to in paragraph *d* of the definition of "foreign specialist" in the first paragraph was not issued in respect of an individual for the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, the specialized activity period of the individual in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a certificate has been issued in respect of the individual.

For the purposes of the definition of "eligible income" in the first paragraph, any benefit that an individual is deemed to receive, in a particular taxation year, in connection with an employment held by the individual with an eligible employer, because of the application of any of sections 49 and 50 to 52.1, is considered to be included in the amounts that are paid to the individual as wages in the year by that employer.

1997, c. 85, s. 116; 1998, c. 17, s. 64; 1999, c. 86, s. 99; 2000, c. 39, s. 55; 2001, c. 51, s. 43; 2001, c. 69, s. 12; 2002, c. 9, s. 16; 2003, c. 9, s. 61; 2004, c. 21, s. 174; 2005, c. 23, s. 88; 2005, c. 38, s. 121; 2007, c. 12, s. 84; 2012, c. 8, s. 91.

737.22.0.1.1. For the purpose of establishing the specialized activity period of an individual in relation to an employment, a preceding period to which subparagraph i of paragraph *b* of the definition of "specialized activity period" in the first paragraph of section 737.22.0.1 and subparagraph 2 of subparagraph ii of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed.

2004, c. 21, s. 175.

737.22.0.1.2. If, in a taxation year, an individual is absent from an employment the individual holds with an eligible employer and, were it not for that absence, would be a foreign specialist for the part of the year that is included in the individual's period of absence, the Minister may, for the purposes of this Title, consider the remuneration paid by the eligible employer to the individual for that part of the year to be included in the individual's eligible income for the year in relation to the employment, that the eligible employer certifies in prescribed manner, if the Minister is of the opinion that the individual is temporarily absent from the employment for reasons the Minister considers reasonable.

The individual is deemed to be a foreign specialist for the part of the year in respect of which the Minister has exercised discretion in the individual's favour in accordance with the first paragraph.

2005, c. 23, s. 89.

737.22.0.1.3. Where, but for this section, a corporation would no longer be an eligible employer for a taxation year because of the revocation of a certificate or a qualification certificate it was issued, the following rules must, for the purposes of this Title, be taken into consideration despite any provision to the contrary:

(a) if the corporation is described in any of paragraphs *a* and *g* to *j* of the definition of "eligible employer" in the first paragraph of section 737.22.0.1, the certificate or qualification certificate is deemed to be valid until the time the certificate or qualification certificate is revoked and it is deemed, only as of that time, not to have been issued; and

(b) if the corporation is described in any of paragraphs *b* to *f* of that definition, the certificate is deemed not to have been revoked for that taxation year.

2005, c. 38, s. 122; 2012, c. 8, s. 92.

737.22.0.2. For the purposes of the definition of "foreign specialist" in the first paragraph of section 737.22.0.1, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with an eligible employer if

(a) the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition set out in paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

1997, c. 85, s. 116; 2000, c. 39, s. 56; 2002, c. 40, s. 64; 2003, c. 9, s. 62; 2004, c. 21, s. 176.

737.22.0.2.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign specialist working for the eligible employer if the definition of "foreign specialist" in the first paragraph of section 737.22.0.1 were read

i. without reference to paragraph *b* thereof, and

ii. as if "from the particular time to the end of the year or the part of the year" in paragraphs *c* and *d* was replaced by "throughout the year or the part of the year".

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign specialist working for the eligible employer if paragraphs *c* and *d* of the definition of "foreign specialist" in the first paragraph of section 737.22.0.1 were read as if "from the particular time to the end of the year or the part of the year" was replaced by "throughout the year or the part of the year".

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no specialized activity period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

2004, c. 21, s. 177; 2012, c. 8, s. 93.

737.22.0.2.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the "original contract", or a deemed contract, is deemed to end at the time when the individual ceases to be a foreign specialist.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the "original contract", is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign specialist if this section were read without reference to the first and second paragraphs and paragraphs *c* and *d* of the definition of "foreign specialist" in the first paragraph of section 737.22.0.1 were read as if "from the particular time to the end of the year or the part of the year" was replaced by "throughout the year or the part of the year", the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the "deemed contract", and that contract is deemed to be entered into at the particular time; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(b) has no specialized activity period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.22.0.3, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in paragraph *d* of the definition of "foreign specialist" in section 737.22.0.1, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

2004, c. 21, s. 177; 2005, c. 38, s. 123; 2012, c. 8, s. 94.

737.22.0.2.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of "foreign specialist" in the first paragraph of section 737.22.0.1 and in this section referred to as the "original contract", is deemed not to be an employment contract separate from the original contract.

The rule set out in the first paragraph applies, with the necessary modifications, to a new employment contract that is entered into after 12 June 2003 with another eligible employer, who is deemed not to be an employer separate from the eligible employer, in this section referred to as the "first employer", who entered into the original contract, provided that

(a) the other eligible employer is a corporation described in the third paragraph;

(b) the other eligible employer meets any of the following conditions:

i. the other eligible employer controls directly or indirectly the first employer,

ii. the other eligible employer is, directly or indirectly, a controlled subsidiary of the first employer, or

iii. as a result of a transaction referred to in section 518 or 566, the other eligible employer continues to carry on the business of the first employer in the course of which the individual who entered into the original contract performed the individual's duties as a foreign specialist; and

(c) it may reasonably be considered that, but for the change of employer, the individual who entered into the original contract would have continued to be a foreign specialist working for the first employer until the time when the individual took up employment, as an employee, with the other eligible employer.

The corporation to which subparagraph *a* of the second paragraph refers is

(a) if the first employer is a corporation described in paragraph *a* of the definition of "eligible employer" in the first paragraph of section 737.22.0.1, a corporation described in subparagraph i or ii of paragraph *a* of section 771.12;

(b) if the first employer is a corporation described in paragraph *d* or *f* of the definition of "eligible employer" in the first paragraph of section 737.22.0.1, any of the following corporations:

i. where the new employment contract is entered into between 12 June 2003 and 31 March 2004, a corporation described in that paragraph *d* or *f*, or

ii. where the new employment contract is entered into after 30 March 2004, a corporation described in that paragraph *d*; or

(c) if the first employer is a corporation referred to in any of paragraphs *e*, *g*, *h*, *i* and *j* of the definition of "eligible employer" in the first paragraph of section 737.22.0.1, a corporation described in that paragraph.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.22.0.2.2.

2004, c. 21, s. 177; 2005, c. 23, s. 90.

737.22.0.2.4. For the purposes of this Title, a corporation that would be an eligible employer for a taxation year within the meaning of any of paragraphs *g*, *h*, *i* and *j* of the definition of "eligible employer" in the first paragraph of section 737.22.0.1, but for paragraph *c* of the definition of "qualified corporation" in the first paragraph of any of sections 1029.8.36.0.3.60, 1029.8.36.72.56 and 1029.8.36.72.83, is deemed to be an eligible employer for the corporation's taxation year ending immediately before the acquisition of control described in that paragraph *c* and to be a corporation described in that paragraph *g*, *h*, *i* or *j*, as the case may be, for that taxation year.

2004, c. 21, s. 177.

CHAPTER II

DEDUCTION

1997, c. 85, s. 116.

737.22.0.3. An individual who, at any time, holds employment as a foreign specialist with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula

$$A \times (B - C).$$

In the formula provided for in the first paragraph,

(a) A is

i. if the eligible employer is a corporation to which subparagraph iii of paragraph *a* of section 771.12 applies and the individual entered into the individual's employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%,

i.1. if the eligible employer is a corporation to which subparagraph iii of paragraph *a* of section 771.12 applies or that is described in paragraph *f* of the definition of "eligible employer" in the first paragraph of section 737.22.0.1 and the individual entered into the individual's employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of "specialized activity period" in the first paragraph of section 737.22.0.1,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and

ii. in any other case, 100%;

(b) B is the portion of the individual's eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign specialist during that specified period of the individual.

1997, c. 85, s. 116; 2000, c. 39, s. 57; 2004, c. 21, s. 178; 2005, c. 38, s. 124.

CHAPTER III

COMPUTATION OF TAXABLE INCOME

1997, c. 85, s. 116.

737.22.0.4. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.3 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement, and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.3 in respect of that period; and

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.3 in respect of that period;

(e) (paragraph repealed).

1997, c. 85, s. 116; 2000, c. 39, s. 58; 2001, c. 53, s. 108; 2003, c. 9, s. 63; 2004, c. 21, s. 179; 2005, c. 38, s. 125; 2019, c. 14, s. 209; 2021, c. 14, s. 80.

TITLE VII.3.1.1

DEDUCTION RELATING TO FOREIGN SPECIALISTS WORKING FOR FINANCIAL SERVICES CORPORATIONS

2013, c. 10, s. 47.

CHAPTER I

INTERPRETATION AND GENERAL RULES

2013, c. 10, s. 47.

737.22.0.4.1. In this Title,

"eligible employer" for a taxation year means a qualified corporation for the year within the meaning of section 1029.8.36.166.65 that holds a certificate for the year, issued by the Minister of Finance, for the purposes of Division II.6.14.4 of Chapter III.1 of Title III of Book IX or a corporation that would be such a qualified corporation for the year but for the expiration of the period of validity specified in the corporation's qualification certificate;

"eligible income", for a taxation year, of an individual who is a foreign specialist at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid to the individual as wages in the year by that employer and that may reasonably be attributed to the foreign specialist's specialized activity period in relation to that employment;

"foreign specialist" for all or part of a taxation year means an individual in respect of whom the following conditions are met:

(a) at a particular time after 20 March 2012, the individual takes up employment, as an employee, with an eligible employer under an employment contract that they entered into after that date but in the period of validity specified in the employer's qualification certificate;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) the individual works exclusively or almost exclusively for the eligible employer from the particular time to the end of the year or the part of the year; and

(d) the eligible employer has obtained in respect of the individual, for the purposes of this Title, a certificate issued by the Minister of Finance for the taxation year and the certificate and, if applicable, all the similar certificates that were obtained in respect of the individual for preceding taxation years certify that, from the particular time to the end of the year or the part of the year, the individual is recognized as a specialist;

"qualification certificate" of a corporation means the qualification certificate issued to the corporation for the purposes of Division II.6.14.4 of Chapter III.1 of Title III of Book IX;

"specialized activity period" of an individual who is a foreign specialist for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign specialist; and

(b) the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual's taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;

"specified period" of an individual, in relation to an employment held by the individual with an eligible employer, means any part of the individual's specialized activity period in relation to that employment that is included in any of the five years of the period described in paragraph *b* of the definition of "specialized activity period" ;

"wages" means the income computed under Chapters I and II of Title II of Book III.

Where the certificate referred to in paragraph *d* of the definition of "foreign specialist" in the first paragraph was not issued in respect of an individual for the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, the specialized activity period of the individual in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a certificate has been issued in respect of the individual.

For the purposes of the definition of "eligible income" in the first paragraph, any benefit that an individual is deemed to receive, in a particular taxation year, in connection with an employment held by the individual with an eligible employer, because of the application of any of sections 49 and 50 to 52.1, is considered to be included in the amounts that are paid to the individual as wages in the year by that employer.

2013, c. 10, s. 47.

737.22.0.4.2. If, in a taxation year, an individual is absent from an employment the individual holds with an eligible employer and, were it not for that absence, would be a foreign specialist for the part of the year that is included in the individual's period of absence, the Minister may, for the purposes of this Title, consider the wages paid by the eligible employer to the individual for that part of the year to be included in the individual's eligible income for the year in relation to the employment, that the eligible employer certifies in

prescribed manner, if the Minister is of the opinion that the individual is temporarily absent from the employment for reasons the Minister considers reasonable.

The individual is deemed to be a foreign specialist for the part of the year in respect of which the Minister has exercised discretion in the individual's favour in accordance with the first paragraph.

2013, c. 10, s. 47.

737.22.0.4.3. Where, but for this section, a corporation would no longer be an eligible employer for a taxation year because of the revocation of its qualification certificate or of the certificate it was issued for the year, the following rules must, for the purposes of this Title, be taken into consideration despite any provision to the contrary:

(a) the qualification certificate is deemed to be valid until the time it is revoked, and it is deemed, only as of that time, not to have been issued; and

(b) the certificate is deemed not to have been revoked.

2013, c. 10, s. 47.

737.22.0.4.4. For the purposes of the definition of "foreign specialist" in the first paragraph of section 737.22.0.4.1, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with an eligible employer if

(a) the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition of paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

2013, c. 10, s. 47.

737.22.0.4.5. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer (in this section referred to as the "original contract"), or a deemed contract referred to in the second paragraph, is deemed to end at the time when the individual ceases to be a foreign specialist.

In addition, where at a particular time an individual would again become a foreign specialist if this section were read without reference to the first paragraph and paragraphs *c* and *d* of the definition of "foreign specialist" in the first paragraph of section 737.22.0.4.1 were read as if "from the particular time to the end of the year or the part of the year" was replaced by "throughout the year or the part of the year", the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract (in this section referred to as the "deemed contract") and that contract is deemed to be entered into at the particular time; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

2013, c. 10, s. 47.

737.22.0.4.6. For the purposes of this Title, the contract resulting from the renewal, after the date specified in the second paragraph, of an employment contract referred to in the definition of "foreign specialist" in the first paragraph of section 737.22.0.4.1 and in this section referred to as the "original contract", is deemed not to be an employment contract separate from the original contract.

The date to which the first paragraph refers is the date of expiry of the period of validity specified in the qualification certificate of the eligible employer with whom the individual entered into the original contract.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first paragraph of section 737.22.0.4.5.

2013, c. 10, s. 47.

CHAPTER II

DEDUCTION

2013, c. 10, s. 47.

737.22.0.4.7. An individual who, at any time, holds employment as a foreign specialist with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula

$$A \times (B - C).$$

In the formula provided for in the first paragraph,

(a) A is

i. 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *b* of the definition of "specialized activity period" in the first paragraph of section 737.22.0.4.1,

ii. 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *b*,

iii. 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *b*, or

iv. 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *b*;

(b) B is the portion of the individual's eligible income for the year, in relation to that employment, that is certified by the eligible employer in the prescribed manner and that may reasonably be attributed to that specified period of the individual; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign specialist during that specified period of the individual.

2013, c. 10, s. 47.

CHAPTER III

COMPUTATION OF TAXABLE INCOME

2013, c. 10, s. 47.

737.22.0.4.8. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.4.7 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement, and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.4.7 in respect of that period; and

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.4.7 in respect of that period;

(e) (paragraph repealed).

2013, c. 10, s. 47; 2019, c. 14, s. 210; 2021, c. 14, s. 81.

TITLE VII.3.2

DEDUCTION IN RESPECT OF FOREIGN PROFESSORS

2002, c. 40, s. 65.

CHAPTER I

INTERPRETATION AND GENERAL

2002, c. 40, s. 65; 2005, c. 38, s. 126.

737.22.0.5. In this Title,

"eligible activity period" of an individual who is a foreign professor for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and that ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign professor;

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.22.0.5.1 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.22.0.7, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.22.0.5.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1; and

(c) where the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual's taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;

"eligible employer" means a Québec university;

"eligible income", for a taxation year, of an individual who is a foreign professor at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as wages in the year by that employer and that may reasonably be attributed to the foreign professor's eligible activity period in relation to that employment;

"foreign professor" for all or part of a taxation year means an individual in respect of whom the following conditions are met:

(a) at a particular time after 29 June 2000, the individual takes up employment, as an employee, with an eligible employer under an employment contract entered into with the eligible employer after that date;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) the individual works exclusively or almost exclusively for the eligible employer from the particular time to the end of the year or the part of the year;

(d) the eligible employer has obtained in respect of the individual, for the purposes of this Title, a certificate issued by the Minister of Higher Education, Research, Science and Technology for the taxation year and the certificate and, if applicable, all the similar certificates that were obtained in respect of the individual for preceding taxation years certify that, from the particular time to the end of the year or the part of the year, the individual is recognized as a professor;

(e) (paragraph repealed);

"specified period" of an individual in relation to an employment held by the individual with an eligible employer means

(a) where the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, any part of the individual's eligible activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of "eligible activity period"; and

(b) in any other case, the individual's eligible activity period in relation to that employment;

"wages" means the income computed under Chapters I and II of Title II of Book III.

Where the certificate referred to in paragraph *d* of the definition of "foreign professor" in the first paragraph was not issued in respect of an individual for the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, the individual's eligible activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a certificate has been issued in respect of the individual.

2002, c. 40, s. 65; 2004, c. 21, s. 180; 2005, c. 28, s. 195; 2005, c. 38, s. 127; 2012, c. 8, s. 95; 2013, c. 28, s. 140.

737.22.0.5.1. For the purpose of establishing the eligible activity period of an individual in relation to an employment, a preceding period to which subparagraph i of paragraph *b* of the definition of "eligible activity period" in the first paragraph of section 737.22.0.5 and subparagraph 2 of subparagraph ii of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may be attributed.

2004, c. 21, s. 181.

737.22.0.5.2. If, in a taxation year, an individual is absent from an employment the individual holds with an eligible employer and, were it not for that absence, would be a foreign professor for the part of the year that is included in the individual's period of absence, the Minister may, for the purposes of this Title, consider the remuneration paid by the eligible employer to the individual for that part of the year to be included in the individual's eligible income for the year in relation to the employment, that the eligible employer certifies in prescribed manner, if the Minister is of the opinion that the individual is temporarily absent from the employment for reasons the Minister considers reasonable.

The individual is deemed to be a foreign professor for the part of the year in respect of which the Minister has exercised discretion in the individual's favour in accordance with the first paragraph.

2005, c. 23, s. 91.

737.22.0.6. For the purposes of the definition of "foreign professor" in the first paragraph of section 737.22.0.5, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with an eligible employer if

(a) the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition set out in paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

2002, c. 40, s. 65; 2004, c. 21, s. 182.

737.22.0.6.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign professor working for the eligible employer if the definition of "foreign professor" in the first paragraph of section 737.22.0.5 were read

i. without reference to paragraph *b* thereof, and

ii. as if "from the particular time to the end of the year or the part of the year" in paragraphs *c* and *d* was replaced by "throughout the year or the part of the year".

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign professor working for the eligible employer if paragraphs *c* and *d* of the definition of "foreign professor" in the first paragraph of section 737.22.0.5 were read as if "from the particular time to the end of the year or the part of the year" was replaced by "throughout the year or the part of the year".

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no eligible activity period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of

the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

2004, c. 21, s. 183; 2012, c. 8, s. 96.

737.22.0.6.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the "original contract", or a deemed contract within the meaning of subparagraph *a* of the third paragraph, is deemed to end at the time when the individual ceases to be a foreign professor.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the "original contract", is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign professor if this section were read without reference to the first and second paragraphs and paragraphs *c* and *d* of the definition of "foreign professor" in the first paragraph of section 737.22.0.5 were read as if "from the particular time to the end of the year or the part of the year" was replaced by "throughout the year or the part of the year", the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the "deemed contract", and that contract is deemed to be entered into at the particular time; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(b) has no eligible activity period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.22.0.7, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in the definition of "foreign professor" in section 737.22.0.5, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

2004, c. 21, s. 183; 2005, c. 38, s. 128; 2012, c. 8, s. 97.

737.22.0.6.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of "foreign professor" in the first paragraph of section 737.22.0.5 is deemed not to be an employment contract separate from the employment contract referred to in that definition.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.22.0.6.2.

2004, c. 21, s. 183.

CHAPTER II

DEDUCTION

2002, c. 40, s. 65.

737.22.0.7. An individual who, at any time, holds employment as a foreign professor with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula

$$A \times (B - C).$$

In the formula provided for in the first paragraph,

(a) A is

i. if the individual entered into the individual's employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%,

i.1. if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of "eligible activity period" in the first paragraph of section 737.22.0.5,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and

ii. in any other case, 100%;

(b) B is the portion of the individual's eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign professor during that specified period of the individual.

2002, c. 40, s. 65; 2004, c. 21, s. 184; 2005, c. 38, s. 129.

CHAPTER III

COMPUTATION OF TAXABLE INCOME

2002, c. 40, s. 65.

737.22.0.8. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.7 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement, and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.7 in respect of that period; and

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the portion of the individual's eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual's specified periods, in relation to that employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.7 in respect of that period;

(e) (paragraph repealed).

2002, c. 40, s. 65; 2003, c. 9, s. 64; 2004, c. 21, s. 185; 2005, c. 38, s. 130; 2019, c. 14, s. 211; 2021, c. 14, s. 82.

TITLE VII.3.3

DEDUCTION IN RESPECT OF A FOREIGN WORKER HOLDING A KEY POSITION IN A FOREIGN PRODUCTION

2003, c. 9, s. 65; 2011, c. 1, s. 36.

CHAPTER I

DEFINITIONS

2003, c. 9, s. 65.

737.22.0.9. In this Title,

"eligible individual", for a taxation year, means an individual who was not resident in Canada at any time in the year and who holds a qualification certificate that was issued to the individual by the Société de développement des entreprises culturelles for the purposes of this Title in respect of an eligible production;

"eligible production", in relation to an individual, means the production specified in the qualification certificate referred to in the definition of "eligible individual" that the Société de développement des entreprises culturelles has issued to the individual, and in respect of which, if the qualification certificate certifies that the individual works on the production otherwise than as a producer, the position of producer has been entrusted to another individual who was not resident in Canada at the time the position was entrusted to the other individual.

2003, c. 9, s. 65; 2011, c. 1, s. 37; 2012, c. 8, s. 98.

CHAPTER II

DEDUCTION

2003, c. 9, s. 65.

737.22.0.10. An eligible individual who encloses with the fiscal return the eligible individual is required to file for a taxation year under section 1000 a copy of the qualification certificate that was issued to the eligible individual by the Société de développement des entreprises culturelles in respect of an eligible production, may deduct, in computing the eligible individual's taxable income for the year, any amount not greater than the amount by which the aggregate of the amounts included in computing the income for the year for services rendered or to be rendered in Québec in connection with the eligible production, exceeds the aggregate of the amounts deducted by the eligible individual in computing the eligible individual's income for the year and which may reasonably be attributed to such services.

2003, c. 9, s. 65.

CHAPTER III

COMPUTATION OF TAXABLE INCOME

2003, c. 9, s. 65.

737.22.0.11. For the purpose of computing the taxable income of an eligible individual referred to in section 737.22.0.10 for a taxation year, the following rules apply:

(a) where the eligible individual has included in computing the eligible individual's income for the year an amount that is the benefit the eligible individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the eligible individual's death and of the eligible

individual's having, immediately before death, owned a right to acquire a security under such an agreement, and the amount of the benefit is included in the amount determined in respect of the eligible individual for the year under section 737.22.0.10, the amount of the benefit is, for the purpose of computing the deduction provided for in section 725.2, deemed to be nil;

(b) where the eligible individual has included in computing the eligible individual's income for the year an amount that is the benefit the eligible individual is deemed to receive under section 49, as a consequence of the application of section 49.2, in respect of a share acquired by the eligible individual after 22 May 1985 and the amount of the benefit is included in the amount determined in respect of the eligible individual for the year under section 737.22.0.10, the amount of the benefit is, for the purpose of computing the deduction provided for in section 725.3, deemed to be nil;

(c) where the eligible individual has included in computing the eligible individual's income for the year a particular amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the amount determined in respect of the eligible individual for the year under section 737.22.0.10, the particular amount is, for the purpose of computing the deduction provided for in either of those paragraphs, deemed to be nil; and

(d) where the eligible individual has included in computing the eligible individual's income for the year a particular amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the amount determined in respect of the eligible individual for the year under section 737.22.0.10, the particular amount is, for the purpose of computing the deduction provided for in the first paragraph of section 725.1.2, deemed to be nil.

2003, c. 9, s. 65; 2021, c. 14, s. 83.

TITLE VII.3.4

DEDUCTION IN RESPECT OF FOREIGN FARM WORKERS

2006, c. 36, s. 64.

CHAPTER I

DEFINITIONS

2006, c. 36, s. 64.

737.22.0.12. In this Title,

"foreign farm worker", for a taxation year, means an individual who was not resident in Canada at any time in the year and who holds a valid work permit issued by the competent Canadian authority under the Immigration and Refugee Protection Act (Statutes of Canada, 2001, chapter 27) within the framework of a recognized federal program;

"recognized federal program" means any of the following streams of the Temporary Foreign Worker Program of the Government of Canada:

(a) the Seasonal Agricultural Worker Program; and

(b) the Agricultural Stream;

"wages" means the income computed under Chapters I and II of Title II of Book III;

"work income", for a taxation year, of an individual who is a foreign farm worker, in relation to an employment held by the individual in Québec within the framework of a recognized federal program, means the aggregate of all amounts each of which is wages received in the year by the individual because of, or in the course of, that employment.

2006, c. 36, s. 64; 2015, c. 36, s. 40.

CHAPTER II

DEDUCTION

2006, c. 36, s. 64.

737.22.0.13. An individual who is a foreign farm worker for a taxation year may deduct, in computing taxable income for the year, an amount not exceeding 50% of the amount by which the individual's work income for the year, in relation to an employment, exceeds the aggregate of the amounts that the individual may deduct in computing income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to that employment.

2006, c. 36, s. 64.

CHAPTER III

COMPUTATION OF TAXABLE INCOME

2006, c. 36, s. 64.

737.22.0.14. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.13 for a taxation year, the following rules apply:

(a) if the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement, and the amount of the benefit is included in the individual's work income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) if the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's work income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil; and

(c) if the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual's work income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by 50%; and

(d) if the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual's work income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by 50%.

2006, c. 36, s. 64; 2021, c. 14, s. 84.

TITLE VII.4

Repealed, 2004, c. 21, s. 186.

1995, c. 63, s. 54; 2004, c. 21, s. 186.

737.22.1. *(Repealed).*

1995, c. 63, s. 54; 2004, c. 21, s. 186.

737.23. *(Repealed).*

1990, c. 7, s. 59; 1995, c. 63, s. 54; 1997, c. 3, s. 71; 2004, c. 21, s. 186.

TITLE VII.4.1

Repealed, 2004, c. 21, s. 186.

2002, c. 9, s. 17; 2004, c. 21, s. 186.

737.23.1. *(Repealed).*

2002, c. 9, s. 17; 2004, c. 21, s. 186.

TITLE VII.5

DEDUCTION FOR EMPLOYMENT OUT OF CANADA

1995, c. 1, s. 69.

CHAPTER I

DEFINITIONS

1995, c. 1, s. 69.

737.24. In this Title,

"basic allowance" of an individual for a period means, in respect of an employment, the part of the out-of-Canada living allowance received by the individual in respect of the employment for that period, which does not exceed one-half of the individual's basic income for that period in respect of that employment;

"basic income" means, in respect of an employment, the income from an employment, computed before any deduction under Chapter III of Title II of Book III and without taking into account any out-of-Canada living allowance or, except in the definition of "basic allowance", the part of any other amount included in computing that income, which corresponds to the deduction granted in respect of that other amount, otherwise than under this Title, in computing the taxable income;

"specified employer" means a person resident in Canada, a corporation that is a foreign affiliate of such a person, or a partnership whose members, resident in Canada, including a corporation controlled by persons resident in Canada, are the owners of interests in that partnership having a fair market value in excess of 10% of the fair market value of all interests in the partnership.

1995, c. 1, s. 69; 1997, c. 3, s. 71.

CHAPTER II

DEDUCTION

1995, c. 1, s. 69.

737.25. An individual resident in Québec in a taxation year who, throughout a period of not less than 30 consecutive days that commenced in the year or a preceding taxation year, performed substantially all the duties of the individual's employment outside Canada may deduct, in computing the individual's taxable income for the year, the product obtained by multiplying the amount determined in respect of the individual for the year under section 737.26 in respect of that period by the percentage specified in respect of the individual for the year under section 737.26.1 where

(a) the individual was employed throughout that period by a specified employer; and

(b) such duties were performed in connection with a contract under which the specified employer carried on business outside Canada with respect to the exploration for or exploitation of petroleum, natural gas, minerals or other similar resources, any agricultural, construction, installation or engineering activity, or any prescribed activity, or for the purpose of obtaining such a contract on behalf of the specified employer.

However, the first paragraph does not apply in respect of an individual who, throughout the period described in the said paragraph, is deemed to have been resident in Québec under paragraph *d* of section 8 or who performed his duties in the employ of the Government of Canada or the government of a province, or of a municipality, a school board, an educational institution or an establishment providing health services or social services that receives or is entitled to receive financial assistance from a government.

1995, c. 1, s. 69; 2015, c. 21, s. 261.

737.26. The amount referred to in the first paragraph of section 737.25 in respect of an individual for a taxation year in respect of a particular period throughout which the individual performed substantially all the duties of the individual's employment outside Canada is the aggregate of

(a) the proportion of the out-of-Canada living allowance in respect of that employment received in the year by the individual in respect of the particular period that the individual's basic allowance in respect of that employment for the particular period is of the individual's total out-of-Canada living allowance in respect of the individual's employment for the particular period; and

(b) the proportion of the aggregate of the basic income from that employment received in the year by the individual in respect of the particular period and the amount by which the out-of-Canada living allowance in respect of that employment received in the year by the individual in respect of the particular period exceeds the amount computed under paragraph *a*, that the number of consecutive periods of 30 full days, not exceeding 12, worked outside Canada by the individual in respect of that employment during the particular period, is of 12.

For the purposes of the first paragraph and despite the definition of "basic income" in section 737.24, no amount may be included in computing an individual's basic income or regarded as an out-of-Canada living allowance for a taxation year in respect of the individual's employment by an employer

(a) if

i. the employer carries on a business of providing services and does not employ in the business throughout the year more than five full-time employees,

ii. the individual does not deal at arm's length with the employer, or is a specified shareholder of the employer, or, where the employer is a partnership, does not deal at arm's length with a member of the partnership, or is a specified shareholder of a member of the partnership, and

iii. but for the existence of the employer, the individual would reasonably be regarded as an employee of a person or partnership that is not a specified employer; or

(b) if at any time in that portion of the period described in the first paragraph of section 737.25 that is in the year

i. the employer provides the services of the individual to a corporation, trust or partnership with which the employer does not deal at arm's length, and

ii. the fair market value of all the issued shares of the capital stock of the corporation or of all interests in the trust or partnership, as the case may be, that are held, directly or indirectly, by persons who are resident in Canada is less than 10% of the fair market value of all those shares or interests, as the case may be.

1995, c. 1, s. 69; 1998, c. 16, s. 183; 2015, c. 21, s. 262.

737.26.1. The percentage referred to in the first paragraph of section 737.25 in respect of an individual for a taxation year is equal to

(a) 75%, where the taxation year is the year 2013;

(b) 50%, where the taxation year is the year 2014;

(c) 25%, where the taxation year is the year 2015; and

(d) 0%, for a taxation year subsequent to the year 2015.

For the purposes of the first paragraph, the percentage specified in any of subparagraphs *a* to *c* of that paragraph in respect of an individual is to be replaced by a percentage of 100% where the duties of the individual's employment outside Canada are in connection with a contract that was committed to in writing before 1 January 2013 by a specified employer of the individual.

2015, c. 21, s. 263.

TITLE VII.6

DEDUCTION TO SEAMEN ENGAGED IN THE INTERNATIONAL TRANSPORTATION OF FREIGHT

1997, c. 14, s. 108.

CHAPTER I

INTERPRETATION AND GENERAL

1997, c. 14, s. 108; 2005, c. 38, s. 131.

737.27. In this Title,

"eligible seaman" for a taxation year means an individual who is the employee of an eligible shipowner for the year and in respect of whom a certificate has been issued by the Minister of Transport certifying that the individual is recognized as an eligible seaman in respect of the shipowner for that year;

"eligible shipowner" for a taxation year means a shipowner who, in the year, is a person resident in Canada, a corporation that is a foreign affiliate of such a person or a partnership whose members, resident in Canada, including a corporation controlled by persons resident in Canada, are the owners of interests in that partnership having a fair market value in excess of 10% of the fair market value of all interests in the partnership;

"salaries or wages" means the income computed under Chapters I and II of Title II of Book III.

1997, c. 14, s. 108; 2001, c. 51, s. 44; 2004, c. 21, s. 187; 2012, c. 1, s. 62.

737.27.1. If an individual, in respect of whom the Minister of Transport issued a certificate certifying that the individual was an eligible seaman for a taxation year, acquired, at a particular time of that year that is included in a period specified in the certificate, a right to a security, under an agreement referred to in section 48, from the eligible shipowner whose name appears on the certificate or from a person with whom the eligible shipowner is not dealing at arm's length and, at a later time, the individual is deemed to receive a benefit in a particular taxation year because of the application of any of sections 49 and 50 to 52.1, either in respect of the security or of the transfer or any other disposition of the rights under the agreement, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire the security under the agreement, the following rules apply for the purpose of determining the amount that the individual may deduct under section 737.28 in computing the individual's taxable income for the particular year, in relation to the amount of that benefit:

(a) section 737.28 is to be read as if "for that taxation year" was replaced by "for the taxation year that includes the particular time to which the portion of section 737.27.1 before paragraph *a* refers"; and

(b) such a benefit is considered to be included in the amount of salaries or wages received by the individual in the particular year from the eligible shipowner.

2005, c. 38, s. 132; 2021, c. 14, s. 85.

CHAPTER II

DEDUCTION

1997, c. 14, s. 108.

737.28. An individual resident in Québec in a taxation year who encloses, with the fiscal return the individual is required to file under this Part for the year, a copy of the certificate issued by the Minister of Transport certifying that the individual was an eligible seaman for that taxation year may deduct, in computing the individual's taxable income for the year, the aggregate of all amounts each of which is an amount equal to 75% of the amount of salaries or wages received by the individual in the year, in relation to a period determined in the certificate, from an eligible shipowner whose name appears on the certificate.

1997, c. 14, s. 108; 2001, c. 51, s. 45; 2004, c. 21, s. 188.

737.28.1. For the purpose of computing the taxable income of an individual to whom section 737.28 applies, for a taxation year, the following rules apply:

(a) for the purpose of computing the deduction under section 725.2, the amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, either in respect of a security or of the transfer or any other disposition of the rights under the agreement referred to in section 48, or as a consequence of the individual's death and of the individual's having, immediately before death, owned a right to acquire a security under such an agreement, and that was included by the individual in computing the individual's income for the year, does not include the part of such an amount included in the amount determined in respect of the individual for the year under section 737.28; and

(b) for the purpose of computing the deduction under section 725.3, the amount of the benefit that the individual is deemed to receive under section 49, by virtue of section 49.2, in respect of a share acquired by the individual after 22 May 1985 and that was included by the individual in computing the individual's income for the year, does not include the part of such an amount included in the amount determined in respect of the individual for the year under section 737.28.

2002, c. 40, s. 66; 2021, c. 14, s. 86.

TITLE VII.7

DEDUCTION IN RESPECT OF SPLIT INCOME

2001, c. 53, s. 109.

737.29. A specified individual in relation to a taxation year may deduct in computing the specified individual's taxable income for the year the specified individual's split income for the year.

2001, c. 53, s. 109.

TITLE VIII

DIVIDENDS

1972, c. 23.

738. A corporation may deduct from its income for a taxation year the amount of any taxable dividend it receives in the year from a taxable Canadian corporation or a corporation controlled by it, resident in Canada, other than a non-resident-owned investment corporation or a corporation exempt from tax under this Part.

1972, c. 23, s. 556; 1978, c. 26, s. 130; 1984, c. 15, s. 169; 1997, c. 3, s. 71.

739. For the purposes of this Title:

(a) a dividend or a taxable dividend does not include a capital gains dividend within the meaning assigned by sections 1106 and 1116 or any dividend received by a taxpayer on which the taxpayer was required to pay any prescribed tax;

(b) a corporation is controlled by another if more than 50 per cent of its issued share capital having full voting rights under all circumstances belongs to the other corporation, to persons with whom the other corporation does not deal at arm's length, or to the other corporation and persons with whom the other corporation does not deal at arm's length;

(c) "mark-to-market property" and "financial institution" have the meanings assigned by section 851.22.1;

(d) a dividend on a share is a qualified dividend to the extent that

i. it is not received under section 508 to the extent that that section refers to section 506, or

ii. it is received under section 508 to the extent that that section refers to section 506 and,

(1) if the share is held by an individual other than a trust, the dividend is received by the individual,

(2) if the share is held by a corporation, the dividend is received by the corporation while it is a private corporation, and is paid by another private corporation,

(3) if the share is held by a trust, the dividend is received by the trust or designated under section 666 by the trust in respect of a beneficiary and the beneficiary is a person described in the second paragraph, a partnership each of the members of which is, when the dividend is received, a person described in the second paragraph, or another trust or partnership if the trust establishes that the dividend is received by a person described in the second paragraph, or

(4) if the share is held by a partnership, the dividend is included in the income of a member of the partnership and the member is a person described in the second paragraph or the dividend is designated under

section 666 by a member of the partnership that is a trust in respect of a beneficiary described in subparagraph 3.

A person to whom subparagraphs 3 and 4 of subparagraph ii of subparagraph *d* of the first paragraph refer, in relation to a dividend, is

(a) an individual other than a trust;

(b) a private corporation when the corporation receives the dividend, if the dividend is paid by another private corporation; or

(c) a trust that does not designate the dividend under section 666.

1972, c. 23, s. 557; 1996, c. 39, s. 197; 1997, c. 3, s. 71; 2001, c. 7, s. 87; 2012, c. 8, s. 99.

740. Where a corporation has in a taxation year received a taxable dividend from a corporation not resident in Canada that is not a foreign affiliate of the corporation and that carried on a business in Canada, through an establishment, throughout the period from 18 June 1971 to the time when the dividend was received, the receiving corporation may deduct in computing its income an amount equal to the part of the dividend determined in accordance with subsection 2 of section 112 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

1972, c. 23, s. 558; 1972, c. 26, s. 56; 1975, c. 22, s. 202; 1997, c. 3, s. 71; 2015, c. 21, s. 264.

740.1. Sections 738 and 740 do not apply in respect of a dividend received by a specified financial institution on a share acquired in the ordinary course of carrying on its business and that is, at the time the dividend is received, a term preferred share.

For the purposes of the first paragraph, where a restricted financial institution received a dividend on a share of the capital stock of a mutual fund corporation or an investment corporation at any time after that mutual fund corporation or investment corporation has elected, pursuant to section 1106.1 or section 1118.1, not to be a restricted financial institution, the share is deemed to be a term preferred share acquired in the ordinary course of carrying on a business.

1980, c. 13, s. 66; 1982, c. 5, s. 144; 1986, c. 19, s. 162; 1989, c. 5, s. 99; 1990, c. 59, s. 282; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2017, c. 29, s. 116.

740.2. Subject to section 740.3, sections 738, 740 and 845 do not apply in respect of a dividend received by a particular corporation on a share of the capital stock of a corporation that was issued after 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987 where,

(a) at or immediately before the time the dividend was received, a person or partnership, other than the issuer of the share or an individual other than a trust, that is a specified financial institution or a specified person in relation to any such institution, that person or partnership referred to in section 740.3 as the "guarantor", was obligated, either absolutely or contingently and either immediately or in the future, to effect any guarantee agreement, including any guarantee, covenant or agreement to purchase or repurchase the share and including the lending of funds to or the placing of amounts on deposit with, or on behalf of, the particular corporation or any specified person in relation to it

i. to ensure that any loss that the particular corporation or a specified person in relation to it may sustain by reason of the ownership, holding or disposition of the share or any other property is limited, or

ii. to allow the particular corporation or a specified person in relation to it to derive earnings by reason of the ownership, holding or disposition of the share or any other property; and

(b) the guarantee agreement was given as part of a transaction or event or a series of transactions or events that included the issuance of the share.

1980, c. 13, s. 66; 1982, c. 5, s. 144; 1990, c. 59, s. 283; 1997, c. 3, s. 71; 2004, c. 8, s. 143; 2017, c. 29, s. 117.

740.3. Section 740.2 does not apply in respect of a dividend received by a particular corporation

(a) on a share that is at the time the dividend is received a share described in section 21.6.1;

(b) a taxable preferred share of a class of the capital stock of a corporation that is listed on a designated stock exchange, issued after 15 December 1987, where all the guarantee agreements described in section 740.2 are given by the corporation that issued the share, by one or more persons that are related to it, otherwise than because of a right referred to in paragraph *b* of section 20, or by that corporation and such persons, unless at the time the dividend is paid to the particular corporation, dividends in respect of more than 10% of the issued and outstanding shares to which the guarantee agreements described in section 740.2 apply are paid to the particular corporation or the particular corporation and specified persons in relation to it;

(c) on a grandfathered share or a taxable preferred share issued before 16 December 1987;

(d) on a prescribed share; or

(e) on a share

i. that was not acquired by the particular corporation in the ordinary course of its business,

ii. in respect of which the guarantee agreement, referred to in section 740.2, was not given in the ordinary course of the guarantor's business, and

iii. the corporation issuer of which is, at the time the dividend is paid, related, otherwise than because of a right referred to in paragraph *b* of section 20, to both the particular corporation and the guarantor.

1980, c. 13, s. 66; 1982, c. 5, s. 144; 1984, c. 15, s. 170; 1987, c. 67, s. 151; 1989, c. 5, s. 100; 1990, c. 59, s. 284; 1997, c. 3, s. 71; 2001, c. 7, s. 88; 2004, c. 8, s. 144; 2010, c. 5, s. 58.

740.3.1. For the purposes of section 740.2, where the undertaking referred to therein in respect of a share was given at any particular time after 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987, otherwise than pursuant to a written arrangement to do so entered into before 8:00 p.m. Eastern Daylight Saving Time, 18 June 1987, the share is deemed to have been issued at the particular time and the undertaking is deemed to have been given as part of a series of transactions that included the issuance of the share.

For the purposes of sections 740.2 and 740.3, the expression "specified person" has the meaning assigned by paragraph *f* of section 21.11.16.

1990, c. 59, s. 285.

740.4. *(Repealed).*

1984, c. 15, s. 171; 1990, c. 59, s. 286.

740.4.1. No deduction may be made under section 738, 740 or 845 in computing the taxable income of a particular corporation in respect of a dividend received on a share of the capital stock of a corporation where there is, in respect of the share, a dividend rental arrangement of the particular corporation, a partnership of which the particular corporation is directly or indirectly a member or a trust under which the particular corporation is a beneficiary.

1991, c. 25, s. 89; 1997, c. 3, s. 71; 2019, c. 14, s. 212.

740.4.2. Section 740.4.1 does not apply in respect of a dividend received on a share where there is, in respect of the share, a dividend rental arrangement of a person or partnership (in this section and section 740.4.3 referred to as the "taxpayer") throughout a particular period during which the synthetic equity arrangement referred to in paragraph *c* of the definition of "dividend rental arrangement" in section 1 is in effect if

(a) the dividend rental arrangement is such an arrangement because of that paragraph *c*; and

(b) the taxpayer establishes that, throughout the particular period, no tax-indifferent investor or group of tax-indifferent investors, each member of which is affiliated with every other member, has all or substantially all of the risk of loss or opportunity for gain or profit in respect of the share.

2019, c. 14, s. 213; 2021, c. 18, s. 53.

740.4.3. A taxpayer is considered to have satisfied the condition of paragraph *b* of section 740.4.2 in respect of a share if

(a) the taxpayer or the connected person referred to in paragraph *a* of the definition of "synthetic equity arrangement" in section 1 (in this section referred to as the "synthetic equity arrangement party") obtains accurate representations in writing from its counterparty, or from each member of a group comprised of all its counterparties each of which is affiliated with each other (each member of this group of counterparties being in this section referred to as an "affiliated counterparty"), in relation to the synthetic equity arrangement, that

i. the counterparty or affiliated counterparty is not a tax-indifferent investor and it does not reasonably expect to become a tax-indifferent investor during the particular period referred to in section 740.4.2, and

ii. all or substantially all of the counterparty's or affiliated counterparty's risk of loss and opportunity for gain or profit in respect of the share during the particular period referred to in section 740.4.2 has not been eliminated and cannot reasonably be expected by it to be eliminated;

(b) the synthetic equity arrangement party obtains accurate representations in writing from its counterparty, or from each affiliated counterparty, in relation to the synthetic equity arrangement that the counterparty, or each affiliated counterparty,

i. is not a tax-indifferent investor and does not reasonably expect to become a tax-indifferent investor during the particular period referred to in section 740.4.2,

ii. has entered into one or more specified synthetic equity arrangements that have the effect of eliminating all or substantially all of its risk of loss and opportunity for gain or profit, in relation to the share, if

(1) in the case of a counterparty, that counterparty has entered into a specified synthetic equity arrangement with its own counterparty (a counterparty of a counterparty or of an affiliated counterparty being in this section referred to as a "specified counterparty"), or has entered into a specified synthetic equity arrangement with each member of a group of its own counterparties each member of which is affiliated with every other member (each member of this group of counterparties being in this section referred to as an "affiliated specified counterparty"), or

(2) in the case of an affiliated counterparty, each affiliated counterparty has entered into a specified synthetic equity arrangement with the same specified counterparty or with an affiliated specified counterparty that is part of the same group of affiliated specified counterparties, and

iii. has obtained accurate representations in writing from each of its own specified counterparties, or from each member of the group of affiliated specified counterparties referred to in subparagraphs 1 and 2 of subparagraph ii, that

(1) it is not a tax-indifferent investor and it does not reasonably expect to become a tax-indifferent investor during the particular period referred to in section 740.4.2, and

(2) all or substantially all of its risk of loss and opportunity for gain or profit in respect of the share during the particular period referred to in section 740.4.2 has not been eliminated and cannot reasonably be expected by it to be eliminated;

(c) the synthetic equity arrangement party obtains accurate representations in writing from its counterparty, or from each affiliated counterparty, in relation to the synthetic equity arrangement that the counterparty, or each affiliated counterparty,

i. is not a tax-indifferent investor and does not reasonably expect to become a tax-indifferent investor during the particular period referred to in section 740.4.2,

ii. has entered into specified synthetic equity arrangements

(1) that have the effect of eliminating all or substantially all of its risk of loss and opportunity for gain or profit in relation to the share,

(2) where no single specified counterparty or group of affiliated specified counterparties has been provided with all or substantially all of the risk of loss and opportunity for gain or profit in relation to the share, and

(3) where each specified counterparty or affiliated specified counterparty deals at arm's length with each other (other than in the case of affiliated specified counterparties, within the same group, of affiliated specified counterparties), and

iii. has obtained accurate representations in writing from each of its specified counterparties, or from each of its affiliated specified counterparties, that

(1) it is a person resident in Canada and it does not reasonably expect to cease to be resident in Canada during the particular period referred to in section 740.4.2, and

(2) all or substantially all of its risk of loss and opportunity for gain or profit in respect of the share during the particular period referred to in section 740.4.2 has not been eliminated and cannot reasonably be expected by it to be eliminated; or

(d) where a person or partnership is a party to a synthetic equity arrangement chain in respect of the share, the person or partnership

i. has obtained all or substantially all of the risk of loss and opportunity for gain or profit in respect of the share under the synthetic equity arrangement chain,

ii. has entered into one or more specified synthetic equity arrangements that have the effect of eliminating all or substantially all of its risk of loss and opportunity for gain or profit in respect of the share, and

iii. obtains accurate representations in writing of the type described in any of paragraphs *a* to *c*, as if it were a synthetic equity arrangement party, from each of its counterparties where each such counterparty deals at arm's length with that person or partnership.

2019, c. 14, s. 213; 2021, c. 18, s. 54.

740.4.4. If, at a time during a particular period referred to in section 740.4.2, a counterparty, specified counterparty, affiliated counterparty or affiliated specified counterparty reasonably expects to become a tax-indifferent investor or, if it has provided a representation described in subparagraph ii of paragraph *a* of section 740.4.3 or subparagraph 2 of subparagraph iii of paragraph *b* or *c* of that section in respect of a share, that all or substantially all of its risk of loss and opportunity for gain or profit in respect of the share will be

eliminated, the particular period for which it has provided a representation in respect of the share is deemed to end at that time.

2019, c. 14, s. 213; 2021, c. 18, s. 55.

740.4.5. In section 740.4.3, "counterparty", "specified counterparty", "affiliated counterparty" and "affiliated specified counterparty" refer only to a person or partnership that obtains all or any portion of the risk of loss or opportunity for gain or profit in respect of the share referred to in that section.

2019, c. 14, s. 213.

740.5. No deduction may be made under section 738, 740 or 845 in computing the taxable income of a particular corporation in respect of a dividend received on a share, in this section referred to as the "subject share", other than an exempt share, of the capital stock of another corporation where

(a) any person or partnership was obligated, in any way whatever, to effect an undertaking, including any covenant or agreement to purchase or repurchase the subject share, under which an investor is entitled, either immediately or in the future, to receive or obtain any amount or benefit for the purpose of reducing the impact, in whole or in part, of any loss that an investor may sustain by virtue of the ownership, holding or disposition of the subject share, and any property is used, in whole or in part, either directly or indirectly in any manner whatever, to secure the undertaking; or

(b) the undertaking or right referred to in subparagraph i or ii was acquired by the issuer as part of a transaction or event or a series of transactions or events that included the issuance or acquisition of the subject share, or a share for which the subject share was substituted, and the consideration for which the subject share was issued or any other property received, either directly or indirectly, by the issuer from an investor, or any property substituted therefor, is or includes

i. an undertaking of an investor to make payments that are required to be included, in whole or in part, in computing the income of the issuer, other than an undertaking of a corporation that, immediately before the subject share was issued, would be related to the corporation that issued the subject share if this Act were read without reference to paragraph *b* of section 20; or

ii. any right to receive payments that are required to be included, in whole or in part, in computing the income of the issuer where that right is held on condition that it or property substituted therefor may revert or pass to an investor or a person or partnership to be determined by an investor.

1989, c. 77, s. 84; 1997, c. 3, s. 71.

740.6. Section 740.5 applies only in respect of a dividend on a share where, having regard to all the circumstances, it may reasonably be considered that the share was issued or acquired as part of a transaction or event or a series of transactions or events that enabled any corporation to earn investment income, or any income substituted therefor, and, as a result, the amount of its taxes payable under this Part for a taxation year is less than the amount that its taxes payable under this Part would be for the year if such investment income were the only income of the corporation for the year and all other taxation years.

1989, c. 77, s. 84; 1997, c. 3, s. 71.

740.7. For the purposes of section 740.5 and this section, the expression,

(a) "exempt share" means

i. a prescribed share;

ii. a share of the capital stock of a corporation issued before 5:00 p.m. Eastern Standard Time, 27 November 1986, other than a share held at that time by the issuer, or by any person or partnership where the issuer may become entitled to receive any amount after that time by way of subscription proceeds or contribution of capital with respect to that share pursuant to an agreement made before that time;

iii. a share that was, at the time the dividend referred to in section 740.5 was received, a share described in section 21.6.1 during the applicable period referred to in that section;

(b) "issuer" means the other corporation referred to in section 740.5, a person with whom that corporation does not deal at arm's length and any partnership or trust of which that corporation, or a person with whom that corporation does not deal at arm's length, is a member or beneficiary, but does not include the particular corporation referred to in that section;

(c) "investor" means the particular corporation referred to in section 740.5, a person with whom that corporation does not deal at arm's length and any partnership or trust of which that corporation, or a person with whom that corporation does not deal at arm's length, is a member or beneficiary, but does not include the other corporation referred to in that section.

1989, c. 77, s. 84; 1995, c. 49, s. 168; 1997, c. 3, s. 71.

740.8. For the purposes of the definition of the expression "exempt share" in paragraph *a* of section 740.7, where, at any time after 5:00 p.m. Eastern Standard Time, 27 November 1986, the terms or conditions of a share of the capital stock of a corporation have been changed and any agreement in respect of the share has been changed or entered into by the corporation, the share is deemed to have been issued at that time.

1989, c. 77, s. 84; 1997, c. 3, s. 71.

740.9. For the purposes of paragraph *a* of section 740.5, any loss that an investor may sustain by virtue of the ownership, holding or disposition of the subject share referred to in that paragraph is deemed to include any loss with respect to an obligation or share that was issued or acquired as part of a transaction or event or a series of transactions or events that included the issuance or acquisition of the subject share, or a share for which the subject share was substituted.

1989, c. 77, s. 84.

740.10. For the purposes of subparagraph i of paragraph *b* of section 740.5, where it may reasonably be considered, having regard to all the circumstances, that a corporation has become related to any other corporation for the purpose of avoiding any limitation upon the deduction of a dividend under section 738, 740 or 845, the corporation is deemed not to be related to the other corporation.

1989, c. 77, s. 84; 1997, c. 3, s. 71.

741. Subject to sections 744.4 and 744.5, a taxpayer, other than a trust, shall subtract from the amount of any loss, determined without reference to this section, resulting from the disposition of a share that is capital property of the taxpayer, other than a share that is property of a partnership,

(a) where the taxpayer is an individual, the lesser of

i. the aggregate of all amounts each of which is a dividend received by the taxpayer on the share in respect of which an election was made under section 502 where section 502.0.1 does not deem the dividend to be a taxable dividend, and

ii. the amount of the loss, determined without reference to this section, reduced by the aggregate of all taxable dividends received by the taxpayer on the share; and

(b) where the taxpayer is a corporation, the aggregate of all amounts received by the taxpayer on the share each of which is

i. a taxable dividend, to the extent of the amount of the dividend that was deductible under sections 738 to 745 or section 845 in computing the taxpayer's taxable income for any taxation year,

ii. a dividend in respect of which an election was made under section 502 where section 502.0.1 does not deem the dividend to be a taxable dividend, or

iii. a life insurance capital dividend.

1972, c. 23, s. 559; 1972, c. 26, s. 57; 1975, c. 22, s. 203; 1978, c. 26, s. 131; 1984, c. 15, s. 172; 1996, c. 39, s. 198; 1997, c. 3, s. 71; 2001, c. 7, s. 89.

741.1. A qualified dividend is not to be included in the aggregate determined under subparagraph i of paragraph *a* of section 741 or paragraph *b* of that section where the taxpayer referred to in that section establishes that

(a) it was received when the taxpayer and persons with whom the taxpayer was not dealing at arm's length did not own in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received; and

(b) it was received on a share that the taxpayer owned throughout the 365-day period that ended immediately before the disposition of the share by the taxpayer.

2001, c. 7, s. 90; 2012, c. 8, s. 100.

741.2. Subject to sections 744.4 and 744.5, a taxpayer, other than a partnership or a mutual fund trust, who is a member of a partnership shall subtract from the taxpayer's share of any loss of the partnership, determined without reference to this section, resulting from the disposition of a share held by a particular partnership as capital property,

(a) where the taxpayer is an individual, the lesser of

i. the aggregate of all amounts each of which is a dividend received by the taxpayer on the share in respect of which an election was made under section 502 where section 502.0.1 does not deem the dividend to be a taxable dividend, and

ii. that share of the loss, determined without reference to this section, reduced by the aggregate of all taxable dividends received by the taxpayer on the share;

(b) where the taxpayer is a corporation, the aggregate of all amounts received by the taxpayer on the share each of which is

i. a taxable dividend, to the extent of the amount of the dividend that was deductible under sections 738 to 745 or section 845 in computing the taxpayer's taxable income for any taxation year,

ii. a dividend in respect of which an election was made under section 502 where section 502.0.1 does not deem the dividend to be a taxable dividend, or

iii. a life insurance capital dividend; and

(c) where the taxpayer is a trust, the aggregate of all amounts each of which is a taxable dividend or a life insurance capital dividend received on the share and designated under section 666 or 667 by the trust in respect of a beneficiary that was a corporation, partnership or trust.

2001, c. 7, s. 90.

741.3. A qualified dividend is not to be included in the aggregate determined under subparagraph i of paragraph *a* of section 741.2 or paragraph *b* or *c* of that section where the taxpayer referred to in that section establishes that

(a) it was received when the particular partnership referred to in section 741.2, the taxpayer and persons with whom the taxpayer was not dealing at arm's length did not hold in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received; and

(b) it was received on a share that the particular partnership referred to in section 741.2 held throughout the 365-day period that ended immediately before the disposition of the share by the particular partnership.

2001, c. 7, s. 90; 2012, c. 8, s. 101.

741.4. A taxable dividend received on a share and designated under section 666 by a particular trust in respect of a beneficiary that was a partnership or trust shall not be included in the aggregate determined under paragraph *c* of section 741.2 where the particular trust establishes that the dividend was received by an individual, other than a trust.

2001, c. 7, s. 90.

742. Subject to sections 744.4 and 744.5, a trust, other than a mutual fund trust, shall subtract from the amount of any loss, determined without reference to this section, resulting from the disposition of a share of the capital stock of a corporation that is capital property of the trust, the aggregate of

(a) the amount by which the lesser of the following amounts exceeds the amount determined under the second paragraph:

i. the aggregate of all amounts each of which is a dividend received by the trust on the share in respect of which an election was made under section 502 where section 502.0.1 does not deem the dividend to be a taxable dividend, and

ii. the amount of the loss, determined without reference to this section, reduced by the aggregate determined in the third paragraph; and

(b) the aggregate of the following amounts each of which is received on the share and designated under section 666 or 667 by the trust in respect of a beneficiary that was a corporation, partnership or trust:

i. a taxable dividend, and

ii. a life insurance capital dividend.

Where the trust referred to in the first paragraph is a succession that is the graduated rate estate of an individual, the share was acquired as a consequence of the individual's death and the disposition of the share occurs during the trust's first taxation year, the amount to which subparagraph *a* of the first paragraph refers is 1/2 of the lesser of

(a) the amount of the loss, determined without reference to this section, resulting from the disposition of the share; and

(b) the individual's capital gain from the disposition of the share immediately before the individual's death.

The aggregate to which subparagraph ii of subparagraph *a* of the first paragraph refers in respect of the trust referred to in that paragraph corresponds to the aggregate of all amounts each of which is the amount of a taxable dividend

(a) received by the trust on the share referred to in the first paragraph;

(b) received on the share referred to in the first paragraph and designated under section 666 by the trust in respect of a beneficiary who is an individual, other than a trust; or

(c) received on the share referred to in the first paragraph and designated under section 666 by the trust in respect of a beneficiary that was a corporation, a partnership or another trust, provided the dividend is a qualified dividend and the trust establishes that

i. it owned the share throughout the 365-day period that ended immediately before the disposition of the share by the trust, and

ii. the dividend was received while the trust, the beneficiary and persons not dealing at arm's length with the beneficiary owned in total less than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received.

1972, c. 23, s. 560; 1975, c. 22, s. 204; 1984, c. 15, s. 172; 1996, c. 39, s. 199; 1997, c. 3, s. 71; 2001, c. 7, s. 91; 2003, c. 2, s. 209; 2012, c. 8, s. 102; 2017, c. 1, s. 186.

742.1. Notwithstanding section 742, where a trust has at any time acquired a share of the capital stock of a corporation because of section 653, the trust shall subtract from the amount of any loss, determined without reference to section 742 or this section, resulting from a disposition after that time, the aggregate of

(a) the amount by which the lesser of the following amounts exceeds the amount determined under the second paragraph:

i. the aggregate of all amounts each of which is a dividend received after that time by the trust on the share in respect of which an election was made under section 502 where section 502.0.1 does not deem the dividend to be a taxable dividend,

ii. the amount of the loss determined without reference to section 742 or this section, reduced by the aggregate determined in the third paragraph; and

(b) the aggregate of all amounts each of which is a taxable dividend received on the share after that time and designated under section 666 by the trust in respect of a beneficiary that was a corporation, partnership or trust.

The amount to which subparagraph *a* of the first paragraph refers in respect of a trust referred to in that paragraph is 1/2 of the lesser of

(a) the amount of the loss, determined without reference to section 742 or this section, resulting from the disposition of the share referred to in the first paragraph;

(b) the trust's capital gain from the disposition immediately before the time referred to in the first paragraph of the share referred to in that paragraph because of section 653.

The aggregate to which subparagraph ii of subparagraph *a* of the first paragraph refers in respect of the trust referred to in the said paragraph corresponds to the aggregate of all amounts each of which is the amount of a taxable dividend

(a) received by the trust on the share referred to in the first paragraph after the time of acquisition;

(b) received on the share referred to in the first paragraph after the time of acquisition and designated under section 666 by the trust in respect of a beneficiary who is an individual, other than a trust; or

(c) received on the share referred to in the first paragraph after the time of acquisition and designated under section 666 by the trust in respect of a beneficiary that was a corporation, a partnership or another trust, provided the dividend is a qualified dividend and the trust establishes that

i. it owned the share throughout the 365-day period that ended immediately before the disposition of the share, and

ii. the dividend was received when the trust, the beneficiary and persons not dealing at arm's length with the beneficiary owned in total less than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received.

2001, c. 7, s. 92; 2003, c. 2, s. 210; 2012, c. 8, s. 103.

742.2. A qualified dividend received by a trust is not to be included under subparagraph i of subparagraph *a* or subparagraph ii of subparagraph *b* of the first paragraph of section 742 or subparagraph i of subparagraph *a* of the first paragraph of section 742.1 where the trust establishes that the dividend

(a) was received

i. in any case where the dividend was designated under section 666 or 667 by the trust, when the trust, the beneficiary and persons with whom the beneficiary was not dealing at arm's length did not own in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received, or

ii. in any other case, when the trust and persons with whom the trust was not dealing at arm's length did not own in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received; and

(b) was received on a share that the trust owned throughout the 365-day period that ended immediately before the disposition.

2001, c. 7, s. 92; 2012, c. 8, s. 104.

742.3. A qualified dividend that is a taxable dividend received on a share and designated under section 666 by a trust in respect of a beneficiary that was a corporation, partnership or trust is not to be included under subparagraph *b* of the first paragraph of section 742 or 742.1 where the trust establishes that the dividend was received by an individual (other than a trust), or

(a) was received when the trust, the beneficiary and persons with whom the beneficiary was not dealing at arm's length did not own in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received; and

(b) was received on a share that the trust owned throughout the 365-day period that ended immediately before the disposition.

2001, c. 7, s. 92; 2012, c. 8, s. 105.

743. Subject to sections 744.4 and 744.5, a taxpayer, other than a trust, shall subtract from the amount of any loss, determined without reference to this section, resulting from the disposition of a share of the capital stock of a corporation that is property, other than capital property, of the taxpayer,

(a) where the taxpayer is an individual and the corporation is resident in Canada, the aggregate of all dividends received by the individual on the share;

(b) where the taxpayer is a partnership, the aggregate of all dividends received by the partnership on the share; and

(c) where the taxpayer is a corporation, the aggregate of all amounts received by the corporation on the share each of which is

i. a taxable dividend, to the extent of the amount of the dividend that was deductible under this Title or section 845 in computing the corporation's taxable income for any taxation year, or

ii. a dividend, other than a taxable dividend.

1972, c. 23, s. 561; 1975, c. 22, s. 205; 1978, c. 26, s. 132; 1985, c. 25, s. 126; 1987, c. 67, s. 152; 1993, c. 16, s. 279; 1995, c. 49, s. 169; 1996, c. 39, s. 200; 1997, c. 3, s. 71; 2001, c. 7, s. 93.

743.1. A qualified dividend is not to be included in the aggregate determined under any of paragraphs *a* to *c* of section 743 where the taxpayer referred to in that section establishes that

(a) it was received when the taxpayer and persons with whom the taxpayer was not dealing at arm's length did not own in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received; and

(b) it was received on a share that the taxpayer owned throughout the 365-day period that ended immediately before the disposition of the share by the taxpayer.

2001, c. 7, s. 94; 2012, c. 8, s. 106.

744. For the purposes of sections 83 to 85.6, a shareholder who holds a share of the capital stock of a corporation shall, in computing the fair market value of the share at any time, add to that value

(a) where the shareholder is a corporation, the aggregate of all amounts received by the shareholder on the share before that time each of which is

i. a taxable dividend, to the extent of the amount of the dividend that was deductible under this Title or section 845 in computing the shareholder's taxable income for any taxation year, or

ii. a dividend, other than a taxable dividend;

(b) where the shareholder is a partnership, the aggregate of all amounts each of which is a dividend received by the shareholder on the share before that time; and

(c) where the shareholder is an individual and the corporation is resident in Canada, the aggregate of all amounts each of which is a dividend received by the shareholder on the share before that time, or, where the shareholder is a trust, the aggregate of all amounts each of which is a dividend that would have been so received if this Part were read without reference to section 666.

1975, c. 22, s. 206; 1978, c. 26, s. 133; 1984, c. 15, s. 173; 1985, c. 25, s. 126; 1987, c. 67, s. 152; 1993, c. 16, s. 279; 1995, c. 49, s. 170; 1996, c. 39, s. 201; 1997, c. 3, s. 71; 2001, c. 7, s. 95.

744.0.1. A qualified dividend is not to be included in the aggregate determined under any of paragraphs *a* to *c* of section 744 where the shareholder referred to in that section establishes that

(a) it was received when the shareholder and persons with whom the shareholder was not dealing at arm's length did not hold in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received; and

(b) it was received on a share that the shareholder held throughout the 365-day period that ended at the time referred to in section 744.

2001, c. 7, s. 96; 2012, c. 8, s. 107.

744.1. *(Repealed).*

1984, c. 15, s. 173; 1993, c. 16, s. 279; 1995, c. 49, s. 171; 1996, c. 39, s. 202; 1997, c. 3, s. 71; 2001, c. 7, s. 97.

744.2. Subject to sections 744.4 and 744.5, a trust shall subtract from the amount of any loss, determined without reference to this section, resulting from the disposition of a share that is property, other than capital property, of the trust, the aggregate of

(a) the aggregate of all amounts each of which is a dividend received by the trust on the share, to the extent that the amount was not designated under section 667 in respect of a beneficiary of the trust; and

(b) the aggregate of all amounts each of which is a dividend received on the share that was designated under section 666 or 667 by the trust in respect of a beneficiary of the trust.

1984, c. 15, s. 173; 1996, c. 39, s. 203; 2001, c. 7, s. 98.

744.2.1. A qualified dividend is not to be included in the aggregate determined under paragraph *a* of section 744.2 where the trust referred to in that section establishes that

(a) it was received when the trust and persons with whom the trust was not dealing at arm's length did not own in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received; and

(b) it was received on a share that the trust owned throughout the 365-day period that ended immediately before the disposition of the share by the trust.

2001, c. 7, s. 99; 2012, c. 8, s. 108.

744.2.2. A qualified dividend is not to be included in the aggregate determined under paragraph *b* of section 744.2 where the trust referred to in that section establishes that

(a) it was received when the trust, the beneficiary and persons with whom the beneficiary was not dealing at arm's length did not own in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received; and

(b) it was received on a share that the trust owned throughout the 365-day period that ended immediately before the disposition of the share by the trust.

2001, c. 7, s. 99; 2012, c. 8, s. 109.

744.3. *(Repealed).*

1984, c. 15, s. 173; 1997, c. 3, s. 71; 2001, c. 7, s. 100.

744.4. The rules set out in sections 741 to 743 and 744.2 do not apply in respect of the disposition of a share by a taxpayer in a taxation year that begins after 31 October 1994 where the share is a mark-to-market property for the year and the taxpayer is a financial institution in the year or where section 744.6 applies in respect of the disposition.

1996, c. 39, s. 204; 2001, c. 7, s. 101.

744.5. In determining whether any of sections 741 to 743 and 744.2 apply to reduce a loss of a taxpayer from the disposition of a share, this Part shall be read without reference to paragraph *b* of sections 741.1, 741.3, 742.2, 742.3, 743.1, 744.2.1 and 744.2.2 and subparagraph i of subparagraph *c* of the third paragraph of sections 742 and 742.1 where

(a) the disposition occurs, because of section 851.22.15, in a taxation year that includes 31 October 1994 or, because of paragraph *b* of section 851.22.23, after 30 October 1994; or

(b) the share was a mark-to-market property of the taxpayer for a taxation year that begins after 31 October 1994 in which the taxpayer was a financial institution.

1996, c. 39, s. 204; 2001, c. 7, s. 102.

744.6. A taxpayer who disposes of a share at a particular time in a taxation year is deemed to dispose of it for the proceeds of disposition determined in the second paragraph where

(a) the taxpayer is a financial institution in the year, the share is a mark-to-market property for the year, and the taxpayer received either a dividend on the share at a time when the taxpayer and persons with whom the taxpayer was not dealing at arm's length held in total more than 5% of the issued shares of any class of the capital stock of the corporation that paid the dividend, or a dividend on the share paid under section 506; or

(b) the disposition is an actual disposition, the taxpayer did not hold the share throughout the 365-day period that ended immediately before the disposition, and the share was a mark-to-market property of the taxpayer for a taxation year that begins after 31 October 1994 and in which the taxpayer was a financial institution.

Subject to section 744.7, the proceeds of disposition referred to in the first paragraph are deemed to be the amount determined by the formula

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

For the purposes of the formula in the second paragraph,

(a) A is the taxpayer's proceeds of disposition of the share determined without reference to this section;

(b) B is, where the taxpayer is deemed to have received a dividend under section 508, to the extent that that section refers to section 506, in respect of the share, the aggregate determined under subparagraph ii, or, in any other case, the lesser of

i. the loss from the disposition of the share that would be determined before the application of this section if the cost of the share to any taxpayer were determined without reference to

(1) sections 521 to 526 and 528, where the provisions of those sections apply because of subparagraph *a* of the second paragraph of section 832.3, and

(2) sections 546 and 559, subparagraph *a* of the second paragraph of section 832.3, paragraph *b* of section 851.22.15 and paragraph *d* of section 851.22.23, and

ii. the aggregate of all amounts each of which is

(1) where the taxpayer is a corporation, a taxable dividend received by the taxpayer on the share, to the extent of the amount of the dividend that was deductible under any of sections 738 to 745 and 845 in computing the taxpayer's taxable income for any taxation year,

(2) where the taxpayer is a partnership, a taxable dividend received by the taxpayer on the share, to the extent of the amount of the dividend that was deductible under any of sections 738 to 745, 845 and 1091 in computing the taxable income or taxable income earned in Canada for any taxation year of members of the partnership,

(3) where the taxpayer is a trust, an amount designated under section 666 in respect of a taxable dividend on the share, or

(4) a dividend, other than a taxable dividend, received by the taxpayer on the share;

(c) C is the aggregate of all amounts each of which is the amount by which

i. the taxpayer's proceeds of disposition on a deemed disposition of the share before the particular time were increased because of this section,

ii. where the taxpayer is a corporation or trust, a loss of the taxpayer on a deemed disposition of the share before the particular time was reduced because of section 741, 742, 743 or 744.2, or

iii. where the taxpayer is a partnership, a loss of a member of the partnership on a deemed disposition of the share before the particular time was reduced because of section 741.2 or 743; and

(d) D is the aggregate of all amounts each of which is the amount by which the taxpayer's proceeds of disposition on a deemed disposition of the share before the particular time were decreased because of this section.

1996, c. 39, s. 204; 1997, c. 3, s. 71; 2001, c. 7, s. 103; 2012, c. 8, s. 110; 2015, c. 21, s. 265; 2020, c. 16, s. 100.

744.6.1. A dividend, other than a dividend received under section 508 to the extent that that section refers to section 506, is not to be included in the aggregate determined under subparagraph ii of subparagraph *b* of the third paragraph of section 744.6 in respect of a taxpayer referred to in that section unless

(a) the dividend was received when the taxpayer and persons with whom the taxpayer was not dealing at arm's length held in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received, or

(b) the share was not held by the taxpayer throughout the 365-day period that ended before the disposition of the share by the taxpayer.

2001, c. 7, s. 104; 2012, c. 8, s. 111.

744.7. For the purpose of determining the cost of a share to a taxpayer on a deemed reacquisition of the share after a deemed disposition of the share, the taxpayer's proceeds of disposition of the share shall be determined without reference to section 744.6.

1996, c. 39, s. 204.

744.8. Where a taxpayer disposes of a share at a particular time,

(a) for the purpose of determining whether section 744.6 applies to the disposition, the conditions in the first paragraph of that section shall be applied without reference to a deemed disposition and reacquisition of the share before that time; and

(b) any aggregate of amounts under the third paragraph of section 744.6 in respect of the disposition shall be determined from the time when the taxpayer actually acquired the share.

1996, c. 39, s. 204.

745. Subject to the second and third paragraphs, where a share, in this section referred to as the "new share", has been acquired in exchange for another share, in this section referred to as the "old share", in a transaction to which any of sections 301, 301.1 and 536 to 555.4 applies, for the purposes of any of sections 741 to 742.3 in respect of a disposition of the new share, the new share is deemed to be the same share as the old share.

For the purposes of the first paragraph, any dividend received on the old share is deemed for the purposes of sections 741 to 742.3 to have been received on the new share only to the extent of the proportion of the dividend that the shareholder's adjusted cost base of the new share immediately after the exchange is of the shareholder's adjusted cost base of all new shares, immediately after the exchange, acquired in exchange for the old share.

For the purposes of the first paragraph, the amount by which a loss from the disposition of the new share is reduced because of the application of this section shall not exceed the proportion of the shareholder's adjusted cost base of the old share immediately before the exchange that the shareholder's adjusted cost base of the

new share immediately after the exchange is of the shareholder's adjusted cost base of all new shares, immediately after the exchange, acquired in exchange for the old share.

1975, c. 22, s. 206; 1978, c. 26, s. 133; 1984, c. 15, s. 173; 1995, c. 49, s. 172; 1997, c. 3, s. 71; 2001, c. 7, s. 105.

745.1. For the purposes of paragraph *b* of sections 741.1 and 741.3, subparagraph i of subparagraph *c* of the third paragraph of sections 742 and 742.1, paragraph *b* of sections 742.2, 742.3, 743.1, 744.0.1, 744.2.1 and 744.2.2, subparagraph *b* of the first paragraph of section 744.6, paragraph *b* of section 744.6.1 and section 745.2, where a synthetic disposition arrangement is entered into in respect of a property owned by a taxpayer and the synthetic disposition period of the arrangement is at least 30 days, the taxpayer is deemed not to own the property during the synthetic disposition period.

2017, c. 1, s. 187.

745.2. Section 745.1 does not apply in respect of a property owned by a taxpayer in respect of a synthetic disposition arrangement if the taxpayer owned the property throughout the 365-day period (determined without reference to this section) that ended immediately before the synthetic disposition period of the arrangement.

2017, c. 1, s. 187.

745.2.1. For the purposes of paragraph *b* of section 744.6.1, section 745.1 does not apply in respect of a particular dividend received on a share on which a taxpayer is deemed to have received a dividend under section 508, to the extent that section 508 refers to section 506, where the particular dividend is received during a synthetic disposition period of a synthetic disposition arrangement in respect of that share.

2020, c. 16, s. 101.

745.3. For the purposes of sections 741, 741.2, 743, 744 and 744.6, if a synthetic equity arrangement applies in respect of a particular number of shares that are identical properties (in this section referred to as "identical shares") and the particular number is less than the total number of such identical shares owned by a person or partnership at that time and in respect of which there is no other synthetic equity arrangement, the synthetic equity arrangement is deemed to apply to those identical shares in the order in which the person or partnership acquired them.

2019, c. 14, s. 214.

745.4. For the purposes of the definition of "synthetic equity arrangement" in section 1, paragraphs *c* and *d* of the definition of "dividend rental arrangement" in that section and sections 740.4.2, 740.4.3 and 745.3, an arrangement that reflects the fair market value of more than one type of identical share, within the meaning of section 745.3, is considered to be a separate arrangement with respect to each type of identical share the value of which the arrangement reflects.

2019, c. 14, s. 214.

745.5. In computing the cost to a taxpayer, at any time, of an interest in a partnership that is property (other than capital property) of the taxpayer, there is to be deducted an amount equal to the aggregate of all amounts each of which is the taxpayer's share of any loss of the partnership from the disposition by the partnership, or another partnership of which the partnership is directly or indirectly a member, of a share of the capital stock of a corporation (in this section and section 745.6 referred to as the "partnership loss") in a fiscal period of the partnership that includes that time or a prior fiscal period, computed without reference to sections 741.2, 743 and 744.6, to the extent that the taxpayer's share of the partnership loss has not previously reduced the taxpayer's cost of the interest in the partnership because of the application of this section.

2021, c. 14, s. 87.

745.6. For the purposes of section 745.5, where a taxpayer disposes of an interest in a partnership at a particular time, the taxpayer's share of a partnership loss is to be computed as if

(a) the fiscal period of each partnership of which the taxpayer is directly or indirectly a member had ended immediately before the time that is immediately before the particular time;

(b) each share of the capital stock of a corporation that was the property of a partnership referred to in paragraph *a* at the particular time had been disposed of by the partnership immediately before the end of that fiscal period for proceeds of disposition equal to its fair market value at the particular time; and

(c) each member of a partnership referred to in paragraph *a* were allocated a share (determined by reference to the member's agreed proportion for the fiscal period referred to in paragraph *a*) of any loss (computed without reference to sections 741.2, 743 and 744.6) in respect of a disposition described in paragraph *b*.

2021, c. 14, s. 87.

745.7. For the purposes of section 745.5, where a taxpayer (in this section referred to as the "transferee") acquires an interest in a partnership at any time from another taxpayer (in this section referred to as the "transferor"), in computing the cost of the partnership interest to the transferee there is to be added an amount equal to the aggregate of all amounts each of which is an amount deducted from the transferor's cost of the partnership interest because of section 745.5, other than an amount to which section 741.2 would apply.

2021, c. 14, s. 87.

746. A corporation resident in Canada which receives in a taxation year a dividend on a share that it owns of the capital stock of a foreign affiliate, may deduct from its income for the year in respect of that dividend:

(a) such portion of the dividend as is prescribed to be paid out of the exempt surplus of the affiliate;

*(a.*1*)* an amount equal to the total of

i. one-half of the portion of the dividend that is prescribed to have been paid out of the hybrid surplus of the affiliate, and

ii. the lesser of the amount determined under subparagraph i and the total of

(1) the product obtained when the foreign tax prescribed to be applicable to the portion of the dividend referred to in subparagraph i is multiplied by the amount by which the corporation's tax factor for the year exceeds one-half, and

(2) the product obtained when the non-business-income tax, within the meaning of section 772.2, paid by the corporation and applicable to the portion of the dividend referred to in subparagraph i is multiplied by the corporation's tax factor for the year;

(b) the product obtained when the amount by which the corporation's tax factor for the year exceeds one is multiplied by the foreign tax prescribed to be applicable to the portion of the dividend prescribed to have been paid out of the taxable surplus of the affiliate, without exceeding that portion of the dividend;

(c) the lesser of the product obtained when the corporation's tax factor for the year is multiplied by the non-business-income tax, within the meaning of section 772.2, paid by the corporation and applicable to the portion of the dividend prescribed to have been paid out of the taxable surplus of the affiliate, and the amount by which that portion of the dividend exceeds the amount deductible in respect of the dividend under subparagraph *b*;

(d) such part of the dividend as is prescribed to be paid out of the pre-acquisition surplus of the affiliate.

In addition, for the purposes of this section and sections 571 to 598, the corporation may make such elections as may be prescribed.

1972, c. 23, s. 562; 1972, c. 26, s. 58; 1975, c. 22, s. 207; 1984, c. 15, s. 174; 1995, c. 63, s. 55; 1997, c. 3, s. 71; 2015, c. 21, s. 266.

747. For the purposes of section 746, "exempt surplus", "hybrid surplus", "pre-acquisition surplus", "taxable surplus" and "tax factor" have the meaning assigned to those definitions by regulation.

1975, c. 22, s. 208; 2015, c. 21, s. 267.

748. In the case provided for in section 746, such portion of any dividend received between the taxation years 1971 and 1976 of the affiliate as exceeds the amount deductible under paragraph *d* of that section is deemed, for the purposes of paragraph *a* of that section, to be the portion of the dividend prescribed to have been paid out of the exempt surplus of the affiliate.

1975, c. 22, s. 208; 1996, c. 39, s. 205.

749. Where, in the case referred to in section 746, the dividend is received by the corporation at a particular time in a taxation year ending after 31 December 1975 on a share it owned at the end of its taxation year 1975, it may deduct from its income for the year, in respect of the dividend, the lesser of the amount by which the dividend exceeds the deductions permitted in its respect for the year under sections 584 and 746 and the amount by which the adjusted cost base to the corporation of the share at the end of its taxation year 1975 exceeds the aggregate of

(a) (paragraph repealed);

(b) the amounts that the corporation may deduct under subparagraph *d* of the first paragraph of section 746 for a taxation year ending after 31 December 1975 in respect of the dividends received by it on the share after its taxation year 1975 but before that time;

(c) the amounts received by the corporation on the share after its 1975 taxation year but before that time

i. on a reduction, before 20 August 2011, of the paid-up capital of the foreign affiliate in respect of the share, or

ii. on a reduction, after 19 August 2011, of the paid-up capital of the foreign affiliate in respect of the share that is a qualifying return of capital, within the meaning of section 577.3, in respect of the share; and

(d) the amounts deducted under this section in respect of the dividends received by it on the share before that time.

1975, c. 22, s. 208; 1977, c. 26, s. 82; 1980, c. 13, s. 67; 1997, c. 3, s. 71; 2015, c. 21, s. 268.

BOOK V

COMPUTATION OF TAX

1972, c. 23.

TITLE I

TAX PAYABLE BY INDIVIDUALS

1972, c. 23.

CHAPTER I

GENERAL RULES

1972, c. 23.

749.1. In this Book, except for the purposes of sections 772.2 to 772.13.3, tax, whether referred to as tax payable under this Part or tax otherwise payable under this Part or referred to by any other similar expression, shall be computed as if this Part were read without reference to Book V.1.

1988, c. 4, s. 59; 1989, c. 5, s. 101; 1990, c. 59, s. 287; 1995, c. 1, s. 70; 1995, c. 63, s. 56; 1997, c. 85, s. 117; 2001, c. 53, s. 110; 2012, c. 8, s. 112.

750. The tax payable under this Part by an individual on the individual's taxable income for a taxation year is equal to the aggregate of

(a) 14% of the lesser of $49,275 and the individual's taxable income for that year;

(b) 19% of the amount by which the lesser of $98,540 and the individual's taxable income for that year exceeds $49,275;

(c) 24% of the amount by which the lesser of $119,910 and the individual's taxable income for that year exceeds $98,540; and

(d) 25.75% of the amount by which the individual's taxable income for that year exceeds $119,910.

1972, c. 23, s. 563; 1975, c. 22, s. 209; 1978, c. 26, s. 134; 1986, c. 15, s. 113; 1986, c. 72, s. 10; 1989, c. 5, s. 102; 1997, c. 85, s. 118; 2001, c. 51, s. 46; 2004, c. 21, s. 189; 2005, c. 1, s. 145; 2009, c. 5, s. 258; 2015, c. 21, s. 269; 2017, c. 29, s. 118; 2023, c. 19, s. 48.

750.1. The percentage to which sections 752.0.0.1, 752.0.0.4 to 752.0.0.6, 752.0.1, 752.0.7.4, 752.0.11, 752.0.13.1, 752.0.13.1.1, 752.0.14, 752.0.18.15, 776.41.14 and 1015.3 refer, as they read in their application to a taxation year preceding the year 2017, is

(a) 22%, where the taxation year is the year 2000;

(b) 20.75%, where the taxation year is the year 2001; and

(c) 20%, where the taxation year is subsequent to the year 2001 and precedes the year 2017.

The percentage to which sections 752.0.0.1, 752.0.1, 752.0.7.4, 752.0.14, 776.41.14 and 1015.3 refer is

(a) 15%, where the taxation year is subsequent to the year 2016 and precedes the year 2023; and

(b) 14%, where the taxation year is the year 2023 or a subsequent year.

2001, c. 51, s. 47; 2001, c. 53, s. 111; 2005, c. 1, s. 146; 2005, c. 23, s. 92; 2005, c. 38, s. 133; 2009, c. 5, s. 259; 2013, c. 10, s. 48; 2015, c. 21, s. 270; 2015, c. 24, s. 98; 2017, c. 29, s. 119; 2023, c. 19, s. 49.

750.1.1. The percentage to which sections 768 and 770 refer is

(a) 24%, where the taxation year ends after 19 March 2012 and before 1 January 2013; or

(b) 25.75%, where the taxation year is the year 2013 or a subsequent year.

2013, c. 10, s. 49; 2015, c. 21, s. 271.

750.2. Each of the amounts referred to in the fourth paragraph that must be used for a taxation year subsequent to the taxation year 2017 is to be adjusted annually in such a manner that the amount used for that taxation year is equal to the total of the amount used for the preceding taxation year and the product obtained by multiplying that amount so used by the factor determined by the formula

(A / B) - 1.

In the formula provided for in the first paragraph,

(a) A is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year preceding that for which an amount is to be adjusted; and

(b) B is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year immediately before the year preceding that for which the amount is to be adjusted.

If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.

The amounts to which the first paragraph refers are

(a) the amounts of $49,275, $98,540 and $119,910, wherever they are mentioned in section 750;

(b) the amount of $14,890 mentioned in section 752.0.0.1;

(c) the amounts of $3,537 and $5,154 mentioned in section 752.0.1;

(d) the amount of $33,755 mentioned in section 752.0.7.1;

(e) the amounts of $1,707, $2,107, $2,782 and $3,132, wherever they are mentioned in section 752.0.7.4;

(e.1) the amount of $5,000 mentioned in section 752.0.10.0.5;

(e.2) the amount of $5,000 mentioned in section 752.0.10.0.7;

(f) the amount of $3,307 mentioned in section 752.0.14; and

(g) the amounts of $12,638 and $3,537, wherever they are mentioned in section 776.41.14.

2001, c. 51, s. 47; 2005, c. 1, s. 147; 2005, c. 38, s. 134; 2009, c. 5, s. 260; 2009, c. 15, s. 134; 2015, c. 21, s. 272; 2017, c. 29, s. 120; 2020, c. 5, s. 214; 2023, c. 19, s. 50; 2024, c. 11, s. 72.

750.2.1. *(Repealed).*

2004, c. 21, s. 190; 2005, c. 1, s. 148.

750.3. Where the amount that results from the adjustment provided for in section 750.2, in respect of an amount mentioned in subparagraph *a* or *d* of the fourth paragraph of that section, is not a multiple of $5, it must be rounded to the nearest multiple of $5 or, if it is equidistant from two such multiples, to the higher multiple.

Where the amount that results from the adjustment provided for in section 750.2, in respect of an amount mentioned in any of subparagraphs *b*, *c* and *e* to *g* of the fourth paragraph of that section, is not a multiple of $1, it must be rounded to the nearest multiple of $1 or, if it is equidistant from two such multiples, to the higher multiple.

2001, c. 51, s. 47; 2004, c. 21, s. 191; 2005, c. 1, s. 149; 2017, c. 29, s. 121.

751. *(Repealed).*

1972, c. 23, s. 564; 1973, c. 18, s. 24; 1982, c. 38, s. 12; 1982, c. 56, s. 15; 1988, c. 4, s. 60; 1998, c. 16, s. 184.

752. *(Repealed).*

1972, c. 23, s. 565; 1973, c. 17, s. 87; 1978, c. 26, s. 135; 1986, c. 15, s. 114; 1989, c. 5, s. 103; 1991, c. 8, s. 42; 1992, c. 1, s. 54; 1993, c. 19, s. 50; 1993, c. 64, s. 66.

CHAPTER I.0.1

PERSONAL TAX CREDITS

1989, c. 5, s. 104; 1999, c. 83, s. 84.

752.0.0.1. Subject to section 752.0.0.3, an individual may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to the amount obtained by multiplying the percentage specified in section 750.1 for the year by $14,890.

2005, c. 1, s. 150; 2005, c. 38, s. 135; 2009, c. 5, s. 261; 2017, c. 29, s. 122.

752.0.0.2. *(Repealed).*

2005, c. 1, s. 150; 2005, c. 38, s. 136; 2009, c. 5, s. 262.

752.0.0.3. If an individual is resident in Québec on the last day of a taxation year and is the beneficiary of a covered benefit attributable to that year, the amount in dollars referred to in section 752.0.0.1 that would otherwise be taken into account in computing the amount deductible by the individual for the year under section 752.0.0.1, with reference to section 750.2, is to be reduced by the aggregate of all amounts each of which is an amount determined for the year under any of sections 752.0.0.4 to 752.0.0.6.

In the first paragraph and sections 752.0.0.4 to 752.0.0.6, "covered benefit" attributable to a taxation year means an amount that is an income replacement indemnity, or a compensation for the loss of financial support, determined in that year under a public compensation plan and established on the basis of net income following an accident, employment injury, bodily injury or death or in order to prevent bodily injury, other than

(a) an amount that is attributable to a period preceding the year;

(b) an amount that is the net salary or wages paid by an employer, in accordance with the Act respecting industrial accidents and occupational diseases (chapter A-3.001), for each day or part of a day when a worker must be absent from work to receive care or undergo medical examinations in connection with the worker's injury, or to take part in a personal rehabilitation program; or

(c) an amount that replaces income described in paragraph *e* of section 725.

For the purposes of the first paragraph, if an individual dies or ceases to be resident in Canada in a taxation year, the last day of the individual's taxation year is the day on which the individual died or the last day on which the individual was resident in Canada.

This section does not apply in respect of an individual's separate fiscal return filed under the second paragraph of section 429 or section 681 or 1003.

2005, c. 38, s. 137; 2009, c. 5, s. 263; 2015, c. 21, s. 273.

752.0.0.4. If section 752.0.0.3 applies to an individual in respect of a covered benefit attributable to a taxation year and the amount of which is determined by the Commission des normes, de l'équité, de la santé et de la sécurité du travail, by the Minister of Justice under Title III of the Act to assist persons who are victims of criminal offences and to facilitate their recovery (chapter P-9.2.1) or by the person or body with whom or which that Minister has entered into an agreement under section 103 of that Act or section 27.3 of the Act to promote good citizenship (chapter C-20), as the case may be, there shall be included in computing, for that year, the aggregate referred to in the first paragraph of section 752.0.0.3, an amount equal to the total of

(a) in respect of a covered benefit attributable to the year and paid by an employer for the first 14 full days following the beginning of the individual's disability, the lesser of

i. the total of the covered benefits attributable to the year and paid by the employer for the first 14 full days following the beginning of the individual's disability, and

ii. the amount determined by the formula

$0.90 \times A/B \times C$; and

(b) in respect of a covered benefit attributable to the year, other than the covered benefit referred to in subparagraph *a*, for each day of the year for which the covered benefit is determined, in this section referred to as the "particular day", the lesser of the amounts determined for the particular day by the following formulas:

i. $[(0.90 \times D/E) - (F/E)] \times (1 - G)$, and

ii. $[(0.90 \times H/E) - I] \times (1 - G)$.

In the formulas in the first paragraph,

(a) A is

i. where the year is the taxation year 2023, $17,183, or

ii. where the year is a taxation year subsequent to the year 2023, the amount determined under the third paragraph of section 1015.3 that is applicable for the subsequent taxation year;

(b) B is the number of days in the year, excluding Saturdays and Sundays;

(c) C is the number of days in the year, excluding Saturdays and Sundays, between the day on which the individual's disability begins and the day on which the individual returns to work, but without exceeding 14 days;

(d) D is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan (chapter R-9), the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(e) E is the number of days in the year;

(f) F is the annual gross revenue from a suitable employment or employment held, for the particular day;

(g) G is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(h) H is the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2, to the extent that the amount is used by the Commission des normes, de l'équité, de la santé et de la sécurité du travail to establish the weighted net income for the purpose of computing, for the particular day, the covered benefit attributable to the year; and

(i) I is the lesser of

i. the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by dividing, by the number of days in the year, the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2, to the extent that the amount is used by the Commission des normes, de l'équité, de la santé et de la sécurité du travail to establish the weighted net income from a suitable employment or employment held, for the particular day;

(j) (subparagraph repealed);

(k) (subparagraph repealed).

For the purposes of subparagraph *f* and subparagraph i of subparagraph *i* of the second paragraph, "annual gross revenue from a suitable employment or employment held", for a particular day, means the annual gross revenue relating to a suitable employment or employment held that is taken into account in determining, for the particular day, the covered benefit attributable to the year, including the annual gross revenue from any benefit paid to the individual, because of a termination of employment, under an Act of Québec or of any other jurisdiction, other than the Act respecting industrial accidents and occupational diseases (chapter A-3.001), that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year following that for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

2005, c. 38, s. 137; 2009, c. 5, s. 264; 2015, c. 15, s. 237; 2017, c. 29, s. 123; 2021, c. 13, s. 145; 2023, c. 19, s. 51.

752.0.0.5. If section 752.0.0.3 applies to an individual in respect of a covered benefit attributable to a taxation year and the amount of which is determined by the Société de l'assurance automobile du Québec, there shall be included, in computing for that year the aggregate referred to in the first paragraph of section 752.0.0.3, an amount equal to the aggregate of all amounts each of which is, for each day of the year for which the covered benefit is determined (in this section referred to as the "particular day"), equal to the product obtained by multiplying the lesser of the amounts determined for the particular day by the following formulas by the percentage determined for that day under the second paragraph:

(a) {[(0.90 × A/B) − (C × D/B)] × (1 − E)} − F/B; and

(b) {[(0.90 × G/B) − (C × H)] × (1 − E)} − F/B.

The percentage to which the first paragraph refers for a particular day is

(a) where, for the particular day, the covered benefit attributable to the year is determined in accordance with the Regulation respecting computation of the income replacement indemnity paid under the second and third paragraphs of section 40 of the Automobile Insurance Act (chapter A-25, r. 2.2), the percentage determined by the formula

40% × I/14,610; or

(b) in any other case, 100%.

In the formulas in the first and second paragraphs,

(a) A is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan (chapter R-9), the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(b) B is the number of days in the year;

(c) C is,

i. if only part of the net income from an employment held is used to reduce, for the particular day, the covered benefit attributable to the year, the percentage attributed under the public compensation plan in respect of that net income, and

ii. in any other case, 100%;

(d) D is the annual gross revenue from a suitable employment or employment held, for the particular day;

(e) E is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(f) F is the amount that is payable for the year as an old age pension or as a disability benefit payable under a plan established by a jurisdiction, other than Québec, that is equivalent to the plan established under the Act respecting the Québec Pension Plan, and that is, in determining, for the particular day, the covered benefit attributable to the year, used by the Société de l'assurance automobile du Québec to reduce the amount of that covered benefit;

(g) G is the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2, to the extent that the amount is used by the Société de l'assurance automobile du Québec to establish the weighted net income for the purpose of computing, for the particular day, the covered benefit attributable to the year;

(h) H is the lesser of

i. the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by dividing, by the number of days in the year, the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2, to the extent that the amount is used by the Société de l'assurance automobile du Québec to establish the weighted net income from a suitable employment or employment held, for the particular day; and

(i) (subparagraph repealed);

(j) I is the number of days corresponding to the value, established after applying the third paragraph of section 1 of the Regulation respecting computation of the income replacement indemnity paid under the second and third paragraphs of section 40 of the Automobile Insurance Act, of B in the formula that is provided for in that section 1 and that is used for the determination, for the particular day, of the covered benefit attributable to the year.

For the purposes of subparagraph *d* and subparagraph i of subparagraph *h* of the third paragraph, "annual gross revenue from a suitable employment or employment held", for a particular day, means the annual gross revenue relating to a suitable employment or employment held that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

Where this section applies in respect of a covered benefit attributable to the taxation year 2022 and that covered benefit is, as a consequence of the application of section 107 of the Act to amend the Automobile Insurance Act, the Highway Safety Code and other provisions (2022, chapter 13), determined, for a particular day of that taxation year that precedes 1 July 2022, in accordance with the Regulation respecting computation of the income replacement paid under the second and third paragraphs of section 40 of the Automobile Insurance Act, the lesser of the amounts determined for that day by the formulas in the first paragraph is deemed to be equal to zero.

2005, c. 38, s. 137; 2009, c. 5, s. 265; 2017, c. 29, s. 124; 2023, c. 2, s. 20.

752.0.0.6. If section 752.0.0.3 applies to an individual in respect of a covered benefit attributable to a taxation year and the amount of which is determined by an entity, other than the Commission des normes, de l'équité, de la santé et de la sécurité du travail and the Société de l'assurance automobile du Québec, there must be included in computing, for that year, the aggregate referred to in the first paragraph of section 752.0.0.3, an amount equal to the aggregate of all amounts each of which is, for each day of the year for which the covered benefit is determined (in this section referred to as the "particular day"), equal to the lesser of the amounts determined for the particular day by the following formulas:

(a) $\{[(A \times B/C) - (D \times E/C)] \times (1 - F)\} - G/C$; and

(b) $\{[(A \times H/C) - I] \times (1 - F)\} - G/C$.

In the formulas in the first paragraph,

(a) A is the percentage that applies to the income insured by the public compensation plan for the purpose of determining, for the particular day, the covered benefit attributable to the year;

(b) B is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with the public compensation plan, the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(c) C is the number of days in the year;

(d) D is,

i. if only a portion of the income, other than the recognized income on the date of the event giving rise to the covered benefit attributable to the year, is taken into consideration in determining, for the particular day, the covered benefit attributable to the year, the percentage attributed under the public compensation plan in respect of that income, and

ii. in any other case, 100%;

(e) E is the annual gross revenue from a suitable employment or employment held, for the particular day;

(f) F is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(g) G is the amount that is, in determining, for the particular day, the covered benefit attributable to the year, used to reduce the amount of that covered benefit;

(h) H is the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2; and

(i) I is the amount obtained by multiplying, by the percentage determined for the year under subparagraph *d*, the lesser of

i. the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by dividing, by the number of days in the year, the amount in dollars referred to in section 752.0.0.1 that is applicable for the year, with reference to section 750.2;

(j) (subparagraph repealed).

For the purposes of subparagraph *e* and subparagraph i of subparagraph *i* of the second paragraph, “annual gross revenue from a suitable employment or employment held”, for a particular day, means the annual gross revenue relating to a suitable employment or employment held, including any other amount that replaces work income, that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with the public compensation plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

2005, c. 38, s. 137; 2009, c. 5, s. 266; 2015, c. 15, s. 237; 2017, c. 29, s. 125.

752.0.1. An individual may deduct from the individual’s tax otherwise payable for a taxation year under this Part an amount equal to the amount obtained by multiplying the percentage specified in section 750.1 for the year by the aggregate of

(a) (paragraph repealed);

(b) (paragraph repealed);

(c) (paragraph repealed);

(d) for each person who is under 18 years of age throughout the year and who is a child of the individual if the person is a dependant of the individual in the year and if the person is not a person in respect of whom the individual's eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, deducts an amount under section 776.41.5 from the eligible spouse's tax otherwise payable for the year under this Part, $3,537 in respect of each completed term, without exceeding two, which began in the year and during which the person was in full-time attendance at an educational institution designated by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology for the purposes of the loans and bursaries program for full-time studies in vocational training at the secondary level and for full-time studies at the postsecondary level established under the Act respecting financial assistance for education expenses (chapter A-13.3), where the person was enrolled in an educational program referred to in section 752.0.2.1; and

(e) (paragraph repealed);

(f) $5,154 for each person, other than the individual's spouse, who

i. is related to the individual by blood, marriage or adoption,

ii. during the year, is 18 years of age or over,

iii. during the year, ordinarily lives with the individual,

iv. during the year, is dependent for support on the individual, and

v. is not a person in respect of whom

(1) the individual's eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, deducts an amount under section 776.41.5 from the eligible spouse's tax otherwise payable for the year under this Part, or

(2) an individual deducts an amount under section 776.41.14 from the individual's tax otherwise payable for the year under this Part;

(g) (paragraph repealed);

(h) (paragraph repealed);

(i) (paragraph repealed);

(j) (paragraph repealed).

1989, c. 5, s. 104; 1990, c. 7, s. 60; 1991, c. 8, s. 43; 1992, c. 1, s. 55; 1993, c. 19, s. 51; 1995, c. 1, s. 71; 1997, c. 14, s. 109; 1997, c. 31, s. 77; 1997, c. 85, s. 119; 1999, c. 83, s. 85; 2001, c. 51, s. 48; 2003, c. 9, s. 66; 2004, c. 21, s. 192; 2005, c. 1, s. 151; 2005, c. 28, s. 195; 2005, c. 38, s. 138; 2009, c. 5, s. 267; 2013, c. 28, s. 139; 2017, c. 29, s. 126; 2023, c. 19, s. 52.

752.0.1.1. If, for the purpose of establishing the amount that an individual may deduct from the individual's tax otherwise payable for a taxation year under section 752.0.1, the individual includes, in the aggregate referred to in that section, an amount under paragraph *f* of that section in respect of a person who reaches 18 years of age in the year, the amount that would otherwise be applicable for the year under that

paragraph is to be replaced by the proportion of that amount that the number of months in the year that follow the month in which that person reaches 18 years of age is of 12.

2005, c. 1, s. 152; 2005, c. 38, s. 139; 2009, c. 5, s. 268.

752.0.1.2. *(Repealed).*

2005, c. 1, s. 152; 2006, c. 13, s. 57; 2009, c. 5, s. 269.

752.0.2. The amount to which an individual is entitled under section 752.0.1 in respect of one person for a taxation year must be reduced by the amount that is the person's income for the year under this Part or, if the person was not resident in Canada throughout the year, that would be the person's income for the year under this Part, computed as if the person had been resident in Québec and in Canada throughout the year or, if the person died in the year, throughout the period of the year preceding the time of death.

For the purposes of the first paragraph, the income of a person for a taxation year under this Part must be computed without reference to paragraph *g* of section 312 and Chapter VII.1 of Title VI of Book III.

1989, c. 5, s. 104; 1995, c. 1, s. 72; 1997, c. 85, s. 120; 2002, c. 40, s. 67; 2003, c. 9, s. 67; 2005, c. 1, s. 153; 2009, c. 5, s. 270; 2017, c. 29, s. 127.

752.0.2.1. An educational program to which paragraph *d* of section 752.0.1 refers means any of the following programs that provides that each student taking the program spend not less than 9 hours per week on courses or work in the program:

(a) where the educational institution is situated in Québec, an educational program recognized by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology for the purposes of the loans and bursaries program for full-time studies in vocational training at the secondary level and for full-time studies at the postsecondary level established under the Act respecting financial assistance for education expenses (chapter A-13.3); and

(b) where the educational institution is situated outside Québec, an educational program at the college level or at the university level or the equivalent.

If the student is a person who is deemed to be pursuing studies on a full-time basis under section 752.0.2.2, the first paragraph is to be read as if "spend not less than nine hours per week on courses or work in the program" was replaced by "receive a minimum of 20 hours of instruction per month".

2001, c. 51, s. 49; 2005, c. 28, s. 195; 2005, c. 38, s. 140; 2013, c. 28, s. 139.

752.0.2.2. For the purposes of paragraph *d* of section 752.0.1, a person is deemed to be pursuing studies on a full-time basis during a taxation year if the person has a major functional deficiency within the meaning of the Regulation respecting financial assistance for education expenses (chapter A-13.3, r. 1), and the person, for this reason, pursues studies on a part-time basis during that taxation year.

2005, c. 38, s. 141.

752.0.3. A deduction may be granted under section 752.0.1, by virtue of paragraph *d* of that section, only if the enrolment at an educational institution in an educational program referred to in section 752.0.2.1 is proven by filing with the Minister a certificate in a prescribed form issued by the educational institution and containing the prescribed information.

1989, c. 5, s. 104; 1994, c. 22, s. 350; 1997, c. 85, s. 121; 2001, c. 51, s. 50.

752.0.4. *(Repealed).*

1989, c. 5, s. 104; 2003, c. 9, s. 68; 2005, c. 1, s. 154; 2009, c. 5, s. 271.

752.0.5. *(Repealed).*

1989, c. 5, s. 104; 2005, c. 1, s. 155.

752.0.5.1. *(Repealed).*

1999, c. 83, s. 86; 2005, c. 1, s. 155.

752.0.5.2. *(Repealed).*

2003, c. 9, s. 69; 2005, c. 1, s. 156; 2009, c. 5, s. 272.

752.0.6. *(Repealed).*

1989, c. 5, s. 104; 1994, c. 22, s. 256; 1998, c. 16, s. 185; 2003, c. 9, s. 70.

752.0.7. Where, for a taxation year, more than one individual is entitled to deduct an amount under sections 752.0.1 to 752.0.3 in respect of the same dependant, the following rules apply:

(a) the amount that an individual could deduct, but for this section, for the year under sections 752.0.1 to 752.0.3 in respect of that person shall be reduced to the proportion of that amount determined, in respect of the individual, by all the individuals who would so be entitled to a deduction for the year under those sections in respect of that person;

(b) the aggregate of the proportions determined for the purposes of paragraph *a* by all the individuals, in respect of that person, shall in no case exceed 1 for the year; and

(c) where the aggregate of the proportions determined for the purposes of paragraph *a* exceeds 1 for the year, the Minister may fix the amount deductible by each individual for the year under those sections in respect of that person.

1989, c. 5, s. 104; 2003, c. 9, s. 71; 2005, c. 1, s. 157; 2009, c. 5, s. 273.

CHAPTER I.0.2

TAX CREDIT FOR PERSONS LIVING ALONE, WITH RESPECT TO AGE AND FOR RETIREMENT INCOME

1989, c. 5, s. 104; 1997, c. 85, s. 122.

752.0.7.1. In this chapter,

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"family income" of an individual for a taxation year means the amount by which the aggregate of the income of the individual for the year and the income, for the year, of the individual's eligible spouse for the year exceeds $33,755.

1997, c. 85, s. 123; 2003, c. 9, s. 72; 2005, c. 1, s. 158; 2009, c. 5, s. 274; 2015, c. 36, s. 41; 2017, c. 29, s. 128.

752.0.7.2. *(Repealed).*

1997, c. 85, s. 123; 2003, c. 9, s. 73.

752.0.7.3. For the purposes of the definition of "family income" in section 752.0.7.1, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the

individual had been resident in Québec and in Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death.

1997, c. 85, s. 123; 2001, c. 53, s. 112; 2003, c. 9, s. 74.

752.0.7.4. An individual may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to the amount obtained by multiplying the percentage specified in section 750.1 for the year by the amount by which the aggregate of the following amounts exceeds 18.75% of the individual's family income for the year:

(a) in respect of the individual,

i. $1,707, if the individual is an individual described in the second paragraph for the year or if the following conditions are met:

(1) *(subparagraph repealed),*

(2) the individual ordinarily lives, throughout the year or, if the individual dies in the year, throughout the period of the year before the time of death, in a self-contained domestic establishment maintained by the individual and in which no person, other than the individual, a person under 18 years of age or a person of whom the individual is the father, mother, grandfather, grandmother, great-grandfather or great-grandmother and who is an eligible student for the year, within the meaning of section 776.41.12, lives during the year or, if the individual dies in the year, during the period of the year before the time of death, and

(3) the individual files with the Minister, for the year, in relation to the self-contained domestic establishment, a copy of the individual's account of property taxes for the year, or, if the individual is unable to file a copy of that account or if the individual does not own the self-contained domestic establishment, the prescribed form, on or before the individual's filing-due date for the year;

i.1. $2,107, if the individual meets the conditions set out in subparagraphs 2 and 3 of subparagraph i and

(1) the individual lives in the year with a person of whom the individual is the father or mother and who is an eligible student referred to in subparagraph 2 of subparagraph i, and

(2) at the end of the year or on the date of the individual's death, the individual has no child in respect of whom the individual is entitled to an amount deemed under section 1029.8.61.18, for the last month of the year, to be an overpayment of the individual's tax payable;

ii. the lesser of $2,782 and the amount obtained by multiplying the amount described in the third paragraph in respect of the individual for the year by 125%; and

iii. where the individual has reached 65 years of age before the end of the year, $3,132; and

(b) in respect of the individual's eligible spouse for the year,

i. $1,707, if the following conditions are met:

(1) *(subparagraph repealed),*

(2) the eligible spouse ordinarily lives, throughout the year, in a self-contained domestic establishment maintained by the eligible spouse and in which no person, other than the eligible spouse, a person under 18 years of age or a person of whom the eligible spouse is the father, mother, grandfather, grandmother, great-grandfather or great-grandmother and who is an eligible student for the year, within the meaning of section 776.41.12, lives during the year, and

(3) the individual files with the Minister, for the year, in relation to the self-contained domestic establishment, a copy of the account of property taxes, for the year, of the individual's eligible spouse, or, if

the individual is unable to file a copy of that account or if the spouse does not own the self-contained domestic establishment, the prescribed form, on or before the individual's filing-due date for the year, unless that copy or the form is otherwise filed with the Minister for the year by the spouse;

i.1. $2,107, if the eligible spouse meets the conditions set out in subparagraphs 2 and 3 of subparagraph i and

(1) the eligible spouse lives in the year with a person of whom the eligible spouse is the father or mother and who is an eligible student referred to in subparagraph 2 of subparagraph i, and

(2) at the end of the year or on the date of the eligible spouse's death, the eligible spouse has no child in respect of whom the eligible spouse is entitled to an amount deemed under section 1029.8.61.18, for the last month of the year, to be an overpayment of the eligible spouse's tax payable;

ii. the lesser of $2,782 and the amount obtained by multiplying the amount described in the third paragraph in respect of the eligible spouse for the year by 125%; and

iii. where the eligible spouse has reached 65 years of age before the end of the year, $3,132.

The individual to whom the portion of subparagraph i of subparagraph *a* of the first paragraph before subparagraph 2 refers for a taxation year is the individual in respect of whom the following conditions are met:

(a) the individual does not have an eligible spouse for the year;

(b) the individual received, in the year, a basic benefit under the Basic Income Program provided for in Chapter VI of Title II of the Individual and Family Assistance Act (chapter A-13.1.1) that was increased by the adjustment for an adult without a spouse prescribed in section 177.73 of the Individual and Family Assistance Regulation (chapter A-13.1.1, r. 1); and

(c) the amount taken into consideration in computing the amount deducted, under section 752.0.0.1, from the individual's tax otherwise payable for the year under this Part is less than the aggregate of all amounts, included by the individual in computing income for the year, each of which is

i. where the individual became, in the year, a recipient under the Basic Income Program,

(1) financial assistance paid under that program,

(2) financial assistance paid under the Social Solidarity Program provided for in Chapter II of Title II of the Individual and Family Assistance Act, or

(3) an amount described in subparagraph 1 or 2 of the first paragraph of section 177.46 of the Individual and Family Assistance Regulation, or

ii. in any other case, financial assistance paid under the Basic Income Program.

The amount to which subparagraph ii of subparagraph *a* of the first paragraph refers for a taxation year in respect of an individual or, as the case may be, the amount to which subparagraph ii of subparagraph *b* of that paragraph refers for a taxation year in respect of the eligible spouse of an individual for the year is equal to the aggregate of

(a) the amount described in section 752.0.8 for the year in respect of the individual or, as the case may be, the amount described in section 752.0.8 for the year in respect of that eligible spouse;

(b) the aggregate of all amounts received in the year by the individual on account of a retirement income security benefit payable under Part 2 of the Veterans Well-being Act (S.C. 2005, c. 21) or, as the case may be, the aggregate of all amounts received as such in the year by that eligible spouse; and

(c) the aggregate of all amounts received in the year by the individual on account of an income replacement benefit payable under Part 2 of the Veterans Well-being Act, if the amount is determined under subsection 1 of section 19.1, paragraph *b* of subsection 1 of section 23 or subsection 1 of section 26.1 of that Act (as modified, where applicable, under Part 5 of that Act) or, as the case may be, the aggregate of all amounts received as such in the year by that eligible spouse.

1997, c. 85, s. 123; 1999, c. 83, s. 87; 2001, c. 51, s. 51; 2002, c. 40, s. 68; 2003, c. 9, s. 75; 2005, c. 1, s. 159; 2009, c. 5, s. 275; 2009, c. 15, s. 135; 2011, c. 1, s. 38; 2015, c. 36, s. 42; 2017, c. 29, s. 129; 2019, c. 14, s. 215; 2020, c. 16, s. 102; 2024, c. 11, s. 73.

752.0.7.4.1. If, for the purpose of establishing the amount that an individual may deduct from the individual's tax otherwise payable for a taxation year under section 752.0.7.4, the individual includes, in the aggregate referred to in the first paragraph of that section, a particular amount under subparagraph i.1 of subparagraph *a* or *b* of the first paragraph of section 752.0.7.4 and the individual or the individual's eligible spouse for the year, as the case may be, was entitled to receive, for a month of the year, an amount deemed under section 1029.8.61.18 to be an overpayment of their tax payable for the year, the particular amount that would otherwise be applicable for the year under that subparagraph is to be reduced by the proportion of that particular amount that the number of months in the year in respect of which the individual or the individual's eligible spouse was entitled to such a deemed amount is of 12.

2009, c. 5, s. 276; 2019, c. 14, s. 216.

752.0.7.5. Where, for a taxation year, a particular individual to whom section 752.0.7.4 applies has an eligible spouse for the year who is also an individual to whom that section applies,

(a) the amount deductible by the particular individual for the year under section 752.0.7.4, determined without reference to this section, shall be reduced by such portion of the amount as the particular individual and the eligible spouse agree to attribute to the eligible spouse for the year in the prescribed form filed with the Minister by the particular individual with the particular individual's fiscal return under this Part for the year;

(b) the amount deductible by the eligible spouse for the year under section 752.0.7.4, determined without reference to this section, shall be reduced by the amount determined for the year under paragraph *a* in respect of the particular individual;

(c) where the particular individual and the eligible spouse cannot agree on the portion of the amount that may be designated for the year in accordance with paragraph *a* in respect of the particular individual, the Minister may designate such portion and, for the purposes of paragraph *a*, the designation is deemed to have been made in prescribed form by the particular individual and the eligible spouse; and

(d) the amount determined for the year under paragraph *a* in respect of the particular individual and the amount determined for the year under paragraph *b* in respect of the eligible spouse are deemed to be the amount deductible by the particular individual for the year under that section 752.0.7.4 and the amount so deductible by the eligible spouse for the year, respectively.

1997, c. 85, s. 123; 2020, c. 16, s. 103.

752.0.7.6. An individual who has an eligible spouse for a taxation year is entitled to the deduction under section 752.0.7.4 for the taxation year only if the individual files with the Minister, together with the individual's fiscal return under this Part for the year, a certificate from the spouse in prescribed form.

1997, c. 85, s. 123.

752.0.7.7. Where an individual in respect of whom the conditions provided for in the second paragraph of section 752.0.7.4 are met for a taxation year did not, for the purpose of determining the amount that the individual may deduct from tax otherwise payable for the year under section 752.0.7.4, include the amount granted for the year under subparagraph i of subparagraph *a* of the first paragraph of section 752.0.7.4 in the aggregate described in that paragraph and where the individual filed a fiscal return under this Part for the year,

the individual is deemed to have deducted from tax otherwise payable for the year, under section 752.0.7.4, an amount equal to the amount by which the amount that the individual could have deducted for the year under that section if such an inclusion had been made exceeds the amount deducted for the year under that section.

2024, c. 11, s. 74.

752.0.8. The amount to which subparagraph *a* of the third paragraph of section 752.0.7.4 refers for a taxation year in respect of an individual or, as the case may be, of an individual's eligible spouse for the year is equal to the aggregate of

(a) the aggregate of all amounts each of which is an amount included in computing the individual's or, as the case may be, the eligible spouse's income for the year that is

i. a payment in respect of a life annuity out of or under a pension plan (other than a pooled registered pension plan) or a specified pension plan,

ii. an annuity payment under a registered retirement savings plan or under a new plan as referred to in section 914 or under an annuity in respect of which an amount is included in computing the individual's or, as the case may be, the eligible spouse's income by reason of paragraph *c*.2 of section 312,

iii. a payment out of or under a registered retirement income fund or under an amended fund as referred to in section 961.9,

iii.1. a payment, other than a payment described in subparagraph i, payable on a periodic basis under a money purchase provision, within the meaning assigned by section 965.0.1, of a registered pension plan,

iii.2. an amount included under Title VI.0.2 of Book VII,

iv. an annuity payment under a deferred profit sharing plan or under a plan the registration of which is revoked by virtue of subsection 14 or 14.1 of section 147 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)),

v. a payment described in subparagraph v of paragraph *k* of subsection 2 of section 147 in the English text of the Income Tax Act, or

vi. the amount by which an annuity payment included in computing the individual's or, as the case may be, the eligible spouse's income for the year under paragraph *c* of section 312, other than an income-averaging annuity payment respecting income from artistic activities, exceeds the capital element of that payment as determined under paragraph *f* of section 336;

vii. an amount the inclusion of which is required under section 965.0.39; and

(b) the aggregate of all amounts each of which is an amount included in computing the individual's or, as the case may be, the eligible spouse's income for the year by reason of sections 92.11 to 92.19.

1989, c. 5, s. 104; 1991, c. 25, s. 90; 1993, c. 16, s. 280; 1997, c. 14, s. 110; 1997, c. 85, s. 124; 1998, c. 16, s. 251; 2005, c. 23, s. 93; 2007, c. 12, s. 85; 2009, c. 15, s. 136; 2013, c. 10, s. 50; 2015, c. 21, s. 274; 2019, c. 14, s. 217; 2022, c. 23, s. 57; 2024, c. 11, s. 75.

752.0.9. *(Repealed).*

1989, c. 5, s. 104; 1991, c. 25, s. 91; 1994, c. 22, s. 257; 1997, c. 14, s. 111; 1997, c. 85, s. 125; 1999, c. 83, s. 88.

752.0.10. The amounts described in section 752.0.8 do not include any amount that is

(a) the amount of any pension, supplement or allowance received under the Old Age Security Act (R.S.C. 1985, c. O-9) or a similar payment made under a provincial law;

(b) the amount of any benefit paid under the Act respecting the Québec Pension Plan (chapter R-9) or under a similar plan within the meaning of the said Act;

(c) a death benefit;

(d) the amount by which a particular amount required to be included in computing the individual's income for the year exceeds the amount by which the particular amount exceeds the aggregate of all amounts each of which is deducted otherwise than under the first paragraph of section 336.11 by the individual for the year in respect of that particular amount;

(e) an amount received out of or under a retirement compensation arrangement, a salary deferral arrangement, an employee trust or an employee benefit plan;

(e.1) a payment, other than a payment under the Judges Act (R.S.C. 1985, c. J-1) or the Lieutenant Governors Superannuation Act (R.S.C. 1985, c. L-8), received out of or under an unfunded supplemental plan or arrangement, being a plan or arrangement where

i. the payment was in respect of services rendered to an employer by the individual or the individual's spouse or former spouse as an employee, and

ii. the plan or arrangement would have been a retirement compensation arrangement or an employee benefit plan had the employer made a contribution in respect of the payment to a trust governed by the plan or arrangement; or

(f) an amount that is

i. an amount included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year,

ii. *(subparagraph repealed);*

iii. the part of an amount, included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of a specified period of the individual, established under the fourth paragraph of section 65 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined under subparagraph 1 of the second paragraph of that section 65 in respect of that period.

1989, c. 5, s. 104; 1997, c. 31, s. 78; 1999, c. 83, s. 89; 1999, c. 86, s. 99; 2000, c. 39, s. 59; 2001, c. 53, s. 113; 2003, c. 9, s. 76; 2004, c. 21, s. 193; 2005, c. 38, s. 142; 2009, c. 5, s. 277; 2013, c. 10, s. 51; 2022, c. 23, s. 58.

752.0.10.0.1. For the purposes of section 752.0.8, a payment in respect of a life annuity under a pension plan is deemed to include a payment in respect of bridging benefits, being benefits payable under a registered pension plan on a periodic basis and not less frequently than annually to an individual if

(a) the individual or the individual's spouse or former spouse was a member, within the meaning of section 965.0.1, of the registered pension plan;

(b) the benefits are payable for a period that ends no later than the end of the month following the month in which the member reaches 65 years of age or would have reached that age but for the member's death; and

(c) the amount, expressed on an annual basis, of the benefits payable to the individual for a calendar year does not exceed the total of the maximum amount of benefits payable for that year under Part I of the Old Age Security Act (R.S.C. 1985, c. O-9) and the maximum amount of benefits, other than disability, death or

survivor benefits, payable for that year under either the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of paragraph *u* of section 1 of that Act.

2009, c. 5, s. 278.

CHAPTER I.0.2.0.1

TAX CREDIT FOR CAREER EXTENSION

2011, c. 34, s. 36; 2019, c. 14, s. 218.

752.0.10.0.2. In this chapter,

"eligible work income" of an individual for a taxation year means the aggregate of all amounts, other than excluded work income, each of which is

(a) an amount included under any of sections 32 to 58.3 in computing the individual's income for the year from an office or employment;

(b) the amount by which the individual's income for the year from any business the individual carries on either alone or as a partner actively engaged in the business exceeds the aggregate of the individual's losses for the year from such businesses;

(c) an amount included in computing the individual's income for the year under paragraph *e*.2 or *e*.6 of section 311; or

(d) an amount included in computing the individual's income for the year under paragraph *h* of section 312;

"excluded work income" of an individual for a taxation year means

(a) an amount included in computing the individual's income for the year from a previous office or employment, if each of the amounts that make up the income is the value of a benefit received or enjoyed by the individual in the year because of that office or employment;

(b) an amount deducted in computing the individual's taxable income for the year; or

(c) (paragraph repealed);

(d) an amount included in computing the individual's income for the year from an office or employment with an employer, where the individual does not deal at arm's length with the employer or, if the latter is a partnership, with any of its members;

"reduction threshold" applicable for a taxation year means the amount referred to in subparagraph *d* of the fourth paragraph of section 750.2 that, taking into account the application of that section, is to be used for the year.

2011, c. 34, s. 36; 2015, c. 21, s. 275; 2015, c. 36, s. 43; 2017, c. 29, s. 130; 2019, c. 14, s. 219.

752.0.10.0.3. An individual who on the last day of a taxation year or, if the individual dies in the year, on the date of the individual's death is resident in Québec and is 60 years of age or over may, subject to the fourth paragraph, deduct from the individual's tax otherwise payable for the year under this Part an amount determined by the formula

$$(A \times B) - (0.05 \times C).$$

In the formula in the first paragraph,

(a) A is the percentage specified in paragraph *a* of section 750 that is applicable for the year;

(b) B is the amount determined under the third paragraph; and

(c) C is the amount by which the individual's eligible work income for the year exceeds the reduction threshold applicable for the year.

The amount to which subparagraph *b* of the second paragraph refers is

(a) where the individual is 66 years of age or over at the end of the year or, if the individual dies in the year, on the date of the individual's death, the lesser of $11,000 and the amount by which the individual's eligible work income for the year that is attributable to the year exceeds $5,000;

(b) where the individual is 65 years of age at the end of the year or, if the individual dies in the year, on the date of the individual's death, the lesser of $11,000 and the aggregate of

i. the lesser of $10,000 and the amount by which the individual's eligible work income for the year that is attributable to the period in the year throughout which the individual is 64 years of age exceeds $5,000, and

ii. the amount by which the individual's eligible work income for the year that is attributable to the period in the year throughout which the individual is 65 years of age exceeds the amount by which $5,000 exceeds the individual's eligible work income for the year that is attributable to the period in the year throughout which the individual is 64 years of age;

(c) where the individual is 61 to 64 years of age at the end of the year or, if the individual dies in the year, on the date of the individual's death, the lesser of $10,000 and the amount by which the individual's eligible work income for the year that is attributable to the year exceeds $5,000; or

(d) where the individual is 60 years of age at the end of the year or, if the individual dies in the year, on the date of the individual's death, the lesser of $10,000 and the amount by which the individual's eligible work income for the year that is attributable to the period in the year throughout which the individual is 60 years of age exceeds $5,000.

The amount that an individual born before 1 January 1951 may deduct under this section from the individual's tax otherwise payable under this Part for a particular taxation year cannot be less than the amount the individual could so deduct for the particular year if subparagraphs *b* and *c* of the second paragraph were read as follows:

"(*b*) B is the lesser of $4,000 and the amount by which the individual's eligible work income for the particular year that is attributable to the year exceeds $5,000; and

"(*c*) C is an amount equal to zero.

2011, c. 34, s. 36; 2015, c. 36, s. 44; 2017, c. 29, s. 131; 2019, c. 14, s. 220.

CHAPTER I.0.2.0.2

TAX CREDIT FOR VOLUNTEER FIREFIGHTERS

2012, c. 8, s. 113.

752.0.10.0.4. In this chapter,

"eligible volunteer firefighting services" means services (other than excluded services) provided by an individual in the individual's capacity as a volunteer firefighter to a fire safety service and that consist primarily of being on call for and responding to firefighting and related emergency calls, attending meetings held by the fire safety service and participating in required training related to the prevention or suppression of fires;

"excluded services" means services provided by an individual in the individual's capacity as a volunteer firefighter to a fire safety service to which the individual also provides firefighting services otherwise than as a volunteer;

"volunteer firefighter" has the meaning assigned by the third paragraph of section 39.6.

2012, c. 8, s. 113; 2017, c. 1, s. 188.

752.0.10.0.5. An individual who provides eligible volunteer firefighting services in a taxation year may deduct, from the individual's tax otherwise payable for the year under this Part, an amount equal to the product obtained by multiplying $5,000 by the percentage specified in paragraph *a* of section 750 that is applicable for the year if

(a) the individual performs in the year not less than 200 hours of service each of which is an hour of

i. eligible volunteer firefighting service for a fire safety service, or

ii. eligible search and rescue volunteer service for an eligible search and rescue organization, within the meaning assigned to those expressions by section 752.0.10.0.6; and

(b) the individual files with the Minister, at the request of and in the manner determined by the Minister, a written certificate from the fire chief or an authorized representative of each fire safety service to which the individual provided eligible volunteer firefighting services in the year, attesting to the number of hours of such services performed in the year by the individual for that fire safety service and, if applicable, the certificate referred to in paragraph *b* of section 752.0.10.0.7 in respect of the eligible search and rescue volunteer services performed by the individual in the year.

2012, c. 8, s. 113; 2015, c. 24, s. 99; 2024, c. 11, s. 76.

CHAPTER I.0.2.0.3

TAX CREDIT FOR SEARCH AND RESCUE VOLUNTEERS

2015, c. 24, s. 100.

752.0.10.0.6. In this chapter,

"eligible search and rescue organization" means a search and rescue organization

(a) that is a member of the Search and Rescue Volunteer Association of Canada, the Civil Air Search and Rescue Association or the Canadian Coast Guard Auxiliary; or

(b) whose status as a search and rescue organization is recognized by a provincial, municipal or public authority;

"eligible search and rescue volunteer services" means services (other than eligible volunteer firefighting services and excluded services) that are provided by an individual in the individual's capacity as a volunteer to an eligible search and rescue organization and that consist primarily of responding to and being on call for search and rescue and related emergency calls, attending meetings held by the organization and participating in required training related to search and rescue services;

"eligible volunteer firefighting services" has the meaning assigned by section 752.0.10.0.4;

"excluded services" means services provided by an individual in the individual's capacity as a volunteer to an organization to which the individual also provides search and rescue services otherwise than as a volunteer.

2015, c. 24, s. 100.

752.0.10.0.7. An individual who provides eligible search and rescue volunteer services in a taxation year may deduct, from the individual's tax otherwise payable for the year under this Part, an amount equal to the

product obtained by multiplying $5,000 by the percentage specified in paragraph *a* of section 750 that is applicable for the year if

(a) the individual performs in the year not less than 200 hours of service each of which is an hour of

i. eligible search and rescue volunteer service for an eligible search and rescue organization, or

ii. eligible volunteer firefighting service for a fire safety service;

(b) the individual files with the Minister, at the request of and in the manner determined by the Minister, a written certificate from the team president, or other individual who fulfils a similar role, of each eligible search and rescue organization to which the individual provided eligible search and rescue volunteer services in the year, attesting to the number of hours of such services performed in the year by the individual for that organization and, if applicable, the certificate referred to in paragraph *b* of section 752.0.10.0.5 in respect of the eligible volunteer firefighting services performed by the individual in the year; and

(c) the individual has not deducted an amount under section 752.0.10.0.5 for the year.

2015, c. 24, s. 100; 2024, c. 11, s. 77.

CHAPTER I.0.2.0.4

TAX CREDIT FOR FIRST-TIME HOME BUYERS

2019, c. 14, s. 221.

752.0.10.0.8. In this chapter,

"dwelling" means, as the case may be,

(a) a housing unit; or

(b) a share of the capital stock of a housing cooperative, the holder of which is entitled to possession of a housing unit;

"eligible dwelling" in relation to an individual means a dwelling situated in Québec that is acquired at a particular time after 31 December 2017

(a) by the individual or the individual's spouse where the dwelling is a first housing unit in respect of the individual and the latter intends to make it the individual's principal place of residence not later than one year after the particular time; or

(b) by the individual where the latter intends to make it, not later than one year after the particular time, the principal place of residence of a specified disabled person in respect of the individual at the particular time and the main purpose for which the individual acquired the dwelling is to enable the specified disabled person to live

i. in a dwelling that is more accessible by that person or in which that person is more mobile or can more easily perform tasks of daily living, or

ii. in an environment better suited to the personal needs and care of that person;

"first housing unit" in respect of an individual means a particular dwelling acquired by the individual or the individual's spouse where

(a) the individual did not own, alone or jointly, a dwelling in which the individual lived in the period that began on the first day of the fourth preceding calendar year ending before the acquisition of the particular dwelling and that ends on the day preceding the day of the acquisition of the particular dwelling; and

(b) the individual's spouse did not, in the period described in paragraph *a*, own, alone or jointly, a dwelling in which the individual lived during their marriage;

"specified disabled person", in respect of an individual at a particular time, means a person who

(a) is the individual or is, at the particular time, related to the individual; and

(b) is entitled to a deduction under section 752.0.14 in computing the person's tax payable for the person's taxation year that includes the particular time, or would be entitled to the deduction if no individual included, in computing a deduction under section 752.0.11 for that year, an amount in respect of remuneration for an attendant or care in a nursing home in respect of the person, or is a person in respect of whom an amount is deemed to be an overpayment of the tax payable of an individual for the month that includes the particular time under section 1029.8.61.18 by reason of subparagraph *b* of the second paragraph of that section.

For the purposes of the definitions of "eligible dwelling" and "first housing unit" in the first paragraph, the following rules apply:

(a) a person is considered to have acquired a dwelling described in paragraph *a* of the definition of "dwelling" in the first paragraph on the first day on which the person's right in the dwelling is published in the land register and the dwelling is habitable;

(b) a reference to a share described in paragraph *b* of the definition of "dwelling" in the first paragraph means the housing unit to which that share relates and the person who owns that share is considered to have acquired that dwelling on the first day on which the right conferred by that share is published in the land register and the housing unit is habitable;

(c) a person is not considered to be the spouse of an individual at a particular time if the person is living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time;

(d) where an individual would, but for this subparagraph, have more than one spouse at a particular time, the individual is deemed, at that time, to have only one spouse and to be the spouse of that person only; and

(e) where a person would, but for this subparagraph, be the spouse of more than one individual at a particular time, the Minister may designate which of the individuals is deemed to have that person as sole spouse at that time and that person is deemed to be the spouse at that time solely of the individual so designated.

2019, c. 14, s. 221; 2020, c. 16, s. 104.

752.0.10.0.9. An individual (other than a trust) who is resident in Québec at the end of a taxation year may, if an eligible dwelling in relation to the individual is acquired in that year, deduct, from the individual's tax otherwise payable for that year under this Part, an amount equal to the product obtained by multiplying $10,000 by the rate specified in paragraph *a* of section 750 that is applicable for the year.

For the purposes of the first paragraph, where an individual dies or ceases to be resident in Canada in a taxation year, the last day of the individual's taxation year is the day of the individual's death or the last day the individual was resident in Canada, as the case may be.

2019, c. 14, s. 221; 2023, c. 19, s. 53.

752.0.10.0.10. Where more than one individual may deduct, from their tax otherwise payable for a taxation year, an amount under section 752.0.10.0.9 in relation to the acquisition of an eligible dwelling, the total of the amounts that each of the individuals may deduct for the year under that section, in relation to the acquisition, may not exceed the particular amount obtained by multiplying $10,000 by the rate specified in paragraph *a* of section 750 that is applicable for the year.

Where the individuals cannot agree as to what portion of the particular amount each may deduct for the year under section 752.0.10.0.9, in relation to the acquisition, the Minister may determine what portion of that particular amount each individual may deduct under that section for the year.

2019, c. 14, s. 221; 2023, c. 19, s. 54.

CHAPTER I.0.2.1

TAX CREDITS FOR GIFTS

1993, c. 64, s. 67; 2015, c. 21, s. 276.

752.0.10.1. In this chapter,

"eligible agricultural product" means a product from a recognized farming business that is included in categories of meat or meat by-products, eggs, dairy products, fish, fruits, vegetables, grains, legumes, herbs, honey, maple syrup, mushrooms, nuts or anything else that is grown, raised or harvested and may legally be sold, distributed or offered for sale at a place other than the place where it is produced as food or drink intended for human consumption;

"eligible cultural donee" means

(a) a registered charity operating in Québec in the field of arts or culture;

(b) a registered cultural or communications organization;

(c) a registered museum;

(d) a museum established under the National Museums Act (chapter M-44); or

(e) a museum situated in Québec and established under the Museums Act (S.C. 1990, chapter 3);

"eligible food product" means milk, oil, flour, sugar, frozen vegetables, pasta, prepared meals, baby foods and infant formula;

"excepted gift" of an individual means the gift of a share made by the individual if

(a) the donee is not a private foundation;

(b) where the individual is the succession of a particular individual that is a graduated rate estate, the particular individual dealt at arm's length with the donee immediately before the particular individual's death and the succession of the particular individual that is a graduated rate estate deals at arm's length with the donee (determined without reference to paragraph *b* of section 18), or, in any other case, the individual deals at arm's length with the donee; and

(c) where the donee is a charitable organization or a public foundation, the individual deals at arm's length with each director, trustee, officer and like official of the donee;

"major cultural gift" of an individual, other than a trust, for a particular taxation year means the eligible amount of a gift of money, up to $25,000, made by the individual after 3 July 2013 or by the individual's succession after 31 December 2015, provided the gift is made to an eligible cultural donee and the following conditions are met in respect of the gift:

(a) the eligible amount of the gift is at least $5,000; and

(b) the conditions set out in section 752.0.10.2.1 are met in respect of the eligible amount of the gift; and

(c) the gift is made

i. by the individual in the particular year or in any of the four preceding taxation years,

ii. by the individual in the year of the individual's death if the particular year is the taxation year that precedes the year of the death, or

iii. by the individual's succession if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is the taxation year in which the individual dies or the preceding taxation year;

"non-qualifying security" of an individual at any time means

(a) an obligation, other than an obligation of a financial institution described in the third paragraph to repay an amount deposited with the institution or an obligation listed on a designated stock exchange, of the individual or the individual's succession or of any person or partnership with whom or with which the individual or the succession does not deal at arm's length immediately after that time;

(b) a share, other than a share listed on a designated stock exchange, of the capital stock of a corporation with which the individual or the succession or, if the individual is a trust, a person affiliated with the trust, does not deal at arm's length immediately after that time;

(b.1) a beneficial interest of the individual or the succession in a trust that

i. immediately after that time is affiliated with the individual or the succession, or

ii. holds, immediately after that time, a non-qualifying security of the individual or succession, or held, at or before that time, a share described in paragraph *b* that is, after that time, held by the donee; or

(c) any other security, other than a security listed on a designated stock exchange, issued or contracted by the individual or the succession or by any person or partnership with which the individual or the succession does not deal at arm's length immediately after that time or, if the person is a trust, with which the individual or the succession is affiliated immediately after that time;

"patronage gift" of an individual, other than a trust, means a gift of money made in the same taxation year by the individual after 3 July 2013, or by the individual's succession after 31 December 2015, to an eligible cultural donee if the eligible amount of the gift is

(a) at least $25,000, where the gift is made in satisfaction of a registered pledge; or

(b) at least $250,000, in any other case;

"qualified property" means property that is

(a) land situated in Québec which, in the opinion of the Minister of Sustainable Development, Environment and Parks, has undeniable ecological value;

(b) a personal servitude which has a term of not less than 100 years or a real servitude granted for the benefit of land belonging to an entity referred to in any of subparagraphs i to ii.1 of paragraph *b* of the definition of "total gifts of qualified property" and encumbering the whole or part of land situated in Québec which, in the opinion of the Minister of Sustainable Development, Environment and Parks, has undeniable ecological value;

(c) land situated in a region bordering on Québec which, in the opinion of the Minister of Sustainable Development, Environment and Parks, has undeniable ecological value, the preservation and conservation of which is important to the protection and development of Québec's ecological heritage; or

(d) a personal servitude which has a term of not less than 100 years or a real servitude granted for the benefit of land belonging to an entity referred to in any of subparagraphs iii to vi of paragraph *b* of the definition of "total gifts of qualified property" and encumbering the whole or part of land situated in a region bordering on Québec which, in the opinion of the Minister of Sustainable Development, Environment and Parks, has undeniable ecological value, the preservation and conservation of which is important to the protection and development of Québec's ecological heritage;

"recognized farm producer" means an individual who carries on a recognized farming business or an individual who is a member of a partnership that carries on such a business;

"recognized farming business" means an agricultural operation registered with the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation in accordance with section 36.0.1 of the Act respecting the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (chapter M-14);

"registered pledge" means a pledge recorded by the Minister of Culture and Communications in the register created by that Minister under section 752.0.10.15.4;

"total charitable gifts" of an individual for a particular taxation year means the aggregate of all amounts each of which is the eligible amount of a gift (other than a gift all or part of the eligible amount of which is included in the total cultural gifts, total gifts of qualified property or total musical instrument gifts of an individual for a taxation year or a gift the eligible amount of which is taken into account in computing the amount an individual deducts under section 752.0.10.6.2, for a taxation year), in respect of which the following conditions are met:

(a) the gift is made to a qualified donee;

(b) the gift is made,

i. where the individual is not a trust,

(1) by the individual in the particular year or in any of the five preceding taxation years,

(2) by the individual in the year in which the individual dies if the particular year is the taxation year that precedes the taxation year in which the individual dies, or

(3) by the individual's succession if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is the taxation year in which the individual dies or the preceding taxation year, or

ii. where the individual is a trust,

(1) by the trust in the particular year or in any of the five preceding taxation years,

(2) by the trust if the trust is an individual's succession, if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is a taxation year in which the succession is the succession of the individual that is a graduated rate estate and that precedes the taxation year in which the gift is made, or

(3) by the trust if the end of the particular year is determined under subparagraph *a* of the first paragraph of section 663.0.1 because of an individual's death, if the gift is made after the particular year and on or before the trust's filing-due date for the particular year and if the subject of the gift is property that is held by the trust at the time of the individual's death or is property that was substituted for that property; and

(c) the conditions of section 752.0.10.2 are met in respect of the eligible amount of the gift;

"total cultural gifts" of an individual for a particular taxation year means the aggregate of all amounts each of which is the eligible amount of a gift (other than a gift all or part of the eligible amount of which is included in the total musical instrument gifts of an individual for a taxation year), in respect of which the following conditions are met:

(a) the gift is made to

i. an institution or public authority referred to in subparagraph *a* of the third paragraph of section 232, where the subject of the gift is a cultural property described in that paragraph, or

ii. a museum established under the Act respecting the Montréal Museum of Fine Arts (chapter M-42) or the National Museums Act, a certified archival centre or a recognized museum, if the gift has as its subject a cultural property described in subparagraph *c* of the third paragraph of section 232, unless it is also described in subparagraph *a* of that third paragraph;

(b) the gift is made,

i. where the individual is not a trust,

(1) by the individual in the particular year or in any of the five preceding taxation years,

(2) by the individual in the year in which the individual dies if the particular year is the taxation year that precedes the taxation year in which the individual dies, or

(3) by the individual's succession if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is the taxation year in which the individual dies or the preceding taxation year, or

ii. where the individual is a trust,

(1) by the trust in the particular year or in any of the five preceding taxation years,

(2) by the trust if the trust is an individual's succession, if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is a taxation year in which the succession is the succession of the individual that is a graduated rate estate and that precedes the taxation year in which the gift is made, or

(3) by the trust if the end of the particular year is determined under subparagraph *a* of the first paragraph of section 663.0.1 because of an individual's death, if the gift is made after the particular year and on or before the trust's filing-due date for the particular year and if the subject of the gift is property that is held by the trust at the time of the individual's death or is property that was substituted for that property; and

(c) the conditions of section 752.0.10.2 are met in respect of the eligible amount of the gift;

"total gifts of qualified property" of an individual for a particular taxation year means the aggregate of all amounts each of which is the eligible amount of a gift (other than a gift all or part of the eligible amount of which is included in the total cultural gifts of an individual for a taxation year), in respect of which the following conditions are met:

(a) the fair market value of the gift is certified by the Minister of Sustainable Development, Environment and Parks;

(b) the gift is made to any of the following entities that is, except in the case provided for in subparagraph v, a qualified donee:

i. a registered charity (other than a private foundation) whose mission in Québec, at the time of the gift, consists mainly, in the opinion of the Minister of Sustainable Development, Environment and Parks, in the conservation of the ecological heritage and that is, in the opinion of that Minister, an appropriate donee in the circumstances, if the subject of the gift is property referred to in paragraph *a* or *b* of the definition of "qualified property",

ii. the State or Her Majesty in right of Canada, if the subject of the gift is property referred to in paragraph *a* or *b* of the definition of "qualified property",

ii.1. a municipality in Québec or a municipal or public body performing a function of government in Québec that is, in the opinion of the Minister of Sustainable Development, Environment and Parks, an appropriate donee in the circumstances, if the subject of the gift is property referred to in paragraph *a* or *b* of the definition of "qualified property",

iii. a registered charity (other than a private foundation) one of whose main missions, at the time of the gift, consists, in the opinion of the Minister of the Environment of Canada, in the conservation and protection of Canada's environmental heritage and that is, in the opinion of the Minister of Sustainable Development, Environment and Parks, an appropriate donee in the circumstances, if the subject of the gift is property referred to in paragraph *c* or *d* of the definition of "qualified property",

iv. the State or Her Majesty in right of Canada or a province, other than Québec, if the subject of the gift is property referred to in paragraph *c* or *d* of the definition of "qualified property",

iv.1. a municipality in Canada or a municipal or public body performing a function of government in Canada that is, in the opinion of the Minister of Sustainable Development, Environment and Parks, an appropriate donee in the circumstances, if the subject of the gift is property referred to in paragraph *c* or *d* of the definition of "qualified property",

v. the United States or any state of that country, if the subject of the gift is property referred to in paragraph *c* or *d* of the definition of "qualified property", or";

vi. a municipality in the United States or a municipal or public body performing a function of government in the United States that is, in the opinion of the Minister of Sustainable Development, Environment and Parks, an appropriate donee in the circumstances, if the subject of the gift is property referred to in paragraph *c* or *d* of the definition of "qualified property";

(c) the gift is made,

i. where the individual is not a trust,

(1) by the individual in the particular year or in any of the 10 preceding taxation years,

(2) by the individual in the year in which the individual dies if the particular year is the taxation year that precedes the taxation year in which the individual dies, or

(3) by the individual's succession if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is the taxation year in which the individual dies or the preceding taxation year, or

ii. where the individual is a trust,

(1) by the trust in the particular year or in any of the 10 preceding taxation years,

(2) by the trust if the trust is an individual's succession, if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is a taxation year in which the succession is the succession of the individual that is a graduated rate estate and that precedes the taxation year in which the gift is made, or

(3) by the trust if the end of the particular year is determined under subparagraph *a* of the first paragraph of section 663.0.1 because of an individual's death, if the gift is made after the particular year and on or before the trust's filing-due date for the particular year and if the subject of the gift is property that is held by the trust at the time of the individual's death or is property that was substituted for that property; and

(d) the conditions of section 752.0.10.2 are met in respect of the eligible amount of the gift;

"total musical instrument gifts" of an individual for a particular taxation year means the aggregate of all amounts each of which is the eligible amount of a gift the subject of which is a musical instrument, in respect of which the following conditions are met:

(a) the gift is made to any of the following entities that is situated in Québec:

i. an elementary or secondary educational institution to which the Education Act (chapter I-13.3) or the Education Act for Cree, Inuit and Naskapi Native Persons (chapter I-14) applies,

ii. a college governed by the General and Vocational Colleges Act (chapter C-29),

iii. a private educational institution accredited for purposes of subsidies under the Act respecting private education (chapter E-9.1),

iv. an educational institution at the university level within the meaning of the Act respecting educational institutions at the university level (chapter E-14.1), and

v. an institution providing instruction in music and forming part of the network of the Conservatoire de musique et d'art dramatique du Québec;

(b) the gift is made,

i. where the individual is not a trust,

(1) by the individual in the particular year or in any of the five preceding taxation years,

(2) by the individual in the year in which the individual dies if the particular year is the taxation year that precedes the taxation year in which the individual dies, or

(3) by the individual's succession if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is the taxation year in which the individual dies or the preceding taxation year, or

ii. where the individual is a trust,

(1) by the trust in the particular year or in any of the five preceding taxation years,

(2) by the trust if the trust is an individual's succession, if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is a taxation year in which the succession is the succession of the individual that is a graduated rate estate and that precedes the taxation year in which the gift is made, or

(3) by the trust if the end of the particular year is determined under subparagraph *a* of the first paragraph of section 663.0.1 because of an individual's death, if the gift is made after the particular year and on or before the trust's filing-due date for the particular year and if the subject of the gift is property that is held by the trust at the time of the individual's death or is property that was substituted for that property; and

(c) the conditions of paragraph *b* of section 752.0.10.2 are met in respect of the eligible amount of the gift;

"total patronage gifts" of an individual, other than a trust, for a particular taxation year means the aggregate of all amounts each of which is the eligible amount of a patronage gift (other than a gift the eligible amount of which was taken into account in computing the amount deducted by an individual for a taxation year under section 752.0.10.6 or 752.0.10.6.1), in respect of which the following conditions are met:

(a) the gift is made

i. by the individual in the particular year or in any of the five preceding taxation years,

ii. by the individual in the year in which the individual dies if the particular year is the taxation year that precedes the taxation year in which the individual dies, or

iii. by the individual's succession if section 752.0.10.10.0.1 applies in respect of the gift and if the particular year is the taxation year in which the individual dies or the preceding taxation year; and

(b) the conditions of section 752.0.10.2.2 are met in respect of the eligible amount of the gift.

For the purposes of paragraphs *c* and *d* of the definition of "qualified property" in the first paragraph, a region bordering on Québec is a province or a state of the United States sharing a common border with Québec.

For the purposes of the definition of "eligible agricultural product" in the first paragraph, a processed product may be considered to be an eligible agricultural product only if the product was processed no more than to the extent necessary so that it is permitted to be legally sold, distributed or offered for sale at a place other than the place where it is produced as food or drink intended for human consumption.

For the purposes of paragraph *a* of the definition of "non-qualifying security" in the first paragraph, "financial institution" means a corporation that is

(a) a member of the Canadian Payments Association; or

(b) a savings and credit union that is a member or shareholder of a body corporate, in this Act referred to as a corporation, or organization that is a central for the purposes of the Canadian Payments Act (R.S.C. 1985, c. C-21).

1993, c. 64, s. 67; 1994, c. 22, s. 350; 1995, c. 1, s. 73; 1995, c. 49, s. 173; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1998, c. 16, s. 251; 1999, c. 36, s. 160; 1999, c. 83, s. 90; 2000, c. 5, s. 162; 2001, c. 7, s. 169; 2003, c. 2, s. 211; 2003, c. 9, s. 77; 2004, c. 21, s. 194; 2005, c. 23, s. 94; 2006, c. 3, s. 35; 2006, c. 36, s. 65; 2009, c. 5, s. 279; 2009, c. 15, s. 137; 2010, c. 5, s. 59; 2012, c. 8, s. 114; 2015, c. 21, s. 277; 2015, c. 24, s. 101; 2015, c. 36, s. 45; 2017, c. 1, s. 189; 2017, c. 29, s. 132; 2019, c. 14, s. 222; 2020, c. 7, s. 40; 2023, c. 2, s. 21.

752.0.10.1.1. For the purposes of the definitions of "patronage gift" and "major cultural gift" in the first paragraph of section 752.0.10.1, where an individual, other than a trust, makes several gifts of money in a taxation year to the same eligible cultural donee, the aggregate of the gifts is deemed to be a single gift, in the year to that donee, the eligible amount of which is equal to the aggregate of all amounts each of which is the eligible amount of each of the gifts.

2015, c. 21, s. 278.

752.0.10.2. The conditions to which the definitions of "total charitable gifts", "total Crown gifts", "total cultural gifts", "total gifts of qualified property" and "total musical instrument gifts" in the first paragraph of section 752.0.10.1 refer in respect of an amount for a taxation year in relation to an individual are as follows:

(a) the amount was not deducted in computing the individual's taxable income for a taxation year ending before 1 January 1993;

(b) the amount was not taken into account in determining an amount that was deducted under section 752.0.10.6 in computing an individual's tax payable under this Part for a taxation year, or in determining an amount that was deducted under section 118.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in computing an individual's tax payable under that Act for a taxation year in respect of which the individual was not subject to tax under this Part.

1993, c. 64, s. 67; 1995, c. 1, s. 74; 1995, c. 63, s. 544; 1997, c. 14, s. 112; 2015, c. 21, s. 279; 2017, c. 29, s. 133.

752.0.10.2.1. The conditions to which the definition of "major cultural gift" in the first paragraph of section 752.0.10.1 refers in respect of an amount for a taxation year in relation to an individual, other than a trust, are as follows:

(a) the amount was not taken into account in determining an amount that was deducted under section 752.0.10.6.1 in computing the individual's tax payable under this Part for a preceding taxation year; and

(b) the amount was not taken into account in determining an amount that was deducted under section 118.1 of the Income Tax Act (R.S.C. 1985, chapter 1 (5th Suppl.)) in computing the individual's tax payable under that Act for a preceding taxation year in respect of which the individual was not subject to tax under this Part.

2015, c. 21, s. 280.

752.0.10.2.2. The conditions to which the definition of "total patronage gifts" in the first paragraph of section 752.0.10.1 refers in respect of an amount for a taxation year in relation to an individual, other than a trust, are as follows:

(a) the amount was not taken into account in determining an amount that was deducted under section 752.0.10.6.2 in computing the individual's tax payable under this Part for a preceding taxation year; and

(b) the amount was not taken into account in determining an amount that was deducted under section 118.1 of the Income Tax Act (R.S.C. 1985, chapter 1 (5th Suppl.)) in computing the individual's tax payable

under that Act for a preceding taxation year in respect of which the individual was not subject to tax under this Part.

2015, c. 21, s. 280.

752.0.10.3. The amount that is the eligible amount of a gift may not be considered to be a major cultural gift for a taxation year or included in the total charitable gifts, total cultural gifts, total gifts of qualified property, total musical instrument gifts or total patronage gifts of an individual for a taxation year, unless the making of the gift is proven by

(a) a receipt for the gift filed with the Minister that meets the prescribed requirement and contains in a clear and unalterable manner the prescribed statement and the prescribed information; and

(b) in the case of a gift described in subparagraph i of paragraph *a* of the definition of "total cultural gifts" in the first paragraph of section 752.0.10.1, the certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (R.S.C. 1985, c. C-51).

If a patronage gift is made in satisfaction of a pledge made by an individual, the amount that is the eligible amount of the gift may not be included in the total patronage gifts of the individual for a taxation year unless the individual provides the registration number of the pledge.

1993, c. 64, s. 67; 1994, c. 22, s. 258; 1995, c. 1, s. 75; 1995, c. 49, s. 236; 2003, c. 2, s. 212; 2006, c. 36, s. 66; 2009, c. 5, s. 280; 2015, c. 21, s. 281; 2017, c. 1, s. 190; 2017, c. 29, s. 134.

752.0.10.3.1. An organization or a donee shall meet the prescribed requirements in respect of a spoiled receipt form.

For the purposes of the first paragraph, "donee", "receipt form" and "organization" have the meanings assigned by the regulations under section 752.0.10.3.

1994, c. 22, s. 259.

752.0.10.3.2. For the purpose of applying subparagraph ii of paragraph *c* of section 422, section 436 and this chapter in respect of a gift made by an individual the subject of which is a qualified property, the fair market value of the gift at the time the gift was made or, for the purposes of section 752.0.10.12, the fair market value otherwise determined of the gift at that time and, subject to section 752.0.10.12, the individual's proceeds of disposition of the property that is the subject of the gift, are deemed to be equal to the amount determined by the Minister of Sustainable Development, Environment and Parks to be

(a) where the subject of the gift is land, the fair market value of the gift; or

(b) where the subject of the gift is a servitude referred to in paragraph *b* or *d* of the definition of "qualified property" in the first paragraph of section 752.0.10.1, the greater of its fair market value otherwise determined and the amount by which the fair market value of the land encumbered by the servitude has been reduced as a result of the making of the gift of the servitude.

1999, c. 83, s. 91; 2003, c. 2, s. 213; 2003, c. 9, s. 78; 2006, c. 3, s. 35.

752.0.10.4. For the purposes of the definition of "total cultural gifts" in the first paragraph of section 752.0.10.1,

(a) the fair market value of a cultural property described in subparagraph *a* of the third paragraph of section 232 is deemed to be the value determined by the Canadian Cultural Property Export Review Board or, where an appeal has been instituted under subsection 1 of section 33.1 of the Cultural Property Export and Import Act (R.S.C. 1985, c. C-51), the fair market value deemed to have been determined by the Board, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), under subsection 2 of that section 33.1; and

(b) the fair market value of a cultural property described in subparagraph *c* of the third paragraph of section 232 is deemed to be the value determined by the Conseil du patrimoine culturel du Québec.

1993, c. 64, s. 67; 1997, c. 85, s. 126; 2003, c. 9, s. 79; 2005, c. 23, s. 95; 2011, c. 21, s. 232.

752.0.10.4.0.1. For the purposes of subparagraph ii of paragraph *c* of section 422, section 436 and this chapter, where at any time the Canadian Cultural Property Export Review Board or the Minister of Sustainable Development, Environment and Parks, as the case may be, determines or redetermines an amount to be the fair market value of a property that is the subject of a gift described in the definition of "total charitable gifts" in the first paragraph of section 752.0.10.1 made by a taxpayer within the two-year period that begins at that time, the last amount so determined or redetermined within the period is deemed to be the fair market value of the property at the time the gift was made and, subject to sections 752.0.10.12 and 752.0.10.14, to be the taxpayer's proceeds of disposition of the property.

2001, c. 53, s. 114; 2003, c. 2, s. 214; 2006, c. 3, s. 35; 2011, c. 21, s. 232; 2015, c. 21, s. 282; 2017, c. 29, s. 135.

752.0.10.4.0.1.1. Despite section 752.0.10.4.0.1, for the purposes of paragraph *a* of section 422, subparagraph ii of paragraph *c* of that section, section 436 and this chapter, where the Minister of Culture and Communications determines an amount to be the fair market value of a property that is the subject of a gift made by an individual on or before the day that is two years after the time that amount is determined and referred to in the definition of "total charitable gifts" in the first paragraph of section 752.0.10.1, the following rules apply:

(a) the amount so determined is deemed to be the fair market value of the property at the time of the gift or, for the purposes of sections 752.0.10.12 and 752.0.10.14, its fair market value otherwise determined at that time; and

(b) subject to sections 752.0.10.12 and 752.0.10.14, the amount so determined is deemed to be the individual's proceeds of disposition of the property.

2015, c. 21, s. 283; 2017, c. 29, s. 136.

752.0.10.4.0.2. An individual may request by notice in writing to the Minister of Sustainable Development, Environment and Parks a determination of the fair market value of a property the individual disposes of or proposes to dispose of and that would, if the disposition were made and the certificates described in section 752.0.10.7.1 were issued by the Minister of Sustainable Development, Environment and Parks in respect of the property, be a gift described in the definition of "total gifts of qualified property" in the first paragraph of section 752.0.10.1.

2003, c. 2, s. 215; 2006, c. 3, s. 35.

752.0.10.4.0.3. The Minister of Sustainable Development, Environment and Parks shall with all due dispatch make a determination in accordance with section 752.0.10.3.2 of the fair market value of the property that is the subject of the request referred to in section 752.0.10.4.0.2 and give notice of the determination in writing to the individual who has disposed of, or who proposes to dispose of, the property.

However, no such determination shall be made if the request is received by the Minister of Sustainable Development, Environment and Parks after three years after the end of the individual's taxation year in which the disposition occurred.

2003, c. 2, s. 215; 2006, c. 3, s. 35.

752.0.10.4.0.4. Where the Minister of Sustainable Development, Environment and Parks has, in accordance with section 752.0.10.4.0.3, notified an individual of the amount determined to be the fair market value of a property the individual has disposed of or proposes to dispose of, the following rules apply:

(a) on receipt of a written request made by the individual on or before the day that is 90 days after the day that the individual was so notified, the Minister of Sustainable Development, Environment and Parks shall with all due dispatch confirm or redetermine the fair market value;

(b) the Minister of Sustainable Development, Environment and Parks may, on that Minister's own initiative, at any time redetermine the fair market value;

(c) in the cases referred to in paragraphs *a* and *b*, the Minister of Sustainable Development, Environment and Parks shall notify the individual in writing of that Minister's confirmation or redetermination; and

(d) any such redetermination is deemed to replace all preceding determinations and redeterminations of the fair market value of the property from the time at which the first such determination was made.

2003, c. 2, s. 215; 2006, c. 3, s. 35.

752.0.10.4.0.5. Where the Minister of Sustainable Development, Environment and Parks determines in accordance with section 752.0.10.4.0.3 the fair market value of a property, or redetermines that fair market value in accordance with section 752.0.10.4.0.4, and the property has been disposed of to a qualified donee described in the definition of "total gifts of qualified property" in the first paragraph of section 752.0.10.1, the Minister shall issue to the individual who made the disposition a certificate that states the fair market value of the property so determined or redetermined.

Where the Minister of Sustainable Development, Environment and Parks has issued more than one certificate in respect of the same property, the last certificate is deemed to replace all preceding certificates from the time at which the first certificate was issued.

2003, c. 2, s. 215; 2006, c. 3, s. 35.

752.0.10.4.0.6. An individual may request, by notice in writing to the Minister of Culture and Communications, a determination of the fair market value of a property (other than a cultural property described in the third paragraph of section 232) the individual disposes of or proposes to dispose of and that would, if the disposition were made and the documents referred to in section 752.0.10.15.3 were issued by the Minister of Culture and Communications in respect of the property, be a gift described in subparagraph *b* of the second paragraph of section 752.0.10.15.1 or in section 752.0.10.15.2.

2015, c. 21, s. 284.

752.0.10.4.0.7. The Minister of Culture and Communications shall with all due dispatch make a determination of the fair market value of a property that is the subject of a request referred to in section 752.0.10.4.0.6 and give notice of the determination in writing to the individual who has disposed of, or who proposes to dispose of, the property.

However, no such determination is made if the request is received by the Minister of Culture and Communications more than three years after the end of the individual's taxation year in which the disposition occurred.

2015, c. 21, s. 284.

752.0.10.4.0.8. Where the Minister of Culture and Communications has, in accordance with section 752.0.10.4.0.7, notified an individual of the amount determined to be the fair market value of a property the individual has disposed of or proposes to dispose of, the following rules apply:

(a) on receipt of a written request made by the individual on or before the day that is 90 days after the day that the individual was so notified, the Minister of Culture and Communications shall with all due dispatch confirm or redetermine the fair market value;

(b) the Minister of Culture and Communications may, on that Minister's own initiative, at any time redetermine the fair market value;

(c) in the cases referred to in paragraphs *a* and *b*, the Minister of Culture and Communications shall notify the individual in writing of the confirmation or redetermination; and

(d) any such redetermination is deemed to replace all preceding determinations and redeterminations of the fair market value of the property from the time at which the first such determination was made.

2015, c. 21, s. 284.

752.0.10.4.0.9. Where the Minister of Culture and Communications determines the fair market value of a property in accordance with section 752.0.10.4.0.7, or redetermines that fair market value in accordance with section 752.0.10.4.0.8, and the property has been the subject of a gift described in subparagraph *b* of the second paragraph of section 752.0.10.15.1 or in section 752.0.10.15.2, that Minister shall issue to the individual who made the disposition a certificate that states the fair market value of the property so determined or redetermined and send a copy of that certificate to the donee and the Minister.

Where the Minister of Culture and Communications has issued more than one certificate in respect of the same property, the last certificate is deemed to replace all preceding certificates from the time at which the first certificate was issued.

2015, c. 21, s. 284.

752.0.10.4.1. Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest or penalties payable under this Part for any taxation year as are necessary to give effect

(a) to a certificate issued under section 105 of the Cultural Heritage Act (chapter P-9.002) or to a decision of a court resulting from a contestation under section 107 of that Act;

(b) to a certificate issued under subsection 1 of section 33 of the Cultural Property Export and Import Act (R.S.C. 1985, c. C-51) or to a decision of a court resulting from an appeal under subsection 1 of section 33.1 of that Act; or

(c) to a certificate issued under section 752.0.10.4.0.5 or 752.0.10.4.0.9 or to a decision of a court resulting from a contestation under section 93.1.15.2 or 93.1.15.3 of the Tax Administration Act (chapter A-6.002).

1997, c. 85, s. 127; 2003, c. 2, s. 216; 2010, c. 31, s. 175; 2011, c. 21, s. 233; 2015, c. 21, s. 285; 2020, c. 12, s. 144.

752.0.10.4.2. For the purposes of this chapter, the following rules apply:

(a) the gift of the bare ownership of a work of art or a cultural property described in the third paragraph of section 232 and made in the course of a recognized gift with reserve of usufruct or use is deemed to be, subject to section 752.0.10.11.1, the gift of a work of art or of such a cultural property; and

(b) the fair market value of a recognized gift with reserve of usufruct or use, in relation to a work of art or a cultural property described in the third paragraph of section 232, is deemed to be equal to the product obtained by multiplying the amount of the fair market value of the work of art or of the cultural property, as the case may be, otherwise determined with reference to sections 752.0.10.4, 752.0.10.4.0.1, 752.0.10.4.0.1.1, 752.0.10.11.2 and 752.0.10.18 by the appropriate percentage determined in section 752.0.10.4.3.

2003, c. 9, s. 80; 2015, c. 21, s. 286.

752.0.10.4.3. The percentage to which section 752.0.10.4.2 refers, in respect of a recognized gift with reserve of usufruct or use is

(a) where the usufruct or right of use is established for the lifetime of the individual who made the gift,

i. 25% where the individual is under 25 years of age,

ii. 31% where the individual is at least 25 years of age and under 30 years of age,

iii. 38% where the individual is at least 30 years of age and under 35 years of age,

iv. 44% where the individual is at least 35 years of age and under 40 years of age,

v. 50% where the individual is at least 40 years of age and under 45 years of age,

vi. 56% where the individual is at least 45 years of age and under 50 years of age,

vii. 62% where the individual is at least 50 years of age and under 55 years of age,

viii. 68% where the individual is at least 55 years of age and under 60 years of age,

ix. 73% where the individual is at least 60 years of age and under 65 years of age,

x. 78% where the individual is at least 65 years of age and under 70 years of age,

xi. 83% where the individual is at least 70 years of age and under 75 years of age,

xii. 87% where the individual is at least 75 years of age and under 80 years of age, and

xiii. 91% where the individual is at least 80 years of age; and

(b) where the usufruct or right of use is established for a fixed duration regardless of the lifetime of the individual who made the gift,

i. 87% where the fixed duration is of 10 years or less,

ii. 74% where the fixed duration is of 10 years or more and 20 years or less, and

iii. 61% in any other case.

2003, c. 9, s. 80.

752.0.10.5. For the purposes of the definition of "total charitable gifts" in the first paragraph of section 752.0.10.1, where, throughout a taxation year, an individual resides in Canada near the boundary between Canada and the United States and where, in that year, the individual makes a gift to a prescribed religious, scientific, literary, educational or charitable organization created or organized in or under the laws of the United States that would be deductible under the United States Internal Revenue Code of 1986, as amended from time to time, he is deemed to have made the gift to a registered charity, if he commutes regularly between his residence and his principal place of employment or business in the United States, and his chief source of income for the year is that employment or business.

1993, c. 64, s. 67; 1994, c. 22, s. 260; 1995, c. 49, s. 236; 2005, c. 23, s. 96; 2009, c. 15, s. 138.

752.0.10.5.1. For the purpose of determining the total charitable gifts, total cultural gifts, total gifts of qualified property and total musical instrument gifts, no amount in respect of a gift described in any of the definitions of those expressions in the first paragraph of section 752.0.10.1 and made in a particular taxation year by an individual shall be taken into account in determining an amount that is deducted under section 752.0.10.6 in computing the tax payable under this Part by the individual for a taxation year until amounts in respect of such gifts made in taxation years preceding the particular year that can be so taken into account are so taken into account.

1999, c. 83, s. 92; 2006, c. 36, s. 67; 2017, c. 1, s. 191.

752.0.10.5.2. For the purpose of determining the total patronage gifts, no amount in respect of a patronage gift made in a particular taxation year by an individual may be taken into account in determining an

amount that is deducted under section 752.0.10.6.2 in computing the tax payable under this Part by the individual for a taxation year until all amounts in respect of such a gift made in a taxation year preceding the particular year that can be so taken into account are so taken into account.

2015, c. 21, s. 287.

752.0.10.6. An individual may deduct from the individual's tax otherwise payable for a taxation year under this Part, an amount equal to

(a) for the taxation year 2000, any of the following amounts:

i. where the aggregate determined under the second paragraph does not exceed $2,000, 22% of that aggregate,

ii. in any other case, the aggregate of $440 and 25% of the amount by which the aggregate determined under the second paragraph exceeds $2,000;

(b) for the taxation year 2001, any of the following amounts:

i. where the aggregate determined under the second paragraph does not exceed $2,000, 20.75% of that aggregate,

ii. in any other case, the aggregate of $415 and 24.5% of the amount by which the aggregate determined under the second paragraph exceeds $2,000;

(c) for the taxation years 2002 to 2005, any of the following amounts:

i. where the aggregate determined under the second paragraph does not exceed $2,000, 20% of that aggregate,

ii. in any other case, the aggregate of $400 and 24% of the amount by which the aggregate determined under the second paragraph exceeds $2,000;

(d) for the taxation years 2006 to 2016, any of the following amounts:

i. where the aggregate determined under the second paragraph does not exceed $200, 20% of that aggregate,

ii. in any other case, the aggregate of $40 and 24% of the amount by which the aggregate determined under the second paragraph exceeds $200;

(e) from the taxation year 2017, the aggregate of

i. 20% of the lesser of $200 and the aggregate determined under the second paragraph,

ii. where the individual is a trust, other than a qualified disability trust or a succession that is a graduated rate estate, 25.75% of the amount by which the aggregate determined under the second paragraph exceeds $200 and, in any other case, 25.75% of the lesser of

(1) the amount by which the aggregate determined under the second paragraph exceeds $200, and

(2) the amount by which the individual's taxable income for the year exceeds the amount referred to in paragraph *d* of section 750 in relation to the year, and

iii. 24% of the amount by which the aggregate determined under the second paragraph exceeds the aggregate of $200 and the lesser of the amounts referred to in subparagraphs 1 and 2 of subparagraph ii, in relation to the individual for the year.

The aggregate to which the first paragraph refers is the aggregate of

(a) (subparagraph repealed);

(b) the individual's total gifts of qualified property for the year;

(c) the individual's total cultural gifts for the year;

(d) the individual's total charitable gifts for the year; and

(e) the individual's total musical instrument gifts for the year.

1993, c. 64, s. 67; 1995, c. 1, s. 76; 1995, c. 49, s. 236; 1997, c. 85, s. 128; 1999, c. 83, s. 93; 2001, c. 51, s. 52; 2006, c. 36, s. 68; 2017, c. 1, s. 192; 2019, c. 14, s. 223.

752.0.10.6.1. An individual, other than a trust, may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to 25% of a major cultural gift of the individual for the year.

No individual may benefit from the deduction provided for in the first paragraph for more than one major cultural gift.

2015, c. 21, s. 288; 2017, c. 1, s. 193.

752.0.10.6.2. An individual, other than a trust, may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to 30% of the total patronage gifts of the individual for the year.

2015, c. 21, s. 288; 2017, c. 1, s. 194.

752.0.10.7. No individual may deduct, for a taxation year, an amount under section 752.0.10.6 in respect of a gift of a property referred to in subparagraph ii of paragraph *a* of the definition of "total cultural gifts" in the first paragraph of section 752.0.10.1 unless the individual files with the Minister, together with the fiscal return the individual is required to file under section 1000 for the year, a certificate issued by the Conseil du patrimoine culturel du Québec stating that the property was acquired by a museum established under the Act respecting the Montréal Museum of Fine Arts (chapter M-42) or the National Museums Act (chapter M-44), a certified archival centre or a recognized museum, in accordance with its acquisition and conservation policy and with the directives of the Ministère de la Culture et des Communications, and specifying the fair market value of the property determined in accordance with section 752.0.10.4 and, if applicable, section 752.0.10.4.2.

1993, c. 64, s. 67; 1995, c. 1, s. 199; 1996, c. 39, s. 273; 2003, c. 9, s. 81; 2005, c. 23, s. 97; 2006, c. 36, s. 69; 2011, c. 1, s. 39; 2011, c. 21, s. 232; 2017, c. 29, s. 137.

752.0.10.7.1. No individual may deduct, for a taxation year, an amount under section 752.0.10.6 in respect of a gift of a qualified property unless the individual files with the Minister, along with the fiscal return referred to in section 1000 the individual is required to file for the year, the following certificates issued by the Minister of Sustainable Development, Environment and Parks:

(a) the certificate certifying that

i. in the case of a gift whose subject is a property described in paragraph *a* or *b* of the definition of "qualified property" in the first paragraph of section 752.0.10.1, the land referred to in that paragraph *a* or the land encumbered with a servitude referred to in that paragraph *b*, as the case may be, has undeniable ecological value and, where such is the case, that the mission in Québec of a charity referred to in subparagraph i of paragraph *b* of the definition of "total gifts of qualified property" in the first paragraph of section 752.0.10.1 consists mainly, at the time of the gift, in the conservation of the ecological heritage, and

ii. in the case of a gift whose subject is a property described in paragraph *c* or *d* of the definition of "qualified property" in the first paragraph of section 752.0.10.1, the land referred to in that paragraph *c* or the land encumbered with a servitude referred to in that paragraph *d*, as the case may be, has undeniable ecological value, the preservation and conservation of which is important to the protection and development of Québec's ecological heritage and, where such is the case, that a charity referred to in subparagraph iii of paragraph *b* of the definition of "total gifts of qualified property" in the first paragraph of section 752.0.10.1 is an appropriate donee in the circumstances; and

(b) the certificate relating to the fair market value of a gift to which the definition of "total gifts of qualified property" in the first paragraph of section 752.0.10.1 refers.

1995, c. 1, s. 77; 1999, c. 36, s. 160; 2003, c. 2, s. 217; 2003, c. 9, s. 82; 2006, c. 3, s. 35; 2010, c. 25, s. 72; 2017, c. 29, s. 138.

752.0.10.8. No individual may deduct, for a taxation year, an amount under section 752.0.10.6 in respect of a gift, after 18 December 1990, of property that is a certified Québec film or a Québec film production, within the meaning assigned to those terms by the regulations under section 130, if the gift is made by him within a period of three years commencing on the day on which the property is acquired by him.

1993, c. 64, s. 67.

752.0.10.9. The gift that an individual who died before 1 January 2016 is deemed to have made at a time before the death, under this section or any of sections 752.0.10.10, 752.0.10.10.3, 752.0.10.10.5, 752.0.10.13 and 752.0.10.14 (as they read for the taxation year in which the death occurred), is deemed, for the purposes of this chapter, not to have been made by any other taxpayer or at any other time.

1993, c. 64, s. 67; 1999, c. 83, s. 94; 2003, c. 2, s. 218; 2015, c. 21, s. 289; 2017, c. 29, s. 139.

752.0.10.10. For the purposes of this Part, except for this paragraph and section 752.0.10.10.2, the rules set out in the second paragraph apply in respect of a gift if a succession arises on and as a consequence of the death after 31 December 2015 of an individual and the gift is

(a) made by the individual by the individual's will;

(b) deemed under section 752.0.10.10.2 to have been made in respect of the death of the individual; or

(c) made by the succession.

The rules to which the first paragraph refers, in respect of a gift, are as follows:

(a) the gift is deemed to be made by the succession and not by any other taxpayer; and

(b) subject to section 752.0.10.16, the gift is deemed to be made at the time that the property that is the subject of the gift is transferred to the donee and not at any other time.

1993, c. 64, s. 67; 1999, c. 83, s. 94; 2017, c. 29, s. 140.

752.0.10.10.0.1. A gift in respect of which this section applies is a gift made by the succession that is a graduated rate estate, or by a succession that would be the succession that is a graduated rate estate if section 646.0.1 were read without reference to subparagraph *a* of its first paragraph, of an individual whose death occurs after 31 December 2015, provided the gift is made no more than 60 months after the death, and either

(a) the gift is deemed under section 752.0.10.10.2 to be made in respect of the individual's death; or

(b) the subject of the gift is property acquired by the succession on and as a consequence of the individual's death or is property that was substituted for that property.

2017, c. 29, s. 141; 2024, c. 11, s. 78.

752.0.10.10.1. If, but for this section, an individual would be deemed under section 752.0.10.16 to have made a gift after the individual's death, for the purposes of this chapter the individual is deemed to have made the gift in the taxation year in which the individual died.

Any amount of interest payable under this Act must be determined as if the presumption provided in the first paragraph did not apply.

1999, c. 83, s. 95.

752.0.10.10.2. For the purposes of this chapter, money or a negotiable instrument transferred to a qualified donee is deemed to be property that is the subject of a gift, in respect of an individual's death, made to the qualified donee, if the death occurs after 31 December 2015, the transfer is made as a consequence of the death, and the transfer is

(a) a transfer—other than a transfer the amount of which is not included in computing the income of the individual or the individual's succession for a taxation year but would have been included, but for section 430, in computing the income of the individual or the individual's succession for a taxation year if the transfer had been made to the individual's legal representative for the benefit of the individual's succession—made

i. solely because of the obligations under a life insurance policy under which, immediately before the individual's death, the individual's life was insured and the individual's consent would have been required to change the recipient of the transfer, and

ii. from an insurer to a person that is the qualified donee and that was, immediately before the individual's death, neither a policyholder under the policy nor an assignee of the individual's interest under the policy; or

(b) a transfer made

i. solely because of the donee's right as a beneficiary under an arrangement (other than an arrangement of which a licensed annuities provider is the issuer or carrier)

(1) that is a registered retirement savings plan or registered retirement income fund or that was, immediately before the death, a tax-free savings account, and

(2) under which the individual was, immediately before the individual's death, the annuitant or holder, and

ii. from the arrangement to the qualified donee.

2003, c. 2, s. 219; 2017, c. 29, s. 142; 2020, c. 16, s. 105.

752.0.10.10.3. *(Repealed).*

2003, c. 2, s. 219; 2005, c. 38, s. 143; 2009, c. 15, s. 139; 2012, c. 8, s. 115; 2017, c. 29, s. 143.

752.0.10.10.4. *(Repealed).*

2003, c. 2, s. 219; 2009, c. 15, s. 140; 2010, c. 5, s. 60; 2017, c. 29, s. 143.

752.0.10.10.5. *(Repealed).*

2003, c. 2, s. 219; 2005, c. 38, s. 144; 2009, c. 15, s. 141; 2012, c. 8, s. 116; 2017, c. 29, s. 143.

752.0.10.11. For the purposes of this chapter, where an individual is, at the end of a fiscal period of a partnership, a member of the partnership, the eligible amount of a gift made in the name of the partnership is

deemed to be the eligible amount of a gift made by the individual in the individual's taxation year in which the fiscal period of the partnership ends, up to the proportion of his share in that partnership.

For the purposes of the first paragraph, the following rules apply to an individual if one or more partnerships (each of which is in this paragraph referred to as an "interposed partnership") are interposed between the individual and a given partnership, for a given fiscal period of the given partnership:

(a) the individual is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the individual's taxation year in which ends the fiscal period of the interposed partnership of which the individual is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period (in this section referred to as the "interposed fiscal period") of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the individual is a member, or deemed to be a member under this subparagraph *a*, of the interposed partnership described in subparagraph i at the end of the interposed partnership's interposed fiscal period; and

(b) the proportion of the individual's share in the given partnership for the given fiscal period is deemed to be equal to the product obtained by multiplying the proportion of the individual's share in the interposed partnership of which the individual is directly a member for the interposed partnership's interposed fiscal period, by

i. if there is only one interposed partnership, the proportion of the interposed partnership's share in the given partnership for the given fiscal period, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the proportion of an interposed partnership's share in the particular partnership referred to in subparagraph *a* of which the interposed partnership is a member for the particular partnership's particular fiscal period.

The rule set out in the second paragraph does not apply in respect of an individual, in relation to a given partnership, if the Minister is of the opinion that the interposition, between the individual and the given partnership, of one or more other partnerships is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to cause the eligible amount of a gift that is attributed to the individual under the first paragraph for a taxation year to be greater than the amount that would have been so attributed to the individual for that taxation year, but for that interposition.

1993, c. 64, s. 67; 1997, c. 3, s. 71; 2009, c. 5, s. 281; 2009, c. 15, s. 142.

752.0.10.11.1. For the purposes of this chapter, if at any time an individual makes a gift of a work of art described in the second paragraph to a donee referred to in any of paragraphs *b* to *e* and *g* to *j* of the definition of "qualified donee" in section 999.2 or in any of subparagraphs i, iv and v of paragraph *a* of the definition of "qualified donee" in subsection 1 of section 149.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and whose registration as a qualified donee has not been revoked by the Minister of National Revenue, other than such a donee who acquires the work of art in connection with its primary mission, the individual is deemed, in respect of that work of art, not to have made a gift unless the donee disposes of the work of art on or before 31 December of the fifth year following the year that includes that time.

The work of art to which the first paragraph refers is a print, an etching, a drawing, a painting, a sculpture or any work of a similar nature, a tapestry or hand-woven carpet or hand-made appliqué, a lithograph, a rare folio, a rare manuscript or a rare book, a stamp or a coin.

This section does not apply if an individual makes a gift of a work of art referred to in section 752.0.10.15.2 to a donee referred to in subparagraph *c* of the second paragraph of that section.

1995, c. 63, s. 57; 2004, c. 21, s. 195; 2005, c. 23, s. 98; 2006, c. 36, s. 70; 2012, c. 8, s. 117; 2013, c. 10, s. 52; 2015, c. 21, s. 290.

752.0.10.11.2. If, at any given time, an individual makes a gift of a work of art referred to in section 752.0.10.11.1 to a donee referred to in that section, the lesser of the amount that may reasonably be considered as the consideration for the disposition by the donee of the work of art and its fair market value at the time of the disposition, is deemed, for the purposes of the definition of "total charitable gifts" in the first paragraph of section 752.0.10.1, to be the fair market value for the purpose of computing the eligible amount of the gift at the given time, for the purposes of section 752.0.10.12, to be the fair market value of the capital property at the given time and, for the purposes of section 752.0.10.13, to be the fair market value of the work of art at the given time.

1995, c. 63, s. 57; 2005, c. 23, s. 99; 2009, c. 5, s. 282.

752.0.10.12. The rule set out in the second paragraph applies if, at any time, an individual makes a gift of a capital property to a qualified donee or, if the individual is not resident in Canada, a gift of an immovable property situated in Canada to a prescribed donee who provides an undertaking, in a form satisfactory to the Minister, to the effect that the property will be held for use in the public interest, the individual or the individual's legal representative designates, after 19 December 2006 and in accordance with subsection 6 of section 118.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), an amount in respect of the gift, and, at that time, the fair market value of the capital property or immovable property exceeds

(a) in the case of a depreciable property of a prescribed class, the lesser of the undepreciated capital cost of that class at the end of the taxation year of the individual that includes that time, determined without reference to the proceeds of disposition determined in respect of the property under the second paragraph, and the adjusted cost base to the individual of the property immediately before that time; and

(b) in any other case, the adjusted cost base to the individual of the capital property or immovable property immediately before that time.

The lesser of the fair market value of the capital property or immovable property otherwise determined and the greatest of the following amounts, is deemed to be both the individual's proceeds of disposition of the capital property or immovable property and, for the purposes of section 7.21, the fair market value of the gift:

(a) in the case of a gift made after 20 December 2002, the amount of the advantage in respect of the gift;

(b) the amount determined under subparagraph *a* or *b* of the first paragraph in respect of the capital property or immovable property; and

(c) the amount designated in respect of the gift in accordance with subsection 6 of section 118.1 of the Income Tax Act.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 6 of section 118.1 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.

1993, c. 64, s. 67; 1994, c. 22, s. 261; 1995, c. 1, s. 78; 1995, c. 49, s. 236; 2003, c. 2, s. 220; 2005, c. 23, s. 100; 2009, c. 5, s. 283; 2012, c. 8, s. 118.

752.0.10.13. The rules set out in section 752.0.10.14 apply in respect of a gift made by an individual of a work of art that meets any of the following conditions if the gift is described in the definition of "total charitable gifts" in the first paragraph of section 752.0.10.1 or if the work of art is a cultural property described in section 232:

(a) the work of art was created by the individual and is in the individual's inventory;

(b) the work of art was acquired by the individual under circumstances where section 430 applied; or

(c) if the individual is a succession that arose on and as a consequence of the death of another individual who created the work of art, the work of art was in the other individual's inventory immediately before the death.

1993, c. 64, s. 67; 1995, c. 49, s. 236; 2003, c. 2, s. 221; 2009, c. 5, s. 284; 2017, c. 29, s. 144.

752.0.10.14. The rules to which section 752.0.10.13 refers, in respect of a gift of a work of art made by an individual, are as follows:

(a) in the case of a gift of a work of art that is a cultural property described in section 232,

i. if at the time the gift is made the fair market value of the work of art that is the subject of the gift exceeds its cost amount to the individual, the individual is deemed to receive at that time proceeds of disposition in respect of the work of art equal to the greater of its cost amount to the individual at that time and the amount of the advantage, if any, in respect of the gift, and

ii. if the individual is the succession that is the graduated rate estate of a particular individual who created the work of art that is the subject of the gift and at the time immediately before the particular individual's death the fair market value of the work of art exceeds its cost amount to the particular individual, the particular individual is deemed to receive at that time proceeds of disposition in respect of the work of art equal to its cost amount to the particular individual at that time and the succession is deemed to have acquired the work of art at a cost equal to those proceeds of disposition; and

(b) in the case of a gift of a work of art that is property described in the definition of "total charitable gifts" in the first paragraph of section 752.0.10.1,

i. if at the time the gift is made the fair market value of the work of art that is the subject of the gift exceeds its cost amount to the individual and an amount is designated, in respect of the gift, in accordance with subparagraph i of paragraph *b* of subsection 7.1 of section 118.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the lesser of the fair market value of the work of art otherwise determined and the greater of the amount of the advantage in respect of the gift, the cost amount to the individual of the work of art and the amount designated in respect of the gift in accordance with that subsection 7.1 is deemed to be the individual's proceeds of disposition of the work of art and, for the purposes of section 7.21, the fair market value of the work of art, and

ii. if the individual is the succession that is the graduated rate estate of a particular individual who created the work of art that is the subject of the gift, at the time immediately before the particular individual's death the fair market value of the work of art exceeds its cost amount to the particular individual, and an amount is designated, in accordance with subsection 7.1 of section 118.1 of the Income Tax Act, in respect of the gift, the lesser of the fair market value of the work of art otherwise determined and the greater of the cost amount to the particular individual of the work of art and the amount designated in respect of the gift in accordance with that subsection 7.1 is deemed to be the value of the work of art at the time of the death and the cost to the succession of the work of art.

Chapter V.2 of Title II of Book I applies in relation to a designation made under subsection 7.1 of section 118.1 of the Income Tax Act.

1993, c. 64, s. 67; 2003, c. 2, s. 221; 2009, c. 5, s. 285; 2017, c. 29, s. 144.

752.0.10.15. Where an individual makes a gift of a work of art referred to in section 752.0.10.11.1 in a taxation year, referred to in this section as the "gift year", to a donee referred to in section 752.0.10.11.1, the individual may, on or before his filing-due date for a subsequent taxation year, referred to in this section as the "year of disposition", in which the donee disposed of the work of art, file with the Minister for a taxation year referred to in the second paragraph an amended fiscal return in which he shall take into account the tax consequences of that disposition in respect of an amount relating to that taxation year.

The taxation year to which the first paragraph refers is a taxation year of the individual for which he filed a fiscal return pursuant to section 1000 and that is previous to the year of disposition but after the fourth taxation year of the individual that precedes the gift year.

Notwithstanding sections 1010 to 1011, the Minister shall, where the individual has filed an amended fiscal return in accordance with the first paragraph, make such assessment, reassessment or additional assessment of the tax, interest and penalties payable by the individual under this Part as is necessary for any taxation year to give effect to the disposition referred to in the first paragraph.

For the purposes of the third paragraph, where the taxation year referred to therein is before the taxation year 1998, that paragraph shall be read with the words “and Part I.1” inserted after the words “this Part”.

1995, c. 63, s. 58; 1997, c. 31, s. 79; 1997, c. 85, s. 129.

752.0.10.15.1. For the purposes of the definition of “total charitable gifts” of an individual for a taxation year and of “total cultural gifts” of an individual for a taxation year in the first paragraph of section 752.0.10.1, the eligible amount of a gift described in the second paragraph is to be increased by 1/4 of that amount.

The gift to which the first paragraph refers is

(a) a gift of a work of art to a Québec museum; or

(b) any of the following gifts if the fair market value of the property that is the subject of the gift is determined under any of sections 752.0.10.4, 752.0.10.4.0.1 and 752.0.10.4.0.1.1:

i. unless it is described in subparagraph *a*, a gift of a work of public art that meets the following conditions:

(1) it is made to the State, except an educational institution that is a mandatary of the State, or

(2) a certificate has been issued by the Minister of Culture and Communications in respect of the work for the purposes of this section,

ii. a gift of an eligible immovable if a qualification certificate has been issued by the Minister of Culture and Communications in respect of the building for the purposes of this section, or

iii. a gift of an eligible immovable to any of the following entities that acquires the building with a view to carrying on all or part of its activities in it:

(1) a registered charity operating in Québec in the field of arts or culture,

(2) a registered cultural or communications organization, or

(3) a registered museum.

For the purposes of subparagraphs ii and iii of subparagraph *b* of the second paragraph, an eligible immovable means a building situated in Québec, including the land subjacent to it and such portion of any contiguous land as can reasonably be regarded as contributing to the use and enjoyment of the building.

2001, c. 51, s. 53; 2005, c. 23, s. 101; 2009, c. 5, s. 286; 2015, c. 21, s. 291.

752.0.10.15.2. For the purposes of the definition of “total charitable gifts” of an individual for a taxation year and of “total cultural gifts” of an individual for a taxation year in the first paragraph of section 752.0.10.1, the eligible amount of a gift of a work of public art described in the second paragraph is to be increased by 1/2 of that amount if the fair market value of the work is determined under any of sections 752.0.10.4, 752.0.10.4.0.1 and 752.0.10.4.0.1.1.

The gift to which the first paragraph refers is the gift of a work of public art in respect of which a certificate has been issued by the Minister of Culture and Communications for the purposes of this section and that is made to

(a) an educational institution that is a mandatary of the State;

(b) a school service centre governed by the Education Act (chapter I-13.3) or a school board governed by the Education Act for Cree, Inuit and Naskapi Native Persons (chapter I-14); or

(c) a registered charity whose mission is teaching and that is

i. an educational institution established under an Act of the Parliament of Québec, other than an institution described in subparagraph *a*,

ii. a college governed by the General and Vocational Colleges Act (chapter C-29),

iii. a private educational institution accredited for subsidies purposes under the Act respecting private education (chapter E-9.1), or

iv. a university-level educational institution referred to in any of paragraphs 1 to 11 of section 1 of the Act respecting educational institutions at the university level (chapter E-14.1).

2015, c. 21, s. 292; 2020, c. 1, s. 283.

752.0.10.15.3. No individual is entitled to an increase of the eligible amount of a gift for a taxation year, in relation to a gift described in subparagraph *b* of the second paragraph of section 752.0.10.15.1 or in section 752.0.10.15.2, unless the individual files with the Minister, together with the fiscal return the individual is required to file under section 1000 for the year, the following documents issued by the Minister of Culture and Communications:

(a) in relation to a gift of a work of public art,

i. in respect of which subparagraph 1 of subparagraph i of subparagraph *b* of the second paragraph of section 752.0.10.15.1 applies, a copy of any certificate relating to the fair market value of the work, or

ii. in respect of which subparagraph 2 of subparagraph i of subparagraph *b* of the second paragraph of section 752.0.10.15.1 or section 752.0.10.15.2 applies, a copy of the certificate relating to the work and of any certificate relating to the fair market value of the work; or

(b) in relation to the gift of an eligible immovable,

i. in respect of which subparagraph ii of subparagraph *b* of the second paragraph of section 752.0.10.15.1 applies, a copy of the qualification certificate relating to the building and of any certificate relating to the fair market value of the immovable, or

ii. in respect of which subparagraph iii of subparagraph *b* of the second paragraph of section 752.0.10.15.1 applies, a copy of any certificate relating to the fair market value of the immovable.

2015, c. 21, s. 292.

752.0.10.15.4. For the purposes of this chapter, the Minister of Culture and Communications shall create a register in which that Minister records the pledges in respect of which an individual (other than a trust) may deduct an amount in computing tax payable for a taxation year under section 752.0.10.6.2.

The Minister of Culture and Communications shall record in the register, at a donor's request, the pledge made by the donor after 3 July 2013 to an eligible cultural donee and assigns a registration number in respect of that pledge if

(a) the pledge stipulates that the donor undertakes to make a gift to the donee of an eligible amount of at least $250,000 over a period of no more than 10 years, at the rate of a gift of an eligible amount of at least $25,000 in each of the years covered by the pledge; and

(b) the donor provides the Minister of Culture and Communications with a document, signed by an individual authorized by the donee to acknowledge receipt of gifts, attesting the eligible amount of the gift that is the subject of the pledge.

On or before the last day of the month of February of each year, the Minister of Culture and Communications shall send the Minister a document stating which pledges were recorded in the register before the end of the preceding year.

2015, c. 21, s. 292.

752.0.10.15.5. For the purposes of this chapter, if an individual who makes a registered pledge in respect of a donee does not make a gift of money to the donee in a particular taxation year covered by the pledge, or makes a gift of money in the particular year, in satisfaction of the pledge, whose eligible amount is less than $25,000, the pledge is deemed

(a) to cease to be, from the particular year, a registered pledge if

i. at the end of the preceding taxation year, the aggregate of all amounts each of which is the eligible amount of a gift made, at or before that time, by the individual in satisfaction of the pledge was at least $250,000, or

ii. the particular year is included in the calendar year in which the individual became a bankrupt; or

(b) never to have been registered if

i. at the end of the preceding taxation year, the aggregate of all amounts each of which is the eligible amount of a gift made, at or before that time, by the individual in satisfaction of the pledge is less than $250,000, unless the individual dies in the particular year, or

ii. the particular year is the first year covered by the pledge.

2015, c. 21, s. 292.

752.0.10.15.6. For the purposes of the definition of "total charitable gifts" of an individual for a taxation year in the first paragraph of section 752.0.10.1, the eligible amount of the following gifts made to a registered charity that is a prescribed charity is to be increased by 1/2 of that amount:

(a) a gift made by a recognized farm producer of an eligible agricultural product produced by such a producer; or

(b) a gift of an eligible food product made by an individual who is carrying on a food processing business or by an individual who is a member of a partnership that is carrying on such a business.

2015, c. 36, s. 46; 2017, c. 1, s. 195.

752.0.10.16. For the purposes of this chapter, where at any particular time an individual makes a gift, including a gift that, but for this section, would be deemed under section 752.0.10.10 to have been made at the particular time, of a non-qualifying security of the individual and the gift is not an excepted gift of the individual, the following rules apply:

(a) except for the purpose of determining the individual's proceeds of disposition of the security pursuant to section 752.0.10.12, the gift is deemed not to have been made;

(b) if the security ceases to be a non-qualifying security of the individual at a subsequent time that is within 60 months after the particular time and the donee has not disposed of the security at or before the subsequent time, the individual is deemed to have made a gift to the donee of property at the subsequent time and the fair market value of the property is deemed to be the lesser of the fair market value of the security at the subsequent time and the fair market value of the security at the particular time that would, but for this section, have been included in the individual's total charitable gifts for a taxation year; and

(c) if the security is disposed of by the donee within 60 months after the particular time and paragraph *b* does not apply to the security, the individual is deemed to have made a gift to the donee of a property at the time of the disposition and the fair market value of the property is deemed to be the lesser of the fair market value of any consideration (other than a non-qualifying security of any person) received by the donee for the security and the fair market value of the security at the particular time that would, but for this section, have been included in the individual's total charitable gifts for a taxation year;

(d) (paragraph repealed).

1999, c. 83, s. 96; 2009, c. 5, s. 287; 2012, c. 8, s. 119; 2017, c. 1, s. 196; 2017, c. 29, s. 145.

752.0.10.16.1. Section 752.0.10.16.2 applies if, as part of a series of transactions,

(a) an individual makes, at a particular time, a gift of a particular property to a qualified donee;

(b) a particular person holds a non-qualifying security of the individual; and

(c) the qualified donee acquires, directly or indirectly, a non-qualifying security of the individual or of the particular person.

2012, c. 8, s. 120.

752.0.10.16.2. If this section applies because of section 752.0.10.16.1, the following rules apply:

(a) for the purposes of this chapter, the fair market value of the particular property is deemed to be reduced by an amount equal to the fair market value of the non-qualifying security acquired by the qualified donee;

(b) for the purposes of section 752.0.10.16, the following presumptions apply:

i. if the non-qualifying security acquired by the qualified donee is a non-qualifying security of the particular person, it is deemed to be a non-qualifying security of the individual, and

ii. the individual is deemed to have made, at the particular time referred to in section 752.0.10.16.1, a gift of the non-qualifying security acquired by the qualified donee, the fair market value of which may not exceed the amount by which the fair market value of the particular property determined without reference to paragraph *a* exceeds the fair market value of the particular property determined under paragraph *a*; and

(c) paragraph *b* of section 752.0.10.16 does not apply in respect of the gift.

2012, c. 8, s. 120.

752.0.10.16.3. For the purposes of sections 752.0.10.16.1 and 752.0.10.16.2, if, as part of a series of transactions, an individual makes a gift to a qualified donee and the qualified donee acquires a non-qualifying security of a person (other than the individual or the particular person referred to in section 752.0.10.16.1) and it may reasonably be considered, having regard to all the circumstances, that one of the purposes or results of the acquisition of the non-qualifying security by the qualified donee was to facilitate, directly or indirectly, the making of the gift by the individual, the non-qualifying security acquired by the qualified donee is deemed to be a non-qualifying security of the individual.

2012, c. 8, s. 120.

752.0.10.17. Where a share, in this section referred to as the "new share", that is a non-qualifying security of an individual has been acquired by a donee referred to in section 752.0.10.16 in exchange for another share, in this section referred to as the "exchanged share", that is a non-qualifying security of the individual as a result of a transaction to which any of sections 301, 301.1, 537 and 541 to 555.4 applies, the new share is deemed for the purposes of section 752.0.10.16 and this section to be the same share as the exchanged share.

1999, c. 83, s. 96.

752.0.10.17.1. For the purposes of section 752.0.10.16, if a donee disposes of a beneficial interest in a trust that is a non-qualifying security of an individual in circumstances where paragraph *c* of section 752.0.10.16 would, but for this section, apply in respect of the disposition, and in respect of which the donee receives no consideration other than other non-qualifying securities of the individual, the gift referred to in section 752.0.10.16 is deemed to be a gift of those other non-qualifying securities.

2009, c. 15, s. 143.

752.0.10.18. For the purposes of this chapter, the fair market value of a gift of property made at any particular time by an individual is deemed to be equal to the fair market value of the gift of property otherwise determined minus the amount described in the second paragraph, where

(a) if the property is a non-qualifying security of the individual, the gift is an excepted gift; and

(b) within 60 months after the particular time,

i. the donee holds a non-qualifying security of the individual that was acquired by the donee on the latest of 1 August 1997 and any time that is after 60 months before the particular time, or

ii. both

(1) the individual or any person or partnership with whom or with which the individual does not deal at arm's length uses property of the donee under an agreement that was made or modified after the time that is 60 months before the particular time and has begun to so use it after 31 July 1997, and

(2) the property was not used in the carrying on of the donee's charitable activities.

The amount to which the first paragraph refers is the aggregate of all amounts each of which is the fair market value of the consideration given by the donee to acquire a non-qualifying security referred to in subparagraph i of subparagraph *b* of the first paragraph or the fair market value of property referred to in subparagraph ii of that subparagraph *b*, as the case may be.

Where the first paragraph applies for the purpose of determining the fair market value of a gift made at any particular time by an individual, the fair market value, referred to in the second paragraph, of consideration given to acquire a non-qualifying security referred to in subparagraph i of subparagraph *b* of the first paragraph or of property referred to in subparagraph ii of that subparagraph *b* is deemed to be equal to the fair market value of the consideration otherwise determined minus any portion of it that has been used under the first paragraph to reduce the fair market value of another gift made before that time by the individual.

1999, c. 83, s. 96; 2009, c. 15, s. 144.

752.0.10.19. Subject to sections 752.0.10.21 and 752.0.10.22, if an individual has granted an option to a qualified donee in a taxation year, no amount in respect of the option is to be included in computing the total charitable gifts, total cultural gifts, total gifts of qualified property or total musical instrument gifts of an individual for a taxation year.

2012, c. 8, s. 121; 2017, c. 1, s. 197; 2017, c. 29, s. 146.

752.0.10.20. Section 752.0.10.21 applies if

(a) an option to acquire a property of an individual is granted to a qualified donee;

(b) the option is exercised so that the property is disposed of by the individual and acquired by the qualified donee at a particular time; and

(c) either

i. the amount that is 80% of the fair market value of the property at the particular time is greater than or equal to the aggregate of

(1) the consideration received by the individual from the qualified donee for the property, and

(2) the consideration received by the individual from the qualified donee for the option, or

ii. the individual establishes to the satisfaction of the Minister that the granting of the option or the disposition of the property was made by the individual with the intention to make a gift to the qualified donee.

2012, c. 8, s. 121.

752.0.10.21. If this section applies because of section 752.0.10.20, the following rules apply despite paragraph *a* of section 296:

(a) the individual is deemed to have received proceeds of disposition of the property equal to the property's fair market value at the particular time referred to in paragraph *b* of section 752.0.10.20; and

(b) there shall be included in the individual's total charitable gifts, for the taxation year that includes the particular time, the amount by which the property's fair market value exceeds the aggregate of the amounts described in subparagraphs 1 and 2 of subparagraph i of paragraph *c* of section 752.0.10.20.

2012, c. 8, s. 121.

752.0.10.22. If an option to acquire a particular property of an individual is granted to a qualified donee and the option is disposed of by the qualified donee (otherwise than by the exercise of the option) at a particular time, the following rules apply:

(a) the individual is deemed to dispose of a property at the particular time

i. the adjusted cost base of which to the individual immediately before the particular time is equal to the consideration paid by the qualified donee for the option, and

ii. the proceeds of disposition of which are equal to the lesser of the fair market value of the particular property at the particular time and the fair market value of any consideration (other than a non-qualifying security of a person) received by the qualified donee for the option; and

(b) there shall be included in the total charitable gifts of the individual for the individual's taxation year that includes the particular time the amount by which the proceeds of disposition as determined by subparagraph ii of paragraph *a* exceed the consideration paid by the qualified donee for the option.

2012, c. 8, s. 121.

752.0.10.23. Section 752.0.10.24 applies if a qualified donee has issued to an individual a receipt referred to in section 752.0.10.3 in respect of a transfer of a property (in this section and section 752.0.10.24 referred to as the "original property") and a property (in this section and sections 752.0.10.24 to 752.0.10.26 referred to as the "particular property") that is

(a) the original property is later transferred to the individual (unless that later transfer is reasonable consideration or remuneration for property acquired by or services rendered to a person); or

(b) any other property that may reasonably be considered compensation for or a substitute for, in whole or in part, the original property, is later transferred to the individual.

2012, c. 8, s. 121.

752.0.10.24. If this section applies because of section 752.0.10.23, the following rules apply:

(a) irrespective of whether the transfer of the original property by the individual is a gift, the individual is deemed not to have disposed of the original property at the time of that transfer nor to have made a gift;

(b) if the particular property is identical to the original property, the particular property is deemed to be the original property; and

(c) if the particular property is not the original property,

i. the individual is deemed to have disposed of the original property at the time that the particular property is transferred to the individual for proceeds of disposition equal to the greater of the fair market value of the particular property at that time and the fair market value of the original property at the time that it was transferred by the individual to the qualified donee, and

ii. if, but for paragraph *a*, the transfer of the original property by the individual would be a gift, the individual is deemed to have, at the time of that transfer, transferred to the qualified donee a property that is the subject of a gift having a fair market value equal to the amount by which the fair market value of the original property at the time of that transfer exceeds the fair market value of the particular property at the time that it is transferred to the individual.

2012, c. 8, s. 121.

752.0.10.25. If section 752.0.10.24 applies in respect of a transfer of a particular property to an individual and that particular property has a fair market value greater than $50, the transferor must, in respect of that transfer, file a return containing prescribed information with the Minister not later than 90 days after the day on which the particular property was transferred and provide a copy of the return to the individual.

2012, c. 8, s. 121.

752.0.10.26. If section 752.0.10.24 applies in respect of a transfer of a particular property to an individual, the Minister may, despite sections 1010 to 1011, make any assessment, reassessment or additional assessment of tax, interest or penalties payable under this Part by a person for any taxation year to the extent that the assessment, reassessment or additional assessment can reasonably be regarded as relating to the transfer of the particular property.

2012, c. 8, s. 121.

CHAPTER I.0.3

TAX CREDITS FOR MEDICAL EXPENSES OR CARE AND FOR SEVERE AND PROLONGED IMPAIRMENTS IN MENTAL OR PHYSICAL FUNCTIONS

1989, c. 5, s. 104; 1993, c. 19, s. 52; 1993, c. 64, s. 68; 2005, c. 1, s. 160; 2006, c. 36, s. 71.

752.0.11. An individual may deduct from his tax otherwise payable for a taxation year under this Part an amount determined by the formula

A × (B − C).

In the formula provided for in the first paragraph,

(a) A is a rate of 20%;

(b) B is the aggregate of the medical expenses described in section 752.0.11.1 that

i. are proven by a receipt filed with the Minister,

ii. have not already been included by the individual or any other person in computing a determined amount, for the purposes of this section or section 358.0.1 or 1029.8.118, in respect of a preceding taxation year,

iii. are not included by any other person in computing a determined amount, for the purposes of section 358.0.1, in respect of any taxation year, and

iv. were paid by either the individual or the individual's legal representative, or by a person who is the individual's spouse during the year or on the date on which the medical expenses were paid,

(1) within any period of 12 months ending in the year, or

(2) if the medical expenses were paid in respect of a person, including the individual, who died in the year, within any period of 24 months that includes the day of the person's death; and

(c) C is 3% of the aggregate of the individual's income for the year and the income, for the year, of the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

(d) (subparagraph repealed).

1989, c. 5, s. 104; 1990, c. 59, s. 288; 1993, c. 64, s. 69; 1997, c. 14, s. 113; 1997, c. 85, s. 130; 2000, c. 5, s. 163; 2001, c. 51, s. 54; 2003, c. 9, s. 83; 2004, c. 21, s. 196; 2005, c. 38, s. 145; 2017, c. 29, s. 147.

752.0.11.0.1. *(Repealed).*

1997, c. 85, s. 131; 2003, c. 9, s. 84.

752.0.11.1. Subject to section 752.0.11.1.3, the medical expenses to which subparagraph *b* of the second paragraph of section 752.0.11 refers are amounts paid

(a) to a dentist, nurse or practitioner or a public or licensed private hospital in respect of medical, paramedical or dental services provided to a person;

(b) to a person authorized under the laws of a province to practise the profession of a dental prosthetist, for the making, repairing and fitting of dental prostheses, for a person;

(c) for drugs, medicaments or other preparations or substances (other than those listed in paragraph *d*)

i. for use in the diagnosis, treatment or prevention of a disease, disorder or abnormal physical state, or its symptoms, or in restoring, correcting or modifying an organic function,

ii. that can lawfully be acquired for use by a person only if prescribed by a practitioner or dentist, and

iii. the purchase of which is recorded by a pharmacist;

(c.1) for drugs, medicaments or other preparations or substances that are prescribed by regulation;

(d) for an oxygen tent or other equipment necessary to administer oxygen or for insulin, oxygen, liver extract injectable for pernicious anaemia or vitamin B_{12} for pernicious anaemia, if used by a person as prescribed by a practitioner;

(d.1) for hyperbaric oxygen therapy sessions provided to a person with a severe and prolonged neurological disorder in respect of whom, because of the person's severe and prolonged impairment in mental or physical functions, subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the taxation year in which the expense was incurred;

(e) for laboratory analyses, radiological examinations or other diagnostic procedures together with interpretations thereof, if such analyses, examinations and other procedures are effected for maintaining health, preventing disease or assisting in the diagnosis or treatment of an injury, illness or disability, for a person as prescribed by a practitioner or dentist;

(f) for eye glasses or other devices for the treatment or correction of a defect of vision of a person as prescribed by a practitioner or optometrist;

(g) for transportation of a person by ambulance to or from a public or licensed private hospital;

(h) to a person engaged in the business of providing transportation services, for the transportation of a particular person or a particular person and one person who accompanies the particular person, if, in the latter case, the particular person has been certified in writing by a practitioner to be incapable of travelling without assistance from the locality where the particular person dwells to the place where medical or paramedical services are normally provided, if that place is not less than 40 km from that locality, if equivalent or substantially equivalent services were not available in that locality, if the particular person travelled to that place to obtain such services for himself or herself and if, having regard to the circumstances, it was reasonable to travel to that place to obtain those services and the route travelled was the most reasonably direct route;

(i) for reasonable travel expenses, other than expenses described in paragraph *h*, incurred in respect of a particular person or a particular person and one person who accompanies the particular person, if, in the latter case, the particular person has been certified in writing by a practitioner to be incapable of travelling without assistance, to obtain medical or paramedical services in a place that is not less than 80 km from the locality where the particular person dwells, if equivalent or substantially equivalent services were not available in that locality, if the particular person travelled to that place to obtain such services for himself or herself and if, having regard to the circumstances, it was reasonable to travel to that place to obtain those services and the route travelled was the most reasonably direct route;

(j) for or in respect of an artificial limb, iron lung, rocking bed for poliomyelitis victims, wheelchair, crutches, spinal brace, brace for a limb, ileostomy or colostomy pad, truss for hernia, artificial eye, laryngeal speaking aid, aid to hearing, artificial kidney machine, phototherapy equipment for the treatment of psoriasis or other skin disorders, or an oxygen concentrator;

(j.1) for or in respect of diapers, disposable briefs, catheters, catheter trays, tubing or other products required by a person by reason of incontinence caused by illness, injury or affliction;

(k) for the care, or the care and training, at a school, institution or other place, of a particular person, if the particular person has been certified in writing by a qualified person to be a person who, by reason of a physical or mental handicap, requires the equipment, facilities or personnel specially provided by that school, institution or other place for the care, or the care and training, of persons suffering from such a handicap, other than amounts paid to the operator of a private seniors' residence, within the meaning of the first paragraph of section 1029.8.61.1 if the definition of that expression were read without reference to "for a particular month" and ", at the beginning of the particular month," ;

(l) for the full-time care in a nursing home of a person, if the person has been certified in writing by a practitioner to be a person who, by reason of lack of normal mental capacity, is and in the foreseeable future will continue to be dependent on others for the person's personal needs and care;

(m) as remuneration for one full-time attendant on, or for the full-time care in a nursing home of, a person in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the taxation year in which the expense was incurred if, at the time the remuneration is paid, the attendant is neither the individual referred to in section 752.0.11 or that individual's spouse, nor under 18 years of age;

(m.1) as remuneration for attendant care provided in Canada to a person in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the taxation year in which the expense was incurred, to the extent that the total of amounts so paid does not exceed $10,000, or $20,000 if the individual referred to in section 752.0.11 dies in the year, where

i. no part of the remuneration is included in computing an amount deducted in respect of the person under section 358.0.1 or any of paragraphs *k*, *l*, *m*, *m*.2 and *n* for a taxation year, or taken into consideration in computing an amount deemed to have been paid to the Minister in respect of the person under Division II.13 of Chapter III.1 of Title III of Book IX for any taxation year,

i.1. no part of the remuneration constitutes an expense in respect of which the individual referred to in section 752.0.11, or the person who is the individual's spouse at the time the remuneration is paid, may be deemed to have paid an amount to the Minister on account of the individual's tax payable, for a taxation year, under Division II.11.1 of Chapter III.1 of Title III of Book IX,

ii. at the time the remuneration is paid, the attendant is neither the individual referred to in section 752.0.11 or that individual's spouse, nor under 18 years of age, and

iii. each receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual's Social Insurance Number;

(m.2) as remuneration for a person's care or supervision provided in a group home in Canada maintained and operated exclusively for the benefit of individuals who have a severe and prolonged impairment, if, because of the person's severe and prolonged impairment, the person is a person in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the taxation year in which the expense was incurred, where

i. no part of the remuneration is included in computing an amount deducted in respect of the person under section 358.0.1 or any of paragraphs *k*, *l*, *m*, *m*.1 and *n* for a taxation year, or taken into consideration in computing an amount deemed to have been paid to the Minister in respect of the person under Division II.13 of Chapter III.1 of Title III of Book IX for any taxation year, and

ii. each receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual's Social Insurance Number;

(n) as remuneration for one full-time attendant on a person in a self-contained domestic establishment in which the person receiving the care lives, if that person is, and has been certified in writing by a practitioner to be, a person who, by reason of mental or physical infirmity, is and is likely to be for a long-continued period of indefinite duration dependent on others for the person's personal needs and care, if, at the time the remuneration is paid, the attendant is neither the person's spouse nor under 18 years of age, and if the receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual's Social Insurance Number;

(o) on behalf of a person who is blind or profoundly deaf or has severe autism, severe diabetes, severe epilepsy, a severe mental impairment or a severe and prolonged impairment that markedly restricts the use of the person's arms or legs,

i. for an animal that is specially trained to, in the case of a person who has a severe mental impairment, perform specific tasks (excluding the provision of emotional support) that assist the person in coping with the impairment, and, in all other cases, assist the person in coping with the impairment and that is provided by a person or organization one of whose main purposes is such training of animals,

ii. for the care and maintenance of such an animal, including food and veterinary care,

iii. for reasonable travel expenses of the person incurred for the purpose of attending a school, institution or other facility that trains, in the handling of such animals, individuals who are so impaired, and

iv. for reasonable board and lodging expenses of the person incurred for the purpose of attending full-time courses at a place described in subparagraph iii;

(o.1*)* for reasonable expenses relating to rehabilitative therapy, including training in lip reading and sign language, incurred to adjust for the person's hearing or speech loss;

(o.2*)* on behalf of a person who has a speech or hearing impairment, for sign language interpretation services or real-time captioning services, to the extent that the payment is made to a person engaged in the business of providing such services;

(o.2.1*)* on behalf of a person who has an impairment in mental or physical functions, for note-taking services, if

i. the person has been certified in writing by a practitioner to be a person who, because of that impairment, requires those services, and

ii. the payment is made to a person engaged in the business of providing such services;

(o.2.2*)* on behalf of a person who has an impairment in physical functions, for the cost of voice recognition software, if the person has been certified in writing by a practitioner to be a person who, because of that impairment, requires that software;

(o.2.3*)* on behalf of a person who is blind or has a severe learning disability, for reading services, if

i. the person has been certified in writing by a practitioner to be a person who, because of that impairment or disability, requires those services, and

ii. the payment is made to a person in the business of providing those services;

(o.2.4*)* on behalf of a person who is blind and profoundly deaf, for deaf-blind intervening services, to the extent that the payment is made to a person in the business of providing those services;

(o.3*)* for reasonable moving expenses, described in section 350, of a person who lacks normal physical development or has a severe and prolonged mobility impairment, other than expenses deducted under section 348 for any taxation year, incurred for the purpose of the person's move to a new dwelling that is more accessible by the person or in which the person is more mobile or functional, if the total of the expenses claimed under this paragraph does not exceed $2,000;

(o.4*)* for reasonable expenses relating to alterations to the driveway of the principal place of residence of a person who has a severe and prolonged mobility impairment, to facilitate the person's access to a bus;

(o.5*)* for a van that, at the time of its acquisition or within six months after that time, has been adapted for the transportation of a person who requires the use of a wheelchair, to the extent of the lesser of $5,000 and 20% of the amount by which the amount paid for the acquisition of the van exceeds the portion of that amount that is included because of paragraph *s* in computing an amount deductible by the person under section 752.0.11 for any taxation year;

(o.6) for reasonable expenses, other than amounts paid to a person who was at the time of the payment the spouse of the individual referred to in section 752.0.11 or a person under 18 years of age, to train the individual, or a person related to the individual, if the training relates to the impairment in mental or physical functions of a person who is related to the individual and is a member of the individual's household or is dependent on the individual for support;

(o.7) as remuneration for therapy provided to a person because of the person's severe and prolonged impairment, if subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the taxation year in which the expense was incurred, where

i. the therapy is prescribed by and administered under the supervision of a physician, a specialized nurse practitioner or a psychologist, in the case of an impairment in mental functions, or a physician, a specialized nurse practitioner or an occupational therapist, in the case of an impairment in physical functions,

ii. at the time the remuneration is paid, the payee is neither the person's spouse nor an individual who is under 18 years of age, and

iii. each receipt filed with the Minister to prove payment of the remuneration was issued by the payee and contains, where the payee is an individual, that individual's Social Insurance Number;

(o.8) as remuneration for tutoring services that are rendered to, and are supplementary to the primary education of, a person who has a learning disability or an impairment in mental functions, and has been certified in writing by a practitioner to be a person who, because of that disability or impairment, requires such services, if the payment is made to a person ordinarily engaged in the business of providing such services to individuals who are not related to the payee;

(o.9) as remuneration for the design of an individualized therapy plan for a person if, because of the person's severe and prolonged impairment, the person is a person in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the taxation year in which the remuneration is paid, where

i. the plan is required to access public funding for specialized therapy or is prescribed by a physician, a specialized nurse practitioner or a psychologist, in the case of an impairment in mental functions, or a physician, a specialized nurse practitioner or an occupational therapist, in the case of an impairment in physical functions,

ii. the therapy set out in the plan is prescribed by and, if undertaken, administered under the supervision of a physician, a specialized nurse practitioner or a psychologist, in the case of an impairment in mental functions, or a physician, a specialized nurse practitioner or an occupational therapist, in the case of an impairment in physical functions, and

iii. the ordinary business of the payee includes the design of such plans for individuals who are not related to the payee;

(p) as a premium or other consideration to a private health services plan in respect of the individual referred to in section 752.0.11, the individual's spouse or any other person living with the individual and with whom the individual is connected by blood relationship, marriage or adoption, or in respect of several of those persons;

(q) on behalf of a person who requires a bone marrow or organ transplant,

i. for reasonable expenses, other than expenses described in subparagraph ii but including legal fees and insurance premiums, incurred to locate a compatible donor and to arrange for the transplant, and

ii. for reasonable travel, board and lodging expenses, other than expenses described in paragraphs *h* and *i*, of the person and one other person who accompanies the person, and of the donor and one other person who accompanies the donor, incurred in respect of the transplant;

(r) for reasonable expenses relating to renovations or alterations to a dwelling of a person who lacks normal physical development or has a severe and prolonged mobility impairment, to enable the person to gain access to, or to be mobile or functional within, the dwelling, provided that those expenses

i. are not of a type that would typically be expected to increase the value of the dwelling, and

ii. are of a type that would not normally be incurred by a person who has normal physical development or who does not have a severe and prolonged mobility impairment;

(r.1) for reasonable expenses, relating to the construction of the principal place of residence of a person who lacks normal physical development or has a severe and prolonged mobility impairment, that can reasonably be considered to be incremental costs incurred to enable the person to gain access to, or to be mobile or functional within, the person's principal place of residence, provided that those expenses

i. are not of a type that would typically be expected to increase the value of the dwelling, and

ii. are of a type that would not normally be incurred by a person who has normal physical development or who does not have a severe and prolonged mobility impairment;

(s) for any device or equipment not otherwise described in this section, if it is used by a person as prescribed by a practitioner, is prescribed by regulation and meets such conditions as may be prescribed as to its use or the reason for its acquisition, but only to the extent that the amounts so paid do not exceed the amount, if any, prescribed in respect of the device or equipment.

(t) on behalf of a person who has celiac disease and who has been certified in writing by a practitioner to be a person who, because of that disease, requires a gluten-free diet, for the incremental cost of acquiring gluten-free food products as compared to the cost of comparable non-gluten-free food products;

(u) for drugs obtained under Health Canada's Special Access Programme in accordance with sections C. 08.010 and C.08.011 of the Food and Drug Regulations (C.R.C., c. 870) made under the Food and Drugs Act (R.S.C. 1985, c. F-27) and purchased for use by a person;

(v) for medical devices obtained under Health Canada's Special Access Programme in accordance with Part 2 of the Medical Devices Regulations (SOR/98-282) made under the Food and Drugs Act and purchased for use by a person;

(w) on behalf of a person who is the holder of a medical document (as defined in subsection 1 of section 264 of the Cannabis Regulations made under the Cannabis Act (S.C. 2018, c. 16)) to support the person's use of cannabis for medical purposes, for the cost of cannabis, cannabis oil, cannabis plant seeds or cannabis products purchased for medical purposes from a holder of a licence for sale (as defined in that subsection 1); or

(x) to a fertility clinic or donor bank, in Canada, as a fee or other amount payable to obtain sperm or ova to enable the conception of a child by the individual referred to in section 752.0.11, the individual's spouse or a surrogate mother on behalf of the individual.

1990, c. 59, s. 289; 1991, c. 8, s. 44; 1993, c. 16, s. 281; 1994, c. 22, s. 262; 1995, c. 1, s. 79; 1995, c. 63, s. 59; 1997, c. 14, s. 114; 1997, c. 85, s. 132; 1999, c. 89, s. 53; 2000, c. 5, s. 164; 2000, c. 39, s. 60; 2001, c. 51, s. 55; 2001, c. 53, s. 115; 2003, c. 2, s. 222; 2004, c. 8, s. 145; 2005, c. 1, s. 161; 2005, c. 38, s. 146; 2006, c. 36, s. 72; 2009, c. 5, s. 288; 2009, c. 15, s. 145; 2013, c. 10, s. 53; 2015, c. 24, s. 102; I.N. 2016-01-01 (NCCP); 2017, c. 29, s. 148; 2019, c. 14, s. 224; 2021, c. 14, s. 88; 2023, c. 19, s. 55.

752.0.11.1.1. *(Repealed).*

1997, c. 85, s. 133; 2000, c. 39, s. 61.

752.0.11.1.2. *(Repealed).*

1997, c. 85, s. 133; 2000, c. 39, s. 61.

752.0.11.1.3. The medical expenses referred to in section 752.0.11.1 do not include

(a) the expenses related to an in vitro fertilization treatment or an artificial insemination treatment, if such expenses are, as applicable,

i. expenses taken into account in computing the amount that a person is deemed to have paid to the Minister under Division II.12.1 of Chapter III.1 of Title III of Book IX for the taxation year in which the expenses were paid,

ii. expenses paid in respect of an in vitro fertilization activity, or an artificial insemination activity, carried out in Québec in a centre for assisted procreation that does not hold a licence issued in accordance with the Act respecting clinical and research activities relating to assisted procreation (chapter A-5.01), or

iii. expenses paid in respect of an in vitro fertilization treatment during which an in vitro fertilization activity is carried out that does not meet a condition of paragraphs *a* to *c* of the definition of "eligible in vitro fertilization treatment" in the first paragraph of section 1029.8.66.1;

(b) the expenses paid for medical, paramedical or dental services provided for purely cosmetic purposes; and

(c) the transportation, travel or lodging expenses paid for medical, paramedical or dental services provided for purely cosmetic purposes.

For the purposes of subparagraph ii of subparagraph *a* of the first paragraph, where an artificial insemination activity is carried out, at any time before 11 March 2022, in a centre for assisted procreation that does not, at that time, hold a licence issued in accordance with the Act respecting clinical and research activities relating to assisted procreation, the activity is deemed to be carried out in a centre for assisted procreation that holds such a licence, if the centre was in operation on 11 March 2021 and was not required, before that date, to hold such a licence to carry out the activity.

2001, c. 51, s. 56; 2005, c. 38, s. 147; 2011, c. 6, s. 156; 2017, c. 1, s. 198; 2022, c. 23, s. 59.

752.0.11.1.4. For the purposes of subparagraph *b* of the second paragraph of section 752.0.11, the amounts that are paid for the conception of a child by an individual, the individual's spouse or a person who is a dependant of the individual and is referred to in section 752.0.12 and that would be medical expenses described in section 752.0.11.1 if the individual, the individual's spouse or the person who is a dependant of the individual, as the case may be, were incapable of conceiving a child because of a medical condition are deemed, subject to section 752.0.11.1.3, to be medical expenses described in section 752.0.11.1.

2019, c. 14, s. 225.

752.0.11.1.5. For the purposes of subparagraph *b* of the second paragraph of section 752.0.11, amounts are deemed, subject to section 752.0.11.1.3, to be medical expenses described in section 752.0.11.1, if the amounts

(a) are paid by the individual or the individual's spouse;

(b) are

i. expenditures described in any of sections 2 to 4 of the Reimbursement Related to Assisted Human Reproduction Regulations made under the Assisted Human Reproduction Act (S.C. 2004, c. 2), or

ii. paid in respect of a surrogate mother or donor and would be expenditures described in subparagraph i if they were paid to the surrogate mother or donor;

(c) would be medical expenses described in section 752.0.11.1 if they were paid in respect of a good or service provided to the individual or the individual's spouse;

(d) are expenses incurred in Canada; and

(e) are paid for the purpose of the individual becoming a father or mother.

2023, c. 19, s. 56.

752.0.11.2. Where a person engaged in the business of providing transportation services is not readily available and an individual makes use of a vehicle for the purposes described in paragraph *h* of section 752.0.11.1, a reasonable amount in respect of the operation of the vehicle is deemed, for the purposes of the said paragraph and subparagraph *b* of the second paragraph of section 752.0.11, to have been paid to such person by the individual or his legal representatives.

1990, c. 59, s. 289.

752.0.11.3. For the purposes of subparagraph *b* of the second paragraph of section 752.0.11, the following rules apply:

(a) any amount included in computing the income of an individual or of the individual's spouse for a taxation year from an office or employment in respect of a medical expense described in section 752.0.11.1 and paid or provided by an employer at a particular time for the benefit of the individual, the individual's spouse or a person referred to in section 752.0.12 who is a dependant of the individual is deemed to be a medical expense paid at that time by the individual or the individual's spouse, as the case may be;

(b) an amount to be paid for the year by an individual under subdivision 2 of Division I.1 of Chapter IV of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) is deemed to be paid on 31 December of the year for which that amount is required to be paid.

1990, c. 59, s. 289; 1997, c. 14, s. 115; 2001, c. 51, s. 57.

752.0.11.4. For the purposes of subparagraph *b* of the second paragraph of section 752.0.11, the aggregate of all amounts each of which is an amount that an individual includes in computing the aggregate described in that subparagraph *b* for a taxation year, that is attributable to the cost of eyeglass frames acquired in the period referred to in subparagraph i or ii of that subparagraph *b*, determined in respect of that year, and that is paid for the benefit of a particular person who is the individual, the individual's spouse or a dependant of the individual referred to in section 752.0.12, may not exceed $200.

2005, c. 38, s. 148.

752.0.12. The expenses referred to in subparagraph *b* of the second paragraph of section 752.0.11, except where that subparagraph *b* refers to the expenses described in paragraph *o*.6 or *x* of section 752.0.11.1, must have been paid for the benefit of the individual, the individual's spouse or any other person who, in the taxation year in which the expenses were incurred, is a dependant of the individual.

1989, c. 5, s. 104; 1993, c. 64, s. 70; 2001, c. 53, s. 116; 2005, c. 1, s. 162; 2019, c. 14, s. 226; 2023, c. 19, s. 57.

752.0.12.1. For the purposes of subparagraph *b* of the second paragraph of section 752.0.11, the expenses or the expenditure, as the case may be, taken into account in determining an amount that an individual or the individual's spouse is deemed to have paid to the Minister under section 1029.8.61.5 or 1029.8.63 for a preceding taxation year or has deducted under section 118.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in computing the tax payable under that Act by the individual for a preceding taxation year in respect of which the individual was not liable to pay tax under this Part shall not be included as medical expenses of the individual for a taxation year.

1995, c. 1, s. 80; 1997, c. 14, s. 116; 2000, c. 39, s. 62.

752.0.13. For the purposes of subparagraph *b* of the second paragraph of section 752.0.11, there shall not be included as a medical expense of an individual any expense to the extent that the individual, the individual's spouse, a particular person referred to in section 752.0.12 who is a dependant of the individual,

any person related to the individual, the individual's spouse or that particular person, or the legal representative of any of them is entitled to be reimbursed for the expense, except to the extent that the amount of the reimbursement is required to be included in computing income and is not deductible in computing taxable income.

1989, c. 5, s. 104; 1994, c. 22, s. 263; 2000, c. 5, s. 165.

752.0.13.0.1. Where, for a taxation year, an individual would, but for this section, be entitled to include, in computing the amount determined in respect of the individual for the year under subparagraph *b* of the second paragraph of section 752.0.11, medical expenses that are the same as those that would, but for this section, be included in computing the amount determined in respect of one or more other individuals for the year under that subparagraph *b*, the aggregate of the amounts that may be so included by the individuals in respect of those medical expenses shall not exceed the amount that, if only one individual were entitled to include those medical expenses in computing the amount determined in his respect for the year under that subparagraph, would be so included by the individual in respect of those medical expenses.

Where the individuals cannot agree as to what portion of the amount of medical expenses each would, but for this section, be entitled to include in computing the amount determined in his respect for the year under subparagraph *b* of the second paragraph of section 752.0.11, the Minister may determine that portion of the amount for the year.

1997, c. 14, s. 117.

752.0.13.1. An individual may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to the amount obtained by multiplying 20% by the amount of the reasonable travel and lodging expenses paid in the year by either the individual or the individual's legal representatives, in respect of a particular person referred to in section 752.0.13.2, so that the particular person may obtain in Québec medical care not available in Québec within 200 kilometres of the locality where the particular person lives, or in respect of such a particular person and the person accompanying the particular person so that the latter may obtain such medical care where, in the latter case, the particular person is under 18 years of age in the year or is unable to travel unassisted if, in either case, the individual files with the Minister the prescribed form whereon a physician or a specialized nurse practitioner certifies that care equivalent or virtually equivalent to that obtained is not available in Québec within 200 kilometres of the locality where the particular person lives and, where such is the case, that the particular person is unable to travel unassisted.

The travel and lodging expenses referred to in the first paragraph do not include

(a) the expenses related to an in vitro fertilization treatment or an artificial insemination treatment, if such expenses are, as applicable,

i. expenses taken into account in computing the amount that a person is deemed to have paid to the Minister under Division II.12.1 of Chapter III.1 of Title III of Book IX for the taxation year in which the expenses were paid,

ii. expenses paid in respect of an in vitro fertilization activity, or an artificial insemination activity, carried out in Québec in a centre for assisted procreation that does not hold a licence issued in accordance with the Act respecting clinical and research activities relating to assisted procreation (chapter A-5.01), or

iii. expenses paid in respect of an in vitro fertilization treatment during which an in vitro fertilization activity is carried out that does not meet a condition of paragraphs *a* to *c* of the definition of "eligible in vitro fertilization treatment" in the first paragraph of section 1029.8.66.1; and

(b) the transportation, travel or lodging expenses paid for medical, paramedical or dental services provided for purely cosmetic purposes.

For the purposes of subparagraph ii of subparagraph *a* of the second paragraph, where an artificial insemination activity is carried out, at any time before 11 March 2022, in a centre for assisted procreation that

does not, at that time, hold a licence issued in accordance with the Act respecting clinical and research activities relating to assisted procreation, the activity is deemed to be carried out in a centre for assisted procreation that holds such a licence, if the centre was in operation on 11 March 2021 and was not required, before that date, to hold such a licence to carry out the activity.

1990, c. 7, s. 61; 1997, c. 85, s. 330; 2001, c. 51, s. 58; 2005, c. 38, s. 149; 2011, c. 6, s. 157; 2017, c. 1, s. 199; 2017, c. 29, s. 149; 2021, c. 18, s. 57; 2022, c. 23, s. 60.

752.0.13.1.1. An individual who moves from a former residence situated in Québec at which the individual ordinarily lived to a new residence, at which the individual ordinarily lives, situated in Québec not more than 80 kilometres from a health establishment situated in Québec so that a particular person referred to in section 752.0.13.2 may obtain, at that establishment, medical care not available in Québec within 200 kilometres of the locality in which the former residence of the individual is situated, may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to the amount obtained by multiplying 20% by the amount of the moving expenses referred to in the second paragraph paid in the year by the individual or the individual's legal representatives in respect of the move, if the individual files with the Minister the prescribed form whereon a physician or a specialized nurse practitioner certifies that the medical care may reasonably be expected to last at least six months and whereon that same health professional and the director general, or the director general's delegate in that respect, of a health establishment that is in the area in which the former residence of the individual is situated certify that care equivalent or virtually equivalent to that obtained is not available in Québec within 200 kilometres of the locality where the former residence of the individual is situated.

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

1993, c. 19, s. 53; 1997, c. 85, s. 330; 2001, c. 51, s. 59; 2017, c. 29, s. 150; 2021, c. 18, s. 58.

752.0.13.2. The particular person to whom sections 752.0.13.1 and 752.0.13.1.1 refer is the individual, the individual's spouse or any person dependent on the individual during the taxation year in which the expenses were incurred.

1990, c. 7, s. 61; 1993, c. 19, s. 54; 2005, c. 1, s. 163.

752.0.13.3. For the purposes of sections 752.0.13.1 and 752.0.13.1.1,

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

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

1990, c. 7, s. 61; 1993, c. 19, s. 54.

752.0.13.4. *(Repealed).*

1993, c. 64, s. 71; 1997, c. 85, s. 330; 1999, c. 89, s. 53; 2001, c. 51, s. 60; 2005, c. 1, s. 164.

752.0.13.5. *(Repealed).*

1993, c. 64, s. 71; 1996, c. 39, s. 273; 2005, c. 1, s. 164.

752.0.14. An individual may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to the amount obtained by multiplying the percentage specified in section 750.1 for the year by the amount of $3,307 if

(a) the individual has a severe and prolonged impairment in mental or physical functions the effects of which are such that

i. the individual's ability to perform a basic activity of daily living is markedly restricted, or

ii. the individual's ability to perform more than one basic activity of daily living is significantly restricted if the cumulative effect of those restrictions is equivalent to having a marked restriction in the ability to perform a basic activity of daily living;

(b) in the case where subparagraph i of subparagraph *a* applies, a physician or a specialized nurse practitioner, or, where the individual has a sight impairment, a physician, a specialized nurse practitioner or an optometrist, or, where the individual has a speech impairment, a physician, a specialized nurse practitioner or a speech-language pathologist, or, where the individual has a hearing impairment, a physician, a specialized nurse practitioner or an audiologist, or, where the individual has an impairment with respect to the individual's ability in feeding or dressing himself or herself, a physician, a specialized nurse practitioner or an occupational therapist, or, where the individual has an impairment with respect to the individual's ability in walking, a physician, a specialized nurse practitioner, an occupational therapist or a physiotherapist, or, where the individual has an impairment with respect to the individual's ability in mental functions necessary for everyday life, a physician, a specialized nurse practitioner or a psychologist, has certified in prescribed form that the individual has an impairment referred to in subparagraph i of subparagraph *a*;

(b.1) in the case where subparagraph ii of subparagraph *a* applies, a physician or a specialized nurse practitioner or, where the individual has an impairment with respect to the individual's ability in walking or in feeding or dressing himself or herself, a physician, a specialized nurse practitioner or an occupational therapist, has certified in prescribed form that the individual has an impairment referred to in subparagraph ii of subparagraph *a*;

(c) the individual has filed with the Minister the certificate referred to in paragraph *b* or *b*.1 for the year; and

(d) neither the individual nor any other person has included, in computing a deduction under section 752.0.11 for the year, otherwise than by reason of paragraph *m*.1 of section 752.0.11.1, an amount in respect of remuneration for an attendant or care in a nursing home, in respect of the individual.

Despite the first paragraph, if the individual is a person in respect of whom another individual receives, in the year, an amount to which subparagraph *b* of the second paragraph of section 1029.8.61.18 refers, the amount in dollars that, with reference to section 750.2, would otherwise be deductible under that first paragraph for the year is to be replaced by an amount equal to the proportion of that amount that the number of months in the year in respect of which such an amount is not received in respect of the individual is of 12.

1989, c. 5, s. 104; 1993, c. 16, s. 282; 1997, c. 85, s. 330; 2000, c. 5, s. 166; 2001, c. 51, s. 61; 2001, c. 53, s. 117; 2003, c. 2, s. 223; 2005, c. 1, s. 165; 2005, c. 38, s. 150; 2006, c. 36, s. 73; 2009, c. 5, s. 289; 2017, c. 29, s. 151; 2019, c. 14, s. 227.

752.0.15. *(Repealed).*

1989, c. 5, s. 104; 1993, c. 16, s. 283; 1993, c. 64, s. 72; 1994, c. 22, s. 264; 1995, c. 1, s. 81; 1997, c. 14, s. 290; 1997, c. 85, s. 330; 2000, c. 39, s. 63; 2001, c. 51, s. 62; 2003, c. 9, s. 85; 2005, c. 1, s. 166; 2005, c. 38, s. 151.

752.0.15.1. *(Repealed).*

2000, c. 39, s. 64; 2005, c. 1, s. 167; 2005, c. 38, s. 151.

752.0.16. *(Repealed).*

1989, c. 5, s. 104; 2005, c. 38, s. 151.

752.0.17. For the purposes of sections 42.0.1 and 752.0.11 to 752.0.14 and this section,

(a) an impairment is prolonged where it has lasted, or may reasonably be expected to last, for a continuous period of a least 12 months;

(b) an individual's ability to perform a basic activity of daily living is markedly restricted solely where

i. all or substantially all of the time, even with therapy and the use of appropriate devices and medication, the individual is blind or unable, or requires an inordinate amount of time, to perform a basic activity of daily living, or

ii. because of a chronic disease, the individual must spend at least 14 hours per week on therapy, prescribed by a physician or a specialized nurse practitioner and administered at least twice a week, that is essential to sustain one of the individual's vital functions;

(b.1) an individual is considered to have the equivalent of a marked restriction in a basic activity of daily living only where all or substantially all of the time, even with therapy and the use of appropriate devices and medication, the individual's ability to perform more than one basic activity of daily living, including the ability to see, is significantly restricted, and the cumulative effect of those restrictions is equivalent to having a marked restriction in the ability to perform a basic activity of daily living;

(c) a basic activity of daily living of an individual means

i. mental functions necessary for everyday life,

ii. feeding or dressing oneself,

iii. speaking so as to be understood, in a quiet setting,

iv. hearing so as to understand, in a quiet setting,

v. eliminating (bowel or bladder functions), or

vi. walking;

(d) for greater certainty, no other activity, including working, housekeeping or a social or recreational activity, shall be considered as a basic activity of daily living;

(d.1) mental functions necessary for everyday life include

i. memory,

ii. judgement,

iii. adaptive functioning;

iv. attention,

v. concentration,

vi. perception of reality,

vii. problem solving,

viii. goal setting,

ix. regulation of behaviour and emotions, and

x. verbal and non-verbal comprehension;

(e) feeding oneself does not include

i. identifying, finding, shopping for or otherwise procuring food, or

ii. preparing food to the extent that the time associated with the activity would not have been necessary in the absence of a dietary restriction or regime; and

(f) dressing oneself does not include identifying, finding, shopping for or otherwise procuring clothing.

For the purposes of subparagraph ii of subparagraph *b* of the first paragraph, the following rules apply:

(a) the therapy essential to sustain one of the vital functions of an individual who is suffering from a chronic disease does not include therapy that may reasonably be expected to have a beneficial effect on an individual who is not suffering from such a chronic disease; and

(b) an individual who is diagnosed with type 1 diabetes mellitus is deemed to spend at least 14 hours per week on therapy that is essential to sustain one of the individual's vital functions and is administered at least twice a week.

Where an amount has been deducted under section 752.0.14 or 776.41.5 in respect of an individual, any person referred to in that section shall, on request in writing by the Minister for information with respect to the individual's impairment and its effect on the individual or with respect to the therapy referred to in subparagraph ii of subparagraph *b* of the first paragraph that is, where applicable, required to be administered to the individual, provide the information so requested in writing.

1989, c. 5, s. 104; 1990, c. 59, s. 290; 1993, c. 16, s. 284; 2000, c. 39, s. 65; 2002, c. 40, s. 69; 2003, c. 2, s. 224; 2003, c. 9, s. 86; 2005, c. 1, s. 168; 2005, c. 38, s. 152; 2006, c. 36, s. 74; 2021, c. 18, s. 60; 2023, c. 2, s. 22.

752.0.18. For the purposes of sections 358.0.1 and 752.0.11 to 752.0.14, "practitioner" means

(a) a person practising a profession within the scope of which health-related care and treatments are provided to individuals, unless the person is practising a profession described in the second paragraph, in which case, a person practising such a profession in respect of the services mentioned in that paragraph, and who is authorized to practise such a profession in accordance with

i. the laws of the jurisdiction in which services are rendered, in the case of services rendered by such a person to an individual,

ii. the laws of the jurisdiction in which an individual resides or of a province, in the case of a certificate issued by such a person in respect of that individual, or

iii. the laws of the jurisdiction in which an individual resides, of a province or of the jurisdiction in which the property is provided, in the case of a prescription issued by such a person for property to be provided to or for the use of the individual;

(b) a person practising the profession of homeopath, naturopath, osteopath or phytotherapist, in respect of the services the person provides in that capacity; and

(c) (paragraph repealed);

(d) (paragraph repealed);

(e) a person (other than a person described in subparagraph *a*) who is authorized to practise psychotherapy in accordance with the laws of the jurisdiction in which the person renders psychotherapy services, in respect of such services.

The professions to which subparagraph *a* of the first paragraph refers are

(a) the profession of psychologist, in respect of therapy and rehabilitation services;

(b) the profession of social worker, in respect of psychotherapy services and rehabilitation services for accident victims or persons suffering from an illness or disability;

(c) the profession of vocational guidance counsellor or psychoeducator, in respect of psychotherapy services;

(d) the profession of sexologist or marriage and family therapist, in respect of therapy services; and

(e) the profession of criminologist, in respect of psychotherapy services.

For the purposes of sections 752.0.11 to 752.0.14 and 1029.8.66.1, a reference to an audiologist, dentist, occupational therapist, nurse, specialized nurse practitioner, physician, optometrist, speech-language pathologist, pharmacist, physiotherapist or psychologist is a reference to a person authorized to practise as such in accordance with any of subparagraphs i to iii of subparagraph *a* of the first paragraph.

1989, c. 5, s. 104; 1990, c. 59, s. 291; 1995, c. 1, s. 82; 1997, c. 14, s. 290; 2000, c. 5, s. 167; 2001, c. 53, s. 118; 2003, c. 2, s. 225; 2005, c. 38, s. 153; 2006, c. 36, s. 75; 2011, c. 6, s. 158; 2015, c. 21, s. 293; 2019, c. 14, s. 228.

752.0.18.0.1. For the purposes of sections 752.0.12 and 752.0.13.2, a dependant of an individual during a taxation year means a person who

(a) is supported by the individual during the year;

(b) during the year, lives ordinarily with the individual or is deemed to live ordinarily with the individual under the second paragraph; and

(c) is the child, grandchild, brother, sister, nephew, niece, uncle, aunt, great-uncle, great-aunt, father, mother or any other direct ascendant of the individual or of the spouse of the individual.

For the purposes of subparagraph *b* of the first paragraph, a person who, during a year, does not live ordinarily with the individual and who, during the year, is a dependant of the individual by reason of mental or physical infirmity, is deemed to ordinarily live with that individual during that year, except if the person has not been resident in Canada at any time in the year where the person is not the child or grandchild of the individual or of the spouse of the individual.

2005, c. 1, s. 169; 2019, c. 14, s. 229.

CHAPTER I.0.3.1

Repealed, 2005, c. 1, s. 170.

1993, c. 64, s. 73; 1997, c. 14, s. 290; 2005, c. 1, s. 170.

752.0.18.1. *(Repealed).*

1993, c. 64, s. 73; 1997, c. 14, s. 290; 1997, c. 85, s. 330; 2001, c. 51, s. 63; 2005, c. 1, s. 170.

752.0.18.2. *(Repealed).*

1997, c. 14, s. 118; 1997, c. 85, s. 134; 1999, c. 83, s. 97; 2000, c. 39, s. 264; 2001, c. 51, s. 64; 2002, c. 40, s. 70; 2003, c. 9, s. 87; 2005, c. 1, s. 170.

CHAPTER I.0.3.2

TAX CREDITS FOR DUES TO A PROFESSIONAL ASSOCIATION OR TO CERTAIN OTHER ENTITIES AND FOR A CONTRIBUTION TO THE OFFICE DES PROFESSIONS DU QUÉBEC

1997, c. 14, s. 118.

752.0.18.3. An individual who, in a taxation year, performs the duties of an office or employment may deduct, from the individual's tax otherwise payable for the year under this Part, an amount equal to the amount obtained by multiplying 10% by the aggregate of all amounts each of which is an amount paid by the individual in the year, to the extent that the individual has not been reimbursed, and is not entitled to be reimbursed, in respect of the amount by the entity to which it is paid, or an amount paid on behalf of the individual in the year, if the amount is required to be included in computing the individual's income for the year, as any of the following dues or contributions, provided the amount may reasonably be regarded as relating to the office or employment:

(a) annual professional membership dues the payment of which was necessary to maintain a professional status recognized by statute;

(b) annual dues the payment of which was necessary to maintain membership in an association of employees within the meaning of the Labour Code (chapter C-27);

(c) annual dues that were retained by the individual's employer from the individual's remuneration in accordance with a collective agreement and paid to an association of employees within the meaning of the Labour Code of which the individual was not a member;

(d) dues to a parity or advisory committee or similar body, the payment of which was required under the Act respecting collective agreement decrees (chapter D-2) or under similar laws of a province other than Québec by reason of the individual's employment for the year;

(e) annual dues to the Commission de la construction du Québec, the payment of which was required under the Act respecting labour relations, vocational training and workforce management in the construction industry (chapter R-20) by reason of the duties of an office or employment performed by the individual in the year;

(f) annual dues the payment of which was necessary to maintain membership in an association of employees recognized by the Minister as an association of employees the primary object of which is to study, safeguard and promote the economic interests of its members;

(g) annual dues the payment of which was necessary to maintain membership in an artists' association recognized by the Minister on the recommendation of the Minister of Culture and Communications;

(h) a contribution the individual was required to pay under section 10 of the Act to amend the Professional Code (1995, chapter 50) or section 196.2 of the Professional Code (chapter C-26);

(i) (paragraph repealed).

1997, c. 14, s. 118; 1997, c. 85, s. 330; 2001, c. 51, s. 65; 2003, c. 9, s. 88; 2007, c. 3, s. 72; 2008, c. 11, s. 185; 2009, c. 15, s. 146; 2015, c. 21, s. 294; 2015, c. 24, s. 103; 2020, c. 16, s. 106.

752.0.18.4. Where, in a particular taxation year, an individual pays, in relation to the duties of an office or employment performed by him in the preceding taxation year, an amount as dues referred to in any of

paragraphs *b* to *g* of section 752.0.18.3, the individual is deemed, in respect of that amount, to have performed the duties of that office or employment in the particular taxation year.

The presumption established in the first paragraph does not apply in respect of an amount paid by an individual in a particular taxation year, in relation to the duties of an office or employment performed by him in the preceding taxation year, as dues referred to in paragraph *f* of section 752.0.18.3, where the individual included, in the aggregate referred to in that section for the preceding taxation year, an amount paid by him in that year, in relation to the office or employment, as dues referred to in any of paragraphs *b* to *e* of that section.

1997, c. 14, s. 118; 2005, c. 1, s. 171; 2020, c. 16, s. 107.

752.0.18.5. Where, in a taxation year, an individual pays, in relation to the duties of an office or employment performed by him in the year, an amount as dues referred to in any of paragraphs *b* to *e* of section 752.0.18.3 and includes that amount in the aggregate referred to in that section for the year, he shall not include, in that aggregate, an amount paid by him in the year, in relation to that office or employment, as dues referred to in paragraph *f* of that section.

1997, c. 14, s. 118; 2005, c. 1, s. 172; 2020, c. 16, s. 107.

752.0.18.6. The dues referred to in any of paragraphs *a*, *b* and *d* to *g* of section 752.0.18.3 do not include the portion thereof that is, in effect, levied under a retirement plan, a plan for annuities, insurance or similar benefits, or for any other purpose not directly related to the ordinary operating expenses of the entity to which they were paid or that corresponds to the Québec sales tax or the goods and services tax in respect of such dues.

However, where an individual is not entitled to a rebate of the Québec sales tax under the Act respecting the Québec sales tax (chapter T-0.1) or of the goods and services tax under the Excise Tax Act (R.S.C. 1985, c. E-15) in respect of dues referred to in paragraph *a* of section 752.0.18.3, the amount of the dues includes the part thereof that corresponds to the Québec sales tax or the goods and services tax in respect of such dues.

1997, c. 14, s. 118; 2002, c. 40, s. 71; 2005, c. 1, s. 173; 2020, c. 16, s. 108.

752.0.18.7. Where, in a taxation year, an individual pays, in relation to the duties of an office or employment performed by him in the year, an amount as dues or a contribution described in section 752.0.18.3, he shall not include that amount in the aggregate referred to in that section for the year if all of his income for the year from that office or employment is not required to be included in computing his income for the year or is deductible in computing his taxable income for the year under any of sections 725, 737.16, 737.18.10, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7 and 737.22.0.10.

1997, c. 14, s. 118; 1997, c. 85, s. 135; 1999, c. 83, s. 98; 2000, c. 39, s. 264; 2002, c. 40, s. 72; 2003, c. 9, s. 89; 2013, c. 10, s. 54; 2022, c. 23, s. 61.

752.0.18.8. An individual may deduct, from the individual's tax otherwise payable for a taxation year under this Part, an amount equal to the amount obtained by multiplying 10% by the aggregate of all amounts each of which is an amount that would, but for section 134.1, be deductible in computing the individual's income for the year from a business or property as dues or a contribution referred to in any of subparagraphs *a* to *c* of the first paragraph of section 134.1 and that has not been taken into account in determining an amount that was deducted under this section in computing the individual's tax payable under this Part for a preceding taxation year.

1997, c. 14, s. 118; 1997, c. 85, s. 330; 2001, c. 51, s. 66; 2015, c. 24, s. 104.

752.0.18.9. If an amount would, but for section 134.1, be deductible in computing an individual's income for a taxation year from a business or property as dues or a contribution referred to in any of subparagraphs *a* to *c* of the first paragraph of that section, the individual shall not include that amount in the aggregate referred to in section 752.0.18.8 for the year if all of the individual's income for the year from that business or

property is not required to be included in computing the individual's income for the year or is deductible in computing the individual's taxable income for the year under any of sections 725, 737.16, 737.18.10 and 737.22.0.10.

1997, c. 14, s. 118; 2000, c. 39, s. 264; 2003, c. 9, s. 90; 2010, c. 25, s. 73; 2022, c. 23, s. 62.

CHAPTER I.0.3.3

TAX CREDIT FOR TUITION FEES AND EXAMINATION FEES

1997, c. 85, s. 136.

752.0.18.10. An individual may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to the aggregate of

(a) the amount obtained by multiplying 8% by the amount by which the amount determined for the year under subparagraph *a* of the first paragraph of section 752.0.18.13.1 is exceeded by the aggregate of

i. the amount of the individual's tuition fees paid in respect of the year or a preceding year if that year is subsequent to the taxation year 2013, where the conditions set out in section 752.0.18.13 are met in respect of that amount and where the individual was, in the year in respect of which those fees are paid, an enrolled student and the fees are paid to one of the following educational institutions:

(1) an educational institution in Canada that is a university, college or other institution providing post-secondary education,

(2) an educational institution in Canada recognized by the Minister to be an institution providing courses, other than courses designed for university credit, that furnish a person with skills for, or improve a person's skills in, an occupation,

(3) an educational institution in the United States that is a university, college or other institution providing post-secondary education, if the individual resided in Canada throughout the year near the boundary between Canada and the United States, commuted between the individual's residence and the educational institution and paid the fees in respect of an instructional program at the post-secondary school level, or

(4) a university outside Canada if the individual pursued full-time studies leading to a degree, for a period of at least three consecutive weeks,

ii. the amount of the individual's examination fees paid in respect of the year or a preceding year if that year is subsequent to the taxation year 2013 to a professional order mentioned in Schedule I to the Professional Code (chapter C-26) where the examination is required to allow the individual to become a member of the order and the conditions set out in section 752.0.18.13 are met in respect of that amount,

iii. the amount of the individual's examination fees paid in respect of the year or a preceding year if that year is subsequent to the taxation year 2013 to a professional organization in Canada or the United States, where the conditions set out in section 752.0.18.13 are met in respect of that amount and the individual must pass the examination in order to

(1) be issued a licence or permit to practise by a professional order mentioned in Schedule I to the Professional Code,

(2) be granted a title by the Canadian Institute of Actuaries, or

(3) be permitted to take another examination of that professional organization which the individual must pass in order to be issued a licence or permit referred to in subparagraph 1 or be granted a title referred to in subparagraph 2,

iv. the amount of the individual's examination fees paid in respect of the year or a preceding year if that year is subsequent to the taxation year 2013 to an educational institution referred to in subparagraph 1 or 2 of subparagraph i, a professional association, a provincial government department or other similar institution, in relation to an examination the individual has taken in the year if

(1) the conditions set out in section 752.0.18.13 are met in respect of that amount, and

(2) the examination is required to obtain a professional status recognized under a law of Canada or of a province, or a licence or certification in respect of a trade, where that status, licence or certification allows the individual to practise the profession or trade in Canada,

v. the amount of the individual's tuition fees paid in respect of the taxation year 2013 to an educational institution referred to in any of subparagraphs 1, 3 and 4 of subparagraph i if

(1) the conditions set out in section 752.0.18.13 are met in respect of that amount, and

(2) the fees are attributable to a term of study that began after 27 March 2013 and in respect of which the individual was an enrolled student,

vi. the amount of the individual's tuition fees paid in respect of the taxation year 2013 to an educational institution referred to in subparagraph 2 of subparagraph i if

(1) the conditions set out in section 752.0.18.13 are met in respect of that amount, and

(2) the fees are attributable to training, other than training that is part of an instructional program at the post-secondary school level, in which the individual enrolled after 28 March 2013, and

vii. the amount of the individual's examination fees paid in respect of the taxation year 2013, in relation to an examination the individual has taken in the year and after 30 April 2013 if

(1) the conditions set out in section 752.0.18.13 are met in respect of that amount, and

(2) the examination fees would be referred to in any of subparagraphs ii to iv if that subparagraph were read without reference to "in respect of the year or a preceding year if that year is subsequent to the taxation year 2013"; and

(b) the amount obtained by multiplying 20% by the amount by which the amount determined for the year under subparagraph *b* of the first paragraph of section 752.0.18.13.1 is exceeded by the aggregate of

i. the amount of the individual's tuition fees that would be referred to in subparagraph i of paragraph *a* if

(1) the portion of that subparagraph i before subparagraph 1 were read as if "if that year is subsequent to the taxation year 2013" were replaced by "if that year is subsequent to the taxation year 1996 and precedes the taxation year 2013", and

(2) subparagraph 4 of that subparagraph i were read as if "three consecutive weeks" were replaced by "thirteen consecutive weeks" in respect of fees referred to in that subparagraph 4 and paid for a taxation year preceding the taxation year 2011,

ii. the amount of the individual's examination fees that would be referred to in subparagraph ii of paragraph *a* if that subparagraph ii were read as if "if that year is subsequent to the taxation year 2013" were replaced by "if that year is subsequent to the taxation year 1996 and precedes the taxation year 2013",

iii. the amount of the individual's examination fees that would be referred to in subparagraph iii of paragraph *a* if the portion of that subparagraph iii before subparagraph 1 were read as if "if that year is subsequent to the taxation year 2013" were replaced by "if that year is subsequent to the taxation year 2004 and precedes the taxation year 2013",

iv. the amount of the individual's examination fees that would be referred to in subparagraph iv of paragraph *a* if the portion of that subparagraph iv before subparagraph 1 were read as if "if that year is subsequent to the taxation year 2013" were replaced by "if that year is subsequent to the taxation year 2010 and precedes the taxation year 2013",

v. the amount of the individual's tuition fees that would be referred to in subparagraph v of paragraph *a* if subparagraph 2 of that subparagraph v were read as if "after 27 March 2013" were replaced by "before 28 March 2013",

vi. the amount of the individual's tuition fees that would be referred to in subparagraph vi of paragraph *a* if subparagraph 2 of that subparagraph vi were read as if "after 28 March 2013" were replaced by "before 29 March 2013", and

vii. the amount of the individual's examination fees that would be referred to in subparagraph vii of paragraph *a* if the portion of that subparagraph vii before subparagraph 1 were read as if "after 30 April 2013" were replaced by "before 1 May 2013".

1997, c. 85, s. 136; 2000, c. 5, s. 168; 2001, c. 51, s. 67; 2003, c. 2, s. 226; 2006, c. 13, s. 58; 2009, c. 5, s. 290; 2012, c. 8, s. 122; 2015, c. 21, s. 295; 2019, c. 14, s. 230; 2021, c. 18, s. 62; 2021, c. 36, s. 83.

752.0.18.10.1. For the purposes of section 752.0.18.10, the tuition fees of an individual include ancillary fees and charges that are paid to an educational institution referred to in subparagraph 1 of subparagraph i of paragraph *a* of section 752.0.18.10 in respect of the individual's enrolment in a program at a post-secondary school level, but do not include

(a) any fee or charge to the extent that it is levied in respect of

i. a student association,

ii. property to be acquired by students,

iii. services not ordinarily provided at educational institutions in Canada that offer courses at a post-secondary school level,

iv. *(subparagraph repealed)*;

v. the construction, renovation or maintenance of any building or facility, except to the extent that the building or facility is owned by the educational institution and used to provide

(1) courses at the post-secondary school level, or

(2) services for which, if fees or charges in respect of the services were required to be paid by all students of the educational institution, the fees or charges would be included because of this section in the fees for an individual's tuition; and

(b) any fee or charge for a taxation year that, but for this paragraph, would be included because of this section in the fees for the individual's tuition and that is not required to be paid by all of the educational institution's full-time students, where the individual is a full-time student at the educational institution, and all of the educational institution's part-time students, where the individual is a part-time student at the educational institution, to the extent that the total amount for the year of all such fees and charges paid in respect of the individual's enrolment at the institution exceeds $250.

2000, c. 5, s. 169; 2001, c. 51, s. 68; 2002, c. 40, s. 73; 2015, c. 21, s. 296.

752.0.18.10.2. For the purposes of section 752.0.18.10, the examination fees of an individual include ancillary fees and charges, other than fees and charges included in section 752.0.18.10.1, that are paid to an educational institution referred to in subparagraph 1 of subparagraph i of paragraph *a* of section 752.0.18.10,

a professional order referred to in subparagraph ii of that paragraph, a professional organization referred to in subparagraph iii of that paragraph, or a professional association, a provincial government department or other similar institution referred to in subparagraph iv of that paragraph, in relation to an examination taken by the individual, but do not include any fee or charge to the extent that it is levied in respect of

(a) property to be acquired by an individual;

(b) the construction, renovation or maintenance of any building or facility; or

(c) any fee or charge for a taxation year that, but for this paragraph, would be included because of this section in the individual's examination fees and that is not required to be paid by all the individuals taking the examination to the extent that the total for the year of all such fees and charges paid in respect of the individual's examination fees exceeds $250.

2012, c. 8, s. 123; 2015, c. 21, s. 297.

752.0.18.11. The deduction provided for in section 752.0.18.10 in respect of an individual is allowable only if the total amount of the tuition fees and the examination fees paid in respect of a taxation year exceeds $100.

1997, c. 85, s. 136.

752.0.18.11.1. For the purpose of applying section 752.0.18.10 in respect of an individual, the total amount of the tuition fees and examination fees that are referred to in subparagraphs i to iv of paragraph *a* of that section and paid in respect of a taxation year is to be reduced by the amount that is deemed to have been paid by the individual under subsection 1 of section 122.91 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for that year.

2021, c. 36, s. 84.

752.0.18.12. For the purposes of section 752.0.18.10, the amount of tuition fees and examination fees paid in respect of a taxation year does not include

(a) an amount paid for one of those purposes on the individual's behalf by the individual's employer or by an employer of the individual's father or mother, or an amount reimbursed for one of those purposes to the individual or the individual's father or mother by such an employer, unless the amount is included in computing the individual's income or that of the individual's father or mother, as the case may be;

(b) where the tuition fees are paid to an educational institution referred to in subparagraph 1 or 2 of subparagraph i of paragraph *a* of section 752.0.18.10,

i. the fees in respect of which the individual is or was entitled to receive a reimbursement or any form of assistance under a program of the State or of Her Majesty in right of Canada or a province, other than Québec, designed to facilitate the entry or re-entry of workers into the labour force, where the amount of the reimbursement or assistance, as the case may be, is not included in computing the individual's income, or

ii. the fees paid on the individual's behalf, or in respect of which the individual is or was entitled to receive a reimbursement, under a program of Her Majesty in right of Canada designed to assist athletes, where the payment or reimbursement, as the case may be, is not included in computing the individual's income;

(c) the fees paid to an educational institution referred to in subparagraph 1 of subparagraph i of paragraph *a* of section 752.0.18.10 in respect of an instructional program that is not at the post-secondary school level or the fees paid to an educational institution referred to in subparagraph 2 of that subparagraph i, if

i. the individual had not yet reached 16 years of age at the end of the year in respect of which the fees are paid, or

ii. it is not reasonable to consider that the purpose of the individual's enrolment at the institution was to furnish the individual with skills for, or to improve the individual's skills in, an occupation;

(d) the examination fees in respect of which the individual is or was entitled to receive a reimbursement or any form of assistance under a program of the State or of Her Majesty in right of Canada or a province, other than Québec, designed to facilitate the entry or re-entry of workers into the labour force, where the amount of the reimbursement or assistance, as the case may be, is not included in computing the individual's income.

1997, c. 85, s. 136; 1998, c. 16, s. 186; 2000, c. 5, s. 170; 2001, c. 7, s. 169; 2006, c. 13, s. 59; 2012, c. 8, s. 124; 2015, c. 21, s. 298; 2019, c. 14, s. 231.

752.0.18.12.1. For the application of section 752.0.18.10 to an individual for a particular taxation year, the aggregate of the amounts described in that section does not include the amount of the tuition fees and examination fees paid in respect of a preceding year throughout which the individual was not resident in Canada.

2006, c. 13, s. 60.

752.0.18.13. The conditions to which section 752.0.18.10 refers in respect of an amount for a taxation year in relation to an individual are as follows:

(a) the amount was not taken into account in determining an amount that was deducted under this chapter in computing the individual's tax payable under this Part for a preceding taxation year;

(b) the amount was not taken into account in determining an amount that was deducted under section 118.5, 118.8, 118.9 or 118.61 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in computing the individual's or another person's tax payable under that Act for a preceding taxation year in respect of which the individual was not subject to tax under this Part.

1997, c. 85, s. 136; 2011, c. 6, s. 159.

752.0.18.13.1. For the purpose of determining the amount that an individual may deduct from the individual's tax otherwise payable for a taxation year under section 752.0.18.10, the following rules apply:

(a) the amount referred to in the portion of paragraph *a* of section 752.0.18.10 before subparagraph i is equal to the aggregate of all amounts each of which is, subject to subparagraph *a* of the third paragraph, determined by the formula

A / 8%; and

(b) the amount referred to in the portion of paragraph *b* of section 752.0.18.10 before subparagraph i is equal to the aggregate of all amounts each of which is, subject to subparagraph *b* of the third paragraph, determined by the formula

B / 20%.

In the formulas in subparagraphs *a* and *b* of the first paragraph,

(a) A is an amount transferred by the individual to another individual, in accordance with section 776.41.21, for the year or a preceding taxation year in respect of fees referred to in any of subparagraphs i to iv of paragraph *a* of section 752.0.18.10; and

(b) B is an amount transferred by the individual to another individual, in accordance with section 776.41.21, for the year or a preceding taxation year in respect of fees referred to in any of subparagraphs i to iv of paragraph *b* of section 752.0.18.10.

For the purposes of the first paragraph, if the individual has transferred a particular amount to another individual, in accordance with section 776.41.21, for the taxation year 2013, the following rules apply:

(a) the amount determined by the formula in subparagraph *a* of the first paragraph in respect of fees referred to in any of subparagraphs v to vii of paragraph *a* of section 752.0.18.10 is deemed to be equal to the aggregate of those fees multiplied by the proportion that the particular amount is of the total of

i. the amount obtained by multiplying 8% by the aggregate of the fees referred to in any of subparagraphs v to vii of paragraph *a* of section 752.0.18.10, and

ii. the amount obtained by multiplying 20% by the aggregate of the fees referred to in any of subparagraphs v to vii of paragraph *b* of section 752.0.18.10; and

(b) the amount determined by the formula in subparagraph *b* of the first paragraph in respect of fees referred to in any of subparagraphs v to vii of paragraph *b* of section 752.0.18.10 is deemed to be equal to the aggregate of those fees multiplied by the proportion that the particular amount is of the total of

i. the amount obtained by multiplying 8% by the aggregate of the fees referred to in any of subparagraphs v to vii of paragraph *a* of section 752.0.18.10, and

ii. the amount obtained by multiplying 20% by the aggregate of the fees referred to in any of subparagraphs v to vii of paragraph *b* of section 752.0.18.10.

2009, c. 5, s. 291; 2015, c. 21, s. 299.

752.0.18.14. Where an individual is absent from Canada but resident in Québec for all or part of a taxation year in respect of which tuition fees are paid, subparagraphs 1 and 2 of subparagraph i of paragraph *a* of section 752.0.18.10 are to be read, in relation to fees paid in respect of that year, without reference to "in Canada".

1997, c. 85, s. 136; 2015, c. 21, s. 300.

CHAPTER I.0.3.3.1

CREDIT FOR INTEREST ON STUDENT LOANS

2001, c. 53, s. 119.

752.0.18.15. An individual may deduct from the individual's tax otherwise payable for a taxation year under this Part an amount equal to the amount obtained by multiplying 20% by the aggregate of all amounts each of which is an amount of interest, other than any amount paid on account of or in satisfaction of interest under a judgment, paid in the year or in a preceding taxation year that is after the year 1997 by the individual or a person related to the individual on a loan made to, or other amount owing by, the individual under

(a) the Act respecting financial assistance for education expenses (chapter A-13.3);

(b) the Canada Student Loans Act (R.S.C. 1985, c. S-23);

(c) the Canada Student Financial Assistance Act (S.C. 1994, c. 28);

(c.1) the Apprentice Loans Act (S.C. 2014, c. 20, s. 483); or

(d) a law of a province other than Québec governing the granting of financial assistance to students at the post-secondary school level.

However, in computing the deduction provided for in the first paragraph in respect of an individual for a taxation year, an amount of interest paid in a preceding taxation year shall not be taken into account if it was taken into account in determining an amount that was deducted under this section for another taxation year or if it was taken into account in determining an amount that was deducted under section 118.62 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for a taxation year in which the individual was not subject to tax under this Part.

2001, c. 53, s. 119; 2017, c. 1, s. 200; 2017, c. 29, s. 152.

CHAPTER I.0.4

Repealed, 2003, c. 9, s. 91.

1989, c. 5, s. 104; 1997, c. 85, s. 137; 2003, c. 9, s. 91.

752.0.19. *(Repealed).*

1989, c. 5, s. 104; 1993, c. 64, s. 74; 1997, c. 14, s. 290; 1997, c. 85, s. 138; 2000, c. 39, s. 66; 2001, c. 53, s. 120; 2003, c. 9, s. 91.

CHAPTER I.0.5

Repealed, 1995, c. 63, s. 60.

1989, c. 5, s. 104; 1995, c. 63, s. 60.

752.0.20. *(Repealed).*

1989, c. 5, s. 104; 1990, c. 7, s. 62; 1991, c. 8, s. 45; 1992, c. 1, s. 56; 1993, c. 19, s. 55; 1993, c. 64, s. 75; 1995, c. 1, s. 83; 1995, c. 63, s. 60.

752.0.21. *(Repealed).*

1989, c. 5, s. 104; 1990, c. 7, s. 63; 1994, c. 22, s. 265; 1995, c. 63, s. 60.

CHAPTER I.0.6

ORDERING OF CREDITS

1989, c. 5, s. 104.

752.0.22. For the purpose of computing the tax payable under this Part by an individual, the following provisions are to be applied in the following order: sections 752.0.0.1, 752.0.1, 776.41.14, 752.0.7.4, 752.0.10.0.3, 752.0.18.3, 752.0.18.8, 752.0.10.0.9, 776.1.5.0.17, 776.1.5.0.18, 752.0.10.0.5, 752.0.10.0.7, 752.0.14, 752.0.11 to 752.0.13.1.1, 776.41.21, 752.0.10.6.1, 752.0.10.6, 752.0.10.6.2, 752.0.18.10, 752.0.18.15, 767 and 776.41.5.

1989, c. 5, s. 104; 1990, c. 7, s. 64; 1993, c. 19, s. 56; 1993, c. 64, s. 76; 1997, c. 14, s. 119; 1997, c. 85, s. 139; 2001, c. 53, s. 121; 2003, c. 9, s. 92; 2005, c. 1, s. 174; 2005, c. 38, s. 154; 2006, c. 36, s. 76; 2009, c. 5, s. 292; 2011, c. 34, s. 37; 2012, c. 8, s. 125; 2015, c. 21, s. 301; 2015, c. 24, s. 105; 2019, c. 14, s. 232.

CHAPTER I.0.7

INDIVIDUALS RESIDENT IN QUÉBEC AND CARRYING ON BUSINESS OUTSIDE QUÉBEC IN CANADA AND INDIVIDUALS RESIDENT IN CANADA OUTSIDE QUÉBEC AND CARRYING ON BUSINESS IN QUÉBEC

1989, c. 5, s. 104.

752.0.23. Where an individual is referred to in the second paragraph of section 22 or 25, the amount that the individual may deduct under sections 752.0.0.1 to 752.0.18.15, except section 752.0.10.0.9, in computing the individual's tax payable for a taxation year under this Part may not exceed the portion of that amount that is represented by the proportion referred to in the second paragraph of section 22 or 25, as the case may be.

1989, c. 5, s. 104; 1993, c. 64, s. 77; 2003, c. 9, s. 93; 2005, c. 1, s. 175; 2019, c. 14, s. 232.

752.0.23.1. *(Repealed).*

2005, c. 38, s. 155; 2009, c. 5, s. 293.

CHAPTER I.0.8

INDIVIDUALS RESIDENT IN CANADA FOR PART OF THE YEAR

1989, c. 5, s. 104.

752.0.24. Where an individual is resident in Canada only during part of a taxation year, the following rules apply for the purpose of computing his tax payable under this Part for the year:

(a) only the following amounts may be deducted by the individual under sections 752.0.0.1 to 752.0.7, 752.0.10.0.2 to 752.0.10.0.9 and 752.0.10.1 to 752.0.18.15 in respect of any period in the year throughout which the individual was resident in Canada:

i. such of the amounts deductible under any of sections 752.0.10.0.2 to 752.0.10.0.9, 752.0.10.6 to 752.0.10.6.2, 752.0.11 to 752.0.13.3, 752.0.18.3, 752.0.18.8, 752.0.18.10 and 752.0.18.15 as can reasonably be considered wholly attributable to such a period, computed as though that period were a whole taxation year, and

ii. such of the amounts as the individual would be allowed to deduct for the year under any of sections 752.0.0.1, 752.0.1 to 752.0.7 and 752.0.14 if the deduction were computed with each particular amount in dollars that is referred to in any of those sections and that would otherwise be applicable for the year, with reference to section 750.2, replaced by the proportion of the particular amount that the number of days in that period is of the number of days in the year, and as though that period were a whole taxation year; and

iii. *(subparagraph repealed);*

(b) the amount deductible for the year under any of sections 752.0.0.1 to 752.0.7, 752.0.10.0.2 to 752.0.10.0.7 and 752.0.10.1 to 752.0.18.15 in respect of a period in the year that is not referred to in subparagraph *a* is to be computed as though such a period were a whole taxation year.

However, the amount deductible for the year by the individual under any of sections 752.0.0.1 to 752.0.7, 752.0.10.0.2 to 752.0.10.0.7 and 752.0.10.1 to 752.0.18.15 must not exceed the amount that would have been deductible under that section had the individual been resident in Canada throughout the year.

1989, c. 5, s. 104; 1990, c. 7, s. 65; 1993, c. 16, s. 285; 1993, c. 19, s. 57; 1993, c. 64, s. 78; 1995, c. 49, s. 174; 1997, c. 14, s. 120; 1997, c. 85, s. 140; 2001, c. 53, s. 122; 2003, c. 9, s. 94; 2005, c. 1, s. 176; 2005, c. 38, s. 156; 2009, c. 5, s. 294; 2012, c. 8, s. 126; 2013, c. 10, s. 55; 2015, c. 21, s. 302; 2015, c. 24, s. 106; 2019, c. 14, s. 233.

752.0.24.1. For the purposes of sections 752.0.0.4 to 752.0.0.6, if an individual to whom section 752.0.0.3 applies for a taxation year is resident in Canada only during part of the year, there shall be taken into account, as a covered benefit attributable to the year, only an amount that can reasonably be considered wholly attributable to any period in the year throughout which the individual was resident in Canada.

2005, c. 38, s. 157; 2009, c. 5, s. 295.

CHAPTER I.0.9

INDIVIDUALS RESIDENT OUTSIDE CANADA

1989, c. 5, s. 104.

752.0.25. Where an individual is referred to in the second paragraph of section 26, sections 752.0.0.1 to 752.0.18.15 do not apply for the purpose of computing the individual's tax payable under this Part for a taxation year.

However, the individual may deduct, in computing the individual's tax payable under this Part for such a taxation year,

(a) where all or substantially all of the individual's income for the year, as determined under section 28, is included in computing the individual's taxable income earned in Canada for the year, determined with reference to the third paragraph, such portion of the amounts determined under sections 752.0.0.1 to 752.0.10, 752.0.10.0.5, 752.0.10.0.7 and 752.0.11 to 752.0.13.1.1, as is represented by the proportion described in the second paragraph of section 26; and

(b) such portion of the amounts determined under sections 752.0.10.1 to 752.0.10.26, 752.0.14, 752.0.18.3, 752.0.18.8, 752.0.18.10 and 752.0.18.15, as is represented by the proportion described in the second paragraph of section 26.

For the purposes of subparagraph *a* of the second paragraph, the taxable income earned in Canada by an individual for a taxation year is determined as if section 1090 were read for the year without reference to its second, third and fourth paragraphs and as if subparagraph *a* of the first paragraph of that section were replaced, for the year, by the following subparagraph:

"(*a*) the aggregate of the income from the duties of offices or employments performed by the individual in Canada and the income from the duties of offices or employments performed by the individual outside Canada if the individual was resident in Canada at the time the individual performed the duties;".

1989, c. 5, s. 104; 1990, c. 7, s. 66; 1993, c. 19, s. 58; 1993, c. 64, s. 79; 1997, c. 14, s. 121; 1997, c. 85, s. 141; 2001, c. 51, s. 69; 2001, c. 53, s. 123; 2003, c. 9, s. 95; 2005, c. 1, s. 177; 2005, c. 38, s. 158; 2012, c. 8, s. 127; 2015, c. 24, s. 107; 2015, c. 36, s. 47.

CHAPTER I.0.10

SEPARATE RETURNS OF INCOME

1989, c. 5, s. 104.

752.0.26. If a separate fiscal return in respect of an individual is filed under any of sections 429, 681 and 1003 for a particular period and another fiscal return in respect of the same individual is filed under this Part for a period ending in the calendar year in which the particular period ends, for the purpose of computing the tax payable under this Part by the individual in such fiscal returns, the aggregate of the deductions claimed in all such returns under sections 752.0.7.1 to 752.0.18.15 must not exceed the aggregate of the deductions that could be claimed under those sections for the year in respect of the individual if no separate fiscal returns were filed under sections 429, 681 and 1003.

1989, c. 5, s. 104; 1993, c. 64, s. 80; 1997, c. 14, s. 290; 1997, c. 85, s. 142; 2001, c. 53, s. 124; 2005, c. 1, s. 178; 2009, c. 5, s. 296.

CHAPTER I.0.11

INDIVIDUALS IN BANKRUPTCY

1993, c. 64, s. 81.

752.0.27. Where an individual becomes a bankrupt in a calendar year, the following rules apply for the purpose of determining the amounts deductible under sections 752.0.0.1 to 752.0.7, 752.0.10.0.3, 752.0.10.0.5, 752.0.10.0.7 and 752.0.14 to 752.0.18 in computing the individual's tax payable under this Part for each of the individual's taxation years referred to in section 779 that end in the calendar year:

(a) in the case of an amount deductible for such a taxation year under sections 752.0.1 to 752.0.7, the individual shall deduct only the portion of that amount otherwise determined that is equal to the proportion that the number of days in that taxation year is of the number of days in the calendar year;

(b) in the case of an amount that is deductible for such a taxation year under section 752.0.0.1 or 752.0.14, the amount is to be computed as if the particular amount in dollars that is referred to in that section and that would otherwise be applicable for such a taxation year, with reference to section 750.2, was replaced by the proportion of that particular amount that the number of days in that taxation year is of the number of days in the calendar year;

(b.0.1*)* in the case of an amount that is deductible for such a taxation year under section 752.0.10.0.3, the amount is to be computed as if

i. the amounts of $11,000 and $10,000, wherever they are mentioned in the third paragraph of section 752.0.10.0.3, were replaced, respectively, by the proportion of $11,000 and $10,000 that the number of days in that taxation year is of the number of days in the calendar year,

ii. the amount of $5,000, wherever it is mentioned in section 752.0.10.0.3, were replaced, for the taxation year that is deemed to begin on the date of the bankruptcy, by an amount equal to the amount by which $5,000 exceeds the individual's eligible work income, within the meaning of section 752.0.10.0.2, which is determined for the taxation year that is deemed to end the day before the bankruptcy and which is attributable to a period in that latter year when the individual is 60 years of age or over,

iii. the particular amount of the reduction threshold, mentioned in subparagraph *c* of the second paragraph of section 752.0.10.0.3, that would otherwise be applicable for such a taxation year, were replaced by the proportion of that particular amount that the number of days in that taxation year is of the number of days in the calendar year, and

iv. the amount of $4,000, mentioned in the fourth paragraph of section 752.0.10.0.3, were replaced by the proportion of $4,000 that the number of days in that taxation year is of the number of days in the calendar year; and

(b.1*) (subparagraph repealed);*

(c) the amount deductible by the individual in respect of all of those taxation years, under any of those sections, shall not exceed the amount that would have been deductible under that section had the individual not become a bankrupt during the calendar year.

For the purposes of subparagraph *a* of the first paragraph in respect of each of the taxation years referred to in section 779 that end in the calendar year in which an individual becomes a bankrupt, where the individual includes, in computing the aggregate referred to in section 752.0.1, an amount under paragraph *f* of section 752.0.1 in respect of a person who reaches 18 years of age in the calendar year and the person is under 18 years of age at the end of the taxation year that is deemed to end the day before the bankruptcy, the following rules apply:

(a) the number of days in the taxation year that is deemed to end the day before the bankruptcy is deemed to be equal to zero; and

(b) the number of days in the taxation year that is deemed to begin on the date of the bankruptcy is deemed to be equal to the number of days in the calendar year.

For the purposes of subparagraphs i, iii and iv of subparagraph *b*.0.1 of the first paragraph in respect of each of the taxation years referred to in section 779 that end in the calendar year in which an individual becomes a bankrupt, in computing the proportion described in those subparagraphs, no account is to be taken of the days in that taxation year and that calendar year on which the individual is not at least 60 years of age.

1993, c. 64, s. 81; 1996, c. 39, s. 206; 1997, c. 14, s. 122; 1997, c. 85, s. 143; 2003, c. 9, s. 96; 2005, c. 1, s. 179; 2005, c. 38, s. 159; 2009, c. 5, s. 297; 2011, c. 34, s. 38; 2012, c. 8, s. 128; 2015, c. 24, s. 108; 2015, c. 36, s. 48; 2017, c. 29, s. 153; 2019, c. 14, s. 234.

752.0.27.1. For the purposes of sections 752.0.0.4 to 752.0.0.6, if an individual becomes a bankrupt in a calendar year and section 752.0.0.3 applies in respect of the individual for each of the individual's taxation years referred to in section 779 that end in the calendar year, there shall be taken into account, as a covered benefit attributable to any of those taxation years, only an amount that is wholly attributable to that taxation year.

2005, c. 38, s. 160; 2009, c. 5, s. 298.

CHAPTER I.1

Repealed, 2001, c. 53, s. 125.

1984, c. 15, s. 175; 2001, c. 53, s. 125.

DIVISION I

Repealed, 2001, c. 53, s. 125.

1984, c. 15, s. 175; 2001, c. 53, s. 125.

752.1. *(Repealed).*

1984, c. 15, s. 175; 1986, c. 15, s. 115; 1986, c. 72, s. 11; 1989, c. 5, s. 105; 2001, c. 53, s. 125.

DIVISION II

Repealed, 2001, c. 53, s. 125.

1984, c. 15, s. 175; 2001, c. 53, s. 125.

752.2. *(Repealed).*

1984, c. 15, s. 175; 1985, c. 25, s. 127; 1986, c. 15, s. 116; 1986, c. 72, s. 12; 1988, c. 4, s. 61; 1989, c. 5, s. 106; 1995, c. 63, s. 61; 1997, c. 31, s. 80; 2001, c. 53, s. 125.

DIVISION III

Repealed, 2001, c. 53, s. 125.

1984, c. 15, s. 175; 2001, c. 53, s. 125.

752.3. *(Repealed).*

1984, c. 15, s. 175; 2001, c. 53, s. 125.

752.4. *(Repealed).*

1984, c. 15, s. 175; 2001, c. 53, s. 125.

752.5. *(Repealed).*

1984, c. 15, s. 175; 1997, c. 31, s. 81; 2000, c. 39, s. 67; 2001, c. 53, s. 125.

CHAPTER I.2

Repealed, 1989, c. 5, s. 107.

1986, c. 15, s. 117; 1989, c. 5, s. 107.

DIVISION I

Repealed, 1989, c. 5, s. 107.

1986, c. 15, s. 117; 1989, c. 5, s. 107.

752.6. *(Repealed).*

1986, c. 15, s. 117; 1986, c. 103, s. 9; 1988, c. 4, s. 62; 1989, c. 5, s. 107.

752.7. *(Repealed).*

1986, c. 15, s. 117; 1989, c. 5, s. 107.

752.8. *(Repealed).*

1986, c. 15, s. 117; 1986, c. 103, s. 10; 1989, c. 5, s. 107.

752.9. *(Repealed).*

1986, c. 15, s. 117; 1986, c. 103, s. 10; 1989, c. 5, s. 107.

752.10. *(Repealed).*

1986, c. 15, s. 117; 1986, c. 103, s. 10; 1989, c. 5, s. 107.

DIVISION II

Repealed, 1989, c. 5, s. 107.

1986, c. 15, s. 117; 1989, c. 5, s. 107.

752.11. *(Repealed).*

1986, c. 15, s. 117; 1989, c. 5, s. 107.

CHAPTER I.3

ALTERNATIVE MINIMUM TAX CARRY-OVER

1988, c. 4, s. 63.

752.12. An individual may deduct from the amount that, but for this section and sections 752.14 and 766.3.4, would be the individual's tax otherwise payable under this Part for a particular taxation year such amount as the individual may claim not exceeding the lesser of

(a) the portion of the aggregate of his additional taxes determined under section 752.14 for the 7 taxation years immediately preceding the particular year that was not deducted in computing his tax otherwise payable under this Part for a taxation year preceding the particular year, and

(b) the amount by which the amount that, but for this section and sections 752.14 and 766.3.4, would be the individual's tax otherwise payable under this Part for the particular year, if such tax were determined under this Book without taking account of sections 772.2 to 772.13.3, 776, 776.1.1 to 776.1.5 and 776.1.5.0.11 to 776.1.5.0.15.5, exceeds the amount of the minimum tax applicable to that individual for the particular year as determined under section 776.46.

1988, c. 4, s. 63; 1989, c. 5, s. 108; 1990, c. 59, s. 292; 1992, c. 1, s. 57; 1995, c. 63, s. 62; 1997, c. 14, s. 123; 2001, c. 53, s. 126; 2002, c. 9, s. 18; 2010, c. 25, s. 74; 2012, c. 8, s. 129; 2015, c. 21, s. 303; 2019, c. 14, s. 235.

752.13. *(Repealed).*

1988, c. 4, s. 63; 1989, c. 5, s. 109.

752.14. For the purposes of section 752.12, additional tax of an individual for a taxation year is the amount by which the individual's minimum tax applicable for the year as determined under section 776.46 exceeds the amount that would be the individual's tax otherwise payable under this Part for the year if such amount were determined under this Book without reference to sections 772.2 to 772.13.3, 776, 776.1.1 to 776.1.5 and 776.1.5.0.11 to 776.1.5.0.15.5.

1988, c. 4, s. 63; 1989, c. 5, s. 110; 1990, c. 59, s. 293; 1992, c. 1, s. 58; 1995, c. 63, s. 63; 1997, c. 85, s. 144; 1999, c. 83, s. 99; 2001, c. 53, s. 127; 2002, c. 9, s. 19; 2009, c. 5, s. 299; 2010, c. 25, s. 75; 2012, c. 8, s. 130; 2019, c. 14, s. 236.

752.15. For the purposes of sections 752.12 and 752.14, the minimum tax applicable to an individual for a taxation year, as determined under section 776.46, must be computed, where applicable, by applying thereto the proportion referred to in the second paragraph of section 22, 25 or 26.

1988, c. 4, s. 63; 1989, c. 5, s. 110.

752.15.1. *(Repealed).*

1997, c. 85, s. 145; 1999, c. 83, s. 100.

752.16. Section 752.12 does not apply in respect of a separate fiscal return of an individual filed under the second paragraph of section 429 or section 681, 784 or 1003.

1988, c. 4, s. 63; 1989, c. 5, s. 110; 2001, c. 7, s. 106; 2001, c. 53, s. 128.

CHAPTER II

Repealed, 2001, c. 53, s. 129.

2001, c. 53, s. 129.

DIVISION I

Repealed, 1984, c. 15, s. 176.

1984, c. 15, s. 176.

753. *(Repealed).*

1972, c. 23, s. 566; 1984, c. 15, s. 176.

754. *(Repealed).*

1972, c. 23, s. 567; 1972, c. 26, s. 59; 1973, c. 17, s. 88; 1984, c. 15, s. 176.

755. *(Repealed).*

1972, c. 23, s. 568; 1984, c. 15, s. 176.

756. *(Repealed).*

1972, c. 23, s. 569; 1972, c. 26, s. 60; 1973, c. 17, s. 89; 1984, c. 15, s. 176.

757. *(Repealed).*

1972, c. 23, s. 570; 1975, c. 22, s. 210; 1976, c. 17, s. 1; 1978, c. 26, s. 136; 1979, c. 38, s. 23; 1984, c. 15, s. 176.

DIVISION II

Repealed, 2001, c. 53, s. 129.

2001, c. 53, s. 129.

758. *(Repealed).*

1972, c. 23, s. 571; 1993, c. 64, s. 82; 2001, c. 53, s. 129.

759. *(Repealed).*

1972, c. 23, s. 572; 1985, c. 25, s. 128; 1986, c. 19, s. 163; 1989, c. 5, s. 111; 2001, c. 53, s. 129.

760. *(Repealed).*

1972, c. 23, s. 573; 2001, c. 53, s. 129.

761. *(Repealed).*

1972, c. 23, s. 574; 1973, c. 17, s. 90; 1995, c. 63, s. 261; 2001, c. 53, s. 129.

762. *(Repealed).*

1972, c. 23, s. 575; 1984, c. 15, s. 177; 1989, c. 5, s. 112; 2001, c. 53, s. 129.

763. *(Repealed).*

1972, c. 23, s. 576; 2001, c. 53, s. 129.

764. *(Repealed).*

1972, c. 23, s. 577; 2001, c. 53, s. 129.

765. *(Repealed).*

1972, c. 23, s. 578; 2001, c. 53, s. 129.

766. *(Repealed).*

1972, c. 23, s. 579; 1985, c. 25, s. 129; 1997, c. 14, s. 124; 2001, c. 53, s. 129.

766.1. *(Repealed).*

1985, c. 25, s. 129; 1986, c. 19, s. 164; 2001, c. 53, s. 129.

CHAPTER II.1

TAX ADJUSTMENT RELATING TO CERTAIN AMOUNTS

1993, c. 16, s. 286; 2005, c. 38, s. 161; 2015, c. 21, s. 304.

DIVISION I

RETROACTIVE PAYMENTS

2015, c. 21, s. 304.

766.2. An individual's tax otherwise payable for a particular taxation year is to be adjusted in accordance with the second paragraph if

(a) the individual is not required to include, by reason of the second paragraph of section 312.5, an amount in computing the individual's income for the particular taxation year;

(a.1) the individual is not required to include, by reason of the second paragraph of section 694.0.0.1, an amount in computing taxable income for the particular taxation year;

(b) the individual is required to include, by reason of section 694.0.1, an amount in computing the individual's taxable income for the particular taxation year; or

(c) the individual deducts, by reason of section 725.1.2, an amount in computing the individual's taxable income, or the individual's taxable income earned in Canada as determined under Part II, for the particular taxation year.

The adjustment to which the first paragraph refers is made in the following manner:

(a) the amount of the adjustment, in relation to the particular taxation year, is equal to the aggregate of all amounts each of which is the amount of the tax adjustment relating to the averaging, determined in respect of the individual, that is attributable to a preceding taxation year that is an eligible taxation year of the individual, hereinafter called the "taxation year to which the averaging applies", to which an amount referred

to in any of subparagraphs *a* to *c* of the first paragraph that the individual receives or pays in the particular taxation year relates, in whole or in part;

(b) if the amount of the adjustment, in relation to the particular taxation year, determined in accordance with subparagraph *a*, is greater than or equal to zero, that amount is an amount that the individual is required to add to the individual's tax otherwise payable under this Part for that particular year; and

(c) if the amount of the adjustment, in relation to the particular taxation year, determined in accordance with subparagraph *a*, is less than zero, that amount expressed as a positive number is an amount that the individual may deduct from the individual's tax otherwise payable under this Part for that particular year.

The amount of the tax adjustment relating to the averaging, determined in respect of the individual, that is attributable to a taxation year to which the averaging applies, for the purpose of determining the amount of the adjustment in relation to the particular taxation year, is equal to the positive or negative amount determined by the formula

(A - B) + C + D - (E - F).

In the formula in the third paragraph,

(a) A is the total of the tax that would have been payable by the individual, for the taxation year to which the averaging applies, under this Part and, if the taxation year to which the averaging applies precedes the taxation year 1998, under Part I.1, as it read for that year, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for the taxation year to which the averaging applies;

(b) B is the total of the tax payable by the individual, for the taxation year to which the averaging applies, under this Part and, if the taxation year to which the averaging applies precedes the taxation year 1998, under Part I.1, as it read for that year;

(c) C is the aggregate of the amount by which the amount that a person, other than the individual, has deducted in computing the person's tax otherwise payable under section 752.0.15 for the taxation year to which the averaging applies, as it read before being repealed, in respect of that taxation year, exceeds the amount that the person could have deducted in computing the person's tax otherwise payable under section 752.0.15 for that year if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for the taxation year to which the averaging applies, and the following amount:

i. if the taxation year to which the averaging applies is subsequent to the taxation year 2002, but precedes the taxation year 2007, and, in the case of the taxation year 2003 or 2004, the rules set out in Book V.2.1, as it read for that year, did not apply to the individual's eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, the amount by which the amount that the spouse has deducted in computing the spouse's tax otherwise payable for that year under section 776.41.5, exceeds the amount that the spouse could have deducted in computing the spouse's tax otherwise payable for that year under section 776.41.5, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year,

ii. if the taxation year to which the averaging applies is the taxation year 2003 or 2004 and the rules set out in Book V.2.1, as it read for that year, did apply to the individual's eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, the amount by which the amount that the spouse has deducted in

computing the spouse's tax otherwise payable for that year under section 776.78, as it read for that year, exceeds the amount that the spouse could have deducted in computing the spouse's tax otherwise payable for that year under section 776.78, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year,

iii. if the taxation year to which the averaging applies precedes the taxation year 2003 and the rules set out in Book V.2.1, as it read for that year, did apply to the individual's spouse for the year, the amount by which the amount that the spouse has deducted in computing the spouse's tax otherwise payable for that year under section 776.78, as it read for that year, exceeds the amount that the spouse could have deducted in computing the spouse's tax otherwise payable for that year under section 776.78, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year,

iv. if the taxation year to which the averaging applies precedes the taxation year 2003 and subparagraph iii does not apply, the amount by which the amount that the individual's spouse has deducted in computing the spouse's tax otherwise payable for that year under section 752.0.19, as it read for that year, exceeds the amount that the spouse could have deducted in computing the spouse's tax otherwise payable for that year under section 752.0.19, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year; and

v. if the taxation year to which the averaging applies is subsequent to the taxation year 2006, the aggregate of

(1) the amount by which the amount that the individual's eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, has deducted in computing the spouse's tax otherwise payable for that year under section 776.41.5, exceeds the amount that the spouse could have deducted in computing the spouse's tax otherwise payable for that year under section 776.41.5, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year,

(2) the amount by which the amount that a person, other than the individual, has deducted in computing the person's tax otherwise payable under section 776.41.14 for the taxation year to which the averaging applies, exceeds the amount that the person could have deducted in computing the person's tax otherwise payable for that year under section 776.41.14, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year, and

(3) the amount by which the amount that a person, other than the individual, has deducted in computing the person's tax otherwise payable under section 776.41.21 for the taxation year to which the averaging applies, exceeds the amount that the person could have deducted in computing the person's tax otherwise payable for that year under section 776.41.21, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year;

(d) D is the amount by which the amount that would be determined under subparagraph *a* for the taxation year to which the averaging applies, if the portion of each amount subject to an averaging mechanism, to which subparagraph *a* refers, that relates to the taxation year to which the averaging applies was determined without taking into account the portion of the amounts referred to in the first paragraph of section 1029.8.50 that relates to the taxation year to which the averaging applies in respect of which the individual is deemed to

have paid an amount to the Minister under section 1029.8.50 for the particular taxation year, exceeds the amount determined under subparagraph *a* for the taxation year to which the averaging applies;

(e) E is the aggregate of all amounts each of which is the amount of the tax adjustment relating to the averaging, determined in respect of the individual, that may reasonably be attributed to the taxation year to which the averaging applies and that is determined for a taxation year preceding the particular taxation year; and

(f) F is the aggregate of all amounts each of which is an amount determined under subparagraph *d*, in respect of the taxation year to which the averaging applies, for a taxation year preceding the particular taxation year.

For the purpose of determining any amount under the third and fourth paragraphs, the following rules apply:

(a) the proportion referred to in the second paragraph of section 22 for any taxation year to which the averaging applies is deemed to be equal to 1;

(b) if the individual was resident in Canada but outside Québec on the last day of a taxation year to which the averaging applies, the individual is deemed to have been resident in Québec on the last day of that year; and

(c) if the amount referred to in subparagraph *c* of the first paragraph includes the amount determined under the fourth paragraph of section 725.1.2, the latter amount is deemed to relate, in the same proportion, to each of the taxation years subsequent to the taxation year 1985 that precede the particular taxation year.

For the purpose of applying this Part to any taxation year,

(a) an amount that is not otherwise deducted in computing an individual's taxable income or tax payable under this Part for a taxation year to which the averaging applies, but that is deducted for the purpose of establishing the amount determined in respect of the individual under any of subparagraphs *a*, *c* and *d* of the fourth paragraph for that taxation year, is deemed, for the application of this Part to any taxation year, to have been deducted in computing the individual's taxable income or tax payable under this Part for the taxation year to which the averaging applies, including when establishing the amount determined in respect of the individual for another taxation year under any of subparagraphs *a*, *c* and *d* of the fourth paragraph or under subparagraph *a* or *d* of the second paragraph of section 766.3.2 or subparagraph *b* of the third paragraph of that section;

(b) an amount that is otherwise deducted in computing an individual's taxable income or tax payable under this Part for a taxation year that is subsequent to the taxation year to which the averaging applies may not be taken into account for the purpose of establishing the amount determined in respect of the individual under any of subparagraphs *a*, *c* and *d* of the fourth paragraph for the taxation year to which the averaging applies; and

(c) an amount that, under subparagraph *a* of the sixth paragraph of section 766.3.2, is deemed deducted in computing an individual's taxable income or tax payable under this Part for a taxation year to which the averaging applies, because it is deducted in that computation for the purpose of establishing the amount determined in respect of the individual under subparagraph *a* or *d* of the second paragraph of section 766.3.2 or subparagraph *b* of the third paragraph of that section for the taxation year to which the averaging applies, may not be taken into account for the purpose of establishing the amount determined in respect of the individual under any of subparagraphs *a*, *c* and *d* of the fourth paragraph for that taxation year.

For the purposes of the fourth paragraph, "amount subject to an averaging mechanism", in relation to an individual for a taxation year, means an amount that is received or paid by the individual in the year and that is referred to in any of subparagraphs *a* to *c* of the first paragraph or an amount paid by the individual in the year and in respect of which the first paragraph of section 1029.8.50 applies, except, in respect of a taxation

year to which the averaging applies and that ends before 1 January 2003, such an amount received or paid in a taxation year that ends before 1 January 2004.

1993, c. 16, s. 286; 1995, c. 1, s. 84; 1997, c. 14, s. 125; 1997, c. 85, s. 146; 2002, c. 40, s. 74; 2005, c. 38, s. 162; 2009, c. 5, s. 300; 2009, c. 15, s. 147; 2011, c. 6, s. 160; 2015, c. 21, s. 305.

766.2.1. If section 766.2 applies in respect of an amount referred to in any of subparagraphs *a*, *a*.1 and *c* of the first paragraph of section 766.2 that an individual receives in a particular taxation year and that relates, in whole or in part, to an individual's eligible taxation year, in this section referred to as the "affected taxation year", that is before the taxation year that precedes the particular taxation year, the individual shall add to the individual's tax otherwise payable under this Part for the particular taxation year, an amount equal to the aggregate of all amounts each of which is equal to the amount of interest that would be computed, in respect of an affected taxation year, in accordance with the second paragraph of section 28 of the Tax Administration Act (chapter A-6.002) for the period beginning on 1 May of the year following the affected taxation year and ending before the beginning of the particular taxation year, on the portion of the amount of the tax adjustment relating to the averaging that is attributable to the affected taxation year, determined in accordance with the third paragraph of section 766.2 in respect of the individual, that exceeds the amount determined under subparagraph *d* of the fourth paragraph of section 766.2, in respect of the individual and in relation to the affected taxation year, if that excess amount were a refund due by the Minister under a fiscal law.

The Minister may waive, in whole or in part, the amount that the individual is required to add, under the first paragraph, to the individual's tax otherwise payable under this Part for the particular taxation year—to the extent that the amount is attributable to a particular amount described in the second paragraph of section 725.1.2—where the number of years to which the particular amount relates results from exceptional circumstances beyond the individual's control.

The Minister's decision under the second paragraph may not be the subject of an objection, contestation or appeal.

2005, c. 38, s. 163; 2009, c. 5, s. 301; 2010, c. 31, s. 175; 2017, c. 1, s. 201; 2020, c. 12, s. 124.

766.2.2. For the purposes of sections 766.2 and 766.2.1, "eligible taxation year" of an individual means a taxation year throughout which the individual was resident in Canada, other than a taxation year that ends in a calendar year in which the individual became a bankrupt or a taxation year included in the averaging period determined in respect of the individual for the purposes of Division II of Chapter II, as it read before being repealed.

2005, c. 38, s. 163; 2010, c. 25, s. 76.

766.3. Sections 766.2 and 766.2.1 apply, for a taxation year, to an individual to whom Book II applies for that year.

In addition, an individual to whom the second paragraph of any of sections 22, 25 and 26 applies may add or deduct in computing the individual's tax otherwise payable for a taxation year under section 766.2 or 766.2.1 only the portion of the amount determined under section 766.2 or 766.2.1 that is the proportion referred to in the second paragraph of section 22, 25 or 26 that is applicable in respect of the individual for the year.

1995, c. 1, s. 85; 2005, c. 38, s. 164.

DIVISION II

RETROACTIVELY DETERMINED COVERED BENEFIT

2015, c. 21, s. 306.

766.3.1. In this division, "covered benefit attributable to a preceding taxation year" means an amount determined in a particular taxation year that is attributable to a taxation year preceding the particular year but subsequent to the taxation year 2003, and that is

(a) if the preceding taxation year is the year 2004, an amount referred to in any of subparagraphs *a* to *c* of the first paragraph of section 766.8, other than

i. an amount that replaces income described in paragraph *e* of section 725, or

ii. an amount that is determined, as a consequence of the application of section 107 of the Act to amend the Automobile Insurance Act, the Highway Safety Code and other provisions (2022, chapter 13), in accordance with the Regulation respecting computation of the income replacement indemnity paid under the second and third paragraphs of section 40 of the Automobile Insurance Act (chapter A-25, r. 2.2); and

(b) in any other case, an amount that is an income replacement indemnity or a compensation for the loss of financial support, determined under a public compensation plan and established on the basis of net income following an accident, employment injury, bodily injury or death or in order to prevent bodily injury, other than

i. an amount that is the net salary or wages paid by an employer, in accordance with the Act respecting industrial accidents and occupational diseases (chapter A-3.001), for each day or part of a day when a worker must be absent from work to receive care or undergo medical examinations in connection with the worker's injury, or to take part in a personal rehabilitation program,

ii. an amount that replaces income described in paragraph *e* of section 725, or

iii. an amount that is determined, as a consequence of the application of section 107 of the Act to amend the Automobile Insurance Act, the Highway Safety Code and other provisions, in accordance with the Regulation respecting computation of the income replacement indemnity paid under the second and third paragraphs of section 40 of the Automobile Insurance Act, to the extent that the amount so determined is attributable to a period that precedes 1 July 2022.

2015, c. 21, s. 306; 2023, c. 2, s. 23.

766.3.2. If an individual is resident in Québec at the end of a particular taxation year and is the beneficiary of a covered benefit attributable to a preceding taxation year, the individual is required to add to the individual's tax otherwise payable, for the particular year, the amount determined by the formula

A – B + C + D + E – F.

In the formula in the first paragraph,

(a) A is the tax that would have been payable by the individual under this Part for the preceding year if the covered benefit attributable to the preceding year had been determined in that preceding year;

(b) B is the tax payable by the individual under this Part for that preceding year;

(c) C is the amount determined without reference to section 7.5 by the formula

G – H;

(d) D is the aggregate of

i. if the preceding year is subsequent to 2009, the amount by which the amount that a person, other than the individual, deducted under section 776.41.14 in computing the person's tax otherwise payable for that preceding year exceeds the amount that the person could have deducted under section 776.41.14 in computing the person's tax otherwise payable for that preceding year, if the covered benefit attributable to the preceding year had been determined in that year, and

ii. the amount by which the amount that a person, other than the individual, deducted under section 776.41.21 in computing the person's tax otherwise payable for that preceding year exceeds the amount that the person could have deducted under section 776.41.21 in computing the person's tax otherwise payable for that preceding year, if the covered benefit attributable to the preceding year had been determined in that year;

(e) E is the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.50.3 on account of the individual's tax payable under this Part for a preceding taxation year because of the application of this section in respect of a covered benefit attributable to the preceding year; and

(f) F is the aggregate of all amounts each of which is an amount that the individual is required to add to the individual's tax otherwise payable under this Part for a preceding taxation year because of the application of this section in respect of a covered benefit attributable to the preceding year.

In the formula in subparagraph *c* of the second paragraph:

(a) G is the amount deducted by the individual's eligible spouse for the preceding taxation year under section 776.78, as it read before being repealed, or section 776.41.5 in computing the tax otherwise payable for that preceding year; and

(b) H is the amount that could have been deducted by the individual's eligible spouse for the preceding taxation year under section 776.78, as it read before being repealed, or section 776.41.5 in computing the tax otherwise payable for that preceding year, computed without reference to section 776.41.5, if the covered benefit attributable to the preceding year had been determined in that year, without however exceeding the tax otherwise payable for that preceding year.

In subparagraphs *c* and *d* of the second paragraph, the individual's eligible spouse for the preceding taxation year means a person who would be the individual's eligible spouse for that year, within the meaning of sections 776.41.1 to 776.41.4, if the portion of section 776.41.1 before paragraph a were read as if "for a taxation year" were replaced by "for a preceding taxation year".

For the purposes of this section, if an individual dies or ceases to be resident in Canada in the particular taxation year, the last day of that taxation year is the day on which the individual died or the last day on which the individual was resident in Canada.

For the purpose of applying this Part to any taxation year,

(a) an amount that is not otherwise deducted in computing an individual's taxable income or tax payable under this Part for a taxation year (in this subparagraph referred to as the "preceding year"), but that is deducted for the purpose of establishing the amount determined in respect of the individual under subparagraph *a* or *d* of the second paragraph or subparagraph *b* of the third paragraph for the preceding year,

is deemed, for the application of this Part to any taxation year, to have been deducted in computing the individual's taxable income or tax payable, as the case may be, under this Part for the preceding year, including when establishing the amount determined in respect of the individual under subparagraph *a* or *d* of the second paragraph or subparagraph *b* of the third paragraph or under any of subparagraphs *a*, *c* and *d* of the fourth paragraph of section 766.2 for another taxation year;

(b) an amount that is otherwise deducted in computing an individual's taxable income or tax payable under this Part for a taxation year subsequent to a particular taxation year may not be taken into account for the purpose of establishing the amount determined in respect of the individual under subparagraph *a* or *d* of the second paragraph or subparagraph *b* of the third paragraph for the particular taxation year;

(c) an amount that, under subparagraph *a* of the sixth paragraph of section 766.2, is deemed to be deducted in computing an individual's taxable income or tax payable under this Part for a particular taxation year, because it is deducted in that computation for the purpose of establishing the amount determined in respect of the individual under any of subparagraphs *a*, *c* and *d* of the fourth paragraph of section 766.2 for the particular year, may not be taken into account for the purpose of establishing the amount determined in respect of the individual under subparagraph *a* or *d* of the second paragraph or subparagraph *b* of the third paragraph for the particular year; and

(d) an amount that is otherwise deducted in computing an individual's taxable income or tax payable under this Part for a particular taxation year, but that is not deducted for the purpose of establishing the amount determined in respect of the individual under subparagraph *a* or *d* of the second paragraph or subparagraph *b* of the third paragraph for the particular year, is deemed, for the application of this Part to any other taxation year, not to have been deducted in computing the individual's taxable income or tax payable, as the case may be, under this Part for the particular year.

This section does not apply in respect of an individual's separate fiscal return filed under the second paragraph of section 429 or section 681 or 1003.

2015, c. 21, s. 306.

DIVISION III

TAX ON SPLIT INCOME

2015, c. 21, s. 306.

766.3.3. In this division,

"arm's length capital", of a specified individual, means property of the individual if the property, or property for which it is a substitute, was not

(a) acquired as income from, or a taxable capital gain or profit from the disposition of, another property that was derived directly or indirectly from a related business in respect of the specified individual;

(b) borrowed by the specified individual under a loan or other indebtedness; or

(c) transferred, directly or indirectly by any means whatever, to the specified individual from a person who was related to the specified individual (other than as a consequence of the death of the person);

"excluded amount", in respect of an individual for a taxation year, means an amount that is the individual's income for the year from, or the individual's taxable capital gain or profit for the year from the disposition of, a property to the extent that the amount

(a) where the individual has not attained the age of 24 years before the year, is from a property that was acquired by, or for the benefit of, the individual as a consequence of the death of a person who is

i. the individual's father or mother, or

ii. any other person, if the individual is enrolled as a full-time student during the year at a prescribed educational institution for the purposes of paragraph *d* of the definition of "trust" in section 890.15, or an individual in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the year;

(b) is from a property acquired by the individual under a transfer described in section 1034.0.1;

(c) is a taxable capital gain that arises because of section 436;

(d) is a taxable capital gain for the year from the disposition by the individual of property that is, at the time of the disposition, qualified farm or fishing property, within the meaning of section 726.6, or qualified small business corporation shares, within the meaning of section 726.6.1, unless the amount would be deemed to be a dividend under section 766.3.5 or 766.3.6 if this definition were read without reference to this paragraph;

(e) where the individual has attained the age of 17 years before the year, is

i. not derived directly or indirectly from a related business in respect of the individual for the year, or

ii. derived directly or indirectly from an excluded business of the individual for the year;

(f) where the individual has attained the age of 17 years but not the age of 24 years before the year, is

i. a safe harbour capital return of the individual, or

ii. a reasonable return in respect of the individual, having regard only to the contributions of arm's length capital by the individual; or

(g) where the individual has attained the age of 24 years before the year, is

i. income from, or a taxable capital gain from the disposition of, excluded shares of the individual, or

ii. a reasonable return in respect of the individual;

"excluded business", of a specified individual for a taxation year, means a business if the specified individual is actively engaged on a regular, continuous and substantial basis in the activities of the business in either

(a) the taxation year, except in respect of an amount described in paragraph *e* of the definition of "split income"; or

(b) any five prior taxation years of the specified individual;

"excluded shares", of a specified individual at a particular time, means shares of the capital stock of a corporation owned by the specified individual if the following conditions are met:

(a) less than 90% of the business income of the corporation for the last taxation year of the corporation that ends at or before the particular time (or, if the corporation has no such taxation year, for the taxation year of the corporation that includes the particular time) was from the provision of services;

(b) the corporation is not a professional corporation;

(c) immediately before the particular time, the specified individual owns shares of the capital stock of the corporation that

i. give the holders thereof 10% or more of the votes that could be cast at the annual meeting of the shareholders of the corporation, and

ii. have a fair market value of 10% or more of the fair market value of all of the issued and outstanding shares of the capital stock of the corporation; and

(d) all or substantially all of the income of the corporation for the relevant taxation year in paragraph *a* is income that is not derived, directly or indirectly, from one or more related businesses in respect of the specified individual other than a business of the corporation;

"reasonable return", in respect of a specified individual for a taxation year, means a particular amount derived directly or indirectly from a related business in respect of the specified individual that

(a) would be an amount described in the definition of "split income" in respect of the specified individual for the year if the definition of "excluded amount" were read without reference to subparagraph ii of paragraphs *f* and *g*; and

(b) is reasonable having regard to the following factors relating to the relative contributions of the specified individual, and each source individual in respect of the specified individual, in respect of the related business:

i. the work they performed in support of the related business,

ii. the property they contributed, directly or indirectly, in support of the related business,

iii. the risks they assumed in respect of the related business,

iv. the total of all amounts that were paid or that became payable, directly or indirectly, by any person or partnership to, or for the benefit of, them in respect of the related business, and

v. such other factors as may be relevant;

"related business", in respect of a specified individual for a taxation year, means

(a) a business carried on by

i. a source individual in respect of the specified individual at any time in the year, or

ii. a corporation, partnership or trust if a source individual in respect of the specified individual at any time in the year is actively engaged on a regular basis in the activities of the corporation, partnership or trust, as the case may be, related to earning income from the business;

(b) a business of a particular partnership, if a source individual in respect of the specified individual at any time in the year has an interest—including directly or indirectly—in the particular partnership; or

(c) a business of a corporation, if the following conditions are met at any time in the year:

i. a source individual in respect of the specified individual owns

(1) shares of the capital stock of the corporation, or

(2) property that derives, directly or indirectly, all or part of its fair market value from shares of the capital stock of the corporation, and

ii. the amount that is 10% of the total fair market value of all of the issued and outstanding shares of the capital stock of the corporation is equal to or less than the aggregate of

(1) the total fair market value of shares described in subparagraph 1 of subparagraph i, and

(2) the portion of the total fair market value of property described in subparagraph 2 of subparagraph i that is derived from shares of the capital stock of the corporation;

"safe harbour capital return",of a specified individual for a taxation year, means an amount that does not exceed the product obtained by multiplying the amount that is the highest of the rates that are determined in accordance with paragraph *c* of section 4301 of the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in effect for a quarter in the year by the aggregate of all amounts each of which is determined by the formula

$A \times B / C;$

"source individual", in respect of a specified individual for a taxation year, means an individual (other than a trust) who, at any time in the year, is resident in Canada and is related to the specified individual;

"specified individual", for a taxation year, means an individual (other than a trust) who meets the following conditions:

(a) the individual is resident in Canada at the end of the year or, if the individual dies in the year, is resident in Canada immediately before the death; and

(b) if the individual has not attained the age of 17 years before the year, the individual's father or mother is resident in Canada in the year;

"split income" of a specified individual for a taxation year means the aggregate of all amounts, other than excluded amounts, each of which is

(a) an amount required to be included in computing the individual's income for the year in respect of taxable dividends received by the individual in respect of shares of the capital stock of a corporation, other than shares listed on a designated stock exchange or shares of a mutual fund corporation, or because of the application of Division IV of Chapter II of Title III of Book III in respect of the ownership by any person of shares of the capital stock of a corporation, other than shares listed on such a stock exchange;

(b) a portion of an amount included because of the application of paragraph *f* of section 600 in computing the individual's income for the year, to the extent that the portion is not included in an amount described in paragraph *a* and can reasonably be considered to be income derived directly or indirectly from

i. one or more related businesses in respect of the individual for the year, or

ii. the rental of property by a partnership or trust, if a person who is related to the individual at any time in the year is actively engaged on a regular basis in the activities of the partnership or trust related to the rental of property or, in the case of a partnership, has an interest in the partnership directly or indirectly through one or more other partnerships;

(c) a portion of an amount included because of the application of section 662 or 663 in respect of a trust (other than a mutual fund trust or a trust referred to in section 851.25) in computing the individual's income for the year, to the extent that the portion is not included in an amount described in paragraph *a* and can reasonably be considered

i. to be in respect of taxable dividends received in respect of shares of the capital stock of a corporation (other than shares listed on a designated stock exchange or shares of a mutual fund corporation),

ii. to arise because of the application of Division IV of Chapter II of Title III of Book III in respect of the ownership by any person of shares of the capital stock of a corporation (other than shares listed on a designated stock exchange),

iii. to be income derived directly or indirectly from one or more related businesses in respect of the individual for the year, or

iv. to be income derived from the rental of property by a partnership or trust, if a person who is related to the individual at any time in the year is actively engaged on a regular basis in the activities of the partnership or trust related to the rental of property;

(d) an amount included in computing the individual's income for the year to the extent that the amount is in respect of a debt obligation that

i. is of a corporation (other than a mutual fund corporation or a corporation a class of shares of the capital stock of which is listed on a designated stock exchange), partnership or trust (other than a mutual fund trust), and

ii. is not described in paragraph *a* of the definition of "fully exempt interest" in subsection 3 of section 212 of the Income Tax Act, listed or traded on a public market, or a deposit, standing to the credit of the individual,

(1) within the meaning assigned by the Canada Deposit Insurance Corporation Act (R.S.C. 1985, c. 3), or

(2) with a credit union or a branch in Canada of a bank; or

(e) an amount in respect of a property, to the extent that

i. the amount

(1) is a taxable capital gain, or a profit, of the individual for the year from the disposition after 31 December 2017 of the property, or

(2) is included under section 662 or 663 in computing the individual's income for the year and can reasonably be considered to be attributable to a taxable capital gain, or a profit, of any person or partnership for the year from the disposition after 31 December 2017 of the property, and

ii. the property is

(1) a share of the capital stock of a corporation (other than a share of a class listed on a designated stock exchange or a share of the capital stock of a mutual fund corporation), or

(2) a property in respect of which the conditions of the third paragraph are met.

(a) the property is an interest in a partnership, an interest as a beneficiary under a trust (other than a mutual fund trust or a trust described in section 851.25, or a debt obligation (other than a debt obligation described in subparagraph ii of paragraph *d*), and

(b) either an amount is included, in respect of the property, in the individual's split income for the year or an earlier taxation year, or all or any part of the fair market value of the property, immediately before the disposition referred to in subparagraph 1 or 2 of subparagraph i, is derived, directly or indirectly, from a share described in subparagraph 1.

In the formula in the definition of "safe harbour capital return" in the first paragraph,

(a) A is the fair market value of property contributed by the specified individual in support of a related business at the time it was contributed;

(b) B is the number of days in the year that the property (or property substituted for it) is used in support of the related business and has not directly or indirectly, in any manner whatever, been returned to the specified individual; and

(c) C is the number of days in the year.

The conditions to which subparagraph 2 of subparagraph ii of paragraph *e* of the definition of "split income" in the first paragraph refers in respect of a property are as follows:

(a) the property is an interest in a partnership, an interest as a beneficiary under a trust (other than a mutual fund trust or a trust described in section 851.25) or a debt obligation (other than a debt obligation described in subparagraph ii of paragraph *d* of the definition of "split income"); and

(b) either an amount is included, in respect of the property, in the individual's split income for the year or an earlier taxation year, or all or any part of the fair market value of the property, immediately before the disposition referred to in subparagraph 1 or 2 of subparagraph i of paragraph *e* of the definition of "split

income", is derived, directly or indirectly, from a share described in subparagraph 1 of subparagraph ii of that paragraph *e*.

2015, c. 21, s. 306; 2017, c. 29, s. 154; 2020, c. 16, s. 109; 2021, c. 18, s. 63.

766.3.3.1. For the purpose of applying this division in respect of a specified individual for a taxation year, the following rules apply:

(a) an individual is deemed to be actively engaged on a regular, continuous and substantial basis in the activities of a business in a taxation year if the individual works for the business at least 20 hours per week during the portion of the year in which the business operates;

(b) where an amount would, but for this paragraph, be split income of a specified individual who has attained the age of 17 years before the taxation year in respect of a property, and that property was acquired by, or for the benefit of, the specified individual as a consequence of the death of another person, the following rules apply:

i. for the purpose of applying paragraph *b* of the definition of "reasonable return" in the first paragraph of section 766.3.3 and to the extent that the particular amount referred to in that paragraph is in respect of the property, the factors referred to in that paragraph in respect of the other person are to be included for the purpose of determining a reasonable return in respect of the individual,

ii. for the purposes of this subparagraph and the definition of "excluded business" in the first paragraph of section 766.3.3, where the other person was actively engaged on a regular, continuous and substantial basis in the activities of a business throughout five previous taxation years, the individual is deemed to have been actively engaged on a regular, continuous and substantial basis in the activities of the business throughout those five years, and

iii. for the purpose of applying paragraph *g* of the definition of "excluded amount" in the first paragraph of section 766.3.3 in respect of that property, the individual is deemed to have attained the age of 24 years before the year if the other person had attained the age of 24 years before the year;

(c) an amount that is a specified individual's income for a taxation year from, or the specified individual's taxable capital gain or profit for the year from the disposition of, a property is deemed to be an excluded amount in respect of the specified individual for the year if

i. the following conditions are met:

(1) the amount would be an excluded amount in respect of the individual's spouse for the year, if the amount were included in computing the spouse's income for the year, and

(2) the individual's spouse has attained the age of 64 years before the year, or

ii. the amount would have been an excluded amount in respect of an individual who was, immediately before the individual's death, the specified individual's spouse, if the amount were included in computing the spouse's income for the spouse's last taxation year (determined as if this division applies in respect of that year);

(d) an amount derived directly or indirectly from a business includes

i. an amount that is derived from the provision of property or services to, or in support of, the business, or arises in connection with the ownership or disposition of an interest in the person or partnership carrying on the business, and

ii. an amount derived from an amount described in this paragraph; and

(e) an individual is deemed not to be related to the individual's spouse at any time in a year if, at the end of the year, the individual is living separate and apart from the individual's spouse because of a breakdown of their marriage.

2020, c. 16, s. 110.

766.3.4. A specified individual shall add to the specified individual's tax otherwise payable for a taxation year under this Part an amount equal to 25.75% of the specified individual's split income for the year.

In addition, the proportion referred to for the year in the second paragraph of section 22 or 25, as the case may be, in respect of the individual applies to the amount otherwise determined for the year in respect of the individual under the first paragraph.

2015, c. 21, s. 306.

766.3.5. If a specified individual who has not attained the age of 17 years before a taxation year would have for the year, but for this division, a taxable capital gain (other than an excluded amount) from a disposition of shares (other than shares listed on a designated stock exchange or shares of a mutual fund corporation) that are transferred, either directly or indirectly, in any manner whatever, to a person with whom the specified individual does not deal at arm's length, the amount of the taxable capital gain is deemed not to be a taxable capital gain and twice the amount is deemed to be received by the specified individual in the year as a taxable dividend that is not an eligible dividend.

2015, c. 21, s. 306; 2020, c. 16, s. 111.

766.3.6. If a specified individual who has not attained the age of 17 years before a taxation year would be, but for this division, required under section 662 or 663 to include an amount in computing the specified individual's income for the year, to the extent that the amount can reasonably be considered to be attributable to a taxable capital gain (other than an excluded amount) of a trust from a disposition of shares (other than shares listed on a designated stock exchange or shares of a mutual fund corporation) that are transferred, either directly or indirectly, in any manner whatever, to a person with whom the specified individual does not deal at arm's length, sections 662 and 663 do not apply in respect of the amount and twice the amount is deemed to be received by the specified individual in the year as a taxable dividend that is not an eligible dividend.

2015, c. 21, s. 306; 2020, c. 16, s. 112.

DIVISION IV

MINIMUM TAX

2015, c. 21, s. 306.

766.3.7. Despite any other provision of this Act, the tax otherwise payable under this Part, for a particular taxation year, by an individual in respect of the year may not be less than the amount determined by the formula

A + B + C.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount added in computing the individual's tax otherwise payable for the particular year under sections 766.2 and 766.2.1;

(b) B is the aggregate of all amounts each of which is an amount added in computing the individual's tax otherwise payable for the particular year under section 766.3.2; and

(c) C is the amount by which the amount added in computing the individual's tax otherwise payable for the year under section 766.3.4 exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount that is deductible under section 767 or sections 772.2 to 772.13 in computing the individual's tax payable for the year and can reasonably be considered to be in respect of an amount included in computing the individual's split income, within the meaning of section 766.3.3, for the year, and

ii. the amount deducted under section 752.0.14 in computing the individual's tax payable for the year.

2015, c. 21, s. 306; 2020, c. 16, s. 113.

CHAPTER II.2

Repealed, 2005, c. 38, s. 165.

1995, c. 1, s. 85; 2005, c. 38, s. 165.

766.4. *(Repealed).*

1995, c. 1, s. 85; 1997, c. 85, s. 147; 2005, c. 38, s. 165.

CHAPTER II.3

Repealed, 2015, c. 21, s. 307.

2001, c. 53, s. 130; 2015, c. 21, s. 307.

766.5. *(Repealed).*

2001, c. 53, s. 130; 2005, c. 38, s. 166; 2010, c. 5, s. 64; 2011, c. 1, s. 40; 2012, c. 8, s. 131; 2015, c. 21, s. 307.

766.6. *(Repealed).*

2001, c. 53, s. 130; 2015, c. 21, s. 307.

766.7. *(Repealed).*

2001, c. 53, s. 130; 2005, c. 1, s. 180; 2015, c. 21, s. 307.

766.7.1. *(Repealed).*

2012, c. 8, s. 132; 2015, c. 21, s. 307.

766.7.2. *(Repealed).*

2012, c. 8, s. 132; 2015, c. 21, s. 307.

CHAPTER II.4

TAX ADJUSTMENT RELATING TO A BENEFIT ATTRIBUTABLE TO THE TAXATION YEAR 2004

2005, c. 38, s. 167.

766.8. In this chapter, "covered benefit" attributable to the taxation year 2004 means an amount determined in that year, other than an amount that is attributable to a period preceding that year and other than an amount that replaces an income referred to in paragraph *e* of section 725, and that is

(a) a benefit, other than an excluded benefit, intended to compensate a total or partial disability affecting a person's capacity to perform the duties of an office or employment or to carry on a business either alone or as a partner actively engaged in the business, that is established on the basis of net income and determined under the Workers' Compensation Act (chapter A-3), the Act respecting industrial accidents and occupational diseases (chapter A-3.001), the Act to promote good citizenship (chapter C-20) or the Act respecting occupational health and safety (chapter S-2.1);

(b) a pension established on the basis of net income and determined by the Société de l'assurance automobile du Québec under the Automobile Insurance Act (chapter A-25) or the Public Health Act (chapter S-2.2), except a death benefit paid in respect of a person who suffered bodily injury before 1 January 1990; or

(c) a payment similar to one of those described in subparagraphs *a* and *b* and made under an employees' or workers' compensation law of a province, other than Québec, or of Canada in respect of an injury, a disability or death.

For the purposes of subparagraph *a* of the first paragraph, "excluded benefit" means

(a) an amount that is the net salary or wages paid by an employer, in accordance with the Act respecting industrial accidents and occupational diseases, for each day or part of a day when a worker must be absent from work to receive care or undergo medical examinations in connection with the worker's injury, or to take part in a personal rehabilitation program; or

(b) an amount that is a financial assistance payment for social stabilization or for economic stabilization under the Regulation respecting social stabilization and economic stabilization programs (chapter A-3.001, r. 14).

2005, c. 38, s. 167.

766.9. An individual who is resident in Québec on the last day of the taxation year 2004 and is the beneficiary of a covered benefit attributable to that year shall add to the individual's tax otherwise payable, for that year, the lesser of $1,840 and the amount obtained by multiplying 20% by the aggregate of all amounts each of which is an amount determined under any of sections 766.10 to 766.12.

For the purposes of the first paragraph, if an individual dies or ceases to be resident in Canada in the taxation year 2004, the last day of the individual's taxation year is deemed to be the day on which the individual died or the last day on which the individual was resident in Canada.

This section does not apply in respect of an individual's separate fiscal return filed under the second paragraph of section 429 or section 681 or 1003.

2005, c. 38, s. 167.

766.10. If section 766.9 applies to an individual in respect of a covered benefit attributable to the taxation year 2004 and the amount of which is determined by the Commission des normes, de l'équité, de la santé et de la sécurité du travail, there shall be included in computing, for that year, the aggregate referred to in the first paragraph of section 766.9, an amount equal to the total of

(a) in respect of a covered benefit attributable to the year and paid by an employer for the first 14 full days following the beginning of the individual's disability, the lesser of the amounts determined by the following formulas:

i. 0.80 × A, and

ii. 0.90 × B / C × D; and

(b) in respect of a covered benefit attributable to the year, other than the covered benefit referred to in subparagraph *a*, for each day of the year for which the covered benefit is determined, in this section referred to as the "particular day", the lesser of the amounts determined for the particular day by the following formulas:

i. [(0.90 × 0.80 × E / F) − (0.80 × G / F)] × (1 − H), and

ii. [(0.90 × I / F) − J] × (1 − H).

In the formulas in the first paragraph,

(a) A is the total of the covered benefits attributable to the year and paid by the employer for the first 14 full days following the beginning of the individual's disability;

(b) B is the amount determined under the third paragraph of section 1015.3 that is applicable for the year;

(c) C is the number of days in the year, excluding Saturdays and Sundays;

(d) D is the number of days in the year, excluding Saturdays and Sundays, between the day on which the individual's disability begins and the day on which the individual returns to work, but without exceeding 14 days;

(e) E is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan (chapter R-9), the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(f) F is the number of days in the year;

(g) G is the annual gross revenue from a suitable employment or employment held, for the particular day;

(h) H is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(i) I is the total of the amount that the Commission des normes, de l'équité, de la santé et de la sécurité du travail estimated for the year on account of the amount in dollars that was referred to in the portion of section 752.0.1 before paragraph *a*, as it applied for the taxation year 2004, and the amount it estimated for the year on account of the flat amount referred to in the second paragraph of section 776.77, as it applied for the taxation year 2004, to the extent that that total is used by the Commission des normes, de l'équité, de la santé et de la sécurité du travail to establish the weighted net income for the purpose of computing the covered benefit attributable to the year; and

(j) J is the lesser of

i. the amount obtained by multiplying 0.80 by the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by dividing the recognized amounts used to establish the weighted net income from a suitable employment or employment held, for the particular day, by the number of days in the year.

For the purposes of subparagraph *g* and subparagraph i of subparagraph *j* of the second paragraph, "annual gross revenue from a suitable employment or employment held", for a particular day, means the annual gross revenue relating to a suitable employment or employment held that is taken into account in determining, for the particular day, the covered benefit attributable to the year, including the annual gross revenue from any benefit paid to the individual, because of a termination of employment, under a law of Québec or of any other jurisdiction, other than the Act respecting industrial accidents and occupational diseases (chapter A-3.001), or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year following that for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

For the purposes of subparagraph ii of subparagraph *j* of the second paragraph, "recognized amounts used to establish the weighted net income from a suitable employment or employment held", for a particular day, means the total of the amount that the Commission des normes, de l'équité, de la santé et de la sécurité du travail estimated for the year on account of the amount in dollars that was referred to in the portion of section 752.0.1 before paragraph *a*, as it applied for the taxation year 2004, and the amount it estimated for the year on account of the flat amount referred to in the second paragraph of section 776.77, as it applied for the taxation year 2004, to the extent that that total is used by the Commission to establish the weighted net income from a suitable employment or employment held, for the particular day.

2005, c. 38, s. 167; 2015, c. 15, s. 237.

766.11. If section 766.9 applies to an individual in respect of a covered benefit attributable to the taxation year 2004 and the amount of which is determined by the Société de l'assurance automobile du Québec, there shall be included in computing, for that year, the aggregate referred to in the first paragraph of section 766.9, an amount equal to the aggregate of all amounts each of which is, for each day of the year for which the covered benefit is determined, in this section referred to as the "particular day", equal to the lesser of the amounts determined for the particular day by the following formulas:

(a) $\{[(0.90 \times 0.80 \times A / B) - (C \times 0.80 \times D / B)] \times (1 - E)\} - F / B$; and

(b) $\{[(0.90 \times G / B) - (C \times H)] \times (1 - E)\} - F / B$.

In the formulas in the first paragraph,

(a) A is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan (chapter R-9), the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(b) B is the number of days in the year;

(c) C is,

i. if only part of the net income from an employment held is used to reduce, for the particular day, the covered benefit attributable to the year, the percentage attributed under the public compensation plan in respect of that net income, and

ii. in any other case, 100%;

(d) D is the annual gross revenue from a suitable employment or employment held, for the particular day;

(e) E is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(f) F is the amount obtained by multiplying 0.80 by the amount that is payable for the year as an old age pension or as a disability benefit payable under a plan established by a jurisdiction, other than Québec, and equivalent to the plan established under the Act respecting the Québec Pension Plan, and that is, in determining, for the particular day, the covered benefit attributable to the year, used by the Société de l'assurance automobile du Québec to reduce the amount of that covered benefit;

(g) G is the total of $6,150 and the amounts estimated by the Société de l'assurance automobile du Québec for the year 2003, as an employee's premium under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23) and as an employee's contribution under the Act respecting the Québec Pension Plan, to the extent that that total is used by the Société to establish the weighted net income for the purpose of computing, for the particular day, the covered benefit attributable to the year; and

(h) H is the lesser of

i. the amount obtained by multiplying 0.80 by the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by dividing the recognized amounts used to establish the weighted net income from a suitable employment or employment held, for the particular day, by the number of days in the year.

For the purposes of subparagraph *d* and subparagraph i of subparagraph *h* of the second paragraph, "annual gross revenue from a suitable employment or employment held", for a particular day, means the annual gross revenue relating to a suitable employment or employment held that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year following that for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

For the purposes of subparagraph ii of subparagraph *h* of the second paragraph, "recognized amounts used to establish the weighted net income from a suitable employment or employment held", for a particular day, means the total of $6,150 and the amounts estimated by the Société de l'assurance automobile du Québec for the year 2003, as an employee's premium under the Employment Insurance Act and as an employee's contribution under the Act respecting the Québec Pension Plan, to the extent that that total is used by the Société to establish the weighted net income from a suitable employment or employment held, for the particular day.

2005, c. 38, s. 167.

766.12. If section 766.9 applies to an individual in respect of a covered benefit attributable to the taxation year 2004 and the amount of which is determined by an entity, other than the Commission des normes, de l'équité, de la santé et de la sécurité du travail and the Société de l'assurance automobile du Québec, there must be included in computing, for that year, the aggregate referred to in the first paragraph of section 766.9, an amount equal to the aggregate of all amounts each of which is, for each day of the year for which the covered benefit is determined (in this section referred to as the "particular day"), equal to the lesser of the amounts determined for the particular day by the following formulas:

(a) {[(0.80 × A × B/C) - (0.80 × D × E/C)] × (1 - F)} - G/C; and

(b) {[(A × $9,200/C) - H] × (1 - F)} - G/C.

In the formulas in the first paragraph,

(a) A is the percentage that applies to the income insured by the public compensation plan for the purpose of determining, for the particular day, the covered benefit attributable to the year;

(b) B is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with the public compensation plan, the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(c) C is the number of days in the year for which the covered benefits attributable to the year are determined by the entity referred to in the first paragraph;

(d) D is

i. if only a portion of the income, other than the recognized income on the date of the event giving rise to the covered benefit attributable to the year, is taken into consideration for the purpose of determining, for the particular day, the covered benefit attributable to the year, the percentage attributed under the public compensation plan in respect of that income, and

ii. in any other case, 100%;

(e) E is the annual gross revenue from a suitable employment or employment held, for the particular day;

(f) F is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(g) G is the amount obtained by multiplying 0.80 by the amount that is, in determining, for the particular day, the covered benefit attributable to the year, used to reduce the amount of that covered benefit; and

(h) H is the lesser of

i. the amount obtained by multiplying 0.80 by the amount obtained by multiplying the percentage determined for the year under subparagraph *d* by the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by multiplying the percentage determined for the year under subparagraph *d* by the amount obtained by dividing $9,200 by the number of days in the year.

For the purposes of subparagraph *e* and subparagraph i of subparagraph *h* of the second paragraph, “annual gross revenue from a suitable employment or employment held”, for a particular day, means the annual gross revenue relating to a suitable employment or employment held, including any other amount that replaces work income, that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with the public compensation plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

2005, c. 38, s. 167; 2009, c. 5, s. 302; 2015, c. 15, s. 237.

766.13. For the purposes of this chapter, if an individual to whom section 766.9 applies for the taxation year 2004 was resident in Canada only during part of that year, the following rules apply:

(a) there shall be taken into account, as a covered benefit attributable to that year, only an amount that can reasonably be considered wholly attributable to any period in the year throughout which the individual was resident in Canada; and

(b) the amount of $1,840 referred to in the first paragraph of section 766.9 is to be replaced by an amount equal to the amount obtained by multiplying $1,840 by the proportion that the number of days in any period of the year throughout which the individual was resident in Canada is of the number of days in the year.

2005, c. 38, s. 167.

766.14. For the purposes of this chapter, if an individual to whom section 766.9 applies for the taxation year 2004 is referred to in the second paragraph of section 22, the amount of $1,840 provided for in the first paragraph of section 766.9 is to be replaced by the amount obtained by multiplying $1,840 by the proportion determined under the second paragraph of section 22 in respect of the individual for the year.

2005, c. 38, s. 167.

766.15. For the purposes of this chapter, if an individual becomes a bankrupt in the calendar year 2004, the following rules apply:

(a) there shall be taken into account, as a covered benefit attributable to each of the individual's taxation years referred to in section 779 that end in the calendar year, only an amount that is wholly attributable to that taxation year; and

(b) the amount of $1,840 provided for in the first paragraph of section 766.9 is to be replaced, for each of the individual's taxation years referred to in section 779 that end in the calendar year, by the amount obtained by multiplying $1,840 by the proportion that the number of days in that taxation year is of the number of days in the calendar year.

2005, c. 38, s. 167.

CHAPTER II.5

Repealed, 2015, c. 21, s. 308.

2005, c. 38, s. 167; 2015, c. 21, s. 308.

766.16. *(Repealed).*

2005, c. 38, s. 167; 2015, c. 21, s. 308.

766.17. *(Repealed).*

2005, c. 38, s. 167; 2009, c. 15, s. 148; 2011, c. 6, s. 161; 2015, c. 21, s. 308.

CHAPTER III

DEDUCTION IN RESPECT OF TAXABLE DIVIDENDS

1972, c. 23.

767. An individual, other than an individual referred to in the second paragraph of section 25 or 26, may deduct from the individual's tax otherwise payable under this Part for a taxation year the aggregate of

(a) the amount obtained by multiplying the amount the individual is required to include in computing the individual's income for the year under subparagraph *a* of the second paragraph of section 497 by

i. 7.2848/16, for the taxation year 2018,

ii. 6.3825/15, for the taxation year 2019,

iii. 5.4855/15, for the taxation year 2020,

iv. 4.6115/15, for the taxation year 2021, and

v. 3.933/15, for a taxation year subsequent to the taxation year 2021; and

(b) the amount obtained by multiplying the amount the individual is required to include in computing the individual's income for the year under subparagraph *b* of the second paragraph of section 497 by

i. 16.3668/38, for the taxation year 2018,

ii. 16.2564/38, for the taxation year 2019, and

iii. 16.146/38, for a taxation year subsequent to the taxation year 2019.

The first paragraph does not apply in respect of an amount deducted under paragraph *e* of section 725 in computing the individual's taxable income for the year or in respect of an amount that is

(a) an amount included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year;

(b) (subparagraph repealed);

(c) the part of an amount, included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of a specified period of the individual, established under the fourth paragraph of section 65 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined under subparagraph 1 of the second paragraph of that section 65 in respect of that period.

1972, c. 23, s. 580; 1978, c. 26, s. 137; 1984, c. 15, s. 178; 1986, c. 15, s. 118; 1988, c. 4, s. 64; 1988, c. 18, s. 67; 1989, c. 5, s. 113; 1997, c. 85, s. 148; 1999, c. 86, s. 99; 2000, c. 39, s. 68; 2001, c. 7, s. 107; 2001, c. 53, s. 131; 2003, c. 9, s. 97; 2004, c. 21, s. 197; 2005, c. 38, s. 168; 2009, c. 5, s. 303; 2009, c. 15, s. 149; 2015, c. 21, s. 309; 2017, c. 1, s. 202; 2019, c. 14, s. 237; 2021, c. 14, s. 89; 2021, c. 36, s. 85; 2022, c. 23, s. 63.

CHAPTER IV

TAX PAYABLE BY TRUSTS

1972, c. 23.

768. Despite section 750, the tax payable under this Part for a taxation year by a trust (other than a qualified disability trust, a trust to which section 770 or 770.0.1 applies or a succession that is a graduated rate estate) is equal to the aggregate of

(a) the amount obtained by multiplying the percentage specified for the year in section 750.1.1 by its taxable income for the year; and

(b) if any of the conditions of paragraphs *a* to *c* of section 768.1 is met in respect of the trust for the taxation year, the amount determined by the formula

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

In the formula in subparagraph *b* of the first paragraph,

(a) A is the amount that would be determined under subparagraph *b* for the year if

i. the percentage applicable for the purpose of determining the tax payable by the trust for each taxation year referred to in subparagraph *b* were the percentage specified for that year in section 750.1.1, and

ii. the trust's taxable income for a particular taxation year referred to in subparagraph *b* were reduced by the total of

(1) if the conditions of the third paragraph are met, the amount that was paid or distributed in satisfaction of all or part of an individual's interest as a beneficiary under the trust,

(2) the portion of the tax payable by the trust for the particular taxation year under Part I of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) that can reasonably be considered to be attributable to an amount determined in accordance with subparagraph 1,

(3) the portion of the tax payable by the trust for the particular taxation year to a government of a province (other than Québec) in which the trust is resident for the particular taxation year that can reasonably be considered to be attributable to an amount determined in accordance with subparagraph 1, and

(4) the portion of the tax payable by the trust for the particular taxation year under this Part that can reasonably be considered to be attributable to an amount determined in accordance with subparagraph 1;

(b) B is the aggregate of all amounts each of which is the tax payable under this Part by the trust for a taxation year that precedes the taxation year referred to in the first paragraph if that preceding taxation year is

i. the first taxation year for which the trust was a qualified disability trust or, if it is later, the last taxation year for which section 768.1 applied to the trust, if applicable, or

ii. a taxation year that ends after the taxation year described in subparagraph i; and

(c) C is the aggregate of all amounts each of which is an amount determined under subparagraph 4 of subparagraph ii of subparagraph *a* in determining the value of A in the formula in subparagraph *b* of the first paragraph for the year.

The conditions to which subparagraph 1 of subparagraph ii of subparagraph *a* of the second paragraph refers are the following:

(a) the individual referred to in that subparagraph 1 was an electing beneficiary of the trust for the particular taxation year;

(b) the payment or distribution can reasonably be considered to have been made out of the trust's taxable income for the particular taxation year; and

(c) the payment or distribution was made in a taxation year referred to in subparagraph *b* of the second paragraph.

1972, c. 23, s. 581; 1996, c. 39, s. 273; 1997, c. 85, s. 330; 2001, c. 51, s. 70; 2009, c. 5, s. 304; 2013, c. 10, s. 56; 2017, c. 1, s. 203; 2020, c. 16, s. 114.

768.1. The conditions to which subparagraph *b* of the first paragraph of section 768 refers in respect of a trust, for a particular taxation year, that was a qualified disability trust for a preceding taxation year, are the following:

(a) none of the beneficiaries under the trust at the end of the particular taxation year was an electing beneficiary of the trust for a preceding taxation year;

(b) the particular taxation year ended immediately before the trust ceased to be resident in Canada; and

(c) an amount is paid or distributed in the particular taxation year to a beneficiary under the trust in satisfaction of all or part of the beneficiary's interest in the trust unless

i. the beneficiary is an electing beneficiary of the trust for the particular taxation year or a preceding taxation year,

ii. the amount is deducted under paragraph a of section 657 in computing the trust's income for the particular taxation year, or

iii. the amount is paid or distributed in satisfaction of a right to enforce payment of an amount that was deducted under paragraph a of section 657 in computing the trust's income for a preceding taxation year.

2017, c. 1, s. 204.

768.2. For the purposes of sections 768, 768.1 and this section,

"beneficiary" under a trust includes a person beneficially interested in the trust;

"electing beneficiary" of a qualified disability trust for a taxation year means a beneficiary under the trust that for the year

(a) makes an election described in subparagraph iii of paragraph *a* of the definition of "qualified disability trust"; and

(b) is described in paragraph *b* of the definition of "qualified disability trust";

"qualified disability trust" for a taxation year (in this definition referred to as the "trust year") means a trust that meets the following conditions:

(a) the trust

i. is, at the end of the trust year, a testamentary trust that arose on and as a consequence of a particular individual's death,

ii. is resident in Canada for the trust year, and

iii. has made, for the trust year, a valid election under clause A of subparagraph iii of paragraph *a* of the definition of "qualified disability trust" in subsection 3 of section 122 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), jointly with one or more beneficiaries under the trust;

(b) each of the beneficiaries referred to in subparagraph iii of paragraph *a* is an individual named as a beneficiary by the particular individual in the instrument under which the trust was created and the following conditions are met in respect of each of those beneficiaries:

i. subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply in respect of the beneficiary for the beneficiary's taxation year (in this definition referred to as the "beneficiary year") in which the trust year ends, and

ii. the beneficiary does not jointly elect with any other trust, for a taxation year of the other trust that ends in the beneficiary year, to have that other trust qualify as a disability trust; and

(c) none of the conditions of paragraphs *a* to *c* of section 768.1 has been met, in respect of the trust, for the trust year.

Chapter V.2 of Title II of Book I of Part I applies in relation to an election made under clause A of subparagraph iii of paragraph *a* of the definition of "qualified disability trust" in subsection 3 of section 122 of the Income Tax Act.

2017, c. 1, s. 204.

769. *(Repealed).*

1972, c. 23, s. 582; 2003, c. 2, s. 227; 2015, c. 36, s. 49; 2017, c. 1, s. 205.

770. Despite section 750, the tax payable under this Part by a mutual fund trust, other than a SIFT trust, on its taxable income for a taxation year is equal to the amount obtained by multiplying the percentage specified in section 750.1.1 by its taxable income reduced by the amount by which its taxable capital gains for the year exceed its allowable capital losses for the year and increased by the amounts deducted for the year under section 729.

1972, c. 23, s. 583; 1985, c. 25, s. 130; 1996, c. 39, s. 273; 1997, c. 85, s. 330; 2001, c. 51, s. 71; 2009, c. 5, s. 305; 2013, c. 10, s. 57.

770.0.1. Despite section 750, the tax payable under this Part by a SIFT trust on its taxable income for a taxation year is equal to the amount of tax that would be payable by the trust under section 768 or 770 on its taxable income for the taxation year if

(a) section 768 or 770 applied to a SIFT trust; and

(b) the taxable income of the SIFT trust were equal to the amount by which its taxable income otherwise determined exceeds the amount determined in its respect for the year under paragraph *b* of the definition of "taxable distributions amount" in the first paragraph of section 1129.70.

2009, c. 5, s. 306.

770.1. No deduction may be made under this Title in computing the tax payable by a trust for a taxation year, except the deductions provided for in Chapters I.0.2.1, I.3 and III.

1989, c. 5, s. 114; 2005, c. 1, s. 181; 2017, c. 1, s. 206.

TITLE II

TAX PAYABLE BY CORPORATIONS

1972, c. 23; 1997, c. 3, s. 71.

771. (1) Except as otherwise provided in this Part, the tax payable by a corporation for a taxation year is equal,

(a) in the case of a deposit insurance corporation described in paragraph *b* of section 804, to the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year;

(b) (paragraph repealed);

(c) (paragraph repealed);

(d) (paragraph repealed);

(d.1) (paragraph repealed);

(d.2) in the case of a corporation other than a corporation referred to in paragraph *a*, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year exceeds, if the corporation has been throughout the year a Canadian-controlled private corporation, the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.4 to the amount determined in its respect for the year under section 771.2.1.2;

(d.3) despite paragraph *d*.2, in the case of a corporation other than a corporation referred to in paragraph *a*, for a taxation year for which the corporation is a manufacturing corporation, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year exceeds, if the corporation has been throughout the year a Canadian-controlled private corporation, the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.5 to the amount determined in its respect for the year under section 771.2.1.2;

(d.4) despite paragraph *d*.2, in the case of a corporation other than a corporation referred to in paragraph *a*, for a taxation year for which the corporation is a primary and manufacturing sectors corporation, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year exceeds, if the corporation has been throughout the year a Canadian-controlled private corporation, the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.6 to the amount determined in its respect for the year under section 771.2.1.2;

(e) (paragraph repealed);

(f) (paragraph repealed);

(g) (paragraph repealed);

(h) despite paragraph *d*.2, in the case of a corporation other than a corporation referred to in paragraph *a*, for a taxation year for which it is a qualified corporation, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year exceeds the aggregate of

i. the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to the amount determined in its respect for the year under section 771.8.3, and

ii. *(subparagraph repealed),*

ii.1. if the corporation has been throughout the year a Canadian-controlled private corporation, the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.4 to the amount by which the amount determined in its respect for the year under section 771.2.1.2 exceeds the amount determined in its respect for the year under section 771.8.3,

iii. *(subparagraph repealed);*

(i) (paragraph repealed);

(j) despite paragraph *d*.2, in the case of a corporation other than a corporation referred to in paragraph *a*, for a taxation year for which it is an exempt corporation, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year exceeds the aggregate of

i. the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to the amount determined in its respect for the year under section 771.8.5, and

ii. *(subparagraph repealed),*

iii. if the corporation was a Canadian-controlled private corporation throughout the year, the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.4 to the amount that would be determined in its respect for the year under section 771.2.1.2 if the excess amount determined under paragraphs *a* and *b* of that section were reduced by the amount determined in its respect for the year under section 771.8.5;

(j.1) despite paragraphs *d*.2 to *d*.4, in the case of a corporation other than a corporation referred to in paragraph *a*, for a taxation year for which it is a corporation dedicated to the commercialization of intellectual property, to the amount by which the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to its taxable income for the year exceeds the aggregate of

i. the amount obtained by applying the basic rate determined in its respect for the year under section 771.0.2.3.1 to the amount determined in its respect for the year under section 771.8.5.1, and

ii. if the corporation was a Canadian-controlled private corporation throughout the year, the amount obtained by applying, to the amount that would be determined in its respect for the year under section 771.2.1.2 if the excess amount determined under paragraphs *a* and *b* of that section were reduced by the amount determined in its respect for the year under section 771.8.5.1,

(1) if neither subparagraph 2 nor subparagraph 3 applies to the corporation, the percentage determined in its respect for the year under section 771.0.2.4,

(2) if the corporation is a manufacturing corporation for the year, the percentage determined in its respect for the year under section 771.0.2.5, or

(3) if the corporation is a primary and manufacturing sectors corporation for the year, the percentage determined in its respect for the year under section 771.0.2.6;

(k) (paragraph repealed).

(2) For the purposes of section 27, the method of computing the proportion that the business of a corporation carried on in Québec is of the aggregate of the business carried on in Canada or in Québec and elsewhere shall be established by regulation.

1972, c. 23, s. 584; 1980, c. 13, s. 68; 1981, c. 12, s. 8; 1987, c. 21, s. 26; 1989, c. 5, s. 115; 1990, c. 7, s. 67; 1991, c. 8, s. 46; 1992, c. 1, s. 59; 1993, c. 19, s. 59; 1995, c. 1, s. 199; 1995, c. 63, s. 64; 1997, c. 3, s. 33; 1997, c. 85, s. 149; 1999, c. 83, s. 101; 2000, c. 39, s. 69; 2004, c. 21, s. 198; 2005, c. 23, s. 102; 2005, c. 38, s. 169; 2009, c. 5, s. 307; 2010, c. 5, s. 65; 2015, c. 21, s. 310; 2017, c. 1, s. 207.

771.0.1. *(Repealed).*

1987, c. 21, s. 27; 1989, c. 5, s. 116; 1990, c. 7, s. 68; 1997, c. 3, s. 71; 2000, c. 39, s. 70.

771.0.1.1. *(Repealed).*

1990, c. 7, s. 69; 1991, c. 8, s. 47; 1997, c. 3, s. 71; 2000, c. 39, s. 70.

771.0.1.2. *(Repealed).*

1991, c. 8, s. 48; 1992, c. 1, s. 60; 1997, c. 3, s. 71; 2000, c. 39, s. 70.

771.0.2. *(Repealed).*

1989, c. 5, s. 117; 1990, c. 59, s. 294; 1995, c. 63, s. 65; 1997, c. 3, s. 71; 2000, c. 39, s. 70.

771.0.2.1. *(Repealed).*

1992, c. 1, s. 61; 1993, c. 19, s. 60; 1994, c. 22, s. 266; 1995, c. 63, s. 66; 1997, c. 3, s. 71; 1997, c. 85, s. 150; 2000, c. 39, s. 70.

771.0.2.2. For the purposes of sections 771.2.1.2, 771.8.3, 771.8.5 and 771.8.5.1, the amount that must be determined in respect of a corporation for a taxation year under this section is the amount determined in respect of the corporation for the year by the formula

A/(B × C).

In the formula provided for in the first paragraph,

(a) A is the amount determined for the year in respect of the corporation under sections 772.2 to 772.13;

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

(c) C is the basic rate determined in respect of the corporation for the year under section 771.0.2.3.1.

1993, c. 19, s. 61; 1995, c. 63, s. 67; 1997, c. 3, s. 71; 1997, c. 85, s. 151; 2000, c. 39, s. 71; 2005, c. 38, s. 170; 2009, c. 5, s. 308; 2010, c. 5, s. 66.

771.0.2.3. *(Repealed).*

2005, c. 38, s. 171; 2009, c. 5, s. 309.

771.0.2.3.1. For the purposes of sections 771 and 771.0.2.2, the basic rate that must be determined in respect of a corporation for a taxation year under this section is equal to

(a) if the taxation year begins before 1 January 2009, the total of

i. the proportion of 16.25% that the number of days in the taxation year that precede 21 February 2007 is of the number of days in the taxation year,

ii. the proportion of 9.9% that the number of days in the taxation year that follow 20 February 2007 but precede 1 June 2007 is of the number of days in the taxation year,

iii. the proportion of 11.9% if the corporation is a financial institution or an oil refining corporation, or of 9.9% in any other case, that the number of days in the taxation year that follow 31 May 2007 but precede 1 January 2008 is of the number of days in the taxation year,

iv. the proportion of 11.9% if the corporation is a financial institution or an oil refining corporation, or of 11.4% in any other case, that the number of days in the taxation year that follow 31 December 2007 but precede 1 January 2009 is of the number of days in the taxation year, and

v. the proportion of 11.9% that the number of days in the taxation year that follow 31 December 2008 is of the number of days in the taxation year;

(b) if the taxation year begins after 31 December 2008 and ends before 1 January 2017, 11.9%; and

(c) if the taxation year ends after 31 December 2016, the total of

i. the proportion of 11.9% that the number of days in the taxation year that precede 1 January 2017 is of the number of days in the taxation year,

ii. the proportion of 11.8% that the number of days in the taxation year that follow 31 December 2016 but precede 1 January 2018 is of the number of days in the taxation year,

iii. the proportion of 11.7% that the number of days in the taxation year that follow 31 December 2017 but precede 1 January 2019 is of the number of days in the taxation year,

iv. the proportion of 11.6% that the number of days in the taxation year that follow 31 December 2018 but precede 1 January 2020 is of the number of days in the taxation year, and

v. the proportion of 11.5% that the number of days in the taxation year that follow 31 December 2019 is of the number of days in the taxation year.

2009, c. 5, s. 310; 2017, c. 1, s. 208.

771.0.2.4. For the purposes of section 771, the percentage that must be determined in respect of a corporation for a taxation year under this section is equal to

(a) if the taxation year begins before 1 January 2009, the total of

i. the proportion of 1.4% that the number of days in the taxation year that precede 24 March 2006 is of the number of days in the taxation year,

ii. the proportion of 1.9% that the number of days in the taxation year that follow 23 March 2006 but precede 1 June 2007 is of the number of days in the taxation year,

iii. the proportion of 3.9% if the corporation is a financial institution or an oil refining corporation, or of 1.9% in any other case, that the number of days in the taxation year that follow 31 May 2007 but precede 1 January 2008 is of the number of days in the taxation year,

iv. the proportion of 3.9% if the corporation is a financial institution or an oil refining corporation, or of 3.4% in any other case, that the number of days in the taxation year that follow 31 December 2007 but precede 1 January 2009 is of the number of days in the taxation year, and

v. the proportion of 3.9% that the number of days in the taxation year that follow 31 December 2008 is of the number of days in the taxation year;

(b) if the taxation year begins after 31 December 2008 but before 1 January 2017, the total of

i. the proportion of 3.9% that the number of days in the taxation year that precede 1 January 2017 is of the number of days in the taxation year,

ii. the proportion of 3.8% that the number of days in the taxation year that follow 31 December 2016 but precede 1 January 2018 is of the number of days in the taxation year, and

iii. the proportion of 3.7% that the number of days in the taxation year that follow 31 December 2017 but precede 1 January 2019 is of the number of days in the taxation year; and

(c) if the taxation year begins after 31 December 2016 and

i. if the number of hours referred to in subparagraph *a* or *b* of the first paragraph of section 771.2.1.2.1 in respect of the corporation for the taxation year or the number of hours referred to in the first paragraph of section 771.2.1.2.2 in respect of a partnership of which the corporation is a member in the taxation year, whichever is greater, is at least 5,500, the total of

(1) the proportion of 3.8% that the number of days in the taxation year that precede 1 January 2018 is of the number of days in the taxation year,

(2) the proportion of 3.7% that the number of days in the taxation year that follow 31 December 2017 but precede 28 March 2018 is of the number of days in the taxation year,

(2.1) the proportion of 4.7% that the number of days in the taxation year that follow 27 March 2018 but precede 1 January 2019 is of the number of days in the taxation year,

(3) the proportion of 5.6% that the number of days in the taxation year that follow 31 December 2018 but precede 1 January 2020 is of the number of days in the taxation year,

(4) the proportion of 6.5% that the number of days in the taxation year that follow 31 December 2019 but precede 1 January 2021 is of the number of days in the taxation year,

(5) the proportion of 7.5% that the number of days in the taxation year that follow 31 December 2020 but precede 26 March 2021 is of the number of days in the taxation year, and

(6) the proportion of 8.3% that the number of days in the taxation year that follow 25 March 2021 is of the number of days in the taxation year, or

ii. unless subparagraph i applies, the percentage determined by the formula

$$A \times (B - 5{,}000)/500.$$

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

(a) A is the percentage that would be determined under subparagraph i of subparagraph *c* of the first paragraph if that subparagraph i applied; and

(b) B is the number of hours referred to in subparagraph *a* or *b* of the first paragraph of section 771.2.1.2.1 in respect of the corporation for the taxation year, the number of hours referred to in the first paragraph of section 771.2.1.2.2 in respect of a partnership of which the corporation is a member in the taxation year or 5,000, whichever number is the greatest.

2005, c. 38, s. 171; 2006, c. 36, s. 77; 2009, c. 5, s. 311; 2017, c. 1, s. 209; 2019, c. 14, s. 238; 2021, c. 36, s. 86.

771.0.2.5. The percentage that is required to be determined for a taxation year for the purposes of paragraph *d*.3 of subsection 1 of section 771 in respect of a manufacturing corporation is equal,

(a) if the proportion of the manufacturing or processing activities of the manufacturing corporation for the taxation year is 50% or more and

i. the taxation year begins before 1 April 2015, to the total of

(1) 3.9%,

(2) the proportion of 2% that the number of days in the taxation year that follow 4 June 2014 but precede 1 April 2015 is of the number of days in the taxation year, and

(3) the proportion of 4% that the number of days in the taxation year that follow 31 March 2015 is of the number of days in the taxation year, or

ii. the taxation year begins after 31 March 2015 but before 1 January 2017, to the total of

(1) the proportion of 7.9% that the number of days in the taxation year that precede 1 January 2017 is of the number of days in the taxation year,

(2) the proportion of 7.8% that the number of days in the taxation year that follow 31 December 2016 but precede 1 January 2018 is of the number of days in the taxation year, and

(3) the proportion of 7.7% that the number of days in the taxation year that follow 31 December 2017 is of the number of days in the taxation year; and

(b) if the proportion of the manufacturing or processing activities of the manufacturing corporation for the taxation year is less than 50% and

i. the taxation year begins before 1 April 2015, to the total of

(1) 3.9%,

(2) the percentage determined by the formula

A × (C – 25%)/25%, and

(3) the percentage determined by the formula

B × (C – 25%)/25%, or

ii. the taxation year begins after 31 March 2015 but before 1 January 2017, to the total of

(1) the proportion of 3.9% that the number of days in the taxation year that precede 1 January 2017 is of the number of days in the taxation year,

(1.1) the proportion of 3.8% that the number of days in the taxation year that follow 31 December 2016 but precede 1 January 2018 is of the number of days in the taxation year,

(1.2) the proportion of 3.7% that the number of days in the taxation year that follow 31 December 2017 is of the number of days in the taxation year, and

(2) the percentage determined by the formula

4% × (C – 25%)/25%.

In the formulas in subparagraph *b* of the first paragraph,

(a) A is the proportion of 2% that the number of days in the taxation year that follow 4 June 2014 but precede 1 April 2015 is of the number of days in the taxation year;

(b) B is the proportion of 4% that the number of days in the taxation year that follow 31 March 2015 is of the number of days in the taxation year; and

(c) C is the proportion of the manufacturing or processing activities of the manufacturing corporation for the taxation year.

2015, c. 21, s. 311; 2017, c. 1, s. 210.

771.0.2.6. The percentage that is required to be determined for a taxation year for the purposes of paragraph *d*.4 of subsection 1 of section 771 in respect of a primary and manufacturing sectors corporation is equal,

(a) if the proportion of primary and manufacturing sectors activities of the corporation for the taxation year is 50% or more, to the total of

i. the proportion of 7.8% that the number of days in the taxation year that precede 1 January 2018 is of the number of days in the taxation year,

ii. the proportion of 7.7% that the number of days in the taxation year that follow 31 December 2017 but precede 1 January 2019 is of the number of days in the taxation year,

iii. the proportion of 7.6% that the number of days in the taxation year that follow 31 December 2018 but precede 1 January 2020 is of the number of days in the taxation year,

iv. the proportion of 7.5% that the number of days in the taxation year that follow 31 December 2019 but precede 26 March 2021 is of the number of days in the taxation year, and

v. the proportion of 8.3% that the number of days in the taxation year that follow 25 March 2021 is of the number of days in the taxation year; and

(b) in any other case, to the greater of the percentages determined by the formulas

i. $A \times (B - 25\%)/25\%$, and

ii. $[C \times (D - 5{,}000)/500] + [E \times (B - 25\%)/25\%]$.

In the formulas in subparagraph *b* of the first paragraph,

(a) A is the percentage that would be determined under subparagraph *a* of the first paragraph if that subparagraph applied;

(b) B is the proportion of primary and manufacturing sectors activities of the corporation for the taxation year;

(c) C is the total of

i. the proportion of 3.8% that the number of days in the taxation year that precede 1 January 2018 is of the number of days in the taxation year,

ii. the proportion of 3.7% that the number of days in the taxation year that follow 31 December 2017 but precede 28 March 2018 is of the number of days in the taxation year,

ii.1. the proportion of 4.7% that the number of days in the taxation year that follow 27 March 2018 but precede 1 January 2019 is of the number of days in the taxation year,

iii. the proportion of 5.6% that the number of days in the taxation year that follow 31 December 2018 but precede 1 January 2020 is of the number of days in the taxation year,

iv. the proportion of 6.5% that the number of days in the taxation year that follow 31 December 2019 but precede 1 January 2021 is of the number of days in the taxation year,

v. the proportion of 7.5% that the number of days in the taxation year that follow 31 December 2020 but precede 26 March 2021 is of the number of days in the taxation year, and

vi. the proportion of 8.3% that the number of days in the taxation year that follow 25 March 2021 is of the number of days in the taxation year;

(d) D is 5,000 or, if it is greater but without exceeding 5,500, the number of hours referred to in subparagraph *a* or *b* of the first paragraph of section 771.2.1.2.1 in respect of the corporation for the taxation

year or the number of hours referred to in the first paragraph of section 771.2.1.2.2 in respect of a partnership of which the corporation is a member in the taxation year, whichever number is greater;

(e) E is the total of

i. the proportion of 4% that the number of days in the taxation year that precede 28 March 2018 is of the number of days in the taxation year,

ii. the proportion of 3% that the number of days in the taxation year that follow 27 March 2018 but precede 1 January 2019 is of the number of days in the taxation year,

iii. the proportion of 2% that the number of days in the taxation year that follow 31 December 2018 but precede 1 January 2020 is of the number of days in the taxation year,

iv. the proportion of 1% that the number of days in the taxation year that follow 31 December 2019 but precede 1 January 2021 is of the number of days in the taxation year, and

v. a nil percentage in respect of the days in the taxation year that follow 31 December 2020.

2017, c. 1, s. 211; 2019, c. 14, s. 239; 2021, c. 36, s. 87.

771.0.3. *(Repealed).*

1989, c. 5, s. 117; 1997, c. 3, s. 71; 2000, c. 39, s. 72.

771.0.3.1. *(Repealed).*

1992, c. 1, s. 62; 1997, c. 3, s. 71; 2000, c. 39, s. 73; 2004, c. 21, s. 199.

771.0.4. *(Repealed).*

1989, c. 5, s. 117; 2000, c. 39, s. 74.

771.0.4.1. *(Repealed).*

1992, c. 1, s. 63; 2000, c. 39, s. 74.

771.0.5. *(Repealed).*

1989, c. 5, s. 117; 1992, c. 1, s. 64; 1997, c. 3, s. 71; 2000, c. 39, s. 74.

771.0.6. *(Repealed).*

1989, c. 5, s. 117; 1992, c. 1, s. 65; 1997, c. 3, s. 71; 2000, c. 39, s. 75; 2004, c. 21, s. 200.

771.0.7. For the purposes of this Title, a corporation is deemed, for the purpose of determining whether it is associated with one or more other corporations in a taxation year, not to be associated in that year with a corporation which, in that year, is not resident and does not have any establishment in Canada.

1997, c. 85, s. 152.

771.1. In this Title,

"adjusted aggregate investment income" of a corporation for a taxation year means the amount determined in respect of the corporation for the year under the definition of "adjusted aggregate investment income" in subsection 7 of section 125 of the Income Tax Act;

"biotechnology development centre" means a building designated as such by Investissement Québec;

"corporation dedicated to the commercialization of intellectual property" has the meaning assigned by sections 771.14 and 771.15;

"designated member", of a particular partnership in a taxation year, means a Canadian-controlled private corporation that provides (directly or indirectly, in any manner whatever) services or property to the particular partnership at any time in the corporation's taxation year if

(a) the corporation is not, at any time in the taxation year, a member of the particular partnership; and

(b) at any time in the taxation year,

i. one of the corporation's shareholders holds a direct or indirect interest in the particular partnership, or

ii. if subparagraph i does not apply, the corporation does not deal at arm's length with a person that holds a direct or indirect interest in the particular partnership, and it may not be considered that all or substantially all of the corporation's income from an eligible business for the year is from the provision of services or property to persons with which the corporation deals at arm's length or to partnerships (other than the particular partnership) with which the corporation deals at arm's length, other than a partnership in which a person that does not deal at arm's length with the corporation holds a direct or indirect interest;

"eligibility date" of a corporation means

(a) where the corporation carries on or may carry on its business in an information technology development centre, 26 March 1997;

(b) where the corporation carries on or may carry on its business in a new economy centre, 10 March 1999; and

(c) where the corporation carries on or may carry on its business in a biotechnology development centre, 30 March 2001;

"eligibility period" of a corporation means the five-year period that begins on the day of coming into force of the certificate referred to in paragraph *a* of section 771.12 that was issued in its respect or, if it is later, on the corporation's eligibility date, unless the corporation ceases to be an exempt corporation,

(a) at the beginning of a particular taxation year following an acquisition of control referred to in subparagraph *f* of the first paragraph of section 771.13 that occurred in the preceding taxation year and before the end of the five-year period, in which case "eligibility period" means the part of the five-year period that ends immediately before the acquisition of control;

(b) at the beginning of a particular taxation year following an election by the corporation under subparagraph *g* of the first paragraph of section 771.13 to become a specified corporation from a particular day of the preceding taxation year and before the end of the five-year period, in which case "eligibility period" means the part of the five-year period that ends the day before that particular day; or

(c) in a particular taxation year, other than the one referred to in paragraph *a* or *b*, and before the end of the five-year period, in which case "eligibility period" means the part of the five-year period that ends on the last day of the taxation year preceding the particular year;

"eligible business", in relation to any business carried on by a corporation, means any business carried on by a corporation other than a specified investment business or a personal services business and includes, except for the purposes of subparagraph *a* of the second paragraph of section 771.6, subparagraph *d* of the first paragraph of section 771.8.3 and subparagraph i of subparagraph *c* of the second paragraph of section 771.8.5, an adventure or concern in the nature of trade;

"eligible commercialization business" of a corporation, at any time, means an eligible business in respect of which the corporation holds a qualification certificate that was issued by the Minister of Economy and Innovation and that is valid at that time;

"eligible institute" means an eligible public research centre or an eligible university entity, within the meaning of paragraphs *a*.1 and *f* of section 1029.8.1;

"exempt corporation" has the meaning assigned by sections 771.12 and 771.13;

"exemption period" of a corporation means the period that begins at the beginning of the corporation's first taxation year and ends on the earlier of

(a) the last day of the five-year period that begins at the beginning of the corporation's first taxation year, and

(b) the last day of the taxation year preceding the taxation year in which the corporation ceases to be a qualified corporation;

"financial institution" means a corporation referred to in paragraph *a* of section 1132;

"information technology development centre" means a building designated as such by the Minister of Finance;

"manufacturing corporation" for a taxation year that begins before 1 January 2017 means a corporation whose proportion of manufacturing or processing activities for the taxation year is greater than 25%;

"new economy centre" means one or more buildings within the same region that are designated by Investissement Québec as constituting a marketplace for the new economy;

"oil refining corporation" for a taxation year means a corporation that, at any time in the year after 31 May 2007, carries on an oil refining business or is the owner or lessee of property used in the carrying on of such a business by another corporation, a partnership or a trust with which the corporation is associated;

"primary and manufacturing sectors corporation" for a taxation year that begins after 31 December 2016 means a corporation whose proportion of primary and manufacturing sectors activities for the taxation year is greater than 25%;

"proportion of primary and manufacturing sectors activities" of a corporation for a taxation year means the prescribed proportion;

"proportion of the manufacturing or processing activities" of a corporation for a taxation year means the proportion that the amount determined in respect of the corporation for the year under paragraph *a* of section 5200 of the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) is of the amount determined in respect of the corporation for the year under paragraph *b* of section 5200 of those Regulations;

"qualified corporation" has the meaning assigned by sections 771.5 to 771.7;

"specified corporation" has the meaning assigned by section 1029.8.36.0.17;

"specified corporate income", of a corporation for a taxation year, means the lesser of the amount that the Minister determines to be reasonable in the circumstances and the lesser of

(a) the aggregate of all amounts each of which is the corporation's income from an eligible business for the year (other than its specified farming or fishing income for the year) from the provision of services or property to a private corporation (directly or indirectly, in any manner whatever) if

i. at any time in the year, the corporation (or one of its shareholders) or a person who does not deal at arm's length with the corporation (or one of its shareholders) holds a direct or indirect interest in the private corporation, and

ii. it may not be considered that all or substantially all of the corporation's income for the year from an eligible business is from the provision of services or property to persons (other than the private corporation) with which the corporation deals at arm's length or to partnerships with which the corporation deals at arm's length, other than a partnership in which a person that does not deal at arm's length with the corporation holds a direct or indirect interest; and

(b) the aggregate of all amounts each of which is the portion of the business limit of a private corporation described in paragraph *a* for a taxation year that the private corporation assigns to the corporation in accordance with section 771.2.1.4.2;

"specified farming or fishing income" of a particular corporation for a taxation year means the income of the particular corporation for the year (other than an amount included in computing the particular

corporation's income under section 795) from the sale of the farming products or fishing catches of the particular corporation's farming or fishing business to another corporation with which the particular corporation deals at arm's length;

"specified investment business" carried on by a corporation in a taxation year means a business, other than a business carried on by a savings and credit union or a business of leasing property other than immovable property, the principal purpose of which is to derive income from property, including interest, dividends, rents or royalties, unless the corporation employs in the business throughout the year more than five full-time employees, or in the course of carrying on an eligible business, any other corporation associated with it provides financial, administrative, maintenance, managerial or other similar services to the corporation in the year and the corporation could reasonably be expected to require more than five full-time employees if those services had not been provided;

"specified partnership business limit", of a person for a taxation year, at a particular time, means the amount determined by the formula

$$(A/B) \times C - D;$$

"specified partnership income" of a corporation for a taxation year means the aggregate of

(a) the aggregate of all amounts each of which is an amount, in respect of a partnership of which the corporation is a member or a designated member in the year that would be a primary and manufacturing sectors corporation for the year if the partnership were a corporation for its last fiscal period that ends in the year, if that fiscal period were its taxation year and if its proportion of primary and manufacturing sectors activities for the year were determined without reference to the activities of any other partnership of which it is a member, or that is a partnership described in section 771.2.1.2.2 for the year, equal to the least of

i. the aggregate of all amounts each of which is an amount, in respect of an eligible business carried on in Canada by the corporation as a member, or a designated member, of the partnership, equal to the amount by which the aggregate of all amounts each of which is the corporation's share of the income (determined in accordance with Title XI of Book III) of the partnership from the business for a fiscal period of the business that ends in the year, an amount of the corporation's particular income for the year from the provision (directly or indirectly, in any manner whatever) of services or property to the partnership, or an amount included in computing the corporation's income for the year under any of sections 217.19, 217.20 and 217.28 in respect of the business exceeds the aggregate of all amounts each of which is an amount deducted in computing the corporation's income for the year from the business (other than an amount that was deducted by the partnership in computing its income from the business or in computing the corporation's particular income) or an amount deducted in that computation for the year in respect of the business under section 217.21 or 217.27,

ii. where the corporation is a member of the partnership, the corporation's specified partnership business limit for the year and, where the corporation is a designated member of the partnership, the aggregate of all amounts assigned to it in accordance with section 771.2.1.4.3 for the year or, if no such amounts have been assigned, nil, and

iii. nil, where the corporation is (directly or indirectly, through one or more other partnerships) a member, or a designated member, of the partnership in the year and the partnership provides services or property to either

(1) a private corporation (directly or indirectly, in any manner whatever) in the year, if the corporation (or one of its shareholders) or a person who does not deal at arm's length with the corporation (or one of its shareholders) holds a direct or indirect interest in the private corporation, and if it may not be considered that all or substantially all of the partnership's income for the year from an eligible business is from the provision of services or property to persons (other than the private corporation) that deal at arm's length with the

partnership or with any person that holds a direct or indirect interest in the partnership or to other partnerships with which the partnership deals at arm's length, other than a partnership in which a person that does not deal at arm's length with the corporation holds a direct or indirect interest, or

(2) a particular partnership (directly or indirectly, in any manner whatever) in the year, if the corporation (or one of its shareholders) does not deal at arm's length with the particular partnership or with a person that holds a direct or indirect interest in the particular partnership, and if it may not be considered that all or substantially all of the partnership's income for the year from an eligible business is from the provision of services or property to persons that deal at arm's length with the partnership or with any person that holds a direct or indirect interest in the partnership or to other partnerships (other than the particular partnership) with which the partnership deals at arm's length, other than a partnership in which a person that does not deal at arm's length with the corporation holds a direct or indirect interest; and

(b) the lesser of

i. the aggregate of the amounts determined in respect of the corporation for the year under subparagraphs i and ii of paragraph *a* of section 771.2.1.2, and

ii. the aggregate of all amounts each of which is an amount, in respect of a partnership of which the corporation is a member or a designated member in the year, equal to the amount by which the amount determined in respect of the partnership for the year under subparagraph i of paragraph *a* exceeds the amount determined in respect of the partnership for the year under subparagraph ii of that paragraph *a*, according to whether the corporation is a member or a designated member of the partnership;

"specified partnership loss" of a corporation for a taxation year means the aggregate of all amounts each of which is an amount, in respect of a partnership of which the corporation is a member in the year that would be a primary and manufacturing sectors corporation for the year if the partnership were a corporation for its last fiscal period that ends in the year, if that fiscal period were its taxation year and if its proportion of primary and manufacturing sectors activities for the year were determined without reference to the activities of any other partnership of which it is a member, or that is a partnership described in section 771.2.1.2.2 for the year, equal to the aggregate of

(a) the aggregate of all amounts each of which is the corporation's share of the loss, determined in accordance with Title XI of Book III, of the partnership for a fiscal period that ends in the year from an eligible business carried on in Canada by the corporation as a member of the partnership; and

(b) the aggregate of all amounts each of which is the amount by which the aggregate of all amounts each of which is an amount deducted in computing the corporation's income for the year from an eligible business carried on in Canada by the corporation as a member of the partnership, other than an amount that was deducted by the partnership in computing its income from the business, exceeds the aggregate of all amounts each of which is the corporation's share of the income, determined in accordance with Title XI of Book III, of the partnership from the business for a fiscal period that ends in the year;

"tax-free period" of a corporation means the period beginning at the time of its incorporation and ending

(a) on the last day of the ten-year period beginning at that time; or

(b) if it is earlier than the day referred to in paragraph *a*, on the last day of the taxation year that precedes the taxation year in which the corporation ceases to be a corporation dedicated to the commercialization of intellectual property.

For the purposes of the definition of "information technology development centre" in the first paragraph, premises designated by Investissement Québec are deemed to be part of a building referred to in that definition.

For the purposes of the definition of "new economy centre" in the first paragraph, premises designated by Investissement Québec are deemed to form part of a building referred to in that definition.

Despite the definition of "eligibility period" in the first paragraph, the eligibility period of a corporation does not include any day in a taxation year for which the corporation is authorized by Investissement Québec

to carry on its business outside the information technology development centre, the new economy centre or the biotechnology development centre that is mentioned in the certificate referred to in paragraph *a* of section 771.12, if, during that day, none of the activities of its business are carried on in Québec.

In the formula in the definition of "specified partnership business limit" in the first paragraph,

(a) A is the aggregate of all amounts each of which is the person's share of the income (determined in accordance with Title XI of Book III) of a partnership of which the person is a member from an eligible business carried on in Canada for a fiscal period ending in the year;

(b) B is the aggregate of all amounts each of which is the partnership's income from an eligible business carried on in Canada for a fiscal period referred to in subparagraph i of paragraph *a* of the definition of "specified partnership income" in the first paragraph;

(c) C is the lesser of the business limit specified in the first paragraph of section 771.2.1.3 for a corporation that is not associated in a taxation year with one or more other Canadian-controlled private corporations and the proportion of that business limit that the number of days in a fiscal period of the partnership that ends in the year is of 365; and

(d) D is the aggregate of all amounts each of which is an amount that the person assigns in accordance with section 771.2.1.4.3.

For the purposes of the definition of "oil refining corporation" in the first paragraph, the following rules apply for the purpose of determining whether a corporation is associated with a partnership or a trust at any time:

(a) a partnership is deemed to be a corporation the taxation year of which corresponds to its fiscal period and all the voting shares in the capital stock of which are owned at that time by each member of the partnership in a proportion equal to the agreed proportion in respect of the member for the partnership's fiscal period that includes that time; and

(b) a trust is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this subparagraph *b* referred to as the "distribution date"), and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) if any such beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and if that time occurs before the distribution date, are owned at that time by the beneficiary, and

(2) if subparagraph 1 does not apply and if that time occurs before the distribution date, are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries,

ii. if a beneficiary's share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at that time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at that time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at that time by the person referred to in that section from whom a property of the trust or a property for which it was substituted was directly or indirectly received.

1981, c. 12, s. 9; 1987, c. 21, s. 28; 1989, c. 5, s. 118; 1992, c. 1, s. 66; 1995, c. 63, s. 68; 1997, c. 3, s. 71; 1997, c. 85, s. 153; 1998, c. 17, s. 64; 1999, c. 83, s. 102; 2000, c. 39, s. 76; 2001, c. 51, s. 72; 2001, c. 69, s. 12; 2002, c. 9, s. 20; 2003, c. 9, s. 98; 2004, c. 21, s. 201; 2005, c. 23, s. 103; 2005, c. 38, s. 172; 2007, c. 12, s. 86; 2009, c. 5, s. 312; 2009, c. 15, s. 150; 2010, c. 5, s. 67; 2010, c. 25, s. 77; 2015, c. 21, s. 312; 2015, c. 24, s. 109; 2017, c. 1, s. 212; 2017, c. 29, s. 155; 2019, c. 14, s. 240; 2019, c. 29, s. 1; 2020, c. 16, s. 115; 2021, c. 14, s. 90.

771.1.1. In this Title, the income or loss of a corporation for a taxation year from an eligible business carried on by it means the aggregate of

(a) the income or loss of the corporation for the year from the business, including the income or loss of the corporation for the year that is incident to or pertains to that business or from any property that is used or held principally for the purpose of gaining an income from that business, but excluding a dividend that is deductible under Title VIII of Book IV or under section 845 in computing the taxable income of the corporation for the year; and

(b) the amount included under section 92.5.2 in computing the income of the corporation for the year.

1987, c. 21, s. 28; 1989, c. 5, s. 118; 1993, c. 64, s. 83; 1994, c. 22, s. 267; 1997, c. 3, s. 71; 2000, c. 39, s. 77.

771.1.1.1. In this Title, where a Minister other than the Minister of Revenue or a body replaces or revokes a certificate, qualification certificate or other similar document, the following rules apply in respect of the document, unless a more specific similar rule applies to it:

(a) the replaced document is null as of the date of its coming into force or of its deemed coming into force and the new document is deemed, unless it provides otherwise, to come into force as of that date and to have been issued at the time the replaced document was issued or is deemed to have been issued; and

(b) the revoked document is null as of the effective date of the revocation and is deemed not to have been issued, obtained or held as of that date.

Where a document is, without being replaced, amended by the revocation or replacement of any of its parts or in any other manner, the document before the amendment and the document as amended are deemed, for the purposes of this section, to be separate documents the first of which (referred to as the "replaced document") has been replaced by the second (referred to as the "new document").

Where, in the circumstances described in the second paragraph, a document is amended only for a part of its period of validity, the new document is deemed to describe both the situation prevailing before the amendment, as proven by the content of the replaced document, and the new situation, as proven by the content of the new document.

2012, c. 8, s. 133.

771.1.2. *(Repealed).*

1989, c. 5, s. 119; 1997, c. 3, s. 71; 2000, c. 39, s. 78.

771.1.3. *(Repealed).*

1989, c. 5, s. 119; 1997, c. 3, s. 71; 1997, c. 85, s. 154; 2000, c. 39, s. 78.

771.1.4. *(Repealed).*

1989, c. 5, s. 119; 1997, c. 3, s. 34; 1997, c. 85, s. 155; 2000, c. 39, s. 78.

771.1.4.1. *(Repealed).*

1997, c. 85, s. 156; 2000, c. 5, s. 293; 2000, c. 39, s. 78.

771.1.5. *(Repealed).*

1989, c. 5, s. 119; 1994, c. 22, s. 268; 1995, c. 63, s. 69; 1997, c. 3, s. 35; 1997, c. 85, s. 157; 1999, c. 83, s. 103; 2000, c. 39, s. 78.

771.1.5.1. *(Repealed).*

1995, c. 63, s. 70; 1997, c. 3, s. 36; 2000, c. 39, s. 78.

771.1.5.2. *(Repealed).*

1995, c. 63, s. 70; 1997, c. 3, s. 37; 1997, c. 14, s. 126; 2000, c. 39, s. 78.

771.1.5.3. *(Repealed).*

1995, c. 63, s. 70; 1996, c. 39, s. 207; 1997, c. 3, s. 71; 1997, c. 14, s. 127; 1999, c. 83, s. 104; 2000, c. 39, s. 78.

771.1.6. *(Repealed).*

1989, c. 5, s. 119; 1992, c. 1, s. 67; 1997, c. 3, s. 71; 2000, c. 39, s. 78.

771.1.7. *(Repealed).*

1989, c. 5, s. 119; 1997, c. 3, s. 71; 2000, c. 39, s. 78.

771.1.8. *(Repealed).*

1989, c. 5, s. 119; 1994, c. 22, s. 269; 1997, c. 3, s. 71; 1997, c. 14, s. 128; 2000, c. 39, s. 78.

771.1.9. *(Repealed).*

1989, c. 5, s. 119; 1997, c. 3, s. 71; 2000, c. 39, s. 78.

771.1.10. *(Repealed).*

1989, c. 5, s. 119; 1992, c. 1, s. 68; 1993, c. 16, s. 287; 1997, c. 3, s. 71; 1997, c. 31, s. 82; 2000, c. 39, s. 78.

771.1.11. *(Repealed).*

1989, c. 5, s. 119; 1993, c. 16, s. 288; 1997, c. 3, s. 71; 2000, c. 39, s. 78.

771.2. *(Repealed).*

1981, c. 12, s. 9; 1983, c. 44, s. 28; 1985, c. 25, s. 131; 1989, c. 5, s. 120.

771.2.1. *(Repealed).*

1987, c. 21, s. 29; 1989, c. 5, s. 121; 1997, c. 3, s. 71; 2000, c. 39, s. 78.

771.2.1.1. *(Repealed).*

1992, c. 1, s. 69; 1997, c. 3, s. 71; 2000, c. 39, s. 78.

771.2.1.2. The amount that, for the purposes of paragraphs *d*.2 to *d*.4 and *h* of subsection 1 of section 771, is to be determined in respect of a corporation for a taxation year under this section is equal to the least of

(a) the amount by which the total of—where the corporation would be a primary and manufacturing sectors corporation for the year if its proportion of primary and manufacturing sectors activities for the year were determined without reference to the activities of any partnership of which it is a member or if it is described in section 771.2.1.2.1 for the year—the aggregate of all amounts each of which is the corporation's income for the year from an eligible business carried on by the corporation in Canada (other than an amount referred to in section 771.2.1.2.0.1) or the corporation's specified corporate income for the year and the corporation's specified partnership income for the year exceeds the aggregate of

i. all amounts each of which is a loss of the corporation for the year from an eligible business carried on by it in Canada, other than a loss of the corporation for the year from a business carried on by it as a member of a partnership, and

ii. the specified partnership loss of the corporation for the year;

(b) the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the portion of the corporation's taxable income for the year that is not, because of an Act of the Legislature of Québec, subject to tax under this Part; and

(c) the corporation's business limit for the year.

2005, c. 38, s. 173; 2015, c. 21, s. 313; 2017, c. 1, s. 213; 2017, c. 29, s. 156; 2019, c. 14, s. 241.

771.2.1.2.0.1. An amount to which paragraph *a* of section 771.2.1.2 refers in respect of a corporation for a taxation year means

(a) the amount referred to in subparagraph i of paragraph *a* of the definition of "specified partnership income" in the first paragraph of section 771.1 for the year;

(b) the amount referred to in paragraph *a* of the definition of "specified corporate income" in the first paragraph of section 771.1 for the year; or

(c) an amount that is paid or becomes payable to the corporation by another corporation with which it is associated and that is deemed under paragraph *a* of section 771.4 to be income of the corporation for the year from an eligible business carried on by the corporation, where the associated corporation is not a Canadian-controlled private corporation or is a Canadian-controlled private corporation that has made an election under the second paragraph of section 771.2.1.3 in respect of its taxation year that includes the time when the amount was paid or became payable.

2019, c. 14, s. 242.

771.2.1.2.1. A corporation to which paragraph *a* of section 771.2.1.2 refers for a particular taxation year is a corporation in respect of which the number of remunerated hours referred to in either of the following subparagraphs exceeds 5,000:

(a) the number of remunerated hours determined in respect of the employees of the corporation for the particular year; or

(b) the number of remunerated hours determined in respect of the employees of the corporation and of those of the corporations with which the corporation is associated in the particular year, for the taxation years of those corporations that ended in the calendar year preceding the calendar year in which the particular year ends.

For the purposes of the first paragraph,

(a) the number of remunerated hours determined in respect of a person that may be taken into account for a week may not exceed 40;

(b) subject to the third paragraph, the remunerated hours may be taken into account only to the extent that they were paid; and

(c) the remunerated hours may be taken into account for a taxation year only to the extent that the expenditure relating to those hours was incurred in that year.

For the purposes of this section, a person who holds, directly or indirectly, shares of the capital stock of a corporation carrying more than 50% of the votes that could be cast under any circumstances at the annual meeting of shareholders of the corporation is considered to be an employee of the corporation and the unremunerated hours of work the person carries out in a week to actively engage in the corporation's activities are deemed to be remunerated hours in respect of that person for which the expenditure was incurred in that week, provided that the hours are recorded in a register that the corporation keeps in that respect and according to the formula

$1.1 \times A.$

In the formula in the third paragraph, A is the number of unremunerated hours of work carried out by the person in a week, without exceeding 36.36.

For the purposes of subparagraph *a* of the first paragraph,

(a) where the number of days in the corporation's particular taxation year is less than 365, the number of remunerated hours determined in respect of the corporation's employees in the particular year is deemed to be equal to the product obtained by multiplying that number otherwise determined by the proportion that 365 is of the number of days in the particular year; and

(b) where the period that begins on 15 March 2020 and ends on 29 June 2020 (in this subparagraph referred to as the "period of closure") is included, in whole or in part, in the corporation's particular taxation year, the number of remunerated hours determined in respect of the corporation's employees in the particular year is deemed to be equal to the product obtained by multiplying that number, otherwise determined without reference to subparagraph *a*, by the proportion that 365 is of the amount by which the number of days in the particular year exceeds the number of days in the period of closure that are included in the particular year.

For the purposes of subparagraph *b* of the first paragraph, a corporation (in this paragraph referred to as the "new corporation") that is formed as a result of the amalgamation, within the meaning of section 544, of two or more corporations (each of which is in this paragraph referred to as a "predecessor corporation") and in respect of which the particular taxation year to which the first paragraph refers is its first taxation year, is deemed to have a number of remunerated hours, determined in respect of its employees, for a taxation year that ended in the calendar year preceding the calendar year in which that first taxation year ends, equal to the aggregate of all remunerated hours each of which is a remunerated hour, determined in respect of an employee of a predecessor corporation, for the predecessor corporation's taxation year that ended in the calendar year preceding the calendar year in which that first taxation year ends.

2017, c. 1, s. 214; 2017, c. 29, s. 157; 2021, c. 14, s. 91; 2024, c. 11, s. 79.

771.2.1.2.2. A partnership of which a corporation that is carrying on an eligible business in a taxation year as a member of the partnership is a member and to which paragraph *a* of the definition of "specified partnership income" in the first paragraph of section 771.1 refers for the taxation year is a partnership whose number of remunerated hours determined in respect of its employees for a fiscal period that ends in the taxation year exceeds 5,000.

For the purposes of this section,

(a) the number of remunerated hours determined in respect of a person that may be taken into account for a week may not exceed 40;

(b) the remunerated hours may be taken into account only to the extent that they were paid; and

(c) the remunerated hours may be taken into account for a fiscal period only to the extent that the expenditure relating to those hours was incurred in that fiscal year.

For the purposes of the first paragraph,

(a) where the number of days in the partnership's fiscal period is less than 365, the number of remunerated hours determined in respect of the partnership's employees in the fiscal period is deemed to be equal to the product obtained by multiplying that number otherwise determined by the proportion that 365 is of the number of days in the fiscal period; and

(b) where the period that begins on 15 March 2020 and ends on 29 June 2020 (in this subparagraph referred to as the "period of closure") is included, in whole or in part, in the partnership's fiscal period, the number of remunerated hours determined in respect of the partnership's employees in the fiscal period is deemed to be equal to the product obtained by multiplying that number, otherwise determined and without reference to subparagraph *a*, by the proportion that 365 is of the amount by which the number of days in the fiscal period exceeds the number of days in the period of closure that are included in the fiscal period.

2017, c. 1, s. 214; 2017, c. 29, s. 157; 2019, c. 14, s. 243; 2021, c. 14, s. 92; 2021, c. 18, s. 64.

771.2.1.3. In this Title, a corporation's business limit for a taxation year is equal to $500,000 unless the corporation is associated in the year with one or more other Canadian-controlled private corporations in which case, except as otherwise provided in this Title, its business limit for the year is equal to zero.

For the purposes of the first paragraph and sections 771.2.1.4 to 771.2.1.8, the following rules apply:

(a) section 21.21 does not apply to deem two corporations to be associated with each other at any time because they are associated, or deemed to be associated under section 21.21, at that time with the same corporation (in this paragraph referred to as the "third corporation"), if the third corporation is not a Canadian-controlled private corporation at that time or is a Canadian-controlled private corporation that has made a valid election under subsection 2 of section 256 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), in relation to its taxation year that includes that time; and

(b) where the third corporation has made the valid election referred to in subparagraph *a*, its business limit for its taxation year that includes that time is deemed to be equal to zero.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 256 of the Income Tax Act or in relation to an election made under the second paragraph before 20 December 2006.

2005, c. 38, s. 173; 2009, c. 5, s. 313; 2010, c. 5, s. 68; 2019, c. 14, s. 244.

771.2.1.4. Despite the first paragraph of section 771.2.1.3, if a Canadian-controlled private corporation is associated with one or more other Canadian-controlled private corporations and all of those corporations have filed with the Minister in prescribed form an agreement whereby, for the purposes of this Title, they allocate a percentage to one or more of them for the year, the business limit for the year of each of the corporations is equal to the product obtained by multiplying $500,000 by the percentage so allocated to it, if the percentage or the aggregate of the percentages so allocated, as the case may be, does not exceed 100%, and to zero, in any other case.

2005, c. 38, s. 173; 2010, c. 5, s. 69.

771.2.1.4.1. The business limit of a corporation for a taxation year, determined under the first paragraph of section 771.2.1.3 or under section 771.2.1.4 or 771.2.1.5, is reduced by the total of all amounts each of which is the portion, if any, of the business limit that the corporation assigns to another corporation in accordance with section 771.2.1.4.2.

2019, c. 14, s. 245.

771.2.1.4.2. For the purposes of this Title, a Canadian-controlled private corporation (in this section referred to as the "first corporation") may assign all or any portion of its business limit, determined under the first paragraph of section 771.2.1.3 or any of sections 771.2.1.4 to 771.2.1.6, for a taxation year of the first corporation to another Canadian-controlled private corporation (in this section referred to as the "second corporation") for a taxation year of the second corporation if

(a) the second corporation has an amount of income, for its taxation year, referred to in paragraph *a* of the definition of "specified corporate income" in the first paragraph of section 771.1 from the provision of services or property directly to the first corporation;

(b) the first corporation's taxation year ends in the second corporation's taxation year;

(c) the amount assigned does not exceed the amount determined by the formula

A – B; and

(d) the first corporation and the second corporation each file a prescribed form with the Minister in their respective fiscal returns for their respective taxation years.

In the formula in the first paragraph,

(a) A is the amount of income to which subparagraph *a* of the first paragraph refers; and

(b) B is the portion of the amount of income to which subparagraph *a* of the first paragraph refers that is deductible by the first corporation in respect of the amount of income referred to in paragraph *a* or *b* of section 771.2.1.2.0.1 for the taxation year.

2019, c. 14, s. 245.

771.2.1.4.3. For the purposes of the definition of "specified partnership income" in the first paragraph of section 771.1, a person that is a member of a partnership in a taxation year may assign to a designated member of the partnership—for a taxation year of the designated member—all or any portion (determined without reference to this assignment) of the person's specified partnership business limit in respect of the person's taxation year if

(a) the person is described in paragraph *b* of the definition of "designated member" in the first paragraph of section 771.1 in respect of the designated member in the designated member's taxation year;

(b) the person's specified partnership business limit is in respect of a fiscal period of the partnership that ends in the designated member's taxation year; and

(c) the designated member and the person each file a prescribed form with the Minister in their respective fiscal returns for their respective taxation years.

2019, c. 14, s. 245.

771.2.1.5. If any of the Canadian-controlled private corporations referred to in section 771.2.1.4 fails to file with the Minister an agreement referred to in that section within 30 days after notice in writing by the Minister has been forwarded to any of them that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this Title, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, is to be equal, despite the first paragraph of section 771.2.1.3, to the lesser of the amounts that would be the business limit for the year of each of the corporations if none of them was associated with another corporation in the year and if no reference were made to sections 771.2.1.7 and 771.2.1.8.

2005, c. 38, s. 173; 2010, c. 5, s. 69.

771.2.1.6. If any of the Canadian-controlled private corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and a percentage or an amount is allocated, in accordance with subsection 3 or 4 of section 125 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), to one or more of those corporations for the year,

(a) the percentage allocated to each of the corporations for the year in accordance with section 771.2.1.4 is to be equal to the percentage that was allocated to it in accordance with that subsection 3 for the year; and

(b) the amount allocated to each of the corporations for the year in accordance with section 771.2.1.5 is to be equal to the amount obtained by multiplying the lesser of the amounts that would be the business limit for the year of each of the corporations if none of them was associated with another corporation in the year and if no reference were made to sections 771.2.1.7 and 771.2.1.8, by the proportion that the amount allocated for the year to the corporation in accordance with subsection 4 of section 125 of the Income Tax Act is of the aggregate of the amounts allocated for the year, in accordance with that subsection 4, to each of the corporations.

If, for a taxation year, a corporation referred to in the first paragraph has filed an agreement with the Minister of National Revenue in accordance with subsection 3 of section 125 of the Income Tax Act, the corporation shall file with the Minister, for that year, a copy of the agreement.

2005, c. 38, s. 173; 2010, c. 5, s. 70.

771.2.1.6.1. Where a Canadian-controlled private corporation assigns all or any portion of its business limit for a taxation year to another Canadian-controlled private corporation in accordance with subsection 3.2 of section 125 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and either Canadian-controlled private corporation has, in the taxation year, an establishment in a province other than Québec, the corporation is deemed to assign to the other corporation for the year, in accordance with section 771.2.1.4.2, an amount equal to the amount it assigns to the other corporation in accordance with that subsection 3.2.

Chapter V.2 of Title II of Book I applies in relation to a form filed with the Minister of National Revenue in accordance with paragraph *d* of subsection 3.2 of section 125 of the Income Tax Act.

2019, c. 14, s. 246.

771.2.1.6.2. Where a person that is a member of a partnership in a taxation year assigns all or any portion of its specified partnership business limit, in respect of that taxation year, to a designated member of the partnership in accordance with subsection 8 of section 125 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and the person or the designated member has an establishment in a province other than Québec, the person is deemed to assign to the designated member in accordance with section 771.2.1.4.3, in respect of the taxation year, an amount equal to the amount it assigns to the designated member in accordance with that subsection 8.

Chapter V.2 of Title II of Book I applies in relation to a form filed with the Minister of National Revenue in accordance with paragraph c of subsection 8 of section 125 of the Income Tax Act.

2019, c. 14, s. 246.

771.2.1.7. Despite the first paragraph of section 771.2.1.3 and sections 771.2.1.4, 771.2.1.5 and 771.2.1.6, the following rules apply:

(a) if a Canadian-controlled private corporation, in this paragraph referred to as the "first corporation", has more than one taxation year ending in the same calendar year and is associated in two or more of those taxation years with another Canadian-controlled private corporation that has a taxation year ending in that calendar year, the business limit of the first corporation for each particular taxation year that ends in the calendar year in which it is associated with the other corporation and that ends after the first taxation year ending in that calendar year is, subject to subparagraph *b*, an amount equal to the lesser of

i. its business limit for the first taxation year ending in the calendar year, determined in accordance with section 771.2.1.4 or 771.2.1.5, and

ii. its business limit for the particular taxation year ending in the calendar year, determined in accordance with section 771.2.1.4 or 771.2.1.5; and

(b) if a Canadian-controlled private corporation has a taxation year of fewer than 51 weeks, its business limit for the year is that proportion of its business limit for the year, determined without reference to this paragraph and section 771.2.1.8, that the number of days in the year is of 365.

However, if subparagraph *a* of the first paragraph applies to a particular taxation year 2009 or 2010 of a corporation that ends after 19 March 2009, subparagraph i of that subparagraph *a* is to be read as follows:

"i. the amount that would be its business limit for the first taxation year ending in the calendar year, determined in accordance with section 771.2.1.4 or 771.2.1.5, if the reference to the amount in dollars that is provided for in section 771.2.1.4, as it applies in respect of that first taxation year, were replaced by a reference to the amount in dollars that is provided for in that section, as it applies in respect of the particular taxation year ending in the calendar year, and".

2005, c. 38, s. 173; 2010, c. 5, s. 71; 2019, c. 14, s. 247.

771.2.1.8. Despite the first paragraph of section 771.2.1.3 and sections 771.2.1.4, 771.2.1.5, 771.2.1.6 and 771.2.1.7, a Canadian-controlled private corporation's business limit for a taxation year ending in a calendar year is equal to the amount by which its business limit for the taxation year, determined without reference to this section, exceeds the greater of

(a) the amount determined by the formula

$$A \times [(B - \$10{,}000{,}000)/\$40{,}000{,}000];$$ and

(b) the amount determined by the formula

$$A/\$500{,}000 \times 5 (C - \$50{,}000).$$

In the formulas in the first paragraph,

(a) A is the corporation's business limit for the taxation year, determined without reference to this section;

(b) B is

i. if the corporation is not associated with any other corporation in the taxation year, the corporation's paid-up capital determined as provided in section 771.2.1.9 of its preceding taxation year or, if the corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of the fiscal period in accordance with generally accepted accounting principles, and

ii. if the corporation is associated with one or more other corporations in the taxation year, the aggregate of all amounts each of which is, for the corporation or any of the other corporations, the amount of its paid-up capital determined as provided in section 771.2.1.9 for its last taxation year ending in the preceding calendar year or, if the corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of the fiscal period in accordance with generally accepted accounting principles; and

(c) C is the total of all amounts each of which is the adjusted aggregate investment income of the corporation, or of a corporation with which it is associated at any time in the taxation year, for each taxation year of the corporation, or associated corporation, as the case may be, that ends in the preceding calendar year.

For the purposes of subparagraph *c* of the second paragraph, a particular corporation and another corporation are deemed to be associated with each other at a particular time if

(a) the particular corporation transfers or lends a property at any time, either directly or indirectly, by means of a trust or otherwise, to the other corporation;

(b) the other corporation is, at the particular time, related to the particular corporation but is not associated with it; and

(c) it may reasonably be considered that one of the reasons the transfer or loan was made was to reduce the amount determined under subparagraph *c* of the second paragraph in respect of the particular corporation, or of any corporation with which it is associated, for a taxation year.

2005, c. 38, s. 173; 2019, c. 14, s. 248; 2020, c. 16, s. 116; 2023, c. 19, s. 58.

771.2.1.9. For the purposes of section 771.2.1.8, the paid-up capital of a corporation for a taxation year is equal to

(a) in respect of a financial institution, twice its paid-up capital determined for that year in accordance with Title II of Book III of Part IV;

(b) in respect of a corporation referred to in paragraph *c* of section 1132, a mining corporation that has not reached the production stage or a cooperative, its paid-up capital that would be determined for that year in accordance with Title I of Book III of Part IV if no reference were made to section 1138.2.6; and

(c) in respect of an insurance corporation, other than a corporation referred to in paragraph *a* or *b*, twice its paid-up capital that would be determined for that year in accordance with Title II of Book III of Part IV, if the corporation were a bank and if paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136.

2005, c. 38, s. 173; 2009, c. 5, s. 314; 2009, c. 15, s. 151.

771.2.1.10. If in a taxation year a corporation is a member of a particular partnership and the corporation or a corporation with which it is associated in the year is a member of one or more other partnerships in the year and it may reasonably be considered that one of the main reasons for the separate existence of the partnerships is to increase for a corporation the amount of the deduction determined in respect of a Canadian-controlled private corporation under any of paragraphs *d*.2 to *d*.4 of subsection 1 of section 771, the specified partnership income of the corporation for the year is, for the purposes of this Title, to be computed in respect of those partnerships as if all amounts each of which is the income of one of the partnerships for a fiscal

period that ends in the year from an eligible business carried on by it in Canada were equal to zero except for the greatest of those amounts.

2005, c. 38, s. 173; 2015, c. 21, s. 314; 2017, c. 1, s. 215.

771.2.1.11. For the purposes of this Title, a corporation that is a member, or is deemed under this section to be a member, of a partnership that is itself a member of another partnership is deemed to be a member of that other partnership and the corporation's share of the income of the other partnership for a fiscal period is deemed to be equal to the amount of such income to which the corporation is directly or indirectly entitled.

2005, c. 38, s. 173.

771.2.1.12. Despite any other provision of this Title, if a corporation is a member of a partnership that was controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada, by one or more public corporations other than a prescribed venture capital corporation, or by any combination thereof at any time in its fiscal period ending in a taxation year of the corporation, the income of the partnership for that fiscal period from an eligible business carried on in Canada is, for the purpose of computing the specified partnership income of the corporation for the year, deemed to be equal to zero.

2005, c. 38, s. 173.

771.2.1.13. For the purposes of section 771.2.1.12, a partnership is deemed to be controlled by one or more persons at any time if the share of that person or the aggregate of the shares of those persons of the income of the partnership from a particular source for the fiscal period of the partnership that includes that time exceeds one half of the income of the partnership from that source for that fiscal period.

2005, c. 38, s. 173.

771.2.1.14. Where a corporation provides services or property to a person or partnership that has a direct or indirect interest in a particular corporation or a direct or indirect interest in a particular partnership and one of the reasons for the provision of the services or property to the person or partnership, instead of to the particular corporation or the particular partnership, is to avoid the application of paragraph *a* of section 771.2.1.2 (where the portion of that paragraph before subparagraph i refers to the specified partnership income or specified corporate income of the corporation), in respect of its income from the provision of the services or property, no portion of that income may be considered for the purpose of computing the excess amount provided for in that paragraph *a*.

2019, c. 14, s. 249.

771.2.1.15. For the purpose of determining an amount for a taxation year in respect of a corporation under paragraph *a* of section 771.2.1.2 (where that paragraph refers to the specified corporate income of the corporation) or under paragraph *b* of section 771.2.1.2.0.1, an amount of income is to be excluded if

(a) the amount is income of the corporation from an eligible business for the year from the provision of services or property to another corporation with which the corporation is associated (in paragraph *b* referred to as the "associated corporation"); and

(b) the amount is not deductible by the associated corporation for its taxation year in respect of a particular amount included in computing its income that is referred to in any of paragraphs *a* to *c* of section 771.2.1.2.0.1 or that may reasonably be considered as being attributable to or derived from an amount referred to in that paragraph *c*.

2019, c. 14, s. 249.

771.2.2. *(Repealed).*

1987, c. 21, s. 29; 1989, c. 5, s. 121; 1992, c. 1, s. 70; 1995, c. 63, s. 71; 1997, c. 3, s. 71; 1997, c. 85, s. 158; 2000, c. 39, s. 79; 2004, c. 21, s. 202; 2005, c. 38, s. 174; 2009, c. 5, s. 315; 2022, c. 23, s. 64.

771.2.3. *(Repealed).*

1999, c. 83, s. 105; 2000, c. 39, s. 80; 2005, c. 38, s. 175; 2009, c. 5, s. 316; 2012, c. 8, s. 134.

771.2.4. For the purposes of sections 771.2.1.2 and 771.8.3, the amount by which the income of a corporation for a taxation year from an eligible business carried on by it exceeds its loss for the year from such a business shall be computed as if the amount determined under subparagraph *a* of the first paragraph of section 737.18.11 in respect of the corporation for the year and the amount determined in respect of the corporation for the year under subparagraph *b* of that paragraph were nil.

2000, c. 39, s. 81; 2005, c. 38, s. 176; 2009, c. 5, s. 317.

771.2.5. *(Repealed).*

2002, c. 9, s. 21; 2005, c. 38, s. 176; 2009, c. 5, s. 317; 2019, c. 14, s. 250.

771.2.5.1. For the purposes of section 771.2.1.2, the amount by which a corporation's income for a taxation year from a qualified business it carries on exceeds its loss for the year from such a business must be computed as if the amounts determined under subparagraphs *a* and *b* of the second paragraph of section 737.18.17.5 in respect of the corporation for the year and the amounts determined in respect of a partnership of which it is a member at the end of a fiscal period of the partnership that ends in the year, in accordance with subparagraphs *d* and *e* of that paragraph, in relation to a large investment project of the corporation or partnership, as the case may be, within the meaning of the first paragraph of section 737.18.17.1, in respect of which the Minister of Finance issued a certificate for the corporation's taxation year or the partnership's fiscal period, were, in the proportion determined in the second paragraph, nil.

The proportion to which the first paragraph refers is determined by the formula

A/B.

In the formula in the second paragraph,

(a) A is 1, unless the amount that would be deductible in computing the corporation's taxable income for the year under section 737.18.17.5 if no reference were made to section 737.18.17.6 exceeds the particular amount that is deductible in computing that taxable income under section 737.18.17.5, in which case it is the particular amount; and

(b) B is 1, unless the particular amount that would be deductible in computing the corporation's taxable income for the year under section 737.18.17.5 if no reference were made to section 737.18.17.6 exceeds the amount that is deductible in computing that taxable income under section 737.18.17.5, in which case it is the particular amount.

2015, c. 21, s. 315; 2019, c. 14, s. 251.

771.2.6. *(Repealed).*

2002, c. 40, s. 75; 2004, c. 21, s. 203; 2005, c. 38, s. 177; 2009, c. 5, s. 318; 2010, c. 25, s. 78; 2022, c. 23, s. 65.

771.2.7. *(Repealed).*

2003, c. 9, s. 99; 2004, c. 21, s. 204; 2005, c. 38, s. 178; 2009, c. 5, s. 319; 2022, c. 23, s. 65.

771.3. Where an amount is paid or becomes payable to a particular corporation by another corporation with which it is associated in any particular taxation year and where the particular corporation must otherwise include that amount in computing its income for the particular year from any property or specified investment business, the rules set forth in section 771.4 apply for the purposes of section 771.1.1.

1984, c. 15, s. 179; 1985, c. 25, s. 131; 1986, c. 15, s. 119; 1987, c. 21, s. 30; 1989, c. 5, s. 121; 1991, c. 8, s. 49; 1997, c. 3, s. 71.

771.4. The rules contemplated in section 771.3 are as follows:

(a) the portion of the amount contemplated in section 771.3 that is deductible in computing the income of the other corporation for a taxation year from an eligible business carried on by it is deemed to be income of the particular corporation for the particular year from an eligible business carried on by it;

(b) any outlay or expense, to the extent that that outlay or expense may reasonably be regarded as having been made or incurred by the particular corporation for the purpose of gaining the portion contemplated in paragraph *a*, is deemed to have been made or incurred for the purpose of gaining the income contemplated in paragraph *a*.

1985, c. 25, s. 131; 1986, c. 15, s. 120; 1987, c. 21, s. 30; 1997, c. 3, s. 71; 1997, c. 85, s. 330.

771.5. Subject to sections 771.6 and 771.7, a corporation is a qualified corporation for a particular taxation year if

(a) its first taxation year began after 25 March 1997 but before 30 March 2004;

(b) it is not a corporation resulting from an amalgamation or a merger of several corporations;

(c) the particular year is included, in whole or in part, in the exemption period of the corporation;

(d) the corporation filed a return in prescribed form with the Minister on or before its filing-due date for its first taxation year;

(e) the corporation has not made an election under subparagraph *b* of the third paragraph of section 737.18.26.

1987, c. 21, s. 31; 1992, c. 1, s. 71; 1995, c. 63, s. 72; 1997, c. 3, s. 71; 1997, c. 31, s. 83; 1997, c. 85, s. 159; 2000, c. 39, s. 82; 2002, c. 40, s. 76; 2005, c. 23, s. 104.

771.5.1. For the purposes of paragraph *d* of section 771.5, a return that has not been filed by the corporation within the time prescribed therefor is deemed to have been filed within that time if the return is filed, in prescribed form and along with a payment by the corporation of the penalty determined under the second paragraph, on or before the corporation's filing-due date for its taxation year in which the five-year period following the beginning of its first taxation year ends.

(a) in the case of a corporation whose first taxation year begins after 25 March 1997, for its taxation year in which the five-year period following the beginning of its first taxation year ends; and

(b) in any other case, for its third taxation year.

For the purposes of the first paragraph, the penalty that a corporation is required to pay with respect to the return contemplated therein is equal to the lesser of $600 and the product obtained by multiplying $50 by the number of months included, in whole or in part, in the period beginning on the day on which the time prescribed in paragraph *d* of section 771.5 expires and ending on the day on which the return is actually filed.

1990, c. 7, s. 70; 1997, c. 3, s. 71; 1997, c. 31, s. 84; 1997, c. 85, s. 160; 2000, c. 39, s. 83.

771.5.2. The Minister shall examine with dispatch every return filed with him under section 771.5.1, assess the penalty payable and send a notice of assessment to the corporation, which shall pay forthwith to the Minister the unpaid balance of the penalty.

1990, c. 7, s. 70; 1997, c. 3, s. 71.

771.6. A corporation is not a qualified corporation for a taxation year if, at any time in the period extending from the day of its incorporation to the end of the year, the corporation

(a) was associated with any other corporation;

(b) was a corporation other than a Canadian-controlled private corporation;

(c) carried on a personal services business;

(d) carried on an eligible business as a member of a partnership or as a co-participant in a joint venture with another person or a partnership;

(e) was a beneficiary under a trust other than a mutual fund trust; or

(f) carried on an eligible business principally as a result of acquiring or renting property from another person or a partnership who or which, at any time in the 12 months preceding that acquisition or rental, carried on a business in which he or it used that property and, by reason of that acquisition or rental, the corporation may reasonably be regarded as having continued to carry on the business or a part of the business of the other person or of the partnership.

Similarly, a corporation is not a qualified corporation for a taxation year if, for that year or a preceding taxation year,

(a) all of its activities in the year do not consist entirely or almost entirely in carrying on an eligible business; or

(b) its paid-up capital determined for the taxation year preceding the year or, where the corporation's year is its first fiscal period, on the basis of its financial statements prepared at the beginning of the fiscal period in accordance with generally accepted accounting principles, exceeds $15,000,000.

For the purposes of subparagraph *b* of the second paragraph, the paid-up capital of a corporation is

(a) in respect of a financial institution, a corporation referred to in paragraph *c* of section 1132 or a mining corporation that has not reached the production stage, its paid-up capital that would be determined in accordance with Book III of Part IV if no reference were made to sections 1138.0.1, 1138.2.6 and 1141.3;

(b) in respect of an insurance corporation, other than a corporation referred to in subparagraph *a*, its paid-up capital that would be determined in accordance with Title II of Book III of Part IV, if the corporation were a bank, if paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136 and if no reference were made to section 1141.3; and

(c) in respect of a cooperative, its paid-up capital that would be determined in accordance with Title I of Book III of Part IV if no reference were made to sections 1138.0.1 and 1138.2.6.

1987, c. 21, s. 31; 1991, c. 8, s. 50; 1993, c. 64, s. 84; 1995, c. 63, s. 73; 1996, c. 39, s. 208; 1997, c. 3, s. 38; 1997, c. 85, s. 161; 2000, c. 39, s. 84; 2003, c. 9, s. 100; 2005, c. 23, s. 105; 2009, c. 5, s. 320; 2009, c. 15, s. 152.

771.7. Where the business carried on in a taxation year by a corporation may reasonably be considered in fact to consist mainly in the continuance of one or several businesses or of a part of one or several businesses previously carried on by one or several other persons or partnerships and where, but for this section, the

corporation would be a qualified corporation for that year or a subsequent taxation year, the corporation is deemed, if the Minister so decides, not to be a qualified corporation for those years.

1987, c. 21, s. 31; 1995, c. 63, s. 261; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

771.8. *(Repealed).*

1987, c. 21, s. 31; 1988, c. 4, s. 65; 1989, c. 5, s. 122; 1990, c. 59, s. 295; 1995, c. 63, s. 74; 1997, c. 3, s. 71; 2000, c. 39, s. 85.

771.8.1. *(Repealed).*

1992, c. 1, s. 72; 1993, c. 19, s. 62; 1994, c. 22, s. 270; 1995, c. 63, s. 75; 1997, c. 3, s. 71; 2000, c. 39, s. 85.

771.8.2. *(Repealed).*

1995, c. 63, s. 76; 1997, c. 3, s. 71; 2000, c. 39, s. 85.

771.8.3. The amount which, for the purposes of paragraph *h* of subsection 1 of section 771, is to be determined under this section in respect of a corporation for a taxation year is equal to 75% of the least of

(a) $200,000;

(b) the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the amount, if any, of the corporation's taxable income for the year that is not, because of an Act of the Legislature of Québec, subject to tax under this Part; and

(c) (subparagraph repealed);

(d) the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business.

However, the first paragraph shall be read,

(a) where the corporation's taxation year includes the last day of its exemption period, with "is equal to 75% of the least of", in the portion before subparagraph *a* thereof, replaced by "is equal to such proportion of 75% of the least of the following amounts as the number of days in the year that are included in the corporation's exemption period is of the number of days in the year:";

(b) where the corporation's taxation year has less than 51 weeks, with the amount of $200,000, in subparagraph *a* thereof, replaced by such proportion of that amount as the number of days in the year is of 365.

1997, c. 85, s. 162; 2000, c. 39, s. 86; 2004, c. 21, s. 205.

771.8.4. *(Repealed).*

1997, c. 85, s. 162; 2000, c. 39, s. 87.

771.8.5. The amount that, for the purposes of paragraph *j* of subsection 1 of section 771, is to be determined under this section in respect of a corporation for a taxation year is the amount determined by the formula

$A \times B \times C$.

In the formula in the first paragraph,

(a) A is,

i. if the corporation's taxation year includes the first or the last day of its eligibility period, or if a part of the year is excluded from its eligibility period because of the application of the fourth paragraph of section 771.1, the proportion that the number of days in the year that are included in the corporation's eligibility period is of the number of days in the year, and

ii. in any other case, 1;

(b) B is

i. 75%, if the corporation is referred to in subparagraph iii of paragraph *a* of section 771.12 and any of the following conditions is met:

(1) the certificate referred to in paragraph *a* of section 771.12 and held by the corporation provides for the application of that rate, or

(2) subject to the third paragraph, control of the corporation was acquired at the beginning of the year or of a preceding taxation year, but after 11 June 2003, by a person or a group of persons, and

ii. 100%, in any other case; and

(c) C is the lesser of

i. the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business, and

ii. the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the portion of that income that is not, because of an Act of the Legislature of Québec, subject to tax under this Part.

The condition set out in subparagraph 2 of subparagraph i of subparagraph *b* of the second paragraph is deemed not to be met if the acquisition of control

(a) occurs before 1 July 2004 and Investissement Québec certifies that it results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date;

(b) is by an exempt corporation, by a person or group of persons that controls an exempt corporation, or by a group of persons each member of which is an exempt corporation or a person who, alone or together with other members of the group, controls such a corporation;

(c) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003; or

(d) derives from the performance after 11 June 2003 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 12 June 2003.

1997, c. 85, s. 162; 2000, c. 39, s. 88; 2005, c. 23, s. 106; 2006, c. 13, s. 61; 2007, c. 12, s. 87.

771.8.5.1. The amount that must be determined, for the purposes of paragraph *j*.1 of subsection 1 of section 771, in respect of a corporation for a taxation year under this section is the amount determined by the formula

A × B.

In the formula in the first paragraph,

(a) A is

i. if the corporation's taxation year includes the last day of its tax-free period, the proportion that the number of days in the year that are included in the corporation's tax-free period is of the number of days in the year, and

ii. in any other case, 1; and

(b) B is the lesser of

i. the amount by which the corporation's income for the year from an eligible business that is an eligible commercialization business exceeds its loss for the year from such a business, and

ii. the amount by which the corporation's taxable income for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the portion of that income that is not subject to tax under this Part because of an Act of Québec.

2010, c. 5, s. 72; 2010, c. 25, s. 79.

771.8.6. *(Repealed).*

1997, c. 85, s. 162; 2000, c. 39, s. 89.

771.9. *(Repealed).*

1987, c. 21, s. 31; 1992, c. 1, s. 73; 1995, c. 63, s. 77; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 85, s. 163; 2000, c. 39, s. 89.

771.10. *(Repealed).*

1987, c. 21, s. 31; 1992, c. 1, s. 74; 1995, c. 63, s. 78; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 2000, c. 39, s. 89.

771.11. Where the tax payable by a corporation for a particular taxation year is determined under any of paragraphs *e* to *g* of subsection 1 of section 771, as that paragraph read for that year, the corporation is deemed, for the purposes of the application of section 734 to any subsequent taxation year, to have deducted under Title VII of Book IV, in computing its taxable income for the particular year, the amount that may be deducted in respect of any loss sustained for a taxation year ending before 26 March 1997 which, except where the corporation was a savings and credit union throughout the particular year, is not a net capital loss under the said Title in such computation for the particular year and which the corporation has not otherwise deducted in such computation for the particular year.

Notwithstanding the foregoing, the amount contemplated in the first paragraph for the particular taxation year in respect of a particular loss of the corporation shall not be greater than such portion of the excess amount described in subparagraph i of paragraph *e*, *f* or *g*, as the case may be, of subsection 1 of section 771, as that paragraph read for that year, in respect of the corporation for the particular year as exceeds the aggregate of all amounts it is deemed to have deducted under this section in such computation for the particular year in respect of any loss sustained by it in a taxation year preceding the taxation year in which the particular loss was sustained.

1987, c. 21, s. 31; 1992, c. 1, s. 74; 1995, c. 63, s. 78; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 85, s. 164; 2000, c. 39, s. 90.

771.12. Subject to section 771.13, a corporation is an exempt corporation for a taxation year if it carries on or may carry on the business referred to in the certificate described in paragraph *a* and

(a) the corporation holds a certificate issued by Investissement Québec certifying that the business referred to in the certificate is

i. an innovative project carried out by the corporation in an information technology development centre,

ii. an innovative project carried out by the corporation in a new economy centre, or

iii. an innovative project carried out by the corporation in a biotechnology development centre;

(b) the corporation is not a corporation resulting from an amalgamation or a merger of several corporations;

(c) (paragraph repealed);

(d) the year is comprised in whole or in part in the corporation's eligibility period; and

(e) the corporation has filed a copy of the certificate referred to in paragraph *a* with the Minister.

1997, c. 85, s. 165; 1998, c. 17, s. 64; 1999, c. 83, s. 106; 2000, c. 39, s. 91; 2001, c. 51, s. 73; 2001, c. 69, s. 12; 2002, c. 9, s. 22; 2003, c. 9, s. 101; 2005, c. 23, s. 107; 2012, c. 8, s. 135.

771.13. A corporation is not an exempt corporation for a taxation year if

(a) the corporation is exempt from tax for the year under Book VIII;

(b) the corporation would be exempt from tax for the year under section 985 but for section 192;

(c) the corporation, at any time in the period extending from the day of its incorporation to the end of that year, was a beneficiary of a trust, other than a mutual fund trust, or carried on

i. a personal services business, or

ii. an eligible business as a member of a partnership or as a co-participant in a joint venture with another person or partnership;

(d) the corporation is referred to in subparagraph i or ii of paragraph *a* of section 771.12 and is the subject, at the beginning of the year or of a preceding taxation year, but after 11 June 2003, of an acquisition of control by a person or a group of persons, unless the acquisition of control

i. occurs before 1 July 2004 and Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

ii. is by an exempt corporation, by a person or group of persons that controls an exempt corporation, or by a group of persons each member of which is an exempt corporation or a person who, alone or together with other members of the group, controls such a corporation,

iii. derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003, or

iv. derives from the performance after 11 June 2003 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 12 June 2003;

(e) the corporation is referred to in subparagraph iii of paragraph *a* of section 771.12 and is the subject, at the beginning of the year or of a preceding taxation year, but after 30 March 2004, of an acquisition of control by a person or a group of persons, unless the acquisition of control

i. occurs before 1 July 2005 and Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 30 March 2004 and was binding on the parties on that date,

ii. is by an exempt corporation, by a person or group of persons that controls an exempt corporation, or by a group of persons each member of which is an exempt corporation or a person who, alone or together with other members of the group, controls such a corporation,

iii. derives from the exercise after 30 March 2004 of one or more rights described in paragraph *b* of section 20 that were acquired before 31 March 2004, or

iv. derives from the performance after 30 March 2004 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 31 March 2004;

(f) at any time in a preceding taxation year, but after 11 June 2003, control of a specified corporation is acquired by the corporation, by a person or a group of persons that controls it or by a group of persons each member of which is an exempt corporation, a specified corporation or a person who, alone or together with other members of the group, controls an exempt corporation or a specified corporation, and of which group the corporation is part as a member or as a corporation that is controlled by one or more members of the group, unless

i. the acquisition of control

(1) occurs before 1 July 2004 and Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

(2) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003, or

(3) derives from the performance after 11 June 2003 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 12 June 2003, or

ii. the corporation or, if control is acquired by a group, another exempt corporation that is a member of the group or is controlled by one or more of its members, notifies Investissement Québec of the acquisition of control and of its election to maintain its status as an exempt corporation despite this subparagraph *f*;

(g) for a preceding taxation year, the corporation has obtained, from Investissement Québec, a certificate referred to in paragraph *c* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17, after the corporation elected to become a specified corporation from a particular day of that preceding year that is not before 12 June 2003 and in respect of which the date of coming into force of the certificate is a proof; or

(h) the corporation has made an election under the fourth or fifth paragraph of section 1029.8.36.0.3.80 for the year or a preceding taxation year.

Subparagraph *f* of the first paragraph does not apply to a particular corporation if control of the specified corporation is acquired by a person or a group of persons that controls the particular corporation or by a group of persons of which group the particular corporation is part as a corporation that is controlled by one or more members of the group and the person, group of persons or members also control another specified corporation.

In addition, subparagraph *f* of the first paragraph does not apply if the specified corporation whose control is acquired carries on or may carry on its business in a biotechnology development centre and the acquisition of control occurs after 30 March 2004.

For the purpose of determining whether a corporation is an exempt corporation for the taxation year in which the acquisition of control described in subparagraph *f* of the first paragraph occurs or in which the election made under subparagraph *g* of that paragraph becomes effective, no reference is to be made to

(a) subparagraphs *a* to *e* of the first paragraph for the part of that year that begins, as the case may be, at the time of the acquisition of control or on the day on which the election becomes effective; and

(b) the revocation of the certificate referred to in paragraph *a* of section 771.12, if the date on which it becomes effective is included in the part of the year referred to in subparagraph *a*.

1997, c. 85, s. 165; 1999, c. 83, s. 107; 2000, c. 5, s. 171; 2004, c. 21, s. 206; 2005, c. 23, s. 108; 2006, c. 13, s. 62; 2007, c. 12, s. 88; 2009, c. 15, s. 153.

771.14. Subject to section 771.15, a corporation is a corporation dedicated to the commercialization of intellectual property for a taxation year if

(a) it was incorporated in Canada after 19 March 2009 and before 1 April 2014;

(b) it began to carry on an eligible commercialization business within 12 months after its incorporation;

(c) for the year and for each preceding taxation year, all or substantially all of its income is derived from an eligible business that is an eligible commercialization business;

(d) in the year and in each preceding taxation year, all or substantially all of the amounts received or to be received by the corporation on the disposition of capital property is derived from the disposition of capital property in the ordinary course of carrying on an eligible commercialization business;

(e) in the year and in each preceding taxation year, it did not carry on all or part of a business previously carried on by a person or partnership, unless the person or partnership did not carry on the business during more than 90 days;

(f) in the year and in each preceding taxation year, it did not dispose of all or substantially all of the property it used in carrying on an eligible commercialization business;

(g) it is not a corporation resulting from an amalgamation or a merger of several corporations;

(h) the year is comprised in whole or in part in the corporation's tax-free period; and

(i) it encloses a copy of the certificate referred to in the definition of "eligible commercialization business" in the first paragraph of section 771.1 and the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for the year.

2010, c. 5, s. 73; 2010, c. 25, s. 80.

771.15. A corporation is not a corporation dedicated to the commercialization of intellectual property for a taxation year if

(a) the corporation would be exempt from tax for the year under section 985 but for section 192;

(b) the corporation's taxable income is greater than zero for the year and the corporation did not deduct the maximum amount in respect of any reserve, allowance or other amount in computing its income or taxable income for the year;

(c) the corporation's taxable income is greater than zero for a preceding taxation year and the corporation did not deduct the maximum amount in respect of any reserve, allowance or other amount in computing its income or taxable income for that preceding year; or

(d) the corporation, at any time in the period extending from the day of its incorporation to the end of the year, was a beneficiary of a trust, other than a mutual fund trust, or carried on

i. a personal services business, or

ii. an eligible business as a member of a partnership or as a co-participant in a joint venture with another person or partnership, unless each other co-participant in the joint venture or each other member of the partnership, as the case may be, was an eligible institute.

2010, c. 5, s. 73.

TITLE III

MISCELLANEOUS TAX CREDITS

1972, c. 23; 1995, c. 63, s. 79.

CHAPTER I

FOREIGN TAX CREDIT

1995, c. 63, s. 80.

DIVISION I

INTERPRETATION

1995, c. 63, s. 80.

772. *(Repealed).*

1972, c. 23, s. 585; 1972, c. 26, s. 62; 1973, c. 17, s. 91; 1973, c. 18, s. 25; 1975, c. 22, s. 212; 1989, c. 77, s. 85; 1995, c. 63, s. 81.

772.1. *(Repealed).*

1990, c. 59, s. 296; 1993, c. 16, s. 289; 1993, c. 19, s. 63; 1994, c. 22, s. 271; 1995, c. 63, s. 81.

772.2. In this chapter,

"business-income tax" paid by a taxpayer for a taxation year in respect of businesses carried on by the taxpayer in a particular foreign country means, subject to sections 772.5.1 to 772.5.2, such portion of any income or profits tax paid by the taxpayer for the year to the government of a foreign country as may reasonably be regarded as tax in respect of the taxpayer's income from any business carried on by the taxpayer in the particular foreign country and that is attributable to an establishment situated in that country, but does not include a tax

(a) that may reasonably be regarded as relating to an amount that any other person or partnership has received or is entitled to receive from that government;

(b) that may reasonably be attributed, as the case may be,

i. to an amount included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year, or

ii. *(subparagraph repealed);*

iii. to the portion of an amount, included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of a specified period of the individual, established under the

fourth paragraph of section 65 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined in subparagraph 1 of the second paragraph of that section 65 in respect of that period;

(c) that may reasonably be regarded as relating to an amount deductible under paragraph *a* of section 725 in computing the taxpayer's taxable income for the year; or

(d) that may reasonably be regarded as relating to the amount determined for B in the formula in the first paragraph of section 752.0.10.0.3 in respect of the taxpayer for the year;

"commercial obligation" in respect of a taxpayer's foreign oil and gas business in a country means an obligation of the taxpayer to a particular person, where

(a) the obligation was undertaken in the course of carrying on the business or in contemplation of the business; and

(b) the law of the country would have allowed the taxpayer to undertake an obligation, on substantially the same terms, to a person other than the particular person;

"economic profit" of a taxpayer in respect of a property for a period means the part of the taxpayer's profit, from the business in which the property is used, that is attributable to the property in respect of the period or to related transactions, determined as if the only amounts deducted in computing that part of the profit were

(a) interest and financing expenses incurred by the taxpayer and attributable to the acquisition or holding of the property in respect of the period or to a related transaction;

(b) income or profits taxes payable by the taxpayer for any year to the government of a foreign country, in respect of the property for the period or in respect of a related transaction; or

(c) other outlays and expenses that are directly attributable to the acquisition, holding or disposition of the property in respect of the period or to a related transaction;

"foreign oil and gas business" of a taxpayer means a business, carried on by the taxpayer in a taxing country, the principal activity of which is the extraction from natural accumulations, or from oil or gas wells, of petroleum, natural gas or related hydrocarbons;

"non-business-income tax" paid by a taxpayer for a taxation year to the government of a foreign country means, subject to sections 772.5.1 to 772.5.2, such portion of any income or profits tax paid by the taxpayer for the year to that government as

(a) was not included in computing the business-income tax paid by the taxpayer for the year in respect of any business carried on by the taxpayer in any foreign country;

(b) was not deductible by virtue of section 146 in computing the taxpayer's income for the year;

(c) was not deducted by virtue of section 146.1 in computing the taxpayer's income for the year; and

(d) is not a tax

i. that would not have been payable by the taxpayer had the taxpayer not been a citizen of that country and that cannot reasonably be regarded as attributable to income from a source situated in a foreign country,

ii. that is in respect of an amount deducted because of section 671.3 in computing the business-income tax paid by the taxpayer,

iii. that may reasonably be regarded as relating to an amount that any other person or partnership has received or is entitled to receive from that government,

iv. that may reasonably be regarded as the proportion of the tax paid by the taxpayer to that government in respect of income from employment abroad that the amount deducted by the taxpayer under section 737.25 in respect of that income in computing the taxpayer's taxable income for the year is of the taxpayer's income from employment abroad for the year as determined under Chapters I and II of Title II of Book III,

v. that may reasonably be regarded as relating to the amount by which the amount deducted under subsection 12 of section 20 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in computing the taxpayer's income for the year under that Act exceeds any amount deducted in the computation of the taxpayer's income for the year under section 146.1,

vi. that may reasonably be attributed to all or part of the taxable capital gain in respect of which the taxpayer or the taxpayer's spouse claimed a deduction under any of sections 726.7 to 726.9 and 726.20.2,

vii. that may reasonably be attributed, as the case may be,

(1) to an amount included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year,

(2) *(subparagraph repealed);*

(3) to the portion of an amount, included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of a specified period of the individual, established under the fourth paragraph of section 65 of the Act respecting international financial centres, in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined in subparagraph 1 of the second paragraph of that section 65 in respect of that period,

viii. that may reasonably be regarded as relating to an amount deductible under paragraph *a* of section 725 or 737.28 in computing the taxpayer's taxable income for the year, or

ix. that may reasonably be regarded as relating to the amount determined for B in the formula in the first paragraph of section 752.0.10.0.3 in respect of the taxpayer for the year;

"production tax amount" of a taxpayer for a foreign oil and gas business carried on by the taxpayer in a taxing country for a taxation year means the total of all amounts each of which

(a) became receivable in the year by the government of the country because of an obligation, other than a commercial obligation, of the taxpayer, in respect of the business, to the government or a mandatary or instrumentality of the government;

(b) is computed by reference to the amount by which the amount or value of petroleum, natural gas or related hydrocarbons produced or extracted by the taxpayer in the course of carrying on the business in the year exceeds an amount that

i. is deductible, under the agreement or law that creates the obligation described in paragraph *a*, in computing the amount receivable by the government of the taxing country, and

ii. is intended to take into account the taxpayer's operating and capital costs of that production or extraction, and can reasonably be considered to have that effect;

(c) would not, but for section 772.5.6, be an income or profits tax; and

(d) is not identified as a royalty under the agreement that creates the obligation described in paragraph *a* or under any law of the taxing country;

"related transactions", in respect of a taxpayer's ownership of a property for a period, means transactions entered into by the taxpayer as part of the arrangement under which property was owned;

"tax-exempt income" means income of a taxpayer from a source in a country in respect of which

(a) the taxpayer is, because of a tax agreement with that country, entitled to an exemption from all income or profits taxes, imposed in that country, to which the agreement applies; and

(b) no income or profits tax to which the tax agreement does not apply is imposed in any country other than Canada;

"taxing country" means a foreign country the government of which regularly imposes, in respect of income from business carried on in the country, a levy or charge of general application that would, but for section 772.5.6, be an income or profits tax;

"tax otherwise payable" under this Part by a taxpayer for a taxation year means the tax payable by the taxpayer for the year under this Part, computed without reference to this chapter, sections 766.2 to 766.3, 767, 772.13.2, 776 to 776.1.41, 776.17, 1183 and 1184, subparagraphs i and ii.1 of paragraph *h* of subsection 1 of section 771, subparagraphs i and iii of paragraph *j* of that subsection 1 and subparagraphs i and ii of paragraph *j*.1 of that subsection 1, and, in paragraphs *d*.2 to *d*.4 of that subsection 1, the deduction provided for in respect of a Canadian-controlled private corporation;

"unused portion of the foreign tax credit" of a taxpayer for a taxation year means

(a) in respect of a country, where the taxpayer is an individual,

i. the amount determined as such for the year in respect of the individual in respect of that country in accordance with the regulations made under section 772, as they read for that year, where the year is a taxation year previous to the taxation year 1991, or

ii. in other cases, the amount by which

(1) 45% of the business-income tax paid by the taxpayer for the year in respect of businesses carried on by the taxpayer in that country exceeds

(2) where the year is a taxation year that is before the taxation year 1998, the total of the amount deductible under section 772.8 in respect of that country in computing the individual's tax payable under this Part for the year and the portion, that may reasonably be regarded as deductible under section 1086.3 in computing the individual's tax payable under Part I.1 for the year, of the business-income tax paid by the individual for the year in respect of businesses carried on by the individual in that country, or, where the year is a taxation year that is after the taxation year 1997, the amount deductible under section 772.8 in respect of that country in computing the individual's tax payable under this Part for the year; and

(b) where the taxpayer is a corporation,

i. the amount determined as such for the year in respect of the corporation in accordance with the regulations made under section 772, as they read for that year, where the year is a taxation year previous to the taxation year 1991,

ii. an amount that is nil where the year is the taxation year 1991 or 1992 and the corporation decided to include an amount under section 726.5, as it read for those years, in computing its taxable income for the year, and

iii. in other cases, the amount by which

(1) the aggregate of the amounts, each of which corresponds to the maximum deduction that would be granted in accordance with this chapter, otherwise than under section 772.12, to the corporation in respect of a foreign country if it had sufficient tax otherwise payable, exceeds

(2) the amount deductible under this chapter, otherwise than under section 772.12, in computing the corporation's tax payable for the year under this Part.

1995, c. 63, s. 82; 1996, c. 39, s. 209; 1997, c. 3, s. 71; 1997, c. 14, s. 129; 1997, c. 85, s. 166; 1999, c. 86, s. 83; 2000, c. 39, s. 92; 2001, c. 53, s. 132; 2003, c. 2, s. 228; 2003, c. 9, s. 102; 2004, c. 21, s. 207; 2005, c. 1, s. 182; 2005, c. 38, s. 179; 2007, c. 12, s. 89; 2009, c. 5, s. 321; 2010, c. 5, s. 74; 2011, c. 34, s. 39; 2012, c. 8, s. 136; 2015, c. 21, s. 316; 2015, c. 36, s. 50; 2017, c. 1, s. 216; 2021, c. 18, s. 65; 2022, c. 23, s. 66.

772.2.1. For the purposes of the definition of "non-business-income tax" in section 772.2, an amount paid by a taxpayer for a taxation year as an employee's contribution under the United States Federal Insurance

Contributions Act (26 U.S.C. c. 21) is deemed to be an income or profits tax paid by the taxpayer for the year to the government of that country.

2009, c. 15, s. 154.

772.3. For the purposes of this chapter, where an individual dies or ceases to be resident in Canada during a taxation year, the last day of his taxation year is the day of his death or the last day on which he was resident in Canada, as the case may be.

1995, c. 63, s. 82; 2009, c. 5, s. 322.

772.4. For the purposes of this chapter, an individual's business income that is attributable to an establishment situated in a particular foreign country shall be computed by applying, with the necessary modifications, the regulations made under section 22.

In addition, any deduction referred to in this chapter, otherwise than under section 772.11 or 772.12, shall be computed separately in respect of each country.

Any reference in this chapter to the government of a foreign country or a country other than Canada includes a reference to the government of a political subdivision of such a country.

Where the income from a source in a particular country would be tax-exempt income but for the fact that a portion of the income is subject to an income or profits tax imposed by the government of a country other than Canada, that portion of the income is deemed, for the purposes of this chapter, to be income from a separate source in the particular country.

For the purposes of section 772.9.1, if, in computing a taxpayer's income from a business carried on by the taxpayer in Canada, an amount is included in respect of interest paid or payable to the taxpayer by a person resident in a foreign country, and the taxpayer has paid to the government of that country a non-business-income tax for the year with respect to the amount, the amount is deemed to be income from a source in that foreign country.

1995, c. 63, s. 82; 2003, c. 2, s. 229; 2009, c. 5, s. 323.

772.5. An individual who, in computing his taxable income for a taxation year, deducts an amount under any of sections 726.7 to 726.9 and 726.20.2 is deemed, for the purposes of this chapter, to have claimed the deduction in respect of such taxable capital gains or portion thereof as he may specify in the fiscal return he is required to file under section 1000 for the year or, failing such designation, in respect of such taxable capital gains as the Minister may designate in respect of the individual for the year.

1995, c. 63, s. 82.

772.5.1. If a taxpayer acquires a property, other than a capital property, at any time after 23 February 1998 and it is reasonable to expect at that time that the taxpayer will not realize an economic profit in respect of the property for the period that begins at that time and ends when the taxpayer next disposes of the property, the amount of all income or profits taxes in respect of the property for the period, and in respect of related transactions, paid by the taxpayer for any year to the government of a foreign country, is not included in computing the taxpayer's business-income tax or non-business-income tax for any taxation year.

2001, c. 53, s. 133; 2003, c. 2, s. 230.

772.5.1.1. Where a taxpayer is a member of a partnership, no amount of income or profits tax paid to the government of a country other than Canada— in respect of the partnership's income for a period during which the taxpayer's direct or indirect share of the partnership's income that is subject to the income tax laws (in section 772.5.1.2 referred to as the "relevant foreign tax law") of any country other than Canada is less than

the taxpayer's direct or indirect share, determined for the purposes of this Act, of the income—is to be included in computing the taxpayer's business-income tax or non-business-income tax for any taxation year.

2017, c. 1, s. 217.

772.5.1.2. For the purposes of section 772.5.1.1, a taxpayer is not to be considered to have a lesser direct or indirect share of a partnership's income under the relevant foreign tax law than for the purposes of this Act solely because of one or more of the following:

(a) a difference between the relevant foreign tax law and this Act in the manner of

i. computing the partnership's income, or

ii. allocating the partnership's income because of the admission to, or withdrawal from, the partnership of any of its members;

(b) the fact that the partnership is considered as a corporation under the relevant foreign tax law; or

(c) the fact that the taxpayer is not considered as a corporation under the relevant foreign tax law.

2017, c. 1, s. 217.

772.5.1.3. For the purposes of sections 772.5.1.1 and 772.5.1.2, where a taxpayer is (or is deemed under this section to be) a member of a particular partnership that is a member of another partnership, the taxpayer is deemed to be a member of the other partnership.

2017, c. 1, s. 217.

772.5.2. If at any particular time a taxpayer disposes of a property that is a share or debt obligation and the period that began at the time the taxpayer last acquired the property and ended at the particular time is one year or less, the amount included in business-income tax or non-business-income tax paid by the taxpayer for a particular taxation year on account of all taxes that meet the following conditions, shall, subject to section 772.5.3, not exceed the amount determined by the formula provided for in the second paragraph:

(a) the taxes are paid by the taxpayer in respect of dividends or interest in respect of the period that are included in computing the taxpayer's income from the property for any taxation year;

(b) the taxes are otherwise included in business-income tax or non-business-income tax for any taxation year; and

(c) the taxes are similar to the tax levied under Part XIII of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

The formula to which the first paragraph refers is the following:

$$A \times (B - C) \times D / E.$$

In the formula provided for in the second paragraph,

(a) A is,

i. if the foreign tax was otherwise included in business-income tax, the total of

(1) that proportion of 26.5% that the number of days in the taxation year that are included in the calendar year 2011 is of the number of days in the taxation year, and

(2) that proportion of 25% that the number of days in the taxation year that are after 31 December 2011 is of the number of days in the taxation year, or

ii. if the foreign tax was otherwise included in non-business-income tax, the total of

(1) if the taxpayer is a Canadian-controlled private corporation throughout the taxation year, that proportion of 28% that the number of days in the taxation year that are after 31 December 2010 is of the number of days in the taxation year, and

(2) if the taxpayer is not a Canadian-controlled private corporation throughout the taxation year, the total of that proportion of 16.5% that the number of days in the taxation year that are included in the calendar year 2011 is of the number of days in the taxation year and that proportion of 15% that the number of days in the taxation year that are after 31 December 2011 is of the number of days in the taxation year;

(b) B is the aggregate of

i. the taxpayer's proceeds from the disposition of the property at the particular time, and

ii. the amount of all dividends or interest from the property in respect of the period included in computing the taxpayer's income for any taxation year;

(c) C is the aggregate of the cost at which the taxpayer last acquired the property and any outlays or expenses made or incurred by the taxpayer for the purpose of disposing of the property at the particular time;

(d) D is the amount of the taxes referred to in the first paragraph that would otherwise be included in computing the taxpayer's business-income tax or non-business-income tax for the particular year; and

(e) E is the total amount of the taxes referred to in the first paragraph that would otherwise be included in computing the taxpayer's business-income tax or non-business-income tax for all taxation years.

2001, c. 53, s. 133; 2003, c. 2, s. 231; 2017, c. 1, s. 218.

772.5.3. Section 772.5.2 does not apply to a property of a taxpayer

(a) that is a capital property;

(b) that is a debt obligation issued to the taxpayer that has a term of one year or less and that is held by no one other than the taxpayer at any time;

(c) that was last acquired by the taxpayer before 24 February 1998; or

(d) in respect of which any tax described in the first paragraph of section 772.5.2 is, because of section 772.5.1, not included in computing the taxpayer's business-income tax or non-business-income tax.

2001, c. 53, s. 133.

772.5.4. For the purposes of sections 772.5.1 and 772.5.2 and the definition of "economic profit" in section 772.2,

(a) sections 83.0.4, 83.0.5, 281 to 283 and 428 to 451, Chapter I of Title I.1 of Book VI, Title I.2 of Book VI, sections 832.1, 851.22.0.4 and 851.22.15, paragraph *b* of section 851.22.23 and sections 851.22.23.1, 851.22.23.2 and 999.1 do not apply to deem a disposition or acquisition of property to have been made;

(b) the following dispositions are deemed not to be dispositions:

i. a disposition, to which section 301.3 applies, of a capital property in exchange for a new obligation,

ii. a disposition, to which sections 541 to 543 apply, of shares in exchange for new shares, or

iii. a disposition, to which sections 551 to 553.1, 554 and 555 apply, of shares in exchange for new shares; and

(c) the capital property and the new obligation, or the shares and the new shares, as the case may be, to which paragraph *b* refers, are deemed to be the same property.

2001, c. 53, s. 133; 2004, c. 8, s. 146; 2015, c. 36, s. 51; 2019, c. 14, s. 252; 2020, c. 16, s. 117.

772.5.4.1. Where a synthetic disposition arrangement is entered into in respect of a property owned by a taxpayer and the synthetic disposition period of the arrangement is 30 days or more, the following rules apply:

(a) for the purpose of determining whether the period referred to in the first paragraph of section 772.5.2 is one year or less, the period is deemed to begin immediately before the particular time referred to in that section or, if it is earlier, at the end of the synthetic disposition period of the arrangement; and

(b) for the purposes of section 772.5.4.2, the taxpayer is deemed not to own the property during the synthetic disposition period of the arrangement.

2017, c. 1, s. 219.

772.5.4.2. Section 772.5.4.1 does not apply in respect of a property owned by a taxpayer in respect of a synthetic disposition arrangement if the taxpayer owned the property throughout the one-year period (determined without reference to this section) that ended immediately before the synthetic disposition period of the arrangement.

2017, c. 1, s. 219.

772.5.5. *(Repealed).*

2001, c. 53, s. 133; 2003, c. 2, s. 232.

772.5.6. For the purposes of this chapter, a taxpayer who is resident in Canada throughout a taxation year and carries on a foreign oil and gas business in a taxing country in the year is deemed to have paid in the year as an income or profits tax to the government of the taxing country an amount equal to the lesser of

(a) the amount by which the total of all amounts each of which is, but for this section, income or profits tax paid in the year in respect of the business to the government of the taxing country is exceeded by the amount obtained by multiplying the taxpayer's income from the business carried on in the taxing country for the year by the total of

i. that proportion of 26.5% that the number of days in the taxation year that are included in the calendar year 2011 is of the number of days in the taxation year, and

ii. that proportion of 25% that the number of days in the taxation year that are after 31 December 2011 is of the number of days in the taxation year; and

(b) the taxpayer's production tax amount for the business carried on in the taxing country for the year.

2003, c. 2, s. 233; 2017, c. 1, s. 220; 2019, c. 14, s. 253.

DIVISION II

CREDITS

1995, c. 63, s. 82.

772.6. A taxpayer who is an individual resident in Québec on the last day of a taxation year, or that is a corporation resident in Canada that carries on a business in Québec at any time in a taxation year, may deduct from the tax otherwise payable under this Part for the year

(a) in the case of an individual, the amount by which the non-business-income tax the individual has paid for the year to the government of a foreign country in respect of income from a source situated in that country, exceeds the aggregate of

i. the deduction granted to the individual in respect of that income for the year under subsection 1 of section 126 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), and

ii. *(subparagraph repealed)*,

iii. where the individual is required under section 127.5 of the Income Tax Act to pay tax for the year, an amount in respect of that income is computed under subsection 2 of section 127.54 of that Act, for the purpose of determining the tax, and the amount so computed is equal

(1) to the amount referred to in paragraph *a* of that subsection 2, the amount that would be referred to in that paragraph if the reference therein to section 126 of that Act were replaced by a reference to subsection 1 of that section 126;

(2) to the amount referred to in paragraph *b* of that subsection 2, such portion of the amount referred to in that paragraph *b* as may reasonably be regarded as attributable to income referred to in subparagraph i of paragraph *b* of subsection 1 of section 126 of that Act; and

(b) in the case of a corporation, the proportion of the amount by which the foreign tax deduction that would be granted to the corporation for the year under subsection 1 of section 126 of the Income Tax Act, if the deduction referred to in subsection 1 of section 124 of that Act were not taken into account and the rates of 28%, 16.5% and 15% referred to in A of the formula in subsection 4.2 of that section 126 were replaced by rates of 38%, 26.5% and 25%, respectively, exceeds the deduction granted for the year under subsection 1 of that section 126 that the corporation's business for the year carried on in Québec is of its business carried on in Canada, computed in the manner prescribed in the regulations made under section 771, with the necessary modifications.

1995, c. 63, s. 82; 1997, c. 3, s. 71; 2001, c. 53, s. 134; 2003, c. 2, s. 234; 2017, c. 1, s. 221.

772.6.1. For the purposes of sections 146.1 and 146.2 and this chapter, in respect of an authorized foreign bank, the following rules apply:

(a) the bank is deemed, for the purposes of sections 772.2, 772.4 and 772.5.1 to 772.7, to be a corporation resident in Canada in respect of its Canadian banking business;

(b) the reference in the portion of section 146.1 before paragraph *a* to "foreign country" shall be read as a reference to "country that is neither Canada nor a country in which the taxpayer is resident at any time in the year";

(c) the definition of "tax-exempt income" in section 772.2 shall be read as follows:

""tax-exempt income" means income of a taxpayer from a source in a particular country in respect of which

(a) the taxpayer is, under a comprehensive agreement or convention for the elimination of double taxation on income, which has the force of law in the particular country and to which a country in which the taxpayer is resident is a party, entitled to an exemption from all income or profits taxes, imposed in the particular country, to which the agreement or convention applies; and

(b) no income or profits tax to which the agreement or convention does not apply is imposed in the particular country;";

(d) the references in the portion of the second paragraph of section 772.7 before subparagraph *a* to "in relation to a foreign country" and "from sources situated in a foreign country" shall be read as references to "in relation to a country that is neither Canada nor a country in which the corporation is resident at any time in the year" and "in respect of its Canadian banking business from sources in that country", respectively;

(e) the reference in subparagraphs *a* and *d* of the second paragraph of section 772.7 to "in the foreign country" shall be read as a reference to "in that country"; and

(f) the bank shall include in computing its non-business income tax paid for a taxation year to the government of a foreign country, only taxes that relate to amounts that are included in computing the bank's taxable income from its Canadian banking business.

2004, c. 8, s. 147.

772.7. The deduction provided for in section 772.6 in respect of an individual for a taxation year shall not exceed the proportion of the individual's tax otherwise payable under this Part for the year that

(a) the amount for the year, if the individual is resident in Canada throughout the year, or, where the individual is not resident in Canada at any time in the year, for the part of the year throughout which the individual is resident in Canada, by which the total of the individual's incomes exceeds the total of the individual's losses from sources situated in a foreign country, computed

i. on the assumption that no businesses were carried on by the individual in the foreign country through an establishment situated in that country and no amount was deducted under section 584 in computing the individual's income for the year,

ii. without taking into account any portion of income that is deductible under paragraph *a* of section 725 or any of sections 726.26, 737.16, 737.18.10, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9 and 726.20.2, by the individual in computing the individual's taxable income for the year, and

iii. without taking into account any income or loss from a source situated in the foreign country, if any income of the individual from the source would be tax-exempt income; is of

(b) the amount by which

i. either, if the individual is resident in Canada throughout the year, the aggregate of the individual's income for the year and of all amounts each of which is an amount included in computing the individual's taxable income for the year under any of sections 726.43 to 726.43.2 and 737.17, or, if the individual is not resident in Canada at any time in the year, the amount determined for the year in respect of the individual under the third paragraph of section 23, exceeds

ii. the aggregate of all amounts each of which is an amount deductible under any of sections 725, 725.2 to 725.5.1, 726.26, 726.28, 737.16, 737.18.10, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7, 737.22.0.10, 737.22.0.13, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9, 726.20.2, 726.42 and 729, in computing the individual's taxable income for the year.

The deduction provided for in section 772.6 in respect of a corporation for a taxation year in relation to a foreign country shall not exceed 10% of the proportion that the corporation's business for the year carried on in Québec is of its business carried on in Canada or in Québec and elsewhere, as determined in the manner

prescribed in the regulations made under section 771, of the amount for the year by which the total of the corporation's incomes exceeds the total of the corporation's losses, from sources situated in a foreign country, computed

(a) on the assumption that no businesses were carried on by the corporation in the foreign country through an establishment situated in that country;

(b) without taking into account any income from shares of the capital stock of a foreign affiliate of the corporation; and

(c) (subparagraph repealed);

(d) without taking into account any income or loss from a source situated in the foreign country, if any income of the corporation from the source would be tax-exempt income.

1995, c. 63, s. 82; 1997, c. 3, s. 71; 1997, c. 14, s. 130; 1997, c. 85, s. 167; 1999, c. 83, s. 108; 1999, c. 86, s. 99; 2000, c. 39, s. 264; 2001, c. 53, s. 135; 2002, c. 40, s. 77; 2003, c. 9, s. 103; 2004, c. 8, s. 148; 2004, c. 21, s. 208; 2006, c. 36, s. 78; 2010, c. 25, s. 81; 2013, c. 10, s. 58; 2017, c. 29, s. 158; 2019, c. 14, s. 254; 2021, c. 14, s. 93; 2022, c. 23, s. 67.

772.8. An individual who is resident in Québec on the last day of a taxation year and who, in the year, carries on a business in a foreign country through an establishment situated in that country, may deduct from his tax otherwise payable under this Part for the year an amount that does not exceed the total of

(a) 45% of the business-income tax paid by the individual for the year in respect of businesses the individual carried on in that country; and

(b) the individual's unused portions of the foreign tax credit in respect of that country for the ten taxation years preceding the year and the three taxation years following the year.

1995, c. 63, s. 82; 2005, c. 38, s. 180.

772.9. The deduction provided for in section 772.8 in respect of an individual for a taxation year in respect of a country shall not exceed the lesser of

(a) the proportion of the individual's tax otherwise payable under this Part for the year that

i. the amount for the year, if the individual is resident in Canada throughout the year, or, where the individual is not resident in Canada at any time in the year, for the part of the year throughout which the individual is resident in Canada, by which the total of the individual's incomes exceeds the total of the individual's losses, from businesses carried on by the individual in that country and attributable to an establishment situated therein, computed without taking into account

(1) any portion of income that is deductible under paragraph *a* of section 725 or any of sections 726.26, 737.16 and 737.18.10 by the individual in computing the individual's taxable income for the year, and

(2) any income or loss from a source situated in that country, if any income of the individual from the source would be tax-exempt income, is of

ii. the amount by which

(1) either, if the individual is resident in Canada throughout the year, the aggregate of the individual's income for the year and of all amounts each of which is an amount included in computing the individual's taxable income for the year under any of sections 726.43 to 726.43.2 and 737.17, or, if the individual is not resident in Canada at any time in the year, the amount determined for the year in respect of the individual under subparagraph *a* of the third paragraph of section 23, exceeds

(2) the aggregate of all amounts each of which is an amount deductible under any of sections 725, 725.2 to 725.5.1, 726.26, 726.28, 737.16, 737.18.10, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7, 737.22.0.10, 737.22.0.13, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9, 726.20.2, 726.42 and 729, in computing the individual's taxable income for the year; and

(b) the amount by which the individual's tax otherwise payable under this Part for the year exceeds the aggregate of the amounts deducted from the tax by the individual for the year under section 772.6.

1995, c. 63, s. 82; 1997, c. 14, s. 131; 1997, c. 85, s. 168; 1999, c. 83, s. 109; 1999, c. 86, s. 99; 2000, c. 39, s. 93; 2001, c. 53, s. 136; 2002, c. 40, s. 78; 2003, c. 9, s. 104; 2004, c. 8, s. 149; 2004, c. 21, s. 209; 2006, c. 36, s. 79; 2010, c. 25, s. 82; 2013, c. 10, s. 59; 2017, c. 29, s. 159; 2019, c. 14, s. 255; 2021, c. 14, s. 94; 2022, c. 23, s. 68.

772.9.1. For the purposes of subparagraph *a* of the first paragraph of section 772.7, the second paragraph of that section and subparagraph i of paragraph *a* of section 772.9, the incomes and losses for a taxation year of a taxpayer from sources in a foreign country shall also be computed as if, where applicable, the aggregate of all amounts each of which is that portion of an amount deducted in computing those incomes or losses for the year under any of sections 371, 418.1.10, 418.17 and 418.17.3 that is attributable to those sources were the greater of

(a) the aggregate of all amounts each of which is that portion of an amount deducted in computing the taxpayer's income for the year under any of sections 371, 418.1.10, 418.17 and 418.17.3 that is attributable to those sources; and

(b) the aggregate of

i. the portion of the maximum amount that would be deductible by the taxpayer in computing the taxpayer's income for the year under section 371 that is attributable to those sources if the amount determined under paragraph *b* of section 374 for the taxpayer in respect of the year were equal to the amount by which the amount determined under the second paragraph exceeds the aggregate of all amounts each of which is the portion of an amount, other than a portion that results in a reduction of the amount otherwise determined under subparagraph *a* of the second paragraph, that is attributable to those sources and that would be deducted under section 418.17 in computing the taxpayer's income for the year if the maximum amounts deductible for the year under section 418.17 were deducted,

ii. the maximum amount that would be deductible by the taxpayer in computing the taxpayer's income for the year under section 418.1.10 in relation to those sources if

(1) the amount deducted in computing the taxpayer's income for the year under section 371 in relation to those sources were the amount determined under subparagraph i,

(2) the amounts deducted in computing the taxpayer's income for the year under sections 418.17 and 418.17.3 in relation to those sources were the maximum amounts deductible under those sections,

(3) for the purposes of sections 418.1.3 to 418.1.5, the total of the amounts designated for the year under subparagraph ii of paragraph *a* of section 330 in respect of a disposition in the year by the taxpayer of foreign resource properties in relation to the foreign country were the maximum total that could be so designated without any reduction in the maximum amount that would be determined for the year under subparagraph i in respect of the taxpayer and the foreign country if subparagraph *b* of the second paragraph were read without reference to the assumption made therein in relation to designations made under subparagraph ii of paragraph *a* of section 330, and

(4) the amount determined under paragraph *b* of section 418.1.10 were nil; and

iii. the aggregate of all amounts each of which is the maximum amount attributable to one of those sources that the taxpayer may deduct in computing the taxpayer's income for the year under section 418.17 or 418.17.3.

The amount that, for the purposes of subparagraph i of subparagraph *b* of the first paragraph, must be determined under this paragraph is the aggregate of

(a) the taxpayer's foreign resource income, within the meaning assigned by section 418.1.7, for the year in relation to the foreign country, determined as if the taxpayer had deducted the maximum amounts deductible for the year under sections 418.17 and 418.17.3; and

(b) the aggregate of all amounts each of which is an amount that, but for any designation under subparagraph ii of paragraph *a* of section 330, would have been included in computing the taxpayer's income for the year under that paragraph *a* in respect of a disposition of foreign resource property in relation to the foreign country.

2004, c. 8, s. 150.

772.9.1.1. If an amount is deemed under section 603.1 to be a taxable dividend received by a person in a taxation year of the person in respect of a partnership, and it may reasonably be considered that all or part of the amount (in this section referred to as the "foreign-source portion") is attributable to income of the partnership from a source in a foreign country, the person is deemed for the purposes of this chapter to have income from that source for the year equal to the amount determined by the formula

A × B/C.

In the formula in the first paragraph,

(a) A is the amount included under section 497 in computing the person's income for the year in respect of the taxable dividend;

(b) B is the foreign-source portion; and

(c) C is the amount of the taxable dividend deemed to be received by the person.

2009, c. 5, s. 324.

772.9.2. If at any particular time in a taxation year an individual who is not resident in Canada disposes of a property that the individual last acquired because of the application of subparagraph *c* of the first paragraph of section 785.2 at any time, in this section referred to as the "acquisition time", after 1 October 1996, the individual may deduct from the individual's tax otherwise payable under this Part for the year, in this section referred to as the "emigration year", that includes the time immediately before the acquisition time, an amount not exceeding the lesser of

(a) the amount by which the aggregate of all amounts each of which is the amount of any business-income tax or non-business-income tax paid by the individual for the taxation year to the government described in the second paragraph, that can reasonably be regarded as having been paid in respect of the portion of any gain or profit from the disposition of the property that accrued while the individual was resident in Canada and before the time the individual last ceased to be resident in Canada, exceeds the deduction relating to the portion of the gain or profit that is granted to the individual for the emigration year under subsection 2.21 of section 126 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)); and

(b) the amount by which the amount of tax under this Part that was, after taking into account the application of this section to dispositions that occurred before the disposition time, otherwise payable by the individual for the emigration year, exceeds the amount of such tax that would otherwise have been payable if the property had not been deemed under section 785.2 to have been disposed of in the emigration year.

The government to which subparagraph *a* of the first paragraph refers is,

(a) if the property is immovable property situated in a country other than Canada,

i. the government of that country, or

ii. the government of a country in which the individual is resident at the particular time referred to in the first paragraph and with which the Gouvernement du Québec or the Government of Canada has a tax agreement at that time; or

(b) if the property is not immovable property, the government of a country in which the individual is resident at the particular time referred to in the first paragraph and with which the Gouvernement du Québec or the Government of Canada has a tax agreement at that time.

2005, c. 23, s. 109; 2006, c. 13, s. 63; 2009, c. 5, s. 325.

772.9.3. If at any particular time in a taxation year an individual who is not resident in Canada disposes of a property that the individual last acquired at any time, in this section referred to as the "acquisition time", on a distribution by a trust after 1 October 1996 to which subparagraphs *a* to *c* of the first paragraph of section 688 do not apply only because of the application of section 692, the trust may deduct from its tax otherwise payable under this Part for the year, in this section referred to as the "distribution year", that includes the acquisition time, an amount not exceeding the lesser of

(a) the amount by which the aggregate of all amounts each of which is the amount of any business-income tax or non-business-income tax paid by the individual for the taxation year to the government described in the second paragraph, that can reasonably be regarded as having been paid in respect of the portion of any gain or profit from the disposition of the property that accrued before the distribution and after the latest of the following times before the distribution, exceeds the deduction relating to the portion of the gain or profit that is granted to the trust for the distribution year under subsection 2.22 of section 126 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement):

i. the time at which the trust became resident in Canada,

ii. the time at which the individual became a beneficiary under the trust, or

iii. the time at which the trust acquired the property; and

(b) the amount by which the amount of tax under this Part that was, after taking into account the application of this section to dispositions that occurred before the particular time, otherwise payable by the trust for the distribution year, exceeds the amount of such tax that would otherwise have been payable by the trust if the property had not been distributed to the individual.

The government to which subparagraph *a* of the first paragraph refers is,

(a) if the property is immovable property situated in a country other than Canada,

i. the government of that country, or

ii. the government of a country in which the individual is resident at the particular time described in the first paragraph and with which the Gouvernement du Québec or the Government of Canada has a tax agreement at that time; or

(b) if the property is not immovable property, the government of a country in which the individual is resident at the particular time described in the first paragraph and with which the Gouvernement du Québec or the Government of Canada has a tax agreement at that time.

2005, c. 23, s. 109; 2006, c. 13, s. 64.

772.9.4. For the purposes of sections 772.9.2 and 772.9.3, in computing the total amount of taxes paid by an individual for a taxation year to one or more governments of countries other than Canada in relation to the disposition of a property by the individual in the year, there shall be deducted any tax credit, or other reduction in the amount of a tax, to which the individual was entitled for the year, under the law of any of those countries or under a tax agreement, within the meaning assigned by section 1 or that would be assigned by that section if the Gouvernement du Québec had not made an agreement referred to in that definition of "tax agreement", entered into with any of those countries, because of taxes paid or payable by the individual under this Act or the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the disposition or a previous disposition of the property.

2005, c. 23, s. 109; 2006, c. 13, s. 65.

772.10. For the purposes of this chapter,

(a) the amount deducted by an individual under section 772.8 for a taxation year in respect of a country is deemed to be deducted in respect of the amount determined in paragraph *a* of that section in respect of that country, up to the latter amount, and any balance of the amount so deducted is deemed to be deducted in respect of the individual's unused portions of the foreign tax credit in respect of that country that are deductible for the year;

(b) no amount is deductible under section 772.8 in computing an individual's tax payable under this Part for a particular taxation year in respect of the individual's unused portion of the foreign tax credit for a determined taxation year in respect of a country, until the individual's unused portions of the foreign tax credit for taxation years previous to the determined year in respect of that country that are deductible for the particular year have been deducted; and

(c) an individual's unused portion of the foreign tax credit in respect of a country for a taxation year is deductible under section 772.8 in computing the individual's tax payable under this Part for a particular taxation year only to the extent that it exceeds the aggregate of the amounts deducted in respect of that unused portion of the foreign tax credit in computing the individual's tax payable under this Part for taxation years preceding the particular year, or under Part I.1 for taxation years preceding the particular year that are before the taxation year 1998.

1995, c. 63, s. 82; 1997, c. 85, s. 169.

772.11. An individual who is an employee of an international organization within the meaning of section 2 of the Foreign Missions and International Organizations Act (S.C. 1991, c. 41) may, if the individual is resident in Québec on the last day of a taxation year, deduct from the individual's tax otherwise payable under this Part for the year the amount by which the aggregate of all amounts each of which is an amount paid by the individual to the organization as a levy to defray expenses of the organization, computed by reference to the remuneration received by the individual in the year from the organization in a manner similar to the manner in which income tax is computed, exceeds the aggregate of

(a) the deduction granted to the individual in respect of the levies for the year under subsection 3 of section 126 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(b) (subparagraph repealed);

(c) where the individual is required under section 127.5 of the Income Tax Act to pay tax for the year, an amount in respect of the levies is computed under subsection 2 of section 127.54 of that Act, for the purpose of determining the tax, and the amount so computed is equal

i. to the amount referred to in paragraph *a* of that subsection 2, the amount that would be referred to in that paragraph if the reference therein to section 126 of that Act were replaced by a reference to subsection 3 of that section 126, or

ii. to the amount referred to in paragraph *b* of that subsection 2, such portion of the amount referred to in that paragraph as may reasonably be regarded as attributable to income referred to in paragraph *a* of subsection 3 of section 126 of that Act.

However, the deduction provided for in the first paragraph in respect of an individual for a taxation year in respect of employment with an international organization shall not exceed the lesser of

(a) the proportion of the individual's tax otherwise payable under this Part for the year that

i. the individual's income for the year or, if the individual's taxable income is computed in the manner prescribed in section 23, for the part of the year throughout which the individual was resident in Canada, from employment with that organization, except the portion of that income that is deductible under section 725 in computing the individual's taxable income for the year, is of

ii. the amount by which

(1) either, if the individual is resident in Canada throughout the year, the aggregate of the individual's income for the year and of all amounts each of which is an amount included in computing the individual's taxable income for the year under any of sections 726.43 to 726.43.2 and, if the individual is not resident in Canada at any time in the year, the amount determined for the year in respect of the individual under the third paragraph of section 23, exceeds

(2) the aggregate of all amounts each of which is an amount deductible under any of sections 725, 725.2 to 725.5, 726.26, 726.28, 737.16, 737.18.10, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7, 737.22.0.10, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9, 726.20.2, 726.42 and 729, in computing the individual's taxable income for the year; and

(b) the proportion of the aggregate of the levies referred to in the first paragraph paid by the individual to the organization in respect of the year that

i. the individual's income for the year from employment with the international organization, except the portion of that income that is deductible under section 725 in computing the individual's taxable income for the year, is of

ii. the amount that would be the individual's income for the year from employment with that organization but for section 488.

1995, c. 63, s. 82; 1997, c. 14, s. 132; 1997, c. 85, s. 170; 1999, c. 83, s. 110; 1999, c. 86, s. 99; 2000, c. 39, s. 264; 2002, c. 40, s. 79; 2003, c. 2, s. 235; 2003, c. 9, s. 105; 2004, c. 8, s. 151; 2004, c. 21, s. 210; 2006, c. 36, s. 80; 2010, c. 25, s. 83; 2013, c. 10, s. 60; 2017, c. 29, s. 160; 2019, c.14, s. 256; 2021, c. 14, s. 95; 2022, c. 23, s. 69.

772.12. A corporation that is resident in Canada and that carries on a business in Québec at any time in a taxation year may deduct from its tax otherwise payable for the year an amount that does not exceed the lesser of

(a) the total of the corporation's unused portions of the foreign tax credit for the 20 taxation years preceding the year and the three taxation years following the year; and

(b) the amount by which the corporation's tax otherwise payable under this Part for the year exceeds any amount deducted under section 772.6 in computing the corporation's tax payable under this Part for the year.

1995, c. 63, s. 82; 1997, c. 3, s. 71; 2005, c. 38, s. 181; 2010, c. 25, s. 84; 2021, c. 14, s. 96.

772.13. For the purposes of section 772.12,

(a) no amount is deductible under that section in computing a corporation's tax payable under this Part for a particular taxation year in respect of the corporation's unused portion of the foreign tax credit for a

determined taxation year, until the corporation's unused portions of the foreign tax credit for taxation years previous to the determined year that are deductible for the particular year have been deducted;

(b) a corporation's unused portion of the foreign tax credit for a taxation year is deductible under that section in computing the corporation's tax payable under this Part for a particular taxation year only to the extent that it exceeds the aggregate of the amounts deducted in respect of the unused portion of the foreign tax credit in computing the corporation's tax payable under this Part for the taxation years previous to the particular year;

(c) notwithstanding the first paragraph of section 549, a new corporation's unused portion of the foreign tax credit resulting from an amalgamation, within the meaning of section 544, for a taxation year ending after the amalgamation is not deductible, under section 772.12 in computing the tax payable under this Part for a taxation year by a predecessor corporation by virtue of that amalgamation, other than a corporation that, where the new corporation is a corporation having resulted from the amalgamation, after 31 December 1989, of a particular corporation and one or more of its subsidiary wholly-owned corporations, within the meaning of subsection 5 of section 544, is the particular corporation;

(d) in the case of a winding-up referred to in section 556, the unused portion of the foreign tax credit of the subsidiary, within the meaning of that section, for a particular taxation year, to the extent that it has not previously been deducted in computing the subsidiary's tax payable under this Part for a taxation year and if subparagraph i of subparagraph *f* has never been applied in respect of the subsidiary, is deemed, for the computation of the deduction provided for in section 772.12 for the taxation year of the parent, within the meaning of section 556, commencing after the beginning of the winding-up, to be an unused portion of the parent's foreign tax credit for its taxation year in which the particular taxation year ended, and section 564.5 applies, with the necessary modifications, for the purposes of this subparagraph;

(e) section 564.4.4 applies, with the necessary modifications, in the case provided for in subparagraph *d*;

(f) where, at any time, the control of a corporation is acquired by a person or group of persons,

i. no amount in respect of the corporation's unused portion of the foreign tax credit for a taxation year ending before that time is deductible in computing the corporation's tax payable under this Part for a taxation year ending after that time, and

ii. no amount in respect of the corporation's unused portion of the foreign tax credit for a taxation year ending after that time is deductible in computing the corporation's tax payable under this Part for a taxation year ending before that time.

1995, c. 63, s. 82; 1997, c. 3, s. 71; 2000, c. 5, s. 172.

CHAPTER I.0.1

TAX CREDIT COMPENSATING TAX PAID TO THE GOVERNMENT OF A PROVINCE OTHER THAN QUÉBEC

2012, c. 8, s. 137.

772.13.1. In this chapter,

"eligible individual" for a taxation year means an individual who

(a) is deemed to have been resident in Québec throughout the taxation year on the ground that the individual sojourned in Québec for a period of, or periods the total of which is, 183 days or more and was ordinarily resident outside Canada; and

(b) is resident, under a tax agreement that Canada has entered into with a particular country, in the particular country and not in Canada and consequently is deemed, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and because of subsection 5 of section 250 of that Act, not to be resident in Canada for the year;

"tax otherwise payable" by an individual under this Part for a taxation year means the tax payable by the individual for the year under this Part, computed without taking into account this chapter and sections 766.2 to 766.3, 767, 772.2 to 772.13, 772.14 to 776.1.6, 1183 and 1184.

2012, c. 8, s. 137.

772.13.2. An eligible individual for a taxation year may deduct from the individual's tax otherwise payable under this Part for the year the aggregate of all amounts each of which is an income tax the individual pays for the year to the government of a province, other than Québec, that may reasonably be considered to relate to the portion of the individual's income from an office or employment that is, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), included in computing the individual's taxable income earned in Canada for the year under subparagraph i of paragraph *a* of subsection 1 of section 115 of that Act and that is attributable to the duties performed by the individual in that province.

2012, c. 8, s. 137.

772.13.3. The deduction provided for in section 772.13.2 in respect of an eligible individual for a taxation year must not exceed the proportion, without exceeding 1, of the individual's tax otherwise payable under this Part for the year that the amount that is the portion of the individual's income from an office or employment that is, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), included in computing the individual's taxable income earned in Canada for the year under subparagraph i of paragraph *a* of subsection 1 of section 115 of that Act and that is attributable to the duties performed by the individual in a province other than Québec, except the portion of that amount that is deducted by the individual in computing the individual's taxable income for the year under paragraph *a* of section 725, is of the individual's taxable income for the year.

2012, c. 8, s. 137.

CHAPTER I.1

TAX CREDIT RELATING TO A DESIGNATED TRUST

2004, c. 21, s. 211.

772.14. In this chapter, "designated beneficiary" and "designated trust" have the meaning assigned by the first paragraph of section 671.5.

2004, c. 21, s. 211; 2011, c. 6, s. 162.

772.15. Subject to the second paragraph, a taxpayer who is a designated beneficiary under a designated trust for a taxation year of the designated trust may deduct from the taxpayer's tax otherwise payable under this Part for a particular taxation year, the income tax paid by the designated trust for the year to the government of a province, other than Québec, that relates to an amount that the designated trust has designated in respect of the taxpayer or a partnership of which the taxpayer is a member in its fiscal return filed for the year under Part I of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), in accordance with subsection 13.1 or 13.2 of section 104 of that Act, and that the taxpayer has included in computing the taxpayer's income for the particular year under section 662 or 663.

If the taxpayer described in the first paragraph is a corporation that has, in the particular taxation year, an establishment in Québec and an establishment outside Québec, the amount that the taxpayer may deduct from the taxpayer's tax otherwise payable under this Part for the particular year, in accordance with the first paragraph, may not exceed the proportion of that amount otherwise determined that the corporation's business carried on in Québec is of the aggregate of the corporation's business carried on in Canada or in Québec and elsewhere in the particular year, as determined under subsection 2 of section 771.

The income tax paid by the designated trust for the year to the government of a province, other than Québec, that relates to a designated amount referred to in the first paragraph shall not exceed the tax that

would have been otherwise payable by the designated trust in respect of that amount under this Part, if the designated trust had been resident in Québec on the last day of the year.

2004, c. 21, s. 211; 2011, c. 6, s. 163.

772.16. A taxpayer may deduct an amount for a particular taxation year, under section 772.15, in relation to an amount designated by a designated trust in its fiscal return filed for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 or 13.2 of section 104 of that Act, only if the taxpayer encloses with the fiscal return the taxpayer is required to file for the particular year under section 1000, any document establishing the income tax paid by the designated trust to the government of a province, other than Québec, that relates to the designated amount.

2004, c. 21, s. 211.

CHAPTER II

CREDIT FOR POLITICAL CONTRIBUTIONS

1995, c. 63, s. 82; 2002, c. 9, s. 23; 2002, c. 40, s. 80.

773. *(Repealed).*

1976, c. 33, s. 49; 1986, c. 15, s. 121; 1988, c. 4, s. 66; 1989, c. 5, s. 123.

774. *(Repealed).*

1976, c. 33, s. 49; 1986, c. 15, s. 121; 1988, c. 4, s. 66; 1989, c. 5, s. 123.

775. *(Repealed).*

1976, c. 33, s. 49; 1989, c. 5, s. 123.

775.1. *(Repealed).*

1986, c. 15, s. 122; 1989, c. 5, s. 124; 1997, c. 3, s. 71; 1999, c. 83, s. 111.

776. An individual who is an elector may deduct from the tax otherwise payable by the individual for a taxation year under this Part, in relation to any contribution of money made by the individual in the taxation year to the official representative of an authorized party or independent candidate or to the financial representative of a leadership candidate of an authorized party entitled to receive such a contribution under the Act respecting elections and referendums in municipalities (chapter E-2.2), except any contribution made by a candidate of an authorized party, an authorized independent candidate or a leadership candidate of an authorized party for the candidate's own benefit or for that of the party for which the candidate is running, an amount equal to the aggregate of

(a) 85% of the lesser of $50 and the aggregate of all amounts each of which is such a contribution, and

(b) 75% of the amount by which $50 is exceeded by the lesser of $200 and the aggregate described in subparagraph *a*.

For the purposes of this section, a contribution of money does not include a contribution, or a part thereof, made by an individual and in respect of which the individual has obtained, or is entitled to obtain, a refund or any other form of assistance.

In this section, the expression “elector” has the meaning assigned to it by the Act respecting elections and referendums in municipalities.

1977, c. 11, s. 135; 1982, c. 31, s. 118; 1983, c. 44, s. 29; 1984, c. 51, s. 552; 1988, c. 4, s. 67; 1989, c. 1, s. 603; 1989, c. 5, s. 125; 1995, c. 63, s. 83; 2001, c. 53, s. 137; 2002, c. 40, s. 81; 2005, c. 1, s. 183; 2010, c. 36, s. 12; 2011, c. 38, s. 59; 2012, c. 26, s. 22; 2016, c. 17, s. 111.

776.1. *(Repealed).*

1980, c. 13, s. 69; 1981, c. 12, s. 10; 1982, c. 4, s. 4; 1984, c. 15, s. 180; 1985, c. 25, s. 132; 1986, c. 15, s. 123; 1988, c. 4, s. 68; 1989, c. 5, s. 126.

CHAPTER III

CREDIT IN RESPECT OF A LABOUR-SPONSORED FUND

2001, c. 53, s. 138.

DIVISION I

CREDIT

2001, c. 53, s. 138.

776.1.0.1. *(Repealed).*

1995, c. 49, s. 175; 1995, c. 63, s. 84; 2001, c. 53, s. 139; 2005, c. 38, s. 182.

776.1.0.2. For the purposes of this chapter, an amount paid for the purchase of a share referred to in paragraph *a* or *b* of section 776.1.1 consists solely of the issue price paid in respect of that share.

2004, c. 21, s. 212.

776.1.1. An individual who is not a dealer acting as an intermediary or as firm underwriter may deduct from his tax otherwise payable for a taxation year under this Part, 15% of the amount he pays in the year or within the following 60 days, to such extent as he did not deduct it for a preceding taxation year, for the purchase, as first purchaser, of

(a) a class “A” share issued by the corporation governed by the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) (chapter F-3.2.1); or

(b) a class “A” or class “B” share issued by the corporation governed by the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi (chapter F-3.1.2).

1983, c. 44, s. 30; 1987, c. 67, s. 153; 1988, c. 4, s. 69; 1989, c. 5, s. 127; 1995, c. 49, s. 176; 1995, c. 63, s. 85; 1997, c. 3, s. 71; 1997, c. 14, s. 133; 2001, c. 53, s. 140; 2005, c. 38, s. 183; 2024, c. 11, s. 80.

776.1.1.1. If an amount is paid for the purchase, in a period specified in the second paragraph, of a share referred to in paragraph *b* of section 776.1.1, that section is to be read in respect of that share as if the percentage of 15% in that section were replaced by a percentage of 25%.

The period to which the first paragraph refers begins on 1 June 2009 and ends on 31 May 2015.

2010, c. 5, s. 75; 2013, c. 10, s. 61.

776.1.1.2. If an amount is paid for the purchase, in a period specified in the second paragraph, of a share referred to in paragraph *b* of section 776.1.1, that section is to be read in respect of that share as if the percentage of 15% in that section were replaced by a percentage of 20%.

The period to which the first paragraph refers begins on 1 June 2015 and ends on 31 May 2021.

2017, c. 1, s. 222; 2019, c. 14, s. 257.

776.1.2. An individual may deduct from his tax otherwise payable for a taxation year under this Part, an amount not exceeding the amount, if any, by which the balance of the amount he has not deducted under section 776.1.1 in respect of a share described therein, for the year or a preceding taxation year, exceeds any amount deducted under this section, in respect of the share, for a preceding taxation year.

1983, c. 44, s. 30; 1988, c. 4, s. 70; 1989, c. 5, s. 127; 2001, c. 53, s. 141.

776.1.3. The amount deductible by an individual for a taxation year under sections 776.1.1 and 776.1.2 must not exceed the amount determined by the formula

$$0.25A + 0.2B + 0.15C.$$

In the formula in the first paragraph,

(a) A is 400% of the aggregate of all amounts each of which is the amount deducted by the individual for the year under section 776.1.1 or 776.1.2, in respect of a share referred to in section 776.1.1.1;

(b) B is 500% of the aggregate of all amounts each of which is the amount deducted by the individual for the year under section 776.1.1 or 776.1.2, in respect of a share referred to in section 776.1.1.2; and

(c) C is 100/15 of the aggregate of all amounts each of which is the amount deducted by the individual for the year under section 776.1.1 or 776.1.2 in respect of a share not referred to in section 776.1.1.1 or 776.1.1.2.

The total of the amounts determined in accordance with subparagraphs *a* to *c* of the second paragraph in respect of an individual for a taxation year must not exceed $5,000.

1983, c. 44, s. 30; 1987, c. 67, s. 154; 1993, c. 19, s. 64; 1997, c. 14, s. 134; 2001, c. 53, s. 142; 2010, c. 5, s. 76; 2017, c. 1, s. 223.

776.1.4. In no case may an individual deduct, for a taxation year, an amount under section 776.1.1 or 776.1.2 in respect of an amount paid by the individual for the purchase of a share referred to in section 776.1.1 if

(a) the individual reached 45 years of age before the end of the year and availed himself of his right to retirement or early retirement;

(a.1) where the purchased share is held by a trust governed by a registered retirement savings plan or registered retirement income fund under which the annuitant is the individual's spouse or former spouse, the spouse or former spouse reached 45 years of age before the end of the year and availed himself of his right to retirement or early retirement;

(b) the individual reached 65 years of age before the end of the year or would have reached that age before that time had the individual not died in the year;

(b.1) where the purchased share is held by a trust governed by a registered retirement savings plan or registered retirement income fund under which the annuitant is the individual's spouse or former spouse, the

spouse or former spouse reached 65 years of age before the end of the year or would have reached that age before that time had the spouse or former spouse not died in the year;

(c) during the year or within the following 120 days, a person requested redemption of the share in accordance with paragraph 4 of section 10 of the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) (chapter F-3.2.1); or

(d) during the year or within the following 120 days, a person requested redemption of the share, or a class "A" share received in exchange for the share, in accordance with paragraph 4 of section 11 of the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (chapter F-3.1.2).

For the purposes of subparagraphs *a* and *a*.1 of the first paragraph, an individual is deemed not to have availed himself of his right to retirement or early retirement at the end of a taxation year if

(a) the aggregate of the individual's pensionable salary and wages for the year, determined in accordance with section 45 of the Act respecting the Québec Pension Plan (chapter R-9) and as if that section were read without reference to subparagraph *b* of the second paragraph thereof, and the individual's income for the year from a business exceeds the amount of Basic Exemption determined for the year in accordance with section 42 of that Act; and

(b) the individual did not, before the end of the year, reach 65 years of age or obtain the redemption of a share under section 10 of the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) or section 11 of the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi.

The following rules apply for the purposes of subparagraph *b* of the second paragraph:

(a) an individual is deemed to have obtained the redemption of a share under section 10 of the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) before the end of a taxation year ending after 31 December 2007 if the share was purchased before 20 December 2008 by the entity governed by that Act as a consequence of the application of any of the criteria of its purchase by agreement policy regarding early retirement or progressive retirement; and

(b) an individual is deemed to have obtained the redemption of a share under section 11 of the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi before the end of a taxation year ending after 31 December 2008 if the share was purchased before 30 October 2009 by the entity governed by that Act as a consequence of the application of any of the criteria of its purchase by agreement policy regarding early retirement or progressive retirement.

1983, c. 44, s. 30; 1995, c. 63, s. 86; 1997, c. 14, s. 135; 1997, c. 85, s. 171; 2005, c. 1, s. 184; 2005, c. 38, s. 184; 2011, c. 6, s. 164; 2021, c. 15, s. 66; 2024, c. 11, s. 81.

776.1.4.1. In no case may an individual deduct an amount under section 776.1.1 or 776.1.2 in respect of a share purchased after the individual, or the spouse or former spouse where the purchased share is held by a trust governed by a registered retirement savings plan or registered retirement income fund under which the annuitant is the individual's spouse or former spouse, makes a request for redemption in accordance with paragraph 5 of section 10 of the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) (chapter F-3.2.1) or paragraph 5 of section 11 of the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (chapter F-3.1.2).

1989, c. 5, s. 128; 1995, c. 63, s. 86; 1997, c. 14, s. 136; 2005, c. 38, s. 185; 2021, c. 15, s. 67; 2024, c. 11, s. 82.

776.1.4.2. In no case may an individual deduct an amount under section 776.1.1 or 776.1.2 in respect of an amount paid by the individual for the acquisition of a replacement share within the meaning assigned by

sections 776.1.5.0.1 and 776.1.5.0.6, under the rules provided for that purpose in Division II or III, as the case may be.

2001, c. 53, s. 143; 2003, c. 2, s. 236; 2005, c. 38, s. 186.

776.1.4.2.1. In no case may an individual deduct an amount under section 776.1.1 for a particular taxation year that ends after 31 December 2026, or section 776.1.2 for a subsequent year, in respect of an amount paid for the acquisition, after that date, of a share referred to in section 776.1.1, where the individual's taxable income for the individual's base year, in relation to the particular taxation year, exceeds the amount in dollars mentioned in paragraph *d* of section 750 that, with reference to section 750.2, is applicable for that base year.

For the purposes of this section and sections 776.1.4.2.2 and 776.1.5, the base year of an individual, in relation to a particular taxation year of the individual, is the taxation year, determined without reference to section 779, that ended on 31 December of the second calendar year preceding the particular taxation year.

2024, c. 11, s. 83.

776.1.4.2.2. For the purposes of section 776.1.4.2.1, an individual's taxable income for a base year (other than an individual who was resident in Québec on the last day of the base year and in Canada throughout that year) is deemed to be equal to the taxable income that would be determined in respect of the individual for the base year, under this Part, if the individual had been resident in Québec on the last day of the base year and in Canada throughout that year.

2024, c. 11, s. 83.

776.1.4.3. Where the Minister so directs, an individual who, in a taxation year, pays an amount, other than an amount paid in the first 60 days of the year, for the purchase as first purchaser of a share described in paragraph *a* or *b* of section 776.1.1, is deemed, for the purposes of this division, to have paid that amount at the beginning of the year and not at the time it was actually paid.

2003, c. 2, s. 237; 2005, c. 38, s. 187.

776.1.5. An individual who avails himself of section 776.1.1 or 776.1.2 for a taxation year, in respect of a share referred to in section 776.1.1, shall file the fiscal return provided for in section 1000 for the year and attach to the return a copy of the prescribed form he received in respect of the share from a corporation governed by an Act establishing a labour-sponsored fund.

However, an individual is not required to attach a copy of the prescribed form referred to in the first paragraph for a share in respect of which he avails himself of section 776.1.2 for a taxation year, if he availed himself of section 776.1.1 in respect of that share for a previous taxation year.

Where an individual who avails himself of section 776.1.1 for a particular taxation year that ends after 31 December 2026, or section 776.1.2 for a subsequent year, in respect of a share acquired after that date, was not resident in Canada throughout the base year, in relation to the particular taxation year, the individual shall attach to the fiscal return referred to in the first paragraph to be filed for the particular taxation year or the subsequent year, as the case may be, a statement of income for the base year and a copy of any document constituting proof of payment of an amount that would have been deductible in computing the individual's taxable income for the base year, if applicable, had the individual been resident in Québec throughout the base year.

Where an individual who avails himself of section 776.1.1 for a particular taxation year that ends after 31 December 2026, or section 776.1.2 for a subsequent year, in respect of a share acquired after that date, was resident in Canada throughout the base year, in relation to the particular taxation year, but was not resident in Québec on the last day of that base year, the individual shall attach to the fiscal return referred to in the first paragraph to be filed for the particular taxation year or the subsequent year, as the case may be, either a copy of the fiscal return that the individual filed for the base year under Part I of the Income Tax Act (R.S.C. 1985,

c. 1 (5th Suppl.)) or a statement of income for the base year, and a copy of any document constituting proof of payment of an amount that would have been deductible in computing the individual's taxable income for the base year, if applicable, had the individual been resident in Québec throughout the base year.

1983, c. 44, s. 30; 1995, c. 63. s. 86; 1997, c. 3, s. 71; 2024, c. 11, s. 84.

DIVISION II

REDEMPTION OF SHARES OF A LABOUR-SPONSORED FUND IN ORDER TO PARTICIPATE IN THE HOME BUYERS' PLAN

2001, c. 53, s. 144.

§ 1. — *Definitions and application*

2001, c. 53, s. 144.

776.1.5.0.1. In this division,

"completion date", in respect of an eligible amount of an individual, means 1 October of the calendar year following the calendar year in which the eligible amount was received by the individual;

"eligible amount" of an individual means an amount received by the individual, at a particular time, on the redemption, in the circumstances described in the second paragraph, by a corporation referred to in section 776.1.1 of an original share;

"original share" means a class "A" share described in section 776.1.1 issued to an individual by a corporation referred to in that section and held by a trust governed by a registered retirement savings plan under which the annuitant is the individual or the individual's spouse;

"participation period" of an individual means each period that begins at the beginning of the calendar year in which an eligible amount of the individual is received and that ends immediately before the beginning of the first subsequent calendar year at the beginning of which the individual's specified balance is nil;

"replacement share" means a class "A" share described in section 776.1.1 issued to an individual by a corporation referred to in that section in replacement of an original share that was redeemed in the circumstances described in the second paragraph;

"specified balance" of an individual at any time means an amount equal to the amount by which the aggregate of all the individual's eligible amounts received by the individual at or before that time exceeds the aggregate of all amounts each of which is

(a) an amount paid by the individual under section 776.1.5.0.2 or 776.1.5.0.3 on the acquisition of replacement shares in a taxation year that ended before that time;

(b) 100/15 of an amount that the individual is required to pay under section 1086.14 or 1086.16 for a taxation year that ended before that time in respect of replacement shares that were not acquired by the individual and that relate to original shares other than original shares described in paragraph *c* or *d*;

(c) 400% of an amount that the individual is required to pay under section 1086.14 or 1086.16 for a taxation year that ended before that time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.1; or

(d) 500% of an amount that the individual is required to pay under section 1086.14 or 1086.16 for a taxation year that ended before that time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.2.

This division applies if the annuitant under a registered retirement savings plan makes a request for redemption of original shares, at a particular time, pursuant to a purchase by agreement policy provided for in

the second paragraph of section 8 of the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) (chapter F-3.2.1) or the second paragraph of section 9 of the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (chapter F-3.1.2) in order to participate in the Home Buyers' Plan, the provisions of which are provided for in Title IV.1 of Book VII.

2001, c. 53, s. 144; 2003, c. 2, s. 238; 2005, c. 38, s. 188; 2011, c. 1, s. 41; 2017, c. 1, s. 224; 2024, c. 11, s. 85.

§ 2. — *Replacement shares*

2001, c. 53, s. 144.

776.1.5.0.2. Where at a particular time a corporation referred to in section 776.1.1 redeems original shares in the circumstances described in the second paragraph of section 776.1.5.0.1, the individual shall, in a particular taxation year or within 60 days after the end of that year that is included in a particular participation period of the individual, acquire replacement shares for an amount determined by the formula

$$[(A - B)/(15 - C)].$$

In the formula provided for in the first paragraph,

(a) A is

i. an amount equal to zero where

(1) the individual died or ceased to be resident in Canada in the particular taxation year, or

(2) the completion date in respect of an eligible amount of the individual is in the particular taxation year, and

ii. in any other case, the aggregate of all eligible amounts of the individual received by the individual in taxation years preceding the particular taxation year and that are included in the particular participation period of the individual;

(b) B is the aggregate of all amounts each of which is

i. an amount paid by the individual on the acquisition of replacement shares in a taxation year preceding the particular taxation year or within 60 days after the end of that preceding year that is included in the particular participation period of the individual,

ii. 100/15 of an amount that the individual is required to pay under section 1086.14 for a taxation year that precedes the particular taxation year and that is included in the particular participation period of the individual in respect of replacement shares that were not acquired by the individual and that relate to original shares other than original shares described in subparagraph iii or iv,

iii. 400% of an amount that the individual is required to pay under section 1086.14 for a taxation year that precedes the particular taxation year and that is included in the particular participation period of the individual in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.1, or

iv. 500% of an amount that the individual is required to pay under section 1086.14 for a taxation year that precedes the particular taxation year and that is included in the particular participation period of the individual

in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.2; and

(c) C is the lesser of 14 and the number of taxation years of the individual that end in the period that begins on 1 January of the first calendar year beginning after the completion date in respect of an eligible amount of the individual and that ends at the beginning of the particular taxation year.

Where the Minister so directs, an individual who, in a taxation year, pays an amount, other than an amount paid in the first 60 days of the year, for the acquisition of replacement shares, is deemed to have paid that amount at the beginning of the year and not at the time it was actually paid.

2001, c. 53, s. 144; 2003, c. 2, s. 239; 2005, c. 38, s. 189; 2011, c. 1, s. 42; 2017, c. 1, s. 225.

776.1.5.0.3. If at a particular time in a taxation year an individual ceases to be resident in Canada, the individual shall acquire replacement shares, for the period in the year during which the individual was resident in Canada, for an amount equal to the amount by which the aggregate of all amounts each of which is an eligible amount of the individual received by the individual in the year or a preceding taxation year exceeds the aggregate of all amounts each of which is

(a) an amount paid by the individual under section 776.1.5.0.2 on the acquisition of replacement shares not later than 60 days after the particular time and before the individual files a fiscal return for the year;

(b) 100/15 of an amount that the individual is required to pay under section 1086.14 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares other than original shares described in paragraph *c* or *d*;

(c) 400% of an amount that the individual is required to pay under section 1086.14 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.1; or

(d) 500% of an amount that the individual is required to pay under section 1086.14 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.2.

2001, c. 53, s. 144; 2003, c. 2, s. 240; 2005, c. 38, s. 190; 2011, c. 1, s. 43; 2017, c. 1, s. 226.

776.1.5.0.4. If an individual dies at a particular time in a taxation year, replacement shares must be acquired, in the year or within 60 days after the end of the year, for an amount equal to the amount by which the aggregate of all amounts each of which is an eligible amount of the individual received by the individual in the year or a preceding taxation year exceeds the aggregate of all amounts each of which is

(a) an amount paid by the individual under section 776.1.5.0.2 on the acquisition of replacement shares before the particular time;

(b) 100/15 of an amount that the individual is required to pay under section 1086.14 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares other than original shares described in paragraph *c* or *d*;

(c) 400% of an amount that the individual is required to pay under section 1086.14 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.1; or

(d) 500% of an amount that the individual is required to pay under section 1086.14 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.2.

2001, c. 53, s. 144; 2003, c. 2, s. 240; 2005, c. 38, s. 191; 2011, c. 1, s. 43; 2017, c. 1, s. 227.

776.1.5.0.5. Where an individual's spouse was resident in Canada immediately before the individual's death at a particular time in a taxation year and the spouse and the individual's legal representative jointly so elect in writing in the individual's fiscal return filed under this Part for the year, the following rules apply:

(a) section 776.1.5.0.4 does not apply in respect of the individual;

(b) a particular eligible amount equal to the amount that would, but for this section, be determined under section 776.1.5.0.4 in respect of the individual is deemed to have been received by the spouse, at the particular time;

(c) for the purposes of section 776.1.5.0.2 and paragraph *d*, the completion date in respect of the particular eligible amount referred to in paragraph *b* is deemed to be

i. if an eligible amount was received by the spouse before the death, other than an eligible amount received in the spouse's participation period that ended before the beginning of the year, the completion date in respect of that eligible amount, and

ii. in any other case, the completion date in respect of the last eligible amount of the individual; and

(d) for the purposes of section 776.1.5.0.2, the completion date in respect of each eligible amount of the spouse, after the death and before the end of the spouse's participation period that includes the time of the death, is deemed to be the completion date in respect of the particular eligible amount referred to in paragraph *b*.

2001, c. 53, s. 144.

DIVISION III

REDEMPTION OF SHARES OF A LABOUR-SPONSORED FUND IN ORDER TO PARTICIPATE IN THE LIFELONG LEARNING INCENTIVE PLAN

2001, c. 53, s. 144.

§ 1. — *Definitions and application*

2001, c. 53, s. 144.

776.1.5.0.6. In this division,

"eligible amount" of an individual means an amount received by the individual, at a particular time, on the redemption, in the circumstances described in the second paragraph, by a corporation referred to in section 776.1.1 of an original share;

"original share" means a class "A" share described in section 776.1.1 issued to an individual by a corporation referred to in that section and held by a trust governed by a registered retirement savings plan under which the annuitant is the individual or the individual's spouse;

"participation period" of an individual means each period that begins at the beginning of the calendar year in which an eligible amount of the individual is received and at the beginning of which the individual's specified balance is nil and that ends immediately before the beginning of the first subsequent calendar year at the beginning of which the individual's specified balance is nil;

"repayment period" has the meaning assigned by the first paragraph of section 935.12;

"replacement share" means a class "A" share described in section 776.1.1 issued to an individual by a corporation referred to in that section in replacement of an original share that was redeemed in the circumstances described in the second paragraph;

"specified balance" of an individual at any time means an amount equal to the amount by which the aggregate of all the individual's eligible amounts received by the individual at or before that time exceeds the aggregate of all amounts each of which is

(a) an amount paid by the individual under section 776.1.5.0.7 or 776.1.5.0.8 on the acquisition of replacement shares in a taxation year that ended before that time;

(b) 100/15 of an amount that the individual is required to pay under section 1086.20 or 1086.22 for a taxation year that ended before that time in respect of replacement shares that were not acquired by the individual and that relate to original shares other than original shares described in paragraph *c* or *d*;

(c) 400% of an amount that the individual is required to pay under section 1086.20 or 1086.22 for a taxation year that ended before that time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.1; or

(d) 500% of an amount that the individual is required to pay under section 1086.20 or 1086.22 for a taxation year that ended before that time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.2.

This division applies if the annuitant under a registered retirement savings plan makes a request for redemption of original shares, at a particular time, pursuant to a purchase by agreement policy provided for in the second paragraph of section 8 of the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) (chapter F-3.2.1) or the second paragraph of section 9 of the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (chapter F-3.1.2) in order to participate in the Lifelong Learning Incentive Plan, the provisions of which are provided for in Title IV.2 of Book VII.

2001, c. 53, s. 144; 2003, c. 2, s. 241; 2005, c. 38, s. 192; 2011, c. 1, s. 44; 2017, c. 1, s. 228; 2024, c. 11, s. 86.

§ 2. — *Replacement shares*

2001, c. 53, s. 144.

776.1.5.0.7. Where at a particular time a corporation referred to in section 776.1.1 redeems original shares in the circumstances described in the second paragraph of section 776.1.5.0.6, the individual shall, in a particular taxation year or within 60 days after the end of that year that begins after 31 December 2000, acquire replacement shares for an amount determined by the formula

$$[(A - B)/(10 - C)].$$

In the formula provided for in the first paragraph,

(a) A is

i. an amount equal to zero where

(1) the individual died or ceased to be resident in Canada in the particular taxation year, or

(2) the beginning of the particular taxation year is not included in a repayment period of the individual, and

ii. in any other case, the aggregate of all eligible amounts of the individual received by the individual in taxation years preceding the particular taxation year, other than taxation years included in participation periods of the individual that ended before the particular taxation year;

(b) B is the aggregate of all amounts each of which is

i. an amount paid by the individual on the acquisition of replacement shares in a taxation year preceding the particular taxation year or within 60 days after the end of that preceding year, other than a taxation year included in a participation period of the individual that ended before the particular taxation year,

ii. 100/15 of an amount that the individual is required to pay under section 1086.20 for a taxation year preceding the particular taxation year, other than a taxation year included in a participation period of the individual that ended before the particular taxation year, in respect of replacement shares that were not acquired by the individual and that relate to original shares other than original shares described in subparagraph iii or iv,

iii. 400% of an amount that the individual is required to pay under section 1086.20 for a taxation year preceding the particular taxation year, other than a taxation year included in a participation period of the individual that ended before the particular taxation year, in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.1, or

iv. 500% of an amount that the individual is required to pay under section 1086.20 for a taxation year preceding the particular taxation year, other than a taxation year included in a participation period of the individual that ended before the particular taxation year, in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.2; and

(c) C is the lesser of nine and the number of taxation years of the individual that end in the period that begins at the beginning of the last repayment period of the individual that began at or before the beginning of the particular year and that ends at the beginning of the particular year.

Where the Minister so directs, an individual who, in a taxation year, pays an amount, other than an amount paid in the first 60 days of the year, for the acquisition of replacement shares, is deemed to have paid that amount at the beginning of the year and not at the time it was actually paid.

2001, c. 53, s. 144; 2003, c. 2, s. 242; 2005, c. 38, s. 193; 2011, c. 1, s. 45; 2017, c. 1, s. 229.

776.1.5.0.8. If at a particular time in a taxation year an individual ceases to be resident in Canada, the individual shall acquire replacement shares, for the period in the year during which the individual was resident in Canada, for an amount equal to the amount by which the aggregate of all amounts each of which is an eligible amount of the individual received by the individual in the year or a preceding taxation year exceeds the aggregate of all amounts each of which is

(a) an amount paid by the individual under section 776.1.5.0.7 on the acquisition of replacement shares not later than 60 days after the particular time and before the individual files a fiscal return for the year;

(b) 100/15 of an amount that the individual is required to pay under section 1086.20 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares other than original shares described in paragraph *c* or *d*;

(c) 400% of an amount that the individual is required to pay under section 1086.20 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and

that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.1; or

(d) 500% of an amount that the individual is required to pay under section 1086.20 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.2.

2001, c. 53, s. 144; 2003, c. 2, s. 243; 2005, c. 38, s. 194; 2011, c. 1, s. 46; 2017, c. 1, s. 230.

776.1.5.0.9. If an individual dies at a particular time in a taxation year, replacement shares must be acquired, in the year or within 60 days after the end of the year, for an amount equal to the amount by which the aggregate of all amounts each of which is an eligible amount of the individual received by the individual in the year or a preceding taxation year exceeds the aggregate of all amounts each of which is

(a) an amount paid by the individual under section 776.1.5.0.7 on the acquisition of replacement shares before the particular time;

(b) 100/15 of an amount that the individual is required to pay under section 1086.20 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares other than original shares described in paragraph *c* or *d*;

(c) 400% of an amount that the individual is required to pay under section 1086.20 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.1; or

(d) 500% of an amount that the individual is required to pay under section 1086.20 for a taxation year that ended before the particular time in respect of replacement shares that were not acquired by the individual and that relate to original shares referred to in paragraph *b* of section 776.1.1 and acquired by the individual in the period specified in the second paragraph of section 776.1.1.2.

2001, c. 53, s. 144; 2003, c. 2, s. 243; 2005, c. 38, s. 195; 2011, c. 1, s. 46; 2017, c. 1, s. 231.

776.1.5.0.10. Where an individual's spouse was resident in Canada immediately before the individual's death at a particular time in a taxation year and the spouse and the individual's legal representative jointly so elect in writing in the individual's fiscal return filed under this Part for the year, the following rules apply:

(a) section 776.1.5.0.9 does not apply in respect of the individual;

(b) a particular eligible amount equal to the amount that would, but for this section, be determined under section 776.1.5.0.9 in respect of the individual is deemed to have been received by the spouse, at the particular time;

(c) subject to paragraph *d*, for the purposes of this division after the particular time, the individual's repayment period in respect of the particular amount is deemed to be the spouse's repayment period; and

(d) paragraph *c* does not apply if an eligible amount was received by the spouse before the particular time in the spouse's participation period that includes the particular time.

2001, c. 53, s. 144.

CHAPTER IV

CREDITS RELATING TO SHARES ISSUED BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

2002, c. 9, s. 24; 2019, c. 14, s. 258.

DIVISION I

CREDIT RELATING TO THE ACQUISITION OF CLASS "A" SHARES ISSUED BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

2019, c. 14, s. 259.

776.1.5.0.10.1. In this division, "acquisition period" means any of the following periods:

(a) the period that begins on 24 March 2006 and ends on 28 February 2007;

(b) the period that begins on 1 March 2007 and ends on 9 November 2007;

(c) the period that begins on 10 November 2007 and ends on 29 February 2008;

(d) a period that begins on 1 March of a year after 2007 and before 2014 and ends on the last day of the month of February of the following year;

(e) a period that begins on 1 March of a year after 2013 and before 2016 and ends on the last day of the month of February of the following year;

(f) a period that begins on 1 March of a year after 2015 and before 2018 and ends on the last day of the month of February of the following year;

(g) a period that begins on 1 March of a year after 2017 and before 2021 and ends on the last day of the month of February of the following year; or

(h) a period that begins on 1 March of a year after 2020 and ends on the last day of the month of February of the following year.

If the period described in the first paragraph ends on a statutory holiday, the period is deemed to end on the day immediately before the statutory holiday.

2011, c. 6, s. 165; 2015, c. 21, s. 317; 2017, c. 1, s. 232; 2019, c. 14, s. 260; 2021, c. 36, s. 88.

776.1.5.0.11. An individual, other than a trust, who is resident in Québec at the end of 31 December of a particular taxation year and who is not a dealer acting as an intermediary or firm underwriter may deduct from the individual's tax otherwise payable for the particular year under this Part an amount equal to the product obtained by multiplying the percentage specified in the second paragraph by the aggregate of the amounts paid by the individual in an acquisition period beginning in the particular year for the purchase, as first purchaser, of a class "A" share of the capital stock of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1).

The percentage to which the first paragraph refers is

(a) 35%, if the acquisition period referred to in that paragraph is described in any of subparagraphs *a*, *b* and *g* of the first paragraph of section 776.1.5.0.10.1;

(b) 50%, if the acquisition period referred to in that paragraph is described in subparagraph *c* or *d* of the first paragraph of section 776.1.5.0.10.1;

(c) 45%, if the acquisition period referred to in that paragraph is described in subparagraph *e* of the first paragraph of section 776.1.5.0.10.1;

(d) 40%, if the acquisition period referred to in that paragraph is described in subparagraph *f* of the first paragraph of section 776.1.5.0.10.1; and

(e) 30%, if the acquisition period referred to in that paragraph is described in subparagraph *h* of the first paragraph of section 776.1.5.0.10.1.

The aggregate referred to in the first paragraph may not exceed,

(a) if the acquisition period referred to in that paragraph is described in subparagraph *a* or *b* of the first paragraph of section 776.1.5.0.10.1, $2,500;

(b) if the acquisition period referred to in that paragraph is described in subparagraph *c* of the first paragraph of section 776.1.5.0.10.1, the amount by which $5,000 exceeds the lesser of $2,500 and the aggregate of the amounts paid by the individual in the preceding acquisition period for the purchase, as first purchaser, of a share described in the first paragraph; or

(c) if the acquisition period referred to in that paragraph is described in any of subparagraphs *d* to *h* of the first paragraph of section 776.1.5.0.10.1, $5,000.

2002, c. 9, s. 24; 2003, c. 9, s. 106; 2004, c. 21, s. 213; 2006, c. 36, s. 81; 2011, c. 6, s. 166; 2015, c. 21, s. 318; 2017, c. 1, s. 233; 2019, c. 14, s. 261; 2021, c. 36, s. 89.

776.1.5.0.12. *(Repealed).*

2002, c. 9, s. 24; 2006, c. 36, s. 82; 2011, c. 6, s. 167.

776.1.5.0.13. No individual may deduct, for a particular taxation year, an amount under section 776.1.5.0.11 in respect of an amount paid by the individual in the acquisition period referred to in the first paragraph of that section for the acquisition of a share referred to in that section if

(a) during that period or within the following 30 days, the individual requested redemption of the share in accordance with paragraph 3 of section 12 of the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1); or

(b) the corporation governed by the Act constituting Capital régional et coopératif Desjardins, before 1 March of the year following the particular year, in relation to another share of the capital stock of that corporation held by the individual,

i. redeems the share in accordance with paragraph 1 or 4 of section 12 of that Act, or

ii. purchases the share in accordance with the purchase by agreement policy approved by the Minister of Finance under the second paragraph of section 11 of that Act, except where the purchase is made in accordance with a provision of that policy under which the corporation may purchase by agreement a share it issued because no amount was deducted in respect of the share under any of sections 776.1.5.0.11, 776.1.5.0.15.2 and 776.1.5.0.15.4.

For the purposes of the first paragraph, the acquisition periods described in subparagraphs *b* and *c* of the first paragraph of section 776.1.5.0.10.1 are deemed to be a single acquisition period that begins on 1 March 2007 and ends on 29 February 2008.

2002, c. 9, s. 24; 2003, c. 9, s. 107; 2011, c. 6, s. 168; 2019, c. 14, s. 262.

776.1.5.0.14. An individual who elects to have section 776.1.5.0.11 apply for a taxation year, in respect of a share referred to in that section, shall enclose with the fiscal return the individual is required to file under

section 1000 for the year, a copy of the prescribed form the individual received in respect of the share of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1).

2002, c. 9, s. 24.

776.1.5.0.15. For the purposes of this division, an amount paid for the purchase of a class "A" share of the capital stock of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1) consists solely of the issue price paid in respect of that share.

2004, c. 21, s. 214; 2019, c. 14, s. 263.

DIVISION II

CREDITS RELATING TO THE EXCHANGE OF SHARES ISSUED BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

2019, c. 14, s. 264.

776.1.5.0.15.1. In this division,

"conversion period" means a period that begins on 1 March of a year subsequent to the year 2017 and preceding the year 2023 and that ends on the last day of the month of February of the following year;

"promise to purchase by way of exchange" has the meaning assigned by section 8.1 of the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1).

2019, c. 14, s. 264; 2021, c. 36, s. 90.

776.1.5.0.15.2. Subject to section 776.1.5.0.15.3, an individual, other than a trust, who is resident in Québec at the end of 31 December of a taxation year and who is not a dealer acting as an intermediary or firm underwriter may deduct from the individual's tax otherwise payable for the year under this Part, if the individual encloses the document described in the second paragraph with the fiscal return the individual is required to file for the year under section 1000, an amount equal to the lesser of $1,500 and the product obtained by multiplying by 10% the aggregate of all amounts each of which is the value of the consideration the individual has undertaken to pay, in the form of a share, under a promise to purchase by way of exchange, which promise the individual made at a particular time, before 19 June 2019, in a conversion period beginning in the year.

The document to which the first paragraph refers is a copy of the prescribed form the individual received from the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1) in respect of the consideration described in that paragraph.

For the purposes of the first paragraph, the value of the consideration that an individual has undertaken to pay, in the form of a share, under a promise to purchase by way of exchange corresponds to the amount determined in respect of the individual, in relation to that promise, under subparagraph *a* of subparagraph 2 of the second paragraph of section 10.1 of the Act constituting Capital régional et coopératif Desjardins.

2019, c. 14, s. 264.

776.1.5.0.15.3. No individual may deduct, from the individual's tax otherwise payable for a particular taxation year, an amount under section 776.1.5.0.15.2, where the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1), before 1 March of the year following the particular year, in relation to a share of its capital stock held by the individual,

(a) redeemed the share in accordance with paragraph 1 or 4 of section 12 of that Act; or

(b) purchased the share in accordance with the purchase by agreement policy approved by the Minister of Finance under the second paragraph of section 11 of that Act, except where the purchase is made in

accordance with a provision of that policy under which the corporation may purchase by agreement a share it issued because no amount was deducted in respect of the share under any of sections 776.1.5.0.11, 776.1.5.0.15.2 and 776.1.5.0.15.4.

2019, c. 14, s. 264.

776.1.5.0.15.4. Subject to section 776.1.5.0.15.5, an individual, other than a trust, who is resident in Québec at the end of 31 December of a taxation year and who is not a dealer acting as an intermediary or firm underwriter may deduct from the individual's tax otherwise payable for the year under this Part, if the individual encloses the document described in the second paragraph with the fiscal return the individual is required to file for the year under section 1000, an amount equal to the lesser of $1,500 and the product obtained by multiplying by 10% the aggregate of all amounts each of which is the value of the consideration the individual paid, in the form of a share, in a conversion period beginning in the year for the purchase, as first purchaser, of a class "B" share of the capital stock of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1).

The document to which the first paragraph refers is a copy of the prescribed form the individual received from the corporation governed by the Act constituting Capital régional et coopératif Desjardins in respect of the consideration described in that paragraph.

For the purposes of the first paragraph, the value of the consideration paid, in the form of a share, by an individual corresponds to the amount determined in respect of the individual, in relation to that consideration, under subparagraph *b* of subparagraph 2 of the second paragraph of section 10.1 of the Act constituting Capital régional et coopératif Desjardins.

2019, c. 14, s. 264.

776.1.5.0.15.5. No individual may deduct, from the individual's tax otherwise payable for a particular taxation year, an amount under section 776.1.5.0.15.4 in respect of the value of a consideration the individual paid in the conversion period described in the first paragraph of that section for the purchase of a class "B" share of the capital stock of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1), where, as the case may be,

(a) the individual paid the consideration in fulfilment of a promise to purchase by way of exchange;

(b) the individual requested, during that conversion period or within the following 30 days, the redemption of the class "B" share in accordance with paragraph 3 of section 12 of the Act constituting Capital régional et coopératif Desjardins; or

(c) the corporation governed by the Act constituting Capital régional et coopératif Desjardins, before 1 March of the year following the particular year, in relation to another share of its capital stock held by the individual,

i. redeemed the share in accordance with paragraph 1 or 4 of section 12 of that Act, or

ii. purchased the share in accordance with the purchase by agreement policy approved by the Minister of Finance under the second paragraph of section 11 of that Act, otherwise than under a provision of that policy that allows the corporation to purchase by agreement a share it issued because no amount was deducted in respect of the share under any of sections 776.1.5.0.11, 776.1.5.0.15.2 and 776.1.5.0.15.4.

2019, c. 14, s. 264.

CHAPTER V

TAX CREDIT FOR NEW GRADUATES WORKING IN THE RESOURCE REGIONS

2006, c. 36, s. 83.

776.1.5.0.16. In this chapter,

"eligible employment" of an individual means an office or employment the duties of which are ordinarily performed by the individual in an eligible region and are related

(a) to a business carried on by the individual's employer in that region; and

(b) to the knowledge and skills obtained by the individual in the course of the training or program leading to the awarding of a recognized diploma;

"eligible individual" for a taxation year, in relation to an eligible employment, means an individual who, at the end of 31 December of the year, is resident in Québec in an eligible region and

(a) begins to hold the eligible employment at a time in the year that is within the 24-month period that follows the date on which the individual successfully completes the courses and, where applicable, the internships leading to the awarding of the recognized diploma, or, where the recognized diploma is a master's or doctoral degree, the date on which the individual obtains the diploma under an educational program requiring the writing of an essay, dissertation or thesis; or

(b) holds the eligible employment in the year and is resident in an eligible region throughout the period that begins at the end of 31 December of the last taxation year for which the individual may deduct an amount from the individual's tax otherwise payable under this chapter, or is deemed to have paid an amount to the Minister on account of the individual's tax payable under Division II.20 of Chapter III.1 of Title III of Book IX, as it read before being repealed, and that ends at the end of 31 December of the year;

"eligible region" means

(a) one of the following administrative regions described in the Décret concernant la révision des limites des régions administratives du Québec (chapter D-11, r. 1):

i. administrative region 01 Bas-Saint-Laurent,

ii. administrative region 02 Saguenay–Lac-Saint-Jean,

iii. administrative region 08 Abitibi-Témiscamingue,

iv. administrative region 09 Côte-Nord,

v. administrative region 10 Nord-du-Québec, or

vi. administrative region 11 Gaspésie–Îles-de-la-Madeleine;

(b) one of the following regional county municipalities:

i. Municipalité régionale de comté d'Antoine-Labelle,

ii. Municipalité régionale de comté de La Vallée-de-la-Gatineau,

iii. Municipalité régionale de comté de Mékinac, or

iv. Municipalité régionale de comté de Pontiac; or

(c) the urban agglomeration of La Tuque, as described in section 8 of the Act respecting the exercise of certain municipal powers in certain urban agglomerations (chapter E-20.001);

"recognized diploma" means

(a) an attestation of vocational education, a diploma of vocational studies or an attestation of vocational specialization, awarded by the Minister of Education, Recreation and Sports;

(b) a diploma of college studies in technical training awarded by the Minister of Higher Education, Research, Science and Technology or by a college-level educational institution to which the Minister of Higher Education, Research, Science and Technology has delegated the responsibility of awarding such a diploma;

(c) an attestation of college studies in technical training awarded by a college-level educational institution of Québec;

(d) an undergraduate or graduate diploma or degree awarded by a Québec university;

(e) a diploma awarded by an educational institution situated outside Canada that is considered, following a comparative assessment carried out by the Minister of Immigration, Francization and Integration, to be comparable to one of the diplomas referred to in paragraphs *a* to *d*;

(e.1) any of the following diplomas awarded by an educational institution situated outside Québec but in Canada:

i. a diploma that is considered, following a comparative assessment carried out by the Minister of Immigration, Francization and Integration before 1 July 2015, to be comparable to one of the diplomas referred to in paragraphs *a* to *c*,

ii. a diploma that, as certified in writing by the educational institution, is comparable to one of the diplomas referred to in paragraphs *a* to *c*, or

iii. an undergraduate or graduate diploma or degree awarded by a university; or

(f) an attestation of studies for a post-secondary educational program of the Conservatoire de musique et d'art dramatique du Québec, the École du Barreau du Québec, the École nationale de police du Québec or the National Theatre School of Canada.

"recognized post-secondary diploma" means

(a) a diploma referred to in any of paragraphs *b* to *d* and *f* of the definition of "recognized diploma" or in subparagraph iii of paragraph *e*.1 of that definition; or

(b) a diploma that is considered, under paragraph *e* of the definition of "recognized diploma" or subparagraph i or ii of paragraph *e*.1 of that definition, to be comparable to one of the diplomas referred to in paragraphs *b* to *d* of that definition;

"specified employment" of an individual means an eligible employment of the individual that the individual begins to hold after 20 March 2012 and in respect of which the following conditions are met:

(a) the recognized diploma to which paragraph *b* of the definition of "eligible employment" refers, in relation to that employment, is a recognized post-secondary diploma; and

(b) the individual

i. began to hold the employment within the 24-month period that follows the date on which the individual successfully completed the courses and, where applicable, the internships leading to the awarding of the recognized diploma, or, where the diploma is a master's or doctoral degree, the date on which the individual obtained the diploma under an educational program requiring the writing of an essay, dissertation or thesis, or

ii. held a former employment that is a specified employment of the individual.

For the purposes of the definition of "eligible individual" in the first paragraph, an individual who was resident in Québec in an eligible region immediately before the individual's death is deemed to be resident in Québec in an eligible region throughout the period that begins at the time of the individual's death and ends at the end of 31 December of the year in which the individual died.

2006, c. 36, s. 83; 2013, c. 10, s. 62; 2013, c. 28, s. 140; 2015, c. 36, s. 52; 2021, c. 14, s. 97; 2022, c. 14, s. 215.

776.1.5.0.17. An eligible individual for a taxation year may deduct from the eligible individual's tax otherwise payable for the year under this Part an amount equal to the lesser of

(a) $3,000; and

(b) the total of

i. the lesser of

(1) 40% of the aggregate of all amounts each of which is the salary or wages of the individual for the year from any eligible employment of the individual, other than a specified employment, in respect of which the individual is an eligible individual for the year, and

(2) the amount by which $8,000 exceeds the aggregate of all amounts each of which is an amount that the individual has deducted from the individual's tax otherwise payable under this chapter or is deemed to have paid to the Minister on account of the individual's tax payable under Division II.20 of Chapter III.1 of Title III of Book IX, as it read before being repealed, for a preceding taxation year, and

ii. the lesser of

(1) 40% of the aggregate of all amounts each of which is the salary or wages of the individual for the year from any specified employment of the individual in respect of which the individual is an eligible individual for the year, and

(2) the amount by which $10,000 exceeds the aggregate of all amounts each of which is either an amount that the individual has deducted from the individual's tax otherwise payable under this chapter or is deemed to have paid to the Minister on account of the individual's tax payable under Division II.20 of Chapter III.1 of Title III of Book IX, as it read before being repealed, for a preceding taxation year, or the amount determined for the year in accordance with subparagraph i.

2006, c. 36, s. 83; 2007, c. 12, s. 90; 2013, c. 10, s. 63; 2021, c. 14, s. 98.

776.1.5.0.18. An individual who, at the end of 31 December of a taxation year, is resident in Québec outside an eligible region and who receives in the taxation year a salary or wages attributable to duties performed, in the preceding taxation year, in the course of an eligible employment, may deduct from the individual's tax otherwise payable for the year an amount equal to the amount by which the amount that the individual could have deducted from the individual's tax otherwise payable for the preceding taxation year, under section 776.1.5.0.17, if the salary or wages had been received in the preceding taxation year, exceeds the amount that the individual has deducted from the individual's tax otherwise payable for the preceding taxation year under section 776.1.5.0.17.

For the purposes of the first paragraph, an individual who was resident in Québec outside an eligible region immediately before the individual's death is deemed to be resident in Québec outside an eligible region at the end of 31 December of the year in which the individual died.

2006, c. 36, s. 83; 2007, c. 12, s. 91.

776.1.5.0.19. If a separate fiscal return in respect of an individual is filed under any of sections 429, 681 and 1003 for a particular period and another fiscal return in respect of the same individual is filed under this Part for a period ending in the calendar year in which the particular period ends, for the purpose of computing the tax payable under this Part by the individual in such fiscal returns, the aggregate of all deductions claimed in those returns under section 776.1.5.0.17 or 776.1.5.0.18 must not exceed the deduction that could be claimed under that section for the year in respect of the individual if no separate fiscal returns were filed under sections 429, 681 and 1003.

2006, c. 36, s. 83.

TITLE III.1

(Repealed).

1993, c. 19, s. 65; 2021, c. 14, s. 99.

CHAPTER I

(Repealed).

1993, c. 19, s. 65; 2021, c. 14, s. 99.

776.1.5.1. *(Repealed).*

1993, c. 19, s. 65; 1995, c. 63, s. 87; 1997, c. 3, s. 39; 2005, c. 23, s. 110; 2021, c. 14, s. 99.

776.1.5.2. *(Repealed).*

1993, c. 19, s. 65; 1997, c. 3, s. 71; 2021, c. 14, s. 99.

CHAPTER II

(Repealed).

1993, c. 19, s. 65; 2021, c. 14, s. 99.

776.1.5.3. *(Repealed).*

1993, c. 19, s. 65; 1994, c. 16, s. 51; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1999, c. 8, s. 20; 2021, c. 14, s. 99.

CHAPTER III

(Repealed).

1993, c. 19, s. 65; 2021, c. 14, s. 99.

776.1.5.4. *(Repealed).*

1993, c. 19, s. 65; 1994, c. 16, s. 51; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1999, c. 8, s. 20; 2021, c. 14, s. 99.

776.1.5.5. *(Repealed).*

1993, c. 19, s. 65; 1997, c. 3, s. 71; 2021, c. 14, s. 99.

776.1.5.6. *(Repealed).*

1993, c. 19, s. 65; 1997, c. 3, s. 71; 2021, c. 14, s. 99.

TITLE III.2

TAX CREDIT IN RESPECT OF ENVIRONMENTAL TRUSTS

1996, c. 39, s. 210; 2000, c. 5, s. 293.

776.1.6. There may be deducted from a taxpayer's tax otherwise payable under this Part for a taxation year such amount as the taxpayer claims not exceeding the taxpayer's Part III.12 tax credit, within the meaning assigned by section 1029.8.36.52, for the year.

1996, c. 39, s. 210.

TITLE III.3

TAX CREDIT FOR THE HIRING OF FINANCIAL DERIVATIVES SPECIALISTS

2007, c. 12, s. 92.

776.1.7. In this Title,

"eligibility period" applicable to an individual for a taxation year in relation to a corporation means the part of the taxation year within both the period for which the qualification certificate issued to the corporation in respect of the individual is valid and the period for which the annual qualification certificate referred to in the definition of "eligible specialist" was issued to the corporation in respect of the individual in relation to the taxation year;

"eligible specialist" of a corporation for a taxation year means an individual in respect of whom the Minister of Finance has, for the purposes of this Title, issued to the corporation a qualification certificate and an annual qualification certificate for all or part of the taxation year;

"excluded corporation" means

(a) a corporation that is exempt from tax under Book VIII; or

(b) a corporation that would be exempt from tax under section 985, but for section 192;

"government assistance" means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, tax deduction, investment allowance or as any other form of assistance, except a deduction under this Title in computing tax payable under this Part;

"non-government assistance" means an amount that would be included in computing a taxpayer's income because of paragraph *w* of section 87, if that paragraph were read without reference to its subparagraphs ii and iii, except a deduction under this Title in computing tax payable under this Part;

"qualification certificate" in respect of an individual means a certificate that the Minister of Finance issues to a corporation after 23 March 2006 and before 1 January 2010, and that certifies that the individual qualifies as a financial derivatives specialist for the purposes of this Title;

"qualified corporation" means a corporation, other than an excluded corporation, that carries on a business in Québec and has an establishment in Québec;

"qualified wages" paid by a corporation to an individual for a taxation year means the lesser of

(a) the amount obtained by multiplying $75,000 by the proportion, not exceeding 1, that the number of weeks ending in the eligibility period applicable to the individual for the taxation year in relation to the corporation and for which the corporation paid the individual an amount as wages is of 52; and

(b) the amount by which the aggregate of all amounts each of which is an amount paid by the corporation to the individual as wages for a week ending in the eligibility period applicable to the individual for the taxation year in relation to the corporation, exceeds the aggregate of all amounts each of which is

i. the amount of any government assistance or non-government assistance attributable to such wages that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for that taxation year, or

ii. the amount of any benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to the individual's employment with the corporation as an eligible specialist, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the corporation's filing-due date for that taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner;

"unused portion of the tax credit" of a corporation for a taxation year means the amount by which the maximum amount that the corporation could deduct under section 776.1.8 for the taxation year if it had sufficient tax payable under this Part for that taxation year exceeds the tax payable by the corporation for the taxation year under this Part, determined before the application of that section and of the second paragraph of section 776.1.9;

"wages" means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of "qualified wages" in the first paragraph, a week ending in the eligibility period applicable to an individual for a taxation year in relation to a corporation is deemed not to be such a week if

(a) the corporation is not a qualified corporation at any time during that week;

(b) the individual is a specified shareholder of the corporation at any time during that week; or

(c) an amount paid by the corporation to the individual as wages for that week

i. represents all or part of an expenditure taken into account in computing the amount used as a basis for computing an amount that the corporation is deemed under Chapter III.1 of Title III of Book IX to have paid to the Minister for a taxation year, or deemed under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) to have overpaid to the Minister, or

ii. is paid in circumstances such that

(1) it may reasonably be considered that all or a portion of a consideration paid or payable by a person or partnership under a particular contract relates to any given expenditure in respect of which the person or a member of the partnership may, for a taxation year, be deemed to have paid an amount to the Minister under Chapter III.1 of Title III of Book IX, and

(2) the amount paid as wages was incurred in the performance of the particular contract or of any contract derived from it and may reasonably be considered as relating to the given expenditure.

2007, c. 12, s. 92; 2019, c. 14, s. 265.

776.1.8. A corporation that, in a taxation year ending after 23 March 2006, employs an individual as an eligible specialist and that, on or before the day that is 12 months after the corporation's filing-due date for that taxation year, encloses the documents described in the second paragraph with the fiscal return it is required to file under section 1000 for that taxation year, may deduct from its tax payable under this Part for that taxation year, determined before the application of this section and of the second paragraph of section 776.1.9, an amount equal to 20% of the aggregate of all amounts each of which corresponds to the qualified wages paid by the corporation to such an individual for the taxation year.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information;

(b) a copy of the qualification certificate issued to the corporation in respect of each individual referred to in the first paragraph; and

(c) a copy of the annual qualification certificate issued for the purposes of this Title to the corporation by the Minister of Finance for all or part of the taxation year in respect of each individual referred to in the first paragraph.

2007, c. 12, s. 92.

776.1.9. A corporation may deduct from its tax payable under this Part for a taxation year, determined before the application of this Title, the unused portions of the tax credit of the corporation for the 10 taxation years that precede that taxation year.

Similarly, a corporation may deduct from its tax payable under this Part for a taxation year, determined before the application of this paragraph, the unused portions of the tax credit of the corporation for the three taxation years that follow that taxation year.

2007, c. 12, s. 92.

776.1.10. No amount is deductible under section 776.1.9 in respect of an unused portion of the tax credit for a taxation year until the unused portions of the tax credit for the preceding taxation years that are deductible have been deducted.

In addition, an unused portion of the tax credit may be deducted for a taxation year under section 776.1.9 only to the extent that it exceeds the aggregate of the amounts deducted in its respect for the preceding taxation years under that section.

2007, c. 12, s. 92.

776.1.11. Subject to sections 1010 to 1011 and for the purposes of this Title, when the Minister of Finance replaces or revokes a qualification certificate or an annual qualification certificate issued by the Minister of Finance to a corporation in respect of an individual for the purposes of this Title, the following rules apply:

(a) a qualification certificate or annual qualification certificate that is replaced is null from the time it was issued and the new qualification certificate or annual qualification certificate is deemed to have been issued at that time; and

(b) a qualification certificate or annual qualification certificate that is revoked is null from the time the revocation becomes effective.

The qualification certificate or annual qualification certificate so revoked is deemed not to have been issued as of the effective date specified in the notice of revocation.

2007, c. 12, s. 92.

776.1.12. If, at any time, control of a corporation is acquired by a person or group of persons, no amount may be deducted by the corporation under section 776.1.9 for a taxation year ending after that time in respect of the unused portion of the tax credit of the corporation for a taxation year ending before that time.

However, the corporation may deduct an amount under section 776.1.9 for a particular taxation year ending after the time referred to in the first paragraph, in respect of the portion that may reasonably be considered to be attributable to the carrying on of a business, of the unused portion of the tax credit of the

corporation for a taxation year ending before that time, if the corporation carried on the business throughout the particular taxation year for profit or with a reasonable expectation of profit.

The amount that the corporation may deduct under section 776.1.9 for the particular taxation year in respect of the portion described in the second paragraph is to be determined as if the reference in the first paragraph of that section to the tax payable under this Part for a taxation year, determined before the application of this Title, were a reference to the portion of the tax payable under this Part by the corporation for the particular taxation year, determined before the application of this Title, that may reasonably be attributed to the carrying on of the business referred to in the second paragraph and, if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before the time referred to in the first paragraph, of any other business substantially all the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

2007, c. 12, s. 92.

776.1.13. If, at any time, control of a corporation is acquired by a person or group of persons, no amount may be deducted by the corporation under section 776.1.9 for a taxation year ending before that time in respect of the unused portion of the tax credit of the corporation for a taxation year ending after that time.

However, the corporation may deduct an amount under section 776.1.9 for a particular taxation year ending before the time referred to in the first paragraph, in respect of the portion that may reasonably be considered to be attributable to the carrying on of a business, of the unused portion of the tax credit of the corporation for a taxation year ending after that time, if the corporation carried on the business throughout that taxation year and in the particular taxation year for profit or with a reasonable expectation of profit.

The amount that the corporation may deduct under section 776.1.9 for the particular taxation year in respect of the portion described in the second paragraph is to be determined as if the reference in the second paragraph of that section to the tax payable under this Part for a taxation year, determined before the application of the second paragraph of that section, were a reference to the portion of the tax payable under this Part by the corporation for the particular taxation year, determined before the application of the second paragraph of that section, that may reasonably be attributed to the carrying on of the business referred to in the second paragraph and, if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before the time referred to in the first paragraph, of any other business substantially all the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

2007, c. 12, s. 92.

776.1.14. For the purpose of computing the amount that a corporation may deduct under section 776.1.9 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, that unused portion of the tax credit of the corporation, otherwise determined, is to be reduced by the amount determined under the second paragraph if, in the particular taxation year or a preceding taxation year, an amount relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, other than an amount described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 776.1.7, is

(a) directly or indirectly refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) obtained by a person or partnership.

The amount to which the first paragraph refers is the amount by which the maximum amount that the corporation could have deducted under section 776.1.8 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year exceeds the aggregate of

(a) the maximum amount that the corporation could have deducted under that section for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year and if, for the purposes of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 776.1.7,

i. any amount referred to in the first paragraph in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is received or obtained at or before the end of the particular taxation year, had been received or obtained in the particular preceding taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.15 in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is paid or deemed to be paid under section 776.1.16 at or before the end of the particular taxation year, had been paid or deemed to be paid in the particular preceding taxation year; and

(b) any portion that may reasonably be considered as relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, of the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.27.16 for the particular taxation year or a preceding taxation year.

For the purpose of computing the amount that the corporation may deduct under section 776.1.9 for the particular taxation year in respect of the unused portion of the tax credit of the corporation for a taxation year other than the particular preceding taxation year, the corporation is deemed to have deducted under that section for the taxation years preceding the particular taxation year in respect of the unused portions of the tax credit of the corporation for the taxation years other than the particular preceding taxation year that are deductible for the particular taxation year, in addition to any other amount deducted or deemed to be deducted, an amount equal to the amount by which the amount determined under the second paragraph exceeds the amount by which the unused portion of the tax credit of the corporation for the particular preceding taxation year, determined before the application of this section and of section 776.1.15, exceeds the aggregate of the amounts deducted by the corporation under section 776.1.9 for the taxation years preceding the particular taxation year in respect of that unused portion of the tax credit of the corporation.

2007, c. 12, s. 92.

776.1.15. For the purpose of computing the amount that a corporation may deduct under section 776.1.9 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, that unused portion of the tax credit of the corporation, otherwise determined, is to be increased by the amount determined under the second paragraph if, in the particular taxation year or a preceding taxation year, an amount relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 776.1.7 or in subparagraph *a* or *b* of the first paragraph of section 776.1.14, is, pursuant to a legal obligation,

(a) paid by the corporation, and may reasonably be considered as the repayment of an amount attributable to the qualified wages that is referred to in that subparagraph i or that subparagraph *a*; or

(b) paid by a person or partnership, and may reasonably be considered as the repayment of an amount attributable to the qualified wages that is referred to in that subparagraph ii or subparagraph *b* of the first paragraph of section 776.1.14.

The amount to which the first paragraph refers is the amount by which the maximum amount that the corporation could have deducted under section 776.1.8 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year is exceeded by the aggregate of

(a) the maximum amount that the corporation could have deducted under that section for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year and if, for the purposes of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 776.1.7,

i. any amount referred to in the first paragraph in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is paid at or before the end of the particular taxation year had been paid in the particular preceding taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.14 in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is received or obtained at or before the end of the particular taxation year, had been received or obtained in the particular preceding taxation year; and

(b) any portion that may reasonably be considered as relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, of the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.27.16 for a taxation year preceding the particular taxation year.

For the purpose of computing the amount that the corporation may deduct under section 776.1.9 for the particular taxation year in respect of the unused portion of the tax credit of the corporation for a taxation year other than the particular preceding taxation year, the corporation shall also take into account the amount by which the unused portion of the tax credit of the corporation for the particular preceding taxation year is to be increased under the first paragraph.

2007, c. 12, s. 92.

776.1.16. For the purposes of section 776.1.15, an amount attributable to qualified wages paid by a corporation to an individual for a preceding taxation year, described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 776.1.7, is deemed to be repaid by a corporation, person or partnership, as the case may be, in a particular taxation year, pursuant to a legal obligation, if that amount

(a) is described in that subparagraph i or ii in relation to those qualified wages;

(b) in the case of an amount described in that subparagraph i, was not received by the corporation;

(c) in the case of an amount described in that subparagraph ii, was not obtained by the person or partnership; and

(d) ceased, in the particular taxation year, to be an amount that the corporation, person or partnership may reasonably expect to receive or obtain.

2007, c. 12, s. 92.

776.1.17. For the purposes of this Part, an amount deducted by a corporation under this Title in computing its tax payable under this Part for a preceding taxation year in respect of an expenditure made in a taxation year preceding a particular taxation year is to be considered as received by the corporation in the particular taxation year, to the extent that the amount is not considered, under this section, as received by the corporation in a taxation year preceding the particular taxation year.

2007, c. 12, s. 92.

776.1.18. Sections 1029.6.0.1.7 and 1029.6.0.1.8 apply to this Title, with the necessary modifications.

2007, c. 12, s. 92.

TITLE III.4

TAX CREDIT FOR THE DEVELOPMENT OF E-BUSINESS

2015, c. 36, s. 53.

776.1.19. In this Title, "unused portion of the tax credit" of a corporation for a taxation year means the amount by which the maximum amount that the corporation could deduct under section 776.1.20 for the taxation year if it had sufficient tax payable under this Part for the taxation year exceeds the tax payable by the corporation for the taxation year under this Part, determined before the application of that section and the second paragraph of section 776.1.21.

2015, c. 36, s. 53.

776.1.20. A corporation that is a qualified corporation for the purposes of Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX, for a taxation year, may deduct from its tax payable under this Part for the taxation year, determined before the application of this section and the second paragraph of section 776.1.21, an amount equal to 6% of the aggregate of all amounts each of which is wages, for the purposes of that Division II.6.0.1.9, that it incurred in the year and after 26 March 2015, and in respect of which the corporation is deemed to have paid an amount to the Minister for the year under that Division II.6.0.1.9.

2015, c. 36, s. 53.

776.1.21. A corporation may deduct, for a taxation year in respect of which the corporation is deemed to have paid an amount to the Minister under Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX, from its tax payable under this Part, determined before the application of this Title, the unused portions of the tax credit of the corporation for the 20 taxation years that precede that taxation year.

Similarly, a corporation may deduct, for a taxation year that ended after 26 March 2015 and in respect of which the corporation is deemed to have paid an amount to the Minister under Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX, from its tax payable under this Part, determined before the application of this paragraph, the unused portions of the tax credit of the corporation for the three taxation years that follow that taxation year.

2015, c. 36, s. 53.

776.1.22. No amount is deductible under section 776.1.21 in respect of an unused portion of the tax credit for a taxation year until the unused portions of the tax credit for the preceding taxation years that are deductible have been deducted.

In addition, an unused portion of the tax credit may be deducted for a taxation year under section 776.1.21 only to the extent that it exceeds the aggregate of the amounts deducted in its respect for the preceding taxation years under that section.

2015, c. 36, s. 53.

776.1.23. For the purpose of computing the amount that a corporation may deduct under section 776.1.21 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, that unused portion of the tax credit of the corporation, otherwise determined, is to be reduced by the amount determined under the second paragraph if, in the particular taxation year or a preceding taxation year, an amount relating to wages included in computing the qualified wages, for the purposes of Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX, paid by the corporation to an individual for the particular preceding taxation year, other than an amount described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.79, is

(a) directly or indirectly refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) obtained by a person or a partnership.

The amount to which the first paragraph refers is the amount by which the maximum amount that the corporation could have deducted under section 776.1.20 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year exceeds the aggregate of

(a) the maximum amount that the corporation could have deducted under that section for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year and if, for the purposes of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.79,

i. any amount referred to in the first paragraph in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is received or obtained at or before the end of the particular taxation year, had been received or obtained in the particular preceding taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.24 in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is paid or deemed to be paid under section 776.1.25 at or before the end of the particular taxation year, had been paid or deemed to be paid in the particular preceding taxation year; and

(b) any portion–that may reasonably be considered as relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year–of the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.27.20 for the particular taxation year or a preceding taxation year.

For the purpose of computing the amount that the corporation may deduct under section 776.1.21 for the particular taxation year in respect of the unused portion of the tax credit of the corporation for a taxation year other than the particular preceding taxation year, the corporation is deemed to have deducted under that section for the taxation years preceding the particular taxation year in respect of the unused portions of the tax credit of the corporation for the taxation years other than the particular preceding taxation year that are deductible for the particular taxation year, in addition to any other amount deducted or deemed to be deducted, an amount equal to the amount by which the amount determined under the second paragraph exceeds the amount by which the unused portion of the tax credit of the corporation for the particular preceding taxation year, determined before the application of this section and section 776.1.24, exceeds the aggregate of the amounts deducted by the corporation under section 776.1.21 for the taxation years preceding the particular taxation year in respect of that unused portion of the tax credit of the corporation.

2015, c. 36, s. 53.

776.1.24. For the purpose of computing the amount that a corporation may deduct under section 776.1.21 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, that unused portion of the tax credit of the corporation, otherwise determined, is to be increased by the amount determined under the second paragraph if, in the particular taxation year or a preceding taxation year, an amount relating to wages included in computing the qualified wages, for the purposes of Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX, paid by the corporation to an individual for the particular preceding taxation year, described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.79 or in subparagraph *a* or *b* of the first paragraph of section 776.1.23, is, pursuant to a legal obligation,

(a) paid by the corporation, and may reasonably be considered as the repayment of an amount attributable to the qualified wages that is referred to in that subparagraph i or that subparagraph *a*; or

(b) paid by a person or a partnership, and may reasonably be considered as the repayment of an amount attributable to the qualified wages that is referred to in that subparagraph ii or subparagraph *b* of the first paragraph of section 776.1.23.

The amount to which the first paragraph refers is the amount by which the maximum amount that the corporation could have deducted under section 776.1.20 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year is exceeded by the aggregate of

(a) the maximum amount that the corporation could have deducted under that section for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year and if, for the purposes of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.79,

i. any amount referred to in the first paragraph in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is paid at or before the end of the particular taxation year had been paid in the particular preceding taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.23 in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is received or obtained at or before the end of the particular taxation year, had been received or obtained in the particular preceding taxation year; and

(b) any portion–that may reasonably be considered as relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year–of the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.27.20 for a taxation year preceding the particular taxation year.

For the purpose of computing the amount that the corporation may deduct under section 776.1.21 for the particular taxation year in respect of the unused portion of the tax credit of the corporation for a taxation year other than the particular preceding taxation year, the corporation shall also take into account the amount by which the unused portion of the tax credit of the corporation for the particular preceding taxation year is to be increased under the first paragraph.

2015, c. 36, s. 53.

776.1.25. For the purposes of section 776.1.24, an amount attributable to qualified wages, for the purposes of Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX, paid by a corporation to an individual for a preceding taxation year, described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.79, is deemed to be repaid by a corporation, person or partnership, as the case may be, in a particular taxation year, pursuant to a legal obligation, if that amount

(a) is described in that subparagraph i or ii in relation to those qualified wages;

(b) in the case of an amount described in that subparagraph i, was not received by the corporation;

(c) in the case of an amount described in that subparagraph ii, was not obtained by the person or partnership; and

(d) ceased, in the particular taxation year, to be an amount that the corporation, person or partnership may reasonably expect to receive or obtain.

2015, c. 36, s. 53.

776.1.26. For the purposes of this Part, an amount deducted by a corporation under this Title in computing its tax payable under this Part for a preceding taxation year in respect of an expenditure made in a taxation year preceding a particular taxation year is to be considered as received by the corporation in the particular taxation year, to the extent that the amount is not considered, under this section, as received by the corporation in a taxation year preceding the particular taxation year.

2015, c. 36, s. 53.

TITLE III.5

TAX CREDIT FOR INTERNATIONAL FINANCIAL CENTRES

2017, c. 1, s. 234.

776.1.27. In this Title,

"eligible employee" of a corporation for all or part of a taxation year means an employee of the corporation in respect of whom a certificate to the effect that the employee is an eligible employee for all or part of the year is issued to the corporation for the year for the purposes of this Title;

"government assistance" means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, tax deduction, investment allowance or as any other form of assistance, except a deduction under this Title in computing tax payable under this Part;

"non-government assistance" means an amount that would be included in computing a taxpayer's income because of paragraph *w* of section 87, if that paragraph were read without reference to its subparagraphs i to iii and v, except a deduction under this Title in computing tax payable under this Part;

"qualified wages" incurred by a corporation in a taxation year in respect of an eligible employee for all or part of the taxation year means the lesser of

(a) the amount obtained by multiplying $75,000 by the proportion that the number of days in the taxation year during which the employee qualifies as an eligible employee of the corporation is of 365; and

(b) the amount by which the amount of the wages incurred in the year by the corporation in respect of the employee, while the employee qualifies as an eligible employee of the corporation, to the extent that that amount is paid, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such wages that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the taxation year, and

ii. the aggregate of all amounts each of which is the amount of a benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to the duties performed by the employee in the course of the operations of the business carried on by the corporation in the taxation year that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the corporation's filing-due date for that taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner;

"unused portion of the tax credit" of a corporation for a taxation year means the amount by which the maximum amount that the corporation could deduct under section 776.1.28 for the taxation year if it had sufficient tax payable under this Part for that taxation year exceeds the tax payable by the corporation for the taxation year under this Part, determined before the application of that section and of the second paragraph of section 776.1.29;

"wages" means the income computed under Chapters I and II of Title II of Book III, but includes benefits referred to in that Chapter II only if they were paid in currency.

2017, c. 1, s. 234; 2019, c. 14, s. 266; 2021, c. 18, s. 66.

776.1.28. A corporation operating an international financial centre in a taxation year that holds for that year a valid certificate issued for the purposes of this Title and that encloses with the fiscal return it is required to file for the year under section 1000 the documents described in the second paragraph may deduct from its tax payable under this Part for that year, determined before the application of this section and of the second paragraph of section 776.1.29, an amount equal to 24% of the aggregate of all amounts each of which is the qualified wages incurred by the corporation in the year in respect of an eligible employee for all or part of that year.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of any certificate that has been issued to the corporation for the taxation year for the purposes of this Title.

2017, c. 1, s. 234.

776.1.29. A corporation may deduct, for a taxation year in respect of which the corporation holds a valid qualification certificate issued for the purposes of this Title, from its tax payable under this Part, determined before the application of this Title, the unused portions of the tax credit of the corporation for the 20 taxation years that precede that taxation year.

Similarly, a corporation may deduct, for a taxation year that ended after 26 March 2015 and for which the corporation holds a valid qualification certificate issued for the purposes of this Title, from its tax payable under this Part, determined before the application of this paragraph, the unused portions of the tax credit of the corporation for the three taxation years that follow that taxation year.

2017, c. 1, s. 234.

776.1.30. No amount is deductible under section 776.1.29 in respect of an unused portion of the tax credit for a taxation year until the unused portions of the tax credit for the preceding taxation years that are deductible have been deducted.

In addition, an unused portion of the tax credit may be deducted for a taxation year under section 776.1.29 only to the extent that it exceeds the aggregate of the amounts deducted in its respect for the preceding taxation years under that section.

2017, c. 1, s. 234.

776.1.31. For the purpose of computing the amount that a corporation may deduct under section 776.1.29 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, that unused portion of the tax credit of the corporation, otherwise determined, is to be reduced by the amount determined under the second paragraph if, in the particular taxation year or a preceding taxation year, an amount relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, other than an amount described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in section 776.1.27, is

(a) directly or indirectly refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) obtained by a person or a partnership.

The amount to which the first paragraph refers is the amount by which the maximum amount that the corporation could have deducted under section 776.1.28 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year exceeds the aggregate of

(a) the maximum amount that the corporation could have deducted under that section for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year and if, for the purposes of paragraph *b* of the definition of "qualified wages" in section 776.1.27,

i. any amount referred to in the first paragraph in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is received or obtained at or before the end of the particular taxation year, had been received or obtained in the particular preceding taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.32 in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is paid or deemed to be paid under section 776.1.33 at or before the end of the particular taxation year, had been paid or deemed to be paid in the particular preceding taxation year; and

(b) any portion—that may reasonably be considered as relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year—of the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.27.24 for the particular taxation year or a preceding taxation year.

For the purpose of computing the amount that the corporation may deduct under section 776.1.29 for the particular taxation year in respect of the unused portion of the tax credit of the corporation for a taxation year other than the particular preceding taxation year, the corporation is deemed to have deducted under that section for the taxation years preceding the particular taxation year in respect of the unused portions of the tax credit of the corporation for the taxation years other than the particular preceding taxation year that are deductible for the particular taxation year, in addition to any other amount deducted or deemed to be deducted, an amount equal to the amount by which the amount determined under the second paragraph exceeds the amount by which the unused portion of the tax credit of the corporation for the particular preceding taxation year, determined before the application of this section and section 776.1.32, exceeds the aggregate of the amounts deducted by the corporation under section 776.1.29 for the taxation years preceding the particular taxation year in respect of that unused portion of the tax credit of the corporation.

2017, c. 1, s. 234.

776.1.32. For the purpose of computing the amount that a corporation may deduct under section 776.1.29 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, that unused portion of the tax credit of the corporation, otherwise determined, is to be increased by the amount determined under the second paragraph if, in the particular taxation year or a preceding taxation year, an amount relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in section 776.1.27 or in subparagraph *a* or *b* of the first paragraph of section 776.1.31, is, pursuant to a legal obligation,

(a) paid by the corporation, and may reasonably be considered as the repayment of an amount attributable to the qualified wages that is referred to in that subparagraph i or that subparagraph *a*; or

(b) paid by a person or a partnership, and may reasonably be considered as the repayment of an amount attributable to the qualified wages that is referred to in that subparagraph ii or in subparagraph *b* of the first paragraph of section 776.1.31.

The amount to which the first paragraph refers is the amount by which the maximum amount that the corporation could have deducted under section 776.1.28 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year is exceeded by the aggregate of

(a) the maximum amount that the corporation could have deducted under that section for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year and if, for the purposes of paragraph *b* of the definition of "qualified wages" in section 776.1.27,

i. any amount referred to in the first paragraph in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is paid at or before the end of the particular taxation year had been paid in the particular preceding taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.31 in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is received or obtained at or before the end of the particular taxation year, had been received or obtained in the particular preceding taxation year; and

(b) any portion—that may reasonably be considered as relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year—of the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.27.24 for a taxation year preceding the particular taxation year.

For the purpose of computing the amount that the corporation may deduct under section 776.1.29 for the particular taxation year in respect of the unused portion of the tax credit of the corporation for a taxation year other than the particular preceding taxation year, the corporation shall also take into account the amount by which the unused portion of the tax credit of the corporation for the particular preceding taxation year is to be increased under the first paragraph.

2017, c. 1, s. 234.

776.1.33. For the purposes of section 776.1.32, an amount attributable to qualified wages paid by a corporation to an individual for a preceding taxation year, described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in section 776.1.27, is deemed to be repaid by a corporation, person or partnership, as the case may be, in a particular taxation year, pursuant to a legal obligation, if that amount

(a) is described in that subparagraph i or ii in relation to those qualified wages;

(b) in the case of an amount described in that subparagraph i, was not received by the corporation;

(c) in the case of an amount described in that subparagraph ii, was not obtained by the person or partnership; and

(d) ceased, in the particular taxation year, to be an amount that the corporation, person or partnership may reasonably expect to receive or obtain.

2017, c. 1, s. 234.

776.1.34. For the purposes of this Part, an amount deducted by a corporation under this Title in computing its tax payable under this Part for a preceding taxation year in respect of an expenditure made in a taxation year preceding a particular taxation year is to be considered as received by the corporation in the particular taxation year, to the extent that the amount is not considered, under this section, as received by the corporation in a taxation year preceding the particular taxation year.

2017, c. 1, s. 234.

776.1.35. A corporation may deduct an amount under section 776.1.28 in computing its tax payable for a taxation year only if it files with the Minister the prescribed form containing prescribed information and a copy of each certificate it is required to file for the year in accordance with that section, on or before the day that is 12 months after the corporation's filing-due date for the year or, if it is later, the day that is three months after the date of issue of the certificate relating to the year.

Despite sections 1010 to 1011, the Minister shall redetermine the tax, interest and penalties payable by a corporation under this Part for a taxation year and make a reassessment for the year to give effect to the first paragraph to the extent that the reassessment may reasonably be considered to relate to an amount that is claimed as a deduction under section 776.1.28 for the year and in respect of which a certificate, referred to in the first paragraph and relating to the year, has been filed with the Minister after the day that is 12 months after the corporation's filing-due date for the year and on or before the day that is three months after the date of its issue.

2017, c. 1, s. 234.

TITLE III.6

TAX CREDIT TO FOSTER SYNERGY BETWEEN QUÉBEC BUSINESSES

2021, c. 18, s. 67.

776.1.36. In this Title,

"authorized investment certificate" held by a corporation means a certificate that was issued to the corporation for the purposes of this Title;

"eligible investment" of a qualified investor for a taxation year in a corporation in relation to an authorized investment certificate held by the corporation means the aggregate of all amounts each of which is an amount paid in the year to the corporation by the qualified investor for the acquisition, in the year, of a share of the capital stock of the corporation in relation to that certificate, where

(a) the share issued to the qualified investor, at the time of acquisition, is a common share having full voting rights under all circumstances;

(b) the share is acquired by the qualified investor as first purchaser;

(c) the share is fully paid-up, at the time of acquisition, for consideration in money equal to its fair market value at that time;

(d) the authorized investment certificate is valid at the time the share is issued;

(e) the qualified investor disposed of no other share of the capital stock of the corporation on the day the share was issued or in the 24 months preceding that day;

(f) the qualified investor and the corporation are dealing at arm's length with each other at the time the share is issued;

(g) the qualified investor and the corporation are not associated with each other in the year; and

(h) the qualified investor neither disposed of nor exchanged the share in the year, except in the following cases:

i. bankruptcy or insolvency of the qualified investor or the corporation,

ii. unilateral redemption of the share by the corporation, or

iii. redemption of the share by the corporation at the qualified investor's request where the law confers on the qualified investor the right to demand that all its shares be redeemed;

"excluded investor" for a taxation year means

(a) a specified financial institution at any time in the year;

(b) an investment corporation for the year;

(c) a mortgage investment corporation for the year;

(d) a mutual fund corporation at any time in the year;

(e) a corporation whose principal business for the year is

i. the leasing, rental, development or sale of immovable property owned by it,

ii. the making of loans or investment of funds in the form of shares of the capital stock of other corporations, notes, hypothecary claims, mortgages, debentures, bills, bonds or other similar obligations, or

iii. any combination of the activities described in subparagraphs i and ii;

(f) a corporation that is exempt from tax for the year under Book VIII; or

(g) a corporation that would be exempt from tax for the year under section 985, but for section 192;

"qualified investor" for a taxation year means a corporation (other than an excluded investor for the year) that, in the year, carries on a business in Québec and has an establishment in Québec;

"unused portion of the tax credit" of a qualified investor for a taxation year means the amount by which the maximum amount that the qualified investor could deduct under section 776.1.38 for the year if it had sufficient tax payable under this Part for that year exceeds the tax payable by the qualified investor for the year under this Part, determined before the application of that section and of the second paragraph of section 776.1.39.

For the purposes of the definition of "eligible investment" in the first paragraph, the amount of a qualified investor's eligible investment for a taxation year in a corporation in relation to an authorized investment certificate may not be greater than the amount by which the lesser of the amount of the authorized investment specified in the authorized investment certificate of which the qualified investor obtained a copy in accordance with subparagraph *b* of the second paragraph of section 776.1.38 and the portion of such an amount that the corporation assigned to the qualified investor exceeds the amount of the qualified investor's eligible investment for a preceding taxation year in the corporation in relation to the authorized investment certificate.

2021, c. 18, s. 67.

776.1.37. For the purposes of this Title and Part III.6.7, where a qualified investor has an eligible investment for a taxation year in a particular corporation in relation to an authorized investment certificate, the particular corporation is amalgamated with one or more other corporations, and the qualified investor receives a share of the capital stock of the corporation resulting from the amalgamation (in this section referred to as the "new share") in exchange for a share of the capital stock of the particular corporation that was acquired in connection with the eligible investment (in this section referred to as the "exchanged share"), the new share is deemed to be the same share as the exchanged share, provided the new share is a common share having full voting rights under all circumstances and the qualified investor receives no other consideration for the new share.

2021, c. 18, s. 67.

776.1.38. A qualified investor for a taxation year that, on or before the day that is 12 months after the qualified investor's filing-due date for that year, encloses the documents described in the second paragraph with the fiscal return it is required to file under section 1000 for the year may deduct from its tax payable under this Part for that year, determined before the application of this section and of the second paragraph of section 776.1.39, an amount equal to 30% of the lesser of $750,000 and the aggregate of all amounts each of which is its eligible investment for the year in a corporation in relation to an authorized investment certificate.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of the authorized investment certificate relating to each of the qualified investor's eligible investments for the year in a corporation; and

(c) a written confirmation from the authorized representative of the corporation holding the authorized investment certificate referred to in subparagraph *b* specifying the amount received from the qualified investor for the issue of shares of the capital stock of the corporation in relation to the certificate, the issue date of the shares and the portion of the amount of the authorized investment specified in the certificate that was assigned by the corporation to the qualified investor.

2021, c. 18, s. 67.

776.1.39. A qualified investor for a taxation year may deduct from its tax payable under this Part for the year, determined before the application of this Title, the unused portions of the tax credit of the qualified investor for the 20 taxation years that precede that taxation year.

Similarly, a qualified investor for a taxation year ending after 31 December 2020 may deduct from its tax payable under this Part for that taxation year, determined before the application of this paragraph, the unused portions of the tax credit of the qualified investor for the three taxation years that follow that taxation year.

2021, c. 18, s. 67.

776.1.40. No amount is deductible under section 776.1.39 in respect of an unused portion of the tax credit for a taxation year until the unused portions of the tax credit for the preceding taxation years that are deductible have been deducted.

In addition, an unused portion of the tax credit may be deducted for a taxation year under section 776.1.39 only to the extent that it exceeds the aggregate of the amounts deducted in its respect for the preceding taxation years under that section.

2021, c. 18, s. 67.

776.1.41. For the purpose of computing the amount that a corporation may deduct under section 776.1.39 for a particular taxation year described in the second paragraph and a subsequent taxation year, in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the particular taxation year, the unused portion of the tax credit of the corporation, otherwise determined, is to be reduced by the amount determined under the third paragraph where, in relation to an eligible investment that the corporation made in another corporation in the particular preceding year,

(a) the corporation and the other corporation are associated with each other in the particular year; or

(b) in the particular year, the corporation disposed of or exchanged a share of the capital stock of the other corporation acquired in connection with the eligible investment, otherwise than by reason of the corporation's or the other corporation's bankruptcy or insolvency, the unilateral redemption of the share by the other corporation, or the redemption of the share by the other corporation at the corporation's request where the law confers on it the right to demand that all its shares be redeemed.

The particular taxation year to which the first paragraph refers is

(a) in the case provided for in subparagraph *a* of the first paragraph, a taxation year that begins in the 48-month period following the end of the taxation year in which a share was acquired in connection with the eligible investment; or

(b) in the case provided for in subparagraph *b* of the first paragraph, the taxation year that includes the day on which the corporation disposed of or exchanged the share, provided that day occurs in the 60-month period that begins on the day on which the share is issued.

The amount to which the first paragraph refers is the amount by which the maximum amount that the corporation could have deducted under section 776.1.38 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year exceeds

(a) in the case provided for in subparagraph *a* of the first paragraph, the aggregate of

i. the maximum amount that the corporation could have deducted under section 776.1.38 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year and if no reference were made to any particular eligible investment of the corporation in a corporation with which it becomes associated, under circumstances described in the first paragraph, at any time in the particular year, and

ii. any portion—that may reasonably be considered as relating to a particular eligible investment—of the aggregate of all amounts each of which is a tax that the corporation would be required to pay for the particular taxation year, or would have been required to pay for a preceding taxation year, if the amount determined under subparagraph *b* of the second paragraph of sections 1129.27.28 and 1129.27.29 were nil; or

(b) in the case provided for in subparagraph *b* of the first paragraph, the aggregate of

i. the maximum amount that the corporation could have deducted under section 776.1.38 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year and if, for the purposes of the definition of "eligible investment" in the first paragraph of section 776.1.36 for the preceding taxation year, no reference were made to any amount paid for the acquisition of a share referred to in that subparagraph *b* of the capital stock of another corporation, unless section 1129.27.29 applies to the corporation for the particular taxation year or applied to the corporation for a taxation year preceding the particular year, and

ii. any portion—that may reasonably be considered as relating to an eligible investment for the particular preceding taxation year—of the aggregate of all amounts each of which is a tax that the corporation would be required to pay for the particular taxation year, or would have been required to pay for a preceding taxation year, if the amount determined under subparagraph *b* of the second paragraph of section 1129.27.28 were nil.

For the purpose of computing the amount that the corporation may deduct under section 776.1.39 for the particular taxation year in respect of the unused portion of the tax credit of the corporation for a taxation year other than the particular preceding taxation year, the corporation is deemed to have deducted under that section for the taxation years preceding the particular taxation year in respect of the unused portions of the tax credit of the corporation for the taxation years other than the particular preceding taxation year that are deductible for the particular taxation year, in addition to any other amount deducted or deemed to be deducted, an amount equal to the amount by which the amount determined under subparagraph *a* or *b* of the third paragraph, as the case may be, exceeds the amount by which the unused portion of the tax credit of the corporation for the particular preceding taxation year, determined before the application of this section, exceeds the aggregate of the amounts deducted by the corporation under section 776.1.39 for the taxation years preceding the particular taxation year in respect of the unused portion of the tax credit.

2021, c. 18, s. 67.

TITLE IV

Repealed, 1989, c. 5, s. 129.

1981, c. 24, s. 15; 1989, c. 5, s. 129.

776.2. *(Repealed).*

1981, c. 24, s. 15; 1982, c. 5, s. 145; 1983, c. 20, s. 4; 1987, c. 67, s. 155; 1989, c. 5, s. 129.

776.3. *(Repealed).*

1981, c. 24, s. 15; 1989, c. 5, s. 129.

776.4. *(Repealed).*

1981, c. 24, s. 15; 1989, c. 5, s. 129.

776.5. *(Repealed).*

1981, c. 24, s. 15; 1985, c. 25, s. 133; 1989, c. 5, s. 129.

TITLE IV.1

Repealed, 1997, c. 85, s. 172.

1986, c. 103, s. 11; 1997, c. 85, s. 172.

776.5.1. *(Repealed).*

1986, c. 103, s. 11; 1989, c. 5, s. 130; 1997, c. 85, s. 172.

TITLE V

SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT TAX CREDIT

1985, c. 25, s. 134; 1987, c. 67, s. 156.

CHAPTER I

INTERPRETATION

1985, c. 25, s. 134.

776.6. For the purposes of this Part,

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

(b) "unused scientific research and experimental development tax credit" of an individual other than a trust for a taxation year means an amount equal to the amount by which his scientific research and experimental development tax credit for the year exceeds his tax otherwise payable for the year under this Part or, where Book V.1 of this Part applies to the individual for the year, the amount by which his tax otherwise payable for the year under this Part exceeds the amount of his minimum tax determined for the year under section 776.46, as the case may be.

1985, c. 25, s. 134; 1987, c. 67, s. 157; 1990, c. 59, s. 297; 1997, c. 3, s. 71.

776.7. In this Title and Title V.1,

(a) "qualifying security" means

i. a share;

ii. a bond, debenture, bill, hypothecary claim, mortgage or similar obligation; or

iii. a right under a scientific research and experimental development financing contract, issued or granted after 30 September 1983, other than a prescribed security;

(b) "holder" of a qualifying security means

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

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

(c) "tax otherwise payable" by an individual under this Part for a taxation year means the tax payable by him for the year under this Part, computed without reference to section 776.17.

1985, c. 25, s. 134; 1986, c. 15, s. 124; 1987, c. 67, s. 158; 1988, c. 18, s. 68; 1989, c. 5, s. 131; 1996, c. 39, s. 211; 2001, c. 53, s. 145; 2005, c. 1, s. 185.

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

1985, c. 25, s. 134; 1997, c. 3, s. 71.

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

1985, c. 25, s. 134; 1987, c. 67, s. 159; 1997, c. 3, s. 71.

776.9.1. For the purposes of this Title and of Title V.1, where a qualifying security described in subparagraph i or ii of paragraph *a* of section 776.7 of a public corporation is lawfully distributed to the public in accordance with a prospectus, registration statement or similar document filed with a public body in Canada pursuant to and in accordance with the law of Canada or of any province, and, where required by law, accepted for filing by such public body and where the corporation if it has designated an amount under section 776.10 in respect of the qualifying security, the corporation may, in the return prescribed for the purposes of that section 776.10, elect that the first person, other than a broker or dealer in securities acting as an intermediary, to have acquired the qualifying security shall be considered to be the first holder of a qualifying security and, in such a case, no other person may then be considered the first holder thereof.

1986, c. 15, s. 125; 1997, c. 3, s. 71; 2001, c. 53, s. 146.

776.9.2. For the purposes of this Title and of Title V.1, the amount of consideration for which a qualifying security is issued or granted includes the amount of consideration for the designation made under section 776.10 in respect of the qualifying security or for the designation mentioned in section 776.18 in respect of the qualifying security.

In addition, the amount of consideration received by a corporation for the designations mentioned in sections 776.10, 776.18 and 776.19 in respect of a qualifying security shall not be included in computing the income of the corporation.

1986, c. 15, s. 125; 1997, c. 3, s. 71.

CHAPTER II

DESIGNATION BY A CORPORATION

1985, c. 25, s. 134; 1997, c. 3, s. 71.

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

No designation referred to in the first paragraph is valid unless it is made in the prescribed return and the prescribed manner.

1985, c. 25, s. 134; 1997, c. 3, s. 71; 2001, c. 53, s. 147.

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

1985, c. 25, s. 134; 1997, c. 3, s. 71.

CHAPTER III

BENEFICIARY UNDER TRUST

1985, c. 25, s. 134.

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

(a) the trust may, having regard to all the circumstances including the terms and conditions of the trust arrangement, in its fiscal return for that year, attribute to the individual the prescribed portion of that amount, to the extent that that portion was not attributed by the trust to any other beneficiary under the trust; and

(b) the prescribed portion contemplated in paragraph *a* that is attributed to the individual is deemed to be an amount designated by the corporation, under section 776.10, on the last day of that year, in respect of a qualifying security acquired by the individual on that day where the individual is the first holder thereof.

For the purposes of the first paragraph, a trust does not include a trust exempt from tax under sections 980 to 999.1 or governed by an employee benefit plan or by a plan the registration of which is revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1985, c. 25, s. 134; 1986, c. 15, s. 126; 1991, c. 25, s. 92; 1997, c. 3, s. 71.

CHAPTER IV

MEMBER OF PARTNERSHIP

1985, c. 25, s. 134; 1997, c. 3, s. 71.

776.13. For the purposes of this Title and sections 255 to 258, where an individual other than a broker or dealer in securities is a member of a partnership and an amount is designated by a corporation under section 776.10 in respect of a qualifying security acquired by the partnership, in a taxation year of the partnership, where the partnership is the first holder thereof, such portion of that amount as may reasonably be considered to be the individual's share thereof is deemed to be an amount designated by the corporation, under section 776.10, on the last day of that year, in respect of a qualifying security acquired by the individual on that day where the individual is the first holder thereof.

1985, c. 25, s. 134; 1997, c. 3, s. 71.

CHAPTER V

COST OF QUALIFYING SECURITY

1985, c. 25, s. 134.

776.14. For the purposes of this Part, where in a taxation year a person has acquired and is the first holder of a qualifying security in respect of which an amount was designated by a corporation under section 776.10, the cost to him of the security is deemed to be that provided for in section 776.15.

1985, c. 25, s. 134; 1997, c. 3, s. 71.

776.15. The cost to a person of a qualifying security contemplated in section 776.14 is equal to the amount by which

(a) its cost as otherwise determined to the person contemplated therein exceeds

(b) 50% of the designated amount contemplated therein in respect of the security.

1985, c. 25, s. 134.

776.16. Where the amount determined under paragraph *b* of section 776.15 exceeds the amount determined under paragraph *a* of the said section 776.15, the excess,

(a) where the qualifying security contemplated in section 776.14 is a capital property to the person contemplated in the said section 776.14, is deemed to be a capital gain of the person for the year in which the security is acquired, from the disposition of that property, and

(b) in any other case, shall be included in computing the income of the person for that year.

The cost to that person of the qualifying security is in that case deemed to be nil.

1985, c. 25, s. 134.

CHAPTER VI

DEDUCTION

1985, c. 25, s. 134.

776.17. An individual other than a trust may deduct from his tax otherwise payable for a taxation year under this Part an amount not greater than the aggregate of his scientific research and experimental development tax credit for the year and his unused scientific research and experimental development tax credit for the following taxation year.

1985, c. 25, s. 134; 1987, c. 67, s. 160; 1988, c. 4, s. 71; 1988, c. 18, s. 69.

TITLE V.1

COST OF CERTAIN SECURITIES GIVING RIGHT TO TAX CREDIT

1985, c. 25, s. 134.

776.18. For the purposes of this Part, where in a taxation year a corporation has acquired and is the first holder of a qualifying security in respect of which an amount was designated by another corporation under subsection 4 of section 194 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the cost to the corporation of the security is deemed to be that provided for in the second paragraph.

The cost to a corporation of a qualifying security contemplated in the first paragraph is equal to the amount by which

(a) its costs as otherwise determined to the corporation contemplated therein exceeds

(b) 50% of the designated amount contemplated therein in respect of the security.

1985, c. 25, s. 134; 1997, c. 3, s. 71.

776.19. For the purposes of this Part, where in a taxation year a person has acquired and is the first holder of a share in respect of which an amount was designated by a corporation under subsection 4 of section 192 of

the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the cost to the person of that share is deemed to be that provided for in the second paragraph.

The cost to a person of a share contemplated in the first paragraph is equal to the amount by which

(a) its cost as otherwise determined to the person contemplated therein exceeds

(b) the designated amount contemplated therein in respect of the share.

1985, c. 25, s. 134; 1997, c. 3, s. 71; 2017, c. 29, s. 161.

776.20. Where the amount determined under paragraph *b* of section 776.18 or 776.19, as the case may be, exceeds the amount determined under paragraph *a* of the said section 776.18 or 776.19, as the case may be, the excess

(a) where the qualifying security or share, as the case may be, contemplated in section 776.18 or 776.19 respectively is a capital property to the person contemplated in the said section 776.18 or 776.19, as the case may be, is deemed to be a capital gain of the person for the year in which the qualifying security or share, as the case may be, is acquired, from the disposition of that property; and,

(b) where paragraph *a* does not apply, shall be included in computing the income of the person for the year of the acquisition.

The cost to that person of the qualifying security or share, as the case may be, is in that case deemed to be nil.

1985, c. 25, s. 134.

TITLE VI

Repealed, 1989, c. 5, s. 132.

1986, c. 15, s. 127; 1989, c. 5, s. 132.

CHAPTER I

Repealed, 1989, c. 5, s. 132.

1986, c. 15, s. 127; 1989, c. 5, s. 132.

776.21. *(Repealed).*

1986, c. 15, s. 127; 1988, c. 4, s. 72; 1989, c. 5, s. 132.

776.21.1. *(Repealed).*

1988, c. 4, s. 73; 1989, c. 5, s. 132.

CHAPTER II

Repealed, 1989, c. 5, s. 132.

1986, c. 15, s. 127; 1989, c. 5, s. 132.

776.22. *(Repealed).*

1986, c. 15, s. 127; 1988, c. 4, s. 74; 1989, c. 5, s. 132.

776.23. *(Repealed).*

1986, c. 15, s. 127; 1987, c. 21, s. 32; 1988, c. 4, s. 75; 1989, c. 5, s. 132.

776.24. *(Repealed).*

1986, c. 15, s. 127; 1987, c. 21, s. 33; 1988, c. 4, s. 76; 1989, c. 5, s. 132.

776.24.1. *(Repealed).*

1987, c. 21, s. 34; 1988, c. 4, s. 77; 1989, c. 5, s. 132.

776.25. *(Repealed).*

1986, c. 15, s. 127; 1989, c. 5, s. 132.

776.26. *(Repealed).*

1986, c. 15, s. 127; 1988, c. 4, s. 78; 1989, c. 5, s. 132.

776.27. *(Repealed).*

1986, c. 15, s. 127; 1987, c. 21, s. 35; 1989, c. 5, s. 132.

776.28. *(Repealed).*

1986, c. 15, s. 127; 1989, c. 5, s. 132.

TITLE VII

Repealed, 2005, c. 1, s. 186.

1988, c. 4, s. 79; 2005, c. 1, s. 186.

CHAPTER I

Repealed, 2005, c. 1, s. 186.

1988, c. 4, s. 79; 2005, c. 1, s. 186.

776.29. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 133; 1989, c. 77, s. 86; 1991, c. 25, s. 93; 1992, c. 21, s. 171; 1993, c. 16, s. 290; 1993, c. 64, s. 85; 1994, c. 22, s. 272; 1995, c. 1, s. 86; 1995, c. 63, s. 88; 1997, c. 3, s. 71; 1997, c. 14, s. 137; 1997, c. 85, s. 173; 2003, c. 9, s. 108; 2005, c. 1, s. 186.

776.29.1. *(Repealed).*

2001, c. 51, s. 74; 2004, c. 21, s. 215; 2005, c. 1, s. 186.

776.29.2. *(Repealed).*

2004, c. 21, s. 216; 2005, c. 1, s. 186.

776.30. *(Repealed).*

1988, c. 4, s. 79; 1995, c. 1, s. 87; 1997, c. 85, s. 174; 2003, c. 9, s. 109.

776.30.1. *(Repealed).*

1997, c. 85, s. 175; 2001, c. 53, s. 148; 2003, c. 9, s. 110; 2005, c. 1, s. 186.

776.31. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 134; 1997, c. 85, s. 330; 2005, c. 1, s. 186.

CHAPTER II

Repealed, 2005, c. 1, s. 186.

1988, c. 4, s. 79; 2005, c. 1, s. 186.

776.32. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 135; 1997, c. 85, s. 176; 1999, c. 83, s. 112; 2005, c. 1, s. 186.

776.32.1. *(Repealed).*

1997, c. 85, s. 177; 2005, c. 1, s. 186.

776.32.2. *(Repealed).*

1997, c. 85, s. 177; 2005, c. 1, s. 186.

776.33. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 136; 1990, c. 7, s. 71; 1991, c. 8, s. 51; 1992, c. 1, s. 75; 1993, c. 19, s. 66; 1993, c. 64, s. 86; 1997, c. 85, s. 178; 1999, c. 83, s. 113; 2005, c. 1, s. 186.

776.34. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 137; 1989, c. 77, s. 87; 1991, c. 8, s. 52; 1992, c. 1, s. 76; 1993, c. 19, s. 67; 1995, c. 1, s. 88; 1997, c. 85, s. 179; 2001, c. 51, s. 75; 2005, c. 1, s. 186.

776.35. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 138; 1990, c. 7, s. 72; 1991, c. 8, s. 53; 1992, c. 1, s. 77; 1993, c. 19, s. 68; 1993, c. 64, s. 87; 1997, c. 85, s. 180.

776.36. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 139; 1990, c. 7, s. 73; 1994, c. 22, s. 273; 1997, c. 14, s. 138; 1997, c. 85, s. 180.

776.37. *(Repealed).*

1988, c. 4, s. 79; 1997, c. 85, s. 181; 2005, c. 1, s. 186.

776.38. *(Repealed).*

1988, c. 4, s. 79; 1996, c. 39, s. 212; 1997, c. 85, s. 330; 2005, c. 1, s. 186.

776.39. *(Repealed).*

1988, c. 4, s. 79; 1999, c. 83, s. 114.

776.40. *(Repealed).*

1988, c. 4, s. 79; 1997, c. 85, s. 182; 1999, c. 83, s. 114.

TITLE VIII

Repealed, 1995, c. 63, s. 89.

1988, c. 4, s. 79; 1995, c. 63, s. 89.

776.41. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 140; 1990, c. 7, s. 74; 1991, c. 8, s. 54; 1992, c. 1, s. 78; 1993, c. 19, s. 69; 1993, c. 64, s. 88; 1995, c. 63, s. 89.

TITLE IX

TRANSFER TO SPOUSE OF UNUSED PORTION OF NON-REFUNDABLE TAX CREDITS

2003, c. 9, s. 111.

776.41.1. In this Title, the eligible spouse of an individual for a taxation year means

(a) where the taxation year is not the taxation year referred to in paragraph *b*,

i. the person who is the spouse of the individual at the end of 31 December of the year and who, at that time, is not living separate and apart from the individual, or

ii. where the individual does not have a spouse at the end of 31 December of the year, the last person who, during the year, has been the spouse of the individual, if that person died in the year and if, at the time of death, that person was the spouse of the individual and was not living separate and apart from the individual; and

(b) where the taxation year is the taxation year in which the individual dies,

i. the person who, at the time of the individuals' death, was the spouse of the individual and who, at that time, was not living separate and apart from the individual, except if that person was the spouse of another individual at the end of 31 December of the year or, if the person died in the year, at the time of the person's death, or

ii. where the individual did not have a spouse at the time of the individual's death, the last person who, during the year, had been the spouse of the individual, if that person died in the year and if, at the time of death, the person was the spouse of the individual and was not living separate and apart from the individual.

2003, c. 9, s. 111.

776.41.2. For the purposes of section 776.41.1, a person shall not be considered to be living separate and apart from an individual at any time in a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time.

2003, c. 9, s. 111.

776.41.3. For the purposes of section 776.41.1, where an individual would, but for this section, have more than one eligible spouse for a taxation year, the individual is deemed to have only one eligible spouse for the year and to be the eligible spouse for the year of that person only.

For the purposes of section 776.41.1, where a person would, but for this section, be the eligible spouse of more than one individual for a taxation year, the Minister may designate which of the individuals is deemed to

have that person as sole eligible spouse for the year and that person is deemed to be the eligible spouse for the year solely of the individual so designated by the Minister.

2003, c. 9, s. 111.

776.41.4. For the purposes of sections 776.41.1 to 776.41.3, "taxation year" has the meaning that would be assigned by this Part if it were read without reference to section 779.

2003, c. 9, s. 111.

776.41.5. Subject to the fourth paragraph and sections 776.41.6 to 776.41.10, an individual who has an eligible spouse for a taxation year may deduct from the individual's tax otherwise payable for the year under this Part, computed without reference to section 752.12, the amount determined by the formula

A - B.

In the formula provided for in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount that the individual's eligible spouse for the taxation year may deduct under this Book in computing the eligible spouse's tax otherwise payable for the year under this Part, other than an amount deductible under any of sections 752.0.10.0.3, 752.0.10.0.9, 752.0.10.6.1, 752.12, 776.1.5.0.17 and 776.1.5.0.18; and

(b) B is the tax otherwise payable of the individual's eligible spouse for the taxation year, computed without reference to the deductions provided for in this Book, except those provided for in sections 752.0.10.0.3, 752.0.10.0.9, 752.0.10.6.1, 752.12, 776.1.5.0.17 and 776.1.5.0.18.

For the purposes of subparagraph *a* of the second paragraph, the following rules apply:

(a) an individual whose eligible spouse for a taxation year transfers for the year an amount to another individual in accordance with the first paragraph of section 776.41.14 shall reduce the aggregate described in subparagraph *a* of the second paragraph by the total of all amounts each of which is an amount that the eligible spouse so transfers for the year to another individual; and

(b) if the eligible spouse of an individual for a taxation year may deduct, for the year, an amount under any of sections 752.0.10.6, 752.0.10.6.2, 752.0.11, 752.0.18.10, 752.0.18.15, 772.8, 776.1.1 and 776.1.2 (in this subparagraph referred to as the "deductible amount"), the individual may, in respect of the deductible amount, include in the aggregate described in subparagraph *a* of the second paragraph only the portion of the deductible amount claimed as a deduction by the eligible spouse in the fiscal return the eligible spouse files for the year.

An individual may deduct an amount under this section in computing the individual's tax otherwise payable under this Part for a taxation year only if the individual and the individual's eligible spouse for the year file a fiscal return for the year under this Part.

2003, c. 9, s. 111; 2005, c. 1, s. 187; 2006, c. 36, s. 84; 2009, c. 5, s. 327; 2009, c. 15, s. 155; 2010, c. 25, s. 85; 2011, c. 34, s. 40; 2013, c. 10, s. 64; 2015, c. 21, s. 319; 2019, c. 14, s. 267.

776.41.6. Where an individual is referred to in the second paragraph of section 22 or 25, the amount that may be deducted by the individual under section 776.41.5 in computing the individual's tax otherwise payable for a taxation year under this Part shall not exceed the portion of the amount that is the proportion referred to in the second paragraph of section 22 or 25, as the case may be.

2003, c. 9, s. 111.

776.41.7. Where an individual is resident in Canada only during part of a taxation year, the following rules apply for the purpose of determining the amount that may be deducted by the individual under section 776.41.5 in computing the individual's tax otherwise payable for the year under this Part:

(a) in respect of any period in the year throughout which the individual was resident in Canada, the amount deductible under section 776.41.5 must be computed as though that period were a whole taxation year and the amount that would have been deductible under section 776.41.5, if the individual had been resident in Canada throughout the year, were replaced by an amount equal to the proportion of the amount that the number of days in that period is of the number of days in the year; and

(b) in respect of a period in the year that is not referred to in subparagraph *a*, the amount deductible under section 776.41.5 must be computed as though that period were a whole taxation year.

Notwithstanding the foregoing, the amount deductible by the individual for the year under section 776.41.5, as a consequence of the application of the rules set out in the first paragraph, shall not exceed the amount that would have been otherwise deductible, under section 776.41.5, if the individual had been resident in Canada throughout the year.

2003, c. 9, s. 111.

776.41.8. Where an individual is referred to in the second paragraph of section 26, section 776.41.5 does not apply for the purpose of computing the individual's tax otherwise payable for a taxation year under this Part.

However, where all or substantially all of the individual's income for the year, as determined under section 28, is included in computing the individual's taxable income earned in Canada for the year, determined with reference to the third paragraph, the individual may deduct, in computing the individual's tax otherwise payable for the year under this Part, such portion of the amount, as determined under section 776.41.5, that is the proportion referred to in the second paragraph of section 26.

For the purposes of the second paragraph, the taxable income earned in Canada by an individual for a taxation year is determined as if section 1090 were read for the year without reference to its second, third and fourth paragraphs and as if subparagraph *a* of the first paragraph of that section were replaced, for the year, by the following subparagraph:

"(*a*) the aggregate of the income from the duties of offices or employments performed by the individual in Canada and the income from the duties of offices or employments performed by the individual outside Canada if the individual was resident in Canada at the time the individual performed the duties;".

2003, c. 9, s. 111; 2015, c. 36, s. 54.

776.41.9. Where an individual dies in a taxation year, the amount determined in respect of the individual for the year under section 776.41.5 may be deducted only in computing the individual's tax payable as indicated in the fiscal return the individual is required to file for the year under this Part, otherwise than as the result of an election made by the individual's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

Where the eligible spouse of an individual for a taxation year dies in the year, the individual may deduct, in computing the individual's tax payable for the year under section 776.41.5, only the amount determined by the formula provided for in the first paragraph of that section on the basis of the amounts indicated in the fiscal return of the individual's eligible spouse for the year filed under this Part, otherwise than as the result of an election made by the individual's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

2003, c. 9, s. 111.

776.41.10. Where an individual has become a bankrupt during a calendar year, the individual may, for that year, deduct an amount under section 776.41.5 only in computing the individual's tax payable as indicated in the fiscal return the individual is required to file under this Part for the taxation year that is deemed, under section 779, to commence on the date of the bankruptcy.

Where the eligible spouse of an individual for a taxation year has become a bankrupt during a calendar year, the amount that the individual may deduct for the taxation year under section 776.41.5 in computing the individual's tax payable is equal to the aggregate of all amounts each of which is the amount determined under the first paragraph of section 776.41.5 for each of the taxation years of the eligible spouse that is included in the calendar year.

2003, c. 9, s. 111.

776.41.11. Where an individual deducts an amount under section 776.41.5 in computing tax payable under this Part for a taxation year, and where a portion of that amount is reasonably attributable to a deduction to which the eligible spouse of the individual for the year is entitled for the year under a particular provision referred to in the second paragraph, the portion of that amount is deemed to be deducted under the particular provision by the eligible spouse in computing tax payable under this Part for the year for the purpose of determining the amount that the eligible spouse will be entitled to deduct, under the particular provision or another particular provision, in computing the tax payable under this Part for another taxation year.

The provisions to which the first paragraph refers are sections 752.0.10.6, 752.0.10.6.2, 752.0.11, 752.0.18.10, 752.0.18.15, 772.8, 776.1.1 and 776.1.2.

For the purpose of determining the portion of the amount that an individual may deduct under section 776.41.5 in computing tax payable under this Part for a taxation year that is reasonably attributable to a deduction to which the eligible spouse of the individual for the year is entitled for the year under a particular provision referred to in the second paragraph, the provisions referred to in that paragraph shall be applied in the order provided for in that paragraph.

2003, c. 9, s. 111; 2015, c. 21, s. 320.

TITLE X

TRANSFER OF THE UNUSED PORTION OF A STUDENT'S BASIC PERSONAL TAX CREDIT

2009, c. 5, s. 328.

776.41.12. In this Title,

"designated educational institution" means an educational institution that the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology designates for the purposes of the loans and bursaries program for full-time studies in vocational training at the secondary level and for full-time studies at the postsecondary level established under the Act respecting financial assistance for education expenses (chapter A-13.3);

"eligible student" for a taxation year means, subject to the second paragraph, a person who is 18 years of age or over during the year and who began, in the year, a recognized term of study at a designated educational institution where the person was enrolled in a recognized educational program;

"recognized educational program" means an educational program that provides that each student taking the program spend not less than 9 hours per week on courses or work in the program and that is,

(a) if the educational institution is situated in Québec, an educational program recognized by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology for the purposes of the loans and bursaries program for full-time studies in vocational training at the secondary level and for full-time studies at the postsecondary level established under the Act respecting financial assistance for education expenses; and

(b) if the educational institution is situated outside Québec, an educational program at the college level or at the university level or the equivalent;

"recognized term of study" means a term that is completed and during which a person was in full-time attendance at a designated educational institution.

However, a person is an eligible student only if the person's enrolment in a recognized educational program at a designated educational institution is proven by filing with the Minister a declaration in the prescribed form issued by the designated educational institution and containing prescribed information.

2009, c. 5, s. 328; 2013, c. 28, s. 139.

776.41.13. For the purposes of this Title, if a person has a major functional deficiency within the meaning of the Regulation respecting financial assistance for education expenses (chapter A-13.3, r. 1), and the person, for that reason, pursues studies on a part-time basis during a taxation year, the following rules apply:

(a) the person is deemed to be pursuing studies on a full-time basis during the year; and

(b) the definition of "recognized educational program" in the first paragraph of section 776.41.12 is to be read as if "spend not less than 9 hours per week on courses or work in the program" was replaced by "receive a minimum of 20 hours of instruction per month".

2009, c. 5, s. 328.

776.41.14. An individual who is the father or mother of an eligible student for a taxation year may deduct from the individual's tax otherwise payable for the year under this Part the amount that the eligible student transfers to the individual for the year, for the purposes of this Title, by means of the prescribed form containing prescribed information and that may not exceed the amount determined by the formula

A - B - C.

In the formula in the first paragraph,

(a) A is the amount obtained by multiplying the percentage determined under section 750.1 for the year by

i. $12,638, if the eligible student began in the year at least two recognized terms of study, or

ii. the amount by which $12,638 exceeds $3,537, if the eligible student began in the year only one recognized term of study;

(b) B is the total of

i. the amount obtained by multiplying the percentage determined under section 750.1 for the year by the aggregate of all amounts each of which is an amount determined for the year under any of sections 752.0.0.4 to 752.0.0.6 in respect of the eligible student, or

ii. the aggregate of all amounts each of which has been paid, in the year, to the eligible student in respect of an amount deemed under section 1029.8.116.16 to be an overpayment of the eligible student's tax payable or of another individual's tax payable; and

(c) C is the eligible student's tax otherwise payable for the year under this Part, computed without reference to the deductions under this Book.

For the purpose of determining, for a taxation year, the amount that an eligible student who reaches 18 years of age in the year may transfer to an individual for the purposes of the first paragraph, subparagraph *a* of the second paragraph is to be read as follows:

"(*a*) A is the amount obtained by multiplying the percentage determined under section 750.1 for the year by the total of

i. $3,537 in respect of each recognized term of study, without exceeding two, that the eligible student began in the year, and

ii. the proportion that the number of months in the year following the month in which the eligible student reaches 18 years of age is of 12, multiplied by the amount by which $12,638 exceeds the amount obtained by multiplying $3,537 by 2;"

An individual may deduct an amount under this section in computing the individual's tax otherwise payable under this Part for a taxation year only if

(a) the individual files a fiscal return for the year under this Part; and

(b) the eligible student of whom the individual is the father or mother files a fiscal return for the year under this Part, together with the prescribed form.

2009, c. 5, s. 328; 2010, c. 25, s. 86; 2011, c. 6, s. 169; 2015, c. 36, s. 55; 2017, c. 29, s. 162; 2023, c. 19, s. 59.

776.41.15. If, for a taxation year, more than one individual is entitled to deduct an amount under section 776.41.14 in respect of the same eligible student, the aggregate of the amounts that the individuals may so deduct may not exceed the limit that is the amount that one of those individuals could deduct for the year under section 776.41.14 in respect of the student, if the individual were the only individual to whom the eligible student could transfer an amount for the year in accordance with the first paragraph of that section.

If the aggregate of the amounts that the individuals could, but for this section, deduct for the year under section 776.41.14 in respect of the eligible student exceeds the limit provided for in the first paragraph, the Minister may determine the amount that each of the individuals may deduct for the year in respect of the student under that section and the amount so determined is deemed to be the amount that the eligible student transferred for the year to the individual in accordance with the first paragraph of that section.

2009, c. 5, s. 328.

776.41.16. The amount that an individual referred to in the second paragraph of section 22 or 25 may deduct, under section 776.41.14, from the individual's tax otherwise payable for a taxation year under this Part may not exceed the portion of that amount that is the proportion referred to in the second paragraph of section 22 or 25.

2009, c. 5, s. 328.

776.41.17. The following rules apply for the purpose of determining the amount that an individual who was resident in Canada for only part of a taxation year may deduct, under section 776.41.14, from the individual's tax otherwise payable for the year under this Part in relation to an eligible student:

(a) in respect of any period in the year throughout which the individual was resident in Canada, the amount deductible under section 776.41.14 in relation to the student is to be established as if the period was a whole taxation year and the amount that the student transfers to the individual for the purposes of the first paragraph of section 776.41.14 was replaced by the proportion of that amount that the number of days in the period is of the number of days in the year; and

(b) in respect of a period in the year that is not referred to in subparagraph *a*, the amount deductible under section 776.41.14 in relation to the student is to be established as if the period was a whole taxation year.

However, the amount that the individual may deduct for the year under section 776.41.14 in respect of the eligible student, as a consequence of the application of the rules of the first paragraph, must not exceed the amount that would otherwise have been deductible in respect of the student, under that section, if the individual had been resident in Canada throughout the year.

2009, c. 5, s. 328.

776.41.18. Section 776.41.14 does not apply for the purpose of computing the tax otherwise payable of an individual referred to in the second paragraph of section 26 for a taxation year under this Part.

However, an individual all or substantially all of whose income for the year, determined under section 28, is included in computing the individual's taxable income earned in Canada for the year, determined with reference to the third paragraph, may deduct, from the individual's tax otherwise payable for the year under this Part, the portion of the amount, determined under section 776.41.14, that is the proportion referred to in the second paragraph of section 26.

For the purposes of the second paragraph, the taxable income earned in Canada by an individual for a taxation year is determined as if section 1090 were read for the year without reference to its second, third and fourth paragraphs and as if subparagraph *a* of the first paragraph of that section were replaced, for the year, by the following subparagraph:

"(*a*) the aggregate of the income from the duties of offices or employments performed by the individual in Canada and the income from the duties of offices or employments performed by the individual outside Canada if the individual was resident in Canada at the time the individual performed the duties;".

2009, c. 5, s. 328; 2015, c. 36, s. 56.

776.41.19. The amount that an individual who became a bankrupt in a calendar year may deduct, under section 776.41.14, from the individual's tax otherwise payable under this Part for each of the individual's taxation years referred to in section 779 that end in the calendar year is equal to the portion of that amount, otherwise determined, that is the proportion that the number of days in that taxation year is of the number of days in the calendar year.

2009, c. 5, s. 328.

776.41.20. An individual who dies in a taxation year may deduct an amount for the year under section 776.41.14 only in computing the individual's tax payable as specified in the individual's fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the individual's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

An individual may deduct for a taxation year under section 776.41.14 in respect of an eligible student who dies in the year only the amount that is transferred to the individual by means of the prescribed form that is enclosed with the eligible student's fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the eligible student's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

2009, c. 5, s. 328.

TITLE XI

TRANSFER OF THE UNUSED PORTION OF THE TAX CREDIT FOR TUITION FEES AND EXAMINATION FEES

2009, c. 5, s. 328.

776.41.21. An individual who is the father, mother, grandfather or grandmother of a person may deduct, from the individual's tax otherwise payable for a taxation year under this Part, the amount that the person

transfers to the individual for the year, for the purposes of this Title, by means of the prescribed form containing prescribed information and that may not exceed the amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is

i. for a taxation year subsequent to the taxation year 2013, the amount obtained by multiplying 8% by the amount by which the amount deemed to have been paid by the individual under subsection 1 of section 122.91 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for the year is exceeded by the aggregate of all amounts each of which is either the amount of the person's tuition fees that are paid in respect of the year and referred to in subparagraph i of paragraph *a* of section 752.0.18.10 or the amount of the person's examination fees that are paid in respect of the year and referred to in any of subparagraphs ii to iv of that paragraph *a*, or

ii. for the taxation year 2013, the aggregate of

(1) the amount obtained by multiplying 8% by the aggregate of all amounts each of which is either the amount of the person's tuition fees that are referred to in subparagraph v or vi of paragraph *a* of section 752.0.18.10 or the amount of the person's examination fees that are referred to in subparagraph vii of that paragraph *a*, and

(2) the amount obtained by multiplying 20% by the aggregate of all amounts each of which is either the amount of the person's tuition fees that are referred to in subparagraph v or vi of paragraph *b* of section 752.0.18.10 or the amount of the person's examination fees that are referred to in subparagraph vii of that paragraph *b*; and

(b) B is the person's tax otherwise payable for the year under this Part, computed by taking into account only the amounts that the person may deduct under sections 752.0.0.1, 752.0.1, 752.0.7.4, 752.0.10.0.3, 752.0.10.0.5, 752.0.10.0.7, 752.0.10.0.9, 752.0.10.6 to 752.0.10.6.2, 752.0.11, 752.0.13.1, 752.0.13.1.1, 752.0.14, 752.0.18.3, 752.0.18.8, 776.1.5.0.17, 776.1.5.0.18 and 776.41.14.

For the purposes of subparagraph *b* of the second paragraph, the amount that a person may, if applicable, deduct, for a taxation year, under any of sections 752.0.10.6 to 752.0.10.6.2 and 752.0.11 is deemed to be equal to the portion of that amount that the person claims as a deduction in the person's fiscal return that the person files for the year under this Part.

A person may transfer an amount for a taxation year, in accordance with the first paragraph, to no more than one individual, provided the aggregate of the amounts described in subparagraph *a* of the second paragraph in respect of the person exceeds $100.

An individual may deduct an amount under this section in computing the individual's tax otherwise payable under this Part for a taxation year only if

(a) the individual files a fiscal return for the year under this Part; and

(b) the person of whom the individual is the father, mother, grandfather or grandmother files a fiscal return for the year under this Part, together with the prescribed form.

2009, c. 5, s. 328; 2010, c. 25, s. 87; 2012, c. 8, s. 138; 2013, c. 10, s. 65; 2015, c. 21, s. 321; 2015, c. 24, s. 110; 2019, c. 14, s. 268; 2021, c. 18, s. 68.

776.41.22. The amount that an individual referred to in the second paragraph of section 22 or 25 may deduct, under section 776.41.21, from the individual's tax otherwise payable for a taxation year under this Part may not exceed the portion of that amount that is the proportion referred to in the second paragraph of section 22 or 25.

2009, c. 5, s. 328.

776.41.23. The following rules apply for the purpose of determining the amount that an individual who was resident in Canada for only part of a taxation year may deduct, under section 776.41.21, from the individual's tax otherwise payable for the year under this Part in relation to a person:

(a) in respect of any period in the year throughout which the individual was resident in Canada, the individual may deduct under section 776.41.21, in relation to the person, the portion of the amount that the person transfers to the individual for the year, in accordance with the first paragraph of that section, that may reasonably be considered to be entirely attributable to such a period, established as if the period was a whole taxation year; and

(b) in respect of a period in the year that is not referred to in subparagraph *a*, the amount deductible under section 776.41.21 in relation to the person is to be established as if the period was a whole taxation year.

However, the amount that the individual may deduct for the year under section 776.41.21 in respect of the person, as a consequence of the application of the rules of the first paragraph, must not exceed the amount that would otherwise have been deductible in respect of the person, under that section, if the individual had been resident in Canada throughout the year.

2009, c. 5, s. 328.

776.41.24. Section 776.41.21 does not apply for the purpose of computing the tax otherwise payable of an individual referred to in the second paragraph of section 26 for a taxation year under this Part.

However, an individual all or substantially all of whose income for the year, determined under section 28, is included in computing the individual's taxable income earned in Canada for the year, determined with reference to the third paragraph, may deduct, from the individual's tax otherwise payable for the year under this Part, the portion of the amount, determined under section 776.41.21, that is the proportion referred to in the second paragraph of section 26.

For the purposes of the second paragraph, the taxable income earned in Canada by an individual for a taxation year is determined as if section 1090 were read for the year without reference to its second, third and fourth paragraphs and as if subparagraph *a* of the first paragraph of that section were replaced, for the year, by the following subparagraph:

"(*a*) the aggregate of the income from the duties of offices or employments performed by the individual in Canada and the income from the duties of offices or employments performed by the individual outside Canada if the individual was resident in Canada at the time the individual performed the duties;".

2009, c. 5, s. 328; 2015, c. 36, s. 57.

776.41.25. The amount that an individual who became a bankrupt in a calendar year may deduct, under section 776.41.21, from the individual's tax otherwise payable under this Part for each of the individual's taxation years referred to in section 779 that end in the calendar year, is equal to the portion of that amount, otherwise determined, that is the proportion that the number of days in that taxation year is of the number of days in the calendar year.

2009, c. 5, s. 328.

776.41.26. An individual who dies in a taxation year may deduct an amount for the year under section 776.41.21 only in computing the individual's tax payable as specified in the individual's fiscal return that is

required to be filed for the year under this Part, otherwise than because of an election made by the individual's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

An individual may deduct for a taxation year under section 776.41.21 in respect of a person who dies in the year only the amount that is transferred to the individual by means of the prescribed form that is enclosed with the person's fiscal return that is required to be filed for the year under this Part, otherwise than because of an election made by the person's legal representative in accordance with the second paragraph of section 429 or section 681 or 1003.

2009, c. 5, s. 328.

BOOK V.1

ALTERNATIVE MINIMUM TAX

1988, c. 4, s. 79.

TITLE I

LIABILITY

1988, c. 4, s. 79.

776.42. Notwithstanding any other provision of this Act and subject to section 766.3.7, where the amount that is an individual's tax otherwise payable for a taxation year under Book V is less than the amount by which the minimum tax applicable to the individual for the year, determined under section 776.46, exceeds the aggregate of the amounts referred to in sections 772.2 to 772.13.3, the individual's tax payable under this Part for the year is equal to that excess amount.

1988, c. 4, s. 79; 1989, c. 5, s. 141; 1990, c. 59, s. 298; 1992, c. 1, s. 79; 1995, c. 1, s. 89; 1995, c. 63, s. 90; 1996, c. 39, s. 273; 1997, c. 85, s. 183; 2000, c. 5, s. 173; 2001, c. 53, s. 149; 2005, c. 23, s. 111; 2012, c. 8, s. 139; 2015, c. 21, s. 322.

776.43. Section 776.42 also applies to an individual referred to in the second paragraph of section 22, 25 or 26.

In such a case, section 776.42 shall be construed as if the proportion referred to in the second paragraph of the said sections applied to the tax otherwise payable by the individual for the taxation year computed under Book V.

The proportion referred to in the second paragraph of the said sections applies in respect of the amount determined by the formula in the first paragraph of section 776.46, in relation to the minimum tax applicable to the individual for the year.

1988, c. 4, s. 79; 1989, c. 5, s. 142; 1995, c. 1, s. 90; 1997, c. 85, s. 184; 2001, c. 53, s. 150; 2015, c. 21, s. 323.

776.44. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 143; 1992, c. 1, s. 80; 2005, c. 23, s. 112.

776.45. Section 776.42 does not apply in respect of

(a) a separate return of income of the individual filed under the second paragraph of section 429 or section 681, 782 or 1003;

(b) (paragraph repealed);

(c) the taxation year in which the individual dies;

(d) the taxation year 1986 of a taxpayer who died in 1987;

(d.1) a taxation year of a trust throughout which the trust is a segregated fund trust, within the meaning of subparagraph *k* of the first paragraph of section 835, a mutual fund trust, an employee life and health trust, or a master trust within the meaning of the regulations made under paragraph *c*.4 of section 998;

(e) a trust described in subparagraph *a* of the first paragraph and in the second paragraph of section 653 or in subparagraph *a*.1 of the said first paragraph for its taxation year that includes the day determined in respect of the trust under any of those subparagraphs;

(f) (paragraph repealed).

1988, c. 4, s. 79; 1990, c. 59, s. 299; 1993, c. 16, s. 291; 1994, c. 22, s. 274; 1997, c. 85, s. 185; 2000, c. 5, s. 174; 2001, c. 53, s. 151; 2005, c. 23, s. 113; 2010, c. 25, s. 88; 2011, c. 6, s. 170.

TITLE II

MINIMUM TAX APPLICABLE TO AN INDIVIDUAL

1988, c. 4, s. 79.

776.46. An individual's minimum tax for a taxation year is equal to the aggregate of the amount that the individual is required to add to the individual's tax payable for the year under this Part in accordance with section 766.3.2 and the amount determined by the formula

A × (B - C) - D.

In the formula provided for in the first paragraph,

(a) A is a rate of

i. 22%, where the taxation year is the year 2000,

ii. 20.75%, where the taxation year is the year 2001,

iii. 20%, where the taxation year is the year 2002;

iv. 16%, where the taxation year is subsequent to the year 2002 and precedes the year 2017,

v. 15%, where the taxation year is subsequent to the year 2016 and precedes the year 2023, and

vi. 14%, where the taxation year is the year 2023 or a subsequent year;

(b) the letter B represents the adjusted taxable income of the individual for the year determined under Title IV;

(c) the letter C represents

i. in the case of an individual (other than a trust) or a succession that is a graduated rate estate, $40,000, and

ii. in any other case, an amount equal to zero; and

(d) the letter D represents his basic minimum tax deduction for the year determined under section 776.65;

(e) (subparagraph repealed).

1988, c. 4, s. 79; 1989, c. 5, s. 144; 1993, c. 64, s. 89; 1997, c. 85, s. 330; 2001, c. 51, s. 76; 2005, c. 23, s. 114; 2005, c. 38, s. 196; 2015, c. 21, s. 324; 2017, c. 1, s. 235; 2017, c. 29, s. 163; 2023, c. 19, s. 60.

TITLE III

Repealed, 2017, c. 1, s. 236.

1988, c. 4, s. 79; 2017, c. 1, s. 236.

776.47. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 145; 1990, c. 7, s. 75; 1992, c. 1, s. 81; 1993, c. 64, s. 90; 1997, c. 14, s. 290; 2005, c. 23, s. 115; 2017, c. 1, s. 236.

776.48. *(Repealed).*

1988, c. 4, s. 79; 1997, c. 14, s. 290; 2005, c. 23, s. 116; 2017, c. 1, s. 236.

776.49. *(Repealed).*

1988, c. 4, s. 79; 1997, c. 14, s. 290; 2005, c. 23, s. 116; 2017, c. 1, s. 236.

TITLE IV

ADJUSTED TAXABLE INCOME

1988, c. 4, s. 79.

CHAPTER I

INTERPRETATION

1988, c. 4, s. 79.

776.50. In this Title,

(a) (paragraph repealed);

(a.1) "rental or leasing property" means a property that is a rental property or a leasing property for the purposes of Title XII of the Regulation respecting the Taxation Act (chapter I-3, r. 1);

(a.2) "limited partner" has the meaning that would be assigned by section 613.6 if that section were read without reference to "if his partnership interest is not an exempt interest at that time, within the meaning assigned by section 613.7, and";

(b) "film property" means a property described in subparagraph *n* or *r* of the first paragraph of class 12 of Schedule B to the Regulation respecting the Taxation Act or a prescribed property.

1988, c. 4, s. 79; 1989, c. 5, s. 146; 1993, c. 19, s. 70; 2000, c. 5, s. 175; 2009, c. 15, s. 156.

CHAPTER II

DETERMINATION OF ADJUSTED TAXABLE INCOME

1988, c. 4, s. 79.

776.51. An individual's adjusted taxable income for a taxation year is the amount that would represent his taxable income for the year or his taxable income earned in Canada for the year, as the case may be, if it were computed with reference to the rules prescribed in sections 776.53 to 776.64.

1988, c. 4, s. 79; 2001, c. 53, s. 152.

776.52. *(Repealed).*

1988, c. 4, s. 79; 1991, c. 25, s. 94; 1993, c. 16, s. 394; 1997, c. 14, s. 139; 2001, c. 53, s. 153.

776.53. For the purposes of section 776.51, the aggregate of all amounts each of which is an amount deductible under paragraph *a* of section 130 or any of sections 147, 160, 163, 176, 176.4, 176.6 and 179 in computing the individual's income for the year in respect of a rental or leasing property, other than an amount included in the individual's share of a loss referred to in section 776.55.1, shall be established as if it were equal to the lesser of

(a) the aggregate of all amounts otherwise so deductible; and

(b) the amount by which the amount determined under the second paragraph is exceeded by the aggregate of

i. the aggregate of all amounts each of which is the individual's income for the year from the renting or leasing of a rental or leasing property owned by the individual or by a partnership, computed without reference to paragraph *a* of section 130 and sections 147, 160, 163, 176, 176.4, 176.6 and 179, and

ii. the amount by which the aggregate of all amounts each of which is the individual's taxable capital gain for the year from the disposition of a rental or leasing property owned by the individual or by a partnership exceeds the aggregate of all amounts each of which is the individual's allowable capital loss for the year from the disposition of such a property.

The amount to which subparagraph *b* of the first paragraph refers is equal to the aggregate of all amounts each of which is the individual's loss for the year from the renting or leasing of a rental or leasing property owned by the individual or by a partnership, other than an amount included in the individual's share of a loss referred to in section 776.55.1, computed without reference to paragraph *a* of section 130 and sections 147, 160, 163, 176, 176.4, 176.6 and 179.

1988, c. 4, s. 79; 1997, c. 3, s. 71; 2000, c. 5, s. 176.

776.54. For the purposes of section 776.51, the aggregate of all amounts each of which is an amount deductible under paragraph *a* of section 130 or any of sections 147, 160, 163, 176, 176.4, 176.6, 179, 726.4.1, 726.4.3 and 726.4.4 in computing the individual's income or taxable income, as the case may be, for the year in respect of a film property that is a property referred to in subparagraph *r* of the first paragraph of Class 12 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) or paragraph *q* or *r* of the second paragraph of Class 10 of that schedule, other than an amount included in the individual's share of a loss referred to in section 776.55.1, shall be established as if it were equal to the lesser of

(a) the aggregate of all amounts otherwise so deductible; and

(b) the amount by which the amount determined under the second paragraph is exceeded by the aggregate of

i. the aggregate of all amounts each of which is the individual's income for the year from the renting or leasing of a film property owned by the individual or by a partnership, computed without reference to paragraph *a* of section 130 and sections 147, 160, 163, 176, 176.4, 176.6 and 179, and

ii. the amount by which the aggregate of all amounts each of which is the individual's taxable capital gain for the year from the disposition of such a film property owned by the individual or by a partnership exceeds the aggregate of all amounts each of which is the individual's allowable capital loss for the year from the disposition of such a film property.

The amount to which subparagraph *b* of the first paragraph refers is equal to the aggregate of all amounts each of which is the individual's loss for the year from such a film property owned by the individual or by a partnership, other than amounts included in the individual's share of a loss referred to in section 776.55.1, computed without reference to paragraph *a* of section 130 and sections 147, 160, 163, 176, 176.4, 176.6 and 179.

1988, c. 4, s. 79; 1989, c. 5, s. 147; 1997, c. 3, s. 71; 2000, c. 5, s. 176; 2009, c. 15, s. 157.

776.54.1. For the purposes of section 776.51, the aggregate of all amounts deductible by the individual in computing the individual's taxable income for the year under any of sections 726.3, 726.4 and 726.4.0.1 is to be determined as if it were equal,

(a) (subparagraph repealed);

(b) in the case of section 726.3, to the aggregate of all amounts each of which is equal to the portion of the amount otherwise deducted by the individual for the year, under that section 726.3, in respect of the aggregate of the individual's interest in a qualified investment and the individual's additional interest in respect of the qualified investment, within the meaning assigned by paragraphs *b*.2 and *c* of section 965.29, that exceeds the aggregate of the amount of the individual's interest in the qualified investment and the individual's additional interest in respect of the qualified investment;

(c) in the case of section 726.4, to the aggregate of all amounts each of which is equal to the portion of the amount otherwise deducted by the individual for the year, under that section 726.4, in respect of a qualifying security, within the meaning of paragraph *d* of section 965.35 or section 965.39.1, that exceeds its cost to the individual; and

(d) in the case of section 726.4.0.1, to the aggregate of all amounts each of which is equal to the amount otherwise deducted by the individual for the year, under section 726.4.0.1, in respect of a qualifying share or qualifying security, within the meaning of the first paragraph of section 965.55, that exceeds its cost to the individual.

2000, c. 39, s. 94; 2006, c. 37, s. 35; 2007, c. 12, s. 93; 2017, c. 29, s. 164.

776.55. For the purposes of section 776.51, the aggregate of all amounts deductible by the individual in computing his taxable income for the year under sections 726.4.5, 726.4.6 and 726.4.7 in respect of film properties shall be established as if it were equal to the lesser of

(a) the aggregate of the amounts otherwise so deductible in computing his taxable income for the year; and

(b) the amount by which the amount determined under the second paragraph is exceeded by the aggregate of

i. the aggregate of all amounts each of which is the individual's income for the year from the renting or leasing of a film property owned by the individual or by a partnership, computed without reference to paragraph *a* of section 130 and sections 147, 160, 163, 176, 176.4, 176.6 and 179, and

ii. the amount by which the aggregate of all amounts each of which is the individual's taxable capital gain for the year from the disposition of a film property owned by the individual or by a partnership exceeds the aggregate of all amounts each of which is the individual's allowable capital loss for the year from the disposition of such a film property.

The amount to which subparagraph *b* of the first paragraph refers is equal to the aggregate of

(a) the lesser of the amounts determined under subparagraphs *a* and *b* of the first paragraph of section 776.54 in respect of the individual for the year; and

(b) all amounts each of which is the individual's loss for the year from a film property owned by the individual or by a partnership, other than amounts included in the individual's share of a loss referred to in section 776.55.1, computed without reference to paragraph *a* of section 130 and sections 147, 160, 163, 176, 176.4, 176.6 and 179.

1988, c. 4, s. 79; 1989, c. 5, s. 148; 1997, c. 3, s. 71; 2000, c. 5, s. 177.

776.55.1. For the purposes of section 776.51, where, during a partnership's fiscal period that ends in the year, other than a fiscal period the end of which coincides with that of a fiscal period of the partnership to which subsection 1 of section 99 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) applies, the individual's interest in the partnership is an interest for which an identification number is required to be, or has been, obtained under Book X.1, the following rules apply:

(a) the individual's share of allowable capital losses of the partnership for the fiscal period shall be established as if it were equal to the lesser of

i. the aggregate of all amounts each of which is

(1) the individual's share of a taxable capital gain for the fiscal period from the disposition of property, other than property acquired by the partnership in a transaction to which the second paragraph of section 614 applies, or

(2) the individual's taxable capital gain for the year from the disposition of the individual's interest in the partnership if the individual, or a person with whom the individual does not deal at arm's length, does not, or would not, but for paragraph *a* of section 618 and section 640, have an interest in the partnership throughout the following taxation year, and

ii. the individual's share of allowable capital losses of the partnership for the fiscal period;

(b) the individual's share of each loss from a business of the partnership for the fiscal period shall be established as if it were equal to the lesser of

i. the individual's share of the loss, and

ii. the amount by which the aggregate of all amounts each of which is the individual's share of an allowable capital loss for the fiscal period is exceeded by the aggregate of all amounts each of which is

(1) the individual's share of a taxable capital gain for the fiscal period from the disposition of property used by the partnership in the business, other than property acquired by the partnership in a transaction to which the second paragraph of section 614 applies, or

(2) the individual's taxable capital gain for the year from the disposition of the individual's interest in the partnership if the individual, or a person with whom the individual does not deal at arm's length, does not, or would not, but for paragraph *a* of section 618 and section 640, have an interest in the partnership throughout the following taxation year; and

(c) the individual's share of losses from property of the partnership for the fiscal period shall be established as if it were equal to the lesser of

i. the aggregate of the individual's share of incomes for the fiscal period from properties of the partnership and the amount by which the aggregate of all amounts each of which is the individual's share of an allowable capital loss for the fiscal period is exceeded by the aggregate of all amounts each of which is

(1) the individual's share of a taxable capital gain for the fiscal period from the disposition of property held by the partnership for the purpose of earning income from property, other than property acquired by the partnership in a transaction to which the second paragraph of section 614 applies, or

(2) the individual's taxable capital gain for the year from the disposition of the individual's interest in the partnership if the individual, or a person with whom the individual does not deal at arm's length, does not, or would not, but for paragraph *a* of section 618 and section 640, have an interest in the partnership throughout the following taxation year, and

ii. the individual's share of losses from property of the partnership for the fiscal period.

2000, c. 5, s. 178; 2009, c. 5, s. 329; 2015, c. 24, s. 111.

776.55.2. For the purposes of section 776.51, where, during a partnership's fiscal period that ends in the year, other than a fiscal period the end of which coincides with that of a fiscal period of the partnership to which subsection 1 of section 99 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) applies, the individual is a limited partner of the partnership or a specified member of the partnership at all times since becoming a member of the partnership, or the partnership owns a rental or leasing property or a film property and the individual is a member of the partnership, the aggregate of all amounts each of which is an amount deductible under any of sections 147, 160, 163, 176, 176.4, 176.6 and 179 in computing the individual's income for the year in respect of the individual's acquisition of the partnership interest shall be established as if it were equal to the lesser of

(a) the aggregate of all amounts otherwise so deductible; and

(b) the aggregate of all amounts each of which is the individual's share of any income of the partnership for the fiscal period, determined in accordance with section 600.

2000, c. 5, s. 178; 2009, c. 5, s. 329.

776.55.3. For the purposes of section 776.51, the aggregate of all amounts each of which is an amount deductible in computing the individual's income for the year in respect of a property for which an identification number is required to be, or has been, obtained under Book X.1, other than an amount to which any of sections 776.53 to 776.55.2 applies, shall be established as if it were nil.

2000, c. 5, s. 178.

776.56. For the purposes of section 776.51, except in respect of a disposition of property occurring before 1 January 1986 or to which sections 484 to 484.6 apply,

(a) the first paragraph of section 231 shall be construed as if the taxable capital gain, the allowable capital loss or the allowable business investment loss represented 80% of the capital gain, of the capital loss or of the business investment loss, as the case may be, from the disposition of property;

(b) section 265 shall be construed as if the taxable net gain represented 80% of the net gain from the disposition of precious property;

(c) each amount that is designated by a trust for a particular taxation year of the trust in respect of the individual and deemed by section 668 to be a taxable capital gain for the year of the individual is deemed to be equal to 80% of the quotient obtained when that amount is divided by the fraction provided for the purposes of section 231 in respect of the trust for the particular taxation year.

(d) (paragraph repealed).

1988, c. 4, s. 79; 1989, c. 5, s. 148; 1994, c. 22, s. 275; 1996, c. 39, s. 213; 2003, c. 2, s. 244; 2005, c. 23, s. 117; 2009, c. 5, s. 330; 2015, c. 21, s. 325.

776.57. For the purposes of section 776.51, the aggregate of all amounts deductible by an individual in computing his income or his taxable income, as the case may be, for the year under sections 359 to 418.12, 419.1 to 419.4, 419.6, 600.1, 600.2 and 726.4.17.10 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to paragraphs 10 and 12 of section 29 of the Income Tax Application Rules, 1971 (R.S.C. 1985, c. 2, (5th Suppl.)), shall be established as if it were equal to the lesser of

(a) the aggregate of all amounts otherwise so deductible by the individual in computing his income or his taxable income, as the case may be, for the year; and

(b) the aggregate of the following amounts:

i. his income for the year from royalties in respect of, and such part of his income, other than royalties, for the year as may reasonably be considered as attributable to, the production of petroleum, natural gas and minerals, determined before deducting the amounts referred to in paragraph *a*,

i.1. his income for the year from property, or from the business of selling the product of property, described in Class 43.1 or 43.2 in Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), determined before deducting the amounts referred to in paragraph *a*, and

ii. all amounts included in computing his income for the year under sections 330 to 333.

1988, c. 4, s. 79; 1989, c. 5, s. 149; 1990, c. 7, s. 76; 1992, c. 1, s. 82; 1998, c. 16, s. 251; 2000, c. 39, s. 95; 2015, c. 21, s. 326.

776.57.1. For the purposes of section 776.51, the aggregate of all amounts each of which is an amount deductible under any of sections 147, 160, 163, 176, 176.4, 176.6 and 179 in computing the individual's income for the year in respect of one of the properties described in the third paragraph, shall be established as if it were equal to the lesser of

(a) the aggregate of all amounts otherwise so deductible; and

(b) the amount by which the amount determined under the second paragraph is exceeded by the aggregate of all amounts each of which is an amount described in subparagraph i or ii of paragraph *b* of section 776.57, determined without reference to sections 147, 160, 163, 176, 176.4, 176.6 and 179.

The amount to which the first paragraph refers is equal to the aggregate of all amounts each of which is an amount deductible under any of sections 359 to 418.12, 419.1 to 419.4, 419.6, 600.1, 600.2 and 726.4.17.10 or section 88.4 of the Act respecting the application of the Taxation Act (chapter I-4), to the extent that that section refers to subsections 10 and 12 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada, 1985, chapter 2, 5th Supplement) in computing the individual's income or taxable income, as the case may be, for the year.

The properties to which the first paragraph refers are

(a) a flow-through share, if the individual is a person to whom the share was issued in accordance with an agreement referred to in the first paragraph of section 359.1;

(b) a Canadian resource property; and

(c) a foreign resource property.

2000, c. 5, s. 179; 2000, c. 39, s. 96.

776.58. For the purposes of section 776.51, section 497 shall be read without reference to the second paragraph thereof.

1988, c. 4, s. 79; 2001, c. 7, s. 108.

776.59. For the purposes of section 776.51, the aggregate of all amounts deductible in computing the income of a trust for the year under sections 656.2, 657 and 657.4 shall be established as if it were equal to the total of the aggregate of all amounts otherwise deductible under those sections and the aggregate of all amounts each of which is 1/2 of

(a) an amount designated by the trust for the year under section 668; or

(b) that portion of a net taxable capital gain of the trust that may reasonably be considered

i. to be included in an amount included in computing the income for the year of a beneficiary of the trust under any of sections 661 to 663 if the beneficiary is not resident in Canada, or

ii. to have been paid in the year by a trust governed by an employee benefit plan to a beneficiary under that plan.

1988, c. 4, s. 79; 1989, c. 5, s. 150; 1990, c. 59, s. 300; 2003, c. 2, s. 245; 2005, c. 23, s. 118.

776.60. For the purposes of section 776.51 and subject to the second paragraph, an amount otherwise deductible by the individual for the year in computing the individual's taxable income or the individual's taxable income earned in Canada, as the case may be, other than an amount referred to in this Title, must be equal to the amount that would otherwise be deductible were it not for this Book.

The only amounts deductible by the individual for the year in computing the individual's taxable income or the individual's taxable income earned in Canada, as the case may be, under sections 725, 725.4 and 725.5 are

(a) as regards section 725, the amount that would be deductible under that section if section 776.56 were applicable in computing the individual's income for the year;

(b) (subparagraph repealed);

(c) as regards sections 725.4 and 725.5, 1/2 of the amounts deducted under those sections.

1988, c. 4, s. 79; 1989, c. 5, s. 151; 1990, c. 7, s. 77; 1992, c. 1, s. 83; 1993, c. 16, s. 292; 1993, c. 64, s. 91; 1995, c. 63, s. 91; 1997, c. 14, s. 140; 2000, c. 39, s. 97; 2003, c. 2, s. 246; 2005, c. 23, s. 119; 2019, c. 14, s. 269.

776.60.1. For the purposes of section 776.51, paragraph *a* of section 726.9.4 shall be read as if the reference therein to "3/4 of the amount" were a reference to "the amount".

2000, c. 5, s. 180.

776.61. For the purposes of section 776.51, the only amounts deductible by the individual for the year in computing his taxable income or his taxable income earned in Canada, as the case may be, under sections 727, 728.1, 729, 731 and 733.0.0.1 are

(a) as regards sections 727, 728.1, 731 and 733.0.0.1, the lesser of

i. the aggregate of all amounts deducted by him under the said sections for the year, and

ii. the aggregate of all amounts that would be deductible under the said sections for the year if

(1) sections 776.53, 776.54, 776.55 and 776.57, as they apply to taxation years that begin after 31 December 1985 and end before 1 January 1995, were applicable in computing the individual's non-capital loss, farm loss, restricted farm loss and limited partnership loss for any of those taxation years,

(2) sections 776.53 to 776.55.3, 776.57 and 776.57.1, as they apply to taxation years that begin after 31 December 1994 and end before 1 January 2012, were applicable in computing the individual's non-capital loss, farm loss, restricted farm loss and limited partnership loss for any of those taxation years, and

(3) sections 776.53 to 776.55.3, 776.57 and 776.57.1 were applicable in computing the individual's non-capital loss, farm loss, restricted farm loss and limited partnership loss for any taxation year that ends after 31 December 2011; and

(b) as regards section 729, the lesser of

i. the aggregate of all amounts each of which may reasonably be considered to be the amount he would have deducted under section 729, had section 776.56 been applicable in computing the amount deductible under section 729; and

ii. the aggregate of all amounts that would be deductible under section 729 for the year if

(1) section 776.56 applied in computing the individual's net capital loss for any taxation year that begins before 1 January 1995,

(2) sections 776.55.1 and 776.56, as they apply to taxation years that begin after 31 December 1994 and end before 1 January 2012, applied in computing the individual's net capital loss for any of those taxation years, and

(3) sections 776.55.1 and 776.56 applied in computing the individual's net capital loss for any taxation year that ends after 31 December 2011.

1988, c. 4, s. 79; 1993, c. 16, s. 293; 1996, c. 39, 214; 1997, c. 3, s. 71; 2000, c. 5, s. 181; 2015, c. 24, s. 112.

776.61.1. For the purposes of section 776.51, the amount that is deductible by the individual in computing the individual's income for the year under section 336.6 is to be established as if it were equal to the lesser of

(a) the amount that the individual deducted under section 336.6 for the year; and

(b) the amount that would be deductible under section 336.6 for the year if sections 776.53 to 776.55.3, 776.57 and 776.57.1 were applicable in computing each unused portion of the total investment expense of the individual, within the meaning of section 336.5.

2005, c. 38, s. 197.

776.62. For the purposes of section 776.51, no election may be made under section 89.2 of the Act respecting the application of the Taxation Act (chapter I-4).

1988, c. 4, s. 79; 1998, c. 16, s. 251.

776.63. *(Repealed).*

1988, c. 4, s. 79; 1989, c. 5, s. 152.

776.64. For the purposes of this chapter, any amount deductible under a provision of this Part in computing the income or loss of a partnership for a fiscal period is, to the extent of a member's share of the partnership's income or loss, deemed to be deductible by the member under that provision in computing the member's income for the taxation year in which the fiscal period ends.

1988, c. 4, s. 79; 1997, c. 3, s. 71; 2000, c. 5, s. 182.

776.64.1. Where it can reasonably be considered that one of the main reasons that a member of a partnership was not a specified member of the partnership at all times since becoming a member of the partnership is to avoid the application of this Title in respect of the member's interest in the partnership, the

member is deemed for the purposes of this Title to have been a specified member of the partnership at all times since becoming a member of the partnership.

2000, c. 5, s. 183.

TITLE V

BASIC MINIMUM TAX DEDUCTION

1989, c. 5, s. 153.

776.65. An individual's basic minimum tax deduction for a taxation year is the aggregate of all amounts each of which is

(a) the amount deducted under any of sections 752.0.0.1 to 752.0.10.0.9, 752.0.14, 752.0.18.3 to 752.0.18.15, 776.1.5.0.17, 776.1.5.0.18 and 776.41.14 in computing the individual's tax payable for the year under this Part; or

(b) the amount deducted under any of sections 752.0.10.1 to 752.0.13.3 in computing the individual's tax payable for the year under this Part, determined without reference to this Book, to the extent that the amount deducted does not exceed the maximum amount deductible under that section in computing the individual's tax payable for the year under this Part, determined without reference to this Book.

If the first paragraph applies to an individual referred to in the second paragraph of any of sections 22, 25 and 26, the following rules apply for the purpose of determining such an individual's basic minimum tax deduction for a taxation year:

(a) the amount deducted by the individual under any of sections 752.0.0.1 to 752.0.14 and 752.0.18.3 to 752.0.18.15 in computing the individual's tax payable for the year under this Part must be determined without reference to the proportion referred to in section 752.0.23 or 752.0.25; and

(b) the amount deducted by the individual under section 776.41.14 in computing the individual's tax payable for the year under this Part must be determined without reference to the proportion referred to in section 776.41.16 or 776.41.18.

1989, c. 5, s. 153; 1993, c. 64, s. 92; 1995, c. 63, s. 92; 1997, c. 14, s. 141; 1997, c. 85, s. 186; 1999, c. 89, s. 53; 2003, c. 9, s. 112; 2005, c. 1, s. 188; 2005, c. 38, s. 198; 2006, c. 36, s. 85; 2009, c. 5, s. 331; 2011, c. 34, s. 41; 2012, c. 8, s. 140; 2015, c. 24, s. 113; 2019, c. 14, s. 270.

BOOK V.2

Repealed, 1997, c. 85, s. 187.

1995, c. 1, s. 91; 1997, c. 85, s. 187.

776.66. *(Repealed).*

1995, c. 1, s. 91; 1997, c. 85, s. 187.

BOOK V.2.1

Repealed, 2005, c. 1, s. 189.

1997, c. 85, s. 188; 2005, c. 1, s. 189.

TITLE I

Repealed, 2005, c. 1, s. 189.

1997, c. 85, s. 188; 2005, c. 1, s. 189.

776.67. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 115; 2001, c. 51, s. 77; 2002, c. 40, s. 82; 2004, c. 21, s. 217; 2005, c. 1, s. 189.

776.68. *(Repealed).*

1997, c. 85, s. 188; 2002, c. 40, s. 83; 2005, c. 1, s. 189.

776.68.1. *(Repealed).*

2003, c. 9, s. 113; 2005, c. 1, s. 189.

TITLE II

Repealed, 2003, c. 9, s. 114.

1997, c. 85, s. 188; 2003, c. 9, s. 114.

776.69. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 114.

776.70. *(Repealed).*

1997, c. 85, s. 188; 1998, c. 16, s. 251; 2000, c. 5, s. 184; 2001, c. 51, s. 78; 2001, c. 53, s. 154; 2003, c. 2, s. 247; 2003, c. 9, s. 114.

776.71. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 114.

776.72. *(Repealed).*

1997, c. 85, s. 188; 2001, c. 7, s. 109; 2003, c. 9, s. 114.

776.73. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 114.

TITLE III

Repealed, 2005, c. 1, s. 189.

1997, c. 85, s. 188; 2005, c. 1, s. 189.

776.74. *(Repealed).*

1997, c. 85, s. 188; 2001, c. 53, s. 155; 2002, c. 40, s. 84; 2003, c. 9, s. 115; 2004, c. 8, s. 152; 2005, c. 1, s. 189.

TITLE IV

Repealed, 2005, c. 1, s. 189.

1997, c. 85, s. 188; 2005, c. 1, s. 189.

776.75. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 116.

776.76. *(Repealed).*

1997, c. 85, s. 188; 2000, c. 39, s. 98; 2002, c. 9, s. 25; 2002, c. 40, s. 85; 2003, c. 9, s. 116; 2004, c. 21, s. 218; 2005, c. 1, s. 189.

776.77. *(Repealed).*

1997, c. 85, s. 188; 2001, c. 51, s. 79; 2004, c. 21, s. 219; 2005, c. 1, s. 189.

776.77.1. *(Repealed).*

2001, c. 51, s. 80; 2005, c. 1, s. 189.

776.77.1.1. *(Repealed).*

2004, c. 21, s. 220; 2005, c. 1, s. 189.

776.77.2. *(Repealed).*

2001, c. 51, s. 80; 2004, c. 21, s. 221; 2005, c. 1, s. 189.

776.78. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 117; 2005, c. 1, s. 189.

776.78.1. *(Repealed).*

2003, c. 9, s. 118; 2005, c. 1, s. 189.

776.79. *(Repealed).*

1997, c. 85, s. 188; 2000, c. 39, s. 99; 2002, c. 9, s. 26; 2002, c. 40, s. 86; 2003, c. 9, s. 119; 2004, c. 21, s. 222; 2005, c. 1, s. 189.

776.80. *(Repealed).*

1997, c. 85, s. 188; 2000, c. 39, s. 100; 2002, c. 9, s. 27; 2005, c. 1, s. 189.

TITLE V

Repealed, 1999, c. 83, s. 117.

1997, c. 85, s. 188; 1999, c. 83, s. 117.

776.81. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 117.

776.82. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 117.

776.83. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 117.

776.84. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 117.

776.85. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 117.

776.86. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 117.

776.87. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 117.

TITLE VI

Repealed, 2005, c. 1, s. 189.

1997, c. 85, s. 188; 2005, c. 1, s. 189.

776.88. *(Repealed).*

1997, c. 85, s. 188; 1998, c. 16, s. 251; 2002, c. 40, s. 87; 2005, c. 1, s. 189.

776.89. *(Repealed).*

1997, c. 85, s. 188; 1998, c. 16, s. 187; 2001, c. 51, s. 81; 2001, c. 53, s. 156; 2003, c. 9, s. 120.

776.90. *(Repealed).*

1997, c. 85, s. 188; 1999, c. 83, s. 118; 2003, c. 9, s. 120.

776.91. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 120.

776.92. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 120.

776.93. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 120.

776.94. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 120.

776.95. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 120.

776.96. *(Repealed).*

1997, c. 85, s. 188; 2003, c. 9, s. 120.

776.97. *(Repealed).*

2001, c. 53, s. 157; 2005, c. 1, s. 189.

BOOK VI

RULES APPLICABLE IN CERTAIN CIRCUMSTANCES

1972, c. 23.

TITLE I

BANKRUPTCY

1972, c. 23.

CHAPTER I

GENERALITIES

1972, c. 23.

777. *(Repealed).*

1972, c. 23, s. 586; 1995, c. 49, s. 177; 1996, c. 39, s. 215.

778. For the purposes of this Part, the trustee is deemed to be the agent of the bankrupt and the estate of the bankrupt is deemed not to be a trust or a succession.

The income derived directly or indirectly from the property of the bankrupt is the income of the bankrupt and not of the trustee.

1972, c. 23, s. 587; 1996, c. 39, s. 216.

779. Except for the purposes of sections 752.0.2, 752.0.7.1 to 752.0.10 and 752.0.11 to 752.0.13.0.1, Division II of Chapter II.1 of Title I of Book V, Chapter V of Title III of Book V, the second paragraph of sections 776.41.14 and 776.41.21, sections 935.4 and 935.15 and Divisions II.8.3, II.11.1, II.11.7.2 to II. 11.10, II.12.1 to II.17.1, II.17.3 to II.19 and II.25 to II.27 of Chapter III.1 of Title III of Book IX, the taxation year of a bankrupt is deemed to begin on the date of the bankruptcy and the current taxation year is deemed, if

the bankrupt is an individual other than a succession that is a graduated rate estate, to end on the day immediately before the date of the bankruptcy.

1972, c. 23, s. 588; 1988, c. 4, s. 80; 1990, c. 7, s. 78; 1994, c. 22, s. 276; 1995, c. 1, s. 92; 1995, c. 49, s. 178; 1995, c. 63, s. 93; 1996, c. 39, s. 217; 1997, c. 14, s. 142; 1997, c. 85, s. 189; 1999, c. 83, s. 119; 2000, c. 5, s. 185; 2000, c. 39, s. 101; 2001, c. 51, s. 82; 2001, c. 53, s. 158; 2005, c. 1, s. 190; 2005, c. 38, s. 199; 2006, c. 36, s. 86; 2009, c. 5, s. 332; 2009, c. 15, s. 158; 2011, c. 34, s. 42; 2013, c. 10, s. 66; 2015, c. 21, s. 327; 2017, c. 1, s. 237; 2019, c. 14, s. 271; 2021, c. 14, s. 100.

780. Notwithstanding section 782 and paragraphs *b* to *d* of the first paragraph of section 784, where at any time a taxpayer is discharged absolutely from bankruptcy, the following rules apply:

(a) for any taxation year ending after that time, no amount shall be deducted

i. in computing the taxpayer's income under section 336.6 in respect of an unused portion of the total investment expense of the taxpayer, within the meaning of section 336.5, for a taxation year that ended before that time, or

ii. in computing the taxpayer's taxable income under sections 727 to 737 in respect of a loss sustained for a taxation year that ended before that time; and

(b) in computing the taxpayer's tax otherwise payable for any taxation year that ends after that time, no amount shall be deducted under

i. Chapter I.0.2.1 of Title I of Book V in respect of a gift made before the day on which the taxpayer became bankrupt,

ii. section 752.0.18.10 for tuition fees and examination fees paid in respect of a taxation year that ended before that time,

iii. section 752.0.18.15 in respect of interest paid before the day on which the taxpayer became bankrupt, or

iv. section 752.12 in respect of a taxation year that ended before that time.

1972, c. 23, s. 589; 1997, c. 85, s. 190; 2001, c. 7, s. 110; 2001, c. 53, s. 159; 2005, c. 38, s. 200.

CHAPTER II

RULES APPLICABLE TO CORPORATIONS

1972, c. 23; 1997, c. 3, s. 71.

781. The trustee is solidarily liable with the bankrupt corporation for the taxes owed by it for any taxation year ending during the bankruptcy, to the extent of the property of the bankrupt in his possession.

1972, c. 23, s. 590; 1995, c. 1, s. 199; 1996, c. 39, s. 218; 1997, c. 3, s. 71.

781.1. For the purposes of this Part, a corporation is deemed not to be associated with any other corporation in a taxation year of the corporation ending during the period the corporation is a bankrupt.

1989, c. 5, s. 154; 1996, c. 39, s. 219; 1997, c. 3, s. 71.

CHAPTER III

RULES APPLICABLE TO INDIVIDUALS

1972, c. 23.

782. The trustee shall, within 90 days from the end of the calendar year for each year during which an individual is in bankruptcy, file with the Minister a fiscal return, in the prescribed form, relating to the income from transactions of the bankruptcy. In this respect, the trustee may, in computing the individual's income for each of those years, claim a deduction under section 336.6 only in respect of an unused portion of the total investment expense of the individual, within the meaning of section 336.5, for any taxation year that ended before the individual was discharged absolutely from bankruptcy, and may not, in computing the individual's taxable income or the tax payable by the individual under this Part, as the case may be, for each of those years, claim any deduction contemplated

(a) in Book IV, except those permitted by section 725.2 or 725.2.2 or sections 725.3 to 725.5 or by Title VI.5 in respect of an amount included in computing income under this section for the year and those permitted by sections 727 to 737 in respect of a loss of the individual for any year that ended before the individual was discharged absolutely from bankruptcy;

(b) in Chapters I.0.1 to I.0.2.0.4 and I.0.3 of Title I of Book V;

(b.0.1*)* in Chapter I.0.2.1 of Title I of Book V in respect of a gift made by the individual on or after the day the individual became bankrupt;

(b.1*)* section 752.0.18.10 in respect of tuition fees or examination fees paid in respect of the year;

(b.2*)* in section 752.0.18.15 in respect of interest paid on or after the day on which the individual became bankrupt;

(c) (paragraph repealed);

(d) in Titles IX to XI of Book V.

1972, c. 23, s. 591; 1988, c. 4, s. 81; 1989, c. 5, s. 155; 1993, c. 64, s. 93; 1997, c. 85, s. 191; 2001, c. 7, s. 111; 2001, c. 53, s. 160; 2003, c. 2, s. 248; 2003, c. 9, s. 121; 2005, c. 1, s. 191; 2005, c. 38, s. 201; 2009, c. 5, s. 333; 2012, c. 8, s. 141; 2013, c. 10, s. 67; 2015, c. 24, s. 114; 2019, c. 14, s. 272.

782.1. For the purpose of determining an individual's cumulative gains limit within the meaning of subparagraph *c* of the first paragraph of section 726.6 for a taxation year occurring after the taxation year in which section 782 last applied in respect of the individual, the rule set forth in the second paragraph applies.

The portion of the individual's non-capital loss for a particular taxation year in which section 782 applied in respect of the individual and any preceding taxation year is deemed not to be a business investment loss to the extent that it does not exceed the lesser of

(a) the amount of the individual's business investment losses for the particular taxation year, and

(b) any portion of the individual's non-capital loss for that particular taxation year that was not deducted in computing his taxable income for any taxation year in which section 782 applied in respect of the individual or any preceding taxation year.

1987, c. 67, s. 161.

783. The trustee is liable to pay any tax exigible on the income of the bankruptcy.

1972, c. 23, s. 592.

784. An individual in bankruptcy shall file a separate fiscal return for the individual's income for any taxation year during which the individual was a bankrupt, computed as if

(a) the income required to be reported in respect of the year by the trustee under section 782 was not the income of the individual;

(b) in computing the individual's income for the year, the individual was not entitled to deduct any loss from transactions of the bankruptcy nor any amount under section 336.6;

(c) in computing the individual's taxable income for the year, the individual was not entitled to deduct an amount under section 725.2 or 725.2.2 or sections 725.3 to 725.5 or under Title VI.5 of Book IV in respect of an amount included in computing income under section 782, or an amount under sections 727 to 737; and

(d) in computing the individual's tax payable for the year, the individual was not entitled

i. to deduct an amount under Chapter I.0.2.1 of Title I of Book V in respect of a gift made before the day on which the individual became bankrupt,

ii. to take into account in computing a deduction under section 752.0.18.10 any tuition fees and examination fees paid in respect of a taxation year preceding the year in respect of which the return is filed,

iii. to deduct an amount under section 752.0.18.15 in respect of interest paid before the day on which the individual became bankrupt, or

iv. to deduct an amount under section 752.12.

An individual referred to in the first paragraph is liable to pay any tax payable under this Part by the individual for that taxation year.

1972, c. 23, s. 593; 1993, c. 64, s. 94; 1997, c. 85, s. 192; 2001, c. 7, s. 112; 2001, c. 53, s. 161; 2003, c. 2, s. 249; 2005, c. 38, s. 202.

785. Where after the discharge of an individual in bankruptcy, the trustee continues to deal in the estate of the discharged bankrupt or performs acts in the carrying on of the business of such bankrupt, sections 780 and 782 to 784 apply to the current taxation year on the date of such discharge and any subsequent year.

1972, c. 23, s. 594.

TITLE I.1

CHANGE OF RESIDENCE

1995, c. 49, s. 179.

CHAPTER I

GENERAL RULES

2004, c. 8, s. 153.

785.0.1. In this chapter,

"excluded right or interest" of an individual means

(a) a right of the individual under, or an interest of the individual in a trust governed by,

i. a registered retirement savings plan or a new plan referred to in section 914,

ii. a registered retirement income fund,

iii. a registered education savings plan,

iii.1. a registered disability savings plan,

iii.2. a tax-free savings account,

iii.3. a first home savings account,

iv. a deferred profit sharing plan or a revoked plan referred to in section 879,

v. a profit sharing plan,

vi. an employee benefit plan, other than a plan described in subparagraph i or ii of paragraph *b*,

vi.1. an employee life and health trust,

vii. a plan or arrangement, other than an employee benefit plan, under which the individual has a right to receive in a year remuneration in respect of services rendered by the individual in the year or a prior year,

viii. a pension plan, other than an employee benefit plan,

ix. a retirement compensation arrangement,

x. a foreign retirement arrangement, or

xi. a registered supplementary unemployment benefit plan;

(b) a right of the individual to a benefit under an employee benefit plan, to the extent that the benefit can reasonably be considered to be attributable to services rendered in Canada, that is

i. a plan or arrangement described in paragraph *j* of section 47.16 that would, but for paragraphs *j* and *k* of that section, be a salary deferral arrangement, or

ii. a plan or arrangement that would, but for paragraph *c* of section 47.16R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), be a salary deferral arrangement;

(c) a right of the individual under an agreement referred to in section 48;

(d) a right of the individual to a retiring allowance;

(e) a right of the individual under, or an interest of the individual in, a trust that is

i. an employee trust,

ii. an amateur athlete trust,

iii. a cemetery care trust, or

iv. a trust governed by an eligible funeral arrangement;

(f) a right of the individual to receive an amount under an annuity contract, an income-averaging annuity contract or an income-averaging annuity contract respecting income from artistic activities;

(g) a right of the individual to a benefit under

i. the Act respecting the Québec Pension Plan (chapter R-9) or any similar plan, within the meaning of that Act,

ii. the Old Age Security Act (R.S.C. 1985, c. O-9),

iii. *(subparagraph repealed);*

iv. a plan or arrangement instituted by the social security legislation of a country other than Canada or of a state, province or other political subdivision of such a country;

(h) a right of the individual to a benefit described in any of paragraphs *b* to *e* of section 311;

(i) a right of the individual to a payment out of a NISA Fund No. 2 or out of a farm income stabilization account;

(j) an interest of the individual in a personal trust resident in Canada if the interest was never acquired for consideration and did not arise as a consequence of a qualifying disposition by the individual, within the meaning that would be assigned by section 692.5 if that section were read without reference to paragraphs *h* and *i* thereof;

(k) an interest of the individual in a testamentary trust not resident in Canada that is a succession that arose on and as a consequence of an individual's death if

i. the interest was never acquired for consideration, and

ii. the succession has been in existence for no more than 36 months; or

(l) an interest of the individual in a life insurance policy in Canada, except for that part of the policy in respect of which the individual is deemed by section 851.11 to have an interest in a related segregated fund trust relating to that policy;

"reportable property" of an individual at a particular time means any property other than

(a) money that is legal tender in Canada and deposits of such money;

(b) property that would be an excluded right or interest of the individual if the definition of "excluded right or interest" were read without reference to paragraphs *c*, *j* and *l* of that definition;

(c) if the individual is not a trust and was not, during the 120-month period that ends at the particular time, resident in Canada for more than 60 months, property described in subparagraph iv of subparagraph *b* of the first paragraph of section 785.2 that is not taxable Canadian property; and

(d) any item of personal-use property the fair market value of which, at the particular time, is less than $10,000;

"specified immovable" means either an immovable property situated in Québec that is used principally for the purpose of earning or producing gross revenue that is rent, or any interest in or option in respect of the property, whether or not the property exists at that time.

2004, c. 8, s. 153; 2004, c. 21, s. 223; 2005, c. 23, s. 120; 2009, c. 5, s. 334; 2009, c. 15, s. 159; 2011, c. 6, s. 171; 2013, c. 10, s. 68; 2017, c. 1, s. 238; 2023, c. 19, s. 61.

785.1. For the purposes of this Part, where at a particular time a taxpayer becomes resident in Canada, the following rules apply:

(a) if the taxpayer is a corporation and paragraph *a* of subsection 1 of section 128.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) does not apply to the taxpayer in respect of the particular time, the taxpayer's taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time and to have ended at the time at which the taxpayer's taxation year (determined for the purposes of the Income Tax Act) that includes the particular time, ended;

(a.1) if the taxpayer is a trust (other than a succession that is a graduated rate estate), the taxpayer's taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time;

(a.2*)* if the taxpayer is a trust that is a succession that is a graduated rate estate and paragraph *a* of subsection 1 of section 128.1 of the Income Tax Act does not apply to the taxpayer in respect of the particular time, the taxpayer's taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time;

(b) the taxpayer is deemed to have disposed, at the time, in this section referred to as the "time of disposition", that is immediately before the time that is immediately before the particular time, of each property then owned by the taxpayer for proceeds equal to its fair market value at the time of disposition, other than, if the taxpayer is an individual,

i. property that is a taxable Canadian property, subject to the application of paragraph *b*.1,

ii. property that is described in the inventory of a business carried on by the taxpayer in Canada at the time of disposition,

iii. property that is included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of a business carried on by the taxpayer in Canada at the time of disposition, and

iv. an excluded right or interest of the taxpayer, other than an interest described in paragraph *k* of the definition of "excluded right or interest" in section 785.0.1;

v. *(subparagraph repealed);*

(b.1*)* if the taxpayer is an inter vivos trust, other than a trust exempt from tax under Book VIII, the taxpayer is deemed to have disposed, at the time of disposition, of each property that is a specified immovable then owned by the taxpayer for proceeds of disposition equal to its fair market value at the time of disposition;

(c) the taxpayer is deemed to have acquired at the particular time each property deemed by paragraph *b* or *b*.1 to have been disposed of by the taxpayer, at a cost equal to the proceeds of disposition of the property;

(c.1*)* if the taxpayer is a corporation and a particular amount has been added to the paid-up capital in respect of a class of shares of the corporation's capital stock because of paragraph *b* of subsection 2 of section 128.1 of the Income Tax Act,

i. the corporation is deemed to have paid, immediately before the time of disposition, a dividend on the issued shares of the class equal to the particular amount, and

ii. a dividend is deemed to have been received, immediately before the time of disposition, by each person, other than a person in respect of whom the corporation is a foreign affiliate, who held any of the issued shares of the class equal to the amount obtained by multiplying the amount of the dividend referred to in subparagraph i by such proportion as the number of shares of the class held by the person immediately before the time of disposition is of the number of issued shares of the class outstanding immediately before that time; and

(d) where the taxpayer was, immediately before the particular time, a foreign affiliate of another taxpayer that is resident in Canada,

i. the taxpayer is deemed to have been a controlled foreign affiliate, within the meaning assigned by section 572, of the other taxpayer immediately before the particular time, and

ii. the amount prescribed is to be included in the foreign accrual property income of the taxpayer for the taxpayer's taxation year ending immediately before the particular time.

1995, c. 49, s. 179; 1997, c. 3, s. 71; 2001, c. 53, s. 162; 2001, c. 53, s. 260; 2003, c. 2, s. 250; 2004, c. 8, s. 154; 2005, c. 1, s. 192; 2009, c. 5, s. 335; 2013, c. 10, s. 69; 2015, c. 21, s. 328; 2017, c. 1, s. 239; 2019, c. 14, s. 273.

785.1.1. Paragraph *b* of section 785.1 does not apply, at a time in a trust's taxation year, to the trust if the trust is resident in Canada for the year for the purpose of computing its income.

2015, c. 36, s. 58.

785.2. For the purposes of this Part, where a taxpayer ceases to be resident in Canada at a particular time, the following rules apply:

(a) if the taxpayer is a corporation and paragraph *a* of subsection 4 of section 128.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) does not apply to the taxpayer in respect of the particular time, the taxpayer's taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time and to have ended at the time at which the taxpayer's taxation year (determined for the purposes of the Income Tax Act) that includes the particular time, ended;

(a.0.1*)* if the taxpayer is a trust (other than a succession that is a graduated rate estate), the taxpayer's taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time;

(a.0.2*)* if the taxpayer is a trust that is a succession that is a graduated rate estate and paragraph *a* of subsection 4 of section 128.1 of the Income Tax Act does not apply to the taxpayer in respect of the particular time, the taxpayer's taxation year that would otherwise have included the particular time is deemed to have ended immediately before the particular time and a new taxation year is deemed to have begun at the particular time;

(a.1*)* if the taxpayer is an individual, other than a trust, who carries on a business at the particular time, otherwise than through an establishment in Canada, and paragraph *a*.1 of subsection 4 of section 128.1 of the Income Tax Act does not apply to the taxpayer in respect of the particular time, the fiscal period of the business that would otherwise have included the particular time is deemed to end immediately before that time and a new fiscal period is deemed to begin at that time;

(b) the taxpayer is deemed to have disposed, at the time, in this subparagraph and subparagraph *d* referred to as the "time of disposition", that is immediately before the time that is immediately before the particular time, of each property then owned by the taxpayer for proceeds equal to its fair market value at the time of disposition, which proceeds are deemed to have been received by the taxpayer at the time of disposition, other than, if the taxpayer is an individual,

i. immovable property situated in Canada, a Canadian resource property or a timber resource property,

ii. capital property used in, property included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in respect of or property included in the inventory of, a business carried on by the taxpayer through an establishment in Canada at the particular time,

iii. an excluded right or interest of the taxpayer,

iv. if the taxpayer is not a trust and was not, during the 120-month period that ends at the particular time, resident in Canada for more than 60 months, property that was owned by the taxpayer at the time the taxpayer last became resident in Canada or that was acquired by the taxpayer by inheritance or bequest after the taxpayer last became resident in Canada, and

v. any property in respect of which the taxpayer makes an election referred to in subparagraph *a* of the first paragraph of section 785.2.2 for the taxation year that includes the first time, after the particular time, at which the taxpayer becomes resident in Canada;

(b.1*)* despite subparagraph *b*, if the taxpayer is or was at any time, an employee life and health trust, the following rules apply:

i. the taxpayer is deemed

(1) to have disposed, at the time (in this subparagraph referred to as the "time of disposition") that is immediately before the time that is immediately before the particular time, of each property then owned by the taxpayer for proceeds equal to its fair market value at the time of disposition, which proceeds are deemed to have been received by the taxpayer at the time of disposition, and

(2) to have carried on a business at the time of disposition, and

ii. each property of the taxpayer is deemed to be described in the inventory of the business referred to in subparagraph 2 of subparagraph i and to have a cost of nil at the time of disposition;

(c) the taxpayer is deemed to have reacquired, at the particular time, each property deemed by subparagraph *b* or *b*.1 to have been disposed of by the taxpayer, at a cost equal to the proceeds of disposition of the property;

(d) despite subparagraphs *b* and *c*, if the taxpayer is an individual, other than a trust, and the taxpayer makes a valid election under paragraph *d* of subsection 4 of section 128.1 of the Income Tax Act after 19 December 2006 in relation to a property described in subparagraph i or ii of subparagraph *b*,

i. the taxpayer is deemed to have disposed of the property at the time of disposition for proceeds equal to its fair market value at that time and to have reacquired the property at the particular time at a cost equal to those proceeds,

ii. the taxpayer's income for the taxation year that includes the particular time is deemed to be the greater of that income determined without reference to this subparagraph ii and the lesser of

(1) that income determined without reference to this section, and

(2) that income determined without reference to subparagraph i, and

iii. each of the taxpayer's non-capital loss, net capital loss, restricted farm loss, farm loss and limited partnership loss for the taxation year that includes the particular time is deemed to be the lesser of that amount determined without reference to this subparagraph iii and the greater of

(1) that amount determined without reference to this section, and

(2) that amount determined without reference to subparagraph i;

(d.1*)* if the taxpayer is deemed by subparagraph *b* to have disposed of a share that was acquired before 28 February 2000 under circumstances to which section 49.2 applied, the amount that would be added under paragraph *f* of section 255 in computing the adjusted cost base to the taxpayer of the share as a consequence of the deemed disposition, if Division VI of Chapter II of Title II of Book III were read without reference to section 49.6, shall be deducted from the taxpayer's proceeds of disposition of the share;

(e) (paragraph repealed);

(f) (paragraph repealed).

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *d* of subsection 4 of section 128.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1995, c. 49, s. 179; 1997, c. 3, s. 71; 1997, c. 31, s. 85; 2001, c. 53, s. 260; 2003, c. 2, s. 251; 2004, c. 8, s. 155; 2005, c. 1, s. 193; 2009, c. 5, s. 336; 2011, c. 6, s. 172; 2017, c. 1, s. 240; 2019, c. 14, s. 274.

785.2.1. For the purposes of sections 1025, 1026, 1026.0.2 to 1026.2, any of the first, second and third paragraphs of section 1038 and any regulations thereunder, where an individual is deemed to have disposed of a property in a taxation year under section 785.2, the individual's tax payable under this Part for the year is deemed to be the lesser of

(a) the individual's tax payable under this Part for the year, determined without reference to the specified tax consequences for the year, section 313.11 and Chapter II.1 of Title VI of Book III, but with reference to the amount that the individual could deduct from the individual's tax otherwise payable for the year under section 776.41.5 if the individual's eligible spouse for the year were not required to include an amount in computing income for the year under section 313.11; and

(b) the amount that would be determined under paragraph *a* if section 785.2 did not apply to the individual for the year.

2004, c. 8, s. 156; 2009, c. 5, s. 337; 2015, c. 36, s. 59.

785.2.2. Where an individual, other than a trust, becomes resident in Canada at a particular time in a taxation year and the time, in this section referred to as the "emigration time", before the particular time, at which the individual last ceased to be resident in Canada was after 1 October 1996, the following rules apply:

(a) subject to subparagraph *b*, subparagraphs *b* and *c* of the first paragraph of section 785.2 do not apply to the individual's cessation of residence at the emigration time in respect of all properties that were taxable Canadian properties of the individual throughout the period that began at the emigration time and that ends at the particular time, if the individual makes, in relation to the individual's cessation of residence, a valid election under paragraph *a* of subsection 6 of section 128.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of all the properties;

(b) where, if a property in respect of which an election referred to in subparagraph *a* is made had been acquired by the individual at the emigration time at a cost equal to its fair market value at the emigration time and had been disposed of by the individual immediately before the particular time for proceeds of disposition equal to its fair market value immediately before the particular time, the application of section 238.4 would reduce the amount that would, but for that section and this section, be the individual's loss from the disposition, the individual is deemed

i. to have disposed of the property at the time of disposition, within the meaning assigned by subparagraph *b* of the first paragraph of section 785.2, in respect of the emigration time for proceeds of disposition equal to the aggregate of

(1) the adjusted cost base to the individual of the property immediately before the time of disposition, and

(2) the amount, if any, by which that reduction exceeds the lesser of the adjusted cost base to the individual of the property immediately before the time of disposition and the particular amount, if any, that the individual specifies in respect of the property, in accordance with subclause II of clause B of subparagraph i of paragraph *b* of subsection 6 of section 128.1 of the Income Tax Act, in the election referred to in subparagraph *a* for the purposes of that paragraph *b*, and

ii. to have reacquired the property at the emigration time at a cost equal to the amount, if any, by which the amount determined under subparagraph 1 of subparagraph i exceeds the lesser of that reduction and the particular amount referred to in subparagraph 2 of that subparagraph i;

(c) despite paragraph *c* of section 785.1 and subparagraph *b* of the first paragraph of section 785.2, if the individual makes a valid election under paragraph *c* of subsection 6 of section 128.1 of the Income Tax Act after 19 December 2006 in relation to each property that the individual owned throughout the period that began at the emigration time and that ends at the particular time and that is deemed by paragraph *b* of section 785.1 to have been disposed of because the individual became resident in Canada, the individual's proceeds of disposition at the time of disposition, within the meaning assigned by subparagraph *b* of the first paragraph of

section 785.2, and the individual's cost of acquiring the property at the particular time, are deemed to be those proceeds and that cost, determined without reference to this subparagraph, minus the least of

i. the amount that would, but for this subparagraph *c*, have been the individual's gain from the disposition of the property deemed by subparagraph *b* of the first paragraph of section 785.2 to have occurred,

ii. the fair market value of the property at the particular time, and

iii. the amount that the individual specifies, in accordance with subparagraph iii of paragraph *c* of subsection 6 of section 128.1 of the Income Tax Act, in the election for the purposes of that paragraph *c*; and

(d) notwithstanding sections 1010 to 1011, any assessment of tax that is payable under this Part by the individual for a taxation year that is before the year that includes the particular time and that is not before the year that includes the emigration time shall be made by the Minister as is necessary to give effect to an election referred to in this paragraph, except that no such assessment shall affect the computation of

i. interest payable under this Part to or by a taxpayer in respect of any period that is before the day on which the taxpayer's fiscal return for the taxation year that includes the particular time is filed, or

ii. any penalty payable under this Part.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 128.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2004, c. 8, s. 156; 2009, c. 5, s. 338.

785.2.2.1. For the purposes of subparagraph *a* of the first paragraph of section 785.2.2, a property is deemed to be a taxable Canadian property of an individual throughout the period that began at the emigration time and that ends at the particular time if

(a) the emigration time is before 5 March 2010; and

(b) the property was a taxable Canadian property of the individual on 4 March 2010.

2011, c. 6, s. 173.

785.2.3. If an individual, other than a trust, becomes resident in Canada at a particular time in a taxation year, owns at the particular time a property that the individual last acquired on a trust distribution to which section 688 would, but for section 692, have applied and at a time (in this section referred to as the "distribution time") that was after 1 October 1996 and before the particular time, and was a beneficiary under the trust at the last time, before the particular time, at which the individual ceased to be resident in Canada, the following rules apply:

(a) subject to subparagraphs *b* and *c*, section 688.1 does not apply to the distribution in relation to all properties acquired by the individual at the distribution time that were taxable Canadian properties of the individual throughout the period that began at the distribution time and that ends at the particular time, if the individual and the trust make, in relation to the distribution, a valid election under paragraph *d* of subsection 7 of section 128.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of all the properties;

(b) if the application of section 238.4 would reduce the amount that would, but for that section and this section, have been the individual's loss from the disposition of a property in respect of which an election referred to in subparagraph *a* is made, subparagraph *c* applies in respect of the individual, the trust and the property, if the individual

i. had been resident in Canada at the distribution time,

ii. had acquired the property at the distribution time at a cost equal to its fair market value at that time,

iii. had ceased to be resident in Canada immediately after the distribution time, and

iv. had, immediately before the particular time, disposed of the property for proceeds of disposition equal to its fair market value immediately before that time;

(c) if this subparagraph applies in respect of an individual, a trust and a property, the following rules apply:

i. despite subparagraph *a* of the first paragraph of section 688.1, the trust is deemed to have disposed of the property at the distribution time for proceeds of disposition equal to the aggregate of

(1) the cost amount to the trust of the property immediately before the distribution time, and

(2) the amount, if any, by which the reduction under section 238.4 described in subparagraph *b* exceeds the lesser of the cost amount to the trust of the property immediately before the distribution time and the particular amount, if any, which the individual and the trust specify in respect of the property, in accordance with subclause II of clause B of subparagraph i of paragraph *f* of subsection 7 of section 128.1 of the Income Tax Act, in the election referred to in subparagraph *a* for the purposes of that paragraph *f*, and

ii. despite subparagraph *b* of the first paragraph of section 688.1, the individual is deemed to have acquired the property at the distribution time at a cost equal to the amount, if any, by which the amount otherwise determined under subparagraph *b* of the first paragraph of section 688 exceeds the lesser of the reduction under section 238.4 described in subparagraph *b* and the particular amount referred to in subparagraph 2 of subparagraph i;

(d) despite subparagraphs *a* and *b* of the first paragraph of section 688.1, if the individual and the trust make a valid election under paragraph *g* of subsection 7 of section 128.1 of the Income Tax Act after 19 December 2006 in respect of each property that the individual owned throughout the period that began at the distribution time and that ends at the particular time and that is deemed by paragraph *b* of section 785.1 to have been disposed of because the individual became resident in Canada, the trust's proceeds of disposition of the property under subparagraph *a* of the first paragraph of section 688.1 at the distribution time, and the individual's cost of acquiring the property at the particular time, are deemed to be those proceeds and that cost, determined without reference to this subparagraph, minus the least of

i. the amount that would, but for this subparagraph *d*, have been the trust's gain from the disposition of the property deemed by subparagraph *a* of the first paragraph of section 688.1 to have occurred,

ii. the fair market value of the property at the particular time, and

iii. the amount that the individual and the trust specify, in accordance with subparagraph iii of paragraph *g* of subsection 7 of section 128.1 of the Income Tax Act, in the election for the purposes of that paragraph *g*;

(e) if the trust ceases to exist before the individual's filing-due date for the individual's taxation year that includes the particular time and if, in accordance with subparagraph i of paragraph *h* of subsection 7 of section 128.1 of the Income Tax Act, the individual makes an election or specifies an amount, after 19 December 2006, in accordance with that subsection 7, the individual and the trust are solidarily liable for any amount payable under this Part by the trust as a result of the election or specification; and

(f) despite sections 1010 to 1011, such assessment of tax payable under this Part by the trust or the individual for any year that is before the year that includes the particular time and that is not before the year that includes the distribution time shall be made by the Minister as is necessary to give effect to an election referred to in this paragraph, except that such assessments are not to affect the computation of

i. interest payable under this Part to or by the trust or the individual in respect of any period that is before the individual's filing-due date for the taxation year that includes the particular time, or

ii. any penalty payable under this Part.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 7 of section 128.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2004, c. 8, s. 156; 2009, c. 5, s. 339.

785.2.4. Except for the purposes of subparagraph *c* of the first paragraph of section 785.2, if an individual, other than a trust, is deemed under subparagraph *b* of that paragraph to have disposed of a capital property at a particular time after 1 October 1996, disposed of the capital property at a later time at which the capital property was a taxable Canadian property of the individual, and makes a valid election under subsection 8 of section 128.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the capital property, there must be deducted from the individual's proceeds of disposition of the capital property at the particular time, and added to the individual's proceeds of disposition of the capital property at the later time, an amount equal to the least of

(a) the amount specified in the election in respect of the capital property;

(b) the amount that would, but for the election, be the individual's gain from the disposition of the capital property at the particular time; and

(c) the amount that would be the individual's loss from the disposition of the capital property at the later time, if the loss were determined having reference to every other provision of this Part including sections 238.4 and 738 to 745, but without reference to the election.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 8 of section 128.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2004, c. 8, s. 156; 2009, c. 5, s. 340.

785.2.5. An individual who ceases at a particular time in a taxation year to be resident in Canada, and who owns immediately after the particular time one or more reportable properties the fair market value of which at that time is greater than $25,000, shall file with the Minister in prescribed form, on or before the individual's filing-due date for the year, a list of all the reportable properties that the individual owned immediately after the particular time.

2004, c. 8, s. 156.

785.2.6. An inter vivos trust that is deemed under paragraph *b*.1 of section 785.1 to have disposed of each property that is a specified immovable because it became resident in Canada and that proposes to dispose of such a property shall, before the disposition, send to the Minister a notice in the prescribed form containing prescribed information.

2013, c. 10, s. 70.

785.2.7. The Minister shall, upon receipt of the notice provided for in section 785.2.6 and after ascertaining that the tax payable by an inter vivos trust referred to in that section resulting from the deemed disposition referred to in paragraph *b*.1 of section 785.1 has been paid or that a surety acceptable to the Minister in that respect to guarantee the payment of that tax has been furnished, issue without delay a certificate in prescribed form attesting those facts to the trust and the proposed purchaser.

2013, c. 10, s. 70.

785.2.8. Where a person (in this section referred to as the "purchaser") acquires from an inter vivos trust (in this section referred to as the "vendor") a property that is a specified immovable that the vendor is deemed to have disposed of in a taxation year under paragraph *b*.1 of section 785.1 because the vendor became resident in Canada, the following rules apply:

(a) the purchaser shall pay to the Minister on behalf of the vendor, as or on account of tax payable by the vendor under this Part for the year, an amount equal to 12.875% of the purchase price of the property;

(b) the purchaser is authorized to deduct from any amount the purchaser pays to the vendor or to withhold from any amount credited by the purchaser to the vendor or to otherwise recover from the vendor the amount paid by the purchaser under subparagraph *a*; and

(c) the purchaser shall, within 30 days after the end of the month in which the purchaser acquires the property, pay to the Minister the amount the purchaser is required to pay under subparagraph *a*.

The first paragraph does not apply to a purchaser if

(a) a certificate has been issued to the purchaser by the Minister under section 785.2.7 in respect of the property; or

(b) after reasonable inquiry, the purchaser had no reason to believe that the vendor was deemed to have disposed of the property in the year under paragraph *b*.1 of section 785.1.

2013, c. 10, s. 70; 2015, c. 21, s. 329.

CHAPTER II

CROSS-BORDER MERGERS

2004, c. 8, s. 156.

785.3. Where a corporation formed at a particular time by the amalgamation or merger of, or by a plan of arrangement or other corporate reorganization in respect of, two or more corporations, each of which is referred to in this section as a "predecessor", is

(a) resident in Canada at the particular time, a predecessor that was not immediately before the particular time resident in Canada is deemed to have become resident in Canada immediately before that time; or

(b) not resident in Canada at the particular time, a predecessor that was immediately before that time resident in Canada is deemed to have ceased to be resident in Canada immediately before that time.

The first paragraph does not apply to reorganizations occurring because of the acquisition of property of one corporation by another corporation, pursuant to the purchase of the property by the other corporation or because of the distribution of the property to the other corporation on the winding-up of the corporation.

1995, c. 49, s. 179; 1997, c. 3, s. 71.

CHAPTER III

REPLACED SECURITIES

2004, c. 8, s. 157; 2010, c. 25, s. 90.

785.3.1. For the purposes of sections 772.9.2 to 772.9.4, subparagraph iv of subparagraph *b* of the first paragraph of section 785.2 and sections 785.2.2 to 785.2.4, 1033.2 and 1033.7, if, in a transaction to which any of sections 301 to 301.2, 537, 540.6 and 541 to 555.4 apply, a person acquires a share (in this section referred to as the "new share") in exchange for another share or an investment in a SIFT wind-up entity (in this section referred to as the "old security"), the person is deemed not to have disposed of the old security, and the new share is deemed to be the same security as the old security.

2004, c. 8, s. 157; 2005, c. 23, s. 121; 2010, c. 25, s. 90; 2015, c. 24, s. 115.

TITLE I.2

MUTUAL FUND REORGANIZATIONS

1996, c. 39, s. 220.

785.4. In this Title,

"first post-exchange year" of a fund in respect of a qualifying exchange means the fund's taxation year that begins immediately after the acquisition time;

"qualifying exchange" means a transfer at any time (in this Title referred to as the "transfer time") if

(a) the transfer is a transfer of all or substantially all of the property (including an exchange of a unit of a mutual fund trust for another unit of that trust) of

i. a mutual fund corporation (other than a SIFT wind-up corporation) to one or more mutual fund trusts, or

ii. a particular mutual fund trust to another mutual fund trust;

(b) all or substantially all of the shares issued by the mutual fund corporation referred to in subparagraph i of paragraph *a* or the particular mutual fund trust referred to in subparagraph ii of paragraph *a* (in this Title referred to as the "transferor" or the "funds") and outstanding immediately before the transfer time are within 60 days after the transfer time disposed of to the transferor;

(c) no person disposing of shares of the transferor to the transferor within that 60-day period (otherwise than pursuant to the exercise of a statutory right of dissent) receives any consideration for the shares other than units of one or more mutual fund trusts referred to in subparagraph i of paragraph *a* or the other mutual fund trust referred to in subparagraph ii of paragraph *a* (in this Title referred to as the "transferee" or the "funds");

(d) if property of the transferor has been transferred to more than one transferee,

i. all shares of each class of shares, that is recognized under securities legislation as or as part of an investment fund, of the transferor are disposed of to the transferor within 60 days after the transfer time, and

ii. the units received in consideration for a share of a class of shares, that is recognized under securities legislation as or as part of an investment fund, of the transferor are units of the transferee to which all or substantially all of the assets that were allocated to that investment fund immediately before the transfer time were transferred; and

(e) the funds make a valid election under paragraph *e* of the definition of "qualifying exchange" in subsection 1 of section 132.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the transfer;

"share" means a share of the capital stock of a mutual fund corporation and a unit of a mutual fund trust.

Where this Title applies in respect of a transfer, the prescribed form along with a copy of every document sent to the Minister of National Revenue in respect of the transfer, in connection with the election referred to in paragraph *e* of the definition of "qualifying exchange" in the first paragraph, must be sent to the Minister on or before the last day of the six-month period following the end of the transferor's taxation year that includes the due date of the election in respect of the transfer, within the meaning of subsection 6 of section 132.2 of the Income Tax Act, or, if it is later, the last day of the two-month period following the end of such a taxation year of the transferee.

1996, c. 39, s. 220; 1997, c. 85, s. 193; 2000, c. 5, s. 293; 2001, c. 7, s. 113; 2010, c. 25, s. 91; 2015, c. 36, s. 60; 2020, c. 16, s. 118.

785.4.1. In respect of a qualifying exchange, a time referred to in the following list immediately follows the time that precedes it in the list:

(a) the transfer time;

(b) the first intervening time;

(c) the acquisition time;

(d) the beginning of the funds' first post-exchange years;

(e) the depreciables disposition time;

(f) the second intervening time; and

(g) the depreciables acquisition time.

2015, c. 36, s. 61.

785.5. The following rules apply in respect of a qualifying exchange:

(a) each property of a fund (other than property disposed of by the transferor to a transferee at the transfer time and depreciable property) is deemed to have been disposed of, and to have been reacquired by the fund, at the first intervening time, for an amount equal to the lesser of

i. the fair market value of the property at the transfer time, and

ii. the greater of

(1) its cost amount, and

(2) the amount that the fund designates in respect of the property in a notification sent to the Minister and accompanied by the prescribed form relating to the qualifying exchange filed pursuant to the second paragraph of section 785.4;

(a.1) in respect of each property transferred by the transferor to a transferee, including an exchange of a unit of a transferee for another unit of that transferee, the transferor is deemed to have disposed of the property to the transferee, and to have received units of the transferee as consideration for the disposition of the property, at the transfer time;

(b) subject to paragraph *k*, the last taxation years of the funds that began before the transfer time are deemed to have ended at the acquisition time, and their first post-exchange years are deemed to have begun immediately after those last taxation years ended;

(c) each depreciable property of a fund (other than property to which section 785.5.2 applies and property to which paragraph *d* would, but for this paragraph, apply) is deemed to have been disposed of, and to have been reacquired, by the fund at the second intervening time, for an amount equal to the lesser of

i. the fair market value of the property at the depreciables disposition time, and

ii. the greater of

(1) the lesser of the property's capital cost and its cost amount to the disposing fund at the depreciables disposition time, and

(2) the amount that the fund designates in respect of the property in a notification sent to the Minister and accompanied by the prescribed form relating to the qualifying exchange filed pursuant to the second paragraph of section 785.4;

(d) where at the second intervening time the undepreciated capital cost to a fund of depreciable property of a prescribed class exceeds the fair market value of all the property of that class, the excess is to be deducted

in computing the fund's income for the taxation year that includes the transfer time and is deemed to have been allowed as depreciation in respect of property of that class under paragraph *a* of section 130;

(e) the transferor's cost of particular property received by the transferor from a transferee as consideration for the disposition of property is deemed to be

i. nil, where the particular property is a unit of the transferee, and

ii. the particular property's fair market value at the transfer time, in any other case;

(f) the transferor's proceeds of disposition of any units of a transferee that were disposed of by the transferor at a particular time that is within 60 days after the transfer time in exchange for shares of the transferor are deemed to be equal to the cost amount of the units to the transferor immediately before the particular time;

(g) where, at a particular time that is within 60 days after the transfer time, a taxpayer disposes of shares of the transferor to the transferor in exchange for units of a transferee,

i. the taxpayer's proceeds of disposition of the shares and the cost to the taxpayer of the units are deemed to be equal to the cost amount to the taxpayer of the shares immediately before the particular time,

ii. for the purpose of applying sections 1097, 1102 and 1102.1 in respect of the disposition, the shares are deemed to be excluded property of the taxpayer,

iii. where all of the taxpayer's shares of the transferor have been so disposed of, for the purpose of applying sections 251.1 to 251.7 in respect of the taxpayer after that disposition, the transferee is deemed to be the same entity as the transferor, and

iv. where the taxpayer is at the particular time affiliated with the transferor or the transferee, those units are deemed not to be identical to the other units of the transferee, and

(1) if the taxpayer is the transferee, and the units cease to exist when the taxpayer acquires them (or when the taxpayer would but for that cessation have acquired them), the taxpayer is deemed to have acquired those units at the particular time and to have disposed of those units immediately after the particular time for proceeds of disposition equal to the cost amount to the taxpayer of those units at the particular time, or

(2) if subparagraph 1 does not apply, for the purpose of computing any gain or loss of the taxpayer from the taxpayer's first disposition, after the particular time, of each of those units, where that disposition is a renunciation or surrender of the unit by the taxpayer for no consideration, and is not in favour of any person other than the transferee, the taxpayer's proceeds of disposition of that unit are deemed to be equal to that unit's cost amount to the taxpayer immediately before that disposition, or, in any other case, the taxpayer's proceeds of disposition of that unit are deemed to be equal to the greater of that unit's fair market value and its cost amount to the taxpayer immediately before that disposition;

(h) where a share to which paragraph *g* applies would, but for this paragraph, cease to be a qualified investment (within the meaning assigned by subsection 1 of any of sections 146, 146.1, 146.3, 146.4 and 207.01 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or by section 204 of that Act) because of the qualifying exchange, the share is deemed to be a qualified investment until the earlier of the day that is 60 days after the day that includes the transfer time and the time at which it is disposed of in accordance with paragraph *g*;

(i) no amount in respect of a non-capital loss, net capital loss, restricted farm loss, farm loss or limited partnership loss of a fund for a taxation year that begins before the transfer time is deductible in computing the taxable income of the funds for a taxation year that begins after the transfer time;

(j) where the transferor is a mutual fund trust, for the purposes of sections 1121.1, 1121.2 and 1121.4 to 1121.6, the transferee is deemed after the transfer time to be the same mutual fund trust as, and a continuation of, the transferor;

(k) where the transferor is a mutual fund corporation, the following rules apply, and nothing in this paragraph affects the computation of any amount determined under this Part:

i. for the purposes of section 1118, the transferor is deemed in respect of any share disposed of in accordance with paragraph *g* to be a mutual fund corporation at the time of the disposition, and

ii. *(subparagraph repealed);*

iii. for the purposes of section 1116, a dividend that becomes payable at a particular time after the acquisition time but within the 60-day period commencing immediately after the transfer time, and is paid before the end of that period, by the transferor to taxpayers that held shares of a class of shares of the capital stock of the transferor, that was recognized under securities legislation as or as part of an investment fund, immediately before the transfer time is deemed to have become payable at the first intervening time if the transferor made a valid election under subparagraph iii of paragraph *l* of subsection 3 of section 132.2 of the Income Tax Act in respect of the full amount of the dividend;

(l) subject to subparagraph i of paragraph *k*, the transferor is, despite sections 1117, 1117.0.1 and 1120, deemed to be neither a mutual fund corporation nor a mutual fund trust for a taxation year that begins after the transfer time; and

(m) for the purpose of applying section 1120.0.0.2 to a mutual fund trust for a taxation year that includes the transfer time, the following amounts are to be determined as if the taxation year ended immediately before the transfer time:

i. where subparagraph *a* of the first paragraph of section 1120.0.0.2 applies, the amounts determined under subparagraphs *b* to *d* of the second paragraph of that section, and

ii. where subparagraph *b* of the first paragraph of section 1120.0.0.2 applies,

(1) the amounts determined under subparagraphs *b* and *c* of the second paragraph of that section, for the purposes of subparagraph i of subparagraph *b* of the first paragraph of that section,

(2) the amounts determined under subparagraphs *c* to *f* of the second paragraph of that section, for the purposes of subparagraph 3 of subparagraph i of subparagraph *b* of the first paragraph of that section, and

(3) the amounts determined under subparagraphs *c*, *f* and *g* of the second paragraph of that section, for the purposes of subparagraph ii of subparagraph *b* of the first paragraph of that section.

1996, c. 39, s. 220; 1997, c. 85, s. 194; 2001, c. 7, s. 114; 2001, c. 53, s. 163; 2009, c. 5, s. 341; 2009, c. 15, s. 160; 2015, c. 36, s. 62; 2020, c. 16, s. 119; 2023, c. 19, s. 62.

785.5.1. Where a transferor transfers a property, other than a depreciable property, to a transferee in a qualifying exchange, the following rules apply:

(a) the transferee is deemed to have acquired the property at the acquisition time and not to have acquired the property at the transfer time;

(b) the transferor's proceeds of disposition of the property and the transferee's cost of the property are deemed to be equal to the amount described in the first paragraph of section 785.6; and

(c) where the property is a unit of the transferee and the unit ceases to exist at the time when the transferee acquires it, such time being that when the transferee would but for that cessation have acquired it, paragraphs *a* and *b* do not apply in respect of the transferee.

2015, c. 36, s. 63; 2020, c. 16, s. 120.

785.5.2. Where a transferor transfers a depreciable property to a transferee in a qualifying exchange, the following rules apply:

(a) the transferor is deemed to have disposed of the property at the depreciables disposition time, and not to have disposed of the property at the transfer time;

(b) the transferee is deemed to have acquired the property at the depreciables acquisition time, and not to have acquired the property at the transfer time;

(c) the transferor's proceeds of disposition of the property and the transferee's cost of the property are deemed to be equal to the amount described in the first paragraph of section 785.6; and

(d) where the property's capital cost to the transferor exceeds the transferor's proceeds of disposition of the property determined in accordance with the first paragraph of section 785.6, for the purposes of sections 93 to 104, sections 130 and 130.1 and any regulations made under paragraph *a* of section 130 or section 130.1,

i. the property's capital cost to the transferee is deemed to be equal to the amount that was its capital cost to the transferor, and

ii. the excess is deemed to have been allowed to the transferee in respect of the property as depreciation under paragraph *a* of section 130 in computing the transferee's income for a taxation year that ended before the transfer time.

2015, c. 36, s. 63.

785.6. The amount to which paragraph *b* of section 785.5.1 and paragraph *c* of section 785.5.2 refer is,

(a) in the case of a property referred to in section 785.5.1, the amount established as proceeds of disposition of the property to the transferor and the cost of the property to the transferee under paragraph *b* of subsection 4 of section 132.2 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), except where subparagraph *b* applies;

*(a.*1*)* in the case of a property referred to in section 785.5.2, the amount established as proceeds of disposition of the property to the transferor and the cost of the property to the transferee under paragraph *c* of subsection 5 of section 132.2 of the Income Tax Act, except where subparagraph *b* applies; or

(b) subject to the third paragraph and if the conditions set out in the second paragraph are met for the transferor and for the transferee, the lesser of

i. the fair market value of the property at the transfer time, and

ii. the greatest of

(1) the cost amount to the transferor of the property at the transfer time or, where the property is depreciable property, the lesser of its capital cost and its cost amount to the transferor immediately before the depreciables disposition time,

(2) the amount that the transferor and the transferee agree on jointly in respect of the property in the prescribed form relating to the qualifying exchange filed pursuant to the second paragraph of section 785.4, and

(3) the fair market value at the transfer time of the consideration, other than units of the transferee, received by the transferor for the disposition of the property.

The conditions referred to in subparagraph *b* of the first paragraph are as follows:

(a) in the case of an individual, the individual must be resident in Québec at the end of the individual's taxation year in which the transfer is made and, if the second paragraph of section 22 applies to the individual for that year, the proportion applicable in respect of the individual in that second paragraph for that year must be not less than 9/10;

(b) in the case of a corporation, the proportion that the business carried on by the corporation in Québec is of the aggregate of the business carried on in Canada or in Québec and elsewhere established by the regulations made under section 771 for its taxation year in which the transfer is made, must be not less than 9/10.

However, subparagraph *b* of the first paragraph does not apply in respect of property unless all or substantially all of the difference between the amount that would, but for subparagraph *b*, be referred to in respect of the property in subparagraph *a* or *a*.1 of the first paragraph and the amount determined in its respect in that subparagraph *b*, is justified by a difference between the cost amount of the property to the transferor, immediately before the disposition, for the purposes of Part I of the Income Tax Act and the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.

Where two or more depreciable properties of a prescribed class are disposed of by the transferor to the transferee in the same qualifying exchange, subparagraph *b* of the first paragraph applies as if each property so disposed of had been separately disposed of in the order designated by the transferor in the prescribed form relating to the qualifying exchange filed pursuant to the second paragraph of section 785.4 or, if the transferor does not so designate any such order, in the order designated by the Minister.

1997, c. 85, s. 195; 2001, c. 7, s. 115; 2002, c. 40, s. 88; 2009, c. 5, s. 342; 2015, c. 36, s. 64; 2020, c. 16, s. 121.

TITLE II

PATRONAGE DIVIDENDS

1972, c. 23.

786. A taxpayer may deduct, according to the conditions provided in this Title, in computing his income for a taxation year, the patronage dividends which he makes in the year or within twelve months thereafter to all his customers of the year; he may also deduct patronage dividends which he has made in the year or in the twelve months thereafter to his customers of a previous year if the deduction was not permitted from his income for such previous year.

1972, c. 23, s. 595.

786.1. Section 786 applies to a payment made by a taxpayer to a customer with whom the taxpayer does not deal at arm's length only if

(a) the taxpayer is a cooperative described in section 119.2R2 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) or a savings and credit union; or

(b) the payment is a prescribed payment.

2005, c. 38, s. 203; 2009, c. 15, s. 161.

787. A patronage dividend is deductible if the prospect of a right to such patronage dividend was held forth to the taxpayer's customers for the year.

1972, c. 23, s. 596.

788. The condition contemplated in section 787 shall be fulfilled if:

(a) it is provided for in the statute under which the taxpayer was incorporated or registered, its charter, articles of association or by-laws or contract with the customer, that amounts might be credited to the customer who is a member or non-member as a patronage dividend;

(b) the taxpayer has held forth that prospect to customers who are members or non-members by an advertisement in a form satisfactory to the Minister and published before the beginning of the year or before any other date prescribed for his kind of business, in one or more newspapers in general circulation in the greater part of the area where the taxpayer carries on business.

The taxpayer must send the Minister copies of such newspapers within the first 30 days of the taxation year or within the 30 days following the prescribed date.

1972, c. 23, s. 597; 1997, c. 3, s. 71; 2001, c. 53, s. 164.

789. A patronage dividend must be computed at the same rate for all customers, taking into account the differences for various categories and qualities of goods furnished to the taxpayer.

It must also be computed in proportion to the quality, the quantity or the value of goods which the taxpayer has acquired from the customer or on his behalf, has marketed for the customer or has sold to him or the services which the taxpayer has rendered to the customer.

1972, c. 23, s. 598.

790. For the purposes of this Title, where a person has sold or delivered a quantity of goods to a marketing board established by a law of Canada or of a province, the marketing board has sold or delivered the same quantity of goods of the same class or quality to a taxpayer of which the person is a member, and the taxpayer has credited that person with an amount based on the quantity of goods sold or delivered to it by the marketing board, such person is deemed to have sold or delivered that quantity of goods to the taxpayer, and the taxpayer is deemed to have acquired it from that person.

1975, c. 22, s. 213.

791. A patronage dividend may be in the form of a certificate of indebtedness or a share issued by the taxpayer or by a corporation of which the taxpayer is a subsidiary wholly-owned corporation.

In such case, however, the taxpayer or that corporation must have disbursed in the year or within 12 months thereafter an amount of money equal to the aggregate of the principal amount of all certificates of indebtedness or shares issued in the course of purchasing or redeeming certificates of indebtedness or shares of the taxpayer or of that corporation previously issued.

A patronage dividend may also be in the form of a payment applied to a loan made by the taxpayer to a member or an amount applied to the obligation of the member to make a loan to the taxpayer, or on account of payment for shares issued to a member, either at the request of the member or pursuant to a statute or by-law of the taxpayer.

Every payment which under section 314 must be included in computing the income of a member constitutes a patronage dividend.

1972, c. 23, s. 599; 1997, c. 3, s. 71.

792. (1) Where a patronage dividend is computed at a different rate in the case of persons qualifying as members, the amount that may be deducted under section 786 is equal to the lesser of the aggregate of patronage dividends made by the taxpayer and mentioned in section 786 and the aggregate of the part of the income of the taxpayer for the year attributable to business done with members and such patronage dividends made to non-member customers of the year.

(2) A person qualifies as a member, for the purposes of this Title, if, as a member or shareholder, he is entitled to full voting rights in the conduct of the affairs of a taxpayer, being a corporation, or of a corporation of which the taxpayer is a subsidiary wholly-owned corporation.

1972, c. 23, s. 600; 1989, c. 77, s. 88; 1997, c. 3, s. 71.

792.1. Where, in a taxation year ending after 31 December 1985, all or a portion of a patronage dividend made by a taxpayer to his customers who are members is not deductible in computing his income for the year because of the application of subsection 1 of section 792, in this section referred to as the "undeducted portion", the taxpayer may deduct, in computing his income for a subsequent taxation year, an amount equal to the lesser of

(a) the undeducted portion, except to the extent that that portion was deducted in computing his income for any preceding taxation year; and

(b) the amount by which the taxpayer's income for the subsequent taxation year, computed without reference to this section, attributable to business done with his customers of that year who are members exceeds the amount deducted in computing his income for the subsequent taxation year by virtue of section 786 in respect of patronage dividends made by him to his customers of that year who are members.

1989, c. 77, s. 89.

793. The taxpayer's income attributable to business done with members is computed, for the purposes of section 792, by establishing the portion of the taxpayer's income, before any deduction permitted by this Title, that the proportion that the value of the business done in the year with the members is to that made with all customers. Such business includes the value of the goods or products which the taxpayer has acquired during the year from his customers or has marketed on behalf of his customers or has sold to them or the services which he has rendered to them.

1972, c. 23, s. 601.

794. *(Repealed).*

1972, c. 23, s. 602; 1973, c. 17, s. 92; 1979, c. 38, s. 24; 1986, c. 15, s. 128.

795. A taxpayer must include in computing his income for the taxation year every patronage dividend which he receives during that year. He must also include in his income the principal amount of a certificate of indebtedness or of a share issued to him as a patronage dividend for the year in which he received it and not in the year when the debt was discharged or the share redeemed.

1972, c. 23, s. 603.

796. A taxpayer is not however bound to include in computing his income a patronage dividend respecting property or services, other than a patronage dividend computed in relation to the volume of work carried on by the taxpayer for his cooperative or for a corporation of which his cooperative is a shareholder, the cost of which he may not deduct in computing his income from business or property.

1972, c. 23, s. 604; 1990, c. 7, s. 79; 1997, c. 3, s. 71.

TITLE II.1

CONTINUANCE OF THE CANADIAN WHEAT BOARD

2021, c. 14, s. 101.

796.1. In this Title,

"application for continuance" means the application for continuance referred to in paragraph *a* of the definition of "Canadian Wheat Board continuance";

"Canadian Wheat Board" means the corporation referred to in subsection 1 of section 4 of the Canadian Wheat Board (Interim Operations) Act, enacted under section 14 of the Marketing Freedom for Grain Farmers Act (S.C. 2011, c. 25), as that section 4 read before being repealed, that is continued under the Canada Business Corporations Act (R.S.C. 1985, c. 44) pursuant to the application for continuance;

"Canadian Wheat Board continuance" means the series of transactions or events that includes

(a) the application for continuance under the Canada Business Corporations Act that is

i. made by the corporation referred to in subsection 1 of section 4 of the Canadian Wheat Board (Interim Operations) Act, as it read before being repealed, and

ii. approved by the Minister of Agriculture and Agri-Food of Canada under Part 3 of the Marketing Freedom for Grain Farmers Act;

(b) the issuance of a note or other evidence of indebtedness by the Canadian Wheat Board to the eligible trust; and

(c) the disposition of the eligible debt by the eligible trust, in the same taxation year of the trust in which the eligible debt is issued to it, in exchange for consideration that includes the issuance of shares by the Canadian Wheat Board that have a total fair market value at the time of their issuance that is equal to the amount by which the principal amount of the eligible debt exceeds $10,000,000;

"eligible debt" means a note or other evidence of indebtedness referred to in paragraph *b* of the definition of "Canadian Wheat Board continuance";

"eligible share" means a common share of the capital stock of the Canadian Wheat Board that is issued in exchange for the eligible debt in accordance with paragraph *c* of the definition of "Canadian Wheat Board continuance";

"eligible trust", at a particular time, means a trust that meets the following conditions:

(a) it was established in connection with the application for continuance;

(b) it is resident in Canada at the particular time;

(c) immediately before it acquired the eligible debt, it held only property of nominal value;

(d) it is not exempt, in accordance with Book VIII, from tax on its taxable income for any period in its taxation year that includes the particular time;

(e) all of the interests of beneficiaries under the trust at the particular time are described by reference to units that are eligible units in the trust;

(f) the only persons who have acquired an interest as a beneficiary under the trust before the particular time are persons who were participating farmers at the time they acquired the interest;

(g) all or substantially all of the fair market value of its property at the particular time is based on the value of property that is

i. eligible debt,

ii. shares of the capital stock of the Canadian Wheat Board, or

iii. property described in paragraph *a* or b of the definition of "qualified investment" in section 204 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or a deposit with a savings and credit union;

(h) the property that it has paid or distributed at or before the particular time to a beneficiary under the trust in satisfaction of the beneficiary's eligible unit in the trust is

i. money denominated in Canadian dollars, or

ii. shares distributed as an eligible wind-up distribution of the trust; and

(i) at no time in its taxation year that includes the particular time is any other trust an eligible trust;

"eligible unit", in a trust at a particular time, means a unit that describes all or part of an interest as a beneficiary under the trust, where

(a) the total of all amounts each of which is the value of a unit at the time it was issued by the trust to a participating farmer does not exceed the amount by which the principal amount of the eligible debt exceeds $10,000,000; and

(b) all of the interests as a beneficiary under the trust are fixed interests, as defined in section 21.0.5, in the trust;

"eligible wind-up distribution", of a trust, means a distribution of property by the trust to a person where

(a) the distribution includes a share of the capital stock of the Canadian Wheat Board that is listed on a designated stock exchange;

(b) the only property (other than a share described in paragraph *a*) distributed by the trust on the distribution is money denominated in Canadian dollars;

(c) the distribution results from the disposition of all of the person's interests as a beneficiary under the trust; and

(d) the trust ceases to exist immediately after the distribution or immediately after the last of a series of eligible wind-up distributions (determined without reference to this paragraph) of the trust that includes the distribution;

"participating farmer", in respect of a trust at a particular time, means a person who

(a) is eligible to receive units of the trust pursuant to the plan under which the trust directs its trustees to grant units to persons who have delivered grain after 31 July 2013 under a contract with the Canadian Wheat Board; and

(b) is engaged in the production of grain or is entitled, as lessor, vendor or hypothecary creditor or mortgagee, to grain produced by a person engaged in the production of grain or to any share of that grain;

"person" includes a partnership.

2021, c. 14, s. 101.

796.2. Where, at a particular time, an eligible trust acquires eligible debt, the principal amount of the eligible debt is deemed not to be included in computing the income of the eligible trust for its taxation year that includes the particular time.

2021, c. 14, s. 101.

796.3. Where, at a particular time, an eligible trust disposes of eligible debt in exchange for consideration that includes the issuance of eligible shares, the following rules apply:

(a) for the purpose of computing the income of the eligible trust for its taxation year that includes that time

i. an amount, in respect of the disposition of the eligible debt, equal to the fair market value of all property (other than eligible shares) received on the exchange is included,

ii. no amount in respect of the disposition of the eligible debt is included (other than an amount described in subparagraph i), and

iii. no amount in respect of the receipt of the eligible shares is included;

(b) the cost to the eligible trust of each eligible share is deemed to be nil;

(c) in computing the paid-up capital in respect of the class of the capital stock of the Canadian Wheat Board that includes the eligible shares, at a particular time after the shares are issued, an amount equal to the amount of the paid-up capital in respect of that class at the time the shares are issued must be deducted;

(d) section 467 does not apply in respect of property

i. that is held by the trust in a taxation year that ends at or after the particular time, and

ii. that is received by the trust on the exchange or is a substitute for property described in subparagraph i; and

(e) sections 505, 506 and 508 and Divisions I to IV.2 of Chapter IV of Title IX do not apply at the particular time in respect of eligible shares.

2021, c. 14, s. 101.

796.4. Where a trust is an eligible trust at a particular time in a taxation year, the following rules apply:

(a) in computing the trust's income for the year, no deduction may be made under paragraph *a* of section 657 or section 657.1, except to the extent of the income of the trust for the year (determined without reference to that paragraph or section) that is paid in the year, provided that the trust is an eligible trust at the beginning of the following taxation year;

(b) each property held by the trust that is an eligible debt or an eligible share is deemed to have a cost amount to the trust of nil;

(c) if the trust disposes of a property, the following rules apply:

i. subject to section 796.14, it is deemed to have disposed of the property for proceeds equal to the fair market value of the property immediately before the disposition,

ii. the gain, if any, of the trust from the disposition is deemed not to be a capital gain and must be included in computing the trust's income for the trust's taxation year that includes the time of disposition, and

iii. the loss, if any, of the trust from the disposition is deemed not to be a capital loss and must be deducted in computing the trust's income for the trust's taxation year that includes the time of disposition;

(d) the trust is deemed not to be a

i. personal trust,

ii. unit trust,

iii. trust prescribed for the purposes of section 688, or

iv. trust any interest in which is an excluded right or interest for the purposes of Chapter I of Title I.1; and

(e) subparagraph *d* of the second paragraph of section 248 does not apply in respect of eligible units in the trust.

2021, c. 14, s. 101.

796.5. Where, at a particular time, a participating farmer acquires an eligible unit in an eligible trust from the eligible trust, the following rules apply:

(a) no amount in respect of the acquisition of the eligible unit is included in computing the income of the participating farmer; and

(b) the cost amount to the participating farmer of the eligible unit is deemed to be nil.

2021, c. 14, s. 101.

796.6. Where a participating farmer has not received, immediately before the participating farmer's death, an eligible unit in an eligible trust for which the participating farmer was eligible—pursuant to the plan under which the eligible trust directs its trustees to grant units to persons who have delivered grain after 31 July 2013 under a contract with the Canadian Wheat Board—and the eligible trust issues the unit to the succession that arose on and as a consequence of the death, the following rules apply:

(a) the participating farmer is deemed to have acquired the unit at the time that is immediately before the time that is immediately before the death, as a participating farmer from the eligible trust, and to own the unit at the time that is immediately before the death;

(b) for the purposes of paragraph *f* of the definition of "eligible trust" in section 796.1, the succession is deemed not to have acquired the unit from the trust; and

(c) for the purposes of subparagraph *c* of the first paragraph of section 796.8 and the second paragraph of that section, the succession is deemed to have acquired the eligible unit on and as a consequence of the death.

2021, c. 14, s. 101.

796.7. Where a person disposes of an eligible unit in a trust that is an eligible trust at the time of the disposition, the following rules apply:

(a) the gain, if any, of the person from the disposition is deemed not to be a capital gain and must be included in computing the person's income for the person's taxation year that includes the time of disposition; and

(b) the loss, if any, of the person from the disposition is deemed not to be a capital loss and must be deducted in computing the person's income for the person's taxation year that includes the time of disposition.

2021, c. 14, s. 101.

796.8. Where, immediately before an individual's death, the individual owns an eligible unit that the individual acquired as a participating farmer from an eligible trust, the following rules apply:

(a) the individual is deemed to dispose of the eligible unit immediately before death (such a disposition being referred to in this section as the "particular disposition");

(b) where the conditions of the second paragraph are met, the following rules apply:

i. the individual's gain from the disposition is deemed to be nil,

ii. the cost amount to the succession of the eligible unit is deemed to be nil,

iii. any amount that is included in computing the succession's income (determined without reference to this subparagraph, paragraphs *a* and *b* of section 657 and section 657.1) for a taxation year from a source that is an eligible unit is, despite section 652, deemed to have become payable in that taxation year by the succession to the spouse, and not to have become payable to any other beneficiary,

iv. the distribution is deemed to be a disposition by the succession of the eligible unit for proceeds equal to the cost amount to the succession of the unit,

v. the part of the spouse's interest as a beneficiary under the succession that is disposed of as a result of the distribution is deemed to be disposed of for proceeds of disposition equal to the cost amount to the spouse of that part immediately before the disposition,

vi. the cost amount to the spouse of the eligible unit is deemed to be nil, and

vii. the spouse is deemed to have acquired the eligible unit as a participating farmer from the eligible trust, except for the purposes of the second paragraph; and

(c) where not all the conditions of the second paragraph are met, the following rules apply:

i. the individual's proceeds from the particular disposition are deemed to be equal to the fair market value of the unit immediately before the particular disposition,

ii. the gain from the particular disposition is deemed to be included, under section 428 and not under any other provision, in computing the individual's income for the individual's taxation year in which the individual dies,

iii. section 1032 applies in respect of the deceased individual in relation to the particular disposition as if a reference in that section to sections 433 to 435 included a reference to section 428 in the application of section 1032 to the gain from the particular disposition, and

iv. the person who acquires the eligible unit as a consequence of the individual's death is deemed to have acquired the eligible unit at the time of the death at a cost equal to the individual's proceeds, described in subparagraph i, from the particular disposition.

The conditions to which subparagraphs *b* and *c* of the first paragraph refer are as follows:

(a) the individual is resident in Canada immediately before the individual's death;

(b) the individual's succession that is a graduated rate estate acquires the eligible unit on and as a consequence of the death;

(c) the individual's legal representative makes a valid election under subparagraph iii of paragraph *c* of subsection 8 of section 135.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) that paragraph *b* of that subsection 8 not apply to the individual in respect of the particular disposition;

(d) the succession distributes the eligible unit to the individual's spouse at a time at which the succession is the individual's succession that is a graduated rate estate;

(e) the individual's spouse is resident in Canada at the time of the distribution; and

(f) the succession does not dispose of the unit before the distribution.

Chapter V.2 of Title II of Book I applies in relation to an election referred to in subparagraph *c* of the second paragraph.

2021, c. 14, s. 101.

796.9. Where an eligible unit in an eligible trust that was acquired by a participating farmer from the eligible trust is disposed of by the participating farmer (otherwise than under a disposition described in subparagraph *a* of the first paragraph of section 796.8, paragraph *d* of section 796.10 or paragraph *b* of section 796.11), the following rules apply:

(a) the participating farmer's proceeds from the disposition are deemed to be equal to the fair market value of the unit immediately before the disposition;

(b) where the disposition results in a distribution of money denominated in Canadian dollars by the trust to the participating farmer in a taxation year of the trust, the money is proceeds from the disposition in that taxation year of other property of the trust and, at the time of the disposition, the participating farmer is not a person described in any of clauses A to C of subparagraph ii of paragraph *b* of subsection 4 of section 135.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the trust's gain, if any, from the disposition of the other property is reduced to the extent that the proceeds of disposition so distributed would, in the absence of this paragraph, be included under section 663 in computing the participating farmer's income for the taxation year of the participating farmer in which the taxation year of the trust ends; and

(c) where the participating farmer is a Canadian-controlled private corporation, the gain from the disposition is, for the purposes of Title II of Book V, deemed to be income from an eligible business.

2021, c. 14, s. 101.

796.10. Where, at a particular time, an eligible trust distributes property as an eligible wind-up distribution of the trust to a person, the following rules apply:

(a) section 688.1 does not apply in respect of the distribution;

(b) the trust is deemed to have disposed of the property for proceeds of disposition equal to its fair market value at the particular time;

(c) despite section 652, the trust's gain from the disposition of the property is deemed to have become payable at the particular time by the trust to the person, and not to have become payable to any other beneficiary;

(d) the person is deemed to have acquired the property at a cost equal to the trust's proceeds from the disposition;

(e) the person's proceeds from the disposition of the eligible unit, or part of it, that results from the distribution are deemed to be equal to the cost amount of the unit to the person immediately before the particular time; and

(f) no part of the trust's gain from the disposition of the property is to be included in the cost to the person of the property, other than as determined by paragraph *d*.

2021, c. 14, s. 101.

796.11. Where a trust ceases to be an eligible trust at a particular time, the following rules apply:

(a) section 999.1 applies to the trust as if

i. it ceased at the particular time to be exempt from tax under this Part on its taxable income, and

ii. paragraph *e* of that section included a reference to the provisions of this Title; and

(b) each person who holds at the particular time an eligible unit in the trust is deemed to

i. dispose of, at the time that is immediately before the time that is immediately before the particular time, each of the eligible units for proceeds equal to the cost amount of the unit to the person, and

ii. reacquire the eligible unit at the time that is immediately before the particular time at a cost equal to the fair market value of the unit at the time that is immediately before the particular time.

2021, c. 14, s. 101.

796.12. Where, at a particular time, the eligible trust holds an eligible share (or another share of the Canadian Wheat Board acquired before the particular time as a stock dividend) and the Canadian Wheat Board issues, as a stock dividend paid in respect of such a share, a share of a class of its capital stock, the amount by which the paid-up capital is increased—in respect of the issuance of all shares paid by the Canadian Wheat Board to the eligible trust as a stock dividend or any other stock dividend paid to other shareholders in connection with that stock dividend—for all classes of shares of the Canadian Wheat Board is, for the purposes of this Act, deemed to be no more than $1.

2021, c. 14, s. 101.

796.13. The rules set out in section 796.14 apply in respect of the disposition by an eligible trust of all of the shares (in this section and section 796.14 referred to collectively as the "old shares" and individually as an "old share") of a class of the capital stock of the Canadian Wheat Board owned by the eligible trust where

(a) the disposition of the old shares results from the acquisition, cancellation or redemption in the course of a reorganization of the capital of the Canadian Wheat Board;

(b) the Canadian Wheat Board issues to the eligible trust, in exchange for the old shares, shares (in this section and section 796.14 referred to collectively as the "new shares" and individually as a "new share") of a class of the capital stock of the Canadian Wheat Board the terms and conditions of which—including the entitlement to receive an amount on an acquisition, cancellation or redemption—are in all material respects the same as those of the old shares;

(c) the amount that is the total fair market value of all of the new shares acquired by the eligible trust on the exchange is equal to the total fair market value of all of the old shares disposed of by the eligible trust; and

(d) the amount that is the total paid-up capital in respect of all of the new shares acquired by the eligible trust on the exchange is equal to the amount that is the total paid-up capital in respect of all of the old shares disposed of on the exchange.

2021, c. 14, s. 101.

796.14. The rules to which section 796.13 refers in respect of an eligible trust's exchange of an old share for a new share are as follows:

(a) the old share is deemed to be disposed of by the eligible trust for proceeds of disposition equal to its cost amount to the eligible trust;

(b) the new share acquired for the old share referred to in paragraph *a* is deemed to be acquired for a cost equal to the amount referred to in that paragraph;

(c) where the old share is an eligible share, the new share is deemed to be an eligible share; and

(d) where new shares are deemed to be eligible shares because of paragraph *c* and those shares are included in a class that includes other shares that are not eligible shares, those eligible shares are deemed to have been issued in a separate series of the class and the other shares are deemed to have been issued in a separate series of the class.

2021, c. 14, s. 101.

796.15. Where a trust is deemed to cease, at a particular time, to be an eligible trust under paragraph *b* of subsection 16 of section 135.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), it is deemed to cease, at the particular time, to be an eligible trust for the purposes of this Title.

2021, c. 14, s. 101.

TITLE III

SAVINGS AND CREDIT UNIONS

1972, c. 23.

797. (1) A savings and credit union, hereinafter called a "credit union", is a corporation, association or federation constituted, organized or registered as a savings and credit union, as a financial services cooperative or as a cooperative credit society that conforms to the requirements of subsection 2, 3 or 4.

(2) All or substantially all of the revenues of a credit union must derive from:

(a) loans made to, or cashing cheques for, members;

(b) debt obligations or securities of the Gouvernement du Québec, of the Government of Canada, of another province or of a Canadian municipality, a municipal or public body performing a function of government in Canada or an agency of such a government or body, or debt obligations or securities guaranteed by such a government or by an agency of such a government;

(c) debt obligations of a corporation, commission or association not less than 90% of the shares or capital of which is owned by the Gouvernement du Québec, the Government of Canada or another province or by a Canadian municipality, deposits with such a corporation, commission or association or debt obligations or deposits guaranteed by such a corporation, commission or association;

(d) debt obligations of a bank, another credit union or a corporation licensed or otherwise authorized under the laws of Canada or of a province to offer in Canada its services as trustee, deposits with a bank or such a credit union or corporation, or debt obligations or deposits guaranteed by a bank or such a credit union or corporation;

(e) charges, fees and dues levied directly or indirectly from its members;

(f) loans made to a cooperative credit society of which the credit union is a member or deposits with such a society; or

(g) any other prescribed revenue source.

(3) All or substantially all the members of a credit union having full voting rights must be corporations, associations, federations or confederations

(a) incorporated as credit unions or cooperative credit societies which derive all or substantially all of their revenues from sources described in subsection 2 or whose members are all or substantially all credit unions, cooperatives or a combination thereof;

(b) incorporated, organized or registered under, or governed by a law of Québec, Canada or another province with respect to cooperatives;

(c) incorporated or organized for charitable purposes; or

(d) no part of the income of which may be distributed to, or be available for the benefit of, any shareholder or member.

(4) A corporation, association, federation or confederation would be a credit union by virtue of subsection 3 if all the members, other than individuals, having full voting rights in each credit union which is a member

of that corporation, association, federation or confederation were members having full voting rights in the corporation, association, federation or confederation.

1972, c. 23, s. 605; 1975, c. 22, s. 214; 1977, c. 5, s. 14; 1982, c. 5, s. 146; 1988, c. 64, s. 587; 1993, c. 16, s. 294; 1995, c. 49, s. 236; 1997, c. 3, s. 40; 2000, c. 29, s. 656.

798. For the purposes of this Title, a member of a credit union means

(a) a person who is recorded as a member on the records of the credit union and is entitled to participate in and use the services of the credit union; and

(b) a registered retirement savings plan, a registered retirement income fund, a tax-free savings account or a registered education savings plan, the annuitant, holder or subscriber under which is a person described in paragraph *a*.

1972, c. 23, s. 606; 1982, c. 5, s. 147; 2009, c. 5, s. 343; 2017, c. 1, s. 241.

799. *(Repealed).*

1972, c. 23, s. 607; 1990, c. 59, s. 301; 1993, c. 16, s. 295; 2000, c. 39, s. 102.

800. A credit union may, in computing its income for a taxation year, deduct the aggregate of the payments it makes to its members in the year or within twelve months thereafter, as bonus interest payments or pursuant to allocations in proportion to the loans made to its members.

Such deduction is permitted, however, only if such payments were not deductible from the income of the credit union for the preceding taxation year.

Furthermore, such a deduction is permitted only if such payments are credited for the year by the credit union to the member, at the same rate as that at which such payments are similarly credited for the year to all other members of the credit union. Those payments are computed at a rate depending, in the case of bonus interest payments, on the amount of interest payable to the member in the year, on the amount of money the member has on deposit with the credit union, and, in other cases, on the amount of interest payable by the member on the borrowed money or the amount of money that he borrowed from the credit union.

1972, c. 23, s. 608; 1975, c. 22, s. 215; 1982, c. 5, s. 148; 1995, c. 49, s. 180.

801. Despite any other provision of this Part, a payment received or receivable by a person from a particular credit union in respect of a share of the capital stock of the particular credit union is deemed to have been received or to be receivable from the particular credit union as interest except where the payment is made or is to be made as or on account of a reduction of the paid-up capital, redemption, acquisition or cancellation of the share by the particular credit union, to the extent of the paid-up capital of that share, and such payment as interest is deductible in computing the income of the particular credit union where the share is not listed on a stock exchange and

(a) the person is a member of the particular credit union; or

(b) the person is a member of another credit union, the share is issued by the particular credit union after 28 March 2012 and the other credit union is a member of the particular credit union.

1972, c. 23, s. 609; 1975, c. 22, s. 216; 1995, c. 49, s. 181; 2003, c. 2, s. 252; 2010, c. 5, s. 77; 2015, c. 24, s. 116.

802. Notwithstanding any other provision of this Part, an amount that is deemed under section 801 to be received or receivable as interest is deemed not to be received or receivable as a dividend.

1975, c. 22, s. 217; 1994, c. 22, s. 277; 1995, c. 49, s. 182.

803. A taxpayer must include in computing his income any payment which he receives from a credit union in respect of an allocation in proportion to borrowing for the purpose of earning income from a business or property otherwise than to acquire property the income from which would be exempt from tax or a life insurance policy.

1972, c. 23, s. 610.

803.1. If a credit union makes, in relation to a taxation year, a valid election under subsection 5.1 of section 137 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 to allocate an amount to another credit union that is one of its members, the credit union is deemed to have allocated to the other credit union in respect of the year such portion of each of the following amounts as may reasonably be considered to be the other credit union's share:

(a) the lesser of the aggregate of the amounts described in paragraph *a* of that subsection 5.1 in relation to the year and the aggregate of all amounts each of which is a taxable dividend received by the credit union from a taxable Canadian corporation in the year;

(b) the lesser of the excess amount determined under paragraph *b* of that subsection 5.1 in relation to the year and the amount by which the aggregate of all amounts each of which is the amount by which the credit union's capital gain from the disposition of a property in the year exceeds its taxable capital gain from the disposition, exceeds the aggregate of all amounts each of which is the amount by which the credit union's capital loss from the disposition of a property in the year exceeds its allowable capital loss from the disposition; and

(c) the lesser of the aggregate of the amounts described in paragraph *c* of that subsection 5.1 in relation to the year and the aggregate of the amounts deductible under paragraph *c* of section 803.2 in computing the credit union's taxable income for the year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 5.1 of section 137 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1982, c. 5, s. 149; 1993, c. 16, s. 296; 1997, c. 3, s. 71; 2009, c. 5, s. 344.

803.2. Despite any other provision of this Part, if an election referred to in the first paragraph of section 803.1 has been made by a credit union in relation to a taxation year, the following rules apply:

(a) the credit union shall deduct from the amount that would, but for this section, be deductible in computing its taxable income for the year under sections 738 to 745, any amount determined in respect of the year, for members to which the election applies, under the first paragraph of section 803.1 in relation to the amounts referred to in subparagraph *a* of that paragraph;

(b) the credit union shall include in computing its income for the year any amount determined in respect of the year, for members to which the election applies, under the first paragraph of section 803.1 in relation to the amounts referred to in subparagraphs *b* and *c* of that paragraph; and

(c) each member to which the election applies and in respect of which an amount is determined under the first paragraph of section 803.1 may deduct that amount in computing its taxable income for its taxation year that includes the last day of the credit union's taxation year in respect of which the amount was so determined.

1982, c. 5, s. 149; 1993, c. 16, s. 297; 1994, c. 22, s. 278; 2009, c. 5, s. 344.

TITLE IV

DEPOSIT INSURANCE CORPORATIONS

1975, c. 22, s. 218; 1997, c. 3, s. 71.

CHAPTER I

GENERALITIES AND DEFINITIONS

1975, c. 22, s. 218.

804. For the purposes of this Title, a deposit insurance corporation is:

(a) a corporation incorporated by the Canada Deposit Insurance Corporation Act (Revised Statutes of Canada, 1985, chapter C-3), or

(b) a corporation incorporated by or under a law of Québec, of another province or of Canada respecting the establishment of a stabilization fund or board which meets the requirements of section 805.

1975, c. 22, s. 218; 1997, c. 3, s. 71.

805. The deposit insurance corporation defined in paragraph *b* of section 804 qualifies as such for a taxation year only if it was incorporated primarily to provide or administer a stabilization, liquidity or mutual aid fund for a savings and credit union and to assist in the payment of any losses suffered by the members of such a union in liquidation and if throughout the year it was a Canadian corporation to which the cost amount of all its property, other than a debt obligation of, or a share of the capital stock of, a member institution issued by the member institution at a time when it was in financial difficulty, was at least 50% of the cost amount of the following property:

(a) bonds, debentures, notes, hypothecary claims, mortgages or similar obligations hereinafter called "obligations" issued or guaranteed by the Gouvernement du Québec, the Government of Canada or of another province, by a mandatary of any of such governments, by a Canadian municipality or by a municipal or public body performing a function of government in Canada, by a corporation, commission or association not less than 90% of the shares, capital or property of which is owned by the State, Her Majesty in right of a province, other than Québec, or a Canadian municipality, or by a wholly-controlled subsidiary of such a corporation, commission or association, or by an educational institution or hospital centre if, in this last case, repayment of the principal amount thereof and payment of the interest thereon is to be made or is guaranteed or otherwise secured by the government of a province;

(b) any deposit, deposit certificate or guaranteed investment certificate with a bank, with a corporation licensed or otherwise authorized by or under the laws of Canada or a province to carry on in Canada or in a province the business of offering to the public its services as trustee, or with a central or a savings and credit union that is a member of the Canadian Payments Association or a savings and credit union that is a member or shareholder of a central that is itself a member of the Canadian Payments Association;

(c) any money of the corporation; and

(d) in relation to a particular deposit insurance corporation, a debt obligation and a share of the capital stock of a subsidiary wholly-owned corporation of the particular corporation where the subsidiary is deemed, under section 806.1, to be a deposit insurance corporation.

However, in applying the first paragraph with regard to the 1975 taxation year, the words "throughout the year" therein are replaced by the words "on the last day of the year".

1975, c. 22, s. 218; 1977, c. 5, s. 14; 1984, c. 15, s. 181; 1989, c. 77, s. 90; 1990, c. 59, s. 302; 1993, c. 16, s. 298; 1996, c. 39, s. 221; 1997, c. 3, s. 71; 1998, c. 16, s. 188; 2001, c. 7, s. 116; 2005, c. 1, s. 194; 2010, c. 5, s. 78.

806. For the purposes of this Title, "member institution" in relation to a deposit insurance corporation, means an institution whose liabilities in respect of deposits are insured by that corporation or a savings and credit union that is qualified for assistance from that corporation.

1975, c. 22, s. 218; 1997, c. 3, s. 71.

806.1. For the purposes of this Title, except paragraph *b* of section 804 where paragraph *a* of subsection 1 of section 771 refers to it, the second paragraph of section 808, subparagraphs i and ii of paragraph *c* of section 810 and paragraph *a* of section 815, a subsidiary wholly-owned corporation of a particular corporation described in section 804 is deemed to be a deposit insurance corporation, and any member institution of the particular corporation is deemed to be a member institution of the subsidiary, where all or substantially all of the property of the subsidiary has at all times since the subsidiary was incorporated consisted of

(a) property described in subparagraphs *a* to *d* of the first paragraph of section 805;

(b) shares of the capital stock of a member institution of the particular corporation obtained by the subsidiary at a time when the member institution was in financial difficulty;

(c) debt obligations issued by a member institution of the particular corporation at a time when the member institution was in financial difficulty;

(d) property acquired from a member institution of the particular corporation at a time when the member institution was in financial difficulty; or

(e) any combination of property described in paragraphs *a* to *d*.

1989, c. 77, s. 91; 1995, c. 49, s. 183; 1997, c. 3, s. 71.

807. Notwithstanding any other provision of this Part, a deposit insurance corporation is deemed not to be a private corporation nor a savings and credit union.

1975, c. 22, s. 218; 1997, c. 3, s. 71.

CHAPTER II

RULES APPLICABLE TO THE COMPUTATION OF INCOME

1975, c. 22, s. 218.

808. Unless otherwise provided for in this Title, a deposit insurance corporation must, for the purposes of computing its income for a taxation year, comply with the rules provided for that purpose in this Part and must include or may deduct the amounts determined in this chapter.

The following amounts must not be included in computing the income of a deposit insurance corporation for a taxation year:

(a) any premium or assessment received, or receivable, by the corporation in the year from a member institution; and

(b) any amount received by the corporation in the year from another deposit insurance corporation to the extent that that amount can reasonably be considered to have been paid out of amounts referred to in paragraph *a* received by that other deposit insurance corporation in any taxation year.

1975, c. 22, s. 218; 1984, c. 15, s. 182; 1997, c. 3, s. 71; 2009, c. 5, s. 345.

809. A deposit insurance corporation must include:

(a) the aggregate of profits or gains made in the year by the corporation in respect of the disposition of an obligation which it owned;

(b) the portion included in the computation of its profits for the year, of the amount by which, at the time the corporation acquired it, the principal amount of each obligation owned by the corporation at the end of the year exceeded the cost of acquiring it;

(c) (paragraph repealed).

1975, c. 22, s. 218; 1990, c. 59, s. 303; 1997, c. 3, s. 71.

810. A deposit insurance corporation may deduct:

(a) the aggregate of the losses it has sustained during the year from the disposition of obligations owned by it and issued by other than a member institution;

(b) the portion, deducted in computing its profits for the year, of the amount by which the cost to the corporation of acquiring each obligation it owns at the end of the year exceeded the principal amount thereof at the time it was so acquired;

(c) the aggregate of the expenses it has incurred:

i. in collecting premiums and assessments from member institutions;

ii. in the performance of its duties as curator of a bank or as liquidator or receiver of a member institution when duly appointed to such duties;

iii. in the course of making or causing to be made such inspections as may reasonably be considered to be appropriate for assessing the solvency or financial stability of a member institution; and

iv. in supervising or administering a member institution in financial difficulty; and

(d) the aggregate of all amounts each of which is an amount that is not otherwise deductible by the corporation for the year or any other taxation year and that is

i. an amount paid by the corporation in the year pursuant to a legal obligation to pay interest on borrowed money used to lend money to, or otherwise provide assistance to, a member institution in financial difficulty, to assist in the payment of any losses suffered by members or depositors of a member institution in financial difficulty, to lend money to a subsidiary wholly-owned corporation of the corporation where the subsidiary is deemed by section 806.1 to be a deposit insurance corporation, to acquire property from a member institution in financial difficulty, or to acquire shares of the capital stock of a member institution in financial difficulty; or

ii. an amount paid by the corporation in the year pursuant to a legal obligation to pay interest on an amount that would be deductible under subparagraph i if it were paid in the year.

1975, c. 22, s. 218; 1986, c. 19, s. 165; 1989, c. 77, s. 92; 1997, c. 3, s. 71.

811. *(Repealed).*

1975, c. 22, s. 218; 1990, c. 59, s. 304.

812. *(Repealed).*

1975, c. 22, s. 218; 1990, c. 59, s. 304.

813. No deposit insurance corporation may deduct an amount in computing its income in respect of

(a) any grant, subsidy or other assistance provided by it to a member institution;

(b) the amount paid or payable by the corporation to acquire a property in excess of the fair market value of such property at the time it was acquired;

(c) any amount paid to a member institution as allocation in proportion to the premiums or assessments contemplated in the second paragraph of section 808;

(c.1) any amount paid by it to another deposit insurance corporation that is, because of subparagraph *b* of the second paragraph of section 808, not included in computing the income of that other deposit insurance corporation; or

(d) (paragraph repealed);

(e) any amount otherwise deductible under section 141 in respect of debts owing to it by its member institutions, and which has not been included in computing its income for the year or a preceding taxation year.

1975, c. 22, s. 218; 1986, c. 19, s. 166; 1990, c. 59, s. 305; 1997, c. 3, s. 71; 2009, c. 5, s. 346.

CHAPTER III

RULES APPLICABLE TO A MEMBER INSTITUTION

1975, c. 22, s. 218.

814. For the purposes of this Part, every member institution in computing its income for a taxation year must include:

(a) an amount described in paragraphs *a* to *c* of section 813 received by it during the year from a deposit insurance corporation, to the extent that it has not repaid the amount to the deposit insurance corporation in the year;

(b) an amount received during the year from a deposit insurance corporation by a depositor or a member of the member institution as total or partial payment of a deposit with, or capital stock of, the member institution to the extent that it has not repaid the amount to the deposit insurance corporation in the year;

(c) when, at any time during such year, the obligation of a member institution to pay an amount to a deposit insurance corporation is settled or extinguished without any payment by the member institution or by the payment of an amount less than the principal amount, the amount by which the principal amount exceeds the amount paid by it on the settlement or extinguishment of the obligation to the extent that the excess is not otherwise required to be included in computing the member institution's income for the year or a preceding taxation year.

For the purposes of subparagraph *c* of the first paragraph, an amount of interest payable by a member institution to a deposit insurance corporation on an obligation is deemed to have a principal amount equal to that amount.

1975, c. 22, s. 218; 1989, c. 77, s. 93; 1997, c. 3, s. 71.

815. A member institution in computing its income for a taxation year may deduct the following amounts:

(a) any premium or assessment referred to in the second paragraph of section 808 which is paid or payable by it in the year, to the extent that it was not deducted by it in computing its income for a preceding taxation year;

(b) any amount repaid by the member institution in the year to a deposit insurance corporation on account of an amount described in subparagraph *a* or *b* of the first paragraph of section 814 that was received in a

preceding taxation year, to the extent that it was not excluded from the member institution's income by reason of section 815.1 for the preceding year.

1975, c. 22, s. 218; 1990, c. 59, s. 306; 1997, c. 3, s. 71.

815.1. Where a member institution has in a taxation year repaid an amount to a deposit insurance corporation on account of an amount that was included by virtue of subparagraph *a* or *b* of the first paragraph of section 814 in computing its income for a preceding taxation year, where the member institution has filed its fiscal return required by section 1000 for the preceding year, and where, on or before the member institution's filing-due date for the taxation year, it has filed an amended fiscal return for the preceding year excluding from its income for that year the amount repaid, the amount repaid shall be excluded from the amount otherwise included by virtue of subparagraph *a* or *b* of the first paragraph of section 814 in computing the member institution's income for the preceding year and the Minister shall make such reassessment of the tax, interest and penalties payable by the member institution for preceding taxation years as is necessary to give effect to the exclusion.

1989, c. 77, s. 94; 1997, c. 3, s. 71; 1997, c. 31, s. 86.

TITLE V

INSURANCE CORPORATIONS

1972, c. 23; 1997, c. 3, s. 71.

CHAPTER I

GENERAL RULES

1972, c. 23.

816. Every corporation, whether or not a mutual corporation, hereinafter called "insurer", which carries on in Québec, for pecuniary gain, an insurance business of any class whatever during a taxation year must compute its income and its taxable income for that year in accordance with this Title.

1972, c. 23, s. 611; 1997, c. 3, s. 71.

817. For the purposes of this Part, a corporation is deemed to carry on an insurance business in a taxation year if, during that year, it is a party to an insurance contract or other arrangement of a particular class whereby it can reasonably be regarded as undertaking:

(a) to insure other persons against loss, damage or expense of any kind; or

(b) to pay insurance benefits to other persons on the death of any person, on the occurrence of an event or contingency dependent on human life, for a term dependent on human life or at a fixed or determinable future time.

The same applies whatever be the form and scope of such contract or arrangement, and even if the persons contemplated are members or shareholders of the corporation.

1972, c. 23, s. 612; 1997, c. 3, s. 71; 1998, c. 16, s. 189.

818. In this Title, "designated insurance property" for a taxation year of an insurer, other than an insurer resident in Canada that at no time in the year carried on a life insurance business, that, at any time in the year, carried on an insurance business in Canada and elsewhere means property determined in accordance with the prescribed rules.

However, in its application to any taxation year, "designated insurance property" for the taxation year 1998 or a preceding taxation year means property that was, under this section as it read in its application to any

taxation year that ended in 1996, property used or held by an insurer in the year in the course of carrying on an insurance business in Canada.

1972, c. 23, s. 613; 1978, c. 26, s. 138; 1998, c. 16, s. 190; 2004, c. 8, s. 158.

818.1. Notwithstanding any other provision of this Part, an insurance corporation, other than a life insurance corporation, that would otherwise be a private corporation is, for the purposes of section 308.6 and paragraph *b* of section 570, deemed not to be a private corporation.

1984, c. 15, s. 183; 1997, c. 3, s. 71; 1997, c. 14, s. 143.

819. *(Repealed).*

1977, c. 26, s. 83; 1978, c. 26, s. 139.

820. *(Repealed).*

1977, c. 26, s. 83; 1978, c. 26, s. 139.

821. *(Repealed).*

1972, c. 23, s. 614; 1977, c. 26, s. 84; 1978, c. 26, s. 140.

CHAPTER II

COMPUTATION OF INCOME OF AN INSURER

1972, c. 23.

DIVISION I

RULES APPLICABLE TO ALL INSURERS

1972, c. 23.

822. The following rules apply for the purposes of computing the income of an insurer:

(a) any amount received under a contract or arrangement mentioned in section 817 is deemed to be received in the course of carrying on such insurance business;

(b) his income must, except when otherwise provided in this Title, be computed in accordance with the rules applicable to the computation of the income for the purposes of this Part;

(c) any income from property vested in the insurer is deemed to be his income; and

(d) all taxable capital gains and allowable capital losses resulting from the disposition of property vested in the insurer are deemed to be such gains or losses of the insurer.

1972, c. 23, s. 615; 1973, c. 17, s. 93.

DIVISION II

RULES APPLICABLE TO CERTAIN INSURERS

1972, c. 23.

823. The rules contained in sections 824 to 829 apply to any insurer, except insurers resident in Canada who do not carry on a life insurance business.

1972, c. 23, s. 616.

824. Despite any other provision of this Part, the following rules apply to an insurer:

(a) if a life insurer resident in Canada carries on an insurance business in Canada and elsewhere in a taxation year,

i. its income or loss for the year from carrying on an insurance business is the amount of its income or loss for the year from carrying on the insurance business in Canada,

ii. in computing the insurer's income or loss for the year from the insurance business carried on by it in Canada, no amount is to be included in respect of the insurer's gross investment revenue for the year derived from property used or held by it in the course of carrying on an insurance business that is not designated insurance property for the taxation year of the insurer, and

iii. in computing the insurer's taxable capital gains or allowable capital losses for the year from dispositions of capital property (in this subparagraph referred to as "insurance business property") that, at the time of the disposition, was used or held by the insurer in the course of carrying on an insurance business,

(1) there is to be included each taxable capital gain or allowable capital loss of the insurer for the year from a disposition in the year of an insurance business property that was a designated insurance property for the taxation year of the insurer, and

(2) there is not to be included any taxable capital gain or allowable capital loss of the insurer for the year from a disposition in the year of an insurance business property that was not a designated insurance property for the taxation year of the insurer; and

(b) if an insurer not resident in Canada carries on an insurance business in Canada in a taxation year,

i. its income or loss for the year from carrying on an insurance business is the amount of its income or loss for the year from carrying on the insurance business in Canada,

ii. in computing the insurer's income or loss for the year from the insurance business carried on by it in Canada, no amount is to be included in respect of the insurer's gross investment revenue for the year derived from property used or held by it in the course of carrying on an insurance business that is not designated insurance property for the taxation year of the insurer, and

iii. in computing the insurer's taxable capital gains or allowable capital losses for the year from dispositions of capital property (in this subparagraph referred to as "insurance business property") that, at the time of the disposition, was used or held by the insurer in the course of carrying on an insurance business,

(1) there is to be included each taxable capital gain or allowable capital loss of the insurer for the year from a disposition in the year of an insurance business property that was a designated insurance property for the taxation year of the insurer, and

(2) there is not to be included any taxable capital gain or allowable capital loss of the insurer for the year from a disposition in the year of an insurance business property that was not a designated insurance property for the taxation year of the insurer.

1972, c. 23, s. 617; 1993, c. 16, s. 299; 1995, c. 63, s. 261; 1998, c. 16, s. 191; 2009, c. 5, s. 347.

825. An insurer carrying on an insurance business in Canada and elsewhere in a taxation year must include in computing its income for the year from carrying on its insurance businesses in Canada the aggregate of

(a) its gross investment revenue for the year from its designated insurance property for the year; and

(b) the amount prescribed in respect of the insurer for the year.

For the purposes of this section, gross investment revenue of an insurer for a taxation year is the amount by which the aggregate of the following amounts exceeds the aggregate of all amounts each of which is an amount deemed by paragraph *b* of section 125.0.1 to be paid by it in respect of the year as interest, or an amount deductible under paragraph *b* of section 851.22.4 in computing its income for the year:

(a) any amount included in its gross revenue for the year, that is a taxable dividend or an amount received or receivable as, on account of, in lieu of or in satisfaction of, interest, rentals or royalties, other than an amount in respect of a debt obligation to which section 851.22.4 applies for the year;

(b) its income for the year from each trust of which it is a beneficiary or from each partnership of which it is a member;

(c) all amounts required by section 120 to be included in computing its income for the year;

(d) any amount required under paragraph *a* of section 851.22.4 to be included in computing its income for the year or, except to the extent that such amount has been included in computing its gross investment revenue by virtue of subparagraph *a*, under section 92 or 167; and

(e) the amount by which the aggregate of all amounts included by reason of paragraph *c* of section 312 in computing its income for the year exceeds the aggregate of all amounts deducted under paragraph *f* of section 336 in computing its income for the year.

1972, c. 23, s. 618; 1977, c. 26, s. 85; 1978, c. 26, s. 141; 1984, c. 15, s. 184; 1990, c. 59, s. 307; 1993, c. 16, s. 300; 1996, c. 39, s. 222; 1997, c. 3, s. 71; 1998, c. 16, s. 192.

825.0.1. Notwithstanding sections 851.22.4 to 851.22.22.11, where in a taxation year an insurer carries on an insurance business in Canada and elsewhere, the following rules apply in computing its income for the year from carrying on its insurance business in Canada:

(a) sections 851.22.4, 851.22.5 and 851.22.14 to 851.22.22.11 apply only in respect of property that is designated insurance property for the year in respect of the business; and

(b) sections 851.22.6 to 851.22.13 apply only in respect of the disposition of property that, for the taxation year in which the insurer disposed of it, was designated insurance property in respect of the business.

1996, c. 39, s. 223; 1998, c. 16, s. 193; 2010, c. 25, s. 92.

825.1. *(Repealed).*

1978, c. 26, s. 142; 1990, c. 59, s. 308.

826. *(Repealed).*

1972, c. 23, s. 619; 1973, c. 17, s. 94; 1978, c. 26, s. 143.

827. *(Repealed).*

1972, c. 23, s. 620; 1978, c. 26, s. 144.

828. *(Repealed).*

1972, c. 23, s. 621; 1977, c. 26, s. 86; 1978, c. 26, s. 145; 1993, c. 16, s. 301; 1998, c. 16, s. 194.

829. *(Repealed).*

1972, c. 23, s. 622; 1973, c. 17, s. 95; 1978, c. 26, s. 146.

830. *(Repealed).*

1977, c. 26, s. 87; 1978, c. 26, s. 147.

831. *(Repealed).*

1977, c. 26, s. 87; 1978, c. 26, s. 147.

832. An insurer may deduct in computing its income derived for the taxation year from the carrying on of an insurance business, other than a life insurance business, any amount credited by it for the year or a preceding taxation year in respect of that business to one of its policyholders by way of a policy dividend, refund of premiums or refund of premium deposits.

Such amount is, however, deductible only if it is, during the year or within the ensuing 12 months:

(a) paid or unconditionally credited to the policyholder; or

(b) applied in discharge, in whole or in part, of a liability of the policyholder to pay premiums to the insurer;

(c) (subparagraph repealed).

1972, c. 23, s. 623; 1990, c. 59, s. 309; 1994, c. 22, s. 279; 1996, c. 39, s. 273; 2001, c. 53, s. 165.

832.0.1. An insurer shall include in computing its income derived from the carrying on of an insurance business for its first taxation year that commences after 17 June 1987 and ends after 31 December 1987, in this section referred to as its "taxation year 1988", the amount by which

(a) the aggregate of all amounts each of which is an amount deducted by the corporation in computing its income for a taxation year ending before its taxation year 1988, pursuant to subparagraph *c* of the second paragraph of section 832 or pursuant to that paragraph by reason of paragraph *b* of section 841 as such paragraph *b* read in respect of that taxation year ending before its taxation year 1988, in respect of any amount credited to the account of the policyholder on terms that he is entitled to payment thereof on or before the expiry or termination of the policy, exceeds

(b) the aggregate of all amounts each of which is an amount paid or unconditionally credited to a policyholder or applied in discharge, in whole or in part, of a liability of the policyholder to pay premiums to the insurer before the insurer's taxation year 1988 in respect of the amounts credited to the account of the policyholder referred to in paragraph *a*.

1990, c. 59, s. 310; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

832.1. Subject to section 832.1.1, where a property of a life insurer resident in Canada that carries on an insurance business in Canada and elsewhere or of an insurer not resident in Canada is described in the second paragraph for a taxation year, the following rules apply:

(a) the insurer is deemed to have disposed of the property at the beginning of the year for proceeds of disposition equal to its fair market value at that time and to have reacquired the property immediately after that time at a cost equal to that fair market value;

(b) in the case of property referred to in subparagraph *a* of the second paragraph, any gain or loss arising from the disposition is deemed not to be a gain or loss from designated insurance property of the insurer for the year; and

(c) in the case of property referred to in subparagraph *b* of the second paragraph, any gain or loss arising from the disposition is deemed to be a gain or loss from designated insurance property of the insurer for the year.

A property to which the first paragraph refers for a taxation year is

(a) designated insurance property for the year that was owned by the insurer at the end of the preceding taxation year and was not designated insurance property of the insurer for that preceding year; or

(b) property that is not designated insurance property for the year, was owned by the insurer at the end of the preceding taxation year and was designated insurance property of the insurer for that preceding year.

However, the first and second paragraphs shall be disregarded in applying sections 140, 140.1 and 818, subparagraph i of subparagraph *e* of the first paragraph of section 93 and subparagraph *c* of the second paragraph of that section where it refers to the capital cost of a property.

1984, c. 15, s. 185; 1985, c. 25, s. 135; 1990, c. 59, s. 311; 1996, c. 39, s. 224; 1998, c. 16, s. 195; 2001, c. 53, s. 166; 2004, c. 8, s. 159.

832.1.1. Section 832.1 does not apply to deem a disposition in a taxation year of a property of an insurer where the insurer is deemed by section 851.22.15 to have disposed of the property in the preceding taxation year.

1996, c. 39, s. 225; 1998, c. 16, s. 195.

832.2. Notwithstanding any other provision of this Part, where an insurer has a loss for a taxation year from the disposition, because of section 832.1, of a property other than a specified debt obligation, as defined in section 851.22.1, and the loss would, but for this section, have been deductible for the year, the loss shall be deductible only in the taxation year in which the taxpayer disposes of the property otherwise than because of section 832.1.

1984, c. 15, s. 185; 1996, c. 39, s. 226.

832.2.1. *(Repealed).*

1990, c. 59, s. 312; 1996, c. 39, s. 227.

832.3. The rules prescribed in the second paragraph apply where the following conditions are met:

(a) an insurer not resident in Canada, in this section referred to as the “transferor”, has, at any time in a taxation year, ceased to carry on all or substantially all of an insurance business carried on by it in Canada in that year;

(b) the transferor has, at the time referred to in subparagraph *a* or within 60 days after that time, transferred all or substantially all of the property, in this section referred to as the “transferred property”, that is owned by it at that time and that was designated insurance property in relation to the business for the taxation year that, because of the election referred to in subparagraph *d*, ended immediately before that time, to a corporation, in this section referred to as the “transferee”, that is a prescribed corporation which, immediately after that time, began to carry on that insurance business in Canada, and the consideration for the transfer includes shares of the capital stock of the transferee;

(c) the transferee has, at the time referred to in subparagraph *a* or within 60 days thereafter, assumed or reinsured all or substantially all of the obligations of the transferor that arose in the course of carrying on the insurance business in Canada referred to in subparagraph *a*;

(d) the transferor and the transferee have made a valid election under paragraph *d* of subsection 11.5 of section 138 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the transfer.

The rules referred to in the first paragraph are as follows:

(a) subject to subparagraph *g*.1, where the fair market value, at the time referred to in subparagraph *a* of the first paragraph, of the consideration, other than shares of the capital stock of the transferee or a right to receive any such shares, received or receivable by the transferor for the transferred property does not exceed the aggregate of the cost amounts to the transferor, at that time, of the transferred property, the proceeds of disposition of the transferor and the cost to the transferee of the transferred property are deemed to be equal to the cost amount, at that time, to the transferor of the transferred property, and, in any other case, sections 521 to 526 and 528 shall be applied in respect of the transfer;

(b) where sections 521 to 526 and 528 are not required to be applied in respect of the transfer, the cost to the transferor of any particular property, other than shares of the capital stock of the transferee or a right to receive any such shares, received or receivable by the transferor as consideration for the transferred property is deemed to be equal to the fair market value, at the time referred to in subparagraph *a* of the first paragraph, of the particular property;

(c) where sections 521 to 526 and 528 are not required to be applied in respect of the transfer, the cost to the transferor of any share of the capital stock of the transferee received or receivable by the transferor as consideration for the transferred property is deemed to be equal to,

i. where the share is a preferred share of any class of the capital stock of the transferee, the lesser of

(1) the fair market value of that share immediately after the transfer of the transferred property, and

(2) the amount determined by the formula

$$A \times B/C,$$

ii. where the share is a common share of any class of the capital stock of the transferee, the amount determined by the formula

$$D \times E/F;$$

(d) (subparagraph repealed);

(e) for the purpose of determining the amount of gross investment revenue required by the first paragraph of section 825 to be included in computing the transferor's income for the transferor's particular taxation year that ended immediately before the time referred to in subparagraph *a* of the first paragraph and of determining its gains and losses from its designated insurance property for its subsequent taxation years, the transferor is deemed to have transferred the business referred to in subparagraph *a* of the first paragraph, the property referred to in subparagraph *b* of that paragraph and the obligations referred to in subparagraph *c* of that paragraph to the transferee on the last day of the particular taxation year;

(f) for the purpose of determining the income of the transferor and the transferee for their taxation years following their particular taxation years that ended immediately before the time referred to in subparagraph *a* of the first paragraph, the amounts deducted by the transferor as reserves under sections 140, 140.1 and 140.2, the second paragraph of section 152 and paragraph *a* of section 840 in its particular taxation year in respect of the transferred property referred to in subparagraph *b* of the first paragraph or the obligations referred to in subparagraph *c* of that paragraph, are deemed to have been deducted by the transferee, and not the transferor, for its particular taxation year;

*(f.*1*)* for the purpose of determining the income of the transferor and the transferee for their taxation years following their particular taxation years that ended immediately before the time referred to in subparagraph *a* of the first paragraph, the amounts included under paragraph *e*.1 of section 87 and paragraph *a*.1 of section 844 in computing the transferor's income for its particular taxation year in respect of the insurance policies of the business referred to in subparagraph *a* of the first paragraph are deemed to have been included in computing the income of the transferee, and not of the transferor, for their particular taxation years;

(g) for the purposes of this chapter, sections 87 to 87.4, 89 to 92.7, 92.22, 128, 130 and 130.1, paragraph *b* of section 135, sections 137 to 143, 145 to 154, 155, 156, 157 to 157.3, 157.5 to 158, 160 to 163.1, 167, 167.1, 176 to 179, 183 and 835 to 851.22, paragraphs *c* and *d* of section 851.22.11 and sections 966 to 977.1, the transferee is deemed, for its taxation years following its taxation year that ended immediately before the time referred to in subparagraph *a* of the first paragraph, to be a continuation of the transferor in respect of the transferred property, the business referred to in subparagraph *a* of the first paragraph and the obligations referred to in subparagraph *c* of that paragraph;

*(g.*1*)* except for the purposes of this section, where the provisions of sections 521 to 526 and 528 are not required to be applied in respect of the transfer, the following rules apply to each transferred property that is a specified debt obligation, other than a mark-to-market property, within the meaning assigned by section 851.22.1:

i. the transferor is deemed not to have disposed of that property, and

ii. the transferee is deemed, in respect of that property, to be a continuation of the transferor;

*(g.*2*)* for the purposes of sections 744.6 and 744.8 and the definition of "mark-to-market property" in section 851.22.1, the transferee is deemed to be a continuation of the transferor in respect of the transferred property;

(h) for the purposes of this section and section 832.5, the fair market value of consideration received by the transferor from the transferee in respect of the assumption or reinsurance of a particular obligation referred to in subparagraph *c* of the first paragraph is deemed to be equal to the aggregate of the amounts deducted by the transferor as reserves under the second paragraph of section 152 and paragraph *a* of section 840 in its taxation year that ended immediately before the time referred to in subparagraph *a* of the first paragraph in respect of the particular obligation; and

(i) for the purposes of computing the income of the transferor or the transferee for their taxation years following their taxation years that ended immediately before the time referred to in subparagraph *a* of the first paragraph, the following amounts shall be included or deducted, as the case may be, only to the extent that may be reasonably regarded as necessary to determine the appropriate amount of income of both the transferor and the transferee:

(1) an amount in respect of a reinsurance premium paid or payable by the transferor to the transferee in respect of the obligations referred to in subparagraph *c* of the first paragraph under a reinsurance arrangement undertaken to effect the transfer of the insurance business to which this section applied;

(2) an amount in respect of a reinsurance commission paid or payable by the transferee to the transferor in respect of the amount referred to in subparagraph 1 under the reinsurance arrangement referred to in that subparagraph.

For the purposes of the formulas set forth in subparagraph *c* of the second paragraph,

(a) A is the amount by which the proceeds of disposition of the transferor of the transferred property determined under subparagraph *a* of the second paragraph exceed the fair market value, at the time referred to in subparagraph *a* of the first paragraph, of the consideration, other than shares of the capital stock of the transferee or a right to receive any such shares, received or receivable by the transferor for the transferred property;

(b) B is the fair market value, immediately after the transfer of the transferred property, of the preferred share of the class referred to in subparagraph i of the said subparagraph *c*;

(c) C is the fair market value, immediately after the transfer of the transferred property, of all preferred shares of the capital stock of the transferee receivable by the transferor as consideration for the transferred property;

(d) D is the amount by which the proceeds of disposition of the transferor of the transferred property, determined under subparagraph *a* of the second paragraph, exceed the aggregate of the fair market value, at the time referred to in subparagraph *a* of the first paragraph, of the consideration, other than shares of the capital stock of the transferee or a right to receive any such shares, received or receivable by the transferor for the transferred property and the cost to the transferor of all preferred shares of the capital stock of the transferee receivable by the transferor as consideration for the transferred property;

(e) E is the fair market value, immediately after the transfer of the transferred property, of the common share of the class referred to in subparagraph ii of the said subparagraph *c* of the capital stock of the transferee;

(f) F is the fair market value, immediately after the transfer of the transferred property, of all common shares of the capital stock of the transferee receivable by the transferor as consideration for the transferred property.

Where the rules under the second paragraph apply in respect of a transfer, the prescribed form along with a copy of every document sent to the Minister of Revenue of Canada in respect of the transfer, in connection with the election referred to in subparagraph *d* of the first paragraph, shall be sent to the Minister on or before the earliest of the filing-due dates of the transferor and the transferee for the taxation year in which the transactions to which the election relates occurred.

1984, c. 15, s. 185; 1990, c. 59, s. 313; 1993, c. 16, s. 302; 1996, c. 39, s. 228; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 1997, c. 85, s. 196; 1998, c. 16, s. 196; 2000, c. 5, s. 293; 2004, c. 8, s. 160; 2009, c. 5, s. 348; 2015, c. 24, s. 117; 2023, c. 19, s. 64.

832.4. For the purposes of Division II of Chapter II of Title III of Book III, sections 130 and 130.1 and the regulations made under paragraph *a* of section 130, where section 832.3 applies in respect of a transfer of depreciable property by an insurer not resident in Canada to a prescribed corporation for the purposes of subparagraph *b* of the first paragraph of section 832.3, where the provisions of sections 521 to 526 and 528 are not required to be applied in respect of the transfer, and where the capital cost to the insurer of the depreciable property exceeds its proceeds of disposition therefor, the following rules apply:

(a) the capital cost of the depreciable property to the corporation is deemed to be the capital cost thereof to the insurer;

(b) the excess is deemed to have been allowed to the corporation as depreciation in respect of the property under regulations made under paragraph *a* of section 130 in computing its income for taxation years ending before the transfer.

1990, c. 59, s. 314; 1997, c. 3, s. 71.

832.5. For the purposes of paragraph *d* of subsection 2 of section 504, where, after 15 December 1987, sections 521 to 526, 528 and 832.3 apply in respect of a transfer of property by a person or partnership to an

insurance corporation resident in Canada, the contributed surplus of the corporation arising on the transfer is deemed to be equal to the amount by which the amount of such contributed surplus otherwise determined exceeds the amount by which

(a) the aggregate of

i. the fair market value, immediately after the transfer, of any consideration, other than shares of the capital stock of the corporation, received or receivable by the person or partnership from the corporation for the transferred property,

ii. the increase in the paid-up capital of all the shares of the capital stock of the corporation, determined without reference to subsection 11.7 of section 138 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and subsection 2.1 of section 85 of the said Act as they apply in respect of the transfer, arising on the transfer, and

iii. the increase in the contributed surplus of the corporation, determined without reference to this section as it applies in respect of the transfer, exceeds

(b) the aggregate of

i. all amounts each of which is an amount required to be deducted in computing the paid-up capital of a class of shares of the capital stock of the corporation under subsection 11.7 of section 138 of the Income Tax Act and subsection 2.1 of section 85 of the said Act, as the case may be, as they apply in respect of the transfer, and

ii. the cost to the corporation of the transferred property.

1990, c. 59, s. 314; 1997, c. 3, s. 71; 1997, c. 14, s. 144.

832.6. Where, at any time in a particular taxation year, an insurer not resident in Canada carries on an insurance business in Canada and, immediately before that time, the insurer was not carrying on an insurance business in Canada or ceased to be exempt from tax under this Part on any income from such business by reason of any Act of the Legislature of Québec or of the Government of Canada or of anything approved, made or declared to have the force of law thereunder, for the purpose of computing the income of the insurer for the particular taxation year, the following rules apply:

(a) the insurer is deemed to have had a taxation year ending immediately before the commencement of the particular taxation year;

(b) for the purposes of paragraphs *d*, *d*.1 and *e* of section 87, sections 818 and 825 and paragraph *a* of section 844, the insurer is deemed to have carried on the insurance business in Canada in the preceding taxation year referred to in paragraph *a* and to have deducted, in computing its income for that year, the maximum amounts to which it would have been entitled under sections 140, 140.1 and 140.2, the second paragraph of section 152 and paragraph *a* of section 840;

(b.1*)* for the purposes of section 157.6.1 and paragraph *a*.2 of section 840, the insurer is deemed to have carried on the insurance business in Canada in the preceding taxation year referred to in paragraph *a* and to have included, in computing its income for that preceding taxation year, the amounts that would have been prescribed in respect of the insurer for the purposes of paragraph *e*.1 of section 87 and paragraph *a*.1 of section 844 for that year in respect of the insurance policies of that business;

(c) the insurer is deemed to have disposed, immediately before the beginning of the particular taxation year, of each property owned by it at that time that is designated insurance property in relation to the insurance business in Canada for the particular taxation year, for proceeds of disposition equal to the fair market value of the property at that time and to have reacquired, at the beginning of the particular taxation year, the property at a cost equal to that fair market value; and

(d) (paragraph repealed).

1990, c. 59, s. 314; 1997, c. 14, s. 145; 1997, c. 31, s. 143; 1998, c. 16, s. 197; 2004, c. 8, s. 161; 2009, c. 5, s. 349; 2015, c. 24, s. 118; 2020, c. 16, s. 122; 2023, c. 19, s. 65.

832.7. Where, at any time in a taxation year, an insurer (in this section referred to as the "vendor") has disposed of all or substantially all of an insurance business carried on by it in Canada, or of a line of business of such a business, to a person (in this section referred to as the "purchaser") and obligations in respect of the business or line of business, as the case may be, in respect of which a reserve may be claimed under the second paragraph of section 152 or paragraph *a* of section 840 were assumed by the purchaser, the following rules apply:

(a) for the purpose of determining the amount of the gross investment revenue required to be included in computing the income of the vendor and the purchaser under the first paragraph of section 825 and the amount of the gains and losses of the vendor and the purchaser from designated insurance property for the year,

i. the vendor and the purchaser are deemed, in addition to their normal taxation years, to have had a taxation year ending immediately before that time;

ii. for the taxation years of the vendor and the purchaser following that time, the business or line of business, as the case may be, disposed of to the purchaser is deemed to have been disposed of on the last day of the taxation year referred to in subparagraph i, and the obligations assumed by the purchaser are deemed to have been assumed on the last day of that taxation year;

(b) for the purposes of computing the income of the vendor and the purchaser for taxation years ending after that time, the following amounts are deemed to have been paid or payable or received or receivable, as the case may be, by the vendor or the purchaser, as the case may be, in the course of carrying on the business or line of business, as the case may be:

i. an amount paid or payable by the vendor to the purchaser in respect of the obligations;

ii. an amount in respect of a commission paid or payable by the purchaser to the vendor in respect of an amount referred to in subparagraph i.

1990, c. 59, s. 314; 1998, c. 16, s. 198; 2023, c. 19, s. 66.

832.8. Where, at any time in a taxation year, the beneficial ownership of property is acquired or reacquired by the insurer in consequence of another person's failure to pay all or any part of an amount, in this section referred to as the "insurer's claim", owing to the insurer at that time in respect of a bond, debenture, hypothecary claim, mortgage, agreement of sale or any other form of indebtedness owned by the insurer, the following rules apply to the insurer:

(a) sections 484.7 to 484.13 do not apply in respect of the acquisition or reacquisition;

(b) the insurer is deemed to have acquired or reacquired, as the case may be, the property at an amount equal to its fair market value, immediately before that time;

(c) the insurer is deemed to have disposed at that time of the portion of the indebtedness represented by the insurer's claim for proceeds of disposition equal to the fair market value referred to in paragraph *b* and, immediately after that time, to have reacquired that portion of the indebtedness at a cost of nil;

(d) the acquisition or reacquisition is deemed to have no effect on the form of the indebtedness;

(e) no amount is deductible in respect of the insurer's claim by reason of sections 140 and 140.1 in computing the insurer's income for the taxation year or a subsequent taxation year.

1990, c. 59, s. 314; 1996, c. 39, s. 229; 2005, c. 1, s. 195.

832.9. Subparagraphs *a* to *i* of the second paragraph of section 832.3 and sections 832.4 and 832.5 apply in respect of the transfer referred to in subparagraph *b*, where

(a) an insurer resident in Canada, in this section referred to as the "transferor", has ceased, at any time in a taxation year, to carry on all or substantially all of an insurance business carried on by it in Canada in that year;

(b) the transferor has, at that time or within 60 days after that time, transferred to a corporation resident in Canada (in this section referred to as the "transferee") that is a prescribed corporation for the purposes of subparagraph *b* of the first paragraph of section 832.3 and that, immediately after that time, began to carry on the insurance business in Canada referred to in subparagraph *a* for consideration that includes shares of the capital stock of the transferee, all or substantially all of the property (in section 832.3 referred to as the "transferred property") that is,

i. where the transferor is a life insurer that carries on an insurance business in Canada and elsewhere in the year, property that is owned by it at that time and that was designated insurance property in relation to the business for the taxation year that, because of the election referred to in subparagraph *d*, ended immediately before that time, or

ii. in any other case, property owned by the transferor at that time and used or held by it in the year in the course of carrying on that insurance business in Canada in the year;

(c) the transferee has, at that time or within 60 days after that time, assumed or reinsured all or substantially all of the obligations of the transferor that arose in the course of carrying on the insurance business in Canada referred to in subparagraph *a*; and

(d) the transferor and the transferee have made a valid election under paragraph *d* of subsection 11.94 of section 138 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the transfer.

In addition, where the first paragraph applies in respect of the transfer referred to in subparagraph *b* of that paragraph, the prescribed form along with a copy of every document sent to the Minister of Revenue of Canada in respect of the transfer, in connection with the election referred to in subparagraph *d* of the first paragraph, shall be sent to the Minister on or before the earliest of the filing-due dates of the transferor and the transferee for the taxation year in which the transactions to which the election relates occurred.

1990, c. 59, s. 314; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 1997, c. 85, s. 197; 1998, c. 16, s. 199; 2000, c. 5, s. 293; 2004, c. 8, s. 162; 2009, c. 5, s. 350; 2015, c. 24, s. 119.

CHAPTER II.1

CONVERSION OF INSURANCE CORPORATIONS INTO MUTUAL CORPORATIONS

1995, c. 49, s. 184; 1997, c. 3, s. 71.

832.10. Where an insurance corporation that is a Canadian corporation applies an amount in payment for shares of the corporation purchased or otherwise acquired by it under a mutualization proposal under Division III of Part VI of the Insurance Companies Act (Statutes of Canada, 1991, chapter 47) or, where the corporation is incorporated under the laws of a province, under a law of that province that provides for the conversion of the corporation into a mutual corporation by the purchase of its shares in accordance with that law,

(a) sections 111 to 119.1 do not apply to require the inclusion, in computing the income of a shareholder of the corporation, of any part of that amount; and

(b) no part of that amount is deemed, for the purposes of sections 846 to 850, to have been paid to shareholders or, for the purposes of sections 504 to 510.1 and 517, to have been received as a dividend.

1995, c. 49, s. 184; 1997, c. 3, s. 71.

CHAPTER II.2

DEMUTUALIZATION OF INSURANCE CORPORATIONS

2001, c. 53, s. 167.

832.11. In this chapter,

"conversion benefit" means a benefit received in connection with the demutualization of an insurance corporation because of an interest, before the demutualization, of any person in an insurance policy to which the insurance corporation was a party;

"deadline" for a payment in respect of a demutualization of an insurance corporation means the latest of

(a) the end of the thirteenth month after the time of the demutualization;

(b) where the entire amount of the payment depends on the outcome of an initial public offering of shares of the corporation or a holding corporation in respect of the insurance corporation, the end of the day that is 60 days after the day on which the public offering is completed ;

(c) where the payment is made after the initial deadline for the payment and it is reasonable to conclude that the payment was postponed beyond that initial deadline because there was not sufficient information available 60 days before that initial deadline with regard to the location of a person, the end of the sixth month after such information becomes available; and

(d) the end of any other day that is acceptable to the Minister;

"demutualization" means the conversion of an insurance corporation from a mutual company into a corporation that is not a mutual company;

"holding corporation" means a corporation that in connection with the demutualization of an insurance corporation, has issued shares of its capital stock to stakeholders and owns shares of the capital stock of the insurance corporation acquired in connection with the demutualization that entitle it to 90% or more of the votes that could be cast in respect of shares under all circumstances at an annual meeting of

(a) shareholders of the insurance corporation; or

(b) shareholders of the insurance corporation and holders of insurance policies to which the insurance corporation is a party;

"initial deadline" for a payment is the time that would, if the definition of "deadline" were read without reference to paragraph *c* of that definition, be the deadline for the payment;

"mutual holding corporation" in respect of an insurance corporation, means a mutual company established to hold shares of the capital stock of the insurance corporation, where the only persons entitled to vote at an annual meeting of the mutual company are policyholders of the insurance corporation;

"ownership rights" means

(a) in a particular mutual holding corporation, the following rights and interests held by a person in respect of the particular mutual holding corporation because of an interest or former interest of any person in an insurance policy to which an insurance corporation, in respect of which the particular corporation is the mutual holding corporation, has been a party:

i. rights that are similar to rights attached to shares of the capital stock of a corporation, and

ii. all other rights with respect to, and interests in, the particular corporation as a mutual company; and

(b) in a mutual insurance corporation, the following rights and interests held by a person in respect of the mutual insurance corporation because of an interest or former interest of any person in an insurance policy to which that corporation was a party:

i. rights that are similar to rights attached to shares of the capital stock of a corporation,

ii. all other rights with respect to, and interests in, the mutual insurance corporation as a mutual company, and

iii. any contingent or absolute right to receive a benefit in connection with the demutualization of the mutual insurance corporation;

"person" includes a partnership;

"share" of the capital stock of a corporation includes a right granted by the corporation to acquire a share of its capital stock;

"specified insurance benefit" means a taxable conversion benefit that is

(a) an enhancement of benefits under an insurance policy;

(b) an issuance of an insurance policy;

(c) an undertaking by an insurance corporation of an obligation to pay a policy dividend; or

(d) a reduction in the amount of premiums that would otherwise be payable under an insurance policy;

"stakeholder" means a person who has received or who is entitled to receive a conversion benefit but, in respect of the demutualization of an insurance corporation, does not include a holding corporation in connection with the demutualization or a mutual holding corporation in respect of the insurance corporation;

"taxable conversion benefit" means a conversion benefit received by a stakeholder in connection with the demutualization of an insurance corporation, other than a conversion benefit that is

(a) a share of a class of the capital stock of the corporation;

(b) a share of a class of the capital stock of a corporation that is or becomes a holding corporation in connection with the demutualization; or

(c) an ownership right in a mutual holding corporation in respect of the insurance corporation.

2001, c. 53, s. 167.

832.12. For the purposes of sections 832.11 to 832.25, the following rules apply:

(a) subject to paragraphs *b* to *g*, if in providing a benefit in respect of a demutualization, a corporation becomes obligated, either absolutely or contingently, to make or arrange a payment, the person to whom the undertaking to make or arrange the payment was given is considered to have received a benefit as a consequence of the undertaking of the obligation and not as a consequence of the making of the payment;

(b) where, in providing a benefit in respect of a demutualization, a corporation makes a payment, other than a payment, made pursuant to the terms of an insurance policy, that is not a policy dividend, at any time on or before the deadline for the payment,

i. subject to paragraphs *f* and *g*, the recipient of the payment is considered to have received a benefit as a consequence of the making of the payment, and

ii. no benefit is considered to have been received as a consequence of the undertaking of an obligation, that is either contingent or absolute, to make or arrange the payment;

(c) no benefit is considered to have been received as a consequence of the undertaking of an absolute or contingent obligation of a corporation to make or arrange a payment, other than a payment, made pursuant to the terms of an insurance policy, that is not a policy dividend, unless it is reasonable to conclude that there is sufficient information with regard to the location of a person to make or arrange the payment;

(d) where a corporation's obligation to make or arrange a payment in connection with a demutualization ceases on or before the initial deadline for the payment and without the payment being made in whole or in part, no benefit is considered to have been received as a consequence of the undertaking of the obligation unless the payment was to be a payment, other than a policy dividend, pursuant to the terms of an insurance policy;

(e) no benefit is considered to have been received as a consequence of the undertaking of an absolute or contingent obligation of a corporation to make or arrange a payment where

i. paragraph *a* would, but for this paragraph, apply with respect to the obligation,

ii. paragraph *d* would, if that paragraph were read without reference to the words "on or before the initial deadline for the payment", apply in respect of the obligation,

iii. it is reasonable to conclude that there was not, before the initial deadline for the payment, sufficient information with regard to the location of a person to make or arrange the payment, and

iv. such information becomes available on a particular day after the initial deadline, and the obligation ceases not more than six months after the particular day;

(f) no benefit is considered to have been received as a consequence of an undertaking of an absolute or contingent obligation of a corporation to make or arrange an annuity payment through the issuance of an annuity contract or a receipt of an annuity payment under the contract so issued where it is reasonable to conclude that the purpose of the undertaking or the making of the annuity payment is to supplement benefits provided under either an annuity contract to which paragraph *a* of section 2.3 and section 965.0.17.2 applied or a group annuity contract that had been issued under, or pursuant to, a registered pension plan that has wound up;

(g) no benefit is considered to have been received as a consequence of

i. an amendment to which section 965.0.17.3 would, but for subparagraph *b* of the first paragraph thereof, apply, or

ii. a substitution to which paragraph *a* of section 965.0.17.4 applies;

(h) the time at which a stakeholder is considered to receive a benefit in connection with the demutualization of an insurance corporation is

i. where the benefit is a payment made at or before the time of the demutualization or is a payment to which paragraph *b* applies, the time at which the payment is made, and

ii. in any other case, the latest of

(1) the time of the demutualization,

(2) where the extent of the benefit or the stakeholder's entitlement to it depends on the outcome of an initial public offering of shares of the corporation or a holding corporation in respect of the insurance corporation and the offering is completed within 13 months after the time of the demutualization, the time at which the offering is completed,

(3) where the entire amount of the benefit depends on the outcome of an initial public offering of shares of the corporation or a holding corporation in respect of the insurance corporation, the time at which the offering is completed,

(4) where it is reasonable to conclude that the person conferring the benefit does not have sufficient information with regard to the location of the stakeholder before the later of the times determined under subparagraphs 1 to 3, to advise the stakeholder of the benefit, the time at which sufficient information with regard to the location of the stakeholder to so advise the stakeholder was received by that person, and

(5) the end of any other day that is acceptable to the Minister;

(i) the time at which an insurance corporation is considered to demutualize is the time at which it first issues a share of its capital stock, other than shares of its capital stock issued by it when it was a mutual company if the corporation did not cease to be a mutual company because of the issuance of those shares; and

(j) subject to paragraph *b* of section 832.13, the value of a benefit received by a stakeholder is the fair market value of the benefit at the time the stakeholder receives the benefit.

2001, c. 53, s. 167.

832.13. For the purposes of sections 832.11 to 832.25, the following rules apply:

(a) where benefits under an insurance policy are enhanced, otherwise than by way of an amendment to which section 965.0.17.3 would, but for subparagraph *b* of the first paragraph thereof, apply, in connection with a demutualization, the value of the enhancement is deemed to be a benefit received by the policyholder and not by any other person;

(b) where premiums payable under an insurance policy to an insurance corporation are reduced in connection with a demutualization, the policyholder is deemed, as a consequence of the undertaking to reduce the premiums, to have received a benefit equal to the present value at the time of the demutualization of the additional premiums that would have been payable if the premiums had not been reduced in connection with the demutualization;

(c) the payment of a policy dividend by an insurance corporation or an undertaking of an obligation by the corporation to pay a policy dividend is considered to be in connection with the demutualization of the corporation only to the extent that

i. the policy dividend is referred to in the demutualization proposal sent by the corporation to stakeholders,

ii. the obligation to make the payment is contingent on stakeholder approval for the demutualization, and

iii. the payment or undertaking cannot reasonably be considered to have been made or given, as the case may be, to ensure that policyholders are not adversely affected by the demutualization;

(d) except for the purposes of paragraphs *c*, *e* and *f*, where part of a policy dividend is a conversion benefit in respect of the demutualization of an insurance corporation and part of it is not, each part of the policy dividend is deemed to be a policy dividend that is separate from the other part;

(e) a policy dividend includes an amount that is in lieu of payment of, or in satisfaction of, a policy dividend;

(f) the payment of a policy dividend includes the application of the policy dividend to pay a premium under an insurance policy or to repay a policy loan;

(g) where the demutualization of an insurance corporation is effected by the amalgamation of the corporation with one or more other corporations to form one corporate entity, that entity is deemed to be the same corporation as, and a continuation of, the insurance corporation; and

(h) an insurance corporation shall be considered to have become a party to an insurance policy at the time that the insurance corporation becomes liable in respect of obligations of an insurer under the policy.

2001, c. 53, s. 167.

832.14. Where a particular insurance corporation demutualizes, the following rules apply:

(a) each of the income, loss, capital gain and capital loss of a taxpayer, from the disposition, alteration or dilution of the taxpayer's ownership rights in the particular corporation as a result of the demutualization, is deemed to be nil;

(b) no amount paid or payable to a stakeholder in connection with the disposition, alteration or dilution of the stakeholder's ownership rights in the particular corporation may be included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1);

(c) (paragraph repealed);

(d) where the consideration given by a person for a share of the capital stock of the particular corporation or a holding corporation in connection with the demutualization, or for particular ownership rights in a mutual holding corporation in respect of the particular corporation, includes the transfer, surrender, alteration or dilution of ownership rights in the particular corporation, the cost of the share, or the particular ownership rights, to the person is deemed to be nil;

(e) where a holding corporation in connection with the demutualization acquires, in connection with the demutualization, a share of the capital stock of the particular corporation from the particular corporation and issues a share of its own capital stock to a stakeholder as consideration for the share of the capital stock of the particular corporation, the cost to the holding corporation of the share of the capital stock of the particular corporation is deemed to be nil;

(f) where at any time a stakeholder receives a taxable conversion benefit and section 832.21 does not apply to the benefit,

i. the corporation that conferred the benefit is deemed to have paid a dividend at that time on shares of its capital stock equal to the value of the benefit, and

ii. subject to section 832.23, the benefit received by the stakeholder is deemed to be a dividend received by the stakeholder at that time;

(g) for the purposes of this Part, where a dividend is deemed by paragraph *f* or by subparagraph *c* of the second paragraph of section 832.23 to have been paid by a corporation not resident in Canada, that corporation is deemed in respect of the payment of the dividend to be a corporation resident in Canada that is a taxable Canadian corporation unless any amount is deducted under section 126 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

(h) for the purposes of sections 436, 440, 444, 450, 450.6 and 653 and Chapter I of Title I.1, the fair market value of rights to benefits that are to be received in connection with the demutualization is, before the time of the receipt, deemed to be nil; and

(i) where a person acquires an annuity contract in respect of which, because of the application of paragraph *f* of section 832.12, no benefit is considered to have been received for the purposes of sections 832.11 to 832.25, the cost of the annuity contract to the person is deemed to be nil and sections 92.11 to 92.19 do not apply to the annuity contract.

2001, c. 53, s. 167; 2003, c. 9, s. 122; 2004, c. 8, s. 163; 2005, c. 1, s. 196; 2019, c. 14, s. 275.

832.15. For the purposes of sections 436, 440, 444, 450, 450.6 and 653 and Chapter I of Title I.1, where an insurance corporation makes, at any time, a public announcement that it intends to seek approval for its demutualization, the fair market value of ownership rights in the corporation is deemed to be nil throughout the period that begins at that time and ends either at the time of the demutualization or, in the event that the corporation makes at any subsequent time a public announcement that it no longer intends to demutualize, at the subsequent time.

2001, c. 53, s. 167; 2004, c. 8, s. 164.

832.16. Where the payment of a policy dividend by an insurance corporation is a taxable conversion benefit, the following rules apply:

(a) for the purposes of this Part, other than sections 832.11 to 832.25, the policy dividend is deemed not to be a policy dividend; and

(b) no amount in respect of the policy dividend may be included, either explicitly or implicitly, in the calculation of an amount deductible by the insurer for any taxation year under the second paragraph of section 152 or sections 840 and 841.

2001, c. 53, s. 167.

832.17. Where, in connection with the demutualization of an insurance corporation, a person would, if section 832.12 were read without reference to paragraphs *f* and *g* thereof and paragraph *a* of section 832.13 were read without reference to the application of section 965.0.17.3, receive a particular benefit that is a specified insurance benefit, the following rules apply:

(a) the insurance corporation that is obligated to pay benefits under the policy to which the particular benefit relates is deemed to have received a premium at the time of the demutualization in respect of that policy equal to the value of the particular benefit;

(b) for the purposes of paragraph *a*, to the extent that the obligations of a particular insurance corporation under the policy were assumed by another insurance corporation before the time of the demutualization, the particular corporation is deemed not to be obligated to pay benefits under the policy; and

(c) subject to subparagraph *a* of the second paragraph of section 832.22, where the person receives the particular benefit, the person is deemed to have paid, at the time of the demutualization, a premium in respect of the policy to which the benefit relates equal to the value of the particular benefit.

2001, c. 53, s. 167.

832.18. Where, in connection with the demutualization of an insurance corporation, a stakeholder receives a taxable conversion benefit, other than a specified insurance benefit, the stakeholder is deemed to have acquired the benefit at a cost equal to the value of the benefit.

2001, c. 53, s. 167.

832.19. Sections 111 and 112 do not apply to a conversion benefit.

2001, c. 53, s. 167.

832.20. Subject to section 832.21, for the purposes of the provisions of this Act, other than paragraph *c* of section 832.17, that relate to registered retirement savings plans, registered retirement income funds, retirement compensation arrangements, deferred profit sharing plans and superannuation or pension funds or plans, the receipt of a conversion benefit shall be considered to be neither a contribution to, nor a distribution from, such a plan, fund or arrangement.

2001, c. 53, s. 167.

832.21. A conversion benefit received because of an interest in a life insurance policy held by a trust governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan or superannuation or pension fund or plan is deemed to be received under the plan or fund, as the case may be, if it is received by any person other than the trust.

2001, c. 53, s. 167.

832.22. The rules set out in the second paragraph apply where

(a) a stakeholder receives a conversion benefit because of the stakeholder's interest in a group insurance policy under which individuals have been insured in the course of or because of their employment;

(b) at all times before the payment of a premium described in subparagraph *c*, the full cost of a particular insurance coverage under the group insurance policy referred to in subparagraph *a* was borne by the individuals who were insured under the particular insurance coverage;

(c) the stakeholder referred to in subparagraph *a* pays a premium under the group insurance policy referred to in subparagraph *a* in respect of the particular insurance coverage referred to in subparagraph *b* or under another group insurance policy in respect of coverage that has replaced the particular insurance coverage; and

(d) either the premium referred to in subparagraph *c* is deemed by paragraph *c* of section 832.17 to have been paid, or it is reasonable to conclude that the purpose of the premium is to apply, for the benefit of the individuals who are insured under the particular insurance coverage referred to in subparagraph *b* or the coverage that has replaced the particular insurance coverage, all or part of the value of the portion of the conversion benefit referred to in subparagraph *a* that can reasonably be considered to be in respect of the particular insurance coverage.

The rules to which the first paragraph refers are the following:

(a) for the purposes of section 43, the premium is deemed to be an amount paid by the individuals who are insured under the particular insurance coverage or the coverage that has replaced the particular insurance coverage, as the case may be, and not to be an amount paid by the stakeholder; and

(b) no amount may be deducted in respect of the premium in computing the stakeholder's income.

2001, c. 53, s. 167.

832.23. The rules set out in the second paragraph apply where

(a) a stakeholder receives a conversion benefit, in this section referred to as the "relevant conversion benefit", because of the interest of any person in an insurance policy;

(b) the stakeholder referred to in subparagraph *a* makes a payment of an amount, otherwise than by way of a transfer of a share that was received by the stakeholder as all or part of the relevant conversion benefit and that was not so received as a taxable conversion benefit, to a particular individual

i. who has received benefits under the insurance policy referred to in subparagraph *a*,

ii. who has, or had at any time, an absolute or contingent right to receive benefits under the insurance policy,

iii. for whose benefit insurance coverage was provided under the insurance policy, or

iv. who received the amount because an individual satisfied the condition in subparagraph i, ii or iii;

(c) it is reasonable to conclude that the purpose of the payment referred to in subparagraph *b* is to distribute an amount in respect of the relevant conversion benefit to the particular individual referred to in that subparagraph;

(d) either the main purpose of the insurance policy referred to in subparagraph *a* was to provide retirement benefits or insurance coverage to individuals in respect of their employment with an employer, or all or part of the cost of insurance coverage under the insurance policy had been borne by individuals other than the stakeholder referred to in subparagraph *a*;

(e) section 832.21 does not apply to the relevant conversion benefit; and

(f) one of the following subparagraphs applies, namely,

i. the particular individual referred to in subparagraph *b* is resident in Canada at the time of the payment referred to in that subparagraph, the stakeholder referred to in subparagraph *a* is a person the taxable income of which is exempt from tax under this Part and the payment would, if this chapter were read without reference to this section, be included in computing the income of the particular individual,

ii. the payment referred to in subparagraph *b* is received before 7 December 1999, and the stakeholder referred to in subparagraph *a* elects by notifying the Minister in writing, on a day that is not more than six months after the end of the taxation year in which the stakeholder receives the relevant conversion benefit, or a later day acceptable to the Minister, that this section applies in respect of the payment,

iii. the payment referred to in subparagraph *b* is received after 6 December 1999 and the payment would, if this chapter were read without reference to this section, be included in computing the income of the particular individual referred to in that subparagraph and the stakeholder referred to in subparagraph *a* elects by notifying the Minister in writing, on a day that is not more than six months after the end of the taxation year in which the stakeholder receives the relevant conversion benefit, or a later day acceptable to the Minister, that this section applies in respect of the payment, or

iv. the payment referred to in subparagraph *b* is received after 6 December 1999 and the payment would, if this chapter were read without reference to this section, not be included in computing the income of the particular individual referred to in that subparagraph.

The rules to which the first paragraph refers are the following:

(a) subject to subparagraph *f*, no amount is, because of the making of the payment, deductible in computing the stakeholder's income;

(b) except for the purposes of this section and without affecting the consequences to the particular individual of any transaction or event that occurs after the time that the payment was made, the payment is deemed not to have been received by, or made payable to, the particular individual;

(c) the corporation that conferred the relevant conversion benefit is deemed to have paid to the particular individual at the time the payment was made, and the particular individual is deemed to have received at that time, a dividend on shares of the capital stock of the corporation equal to the amount of the payment;

(d) all obligations that would, but for this section, be imposed by this Part and the regulations on the corporation referred to in subparagraph *c* because of the payment of the dividend referred to in that subparagraph apply to the stakeholder as if the stakeholder were the corporation, and do not apply to the corporation;

(e) where the relevant conversion benefit is a taxable conversion benefit, except for the purposes of this section and the purpose of determining the obligations imposed by this Part and the regulations on the corporation because of the conferral of the relevant conversion benefit, the stakeholder is deemed, to the extent of the fair market value of the payment, not to have received the relevant conversion benefit; and

(f) where the relevant conversion benefit was a share received by the stakeholder, otherwise than as a taxable conversion benefit, the following rules apply:

i. where the share is, at the time of the payment, capital property held by the stakeholder, the amount of the payment shall, after that time, be added in computing the adjusted cost base to the stakeholder of the share,

ii. where subparagraph i does not apply and the share was capital property disposed of by the stakeholder before that time, the amount of the payment is deemed to be a capital loss of the stakeholder from the disposition of a property for the taxation year of the stakeholder in which the payment is made, and

iii. in any other case, subparagraph *a* shall not apply to the payment.

2001, c. 53, s. 167.

832.24. The rules set out in the second paragraph apply where

(a) because of the interest of any person in an insurance policy, a stakeholder receives a conversion benefit, other than a taxable conversion benefit, that consists of shares of the capital stock of a corporation;

(b) the stakeholder referred to in subparagraph *a* transfers some or all of the shares referred to in that subparagraph at any time to a particular individual

i. who has received benefits under the insurance policy referred to in subparagraph *a*,

ii. who has, or had at any time, an absolute or contingent right to receive benefits under the insurance policy,

iii. for whose benefit insurance coverage was provided under the insurance policy, or

iv. who received the shares because an individual satisfied the condition in subparagraph i, ii or iii;

(c) it is reasonable to conclude that the purpose of the transfer referred to in subparagraph *b* is to distribute all or any portion of the conversion benefit referred to in subparagraph *a* to the particular individual referred to in subparagraph *b*;

(d) either the main purpose of the insurance policy referred to in subparagraph *a* was to provide retirement benefits or insurance coverage to individuals in respect of their employment with an employer, or all or part of the cost of insurance coverage under the insurance policy had been borne by individuals other than the stakeholder referred to in subparagraph *a*;

(e) section 832.21 does not apply to the conversion benefit referred to in subparagraph *a*; and

(f) one of the following subparagraphs applies, namely,

i. the particular individual referred to in subparagraph *b* is resident in Canada at the time of the transfer referred to in that subparagraph, the stakeholder referred to in subparagraph *a* is a person the taxable income of which is exempt from tax under this Part and the amount of the transfer would, if this chapter were read without reference to this section, be included in computing the income of the particular individual,

ii. the transfer referred to in subparagraph *b* is made before 7 December 1999 and the stakeholder referred to in subparagraph *a* elects by notifying the Minister in writing, on a day that is not more than six months after the end of the taxation year in which the stakeholder receives the conversion benefit referred to in subparagraph *a*, or a later day acceptable to the Minister, that this section applies in respect of the transfer,

iii. the transfer referred to in subparagraph *b* is made after 6 December 1999, the amount of the transfer would, if this chapter were read without reference to this section, be included in computing the income of the particular individual referred to in that subparagraph and the stakeholder referred to in subparagraph *a* elects

by notifying the Minister in writing, on a day that is not more than six months after the end of the taxation year in which the stakeholder receives the conversion benefit referred to in subparagraph *a*, or a later day acceptable to the Minister, that this section applies in respect of the transfer, or

iv. the transfer referred to in subparagraph *b* is made after 6 December 1999 and the amount of the transfer would, if this chapter were read without reference to this section, not be included in computing the income of the particular individual referred to in that subparagraph.

The rules to which the first paragraph refers are the following:

(a) no amount is, because of the transfer, deductible in computing the stakeholder's income;

(b) except for the purposes of this section and without affecting the consequences to the particular individual of any transaction or event that occurs after the time that the transfer was made, the transfer is deemed not to have been made to the particular individual nor to represent an amount payable to the particular individual; and

(c) the cost of the shares to the particular individual is deemed to be nil.

2001, c. 53, s. 167.

832.25. For the purposes of sections 6.2, 21.2 to 21.3.1, 83.0.3, 93.3.1 and 93.4, Division X.1 of Chapter III of Title III of Book III, sections 175.9, 222 to 230.0.0.2, 237 to 238.1, 308.0.1 to 308.6, 384, 384.4, 384.5, 418.26 to 418.30 and 485 to 485.18, paragraph *d* of section 485.42, sections 564.2 to 564.4.2 and 727 to 737 and paragraph *f* of section 772.13, control of an insurance corporation and each corporation controlled by it is deemed not to be acquired solely because of the acquisition of shares of the capital stock of the insurance corporation, in connection with the demutualization of the insurance corporation, by a particular corporation that at a particular time becomes a holding corporation in connection with the demutualization where, immediately after the particular time,

(a) the particular corporation is not controlled by any person or group of persons; and

(b) 95% of the fair market value of all the assets of the particular corporation is less than the aggregate of

i. the amount of the particular corporation's money,

ii. the amount of a deposit, with a financial institution, of such money standing to the credit of the particular corporation,

iii. the fair market value of a bond, debenture, note or similar obligation that is owned by the particular corporation that had, at the time of its acquisition, a maturity date of not more than 24 months after that time, or

iv. the fair market value of a share of the capital stock of the insurance corporation held by the particular corporation.

2001, c. 53, s. 167; 2009, c. 5, s. 351; 2019, c. 14, s. 276; 2021, c. 14, s. 102.

832.26. Where at any time a mutual holding corporation in respect of an insurance corporation distributes property to a policyholder of the insurance corporation, the mutual holding corporation is deemed to have paid, and the policyholder is deemed to have received from the mutual holding corporation, at that time, a dividend on shares of the capital stock of the mutual holding corporation, equal to the fair market value of the property.

2001, c. 53, s. 167.

CHAPTER III

RULES APPLICABLE TO INSURANCE CORPORATIONS

1972, c. 23; 1997, c. 3, s. 71; 2023, c. 19, s. 67.

DIVISION I

GENERALITIES AND DEFINITIONS

1972, c. 23.

833. Notwithstanding any other provision of this Part, a life insurance corporation resident in Canada is deemed to be a public corporation.

1972, c. 23, s. 624; 1997, c. 3, s. 71.

833.1. A corporation resident in Canada that is a holding corporation, as defined in section 832.11, because of its acquisition of shares in connection with the demutualization, as defined in that section, of a life insurance corporation resident in Canada is deemed to be a public corporation if it meets the other requirements set out in subsections 3 and 4 of section 141 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

2001, c. 53, s. 168.

833.2. For the purposes of section 1095, to the extent that that section refers to paragraph *c* of section 1094, a share of the capital stock of a corporation is deemed to be listed at any time on a designated stock exchange where

(a) the corporation is

i. a life insurance corporation referred to in subparagraph i of paragraph *a* of subsection 5 of section 141 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), or

ii. a holding corporation, as defined in section 832.11, that is deemed by section 833.1 to be a public corporation at that time;

(b) no share of the capital stock of the corporation is listed on any stock exchange at that time; and

(c) that time is not later than six months after the time of the demutualization, as defined by section 832.11, of

i. the corporation, where the corporation is a life insurance corporation, and

ii. in any other case, the life insurance corporation in respect of which the corporation is a holding corporation.

2001, c. 53, s. 168; 2010, c. 5, s. 79.

834. *(Repealed).*

1972, c. 23, s. 625; 1978, c. 26, s. 148; 1984, c. 15, s. 186; 1995, c. 49, s. 185.

835. In this Title, sections 92.11 to 104, 130, 130.1, 135, 137 to 163.1, 176 to 179, 183, 428 to 451 and 570 and Part II,

(a) (subparagraph repealed);

(b) "segregated fund" means a specified group of property that is reported to the Superintendent of Financial Institutions as a segregated fund and whose fair market value causes all or part of an insurer's reserves to vary with respect to any life insurance policy;

(c) *(subparagraph repealed)*;

(d) *(subparagraph repealed)*;

(e) "life insurance policy" includes an annuity contract or a contract in respect of which all or part of the insurer's reserves vary in amount depending upon the fair market value of the property of a segregated fund;

(e.1) "life insurance policy in Canada" means a life insurance policy issued or effected by an insurer on the life of a person resident in Canada at the time the policy was issued or effected;

(f) "participating life insurance policy" means a life insurance policy under which the holder is entitled to share, other than by way of an experience rating refund, in the profits of the insurer other than profits in respect of property in a segregated fund;

(g) "segregated fund policy" means a life insurance policy under which the amount of benefits payable varies in accordance with the fair market value of the property of the segregated fund relating to the policy;

(h) "policy loan" means an amount advanced at a particular time by an insurer to a policyholder in accordance with the terms and conditions of a life insurance policy in Canada;

(i) "interest", in relation to a policy loan, means the amount that must be paid in respect of the loan, in accordance with the terms and conditions of the policy in respect of which the loan is granted in order to maintain the policyholder's interest in the policy;

(j) "amount payable", in respect of a policy loan at a particular time, means the amount of the loan and the interest thereon that is outstanding at that time;

(k) "segregated fund trust" means a trust referred to in section 851.2;

(l) "surplus funds derived from operations" of an insurer at the end of a particular taxation year means the amount by which

i. the aggregate of

(1) the total of the insurer's income for each taxation year in the period beginning on the first day of its taxation year 1969 and ending at the end of the particular taxation year from all insurance businesses carried on by it,

(2) the total of all amounts each of which is a portion of a non-capital loss that was deemed under section 736.1, as it read for the taxation year 1977, to have been deductible in computing the insurer's taxable income for a taxation year ending before 1 January 1977, and

(3) the total of all profits or gains made by the insurer in the period referred to in subparagraph 1 in respect of property not included in a segregated fund that was disposed of by the insurer and used by it in, or held by it in the course of, carrying on an insurance business in Canada, except to the extent that those profits or gains have been or are included in computing the insurer's income or loss for any taxation year in the period from carrying on an insurance business; exceeds

ii. the aggregate of

(1) the total of all the insurer's losses for each taxation year in the period referred to in subparagraph 1 of subparagraph i from all insurance businesses carried on by it,

(2) the total of all losses sustained by the insurer in the period referred to in subparagraph 1 of subparagraph i in respect of property not included in a segregated fund that was disposed of by the insurer and used by it in, or held by it in the course of, carrying on an insurance business in Canada, except to the extent that those losses have been or are included in computing the insurer's income or loss for any taxation year in the period from carrying on an insurance business,

(3) the total of all taxes payable under this Part by the insurer for each taxation year in the period referred to in subparagraph 1 of subparagraph i, except such portion thereof as would not have been payable by it if section 846, as it read before its repeal in its application to each of those years, had not been enacted,

(4) the total of all amounts determined in respect of the insurer for each taxation year in the period referred to in subparagraph 1 of subparagraph i, under paragraph *a* of the description of F in the definition of "surplus funds derived from operations" in subsection 12 of section 138 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), other than the amount so determined under paragraph 3 or that would be so determined but for the exception thereunder,

(5) the total of all income taxes payable under Parts I.3 and VI of the Income Tax Act by the insurer for each taxation year in the period referred to in subparagraph 1 of subparagraph i,

(6) the total of all taxes payable under Part VI.1 by the insurer for each taxation year in the period referred to in subparagraph 1 of subparagraph i,

(7) the total of all gifts made in the period referred to in subparagraph 1 of subparagraph i by the insurer to a qualified donee, and

(8) *(subparagraph repealed);*

(m) "base year" of an insurer means the insurer's taxation year that precedes its transition year;

(n) "transition year" of an insurer means the insurer's first taxation year that begins after 31 December 2022;

(o) "reserve transition amount" of an insurer, in respect of an insurance business carried on by it in its transition year, is the positive or negative amount determined by the formula

A + B – C – D – E – F + G + H;

(p) "deposit accounting insurance policy" means an insurance policy of an insurer that, according to International Financial Reporting Standards, is not an insurance contract for a taxation year of the insurer;

(q) "excluded policy" means an insurance policy of an insurer that would be a deposit accounting insurance policy for the insurer's base year if International Financial Reporting Standards applied for that base year;

(r) "insurance", of a risk, includes the reinsurance of the risk;

(s) "designated foreign insurance business", of a life insurer resident in Canada in a taxation year, means an insurance business that is carried on by the life insurer in a country other than Canada in the year unless more than 90% of the gross revenue from the business for the year from the insurance of risks (except risks ceded to a reinsurer) is in respect of the insurance of risks (other than specified Canadian risks) of persons with whom the life insurer deals at arm's length;

(t) "specified Canadian risk" has the meaning assigned by paragraph *a*.23 of subsection 2 of section 95 of the Income Tax Act;

(u) "group of insurance contracts" of an insurer means a group of insurance contracts of the insurer that is determined in accordance with International Financial Reporting Standards and that is a group for the purpose of determining an amount of the insurer that is reported as at the end of the insurer's taxation year and includes a group of insurance contracts that include reinsurance contracts under which the insurer has assumed reinsurance risk;

(v) "group of life insurance contracts" of an insurer means a group of life insurance contracts of the insurer that is determined in accordance with International Financial Reporting Standards and that is a group for the purpose of determining an amount of the insurer that is reported as at the end of the insurer's taxation year and includes a group of life insurance contracts that include reinsurance contracts under which the insurer has assumed reinsurance risk;

(w) "group of life insurance contracts in Canada" of an insurer means a group of life insurance contracts of the insurer that includes only life insurance contracts issued or effected by the insurer on the life of a person resident in Canada at the time the contract was issued or effected;

(x) "group of reinsurance contracts" means a group of reinsurance contracts held by an insurer that is determined in accordance with International Financial Reporting Standards and that is a group for the purpose of determining an amount of the insurer that is reported as at the end of the insurer's taxation year;

(y) "group of segregated fund policies" of an insurer means a group of insurance contracts of the insurer that includes only segregated fund policies within the meaning of subparagraph *g*;

(z) "contractual service margin" for a group of insurance contracts of an insurer, or a group of reinsurance contracts held by an insurer, at the end of a taxation year means the greater of

i. the positive or negative amount of the contractual service margin for the group that would be reported as at the end of the taxation year in respect of the group if the amount were determined without reference to amounts described in subparagraphs 1 to 3 of subparagraph i of subparagraph *z*.3, and

ii. the positive or negative amount of the contractual service margin for the group that would be determined at the end of the taxation year in respect of the group in accordance with International Financial Reporting Standards using reasonable assumptions in the circumstances if the amount were determined without reference to amounts described in subparagraphs 1 to 3 of subparagraph i of subparagraph *z*.3;

(z.1*)* "reinsurance contract held amount" for a group of reinsurance contracts held by an insurer at the end of a taxation year means the lesser of

i. the positive or negative amount of the reinsurance contract held asset for the group that would be reported as at the end of the taxation year if the amount were determined without reference to amounts described in subparagraphs 1 to 3 of subparagraph i of subparagraph *z*.3, and

ii. the positive or negative amount of the reinsurance contract held asset for the group that would be determined at the end of the taxation year in accordance with International Financial Reporting Standards using reasonable assumptions in the circumstances if the amount were determined without reference to amounts described in subparagraphs 1 to 3 of subparagraph i of subparagraph *z*.3;

(z.2*)* "policyholders' liabilities" of an insurer as at the end of a taxation year means the amount reported as policyholders' liabilities as at the end of the year;

(z.3*)* "liability for remaining coverage" for a group of insurance contracts of an insurer at the end of a taxation year means the lesser of

i. the positive or negative amount of the liability for remaining coverage for the group that would be reported as at the end of the taxation year if the amount were determined without reference to

(1) projected income or capital taxes (other than the tax payable under Part XII.3 of the Income Tax Act, taxes on premiums that are not deductible under this Part, amounts not deductible after the taxation year in computing income under this Part and cash flows in respect of funds withheld arrangements,

(2) amounts payable that are deductible for the taxation year, or a previous taxation year, in computing income under this Part, and

(3) amounts receivable to the extent that they have been included for the taxation year, or a previous taxation year, in computing income under this Part, and

ii. the positive or negative amount of the liability for remaining coverage for the group that would be determined at the end of the taxation year in accordance with International Financial Reporting Standards using reasonable assumptions in the circumstances if the amount were determined without reference to amounts described in subparagraphs 1 to 3 of subparagraph i;

(z.4) "liability for incurred claims" for a group of insurance contracts of an insurer at the end of a taxation year means the lesser of

i. the positive or negative amount of the liability for incurred claims for the group that would be reported as at the end of the taxation year if the amount were determined without reference to amounts described in subparagraphs 1 to 3 of subparagraph i of subparagraph *z*.3, and

ii. the positive or negative amount of the liability for incurred claims for the group that would be determined at the end of the taxation year in accordance with International Financial Reporting Standards using reasonable assumptions in the circumstances if the amount were determined without reference to amounts described in subparagraphs 1 to 3 of subparagraph i of subparagraph *z*.3; and;

(z.5) "Superintendent of Financial Institutions" in respect of an insurer means

i. the Superintendent of Financial Institutions of Canada, where the insurer is required by law to report to the Superintendent, or

ii. in any other case, where the insurer is incorporated under the laws of Québec, the Autorité des marchés financiers, or where the insurer is incorporated under the laws of another province, the superintendent of insurance or other similar agent or authority of the other province.

In the formula in subparagraph *o* of the first paragraph,

(a) A is the maximum amount that the insurer could deduct under paragraph *a* of section 840 for its base year as a reserve in respect of its groups of life insurance contracts in Canada at the end of the base year if

i. the International Financial Reporting Standards that applied to the insurer in valuing its assets and liabilities for its transition year had applied to it for its base year, and

ii. the regulations made under paragraph *a* of section 840, as they read for the insurer's transition year, applied to its base year;

(b) B is the maximum amount that the insurer could deduct under the second paragraph of section 152 for its base year as a reserve in respect of its groups of insurance contracts at the end of the base year if

i. the International Financial Reporting Standards that applied to the insurer in valuing its assets and liabilities for its transition year had applied to it for its base year, and

ii. the regulations made under the second paragraph of section 152, as they read for the insurer's transition year, applied to its base year;

(c) C is the maximum amount that the insurer may deduct under paragraphs *a* and *a*.1 of section 840 (as they read in their application to a taxation year that begins before 1 January 2023) as a reserve for its base year;

(d) D is the maximum amount that the insurer may deduct under the second paragraph of section 152 as a reserve for its base year;

(e) E is the amount that would be included under paragraph *a*.1 of section 844 in computing the insurer's income for its base year in respect of its groups of life insurance contracts in Canada at the end of the base year if

i. the International Financial Reporting Standards that applied to the insurer in valuing its assets and liabilities for its transition year had applied to it for its base year, and

ii. the regulations made under paragraph *a* of section 840, as they read for the insurer's transition year, applied to its base year;

(f) F is the amount that would be included under paragraph *e*.1 of section 87 in computing the insurer's income for its base year if

i. the International Financial Reporting Standards that applied to the insurer in valuing its assets and liabilities for its transition year had applied to it for its base year, and

ii. the regulations made under the second paragraph of section 152, as they read for the insurer's transition year, applied to its base year;

(g) G is the amount included under paragraph *a*.1 of section 844 (as it read in its application to a taxation year that begins before 1 January 2023) in computing the insurer's income for its base year in respect of its life insurance policies; and

(h) H is the amount included under paragraph *e*.1 of section 87 in computing the insurer's income for its base year.

1972, c. 23, s. 626; 1977, c. 26, s. 88; 1978, c. 26, s. 149; 1982, c. 5, s. 150; 1982, c. 52, s. 201; 1984, c. 15, s. 187; 1985, c. 25, s. 136; 1987, c. 67, s. 162; 1988, c. 18, s. 70; 1990, c. 59, s. 315; 1993, c. 16, s. 303; 1995, c. 49, s. 186; 1996, c. 39, s. 230; 1998, c. 16, s. 200; 1999, c. 83, s. 120; 2001, c. 53, s. 169; 2010, c. 25, s. 93; 2011, c. 34, s. 43; 2012, c. 8, s. 142; 2015, c. 24, s. 120; 2017, c. 1, s. 242; 2019, c. 14, s. 277; 2020, c. 16, s. 123; 2023, c. 19, s. 68.

835.1. For the purpose of determining the amount of the contractual service margin, liability for incurred claims and liability for remaining coverage for a group of insurance contracts of an insurer, the following rules apply:

(a) where the amount is reported as a liability, the amount is expressed as a positive number; and

(b) where the amount is reported as an asset, the amount is expressed as a negative number.

For the purpose of determining the amount of the contractual service margin and reinsurance contract held amount for a group of reinsurance contracts held by an insurer, the following rules apply:

(a) where the amount is reported as an asset, the amount is expressed as a positive number; and

(b) where the amount is reported as a liability, the amount is expressed as a negative number.

2023, c. 19, s. 69.

835.2. For the purposes of this Title, except as otherwise provided, "International Financial Reporting Standards" means the International Financial Reporting Standards (IFRS) adopted by the Accounting Standards Board that are effective for the taxation years that begin after 31 December 2022.

2023, c. 19, s. 69.

835.3. For the purposes of this chapter, Chapter IV, Chapter IV of Title XVI of the Regulation respecting the Taxation Act (chapter I-3, r. 1) and Title XXXII of that Regulation, a reference to an amount that is reported, or that would be reported, of an insurer as at the end of a taxation year means

(a) where the insurer is the Canada Mortgage and Housing Corporation or a foreign affiliate of a taxpayer resident in Canada, an amount that is reported, or that would be reported, in the insurer's financial statements for the year if those financial statements were prepared in accordance with International Financial Reporting Standards;

(b) where the insurer is required to report to the Superintendent of Financial Institutions at the end of the year and paragraph *a* does not apply to the insurer, an amount that is reported, or that would be reported, in the insurer's non-consolidated balance sheet for the year accepted by the Superintendent of Financial Institutions;

(c) where the insurer is, throughout the year, subject to the supervision of the Superintendent of Financial Institutions and paragraphs *a* and *b* do not apply to the insurer, an amount that is reported, or that would be reported, in a non-consolidated balance sheet for the year that is prepared in a manner consistent with the requirements that would have applied had the insurer been required to report to the Superintendent of Financial Institutions at the end of the year; or

(d) in any other case, nil.

2023, c. 19, s. 69.

836. For the purposes of section 259, any property of a life insurer that would, but for this section, be identical to any other property of the insurer is deemed to be not identical to the other property unless both properties are designated insurance property of the insurer in respect of a life insurance business carried on in Canada or designated insurance property of the insurer in respect of an insurance business in Canada other than a life insurance business.

1975, c. 22, s. 219; 1978, c. 26, s. 150; 1984, c. 15, s. 188; 1998, c. 16, s. 201.

837. For the purposes of computing the capital gain from the disposition of any depreciable property acquired by a life insurer before 1969, the capital cost of the property to the insurer is determined in the prescribed manner.

1975, c. 22, s. 219.

838. Where in a taxation year ending after 31 December 1968 but before 1 January 1978, an insurer carried on a life insurance business in Canada and an insurance business in a country other than Canada, the insurer did not make an election under section 825, as it read for that year, and the ratio of the value for the year of the insurer's specified Canadian assets to its Canadian investment fund for the year exceeded one, each of the amounts included or deducted as follows in respect of the year shall be multiplied by that ratio:

(a) under paragraph *c* or d of section 21.26 or paragraph *a* or *c* of section 21.27, in determining the amortized cost of a debt obligation to the insurer; or

(b) under paragraph *c* or *d* of the definition of "tax basis" in section 851.22.7 or paragraph *c* or *d* of section 851.22.8, in determining the tax basis of a debt obligation to the insurer.

For the purposes of this section, the expressions “specified Canadian assets”, “Canadian investment fund for a taxation year” and “value for a taxation year” have the meaning assigned by the regulations.

1977, c. 26, s. 89; 1978, c. 26, s. 151; 1990, c. 59, s. 316; 1996, c. 39, s. 231.

DIVISION I.1

DESIGNATED FOREIGN INSURANCE BUSINESS

2020, c. 16, s. 124.

838.1. The following rules apply in respect of a life insurer resident in Canada that has a designated foreign insurance business in a particular taxation year:

(a) for the purpose of computing the insurer’s income or loss from carrying on an insurance business in Canada for the particular taxation year, the insurer’s insurance business carried on in Canada is deemed to include the insurance of the specified Canadian risks that are insured as part of the designated foreign insurance business;

(b) for the purposes of paragraphs *d* to *e* of section 87, sections 818 and 825 and paragraph *a* of section 844, if, in the taxation year immediately preceding the particular taxation year, the designated foreign insurance business was not a designated foreign insurance business, the life insurer is deemed to have carried on the business in Canada in that preceding taxation year and to have deducted, in computing its income for that year, the maximum amounts to which it would have been entitled under sections 140, 140.1 and 140.2, the second paragraph of section 152 and paragraph *a* of section 840 in respect of the specified Canadian risks referred to in paragraph *a* if the designated foreign insurance business had been a designated foreign insurance business in that preceding taxation year; and

(c) for the purposes of section 157.6.1 and paragraph *a*.2 of section 840,

i. the insurer is deemed to have carried on the business in Canada in the taxation year immediately preceding the particular taxation year, and

ii. the amounts that would have been prescribed in respect of the insurer for the purposes of paragraph *e*.1 of section 87 and paragraph *a*.1 of section 844 for that preceding year in respect of the insurance policies in respect of the specified Canadian risks referred to in paragraph *a* are deemed to have been included in computing its income for that preceding year.

2020, c. 16, s. 124; 2023, c. 19, s. 70.

838.2. For the purposes of Chapter II and this chapter, one or more risks insured by a life insurer resident in Canada, as part of an insurance business it carries on in a country other than Canada, that, but for this section, would not be specified Canadian risks, are deemed to be specified Canadian risks if those risks would be deemed to be specified Canadian risks under paragraph *a*.21 of subsection 2 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) if the insurer were a foreign affiliate of a taxpayer.

2020, c. 16, s. 124.

838.3. The rules set out in the second paragraph apply in respect of one or more arrangements or agreements if

(a) one or more risks insured by a particular life insurer resident in Canada are deemed, under section 838.2, to be specified Canadian risks; and

(b) those arrangements or agreements are in respect of risks described in subparagraph *a* and have been entered into by any of the following (in the second paragraph referred to as an “agreeing party”):

i. the particular life insurer,

ii. another life insurer resident in Canada that does not deal at arm's length with the particular life insurer, and

iii. a partnership of which an insurer described in subparagraph i or ii is a member.

The rules to which the first paragraph refers, in respect of one or more arrangements or agreements, are as follows:

(a) to the extent that activities performed in connection with those arrangements or agreements can reasonably be considered to be performed for the purpose of obtaining the result described in subparagraph ii of paragraph *a*.21 of subsection 2 of section 95 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), with the necessary modifications, those activities are deemed to be performed in connection with the insurance business that the life insurer referred to in subparagraph i or ii of subparagraph *b* of the first paragraph, as the case may be, carries on in Canada; and

(b) if the agreeing party is a life insurer resident in Canada, any income from the activities referred to in subparagraph *a* (including income that pertains to or is incident to those activities) is deemed to be income from carrying on the life insurer's insurance business in Canada.

2020, c. 16, s. 124.

838.4. A life insurer that is resident in Canada for a taxation year must include, in computing its income or loss from carrying on its insurance business in Canada for the year, the amount it is required to include for the year in that computation, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), under subsection 2.5 of section 138 of that Act, except to the extent that that amount is already included in computing its income or loss from carrying on its insurance business in Canada under any of sections 838.1 to 838.3.

2020, c. 16, s. 124.

838.5. For the purposes of Chapter II and this chapter, the following rules apply:

(a) a risk is deemed to be a specified Canadian risk that is insured as part of the carrying on of an insurance business in Canada by a particular life insurer resident in Canada if

i. the particular life insurer insured the risk as part of a transaction or series of transactions,

ii. the risk would not be a specified Canadian risk if this Act were read without reference to this section, and

iii. it can reasonably be concluded that one of the purposes of the transaction or series of transactions was to avoid

(1) having a designated foreign insurance business, or

(2) the application of any of sections 838.1 to 838.4 in respect of the risk; and

(b) if one or more arrangements or agreements in respect of the risk referred to in paragraph *a* have been entered into by any of the persons or partnerships described in subparagraphs i to iii of subparagraph *b* of the first paragraph of section 838.3 (in this paragraph referred to as an "agreeing party"), the following rules apply:

i. any activities performed in connection with those arrangements or agreements are deemed to be performed in connection with the insurance business that the life insurer referred to in subparagraph i or ii of that subparagraph *b*, as the case may be, carries on in Canada, and

ii. if the agreeing party is a life insurer resident in Canada, any income from the activities referred to in subparagraph i (including income that pertains to or is incident to those activities) is deemed to be income from carrying on the life insurer's insurance business in Canada.

2020, c. 16, s. 124.

DIVISION II

DEDUCTIONS

1972, c. 23.

839. A life insurer may deduct the amounts provided for in this division in computing his income derived, for a taxation year, from the carrying on of his life insurance business in Canada.

1972, c. 23, s. 627.

840. The amounts that a life insurer may deduct for the year include:

(a) any amount that the insurer claims as a policy reserve for the year in respect of its groups of life insurance contracts in Canada at the end of the year, not exceeding the aggregate of amounts that the insurer is allowed by regulation to deduct in respect of those groups; and

(a.1) (paragraph repealed);

(a.2) the amount included under paragraph *a*.1 of section 844 in computing the insurer's income for the preceding taxation year;

(b) (paragraph repealed);

(c) (paragraph repealed);

(d) (paragraph repealed).

1972, c. 23, s. 628; 1975, c. 22, s. 220; 1978, c. 26, s. 152; 1986, c. 19, s. 167; 1990, c. 59, s. 317; 1994, c. 22, s. 280; 1996, c. 39, s. 273; 1998, c. 16, s. 202; 2015, c. 24, s. 121; 2023, c. 19, s. 71.

841. A life insurer may also deduct:

(a) an amount equal to the amount by which the aggregate of the policy dividends (to the extent that they are not paid out of a segregated fund) that became payable by the insurer after its 1968 taxation year and before the end of the year under its participating life insurance policies exceeds the aggregate of the amounts deductible under this paragraph (including the amounts that were referred to in section 841.1, as it read before being repealed) in computing its income for the preceding taxation years;

(b) any amount that he might deduct in computing his income if the provisions of section 832 applied to a life insurance business in Canada, to the exclusion, however, of an amount credited under a participating life insurance;

(c) (paragraph repealed);

(d) (paragraph repealed);

(e) (paragraph repealed);

(f) any policy loan granted by him in the year and after 1977;

(g) (paragraph repealed);

(h) (paragraph repealed).

1972, c. 23, s. 629; 1973, c. 17, s. 96; 1978, c. 26, s. 153; 1984, c. 15, s. 189; 1986, c. 19, s. 168; 1990, c. 59, s. 318; 1991, c. 25, s. 95; 1996, c. 39, s. 232; 2001, c. 53, s. 170; 2015, c. 24, s. 122.

841.1. *(Repealed).*

1978, c. 26, s. 154; 1986, c. 19, s. 169; 2015, c. 24, s. 123.

842. Notwithstanding any other provision of this Act,

(a) an insurer shall not make any deduction under section 140 in computing its income for a taxation year from an insurance business in Canada in respect of a premium or other consideration for a life insurance policy in Canada or an interest in such a policy;

(b) an insurer not resident in Canada or a life insurer resident in Canada that carries on part of its insurance business for a taxation year outside Canada shall not make any deduction under section 160 or 163 in computing its income for a taxation year from carrying on an insurance business in Canada, except to the extent provided for in section 842.1.

1972, c. 23, s. 630; 1978, c. 26, s. 155; 1984, c. 15, s. 190; 1990, c. 59, s. 319.

842.1. For the purposes of paragraph *b* of section 842, an insurer may claim a deduction under section 160 or 163 in computing its income for a taxation year from carrying on its insurance business in Canada, in respect of

(a) interest on borrowed money used to acquire designated insurance property for the year, or to acquire property for which designated insurance property for the year was substituted property, for the period in the year during which the designated insurance property was held by the insurer in relation to the business;

(b) interest on amounts payable for designated insurance property for the year in respect of the business; and

(c) interest on deposits received or other amounts held by the insurer that arose in connection with life insurance policies in Canada or with policies insuring Canadian risks;

(d) (paragraph repealed).

1978, c. 26, s. 155; 1984, c. 15, s. 190; 1998, c. 16, s. 203; 2004, c. 8, s. 165.

843. In no case may a life insurer resident in Canada, in computing its income, make any deduction under section 146.1 in respect of foreign taxes attributable to its insurance business, nor make any deduction under sections 772.2 to 772.13 in computing its income in respect of foreign taxes attributable to income from its insurance business.

1972, c. 23, s. 631; 1973, c. 17, s. 97; 1984, c. 15, s. 190; 1995, c. 63, s. 94.

843.1. *(Repealed).*

1990, c. 59, s. 320; 1996, c. 39, s. 233.

DIVISION III

AMOUNTS TO BE INCLUDED

1972, c. 23.

844. An insurer shall, in computing its income for a taxation year from carrying on its life insurance business in Canada, include

(a) the aggregate of all amounts each of which is an amount that the insurer has deducted under paragraph *a* of section 840 as a reserve in computing its income for the preceding taxation year;

(a.1) the amount prescribed in respect of the insurer for the year in respect of its groups of life insurance contracts in Canada at the end of the year; and

(b) (paragraph repealed);

(c) (paragraph repealed);

(d) every amount received by the insurer in the year as repayment of a policy loan or as interest on that loan.

1972, c. 23, s. 632; 1973, c. 17, s. 98; 1978, c. 26, s. 156; 1990, c. 59, s. 321; 1996, c. 39, s. 234; 1998, c. 16, s. 204; 2000, c. 39, s. 103; 2001, c. 53, s. 171; 2015, c. 24, s. 124; 2023, c. 19, s. 72.

844.0.1. For the purposes of sections 840, 841 and 844, a life insurance policy includes a benefit under a group life insurance policy or a group annuity contract.

1998, c. 16, s. 205.

844.1. *(Repealed).*

1978, c. 26, s. 157; 2015, c. 24, s. 125.

844.2. *(Repealed).*

1987, c. 67, s. 163; 1994, c. 22, s. 281; 2015, c. 24, s. 125.

844.3. Where, for a period of time in a taxation year, a life insurer owned land described in any of subparagraphs *a*, *c* and *d* of the second paragraph or a right therein or had a right in a building described in subparagraph *b* of that paragraph, the life insurer shall, where the land, building or right was designated insurance property of the insurer for the year, or property used or held by it in the year in the course of carrying on an insurance business in Canada, include in computing its income for the year the aggregate of all amounts each of which is the amount prescribed in respect of the cost or capital cost to it, as the case may be, of the land, building or right for the period, and the amount prescribed must, at the end of the period, be included in computing

(a) the cost to the insurer of the land or right therein, where such land or right is property described in subparagraph *a* of the second paragraph; or

(b) the capital cost to the insurer of the right in the building described in subparagraph *b* of the second paragraph, where the land, building or right therein is property described in any of subparagraphs *b* to *d* of that paragraph.

The land, right in land or right in a building to which the first paragraph refers is, as the case may be,

(a) land, other than land described in subparagraph *c* or *d* or a right therein that was not held primarily for the purpose of gaining or producing income from the land for the period referred to in the first paragraph;

(b) a right in a building that was being constructed, renovated or altered;

(c) land subjacent to the building described in subparagraph *b* or a right in such land; or

(d) land contiguous to the land described in subparagraph *c*, or a right in such contiguous land that was used or was intended to be used for a parking area, driveway, yard, garden or other use necessary for the use or intended use of the building described in subparagraph *b*.

1990, c. 59, s. 322; 1998, c. 16, s. 206; 2020, c. 16, s. 125.

844.4. Where a life insurer has transferred or lent property, directly or indirectly in any manner whatever, to a person or partnership, in this section referred to as the "transferee", that is affiliated with the insurer or a person or partnership that does not deal at arm's length with the insurer and that property, property substituted for that property or property the acquisition of which was assisted by the transfer or loan of that property was property described in any of subparagraphs *a* to *d* of the second paragraph of section 844.3 of the transferee for a period of time in a taxation year of the insurer, the following rules apply:

(a) section 844.3 shall apply to the insurer to include an amount in computing its income for the year on the assumption that the property was owned by the insurer for the period, was property described in any of subparagraphs *a* to *d* of the second paragraph of section 844.3 of the insurer and was used or held by it in the year in the course of carrying on an insurance business in Canada;

(b) an amount included in the insurer's income for the year under section 844.3 by reason of the application of this section shall,

i. where subparagraph ii does not apply, be added by the insurer in computing the cost to it of shares of the capital stock of or a right in the transferee at the end of the year, or

ii. where the insurer and the transferee make a valid election under subsection 4.5 of section 138 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in relation to the property, be added in computing

(1) where the property is land, or a right therein, described in subparagraph *a* of the second paragraph of section 844.3 of the transferee, the cost to the transferee of the land or the right therein;

(2) where the property is land, a building or a right therein described in any of subparagraphs *b* to *d* of the second paragraph of section 844.3, the capital cost to the transferee of the right in the building described in subparagraph *b* of the said paragraph.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4.5 of section 138 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1990, c. 59, s. 322; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 1998, c. 16, s. 207; 2009, c. 5, s. 352; 2020, c. 16, s. 188.

844.5. For the purposes of section 844.3, the construction, renovation or alteration of a building is completed at the earlier of the day on which the construction, renovation or alteration is actually completed and the day on which all or substantially all of the building is used for the purpose for which it was constructed, renovated or altered.

1990, c. 59, s. 322.

DIVISION III.1

TRANSITIONAL RULES

2010, c. 25, s. 94.

844.6. There must be included in computing an insurer's income for its transition year from an insurance business carried on by it in the transition year the positive amount, if any, of the insurer's reserve transition amount in respect of that insurance business.

2010, c. 25, s. 94; 2023, c. 19, s. 73.

844.7. If an insurer's reserve transition amount in respect of an insurance business carried on by it is negative, the reserve transition amount, expressed as a positive amount, must be deducted in computing the insurer's income for its transition year from the insurance business.

2010, c. 25, s. 94; 2023, c. 19, s. 73.

844.8. If an amount has been included under section 844.6 in computing an insurer's income for its transition year from an insurance business carried on by it, there must be deducted in computing the insurer's income, for each particular taxation year of the insurer that ends after the beginning of the transition year, from that insurance business, the amount determined by the formula

A × B/1,825.

In the formula in the first paragraph,

(a) A is the amount included under section 844.6 in computing the insurer's income for its transition year from that insurance business; and

(b) B is the number of days in the particular taxation year that are before the day that is 1,825 days after the first day of the transition year.

2010, c. 25, s. 94; 2023, c. 19, s. 74.

844.9. If an amount has been deducted under section 844.7 in computing an insurer's income for its transition year from an insurance business carried on by it, there must be included in computing the insurer's income, for each particular taxation year of the insurer that ends after the beginning of the transition year, from that insurance business, the amount determined by the formula

A × B/1,825.

In the formula in the first paragraph,

(a) A is the amount deducted under section 844.7 in computing the insurer's income for its transition year from that insurance business; and

(b) B is the number of days in the particular taxation year that are before the day that is 1,825 days after the first day of the transition year.

2010, c. 25, s. 94; 2023, c. 19, s. 75.

844.9.1. In applying sections 844.8 and 844.9 to an insurer for a taxation year in respect of the International Financial Reporting Standards, the following rules apply:

(a) subparagraph *c* of the second paragraph of section 835 is to be read as follows:

"(*c*) C is the maximum amount that the insurer could deduct under paragraphs *a* and *a*.1 of section 840 (as they read in their application to a taxation year that begins before 1 January 2023) as a reserve for its base year if no account were taken of the insurer's excluded policies;";

(b) subparagraph *d* of the second paragraph of section 835 is to be read as follows:

"(*d*) D is the amount by which the amount of policy acquisition costs of the insurer that is not deductible in computing the insurer's income for the year but that, in the absence of subsection 4 of section 175.1 (as it read for the insurer's base year), would have been deductible in the insurer's base year or a preceding taxation year is exceeded by the maximum amount that the insurer could deduct under the second paragraph of section 152 as a reserve if no account were taken of the insurer's excluded policies;";

(c) subparagraph *g* of the second paragraph of section 835 is to be read as follows:

"(*g*) G is the amount included under paragraph *a*.1 of section 844 (as it read in its application to a taxation year that begins before 1 January 2023) in computing the insurer's income for its base year in respect of its life insurance policies other than excluded policies; and";

(d) the amount referred to in subparagraph *h* of the second paragraph of section 835 must be determined without reference to excluded policies.

2011, c. 34, s. 44; 2023, c. 19, s. 76.

844.10. If an insurer has, in a winding-up to which section 556 has applied, been wound up into another corporation (in this section referred to as the "parent"), and immediately after the winding-up the parent carries on an insurance business, in applying sections 844.8 and 844.9 in computing the income of the insurer and of the parent for the particular taxation years that end on or after the first day (in this section referred to as the "start day") on which assets of the insurer were distributed to the parent on the winding-up, the following rules apply:

(a) the parent is, on and after the start day, deemed to be the same corporation as and a continuation of the insurer in respect of

i. any amount included under section 844.6 or deducted under section 844.7 in computing the insurer's income from an insurance business for its transition year,

ii. any amount deducted under section 844.8 or included under section 844.9 in computing the insurer's income from an insurance business for a taxation year of the insurer that begins before the start day, and

iii. any amount that would–in the absence of this section and if the insurer existed and carried on an insurance business on each day that is the start day or a subsequent day and on which the parent carries on an insurance business–be required to be deducted under section 844.8 or included under section 844.9, in respect of any of those days, in computing the insurer's income from an insurance business; and

(b) the insurer is, in respect of each of its particular taxation years, to determine the number of days that is referred to in subparagraph *b* of the second paragraph of sections 844.8 and 844.9 without reference to the start day and days after the start day.

2010, c. 25, s. 94; 2023, c. 19, s. 77.

844.11. The rules in section 844.12 apply if, at any time, an insurer (in this section and section 844.12 referred to as the "transferor") transfers, to a corporation (in this section and section 844.12 referred to as the "transferee") that is related to the transferor, property in respect of an insurance business carried on by the transferor (in this section and section 844.12 referred to as the "transferred business") and

(a) section 832.3 or 832.9 applies to the transfer; or

(b) section 518 applies to the transfer, the transfer includes all or substantially all of the property and liabilities of the transferred business and, immediately after the transfer, the transferee carries on an insurance business.

2010, c. 25, s. 94; 2023, c. 19, s. 78.

844.12. The rules to which section 844.11 refers and that apply to the transfer of property at any time are as follows:

(a) the transferee is, at and after that time, deemed to be the same corporation as and a continuation of the transferor in respect of

i. any amount included under section 844.6 or deducted under section 844.7 in computing the transferor's income for its transition year that can reasonably be attributed to the transferred business,

ii. any amount deducted under section 844.8 or included under section 844.9 in computing the transferor's income for a taxation year of the transferor that begins before that time that can reasonably be attributed to the transferred business, and

iii. any amount that would–in the absence of this section and if the transferor existed and carried on an insurance business on each day that includes that time or is a subsequent day and on which the transferee carries on an insurance business–be required to be deducted under section 844.8 or included under section 844.9, in respect of any of those days, in computing the transferor's income that can reasonably be attributed to the transferred business; and

(b) for the purpose of determining, in respect of the day that includes that time or any subsequent day, any amount that is required to be deducted under section 844.8 or included under section 844.9 in computing the transferor's income for each particular taxation year from the transferred business, the amount referred to in subparagraph *a* of the second paragraph of those sections is deemed to be nil.

2010, c. 25, s. 94; 2023, c. 19, s. 79.

844.13. If at any time an insurer ceases (otherwise than as a result of an amalgamation within the meaning of subsections 1 and 2 of section 544) to carry on all or substantially all of an insurance business (in this section referred to as the "discontinued business"), and neither section 844.10 nor 844.11 applies, the following rules apply:

(a) there must be deducted, in computing the insurer's income from the discontinued business for the insurer's taxation year that includes the time that is immediately before that time, the amount determined by the formula

A - B; and

(b) there must be included, in computing the insurer's income from the discontinued business for the insurer's taxation year that includes the time that is immediately before that time, the amount determined by the formula

C - D.

In the formulas in the first paragraph,

(a) A is the amount included under section 844.6 in computing the insurer's income from the discontinued business for its transition year;

(b) B is the aggregate of all amounts each of which is an amount deducted under section 844.8 in computing the insurer's income from the discontinued business for a taxation year that began before that time;

(c) C is the amount deducted under section 844.7 in computing the insurer's income from the discontinued business for its transition year; and

(d) D is the aggregate of all amounts each of which is an amount included under section 844.9 in computing the insurer's income from the discontinued business for a taxation year that began before that time.

2010, c. 25, s. 94; 2023, c. 19, s. 80.

844.14. If at any time an insurer that carried on an insurance business ceases to exist (otherwise than as a result of a winding-up described in section 844.10 or of an amalgamation within the meaning of subsections 1 and 2 of section 544), for the purposes of section 844.13, the insurer is deemed to have ceased to carry on the insurance business at the time (determined without reference to this section) at which the insurer ceased to carry on the insurance business or, if it is earlier, the time that is immediately before the end of the last taxation year of the insurer that ended at or before the time at which the insurer ceased to exist.

2010, c. 25, s. 94; 2023, c. 19, s. 81.

844.15. *(Repealed).*

2017, c. 1, s. 243; 2023, c. 19, s. 82.

DIVISION IV

COMPUTATION OF TAXABLE INCOME OF A LIFE INSURER

1972, c. 23.

845. A life insurer shall not claim any deduction under sections 738 to 745 in computing its taxable income for a taxation year.

It may, however, deduct in computing its taxable income, except as otherwise provided by sections 738 to 745, the aggregate of taxable dividends, other than dividends on term preferred shares acquired by it in the ordinary course of carrying on its business, included in computing its income for the year and received by it in the year from a taxable Canadian corporation.

1972, c. 23, s. 633; 1973, c. 17, s. 99; 1978, c. 26, s. 158; 1980, c. 13, s. 70; 1982, c. 5, s. 151; 1990, c. 59, s. 323; 1997, c. 3, s. 71.

846. *(Repealed).*

1972, c. 23, s. 634; 1978, c. 26, s. 159; 1982, c. 5, s. 152; 1998, c. 16, s. 208.

847. *(Repealed).*

1972, c. 23, s. 635; 1978, c. 26, s. 160; 1998, c. 16, s. 208.

848. *(Repealed).*

1972, c. 23, s. 636; 1978, c. 26, s. 161; 1998, c. 16, s. 208.

849. *(Repealed).*

1972, c. 23, s. 637; 1978, c. 26, s. 162; 1980, c. 13, s. 71; 1997, c. 14, s. 146; 1998, c. 16, s. 208.

850. *(Repealed).*

1972, c. 23, s. 638; 1978, c. 26, s. 163; 1995, c. 1, s. 93; 1995, c. 49, s. 187; 1997, c. 14, s. 147; 1998, c. 16, s. 208.

851. *(Repealed).*

1972, c. 23, s. 639; 1978, c. 26, s. 164.

CHAPTER IV

RULES APPLICABLE TO SEGREGATED FUNDS

1978, c. 26, s. 165.

DIVISION I

GENERALITIES

1978, c. 26, s. 165.

851.1. For the purposes of this Part, the rules provided in this chapter apply where all or any portion of an insurer's reserves in respect of life insurance policies vary depending on the fair market value of a specified group of properties that is reported as a segregated fund to the Superintendent of Financial Institutions.

1978, c. 26, s. 165; 2023, c. 19, s. 83.

851.2. A trust is deemed to be created in respect of an insurer's segregated fund on the day that the segregated fund is created or, if it is later, the day on which the insurer's taxation year 1978 commences, and to continue in existence throughout the period during which the fund determines any portion of the benefits payable under its segregated fund policies.

Property of the fund and any income accruing on that property are deemed to be the property and income of that trust and the insurer is deemed to be the trustee having control of the property of the trust.

1978, c. 26, s. 165; 2017, c. 1, s. 244.

851.3. For the purposes of paragraph *a* of section 657 and sections 652 and 663, the taxable income of a segregated fund trust for a taxation year is deemed to be an amount that has become payable in the year to the beneficiaries under the trust and the amount payable to each beneficiary is equal to the amount determined in conformity with the terms and conditions of the segregated fund policy relating to the trust.

1978, c. 26, s. 165; 1990, c. 59, s. 324; 2020, c. 16, s. 126.

851.3.1. For the purpose of computing the taxable income of a segregated fund trust for a taxation year that begins after 31 December 2017, a non-capital loss of the trust incurred in a taxation year that begins before 1 January 2018 is deemed to be nil.

2020, c. 16, s. 127.

851.4. The expression "terms and conditions of the trust arrangement" in sections 646 to 681 is deemed to include the terms and conditions of a segregated fund policy and the trustee is deemed to have designated the amounts referred to in the said sections in accordance with those terms and conditions.

1978, c. 26, s. 165; 2017, c. 1, s. 245.

DIVISION II

RULES RELATING TO AN INSURER

1978, c. 26, s. 165.

851.5. Where property of a segregated fund trust is used or held by an insurer in the course of carrying on the insurer's life insurance business in Canada, the insurer is deemed to be a resident of Canada in respect of that property and a non-resident of Canada in respect of the other property of the trust.

1978, c. 26, s. 165; 1997, c. 14, s. 148.

851.6. Where, at a particular time, a segregated fund trust has property that was not funded with premiums paid under a segregated fund policy relating to the trust, the insurer is deemed to have an interest in the trust that is not respect of any particular property or separate source of income.

The cost at a particular time of that interest to an insurer is deemed to be equal to the aggregate of the amount that would be the adjusted cost base, to the insurer, of the property described in the first paragraph at that time that it allocated to the segregated fund prior to 1978 if that interest had been a capital property at all times prior to 1978 and if the rules provided in this chapter had applied to the taxation years 1972 to 1977, and the fair market value, at the time the insurer last allocated it to the fund, of the other property described in the said paragraph at that particular time that the insurer allocated to the segregated fund after 1977.

1978, c. 26, s. 165.

851.7. Where any portion of the benefits payable by an insurer under a segregated fund policy varies with the fair market value of the property of the segregated fund at the time the benefits become payable, the obligations of the insurer in respect of that portion of the benefits are deemed to be obligations of the trustee of the segregated fund trust relating to that policy.

1978, c. 26, s. 165.

851.8. Where, at a particular time, the fair market value of property transferred by an insurer to a segregated fund results in both an increase at that time in the portion of the insurer's reserves in respect of a segregated fund policy that vary with the fair market value of the property of the fund and a decrease in the portion of those reserves that do not so vary, the amount of that increase is deemed, for the purposes of computing the income of the insurer, to be a payment made by it in accordance with the terms and conditions of the policy at that time.

1978, c. 26, s. 165.

851.9. Where, at a particular time, the fair market value of property from a segregated fund transferred by an insurer results in both a decrease, at that time, in that portion of the insurer's reserves in respect of a segregated fund policy that vary with the fair market value of the property of the fund and an increase in the

portion of those reserves that do not so vary, the amount of that increase is deemed, for the purposes of computing the income of the insurer, to be a premium received by it at that time.

1978, c. 26, s. 165.

851.10. Where an insurer holds property at the end of its taxation year 1977 in connection with a segregated fund, the following rules apply:

(a) the insurer is deemed to have disposed of the property on the day referred to in section 851.2 for proceeds equal to its adjusted cost base to the insurer on that day and the segregated fund trust is deemed to have acquired that property on the same day at a cost equal to those proceeds;

(b) the transaction referred to in paragraph *a* is deemed to be made between persons not dealing at arm's length; and

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

1978, c. 26, s. 165; 1980, c. 13, s. 72; 1996, c. 39, s. 273.

DIVISION III

RULES RELATING TO POLICYHOLDERS

1978, c. 26, s. 165; 1996, c. 39, s. 273.

851.11. Where, at a particular time, a segregated fund trust has property that was funded with a portion of the premiums paid before that time under a segregated fund policy relating to the trust, that portion of the premiums is deemed not to have been paid in respect of those premiums and the holder of such a policy is deemed to have an interest in the trust that is not in respect of any particular property or any separate source of income.

The cost of that interest to the policyholder at a particular time is deemed to be equal to the aggregate of the amount that would be the adjusted cost base on 31 December 1977, to the insurer, of the property described in the first paragraph if that interest had been a capital property at all times prior to 1978 and if the rules provided in this chapter, but for the words "capital loss" and "loss" in section 851.16, had applied to the taxation years 1972 to 1977, and the portion, other than that representing the costs of acquisition, of the premiums described in the said paragraph and paid before that time but after the insurer's taxation year 1977, that the insurer has used or must use to fund the property of the segregated fund.

1978, c. 26, s. 165; 1996, c. 39, s. 273.

851.12. For the purposes of computing the adjusted cost base to the holder of a segregated fund policy of his interest in the segregated fund relating to that policy, the amount of the increase referred to in section 851.8 in respect of that policy must, at the particular time referred to in the said section, be added to the cost to him of that interest.

For the purposes of section 976, the amount of that increase is deemed to be the proceeds of the disposition of an interest in the policy that the holder becomes entitled to receive at that time.

1978, c. 26, s. 165; 1996, c. 39, s. 273.

851.13. In the case referred to in section 851.7, any amount that the holder of the segregated fund policy receives or becomes entitled to receive at a particular time in conformity with an obligation referred to in the

said section is deemed to be the proceeds of the disposition of an interest in the segregated fund trust relating to that policy.

1978, c. 26, s. 165; 1996, c. 39, s. 273.

851.14. Where, at a particular time, the holder of a segregated fund policy disposes of all or a portion of his interest in the segregated fund trust relating to that policy, the trust is deemed to sustain a capital loss that is equal to the amount computed under section 851.15 and that, for the purposes of section 851.16, reduces by that amount the benefits payable to the policyholder under that policy.

1978, c. 26, s. 165; 1996, c. 39, s. 273.

851.15. The amount referred to in section 851.14 is equal to that proportion of the amount by which the acquisition fee of the segregated fund policy exceeds the aggregate of the amounts determined under the said section in respect of the policy before the particular time, that the fair market value, at the particular time, of the interest disposed of is of the fair market value, immediately before the particular time, of the policyholder's interest in the segregated fund trust relating to that policy.

1978, c. 26, s. 165; 1996, c. 39, s. 273.

851.16. A capital gain or capital loss of a segregated fund trust from the disposition of any property is deemed to be a capital gain or a capital loss, as the case may be, of a holder of a segregated fund policy relating to the trust or of another beneficiary of the trust to the extent that the benefits payable to that policyholder under his policy or the interest of that other beneficiary in the trust are affected by that gain or that loss.

1978, c. 26, s. 165; 1996, c. 39, s. 273.

851.16.1. *(Repealed).*

2003, c. 2, s. 253; 2017, c. 1, s. 246.

851.16.2. *(Repealed).*

2003, c. 2, s. 253; 2017, c. 1, s. 246.

851.17. For the purposes of this chapter, the expression "acquisition fee" means the amount by which the aggregate of the amounts described in section 851.18 exceeds the aggregate of the portions of each of those amounts that may reasonably be considered to be in respect of an interest in the segregated fund that was disposed of before 1978.

1978, c. 26, s. 165.

851.18. The amounts referred to in section 851.17 are the following:

(a) the amount of that portion of a premium under a segregated fund policy that cannot reasonably be regarded as an amount required to fund a mortality or maturity benefit or that is not included in the segregated fund relating to that policy;

(b) the amount of a transfer from a segregated fund that cannot reasonably be regarded as an amount required to fund a mortality or maturity benefit, except annual administration fees;

(c) the amount of the decrease in the proceeds payable to the holder of a segregated fund policy on the surrender or partial surrender of the policy to the extent that that amount may reasonably be regarded as a surrender fee.

1978, c. 26, s. 165; 1996, c. 39, s. 273.

851.19. Divisions I, II and IV and sections 851.11 to 851.18 do not apply to the holder of a segregated fund policy that is issued or effected as or under a registered retirement savings plan, registered retirement income fund, tax-free savings account or first home savings account or that is issued under a registered pension plan or pooled registered pension plan.

1978, c. 26, s. 165; 1991, c. 25, s. 96; 1994, c. 22, s. 282; 1996, c. 39, s. 273; 2001, c. 53, s. 172; 2009, c. 15, s. 162; 2015, c. 21, s. 330; 2023, c. 19, s. 84.

DIVISION IV

CAPITAL PROPERTY OF A SEGREGATED FUND TRUST

1978, c. 26, s. 165.

851.20. If, at a particular time, the holder of a segregated fund policy withdraws all or part of the holder's interest in that policy, and the trustee of the segregated fund trust relating to that policy makes, in relation to the withdrawal, a valid election under subsection 4 of section 138.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of a capital property of the trust, the capital property is deemed to have been disposed of on the date designated by the trustee in respect of the capital property in the election for proceeds of disposition equal to the amount designated by the trustee in respect of the capital property in the election in accordance with that subsection 4, which amount is to be reduced to the greater of or increased to the lesser of, as the case may be, the fair market value of the capital property on the date of the disposition and the adjusted cost base to the trust of the capital property on that date, and to have been reacquired by the trust immediately after at a cost equal to those proceeds.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4 of section 138.1 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1978, c. 26, s. 165; 1996, c. 39, s. 273; 2001, c. 53, s. 173; 2009, c. 5, s. 353.

851.21. If the trustee of a segregated fund trust has made an election referred to in the first paragraph of section 851.20, the following rules apply:

(a) the trustee must allocate to any policyholder who withdraws, at the particular time referred to in that first paragraph, all or part of his interest in a segregated fund policy relating to the trust, the amount of any capital gain or capital loss resulting from the disposition referred to in that first paragraph to the extent that the amount of benefits payable to that policyholder under his policy at that time is affected by the capital gain or capital loss in respect of property held by the trust at that time;

(b) the allocation mentioned in paragraph *a* is deemed to have been made immediately before the withdrawal referred to in that paragraph;

(c) any capital gain that is not allocated in accordance with paragraph *a* is deemed to be allocated in accordance with the terms and conditions of the segregated fund policy; and

(d) any capital loss that is not allocated in accordance with paragraph *a* is deemed to be a non-deductible loss for each policyholder to the extent that the benefits payable under his policy would be affected by that loss.

1978, c. 26, s. 165; 1996, c. 39, s. 273; 2009, c. 5, s. 354.

851.22. At any particular time, the adjusted cost base of each capital property of a segregated fund trust is deemed to be the amount by which the adjusted cost base of the property to the trust immediately before that time exceeds the aggregate of amounts each of which is an amount in respect of the disposition by the holder of a segregated fund policy relating to the trust of all or part of his interest in the trust at that time equal to that proportion of the amount by which the adjusted cost base to the policyholder of his interest in the trust at that

time exceeds his proceeds of the disposition of such interest that the fair market value of the capital property at that time is of the fair market value of all capital property of the trust at the same time.

1978, c. 26, s. 165; 1996, c. 39, s. 273.

DIVISION V

REORGANIZATION OF SEGREGATED FUND TRUSTS

2020, c. 16, s. 128.

851.22.0.1. In this division, "qualifying transfer" means a transfer at any time (in this division referred to as the "transfer time") of all of the property that, immediately before the transfer time, was property of a segregated fund trust (in this division referred to as the "transferor" or the "funds") to another segregated fund trust (in this division referred to as the "transferee" or the "funds"), if

(a) every person (in this division referred to as a "beneficiary") that, immediately before the transfer time, had an interest in the transferor has ceased to be a beneficiary of the transferor at the transfer time and has received no consideration for the interest other than an interest in the transferee; and

(b) the trustee of the funds makes a valid election under paragraph *d* of subsection 1 of section 138.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the transfer.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *d* of subsection 1 of section 138.2 of the Income Tax Act.

2020, c. 16, s. 128.

851.22.0.2. The following rules apply in respect of a qualifying transfer:

(a) the last taxation year of the funds that began before the transfer time is deemed to have ended at the transfer time and a new taxation year of the transferee is deemed to have begun immediately after the transfer time;

(b) no amount in respect of a non-capital loss, net capital loss, restricted farm loss, farm loss or limited partnership loss of a fund for a taxation year that began before the transfer time is deductible in computing the taxable income of any of the funds for a taxation year that begins after the transfer time;

(c) each beneficiary's interest in the transferor is deemed to have been disposed of at the transfer time for proceeds of disposition, and each beneficiary's interest in the transferee received in the qualifying transfer is deemed to have been acquired at a cost, equal to the cost amount to the beneficiary of the interest in the transferor immediately before the transfer time;

(d) any amount determined under sections 851.17 and 851.18 in respect of a policyholder's interest in the transferor is deemed

i. to have been charged, transferred or paid in respect of the policyholder's interest in the transferee that is acquired on the qualifying transfer, and

ii. to not have been charged, transferred or paid in respect of the policyholder's interest in the transferor; and

(e) sections 851.20 to 851.22 do not apply in respect of any disposition of an interest in the transferor arising on the qualifying transfer.

2020, c. 16, s. 128.

851.22.0.3. Where a transferor transfers a property to a transferee on a qualifying transfer, each property of the transferor held immediately before the transfer time is deemed to have been disposed of by the transferor immediately before the transfer time for proceeds of disposition equal to the lesser of the following amounts and acquired by the transferee at the transfer time at a cost equal to that amount:

(a) the fair market value of the property immediately before the transfer time; and

(b) the greater of

i. the cost amount of the property to the transferor immediately before the transfer time, and

ii. the amount that is designated in respect of the property in the election referred to in subparagraph *b* of the first paragraph of section 851.22.0.1 in respect of the qualifying transfer.

2020, c. 16, s. 128.

851.22.0.4. Where a transferor transfers a property to a transferee on a qualifying transfer, each property of the transferee held immediately before the transfer time is deemed to have been disposed of by the transferee immediately before the transfer time for proceeds of disposition equal to the lesser of the following amounts and acquired again by the transferee at the transfer time at a cost equal to that amount:

(a) the fair market value of the property immediately before the transfer time; and

(b) the greater of

i. the cost amount of the property to the transferee immediately before the transfer time, and

ii. the amount that is designated in respect of the property in the election referred to in subparagraph *b* of the first paragraph of section 851.22.0.1 in respect of the qualifying transfer.

2020, c. 16, s. 128.

851.22.0.5. Section 851.16 does not apply to capital losses of a fund from the disposition, under sections 851.22.0.3 and 851.22.0.4, of property on a qualifying transfer to the extent that the amount of such capital losses exceeds the amount of capital gains of the fund from the disposition of such property.

2020, c. 16, s. 128.

TITLE V.1

FINANCIAL INSTITUTIONS

1996, c. 39, s. 235.

CHAPTER I

INTERPRETATION

1996, c. 39, s. 235.

851.22.1. In this Title,

"base year" of a taxpayer means the taxpayer's taxation year that precedes the taxpayer's transition year;

"excluded property" of a taxpayer for a taxation year means property, held in the year by the taxpayer, that is

(a) a share of the capital stock of a corporation if, at any time in the year, the taxpayer has a significant interest in the corporation;

(b) a property that is, at all times in the year at which the taxpayer held the property, a prescribed payment card corporation share of the taxpayer;

(c) if the taxpayer is an investment dealer, a property that is, at all times in the year at which the taxpayer held the property, a prescribed securities exchange investment of the taxpayer;

(d) a share of the capital stock of a corporation if

i. control of the corporation is, at any time (in this paragraph referred to as the "acquisition of control time") that is in the 24-month period that begins immediately after the end of the year, acquired by

(1) the taxpayer,

(2) one or more persons related to the taxpayer (otherwise than by reason of a right referred to in paragraph *b* of section 20), or

(3) the taxpayer and one or more persons described in subparagraph 2; and

ii. the taxpayer elects, in a document filed with the Minister on or before the taxpayer's filing-due date for the taxpayer's taxation year that includes the acquisition of control time, to have subparagraph i apply; or

(e) a prescribed property;

"fair value property" of a taxpayer for a taxation year means a property, held at any time in the year by the taxpayer, that is–or it is reasonable to expect would, if the taxpayer held the property at the end of the year, be–valued (otherwise than solely because its fair value was less than its cost to the taxpayer or, if the property is a specified debt obligation, because of a default of the debtor) in accordance with generally accepted accounting principles, at its fair value (determined in accordance with those principles) in the taxpayer's balance sheet as at the end of the year;

"financial institution" at a particular time means, subject to the second paragraph,

(a) a corporation that is, at that time,

i. a corporation referred to in any of paragraphs *a* to *e*.1 of the definition of "restricted financial institution" in section 1,

ii. an investment dealer, or

iii. a corporation controlled by one or more persons or partnerships each of which is a financial institution at that time, other than a corporation the control of which was acquired by reason of the default of a debtor where it is reasonable to consider that control is being retained solely for the purpose of minimizing any losses in respect of the debtor's default; and

(b) a trust or partnership more than 50% of the fair market value of all interests in which are held at that time by one or more financial institutions;

"investment dealer" at a particular time means a corporation that is, at that time, a registered securities dealer;

"mark-to-market property" of a taxpayer for a taxation year means property (other than an excluded property) held in the year by the taxpayer that is

(a) a share;

(b) where the taxpayer is not an investment dealer, a specified debt obligation that is a fair value property of the taxpayer for the year;

(c) where the taxpayer is an investment dealer, a specified debt obligation; or

(d) a tracking property of the taxpayer that is a fair value property of the taxpayer for the year;

"specified debt obligation" of a taxpayer means the interest held by the taxpayer in a loan, bond, debenture, note, hypothecary claim, mortgage, agreement of sale or any other similar indebtedness, or a debt obligation, where the taxpayer purchased the interest, other than an interest in

(a) an income bond, an income debenture, a small business bond, a development bond or a prescribed property; or

(b) an instrument issued by or made with a person to whom the taxpayer is related or with whom the taxpayer does not otherwise deal at arm's length, or in which the taxpayer has a significant interest;

"tracking property" of a taxpayer means a property of the taxpayer the fair market value of which is determined primarily by reference to one or more criteria in respect of a property (in this definition referred to as a "tracked property") that, if owned by the taxpayer, would be a mark-to-market property of the taxpayer, which criteria are

(a) the fair market value of the tracked property;

(b) the profits or gains from the disposition of the tracked property;

(c) the revenue, income or cash flow from the tracked property; or

(d) any other similar criteria in respect of the tracked property;

"transition amount" of a taxpayer for the taxpayer's transition year is the positive or negative amount determined by the formula

A - B;

"transition property" of a taxpayer means a property that

(a) was a specified debt obligation held by the taxpayer at the end of the taxpayer's base year;

(b) was not a mark-to-market property of the taxpayer for the taxpayer's base year, but would have been a mark-to-market property of the taxpayer for the taxpayer's base year if the property had been carried at the property's fair market value in the taxpayer's balance sheet as at the end of each taxation year of the taxpayer that ends after the taxpayer last acquired the property (otherwise than by reason of a reacquisition under section 851.22.15) and before the commencement of the taxpayer's transition year; and

(c) was a mark-to-market property of the taxpayer for the transition year of the taxpayer;

"transition year" of a taxpayer means the taxpayer's first taxation year that begins after 31 December 2022.

"Financial institution", as defined in the first paragraph, at a particular time does not include

(a) a corporation that is, at that time, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or a deposit insurance corporation within the meaning of section 804;

(b) a trust that is a mutual fund trust at that time; or

(c) a prescribed person or partnership.

In the formula in the definition of "transition amount" in the first paragraph,

(a) A is the aggregate of all amounts each of which is the fair market value, at the end of the taxpayer's base year, of a transition property of the taxpayer; and

(b) B is the aggregate of all amounts each of which is the cost amount to the taxpayer, at the end of the taxpayer's base year, of a transition property of the taxpayer.

1996, c. 39, s. 235; 1997, c. 3, s. 71; 2001, c. 7, s. 117; 2001, c. 53, s. 174; 2005, c. 1, s. 197; 2010, c. 25, s. 95; 2023, c. 19, s. 85.

851.22.2. For the purposes of the definitions of "excluded property" and "specified debt obligation" in section 851.22.1 and of section 851.22.23.6, a taxpayer has a significant interest in a corporation at any time if the taxpayer is related otherwise than because of a right referred to in paragraph *b* of section 20 to the corporation at that time or the taxpayer holds, at that time, shares of the corporation that give the taxpayer 10% or more of the votes that could be cast under all circumstances at an annual meeting of shareholders of the corporation, and shares of the corporation having a fair market value of 10% or more of the fair market value of all the issued shares of the corporation.

For the purpose of determining under the first paragraph whether a taxpayer has a significant interest in a corporation at any time,

(a) the taxpayer is deemed to hold each share that is held at that time by a person or partnership to whom the taxpayer is related otherwise than because of a right referred to in paragraph *b* of section 20; and

(b) a share of the corporation acquired by the taxpayer by reason of the default of a debtor shall be disregarded where it is reasonable to consider that the share is being retained by the taxpayer for the purpose of minimizing any losses in respect of the debtor's default, and a share of the corporation that is prescribed in respect of the taxpayer shall be disregarded.

For the purposes of this section, in determining if, at a particular time, a person or partnership is related to another person or partnership, the rules in sections 17 to 21 are to be applied as if,

(a) a partnership (other than a partnership in respect of which an amount of the income or capital of the partnership that any particular person or particular partnership, in this paragraph referred to as the "entity", may receive directly from the partnership at any time as a member of the partnership depends on the exercise by any entity of, or the failure by any entity to exercise, a discretionary power) were a corporation having capital stock of a single class divided into 100 issued shares and each member of the partnership owned, at the particular time, that proportion of the issued shares of that class that the fair market value of the member's interest in the partnership at that time is of the fair market value of all interests in the partnership at the same time; and

(b) a trust (other than a trust in respect of which an amount of the income or capital of the trust that any entity may receive directly from the trust as a beneficiary under the trust depends on the exercise by any entity of, or the failure by any entity to exercise, a discretionary power) were a corporation having capital stock of a single class divided into 100 issued shares and each beneficiary under the trust owned, at the particular time, that proportion of the issued shares of that class that the fair market value of the beneficiary's beneficial interest in the trust at that time is of the fair market value of all beneficial interests in the trust at the same time.

1996, c. 39, s. 235; 1997, c. 3, s. 71; 2010, c. 25, s. 96; 2015, c. 24, s. 126.

851.22.3. *(Repealed).*

1996, c. 39, s. 235; 1997, c. 3, s. 71; 2010, c. 25, s. 97.

CHAPTER II

SPECIFIED DEBT OBLIGATIONS

1996, c. 39, s. 235.

DIVISION I

INCOME FROM SPECIFIED DEBT OBLIGATIONS

1996, c. 39, s. 235.

851.22.4. Subject to sections 851.22.5 and 851.22.5.1, where a taxpayer that is, in a taxation year, a financial institution holds a specified debt obligation at any time in the year, the following rules apply:

(a) there shall be included in computing the taxpayer's income for the year the amount prescribed in respect of the obligation;

(b) there shall be deducted in computing the taxpayer's income for the year the amount prescribed in respect of the obligation; and

(c) except as provided by this chapter, paragraphs *d* and *i* of section 87 and sections 140 and 141, no amount shall be included or deducted in respect of payments under the obligation, other than fees and similar amounts, in computing the taxpayer's income for the year.

1996, c. 39, s. 235; 2001, c. 7, s. 118.

851.22.4.1. Subject to section 851.22.5, where a taxpayer who holds a specified debt obligation at any time in a particular taxation year in which the taxpayer is a financial institution has not included, in computing the taxpayer's income for a preceding taxation year, all or part of an amount required by section 92 or paragraph *a* of section 851.22.4 to be so included in respect of the obligation, that amount or that part of the amount shall be included by the taxpayer in computing the taxpayer's income for the particular year, to the extent that it was not included in computing the taxpayer's income for a preceding taxation year.

2001, c. 7, s. 119.

851.22.5. This division does not apply for a taxation year in respect of a specified debt obligation of a taxpayer that is a mark-to-market property for the year, an indexed debt obligation, other than a prescribed obligation, or a debt obligation disposed of before 23 February 1994.

1996, c. 39, s. 235.

851.22.5.1. Section 851.22.4 does not apply to a taxpayer in respect of a specified debt obligation for the part of a taxation year throughout which the obligation is impaired where an amount in respect of the obligation is deductible because of paragraph *b* of section 140 in computing the taxpayer's income for the year.

2001, c. 7, s. 120.

DIVISION II

DISPOSITION OF SPECIFIED DEBT OBLIGATIONS

1996, c. 39, s. 235.

851.22.6. This division applies where a taxpayer that is a financial institution disposes of a specified debt obligation that is not a mark-to-market property for the taxation year in which the disposition occurs.

Where a taxpayer disposes of part of a specified debt obligation, this chapter applies as if the part disposed of and the part retained were separate specified debt obligations.

1996, c. 39, s. 235; 2001, c. 7, s. 121.

851.22.7. In this division,

"tax basis" of a specified debt obligation at a particular time to a taxpayer means the amount by which the aggregate of the following amounts exceeds the amount referred to in section 851.22.8:

(a) the cost of the obligation to the taxpayer;

(b) an amount included under section 92, 123 or 851.22.4.1 or paragraph *a* of section 851.22.4 in respect of the obligation in computing the taxpayer's income for a taxation year that began before the particular time;

(c) subject to section 838, where the taxpayer acquired the obligation in a taxation year ending before 23 February 1994, the part of the amount included in computing the taxpayer's income for a taxation year ending before 23 February 1994, by which the principal amount of the obligation at the time it was acquired exceeds the cost to the taxpayer of the obligation;

(d) subject to section 838, where the taxpayer is a life insurer, an amount in respect of the obligation that was deemed by paragraph *a* of section 830, as it read, before its repeal, in its application to the taxation year 1977, to be a gain for a taxation year ending before 1 January 1978;

(e) where the obligation is an indexed debt obligation, an amount determined under paragraph *a* of section 125.0.1 in respect of the obligation and included in computing the taxpayer's income for a taxation year beginning before the particular time;

(f) an amount in respect of the obligation that was included in computing the taxpayer's income for a taxation year ending at or before the particular time in respect of changes in the value of the obligation attributable to the fluctuation in the value of a foreign currency relative to Canadian currency, other than an amount included under paragraph *a* of section 851.22.4;

(g) an amount in respect of the obligation that was included under paragraph *i* of section 87 in computing the taxpayer's income for a taxation year beginning before the particular time; and

(h) where the obligation was a capital property of the taxpayer on 22 February 1994, an amount required by paragraph *b* or *c*.1 of section 255 to be added in computing the adjusted cost base of the obligation to the taxpayer on that day;

"transition amount" of a taxpayer in respect of the disposition of a specified debt obligation has the meaning assigned by the regulations.

1996, c. 39, s. 235; 2001, c. 7, s. 122.

851.22.8. The amount required to be deducted in computing the tax basis of a specified debt obligation at a particular time to a taxpayer is the aggregate of all amounts each of which is

(a) an amount deducted under paragraph *b* of section 851.22.4 in respect of the obligation in computing the taxpayer's income for a taxation year beginning before the particular time;

(b) the amount of a payment received by the taxpayer under the obligation at or before the particular time, other than a fee or similar payment and the proceeds of disposition of the obligation;

(c) subject to section 838, where the taxpayer acquired the obligation in a taxation year ending before 23 February 1994, the part of the amount that was deducted in computing the taxpayer's income for a taxation year ending before 23 February 1994 by which the cost to the taxpayer of the obligation exceeds the principal amount of the obligation at the time it was acquired;

(d) subject to section 838, where the taxpayer is a life insurer, an amount in respect of the obligation that was deemed by paragraph *b* of section 830, as it read, before its repeal, in its application to the taxation year 1977, to be a loss for a taxation year ending before 1 January 1978;

(e) an amount that was deducted under section 167 in respect of the obligation in computing the taxpayer's income for a taxation year beginning before the particular time;

(f) where the obligation is an indexed debt obligation, an amount determined under paragraph *b* of section 125.0.1 in respect of the obligation and deducted in computing the taxpayer's income for a taxation year beginning before the particular time;

(g) an amount in respect of the obligation that was deducted in computing the taxpayer's income for a taxation year ending at or before the particular time in respect of changes in the value of the obligation attributable to the fluctuation in the value of a foreign currency relative to Canadian currency, other than an amount deducted under paragraph *b* of section 851.22.4;

(h) an amount in respect of the obligation that was deducted under section 141 in computing the taxpayer's income for a taxation year ending at or before the particular time; or

(i) where the obligation was a capital property of the taxpayer on 22 February 1994, an amount required by paragraph *b* or *f*.3 of section 257 to be deducted in computing the adjusted cost base of the obligation to the taxpayer on that day.

1996, c. 39, s. 235; 2001, c. 7, s. 123.

851.22.9. For the purposes of this division,

(a) where the amount determined under paragraph *c* in respect of the disposition of a specified debt obligation by a taxpayer is positive, that amount is the taxpayer's gain from the disposition of the obligation;

(b) where the amount determined under paragraph *c* in respect of the disposition of a specified debt obligation by a taxpayer is negative, that amount expressed as a positive number is the taxpayer's loss from the disposition of the obligation; and

(c) the amount referred to in paragraphs *a* and *b* in respect of the disposition of a specified debt obligation by a taxpayer is the positive or negative amount determined by the formula

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

For the purposes of the formula in subparagraph *c* of the first paragraph,

(a) A is the taxpayer's proceeds of disposition of the specified debt obligation;

(b) B is the tax basis of the obligation to the taxpayer immediately before the time of disposition; and

(c) C is the taxpayer's transition amount in respect of the disposition of the obligation.

1996, c. 39, s. 235; 2001, c. 7, s. 124.

851.22.10. Where a taxpayer has disposed of a specified debt obligation after 22 February 1994,

(a) except as provided by this division and by paragraph *d* of section 484.12, no amount shall be included or deducted in respect of the disposition in computing the taxpayer's income; and

(b) except where the obligation is an indexed debt obligation, other than a prescribed obligation, the first paragraph of section 167 shall not apply in respect of the disposition.

1996, c. 39, s. 235; 2001, c. 7, s. 125.

851.22.11. Subject to section 851.22.13, where a taxpayer has, in a taxation year and after 31 December 1994, disposed of a specified debt obligation,

(a) where the transition amount in respect of the disposition of the obligation is positive, it shall be included in computing the taxpayer's income for the year;

(b) where the transition amount in respect of the disposition of the obligation is negative, such transition amount expressed as a positive number shall be deducted in computing the taxpayer's income for the year;

(c) where the taxpayer has a gain from the disposition of the obligation, there shall be included in computing the taxpayer's income for the year the current amount of the gain and, in computing the taxpayer's income for each taxation year that ends on or after the day of disposition the amount allocated, in accordance with prescribed rules, to the year in respect of the residual portion of the gain; and

(d) where the taxpayer has a loss from the disposition of the obligation, there shall be deducted in computing the taxpayer's income for the year the current amount of the loss and, in computing the taxpayer's income for each taxation year that ends on or after the day of disposition the amount allocated, in accordance with prescribed rules, to the year in respect of the residual portion of the loss.

1996, c. 39, s. 235; 2001, c. 7, s. 126.

851.22.12. For the purposes of section 851.22.11 and this section,

(a) the current amount of a taxpayer's gain or loss from the disposition of a specified debt obligation is

i. where the taxpayer has a gain from the disposition of the obligation, the part of the gain that is reasonably attributable to a material increase in the probability, or perceived probability, that the debtor will make all payments as required by the obligation, and

ii. where the taxpayer has a loss from the disposition of the obligation, the negative amount that the taxpayer claims not exceeding in magnitude the part of the loss that is reasonably attributable to a default by the debtor or a material decrease in the probability, or perceived probability, that the debtor will make all payments as required by the obligation; and

(b) the residual portion of a taxpayer's gain or loss from the disposition of a specified debt obligation is the amount by which the gain or loss exceeds the current amount of the gain or loss.

1996, c. 39, s. 235; 2001, c. 7, s. 127.

851.22.13. Subject to the second paragraph, where a taxpayer has, in a taxation year and after 22 February 1994, disposed of a specified debt obligation,

(a) section 851.22.11 does not apply to the disposition;

(b) there shall be included in computing the taxpayer's income for the year the amount by which the taxpayer's proceeds of disposition exceed the tax basis of the obligation to the taxpayer immediately before the disposition; and

(c) there shall be deducted in computing the taxpayer's income for the year the amount by which the tax basis of the obligation to the taxpayer immediately before the disposition exceeds the taxpayer's proceeds of disposition.

The first paragraph applies only where

(a) the obligation is an indexed debt obligation, other than a prescribed obligation, or a debt obligation prescribed in respect of the taxpayer; or

(b) the disposition occurred before 1 January 1995, after 31 December 1994 in connection with the transfer of all or part of a business of the taxpayer to a person or partnership, because of paragraph *c* of section 851.22.23, or before 1 January 1996 where the taxpayer, other than a life insurance corporation, elects to have this section apply by notifying the Minister of Revenue in writing on or before the taxpayer's filing-due date for the taxpayer's taxation year that includes 23 May 2001.

Where a taxpayer elects under subparagraph *b* of the second paragraph, the Minister shall, for the purposes of Part I and notwithstanding sections 1010 to 1011, make such assessment or reassessment of the taxpayer's tax, interest and penalties as is necessary for any taxation year to give effect to the election.

1996, c. 39, s. 235; 1997, c. 3, s. 71; 2001, c. 7, s. 128.

851.22.13.1. Notwithstanding section 175.1.1, where a taxpayer that holds a specified debt obligation receives a penalty or bonus because of the repayment before maturity of all or part of the principal amount of the debt obligation, the payment is deemed to be received by the taxpayer as proceeds of disposition of the obligation.

2001, c. 7, s. 129.

851.22.13.2. For the purposes of this division, where a taxpayer receives a payment, other than proceeds of disposition, under a specified debt obligation on or after the disposition of the obligation, the payment is deemed not to have been so received at that time but to have been so received immediately before the disposition.

2001, c. 7, s. 129.

CHAPTER III

MARK-TO-MARKET PROPERTIES

1996, c. 39, s. 235.

851.22.14. Where, in a taxation year that begins after 31 October 1994, a taxpayer that is a financial institution in the year disposes of a property that is a mark-to-market property for the year, there shall be included in computing the taxpayer's income for the year the profit, if any, from the disposition and there shall be deducted in computing the taxpayer's income for the year the loss, if any, from the disposition.

1996, c. 39, s. 235.

851.22.15. Where a taxpayer that is a financial institution in a taxation year holds, at the end of the year, a mark-to-market property for the year, the taxpayer is deemed

(a) to have disposed of the property immediately before the end of the year for proceeds equal to its fair market value at the time of disposition; and

(b) to have reacquired the property at the end of the year at a cost equal to the proceeds referred to in paragraph *a*.

1996, c. 39, s. 235.

851.22.16. Where a taxpayer is a financial institution in a taxation year that begins after 31 October 1994, the following rules apply in respect of a specified debt obligation that is a mark-to-market property of the taxpayer for the year:

(a) paragraph *c* of section 87 and sections 92, 157.6 and 167 do not apply to the obligation in computing the taxpayer's income for the year; and

(b) there shall be included in computing the taxpayer's income for the year an amount received by the taxpayer in the year as, on account of, in lieu of payment of, or in satisfaction of, interest on the obligation, to the extent that the amount was not included in computing the taxpayer's income for a preceding taxation year.

For the purposes of subparagraph *b* of the first paragraph, where the taxpayer is deemed by section 851.22.15 or paragraph *b* of section 851.22.23 to have disposed of the obligation in a preceding taxation year, no part of an amount included in computing the taxpayer's income for the preceding taxation year because of the disposition shall be in respect of interest on the obligation.

1996, c. 39, s. 235.

851.22.16.1. Where a taxpayer is a financial institution in a taxation year and disposes of a share that is mark-to-market property of the taxpayer for the year, the taxpayer's proceeds of disposition do not include any amount that would otherwise be proceeds of disposition to the extent that the amount is deemed under section 508 to be a dividend received except to the extent that the dividend is deemed under subparagraph *b* of section 568 not to be a dividend.

2020, c. 16, s. 129.

851.22.17. *(Repealed).*

1996, c. 39, s. 235; 2015, c. 24, s. 127.

851.22.18. *(Repealed).*

1996, c. 39, s. 235; 2001, c. 7, s. 130; 2015, c. 24, s. 127.

851.22.19. *(Repealed).*

1996, c. 39, s. 235; 2001, c. 7, s. 130; 2015, c. 24, s. 127.

851.22.20. *(Repealed).*

1996, c. 39, s. 235; 2001, c. 7, s. 130; 2015, c. 24, s. 127.

851.22.21. Where in a particular taxation year that ends after 30 October 1994, a taxpayer disposed of a specified debt obligation that is a mark-to-market property of the taxpayer for the following taxation year, and either the disposition occurred because of section 851.22.15 and the particular year includes 31 October 1994, or the disposition occurred because of paragraph *b* of section 851.22.23,

(a) section 157.6 does not apply to the disposition; and

(b) where the conditions set out in subparagraphs i and ii are met, there shall be included in computing the taxpayer's income for the particular year the amount by which the aggregate of all amounts each of which is an amount referred to in subparagraph i exceeds the aggregate of all amounts included under paragraph *i* of section 87 in respect of the obligation in computing the taxpayer's income for the particular year or a preceding taxation year:

i. an amount has been deducted under section 141 in respect of the obligation in computing the taxpayer's income for the particular year or a preceding taxation year, and

ii. section 92.22 does not apply to the disposition.

1996, c. 39, s. 235.

851.22.21.1. The rules in section 851.22.21.2 apply if

(a) section 851.22.15 deems the taxpayer to have disposed of a specified debt obligation immediately before the end of the taxpayer's transition year (in section 851.22.21.2 referred to as the "particular disposition"); and

(b) the specified debt obligation was owned by the taxpayer at the end of the taxpayer's base year and was not a mark-to-market property of the taxpayer for the taxpayer's base year.

2010, c. 25, s. 98.

851.22.21.2. The rules to which section 851.22.21.1 refers and that apply to a taxpayer in respect of a particular disposition are the following:

(a) section 157.6 does not apply to the taxpayer in respect of the particular disposition; and

(b) if section 92.22 does not apply to the taxpayer in respect of the particular disposition, there must be included in computing the taxpayer's income for the taxpayer's transition year the amount by which the aggregate determined in the second paragraph is exceeded by the aggregate of all amounts each of which is an amount deducted under section 140 in respect of the specified debt obligation of the taxpayer in computing the taxpayer's income for the taxpayer's base year, or an amount deducted under section 141 in respect of the specified debt obligation of the taxpayer in computing the taxpayer's income for a taxation year that preceded the taxpayer's transition year.

The aggregate to which subparagraph *b* of the first paragraph refers is the aggregate of all amounts each of which is an amount included under paragraph *d* of section 87 in respect of the specified debt obligation of the taxpayer in computing the taxpayer's income for the taxpayer's transition year, or an amount included under paragraph *i* of section 87 in respect of the specified debt obligation of the taxpayer in computing the taxpayer's income for the taxpayer's transition year or a preceding taxation year.

2010, c. 25, s. 98.

851.22.22. The rules set out in the second paragraph apply where a taxpayer is deemed by section 851.22.15 to have disposed of a property in a taxation year, referred to as a "particular year" in the second paragraph, that includes 31 October 1994 and the following conditions are met:

(a) the taxpayer acquired the property before 31 October 1994 at a cost less than the fair market value of the property at the time of acquisition;

(b) the property was transferred, directly or indirectly, to the taxpayer by a person that would never have been a financial institution before the transfer if the definition of "financial institution" in section 851.22.1 had always applied; and

(c) the cost of the property is less than the fair market value because section 518 applied in respect of the disposition of the property by the person referred to in subparagraph *b*.

The rules to which the first paragraph refers are as follows:

(a) where the taxpayer would, but for this subparagraph, have a taxable capital gain for the particular year from the disposition of the property, the part of the taxable capital gain that can reasonably be considered to have arisen while the property was held by a person described in subparagraph *b* of the first paragraph is deemed to be a taxable capital gain of the taxpayer from the disposition of the property for the taxation year in which the taxpayer disposes of the property otherwise than because of section 851.22.15, and not to be a taxable capital gain for the particular year; and

(b) where the taxpayer has a profit, other than a capital gain, from the disposition of the property, the part of the profit that can reasonably be considered to have arisen while the property was held by a person

described in subparagraph *b* of the first paragraph shall be included in computing the taxpayer's income for the taxation year in which the taxpayer disposes of the property otherwise than because of section 851.22.15, and shall not be included in computing the taxpayer's income for the particular year.

1996, c. 39, s. 235.

CHAPTER III.1

TRANSITIONAL RULES

2010, c. 25, s. 99.

851.22.22.1. If the transition amount of a taxpayer that is an insurer in the taxpayer's transition year is negative, the transition amount, expressed as a positive number, must be included in computing the taxpayer's income for that year.

2010, c. 25, s. 99; 2023, c. 19, s. 86.

851.22.22.2. If the transition amount of a taxpayer that is an insurer in the taxpayer's transition year is positive, the transition amount must be deducted in computing the taxpayer's income for that year.

2010, c. 25, s. 99; 2023, c. 19, s. 87.

851.22.22.3. If an amount has been included under section 851.22.22.1 in computing a taxpayer's income for the taxpayer's transition year, there must be deducted in computing the taxpayer's income for each particular taxation year of the taxpayer that ends after the beginning of the transition year, and in which particular taxation year the taxpayer is an insurer, the amount determined by the formula

A × B/1,825.

In the formula in the first paragraph,

(a) A is the amount included under section 851.22.22.1 in computing the taxpayer's income for the taxpayer's transition year; and

(b) B is the number of days in the particular taxation year that are before the day that is 1,825 days after the first day of the transition year.

2010, c. 25, s. 99; 2023, c. 19, s. 88.

851.22.22.4. If an amount has been deducted under section 851.22.22.2 in computing a taxpayer's income for the taxpayer's transition year, there must be included in computing the taxpayer's income, for each particular taxation year of the taxpayer that ends after the beginning of the transition year, and in which particular taxation year the taxpayer is an insurer, the amount determined by the formula

A × B/1,825.

In the formula in the first paragraph,

(a) A is the amount deducted under section 851.22.22.2 in computing the taxpayer's income for the taxpayer's transition year; and

(b) B is the number of days in the particular taxation year that are before the day that is 1,825 days after the first day of the transition year.

2010, c. 25, s. 99; 2023, c. 19, s. 89.

851.22.22.5. If a taxpayer has, in a winding-up to which section 556 has applied, been wound up into another corporation (in this section referred to as the "parent"), and immediately after the winding-up the parent is an insurer, in applying sections 851.22.22.3 and 851.22.22.4 in computing the income of the taxpayer and of the parent for the particular taxation years that end on or after the first day (in this section referred to as the "start day") on which assets of the taxpayer were distributed to the parent on the winding-up, the following rules apply:

(a) the parent is, on and after the start day, deemed to be the same corporation as and a continuation of the taxpayer in respect of

i. any amount included under section 851.22.22.1 or deducted under section 851.22.22.2 by the taxpayer in computing the taxpayer's income for the taxpayer's transition year,

ii. any amount deducted under section 851.22.22.3 or included under section 851.22.22.4 in computing the taxpayer's income for a taxation year of the taxpayer that begins before the start day, and

iii. any amount that would–in the absence of this section and if the taxpayer existed and was an insurer on each day that is the start day or a subsequent day and on which the parent is an insurer–be required to be deducted under section 851.22.22.3 or included under section 851.22.22.4, in respect of any of those days, in computing the taxpayer's income for the taxpayer's transition year; and

(b) the taxpayer is, in respect of each of the taxpayer's particular taxation years, to determine the number of days that is referred to in subparagraph *b* of the second paragraph of sections 851.22.22.3 and 851.22.22.4 without reference to the start day and days after the start day.

2010, c. 25, s. 99; 2023, c. 19, s. 90.

851.22.22.6. The rules in section 851.22.22.7 apply if, at any time, a taxpayer (in this section and section 851.22.22.7 referred to as the "transferor") transfers, to a corporation (in this section and section 851.22.22.7 referred to as the "transferee") that is related to the transferor, property in respect of a business carried on by the transferor in Canada (in this section and section 851.22.22.7 referred to as the "transferred business") and

(a) section 832.3 or 832.9 applies to the transfer; or

(b) section 518 applies to the transfer, the transfer includes all or substantially all of the property and liabilities of the transferred business and, immediately after the transfer, the transferee is an insurer.

2010, c. 25, s. 99; 2023, c. 19, s. 91.

851.22.22.7. The rules to which section 851.22.22.6 refers and that apply to the transfer, at any time, of property are the following:

(a) the transferee is, at and after that time, deemed to be the same corporation as and a continuation of the transferor in respect of

i. any amount included under section 851.22.22.1 or deducted under section 851.22.22.2 in computing the transferor's income for the transferor's transition year that can reasonably be attributed to the transferred business,

ii. any amount deducted under section 851.22.22.3 or included under section 851.22.22.4 in computing the transferor's income for a taxation year of the transferor that begins before that time that can reasonably be attributed to the transferred business, and

iii. any amount that would–in the absence of this section and if the transferor existed and was an insurer on each day that includes that time or is a subsequent day and on which the transferee is an insurer–be required to be deducted under section 851.22.22.3 or included under section 851.22.22.4, in respect of any of those days, in computing the transferor's income that can reasonably be attributed to the transferred business; and

(b) for the purpose of determining, in respect of the day that includes that time or any subsequent day, any amount that is required to be deducted under section 851.22.22.3 or included under section 851.22.22.4 in computing the transferor's income for each particular taxation year from the transferred business, the amount referred to in subparagraph *a* of the second paragraph of those sections is deemed to be nil.

2010, c. 25, s. 99; 2023, c. 19, s. 92.

851.22.22.8. *(Repealed).*

2010, c. 25, s. 99; 2023, c. 19, s. 93.

851.22.22.9. If at any time, a taxpayer ceases to be an insurer, the following rules apply:

(a) there must be deducted, in computing the income of the taxpayer for the taxation year of the taxpayer that includes the time that is immediately before that time, the amount determined by the formula

A - B; and

(b) there must be included, in computing the income of the taxpayer for the taxation year of the taxpayer that includes the time that is immediately before that time, the amount determined by the formula

C - D.

In the formulas in the first paragraph,

(a) A is the amount included under section 851.22.22.1 in computing the taxpayer's income for the taxpayer's transition year;

(b) B is the aggregate of all amounts each of which is an amount deducted under section 851.22.22.3 in computing the income of the taxpayer for a taxation year that began before that time;

(c) C is the amount deducted under section 851.22.22.2 in computing the taxpayer's income for the taxpayer's transition year; and

(d) D is the aggregate of all amounts each of which is an amount included under section 851.22.22.4 in computing the taxpayer's income for a taxation year that began before that time.

2010, c. 25, s. 99; 2023, c. 19, s. 94.

851.22.22.10. If a taxpayer ceases to exist (otherwise than as a result of an amalgamation within the meaning of subsections 1 and 2 of section 544 or a winding-up to which section 556 applies), for the purposes of section 851.22.22.9, the taxpayer is deemed to have ceased to be an insurer at the time (determined without reference to this section) at which the taxpayer ceased to be an insurer or, if it is earlier, the time that is immediately before the end of the last taxation year of the taxpayer that ended at or before the time at which the taxpayer ceased to exist.

2010, c. 25, s. 99; 2023, c. 19, s. 95.

851.22.22.11. The rules set out in the second paragraph apply to a taxpayer for a particular taxation year of the taxpayer where

(a) the taxpayer holds a transition property in the particular taxation year;

(b) the property was a mark-to-market property of the taxpayer for the taxation year preceding the particular taxation year; and

(c) the property is not a mark-to-market property of the taxpayer for the particular taxation year.

The rules to which the first paragraph refers are as follows:

(a) the taxpayer is deemed to have ceased to be an insurer at the particular time that is the beginning of the particular taxation year; and

(b) the taxation year ending immediately before the taxpayer's particular taxation year is deemed to end at the time that is immediately before the particular time.

2023, c. 19, s. 96.

CHAPTER IV

ADDITIONAL RULES

1996, c. 39, s. 235.

851.22.23. Where, at a particular time after 22 February 1994, a taxpayer becomes or ceases to be a financial institution,

(a) if the taxpayer is a corporation and if, but for this paragraph, no taxation year of the taxpayer would end immediately before the particular time, the taxation year of the taxpayer that would otherwise have included the particular time is deemed to have ended immediately before that time and a new taxation year of the taxpayer is deemed to have begun at the particular time and to have ended at the time at which the taxpayer's taxation year (determined for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.))) that includes the particular time, ended;

(a.1) if the taxpayer is a trust and if, but for this paragraph, no taxation year of the taxpayer would end immediately before the particular time, except for the purposes of section 1120.0.1, the taxation year of the taxpayer that would otherwise have included the particular time is deemed to have ended immediately before that time and a new taxation year of the taxpayer is deemed to have begun at the particular time;

(b) if the taxpayer becomes a financial institution, the taxpayer is deemed to have disposed, immediately before the end of its particular taxation year that ends immediately before the particular time, of each of the following properties held by the taxpayer for proceeds of disposition equal to the property's fair market value at the time of that disposition:

i. a specified debt obligation, or

ii. a mark-to-market property of the taxpayer for the particular taxation year or for the taxpayer's taxation year that includes the particular time;

(c) where the taxpayer ceases to be a financial institution, the taxpayer is deemed to have disposed, immediately before the end of its taxation year that ends immediately before the particular time, of each property held by the taxpayer that is a specified debt obligation, other than a mark-to-market property of the taxpayer for the year, for proceeds equal to its fair market value at the time of disposition; and

(d) the taxpayer is deemed to have reacquired, at the end of its taxation year that ends immediately before the particular time, each property deemed under paragraph *b* or *c* to have been disposed of by the taxpayer, at a cost equal to the proceeds of disposition of the property.

1996, c. 39, s. 235; 2001, c. 53, s. 175; 2009, c. 5, s. 355.

851.22.23.1. Where, at a particular time in a taxation year, a taxpayer that is a financial institution not resident in Canada, other than a life insurance corporation, ceases to use, in connection with a business or part of a business carried on by the taxpayer in Canada immediately before the particular time, a property that is a mark-to-market property of the taxpayer for the year or a specified debt obligation, but that is not a property that was disposed of by the taxpayer at the particular time, the following rules apply:

(a) the taxpayer is deemed

i. to have disposed of the property immediately before the time that was immediately before the particular time for proceeds of disposition equal to its fair market value at the time of disposition and to have received those proceeds at the time of disposition in the course of carrying on the business or the part of the business, as the case may be, and

ii. to have reacquired the property at the particular time at a cost equal to those proceeds; and

(b) for the purpose of determining the consequences of the disposition referred to in subparagraph i of paragraph *a*, section 851.22.13.2 does not apply to any payment received by the taxpayer after the particular time.

2004, c. 8, s. 166.

851.22.23.2. Where, at a particular time in a taxation year, a taxpayer that is a financial institution not resident in Canada, other than a life insurance corporation, begins to use, in connection with a business or part of a business carried on by the taxpayer in Canada immediately before the particular time, a property that is a mark-to-market property of the taxpayer for the year that includes the particular time or a specified debt obligation, but that is not a property that was acquired by the taxpayer at the particular time, the taxpayer is deemed

(a) to have disposed of the property immediately before the time that was immediately before the particular time for proceeds of disposition equal to its fair market value at the time of disposition; and

(b) to have reacquired the property at the particular time at a cost equal to those proceeds.

2004, c. 8, s. 166.

851.22.23.3. For the application of section 851.22.23.1 to a taxpayer in relation to a property in a taxation year, the definition of "mark-to-market property" in the first paragraph of section 851.22.1 shall

(a) be applied as if the taxation year ended immediately before the particular time referred to in section 851.22.23.1; and

(b) if the taxpayer does not have financial statements for the period ending immediately before the particular time referred to in section 851.22.23.1, the reference in subparagraphs i and ii of paragraph *b* to "the taxpayer's financial statements for the year" shall be read as a reference to "the taxpayer's financial

statements that it is reasonable to expect would have been prepared if the year had ended immediately before the particular time referred to in section 851.22.23.1".

2004, c. 8, s. 166.

851.22.23.4. If, at a particular time in a taxation year of a taxpayer who is a financial institution for the year, a property becomes a mark-to-market property of the taxpayer for the year because it ceased, at the particular time, to be a prescribed payment card corporation share of the taxpayer, the following rules apply:

(a) the taxpayer is deemed to have disposed of the property immediately before the particular time for proceeds of disposition equal to its fair market value immediately before the particular time, and to have acquired the property, at the particular time, at a cost equal to those proceeds; and

(b) section 851.22.14 does not apply to the disposition referred to in paragraph *a*.

2010, c. 25, s. 100.

851.22.23.5. If, at a particular time in a taxation year of a taxpayer who is a financial institution for the year, a property becomes a mark-to-market property of the taxpayer for the year because it ceased, at the particular time, to be a prescribed securities exchange investment of the taxpayer, the following rules apply:

(a) the taxpayer is deemed to have disposed of the property immediately before the particular time for proceeds of disposition equal to its fair market value immediately before the particular time, and to have acquired the property, at the particular time, at a cost equal to those proceeds; and

(b) section 851.22.14 does not apply to the disposition referred to in paragraph *a*.

2010, c. 25, s. 100.

851.22.23.6. If, at the end of a particular taxation year of a taxpayer who is a financial institution for the year, the taxpayer holds a share of the capital stock of a corporation, the taxpayer has a significant interest in that corporation at any time in the year and the share is a mark-to-market property of the taxpayer for the subsequent taxation year, the taxpayer is deemed to have disposed of the share immediately before the end of the particular year for proceeds of disposition equal to the fair market value, at that time, of the share, and to have acquired the share at the end of the particular year at a cost equal to those proceeds.

2010, c. 25, s. 100.

851.22.24. For the purposes of this Act, the determination of the time when a taxpayer acquired a share shall be made without regard to a disposition or acquisition that occurred because of any of sections 851.22.15, 851.22.23 to 851.22.23.2 and 851.22.23.4 to 851.22.23.6.

1996, c. 39, s. 235; 2004, c. 8, s. 167; 2010, c. 25, s. 101.

851.22.25. Where a taxpayer is a financial institution in a taxation year, inventory of the taxpayer in the year does not include property that is

(a) a specified debt obligation, other than a mark-to-market property for the year; or

(b) where the year begins after 31 October 1994, a mark-to-market property for the year.

1996, c. 39, s. 235.

851.22.26. Where a taxpayer that was a financial institution in a taxation year of the taxpayer that includes 23 February 1994 held, on that day, a specified debt obligation, other than a mark-to-market property for the year, that was inventory of the taxpayer at the end of its preceding taxation year,

(a) the taxpayer is deemed to have disposed of the property at the beginning of the year for proceeds equal to

i. where subparagraph ii does not apply, the amount at which the property was valued at the end of the preceding taxation year for the purpose of computing the taxpayer's income for that year, and

ii. where the taxpayer is a bank and the property is prescribed property for the year, the cost of the property to the taxpayer, determined without reference to paragraph *b*;

(b) for the purpose of determining the taxpayer's profit or loss from the disposition, the cost of the property to the taxpayer is deemed to be the amount referred to in subparagraph i of paragraph *a*; and

(c) the taxpayer is deemed to have reacquired the property, immediately after the beginning of the year, at a cost equal to the proceeds of disposition of the property.

1996, c. 39, s. 235.

851.22.27. Where, on 23 February 1994, a financial institution that is a corporation held a specified debt obligation, other than a mark-to-market property for the taxation year that includes that day, that was at an earlier time held by another corporation, the financial corporation is deemed, in respect of the obligation, to be a continuation of the other corporation, if it has not been so otherwise provided and, between the earlier time and 23 February 1994, the only transactions affecting the ownership of the obligation were rollover transactions.

For the purposes of the first paragraph, "rollover transaction" means a transaction to which sections 545 to 550 or 556 to 564.1 and 565 apply, or to which section 832.3 or 832.9 applies, other than a transaction to which subparagraph *a* of the second paragraph of section 832.3 requires the provisions of sections 521 to 526 and 528 to be applied.

1996, c. 39, s. 235; 1997, c. 3, s. 71; 2000, c. 5, s. 186.

851.22.28. Section 175.7 does not apply to the disposition of a property by a taxpayer after 30 October 1994 where

(a) the taxpayer is a financial institution when the disposition occurs and the property is a specified debt obligation or a mark-to-market property for the taxation year in which the disposition occurs; or

(b) the disposition occurs because of paragraph *b* of section 851.22.23.

1996, c. 39, s. 235.

851.22.29. A taxpayer that is a financial institution in its first taxation year that ends after 22 February 1994, may elect, by notifying the Minister in writing on or before the taxpayer's filing-due date for the taxpayer's taxation year that includes 23 May 2001 or, where that period has expired, within 90 days after the day on which a notice of assessment of tax payable under this Part for the year, notice that no tax is payable under this Part for the year or notice that an election made by the taxpayer under this section is deemed by section 851.22.30 or 851.22.31 not to have been made is sent to the taxpayer, that

(a) each property of the taxpayer that is a property described in the second paragraph is deemed to have been disposed of by the taxpayer at the end of the taxpayer's last taxation year that ended before 23 February 1994, in this section referred to as the "particular time", for proceeds of disposition equal to, and to have been reacquired by the taxpayer immediately after the particular time at a cost equal to, the lesser of

i. the fair market value of the property at the particular time, and

ii. the greater of the adjusted cost base to the taxpayer of the property immediately before the particular time and the amount designated by the taxpayer in the election in respect of the property;

(b) each property of the taxpayer that is a property described in the third paragraph is deemed to have been disposed of by the taxpayer at the particular time for proceeds of disposition equal to, and to have been reacquired by the taxpayer immediately after the particular time at a cost equal to, the greater of

i. the fair market value of the property at the particular time, and

ii. the lesser of the adjusted cost base to the taxpayer of the property immediately before the particular time and the amount designated by the taxpayer in the election in respect of the property.

A property to which subparagraph *a* of the first paragraph refers

(a) was a capital property, other than a depreciable property, of the taxpayer at the particular time;

(b) was a mark-to-market property for, or a specified debt obligation in, the taxpayer's first taxation year that begins after the particular time;

(c) had a fair market value at the particular time greater than its adjusted cost base to the taxpayer at that time; and

(d) is designated by the taxpayer in the election.

A property to which subparagraph *b* of the first paragraph refers

(a) was a capital property, other than a depreciable property, of the taxpayer at the particular time;

(b) was not a mark-to-market property for, or a specified debt obligation in, the taxpayer's first taxation year that begins after the particular time;

(c) had an adjusted cost base to the taxpayer at the particular time greater than its fair market value at that time; and

(d) is designated by the taxpayer in the election.

Where a taxpayer elects under this section, the Minister shall, for the purposes of Part I and notwithstanding sections 1010 to 1011, make such assessment or reassessment of the taxpayer's tax, interest and penalties as is necessary for the taxpayer's last taxation year that ended before 23 February 1994 to give effect to the election.

2001, c. 7, s. 131; 2004, c. 4, s. 7.

851.22.30. Where a taxpayer has made an election under section 851.22.29 in which a property was designated under subparagraph *d* of the second paragraph of that section, the election is deemed not to have been made where the amount that would be the taxpayer's taxable capital gains from dispositions of property for the taxpayer's last taxation year that ended before 23 February 1994, if this section and section 851.22.31 did not apply, exceeds the aggregate of

(a) the amount that would be the taxpayer's allowable capital losses for the year from dispositions of property if this section and section 851.22.31 did not apply;

(b) the maximum amount that would have been deductible in computing the taxpayer's taxable income for the year in respect of the taxpayer's net capital losses for preceding taxation years if there were sufficient taxable capital gains for the year from dispositions of property; and

(c) the amount by which the amount that would be the taxpayer's taxable capital gains for the taxpayer's last taxation year that ended before 23 February 1994 from dispositions of property if no election were made under section 851.22.29 exceeds the aggregate of

i. the amount that would be the taxpayer's allowable capital losses for the year from dispositions of property if no election were made under section 851.22.29, and

ii. the maximum amount that would be deductible in computing the taxpayer's taxable income for the year in respect of the taxpayer's net capital losses for preceding taxation years if no election were made under section 851.22.29.

2001, c. 7, s. 131; 2004, c. 8, s. 168.

851.22.31. Where a taxpayer has made an election under section 851.22.29 in which a property was designated under subparagraph *d* of the third paragraph of that section, the election is deemed not to have been made where

(a) the aggregate of the amounts determined under paragraphs *a* and *b* of section 851.22.30 in respect of the taxpayer exceeds the amount that would be the taxpayer's taxable capital gains from dispositions of property for the taxpayer's last taxation year that ended before 23 February 1994, if this section and section 851.22.30 did not apply; or

(b) the aggregate of all amounts each of which would, if this section did not apply, be the taxpayer's allowable capital loss for the taxpayer's last taxation year that ended before 23 February 1994 from the deemed disposition of the property under subparagraph *b* of the first paragraph of section 851.22.29 exceeds the total of all amounts each of which is the taxpayer's taxable capital gain for the year from the deemed disposition of the property under subparagraph *a* of the first paragraph of section 851.22.29.

2001, c. 7, s. 131; 2004, c. 8, s. 169.

CHAPTER V

CONVERSION OF FOREIGN BANK AFFILIATE TO BRANCH

2004, c. 8, s. 170.

851.22.32. In this chapter,

"Canadian affiliate" of an entrant bank at any particular time means a Canadian corporation that was, immediately before the particular time, affiliated with the entrant bank and that was, at all times during the period that began on 11 February 1999 and ended immediately before the particular time,

(a) affiliated with either the entrant bank or a foreign bank, within the meaning assigned by section 2 of the Bank Act (Statutes of Canada, 1991, chapter 46) that is affiliated with the entrant bank at the particular time; and

(b) either

i. a bank,

ii. a corporation authorized under the Trust and Loan Companies Act (Statutes of Canada, 1991, chapter 45) to offer services as trustee, or

iii. a corporation of which the principal activity in Canada consists of any of the activities referred to in subparagraphs i to v of paragraph *a* of subsection 3 of section 518 of the Bank Act, as they read for that period and in which the entrant bank or a person not resident in Canada affiliated with the entrant bank holds shares under the authority, directly or indirectly, of an order issued by the Minister of Finance of Canada or the Governor in Council under subsection 1 of section 521 of that Act, as it read for that period;

"entrant bank" means a corporation not resident in Canada that is, or has applied to the Superintendent of Financial Institutions of Canada to become, an authorized foreign bank;

"qualifying foreign merger" means a merger or combination of corporations that would be a foreign merger within the meaning assigned by section 555.0.1, if the portion of that section before paragraph *a* were read without reference to "and otherwise than as a result of the distribution of property to one corporation on the winding-up of another corporation".

2004, c. 8, s. 170.

851.22.33. For the purposes of the definition of "Canadian affiliate" in section 851.22.32, where an entrant bank was formed because of a qualifying foreign merger, after 11 February 1999 of two or more corporations, in this section referred to as "predecessors", and at the time immediately before the merger, there were one or more Canadian corporations, in this section referred to as "predecessor affiliates", each of which at that time would have been a Canadian affiliate of a predecessor if the predecessor were an entrant bank at that time, the following rules apply:

(a) each predecessor affiliate is deemed to have been affiliated with the entrant bank throughout the period that began on 11 February 1999 and ended at the time of the merger;

(b) the expression "entrant bank" in subparagraph iii of paragraph *b* of the definition of "Canadian affiliate" is deemed to include a predecessor; and

(c) if two or more of the predecessor affiliates are amalgamated or merged after 11 February 1999 to form a new corporation, the new corporation is deemed to have been affiliated with the entrant bank throughout the period that began on 11 February 1999 and ended at the time of the amalgamation or merger of the predecessor affiliates.

2004, c. 8, s. 170.

851.22.34. Where a Canadian affiliate of an entrant bank transfers a property to the entrant bank, the entrant bank begins immediately after the transfer to use or hold the transferred property in its Canadian banking business and the Canadian affiliate and the entrant bank make a valid election for the purposes of subsection 3 of section 142.7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the transfer, Chapter IV of Title IX of Book III, except sections 520.1, 522 to 524 and 526, applies with the necessary modifications.

However, for the purposes of the first paragraph,

(a) section 518 shall be read as follows:

"**518.** The rules provided for in this division and in Divisions II and III apply where a taxpayer that is a Canadian affiliate of an entrant bank, within the meanings assigned by section 851.22.32, disposes of any of the taxpayer's property to the entrant bank, and the taxpayer and the entrant bank make a valid election for the purposes of subsection 3 of section 142.7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).."; and

(b) the reference to "first election mentioned in" in section 521.2 shall be read as a reference to "election referred to in".

2004, c. 8, s. 170.

851.22.35. Where a Canadian affiliate of an entrant bank and the entrant bank have made a valid election under section 851.22.34, in respect of a transfer of property by the Canadian affiliate to the entrant bank, for the purposes of sections 111, 304, 422, 424, 1082.1 and 1082.4 in respect of the transfer, the fair market value of the property is deemed to be the amount agreed by the Canadian affiliate and the entrant bank in the election.

2004, c. 8, s. 170.

851.22.36. Where a Canadian affiliate of an entrant bank transfers a specified debt obligation to the entrant bank in a transaction in respect of which they made a valid election under section 851.22.34, the Canadian affiliate is a financial institution in its taxation year in which the transfer is made, and the amount that the Canadian affiliate and the entrant bank agree on in respect of the obligation is equal to the tax basis of the obligation within the meaning assigned by section 851.22.7, the entrant bank is deemed, for the purposes of Chapters I, II and IV in respect of the obligation, to be the same corporation as, and a continuation of, the Canadian affiliate.

2004, c. 8, s. 170.

851.22.37. Where, at any time within a period described in paragraph *c* of subsection 11 of section 142.7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), a Canadian affiliate of an entrant bank described in paragraph *a* of that subsection 11 transfers to the entrant bank a property that is, for the Canadian affiliate's taxation year in which the property is transferred, a mark-to-market property of the Canadian affiliate, the following rules apply:

(a) for the purposes of sections 744.4 to 744.6.1 and 744.8, the definition of "mark-to-market property" in the first paragraph of section 851.22.1 and section 851.22.22, the entrant bank is deemed, in respect of the property, to be the same corporation as, and a continuation of, the Canadian affiliate; and

(b) for the purpose of applying section 851.22.15 in respect of the property, the Canadian affiliate's taxation year in which the property is transferred is deemed to have ended immediately before the time the property was transferred.

2004, c. 8, s. 170.

851.22.38. The rules in the second paragraph apply where

(a) at a particular time, a Canadian affiliate of an entrant bank transfers to the entrant bank property that is a loan, lending asset or a right to receive an unpaid amount in relation to a disposition before the particular time of property by the affiliate, or the entrant bank assumes an obligation of the Canadian affiliate that is an instrument or commitment described in section 140.2 or an obligation in respect of goods, services, lands or movable property described in paragraph *a* or *b* of section 150;

(b) the property is transferred or the obligation is assumed for an amount equal to its fair market value at the particular time;

(c) the entrant bank begins immediately after the particular time to use or hold the property or owe the obligation in its Canadian banking business; and

(d) the Canadian affiliate and the entrant bank make a valid election for the purposes of subsection 7 of section 142.7 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the transfer or assumption.

The rules to which the first paragraph refers are as follows:

(a) for the purposes of sections 140, 140.2, 141 and 150 and the first paragraph of section 153 in relation to the obligation or property, the taxation year of the Canadian affiliate that would, but for this section, include the particular time is deemed to end immediately before the particular time; and

(b) for the purpose of computing the income of the Canadian affiliate and the entrant bank for taxation years that end on or after the particular time,

i. any amount deducted under sections 140, 140.2 and 150 and the first paragraph of section 153 by the Canadian affiliate in relation to the obligation or property in computing its income for its taxation year that ended immediately before the particular time, or under section 141 in computing its income for that year or for a preceding taxation year, to the extent that the amount has not been included in computing the affiliate's income under paragraph *i* of section 87, is deemed to have been so deducted by the entrant bank in computing

its income for its last taxation year that ended before the particular time and not to have been deducted by the Canadian affiliate,

ii. for the purposes of section 150, an amount in respect of the goods, services, land or movable property that was included in computing the Canadian affiliate's income from a business under paragraph *a* of section 87 is deemed to have been so included in computing the entrant bank's income from its Canadian banking business for a preceding taxation year,

iii. for the purposes of the first paragraph of section 153 in respect of a property described in the first paragraph sold by the Canadian affiliate in the course of a business, the property is deemed to have been disposed of by the entrant bank, and not by the Canadian affiliate, at the time it was disposed of by the Canadian affiliate, and the amount in respect of the sale that was included in computing the Canadian affiliate's income from a business is deemed to have been included in computing the entrant bank's income from its Canadian banking business for its taxation year that includes the time at which the property was disposed of, and

iv. for the purposes of sections 234 and 279 in respect of a property described in the first paragraph disposed of by the Canadian affiliate,

(1) the property is deemed to have been disposed of by the entrant bank, and not by the Canadian affiliate, at the time it was disposed of by the Canadian affiliate,

(2) the amount determined under the portion of the first paragraph of section 234 before subparagraph *b* or subparagraph i of subparagraph *a* of the first paragraph of section 279, in respect of the Canadian affiliate is deemed to be the amount determined under that provision in respect of the entrant bank, and

(3) any amount deducted on account of a reserve by the Canadian affiliate under subparagraph *b* of the first paragraph of section 234 or the portion of subparagraph *a* of the first paragraph of section 279 before subparagraph i, in computing its gain from the disposition of the property for its last taxation year that ended before the particular time is deemed to have been so deducted by the entrant bank for its last taxation year that ended before the particular time.

2004, c. 8, s. 170; 2009, c. 5, s. 356; 2010, c. 5, s. 80.

851.22.39. Where, at any time within the period described in paragraph *c* of subsection 11 of section 142.7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), a Canadian affiliate of an entrant bank described in paragraph *a* of that subsection 11 transfers property to the entrant bank, and any part of the consideration for the transfer is the assumption by the entrant bank in respect of its Canadian banking business of a debt obligation of the Canadian affiliate, the following rules apply:

(a) if the Canadian affiliate and the entrant bank make a valid election for the purposes of paragraph *a* of subsection 8 of section 142.7 of the Income Tax Act,

i. both the value of that part of the consideration for the transfer of the property and, for the purpose of determining the consequences of the assumption of the obligation and any subsequent settlement or extinguishment of that obligation, the value of the consideration given to the foreign bank for the assumption of the obligation are deemed to be an amount, in this paragraph referred to as the "assumption amount", equal to the amount outstanding on account of the principal amount of the obligation at that time, and

ii. the assumption amount shall not be considered a term of the transaction that differs from that which would have been made between persons dealing at arm's length solely because it is not equal to the fair market value of the obligation at that time;

(b) where the obligation is denominated in a foreign currency, and the foreign affiliate and the entrant bank make a valid election for the purposes of paragraph *b* of subsection 8 of section 142.7 of the Income Tax Act,

i. the amount of any income, loss, capital gain or capital loss in respect of the obligation due to the fluctuation in the value of the foreign currency relative to Canadian currency realized by

(1) the Canadian affiliate on the assumption of the obligation is deemed to be nil, and

(2) the entrant bank on the settlement or extinguishment of the obligation shall be determined based on the amount of the obligation in Canadian currency at the time it became an obligation of the Canadian affiliate, and

ii. for the purposes of an election made in respect of the obligation under paragraph *a*, the amount outstanding on account of the principal amount of the obligation at that time is the aggregate of all amounts each of which is an amount that was advanced to the Canadian affiliate on account of principal, that remains outstanding at that time, and that is determined using the exchange rate that applied between the foreign currency and Canadian currency at the time of the advance; and

(c) for the purposes of sections 176 to 176.2 and 179 in respect of the debt obligation, the obligation is deemed not to have been settled or extinguished by virtue of its assumption by the entrant bank and the entrant bank is deemed to be the same corporation as, and a continuation of, the Canadian affiliate.

2004, c. 8, s. 170.

851.22.40. Notwithstanding any other provision of this Act, where a dividend is paid or is deemed to be paid by a Canadian affiliate of an entrant bank to the entrant bank or to a person that is affiliated with the entrant bank and that is resident in the country in which the entrant bank is resident, and the Canadian affiliate and the entrant bank make the election under subsection 9 of section 142.7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have subsection 10 of that section 142.7 apply in respect of the dividend, the dividend is deemed, except for the purposes of sections 739 and 741 to 745, not to be a taxable dividend.

2004, c. 8, s. 170.

851.22.41. For the purposes of the provisions of Title VII of Book IV for the purpose of computing the taxable income of an entrant bank for any taxation year that begins after the issue of the dissolution order described in subparagraph i of paragraph *a* of subsection 12 of section 142.7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or after the commencement of the winding-up of a Canadian affiliate of the entrant bank, as the case may be, the rules in the second paragraph apply where

(a) the affiliate has been wound up or the dissolution order has been issued, within the period referred to in paragraph *c* of subsection 11 of section 142.7 of the Income Tax Act in relation to the entrant bank;

(b) the entrant bank carries on all or part of the business in Canada that was formerly carried on by the Canadian affiliate; and

(c) the Canadian affiliate and the entrant bank make a valid election for the purposes of subsection 12 of section 142.7 of the Income Tax Act.

The rules to which the first paragraph refers are as follows:

(a) subject to subparagraphs *b* and *e*, the portion of a non-capital loss of the Canadian affiliate for a taxation year, in this subparagraph referred to as the "Canadian affiliate's non-capital loss year", that can reasonably be regarded as being its loss from carrying on a business in Canada, in this subparagraph referred to as the "loss business", is deemed, for the taxation year of the entrant bank in which the Canadian affiliate's non-capital loss year ended, to be a non-capital loss of the entrant bank from carrying on the loss business that was not deductible by the entrant bank in computing its taxable income for any taxation year that began before the date of the dissolution order or the commencement of the winding-up, as the case may be, to the extent that

i. the portion of the non-capital loss of the Canadian affiliate was not deducted in computing the taxable income of the Canadian affiliate or any other entrant bank for any taxation year, and

ii. the portion of the non-capital loss of the Canadian affiliate would have been deductible in computing the taxable income of the Canadian affiliate for any taxation year that begins after the date of the dissolution order or the commencement of the winding-up, as the case may be, if it had such a taxation year and if it had sufficient income for that year;

(b) if at any time control of the Canadian affiliate or entrant bank has been acquired by a person or group of persons, no amount in respect of the Canadian affiliate's non-capital loss for a taxation year that ends before that time is deductible in computing the taxable income of the entrant bank for a particular taxation year that ends after that time, except that the portion of the loss that can reasonably be regarded as the Canadian affiliate's loss from carrying on a business in Canada and, where a business was carried on by the Canadian affiliate in Canada in the preceding year, the portion of the loss that can reasonably be regarded as being attributable to an amount deductible under section 725.1.1 in computing its taxable income for the year are deductible only if that business is carried on by the Canadian affiliate or the entrant bank for profit or with a reasonable expectation of profit throughout the particular year, and to the extent of the aggregate of the entrant bank's income for the particular year from that business, and where properties were sold, leased, rented or developed or services rendered in the course of carrying on that business before that time, from any other business substantially all the income of which was derived from the sale, leasing, rental or development, as the case may be, of similar properties or the rendering of similar services;

(c) subject to subparagraphs *d* and *e*, a net capital loss of the Canadian affiliate for a taxation year, in this subparagraph referred to as the "Canadian affiliate's loss year", is deemed to be a net capital loss of the entrant bank for its taxation year in which the Canadian affiliate's loss year ended to the extent that the loss

i. was not deducted in computing the taxable income of the Canadian affiliate or any other entrant bank for any taxation year, and

ii. would have been deductible in computing the taxable income of the Canadian affiliate for any taxation year beginning after the date of the dissolution order or the commencement of the winding-up, as the case may be, if the Canadian affiliate had such a taxation year and if it had sufficient income and taxable capital gains for the year;

(d) if at any time control of the Canadian affiliate or the entrant bank has been acquired by a person or group of persons, no amount in respect of the Canadian affiliate's net capital loss for a taxation year that ended before that time is deductible in computing the entrant bank's taxable income for a taxation year that ends after that time; and

(e) any loss of the Canadian affiliate that would otherwise be deemed by subparagraph *a* or *c* to be a loss of the entrant bank for a particular taxation year that begins after the date of the dissolution order or the commencement of the winding-up, as the case may be, is deemed, for the purpose of computing the entrant bank's taxable income for taxation years that begin after that date, to be such a loss of the entrant bank for its preceding taxation year and not for the particular year, if the entrant bank makes the election under paragraph *h* of subsection 12 of section 142.7 of the Income Tax Act for the particular year.

For the purposes of subparagraph *b* of the second paragraph, where sections 564.2 to 564.4.4 applied to the winding-up of another corporation in respect of which the Canadian affiliate was the parent and sections 564.4.1 to 564.4.3 applied in respect of losses of that other corporation, the Canadian affiliate is deemed to be the same corporation as, and a continuation of, that other corporation with respect to those losses.

2004, c. 8, s. 170.

851.22.42. Where an entrant bank and its Canadian affiliate have at any time made a joint election under section 851.22.34 or 851.22.41, the following rules apply:

(a) in respect of any transfer of property, directly or indirectly, by the Canadian affiliate to the entrant bank or a person with whom the entrant bank does not deal at arm's length,

i. subparagraph iii of subparagraph *b* of the second paragraph of section 93.3.1 shall be read without reference to subparagraph 5 thereof,

ii. *(subparagraph repealed);*

iii. subparagraph *b* of the first paragraph of section 175.9 shall be read without reference to subparagraph iv thereof, and

iv. subparagraph *b* of the second paragraph of section 238.1 shall be read without reference to subparagraph v thereof;

(b) in respect of any property of the Canadian affiliate appropriated to or for the benefit of the entrant bank or any person with whom the entrant bank does not deal at arm's length, section 424 shall be read without reference to subparagraph *d* of its second paragraph; and

(c) for the purpose of applying sections 93.3.1, 175.9 and 238.1 in relation to any property that was disposed of by the affiliate, after the dissolution or winding-up of the affiliate, the entrant bank is deemed to be the same corporation as, and a continuation of, the affiliate.

2004, c. 8, s. 170; 2009, c. 5, s. 357; 2019, c. 14, s. 278.

851.22.43. Where a Canadian affiliate of an entrant bank and the entrant bank meet the conditions set out in subparagraphs *a* and *b* of the first paragraph of section 851.22.41 and make a valid election under subsection 14 of section 142.7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and the Canadian affiliate has not made an election under that section with any other entrant bank, the entrant bank is deemed to be the same corporation as, and a continuation of, the Canadian affiliate for the purposes of paragraphs *c* and *d* of section 851.22.11 in respect of any specified debt obligation disposed of by the Canadian affiliate.

2004, c. 8, s. 170.

851.22.44. Where an election to which any of sections 851.22.34, 851.22.40 and 851.22.43 or subparagraph *d* of the first paragraph of section 851.22.38, subparagraph *a* or *b* of the first paragraph of section 851.22.39 or subparagraph *c* of the first paragraph or subparagraph *e* of the second paragraph of section 851.22.41, has been made, the prescribed form, with a copy of every document sent to the Minister of Revenue of Canada in connection with that election, shall be sent to the Minister.

2004, c. 8, s. 170.

TITLE VI

RELIGIOUS ORGANIZATIONS

1978, c. 26, s. 166.

CHAPTER I

DEFINITIONS AND GENERALITIES

1978, c. 26, s. 166.

851.23. In this Title,

(a) "adult" means an individual who is married or has attained the age of 18 years;

(b) "business agency" of a congregation at any time in a particular calendar year means a corporation, trust or other person, where the congregation owned all the shares of the capital stock of the corporation, except directors' qualifying shares, every interest in the trust or every participating interest in the other person, throughout the portion of the particular calendar year throughout which both the congregation and the corporation, trust or other person, as the case may be, were in existence;

(c) "congregation" means a body of individuals, whether or not incorporated,

i. the members of which live and work together,

ii. that adheres to the practices and beliefs of the religious organization of which it is a constituent part,

iii. that does not permit any of its members to own any property in their own right, and

iv. that requires its members to devote their work to the activities of the congregation;

(d) "family" means an adult, his spouse and their children who are not adults or, in the case of an unmarried adult, that person and his children who are not adults, but does not include an individual who is included in any other family or who is not a member of the congregation in which the family is included;

(e) "member of a congregation" means an adult, living with the members of the congregation, who conforms to the practices of the religious organization of which the congregation is a constituent part whether or not he has been formally accepted into the organization, and a child, other than an adult, of such adult, if the child lives with members of the congregation; and

(e.1) "participating member" of a congregation, in respect of a taxation year, means an individual who, at the end of the year, is an adult who is a member of the congregation;

(f) "religious organization" means an organization, other than a registered charity, of which a congregation is a constituent part, that adheres to beliefs, evidenced by the religious and philosophical tenets of the organization, that include a belief in the existence of a supreme being.

1978, c. 26, s. 166; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 2001, c. 53, s. 176.

851.24. The rules in sections 851.25 to 851.27.1 apply to a congregation, or a business agency of a congregation, that carries on a business for purposes that include supporting or sustaining the congregation's members or the members of any other congregation.

1978, c. 26, s. 166; 2001, c. 53, s. 177.

851.25. The property of the congregation is deemed to be the property of a trust which is deemed to have been created on the day that is the later of 31 December 1976 and the day the congregation came into existence and to have been continuously in existence from that day, and the corporation, where the congregation is a corporation, or other group of persons charged with the management of the congregation, in other cases, is deemed to be the trustee having control of the trust property.

The property of a business agency of the congregation in a calendar year is deemed to be property of the trust throughout the portion of the calendar year throughout which the trust exists.

1978, c. 26, s. 166; 1997, c. 3, s. 71; 2001, c. 53, s. 177; 2017, c. 1, s. 247.

851.26. The congregation is deemed to act and have always acted as agent for the trust in respect of its businesses and other activities, and the members of the congregation are deemed to be the beneficiaries under the trust.

Each business agency of the congregation in a calendar year is deemed to have acted as agent for the trust in respect of its businesses and other activities in the year.

1978, c. 26, s. 166; 2001, c. 53, s. 177.

851.27. In computing the income of the trust for any taxation year, no deduction may be made

(a) in respect of salaries, wages or benefits of any kind provided to the members of the congregation; and

(b) under paragraph *a* of section 657 and section 657.1, except to the extent that a portion of the trust's income, determined without reference to that paragraph *a* and section 657.1, is allocated to the members of the congregation in accordance with sections 851.28 to 851.30.

1978, c. 26, s. 166; 2001, c. 53, s. 177; 2009, c. 5, s. 358.

851.27.1. Sections 119.2 to 119.11 apply to a congregation or one of the business agencies of the congregation that is a corporation as if, except for the purposes of paragraph *a* of section 119.4 and of section 119.5 other than paragraphs *a* and *c* thereof, the property of the congregation and that of its business agencies were not deemed to be the property of a trust and as if this chapter were read without reference to section 851.26.

1995, c. 49, s. 188; 1997, c. 3, s. 71; 2001, c. 53, s. 177; 2017, c. 1, s. 248.

CHAPTER II

ELECTION BY A TRUST

1978, c. 26, s. 166.

851.28. The rules set out in sections 851.30 and 851.31 apply if a trust referred to in section 851.25, in respect of a congregation, makes a valid election under subsection 2 of section 143 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 for a taxation year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 2 of section 143 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1978, c. 26, s. 166; 1990, c. 59, s. 325; 2001, c. 53, s. 177; 2009, c. 5, s. 359.

851.29. The election referred to in the first paragraph of section 851.28 for a particular taxation year, in respect of a congregation, is not binding on the Minister unless it is binding on the Minister of National Revenue and all taxes, interest and penalties payable under this Part, as a consequence of the application of sections 851.28, 851.30 and 851.31 to the congregation for preceding taxation years, were paid at or before the end of the particular taxation year.

1978, c. 26, s. 166; 1997, c. 31, s. 87; 2001, c. 53, s. 177; 2009, c. 5, s. 359.

851.30. For the purposes of paragraph *a* of section 657 and sections 657.1 and 663, in relation to a trust referred to in section 851.25, in respect of a congregation that, for a taxation year, makes the election referred to in the first paragraph of section 851.28, and subject to the third paragraph, the amount payable in the taxation year to a particular participating member of the congregation out of the income of the trust, determined without reference to paragraph *a* of section 657 and section 657.1, is the amount determined by the formula

$A \times B/C$.

In the formula provided for in the first paragraph,

(a) A is the taxable income of the trust for the year, determined without reference to paragraph *a* of section 657, section 657.1 and specified tax consequences for the year;

(b) B is the amount determined for the year in respect of the particular participating member, under paragraph *a* of subsection 2 of section 143 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), because of the election; and

(c) C is the value, in respect of the trust for the year, of A in the formula in paragraph *a* of subsection 2 of section 143 of the Income Tax Act;

(d) (subparagraph repealed);

(e) (subparagraph repealed);

(f) (subparagraph repealed).

However, when C in the formula in the first paragraph is, in respect of the trust for the year, an amount equal to zero, the amount determined by that formula for the year in respect of the particular participating member is deemed to be equal to zero.

1978, c. 26, s. 166; 2001, c. 53, s. 177; 2009, c. 5, s. 360.

851.31. If, for a taxation year, a trust referred to in section 851.25, in respect of a congregation, makes the election referred to in the first paragraph of section 851.28, the following rules apply:

(a) the member of each family at the end of the taxation year (referred to as a "designated member" for the purposes of subsection 2 of section 143 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the trust for the year) is deemed to have supported the other members of the family during the year and the other members of the family are deemed to have been wholly dependent on the designated member for support during the year; and

(b) if the trust earns income from a business in the taxation year, the portion of the amount payable in the year to a particular participating member of the congregation out of the income of the trust under section 851.30 that can reasonably be considered to relate to that income from a business is deemed to be income from a business carried on by the particular participating member.

1978, c. 26, s. 166; 2001, c. 53, s. 177; 2009, c. 5, s. 361; 2021, c. 18, s. 70.

851.32. *(Repealed).*

1978, c. 26, s. 166; 2001, c. 53, s. 177; 2009, c. 5, s. 362.

851.33. If the eligible amount of a gift made in a taxation year by a trust referred to in section 851.25 in respect of a congregation would, but for this section, be included in the total charitable gifts, total cultural gifts, total gifts of qualified property or total musical instrument gifts of the trust for the year under the first paragraph of section 752.0.10.1, and the trust makes a valid election under subsection 3.1 of section 143 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the gift, the following rules apply:

(a) the trust is deemed not to have made the gift;

(b) each participating member of the congregation is deemed to have made, in the year, such a gift the eligible amount of which is the amount determined by the formula

$$(A \times B) / C.$$

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

(a) A is the eligible amount of the gift made by the trust;

(b) B is the value, in respect of the member for the year, of B in the formula in paragraph *b* of subsection 3.1 of section 143 of the Income Tax Act, in relation to the election; and

(c) C is the value, in respect of the trust for the year, of C in the formula in paragraph *b* of subsection 3.1 of section 143 of the Income Tax Act.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 3.1 of section 143 of the Income Tax Act.

1993, c. 16, s. 304; 1993, c. 64, s. 95; 1995, c. 1, s. 94; 1995, c. 49, s. 236; 1999, c. 83, s. 121; 2001, c. 53, s. 178; 2006, c. 36, s. 88; 2009, c. 5, s. 363; 2017, c. 1, s. 249.

TITLE VII

AMATEUR ATHLETES' RESERVE FUNDS

1994, c. 22, s. 283.

851.33.1. In this Title,

"amateur athlete" at any time means an individual, other than a trust, who is, at that time,

(a) a member of a registered Canadian amateur athletic association;

(b) eligible to compete, in an international sporting event sanctioned by an international sports federation, as a Canadian national team member; and

(c) not a professional athlete;

"professional athlete" means an individual who receives income that is compensation for, or is otherwise attributable to, the individual's activities as a player or athlete in a professional sport;

"qualifying performance income" of an individual means income that

(a) is received by the individual in a taxation year in which the individual was, at any time, an amateur athlete and was not, at any time, a professional athlete;

(b) may reasonably be considered to be in connection with the individual's participation as an amateur athlete in one or more international sporting events referred to in paragraph *b* of the definition of "amateur athlete"; and

(c) is endorsement income, prize money, or income from public appearances or speeches;

"third party" in respect of an arrangement described in subparagraph *b* of the first paragraph of section 851.34 means a person who deals at arm's length with the amateur athlete in respect of the arrangement.

2010, c. 5, s. 81.

851.34. The rules set out in the second paragraph apply if, at any time,

(a) a national sport organization that is a registered Canadian amateur athletic association receives an amount for the benefit of an individual under an arrangement made under rules of an international sport federation that require amounts to be held, controlled and administered by the organization in order to preserve the eligibility of the individual to compete in a sporting event sanctioned by the federation; or

(b) an individual enters into an arrangement that

i. is an account with an issuer described in paragraph *b* of the definition of "qualifying arrangement" in subsection 1 of section 146.2 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), or that would be so described if that definition applied at that time,

ii. provides that no amount may be deposited, credited or added to the account, other than an amount that is qualifying performance income of the individual or that is interest or other income in respect of the property deposited, credited or added to the account,

iii. provides that a third party must authorize all payments from the account, and

iv. is not a registered retirement savings plan or a tax-free savings account.

The rules to which the first paragraph refers, in respect of an arrangement, are the following:

(a) a trust (in this Title referred to as the "amateur athlete trust") is deemed to be created on the day on which the first amount under the arrangement is received by the national sport organization or by the issuer, as the case may be, and to exist continuously afterwards until section 851.36 or 851.37 applies in respect of the trust;

(b) the property held under the arrangement is deemed to be the property of the amateur athlete trust and not property of any other person;

(c) if, at any time, the national sport organization or the issuer, as the case may be, receives an amount under the arrangement and the amount would, in the absence of this paragraph, be included in computing the income of the individual in respect of the arrangement for the individual's taxation year that includes that time, the amount is deemed to be income of the amateur athlete trust for the taxation year and not to be income of the individual;

(d) if, at any time, the national sport organization or the issuer, as the case may be, pays or transfers an amount under the arrangement to or for the benefit of the individual, the amount is deemed to be an amount distributed at that time to the individual by the amateur athlete trust;

(e) the individual is deemed to be the beneficiary under the amateur athlete trust;

(f) the national sport organization or the third party, as the case may be, in respect of the arrangement is deemed to be the trustee of the amateur athlete trust; and

(g) no tax is payable under this Part by the amateur athlete trust on its taxable income for any taxation year.

1994, c. 22, s. 283; 1999, c. 83, s. 122; 2000, c. 5, s. 187; 2005, c. 23, s. 122; 2010, c. 5, s. 82; 2017, c. 1, s. 250.

851.35. The beneficiary of an amateur athlete trust shall, in computing his income for a taxation year, include the aggregate of all amounts distributed in the year to him by the trust.

1994, c. 22, s. 283.

851.36. Where an amateur athlete trust holds property on behalf of a beneficiary who has not competed in an international sporting event as a Canadian national team member for a period of eight years that ends in a particular taxation year and that begins in the year that is the later of the two years described in the second paragraph, the trust is deemed to have distributed, at the end of the particular taxation year to the beneficiary, an amount equal to

(a) where the trust is liable to pay tax under Part XII.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the particular taxation year, 60% of the fair market value of all property held by it at that time; and

(b) in any other case, the fair market value of all property held by it at that time.

The years referred to in the first paragraph are

(a) where the beneficiary has competed in an international sporting event as a Canadian national team member, the year in which the beneficiary last so competed; and

(b) the year in which the trust was created.

1994, c. 22, s. 283; 2021, c. 14, s. 103.

851.37. Where an amateur athlete trust holds property on behalf of a beneficiary who dies in a year, the trust is deemed to have distributed, immediately before the death, to the beneficiary, an amount equal to

(a) where the trust is liable to pay tax under Part XII.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the year, 60% of the fair market value of all property held by it at that time; and

(b) in any other case, the fair market value of all property held by it at that time.

1994, c. 22, s. 283; 2021, c. 14, s. 104.

TITLE VIII

COST OF A TAX SHELTER INVESTMENT AND LIMITED-RECOURSE DEBT RELATING TO A GIFTING ARRANGEMENT

2001, c. 7, s. 132; 2009, c. 5, s. 368.

CHAPTER I

DEFINITIONS AND GENERAL PROVISIONS

2001, c. 7, s. 132.

851.38. In this Title,

"expenditure" means an outlay or expense or the cost or capital cost of a property;

"limited partner" has the meaning that would be assigned by section 613.6 if that section were read without reference to "if the member's partnership interest is not an exempt interest, within the meaning assigned by section 613.7, at that time and";

"limited-recourse amount" means the unpaid principal amount of any indebtedness for which recourse is limited, either immediately or in the future and either absolutely or contingently;

"taxpayer" includes a partnership;

"tax shelter investment" means

(a) a property that is a tax shelter for the purposes of section 1079.1; or

(b) a taxpayer's interest in a partnership where

i. an interest in the taxpayer is a tax shelter investment and the taxpayer's partnership interest would be a tax shelter investment if

(1) this Act were read without reference to this paragraph and to ", having regard to statements or representations made or proposed to be made in connection with the property," in the definition of "tax shelter" in the first paragraph of section 1079.1, and

(2) the references, in subparagraphs *a* and *b* of the second paragraph of section 1079.1, to "represented" and to "is represented" were read as "that can reasonably be expected" and "can reasonably be expected", respectively,

ii. another interest in the partnership is a tax shelter investment, or

iii. the taxpayer's interest in the partnership entitles the taxpayer, directly or indirectly, to a share of the income or loss of a particular partnership where

(1) another taxpayer holding a partnership interest is entitled, directly or indirectly, to a share of the income or loss of the particular partnership, and

(2) that other taxpayer's partnership interest is a tax shelter investment.

2001, c. 7, s. 132.

851.39. For the purposes of this Title, an at-risk adjustment in respect of an expenditure of a particular taxpayer, other than the cost of a partnership interest to which sections 613.2 to 613.4 apply, is, subject to the second paragraph, any amount or benefit that the particular taxpayer, or another taxpayer not dealing at arm's length with the particular taxpayer, is entitled, either immediately or in the future and either absolutely or contingently, to receive or to obtain, whether by way of reimbursement, compensation, revenue guarantee, proceeds of disposition, loan or any other form of indebtedness, or in any other form or manner whatever, granted or to be granted for the purpose of reducing the impact, in whole or in part, of

(a) any loss that the taxpayer may sustain in respect of the expenditure; or

(b) where the expenditure is the cost or capital cost of a property, any loss from the holding or disposition of the property.

An at-risk adjustment does not include an amount or benefit to the extent that

(a) the amount or benefit is, in respect of the taxpayer, referred to in paragraph *e* of section 399, paragraph *h* of section 412 or paragraph *e* of section 418.6; or

(b) the entitlement to the amount or benefit arises

i. because of a contract of insurance with an insurance corporation dealing at arm's length with the taxpayer, and, where the expenditure is the cost of an interest in a partnership, with each member of the partnership, under which the taxpayer is insured against any claim arising as a result of a liability incurred in the ordinary course of carrying on the business of the taxpayer or the partnership,

ii. as a consequence of the death of the taxpayer,

iii. in respect of an amount not included in the expenditure, determined without reference to paragraph *b* of section 851.41, or

iv. by reason of an excluded obligation, as defined in the regulations made under section 359.1, in relation to a share issued to the taxpayer or, where the expenditure is the cost of an interest in a partnership, to the partnership.

2001, c. 7, s. 132.

851.40. For the purposes of section 851.39,

(a) the amount or benefit to which a taxpayer is at any time entitled and that is provided by way of an agreement or other arrangement under which the taxpayer has a right, either immediately or in the future and either absolutely or contingently, otherwise than as a consequence of the death of the taxpayer, to acquire property shall not be considered to be less than the fair market value of the property at that time; and

(b) the amount or benefit to which a taxpayer is at any time entitled and that is provided by way of a guarantee, security or similar covenant in respect of any loan or other obligation of the taxpayer shall not be considered to be less than the aggregate of the unpaid amount of the loan or obligation at that time and all other amounts outstanding in respect of the loan or obligation at that time.

2001, c. 7, s. 132.

CHAPTER II

COMPUTATION OF THE COST OF A TAX SHELTER INVESTMENT AND OF A LIMITED-RECOURSE DEBT RELATING TO A GIFTING ARRANGEMENT

2001, c. 7, s. 132; 2009, c. 5, s. 369.

851.41. Notwithstanding any other provision of this Part, the amount of any expenditure that is a taxpayer's tax shelter investment, the cost or capital cost of such tax shelter or the amount of any expenditure of a taxpayer an interest in which is a tax shelter investment, shall be reduced, where applicable, to the amount by which the amount of the taxpayer's expenditure otherwise determined exceeds the aggregate of

(a) any limited-recourse amount of the taxpayer and of any other taxpayer not dealing at arm's length with the taxpayer that may reasonably be considered to relate to the expenditure;

(b) the taxpayer's at-risk adjustment in respect of the expenditure; and

(c) each amount that is a limited-recourse amount, or an at-risk adjustment, that may reasonably be considered to relate to the expenditure and that is determined under this Title when this Title is applied to any other taxpayer who deals at arm's length with and holds, directly or indirectly, an interest in the taxpayer.

2001, c. 7, s. 132.

851.41.1. The limited-recourse debt in respect of a gift of a taxpayer, at the time the gift is made, is equal to the aggregate of

(a) each limited-recourse amount at that time of the taxpayer and of any other taxpayer not dealing at arm's length with the taxpayer, that can reasonably be considered to relate to the gift;

(b) each limited-recourse amount at that time, determined under this Title when it is applied to any other taxpayer who deals at arm's length with and holds, directly or indirectly, an interest in the taxpayer, that can reasonably be considered to relate to the gift; and

(c) each amount that is the unpaid amount at that time of any other indebtedness, of any taxpayer referred to in paragraph *a* or *b*, that can reasonably be considered to relate to the gift if there is a guarantee, security or similar covenant in respect of that or any other indebtedness.

2009, c. 5, s. 370.

851.42. For the purposes of this Title, the unpaid principal of an indebtedness is deemed to be a limited-recourse amount unless

(a) at the time the indebtedness was incurred, *bona fide* arrangements, evidenced in writing, were made for repayment by the debtor of the indebtedness and all interest on the indebtedness within a reasonable period not exceeding 10 years;

(b) the indebtedness bears interest at a rate equal to or greater than the lesser of

i. the prescribed rate of interest in effect at the time the indebtedness was incurred, and

ii. the prescribed rate of interest applicable during the term of the indebtedness; and

(c) the interest is payable at least annually and is paid in respect of the indebtedness by the debtor not later than 60 days after the end of each taxation year of the debtor that ends in the period referred to in paragraph *a*.

2001, c. 7, s. 132.

851.43. For the purposes of this Title, the unpaid principal of an indebtedness is deemed to be a limited-recourse amount of a taxpayer that is a partnership, where the recourse against any member of the partnership in respect of the indebtedness is limited, either immediately or in the future and either absolutely or contingently.

2001, c. 7, s. 132.

851.44. Where at any time a taxpayer has paid an amount, in this section referred to as the "repaid amount", on account of the principal amount of an indebtedness that was, before that time, the unpaid principal amount of a loan or any other form of indebtedness in respect of an expenditure of the taxpayer to which the first paragraph of section 851.39 applies, in this section referred to as the "former amount or benefit", the following rules apply:

(a) at all times before that time, the former amount or benefit is considered to have been an amount or benefit referred to in the first paragraph of section 851.39 in respect of the taxpayer; and

(b) subject to section 851.41, the expenditure is deemed to have been made or incurred at that time by the payment of, and to the extent of, the repaid amount.

2001, c. 7, s. 132.

851.45. Where at any time a taxpayer has paid an amount, in this section referred to as the "repaid amount", on account of the principal amount of an indebtedness that was, before that time, a limited-recourse amount, in this section referred to as the "former limited-recourse indebtedness", relating to an expenditure of the taxpayer, the following rules apply:

(a) at all times before that time, the former limited-recourse indebtedness is considered to have been a limited-recourse amount; and

(b) subject to section 851.41, the expenditure is deemed to have been made or incurred at that time by the payment of, and to the extent of, the repaid amount.

2001, c. 7, s. 132.

851.46. Sections 851.42 and 851.43 do not apply to an indebtedness the principal of which is repaid by a taxpayer not later than 60 days after the indebtedness was incurred and that would otherwise be considered to be a limited-recourse amount solely because of the application of any of those sections unless

(a) any portion of the repayment is made with a limited-recourse amount; or

(b) the repayment may reasonably be considered to be part of a series of indebtedness and repayments that ends more than 60 days after the indebtedness was incurred.

2001, c. 7, s. 132.

851.47. For the purposes of paragraph *a* of section 851.42, a debtor is deemed not to have made arrangements to repay an indebtedness within 10 years where the debtor's arrangement to repay can reasonably be considered to be part of a series of indebtedness and repayments that ends more than 10 years after it begins.

2001, c. 7, s. 132.

CHAPTER III

ADMINISTRATION

2001, c. 7, s. 132.

851.48. For the purposes of this Title, the unpaid principal of an indebtedness that relates to a taxpayer's expenditure or gift is deemed to be a limited-recourse amount relating to the expenditure or gift, if it may reasonably be considered that information relating to the indebtedness is available outside Canada and the Minister is not satisfied that the unpaid principal of the indebtedness is not a limited-recourse amount unless

(a) the information is provided to the Minister; or

(b) the information is located in a country with which the Government of Québec has entered into a tax agreement that has force of law in Québec and includes a provision under which the Minister can obtain the information.

2001, c. 7, s. 132; 2009, c. 5, s. 371.

851.49. For the purposes of this Title, a taxpayer is deemed not to be dealing at arm's length with another taxpayer where it may reasonably be considered that information relating to whether the taxpayer and the other taxpayer are not dealing with each other at arm's length is available outside Canada and the Minister is not satisfied that the taxpayer is dealing at arm's length with the other taxpayer unless

(a) the information is provided to the Minister; or

(b) the information is located in a country with which the Government of Québec has entered into a tax agreement that has force of law in Québec and includes a provision under which the Minister can obtain the information.

2001, c. 7, s. 132.

851.50. Notwithstanding section 1010, the Minister may, to give effect to the provisions of this Title, in respect of a taxpayer, redetermine the tax, interest and penalties payable under this Part and make a reassessment or an additional assessment, as the case may be,

(a) within thirteen years after the later of the day of sending of a notice of an original assessment or of a notice that no tax is payable for a taxation year in which an indebtedness that is a limited-recourse amount arose or the day on which a fiscal return for the taxation year is filed;

(b) within fourteen years after the day referred to in paragraph *a* if, at the end of the taxation year concerned, the taxpayer is a mutual fund trust or a corporation other than a Canadian controlled private corporation.

2001, c. 7, s. 132; 2004, c. 4, s. 8; I.N. 2016-01-01 (NCCP).

TITLE IX

LOWER ST.LAWRENCE PILOTS' PENSION PLAN

2001, c. 7, s. 133.

851.51. For the purposes of this Title,

"Authority" means the Laurentian Pilotage Authority established by subsection 1 of section 3 of the Pilotage Act (Revised Statutes of Canada, 1985, chapter P-14);

"CPBSL" means the Corporation of the Lower St.Lawrence Pilots established by letters patent under Part II of the Canada Corporations Act, chapter 53 of the Revised Statutes of Canada, 1952, amended by chapter 52 of the Statutes of Canada, 1964-65, a body corporate contracting with the Authority for the services of pilots under the Pilotage Act, or any successor of the Corporation that carries on similar functions;

"CPHQ" means the Corporation of Pilots for and below the Harbour of Quebec, established by chapter 123 of the Statutes of the Province of Canada, 1860 (23 Vict., c.123);

"eligible pilot" means a person who became a member of the CPHQ and was licensed by the Authority as a pilot before 1 January 1994, or who, on 31 December 1993, was an apprentice pilot and who, during 1994, became a member of the CPHQ and was licensed by the Authority as a pilot;

"fund" means the fund established by chapter 12 of the Statutes of the Province of Lower Canada, 1805 (45 George III, c. 12) and continued by chapter 114 of the Statutes of the Province of Canada, 1848-49 (12 Vict., c. 114), as amended;

"pension plan" means the plan established by the CPHQ for the administration of the fund;

"Société" means the general partnership composed of the members of the CPBSL and called Les Pilotes du Bas Saint-Laurent, or its successor, and includes any predecessor of the Société that carried on similar functions on behalf of those members.

2001, c. 7, s. 133.

851.52. For the purposes of Title VI.0.1 of Book VII, any amount paid to the fund by the CPBSL is deemed to be a contribution made by the CPBSL as an employer and not by an eligible pilot.

2001, c. 7, s. 133.

851.53. For the purposes of paragraph *c*.1 of section 998, the CPHQ is deemed to have been incorporated solely for the administration of a registered pension plan and to have operated at all times solely for that purpose.

2001, c. 7, s. 133.

851.54. For the purposes of this Part, sums paid into the fund by the CPBSL for any taxation year in respect of which the pension plan is a registered pension plan shall not be included in the income of an eligible pilot or in the income of the Société.

2001, c. 7, s. 133.

TITLE X

RESTRICTIONS AND LIMITATION ON EXPENDITURES

2017, c. 1, s. 251.

CHAPTER I

DEFINITIONS

2017, c. 1, s. 251.

851.55. In this Title,

"contingent amount" , of a taxpayer at any time when the taxpayer is not a bankrupt, includes an amount to the extent that the taxpayer, or another taxpayer that does not deal at arm's length with the taxpayer, has a right to reduce the amount at that time;

"expenditure" of a taxpayer means an expense, expenditure or outlay made or incurred by the taxpayer, or a cost or capital cost of property acquired by the taxpayer;

"option" means

(a) a security that is issued or sold by a taxpayer under an agreement referred to in section 48; or

(b) an option, warrant or similar right, issued or granted by a taxpayer, giving the holder the right to acquire an interest in the taxpayer or in another taxpayer with whom the taxpayer does not, at the time the option, warrant or similar right is issued or granted, deal at arm's length;

"right to reduce" means a right to reduce or eliminate an amount in respect of an expenditure at any time, including such a right that is contingent upon the occurrence of an event, or in any other way contingent, if it is reasonable to conclude, having regard to all the circumstances, that the right will become exercisable;

"taxpayer" includes a partnership.

2017, c. 1, s. 251.

CHAPTER II

RESTRICTIONS APPLICABLE TO AN EXPENDITURE

2017, c. 1, s. 251.

851.56. This chapter applies for the purpose of computing a taxpayer's income, taxable income or tax payable or an amount deemed to have been paid by the taxpayer to the Minister on account of the taxpayer's tax payable.

However, it does not apply

(a) for the purpose of determining the cost or capital cost of property in accordance with sections 440 and 454 to 462.0.2, Chapter IV of Title IX of Book III, the second paragraph of section 614, Chapter X of Title XII of Book III, Title I.2 or Chapter II or III of Title V;

(b) for the purpose of determining the amount of a taxpayer's expenditure that would, but for this subparagraph, be greater than the amount otherwise determined under Chapter II of Title VII of Book III or section 431; or

(c) for the purpose of allowing an amount to be deducted under section 725.5.1.

Similarly, section 851.57 does not apply to reduce an expenditure that is a commission, fee or other consideration for services rendered by a person acting as a salesperson, mandatary or dealer in securities in the course of the issuance of an option.

In addition, section 851.58 or 851.59, as the case may be, applies to reduce an expenditure of a taxpayer only to the extent that the expenditure includes an amount determined to be an excess under that section.

2017, c. 1, s. 251; 2022, c. 23, s. 71.

851.57. An expenditure of a taxpayer is deemed not to include any portion of the expenditure that would, but for this section, be included in determining the expenditure because of the taxpayer having granted or issued an option.

2017, c. 1, s. 251.

851.58. An expenditure of a corporation that would, but for this section, include an amount because of the corporation having issued a share of its capital stock at a particular time is reduced by

(a) if the issuance of the share is not a consequence of the exercise of an option, the amount by which the fair market value of the share at the particular time exceeds

i. if the transaction under which the share is issued is a transaction to which Chapter IV of Title IX of Book III or Chapter II or III of Title V applies, the amount determined in accordance with that chapter to be the cost to the corporation of the property acquired in consideration for issuing the share, or

ii. in any other case, the fair market value of the property transferred or issued to, or the services provided to, the corporation in consideration for issuing the share; or

(b) if the issuance of the share is a consequence of the exercise of an option, the amount by which the fair market value of the share at the particular time exceeds the amount paid, pursuant to the terms of the option, by the holder of the option to the corporation in consideration for issuing the share.

2017, c. 1, s. 251.

851.59. An expenditure of a taxpayer (other than a corporation) that would, but for this section, include an amount because of the taxpayer having issued an interest, or because of an interest being created, in itself at a particular time is reduced by

(a) if the issuance or creation of the interest is not a consequence of the exercise of an option, the amount by which the fair market value of the interest at the particular time exceeds

i. if the transaction under which the interest is issued or created is a transaction to which section 440, paragraph c of section 454.1, the second paragraph of section 614, Chapter X of Title XII of Book III or Title I.2 applies, the amount determined in accordance with that provision, chapter or Title, as the case may be, to be the cost to the taxpayer of the property acquired in consideration for the interest, or

ii. in any other case, the fair market value of the property transferred or issued to, or the services provided to, the taxpayer in consideration for the interest; and

(b) if the issuance or creation of the interest is a consequence of the exercise of an option, the amount by which the fair market value of the interest at the particular time exceeds the amount paid, pursuant to the terms of the option, by the holder of the option to the taxpayer in consideration for the interest.

2017, c. 1, s. 251.

CHAPTER III

LIMITATION ON THE AMOUNT OF AN EXPENDITURE

2017, c. 1, s. 251.

851.60. For the purposes of this Part, the amount, at any time, of an expenditure of a taxpayer that occurs in a taxation year is the lesser of

(a) the amount of the expenditure at the time, calculated under this Part but without reference to this chapter; and

(b) the amount obtained by subtracting, from the amount of the expenditure determined in accordance with paragraph *a*, the amount by which the aggregate of all amounts each of which is a contingent amount of the taxpayer in the year in respect of the expenditure exceeds the aggregate of all amounts each of which is

i. an amount paid by the taxpayer to obtain a right to reduce an amount in respect of the expenditure, or

ii. a limited-recourse amount for the purposes of section 851.41 that reduces the expenditure under that section to the extent that the amount is also a contingent amount described in this paragraph in respect of the expenditure.

2017, c. 1, s. 251.

851.61. Where, in a particular taxation year, a taxpayer pays all or a portion of a contingent amount referred to in paragraph *b* of section 851.60 that reduces the amount of the taxpayer's expenditure referred to in paragraph *a* of that section, the portion of the contingent amount paid by the taxpayer in the particular year for the purpose of earning income is, for the purposes of this Part, deemed

(a) to have been incurred by the taxpayer in the particular year;

(b) to have been incurred for the same purpose and to have the same character as the expenditure so reduced; and

(c) to have become payable by the taxpayer in respect of the particular year.

2017, c. 1, s. 251.

851.62. Where, at any time in a taxation year that is after a particular taxation year in which an expenditure of a taxpayer occurred, the taxpayer, or another taxpayer not dealing at arm's length with the taxpayer, has a right to reduce an amount in respect of the expenditure that would, if that right had been held by either of those taxpayers in the particular year, have resulted in section 851.60 applying in the particular year to reduce or eliminate the amount of the expenditure, the subsequent contingent amount in respect of the expenditure, as determined under the second paragraph, is deemed, subject to section 851.63 and to the extent that section 851.60 and this paragraph have not previously applied in respect of the expenditure, to have been received

(a) by the taxpayer at the time in the course of earning income from a business or property from a person described in paragraph w of section 87; and

(b) as a refund, reimbursement, contribution or allowance or as assistance, whether as a grant, subsidy, forgivable loan, deduction from tax, allowance or any other form of assistance, in respect of an amount included in, or deducted as, the cost of property or in respect of an outlay or expense.

A taxpayer's subsequent contingent amount in respect of an expenditure of the taxpayer is the amount by which the maximum amount by which a particular amount in respect of the expenditure may be reduced in accordance with a right to reduce the particular amount exceeds the amount, if any, paid to obtain that right.

2017, c. 1, s. 251.

851.63. The right which a taxpayer, or another taxpayer that does not deal at arm's length with the taxpayer, has to reduce an amount in respect of an expenditure of the taxpayer in a taxation year that is after the particular taxation year in which the expenditure occurred, determined without reference to section 851.61, is deemed to be held by the taxpayer in the particular year if it is reasonable to conclude having regard to all the circumstances that one of the purposes for which that right was held by the taxpayer, or by the other taxpayer, after the end of the year was to avoid the application of section 851.60 in respect of the expenditure.

2017, c. 1, s. 251.

851.64. Despite sections 1010 to 1011, the Minister may make such assessments of tax, interest and penalties, or such determinations and redeterminations as are necessary to give effect to this chapter.

2017, c. 1, s. 251.

BOOK VII

PROFIT SHARING PLANS AND OTHER SPECIAL INCOME ARRANGEMENTS

1972, c. 23.

TITLE I

PROFIT SHARING PLAN

1972, c. 23; 1999, c. 83, s. 123.

CHAPTER I

GENERAL RULES

1972, c. 23.

852. In this Title,

"unused portion of the exempt capital gains balance" of a beneficiary in respect of a trust governed by a profit sharing plan, at any time in a taxation year of the beneficiary, means

(a) if the year ends before 1 January 2005, the amount by which the beneficiary's exempt capital gains balance, within the meaning of section 251.1, in respect of the trust for the year exceeds the aggregate of all amounts each of which is an amount by which a capital gain is reduced under Chapter II.1 of Title IV of Book III for the year because of the beneficiary's exempt capital gains balance in respect of the trust; or

(b) if the year ends after 31 December 2004, the amount by which the amount that would, if the definition of "exempt capital gains balance" in the first paragraph of section 251.1 were read without reference to "that ends before 1 January 2005", be the beneficiary's exempt capital gains balance in respect of the trust for the year, exceeds

i. where there has been a disposition of an interest or a part of an interest of the beneficiary in the trust after the beneficiary's taxation year 2004, other than a disposition that is a part of a transaction described in paragraph *c* of section 858 in which property is received as consideration for all or a portion of the beneficiary's interests in the trust, the aggregate of all amounts each of which is an amount by which the

adjusted cost base of an interest or a part of an interest disposed of by the beneficiary, other than an interest or a part of an interest that is all or a portion of the beneficiary's interests referred to in paragraph *c* of section 858, was increased because of paragraph *c*.4 of section 255, and

ii. in any other case, nil;

"profit sharing plan" at a particular time means an arrangement

(a) under which payments computed by reference to an employer's profits from the employer's business, the profits from the business of a corporation with which the employer does not deal at arm's length or the profits from the business of the employer and of any such corporation, are required to be made by the employer to a trustee under the arrangement for the benefit of employees of the employer or of a corporation with which the employer does not deal at arm's length; and

(b) in respect of which the trustee has, since the later of the beginning of the arrangement and the end of 1949, allocated, either contingently or absolutely, to those employees

i. in each year that ended at or before the particular time, all amounts received in the year by the trustee from the employer or from a corporation with which the employer does not deal at arm's length,

ii. in each year ending at or before the particular time, all profits for the year from the property of the trust, determined without regard to any capital gain made by the trust or capital loss sustained by it at any time after 31 December 1955,

iii. in each year that ended after 31 December 1971 and at or before the particular time, all capital gains and capital losses of the trust for the year,

iv. in each year that ended after 31 December 1971, before 1 January 1993 and at or before the particular time, 100/15 of the aggregate of all amounts each of which is deemed by section 864 to have been paid on account of tax under this Part in respect of an employee because the employee ceased to be a beneficiary under the plan in the year, and

v. in each year that ended after 31 December 1991 and at or before the particular time, the aggregate of all amounts each of which is an amount that an employee is entitled to deduct under section 864 in computing his income because the employee ceased to be a beneficiary under the plan in the year.

1972, c. 23, s. 640; 1991, c. 25, s. 176; 1993, c. 19, s. 71; 1995, c. 49, s. 189; 1997, c. 3, s. 71; 2000, c. 5, s. 188.

853. For the purposes of section 852, if the terms of an arrangement under which an employer makes payments to a trustee specifically provide that the payments are to be made out of profits, the arrangement is deemed, if the employer makes a valid election under subsection 10 of section 144 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006 in respect of the arrangement, to be an arrangement under which payments computed by reference to the employer's profits are to be made.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 10 of section 144 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1972, c. 23, s. 641; 1995, c. 49, s. 189; 2009, c. 5, s. 372.

854. Where, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), a profit sharing plan is accepted by the Minister of Revenue of Canada for registration as a deferred profit sharing plan, the taxation year of the trust governed by the profit sharing plan is deemed, for the purposes of this Part, to have ended immediately before the plan is deemed to have become registered as a deferred profit sharing plan pursuant to subsection 5 of section 147 of the said Act.

1972, c. 23, s. 642; 1991, c. 25, s. 97; 2000, c. 5, s. 293.

855. No tax is payable under this Part by a trust for a taxation year throughout which the trust is governed by a profit sharing plan.

1972, c. 23, s. 643; 1995, c. 49, s. 190.

CHAPTER II

COMPUTATION OF INCOME

1972, c. 23.

856. An employer may deduct in computing his income, for a taxation year, any amount which he pays to a trust under a profit sharing plan in that year or within 120 days thereafter, to the extent that such amount was not deductible in computing income for a previous taxation year.

1972, c. 23, s. 644.

857. A beneficiary must include in computing his income for a taxation year an amount which he receives in the year from a trustee under a profit sharing plan, except to the extent that such amount is allocated to:

(a) a payment made by the employee to the trustee;

(b) a capital gain made by the trust before 1972;

(c) a capital gain of the trust for a taxation year ending after 1971 to the extent allocated by such trust to the beneficiary;

(d) a gain made by the trust after 1971 from the disposition of a capital property, except to the extent that the gain is a capital gain made by trust for a taxation year ending after 1971;

(e) a dividend received by the trust from a taxable Canadian corporation, other than a dividend described in section 501, to the extent allocated by the trust to the beneficiary;

(f) an amount which must be included in computing the income of the employee for that year or a previous year; or

(g) the portion of the increase in the value of property transferred to the beneficiary by the trust that would have been in 1971 a capital gain for it if it had sold it at its fair market value on 31 December 1971.

The portion of capital losses of the trust for its taxation years ending after 1971 that has been allocated by the trust to the beneficiary must however be deducted from the amount contemplated in one of the subparagraphs of the first paragraph if such portion has not been applied to reduce the amount contemplated in another of such paragraphs.

1972, c. 23, s. 645; 1973, c. 17, s. 100; 1977, c. 26, s. 90; 1978, c. 26, s. 167; 1997, c. 3, s. 71.

858. Where a beneficiary receives, from a trust under a profit sharing plan at any particular time in its taxation year, an amount which is property other than money, the following rules apply to such property:

(a) the amount of the cost amount to the trust of the property immediately before such time is deemed to be the proceeds of the disposition of the property therefor;

(b) that proportion of such portion of the amount received by the beneficiary, as determined in section 857, as is attributable to an amount referred to in any of subparagraphs *a* to *g* of the first paragraph of that section, that the cost amount to the trust of the property immediately before the particular time is of the cost amount to the trust of all properties so received by the beneficiary at the particular time, is, subject to paragraph *c*, deemed to be both the cost to the beneficiary of the property and, for the purposes of section 857, the amount so received by the beneficiary by virtue of the receipt by the beneficiary of the property; and

(c) where the property is received as consideration for all or a portion of the beneficiary's interests in the trust and the beneficiary files with the Minister on or before the beneficiary's filing-due date for the beneficiary's taxation year that includes the particular time an election in respect of the property, the beneficiary shall include in the cost to the beneficiary of the property determined under paragraph *b* the least of

i. the amount by which the unused portion of the beneficiary's exempt capital gains balance in respect of the trust at the particular time exceeds the aggregate of all amounts each of which is an amount included because of this paragraph in the cost to the beneficiary of another property received by the beneficiary at or before the particular time in the year,

ii. the amount by which the fair market value of the property at the particular time exceeds the amount deemed by paragraph *b* to be the cost to the beneficiary of the property, and

iii. the amount designated in the election in respect of the property.

1973, c. 17, s. 101; 2000, c. 5, s. 189.

859. An employee who is a beneficiary under a profit sharing plan must include in computing his income for a taxation year each amount that is allocated to him, contingently or absolutely, by the trustee under the plan at any time in the year, except in the case of an allocation in respect of an amount described in any of subparagraphs *a* to *d* of the first paragraph of section 857 or a dividend received by the trust from a taxable Canadian corporation.

1972, c. 23, s. 646; 1973, c. 17, s. 102; 1977, c. 26, s. 91; 1989, c. 5, s. 156; 1995, c. 49, s. 191; 1997, c. 3, s. 71.

860. Each capital gain or capital loss from the disposition of any property by a trust governed by a profit sharing plan is deemed, to the extent that it is allocated by the trust to one of its beneficiaries, to be such a capital gain or capital loss of the beneficiary from the disposition of that property for the taxation year of the beneficiary in which the allocation was made and, for the purposes of Title VI.5 of Book IV, the property is deemed to have been disposed of by the beneficiary on the day on which it was disposed of by the trust.

1972, c. 23, s. 647; 1996, c. 39, s. 236.

861. Notwithstanding section 66 of the Act respecting the application of the Taxation Act (chapter I-4), where the trustee of a trust governed by a profit sharing plan so elects before 1976, in prescribed manner, the trust is deemed to have disposed on 31 December 1971 of each property owned by the trust at that time and to have received proceeds therefrom equal to the fair market value thereof on such date and to have reacquired it for the same amount on 1 January 1972.

Such presumption shall be valid only if the trustee has, before 1976, allocated to the beneficiaries under the plan all the capital gains and capital losses resulting from such deemed dispositions.

1975, c. 22, s. 221; 1994, c. 22, s. 284.

862. Where the trustee of a trust governed by a profit sharing plan so elects in prescribed form and prescribed manner in a taxation year ending after 1973, the trust is deemed to have disposed, on the day indicated by the trustee, of any capital property owned by it and to have reacquired it immediately for proceeds or, as the case may be, at a cost equal to the amount, indicated by the trustee, situated between the adjusted cost base to the trust for the property on that day and its fair market value on the same day, or equal to such cost or such value.

If the trust was governed by a profit sharing plan on 31 December 1971, such election is valid only if the trustee has made the election referred to in section 861.

1975, c. 22, s. 221; 2001, c. 53, s. 179.

863. Where, in computing its income for a taxation year, a trust governed by a profit sharing plan has included a taxable dividend of a taxable Canadian corporation, the portion of the dividend allocated for the year to an employee who is a beneficiary of the plan is deemed to have been received by him as a taxable dividend of such corporation not exceeding the amount that would be included in computing his income for the year if the exception provided in section 859 did not refer to an allocation regarding a dividend received by a trust from a taxable Canadian corporation.

1972, c. 23, s. 648; 1977, c. 26, s. 92; 1997, c. 3, s. 71.

864. Where a person ceases at any time in a taxation year to be a beneficiary under a profit sharing plan and does not again become a beneficiary under the plan after that time and in the year, the person may deduct in computing his income for the year the amount determined by the formula

$$A - B - (C / 4) - D.$$

For the purposes of the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount included in computing the person's income for the year or a preceding taxation year, other than an amount received before that time under the plan or an amount under the plan that the person is entitled at that time to receive, because of an allocation, other than an allocation to which section 860 applies, to the person made contingently under the plan before that time;

(b) B is the portion of the amount that is included in the aggregate determined under subparagraph *a* because of the second paragraph of section 497;

(c) C is the aggregate of all taxable dividends deemed to be received by the person because of an allocation under section 863 in respect of the plan; and

(d) D is the aggregate of all amounts deductible under this section in computing the person's income for a preceding taxation year because the person ceased to be a beneficiary under the plan in a preceding taxation year.

1972, c. 23, s. 649; 1995, c. 49, s. 192; 2001, c. 7, s. 134.

865. For the purposes of sections 772.2 to 772.13, if, in relation to a taxation year, a trust governed by a profit sharing plan designates, after 19 December 2006 and in accordance with paragraph *a* of subsection 8.1 of section 144 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), an amount of income in respect of a particular employee who is a beneficiary under the plan, the lesser of that amount and the portion, described in section 866, of the income of the trust for the year from sources that are other than a business carried on by it and that are situated in a foreign country, is deemed to be, for the particular employee, income from such sources for the year.

Chapter V.2 of Title II of Book I applies in relation to a designation made under paragraph *a* of subsection 8.1 of section 144 of the Income Tax Act or in relation to a designation made under this section before 20 December 2006.

1972, c. 23, s. 650; 1973, c. 17, s. 103; 1995, c. 63, s. 95; 2009, c. 5, s. 373.

866. The portion of income to which the first paragraph of section 865 refers is the portion that is not deemed under that paragraph to be income of an employee other than the particular employee and that may reasonably be considered, having regard to the circumstances and terms of the trust arrangement, as being included in

(a) an amount included under section 859 in computing the income of the particular employee; or

(b) the amount by which the aggregate of every capital gain of the trust that is deemed to be a capital gain of the particular employee under section 860, exceeds the aggregate of every capital loss of the trust that is deemed to be a capital loss of the particular employee under that section.

1973, c. 17, s. 103; 2009, c. 5, s. 373.

867. For the purposes of sections 772.2 to 772.13, an employee who is a beneficiary under a profit sharing plan is deemed to have paid as non-business-income tax for a taxation year to the government of the country referred to in the first paragraph of section 865 or to the government of a political subdivision of that country, in respect of the income that is deemed for him under that section 865 to be income for the year from sources situated in that country, an amount equal to the proportion, determined under section 868, of the non-business-income tax, within the meaning of section 772.2, paid to that government for the year by the trust governed by the profit sharing plan.

1973, c. 17, s. 103; 1995, c. 63, s. 96; 2009, c. 5, s. 374.

868. The income tax payable by the employee contemplated by section 867 is the proportion thereof represented by the ratio between the income that the employee is deemed, under section 865, to have from sources situated in the foreign country and the income of the trust from such sources, except for income from a business it carries on therein.

1973, c. 17, s. 103.

869. *(Repealed).*

1977, c. 26, s. 93; 1989, c. 5, s. 157; 1995, c. 49, s. 193.

TITLE I.1

EMPLOYEE LIFE AND HEALTH TRUST

2011, c. 6, s. 174.

CHAPTER I

INTERPRETATION

2011, c. 6, s. 174.

869.1. In this Title,

"actuary" means a Fellow of the Canadian Institute of Actuaries;

"class of beneficiaries" of a trust means a group of beneficiaries who have identical rights or interests under the trust;

"designated employee benefit" means

(a) a benefit from a group sickness or accident insurance plan;

(b) a benefit from a group term life insurance policy;

(c) a benefit from a private health services plan;

(d) a benefit that is an advantage derived from counselling services described in subparagraph *d* of the third paragraph of section 38; or

(e) a benefit that is not a death benefit, but that would be a death benefit if the amounts determined under paragraphs *a* and *b* of section 4 were nil;

"employee" means an employee or former employee of an employer and includes an individual in respect of whom the employer has assumed responsibility for the provision of designated employee benefits as a result of the acquisition by the employer of a business in which the individual was employed;

"key employee", of an employer in respect of a taxation year, means an employee who

(a) was at any time in the year or in a preceding taxation year, a specified employee of the employer; or

(b) was an employee whose employment income from the employer in any two of the five taxation years preceding the year exceeded five times the Maximum Pensionable Earnings, as determined under section 40 of the Act respecting the Québec Pension Plan (chapter R-9), for the calendar year in which the employment income was earned.

2011, c. 6, s. 174; 2022, c. 23, s. 72.

869.2. A trust that is established for employees of one or more employers (each referred to in this section and in section 869.6 as a "participating employer") is an employee life and health trust for a taxation year if, throughout the year, under the terms that govern the trust,

(a) the only purpose of the trust is to provide employee benefits to, or for the benefit of, persons described in subparagraph i or ii of subparagraph *d* and all or substantially all of the total cost of the employee benefits is applicable to designated employee benefits;

(b) on wind-up or reorganization, the property of the trust may only be distributed to

i. each remaining beneficiary of the trust who is described in subparagraph i or ii of paragraph *d* (other than a key employee or an individual who is related to a key employee) on a pro rata basis,

ii. another employee life and health trust, or

iii. after the death of the last beneficiary described in subparagraph i or ii of paragraph *d*, the State or Her Majesty in right of Canada or a province, other than Québec;

(c) the trust meets one of the following conditions:

i. the trust is required to be resident in Canada otherwise than under Chapter VI of Title X of Book III, or

ii. where the condition of subparagraph i is not met, the following requirements are met:

(1) employee benefits are provided to employees who are resident in Canada and to employees who are not resident in Canada,

(2) at least one participating employer is resident in a country other than Canada, and

(3) the trust is required to be resident in a country in which a participating employer resides;

(d) the trust may not have any beneficiaries other than persons each of whom is

i. an employee of a participating employer or former participating employer,

ii. an individual who, in respect of an employee of a participating employer or former participating employer, is (or, if the employee is deceased, was, at the time of the employee's death)

(1) the spouse of the employee, or

(2) related to the employee and either a member of the employee's household or dependent on the employee for support,

iii. another employee life and health trust, or

iv. the State or Her Majesty in right of Canada or a province, other than Québec;

(e) the trust meets one of the following conditions:

i. it contains at least one class of beneficiaries the members of which represent at least 25% of all of the beneficiaries of the trust who are employees of the participating employers under the trust, and either of the following requirements is met:

(1) at least 75% of the members of the class are not key employees of any of the participating employers under the trust, or

(2) the contributions to the trust in respect of key employees who deal at arm's length with their employer are determined in connection with a collective agreement, or

ii. as regards the private health services plan under the trust, the total cost of benefits provided to each key employee, and to persons described in subparagraph ii of subparagraph *d* in respect of the key employee, for the year does not exceed the amount determined by the formula

$2,500 × A × (B/C);

(f) the rights under the trust of each key employee of a participating employer are not more advantageous than the rights of a class of beneficiaries described in paragraph *e*;

(g) no participating employer, nor any person who does not deal at arm's length with a participating employer, has any rights under the trust as a beneficiary or otherwise, except rights

i. to designated employee benefits,

ii. to enforce undertakings, warranties or similar obligations regarding

(1) the maintenance of the trust as an employee life and health trust, or

(2) the operation of the trust in a manner that prevents section 869.3 from applying to prohibit the deduction of an amount by the trust under section 657, or

iii. to prescribed payments;

(h) (paragraph repealed);

(i) trustees who do not deal at arm's length with one or more participating employers must not constitute the majority of the trustees of the trust.

In the formula in subparagraph ii of subparagraph *e* of the first paragraph,

(a) A is all the persons each of whom is

i. a person to whom designated employee benefits are provided under the plan, and

ii. the key employee or a person described in subparagraph ii of subparagraph *d* of the first paragraph in respect of the key employee;

(b) B is the number of days in the year that the key employee was employed on a full-time basis by an employer that participates in the plan; and

(c) C is the number of days in the year.

2011, c. 6, s. 174; 2022, c. 23, s. 73.

CHAPTER II

COMPUTATION OF INCOME

2011, c. 6, s. 174.

869.3. No amount may be deducted in a taxation year by an employee life and health trust under paragraph *a* of section 657 if the trust

(a) is not operated in the year in accordance with the terms required by section 869.2 to govern the trust, unless it is reasonable to conclude that its trustees neither knew nor ought to have known that designated employee benefits have been provided to, or contributions have been made in respect of, beneficiaries other than those described in subparagraphs i and ii of subparagraph *d* of the first paragraph of section 869.2; or

(b) provides any benefit for which, if the benefit had been paid directly to the employee and not out of the trust, the contributions or premiums would not be deductible in computing an employer's income in respect of any taxation year.

2011, c. 6, s. 174; 2022, c. 23, s. 74.

869.4. For the purpose of computing the income of an employer, the following rules apply:

(a) the employer may deduct for a taxation year the portion of its contributions to an employee life and health trust made in the year that may reasonably be regarded as having been contributed to enable the trust to

i. pay premiums to an insurance corporation that is licensed to provide insurance under the laws of Canada or a province for insurance coverage for the year or a preceding taxation year in respect of designated employee benefits for beneficiaries described in subparagraph i or ii of subparagraph *d* of the first paragraph of section 869.2, or

ii. otherwise provide

(1) group term life insurance as described in clause B of subparagraph iii of paragraph *a* of subsection 9 of section 18 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), or

(2) any designated employee benefits payable in the year or a preceding taxation year to, or for the benefit of, beneficiaries described in subparagraph i or ii of subparagraph *d* of the first paragraph of section 869.2; and

(b) the portion of any contribution made to an employee life and health trust that exceeds the amount deductible under paragraph *a* and that may reasonably be regarded as enabling the trust to provide or pay benefits described in subparagraphs i and ii of paragraph *a* in a subsequent taxation year is deductible for that year.

2011, c. 6, s. 174; 2022, c. 23, s. 75.

869.5. For the purposes of section 869.4, if, in respect of an employer's obligations to fund an employee life and health trust, a report has been prepared by an independent actuary, using accepted actuarial principles and practices, before the time of a contribution by the employer, the portion of the contribution that the report specifies to be the amount that the employee life and health trust is reasonably required to pay or incur in a taxation year in order to provide designated employee benefits to beneficiaries described in subparagraph i or

ii of subparagraph *d* of the first paragraph of section 869.2 for a taxation year is, in the absence of evidence to the contrary, presumed to have been contributed to enable the trust to provide those benefits for the year.

2011, c. 6, s. 174; 2022, c. 23, s. 76.

869.6. Despite subsection 1 of section 175.1 and section 869.4, an employer may deduct in computing its income for a taxation year an amount that it is required to contribute for the year to an employee life and health trust if the following conditions are met at the time that the contribution is made:

(a) (subparagraph repealed);

(b) the employer contributes to the trust in accordance with a contribution formula that does not provide for any variation in contributions determined by reference to the financial experience of the trust and either of the following conditions is met:

i. if there is a collective agreement, the trust provides benefits under

(1) the collective agreement, or

(2) a participation agreement that provides for benefits that are essentially the same as those provided for under the collective agreement, or

ii. if there is no collective agreement, the trust provides benefits in accordance with an arrangement that meets the following conditions:

(1) the agreement provides for a legal requirement for each employer to participate under the terms and conditions that govern the trust,

(2) under the agreement, there are a minimum of 50 beneficiaries under the trust who are employees of the participating employers in respect of the trust, and

(3) under the agreement, each employee who is a beneficiary under the trust deals at arm's length with each participating employer in respect of the trust; and

(c) contributions that are to be made by each employer are determined, in whole or in part, by reference to the number of hours worked by individual employees of the employer or some other measure that is specific to each employee with respect to whom contributions are made to the trust.

2011, c. 6, s. 174; 2022, c. 23, s. 77.

869.7. The amount deducted in a taxation year by an employer in computing its income in respect of contributions made to an employee life and health trust may not exceed the amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is the total of the contributions made by the employer to the trust in the year or in a preceding taxation year; and

(b) B is the total of the amounts deducted by the employer in a preceding taxation year in respect of the contributions made by the employer to the trust.

2011, c. 6, s. 174.

869.8. If an employer issues a promissory note or provides other evidence of its indebtedness to an employee life and health trust in respect of its obligation to the trust, the following rules apply:

(a) the issuance of the note or the provision of the evidence of indebtedness to the trust is not a contribution to the trust; and

(b) a payment by the employer to the trust in full or partial satisfaction of its liability under the note or the evidence of indebtedness, whether stated to be of principal or interest or any other amount, is deemed to be an employer contribution to the trust that is subject to this Title and not a payment of principal or interest on the note or indebtedness.

2011, c. 6, s. 174.

869.9. For the purpose of determining whether an amount is deductible by an employer under section 869.4, if a trust was an employee life and health trust at the time that a promissory note or other evidence of indebtedness referred to in section 869.8 was issued or provided, the trust is deemed to be an employee life and health trust at each time that an employer contribution is deemed to be made under paragraph *b* of section 869.8 in respect of the note or other indebtedness.

2011, c. 6, s. 174.

869.10. For the purposes of section 43 and paragraph *p* of section 752.0.11.1, employee contributions to an employee life and health trust, to the extent that they are, and are identified by the trust at the time of contribution as, contributions in respect of a particular designated employee benefit, are deemed to be payments by the employee in respect of the particular designated employee benefit.

2011, c. 6, s. 174.

869.11. If a trust that is, or was, at any time, an employee life and health trust pays an amount as a distribution from the trust to any person in a taxation year, the amount of the distribution must be included in computing the person's income for the year, except to the extent that the amount is

(a) a payment of a designated employee benefit that is not included in computing the person's income because of Chapters I and II of Title II of Book III; or

(b) a distribution to another employee life and health trust that is a beneficiary of the employee life and health trust.

2011, c. 6, s. 174.

869.12. If contributions have been received by an employee life and health trust from more than one employer, the trust is deemed to be a separate trust established in respect of the property held for the benefit of beneficiaries described in subparagraph i or ii of subparagraph *d* of the first paragraph of section 869.2 in respect of a particular employer, if

(a) the trustee makes a valid election under paragraph *a* of subsection 12 of section 144.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)); and

(b) under the terms of the trust, contributions from the employer and the income derived from those contributions accrue solely for the benefit of those beneficiaries.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *a* of subsection 12 of section 144.1 of the Income Tax Act.

2011, c. 6, s. 174; 2022, c. 23, s. 78.

869.13. No non-capital loss is deductible by an employee life and health trust in computing its taxable income for a taxation year, except as provided by sections 727 and 727.1.

2011, c. 6, s. 174.

869.14. Section 869.15 applies in respect of a trust that has made a valid election under paragraph *d* of subsection 14 of section 144.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

Chapter V.2 of Title II of Book I applies in relation to an election to which the first paragraph refers.

2022, c. 23, s. 79.

869.15. Where the condition of section 869.14 is satisfied in respect of a trust, the following rules apply:

(a) the trust is deemed for the purposes of this Part to be an employee life and health trust from the date referred to in paragraph *d* of subsection 14 of section 144.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) until the earliest of

i. the end of the year 2022,

ii. the day that the trust satisfies the conditions of section 869.2, and

iii. any day on which all or substantially all of the employee benefits provided by the trust are not designated employee benefits; and

(b) at any time that the trust is an employee life and health trust because of paragraph *a*, the following rules apply in its respect:

i. section 727.1 is to be read as if "of paragraph *b*" were inserted before "of section 869.3" in paragraph *b*, and

ii. section 869.3 is to be read without reference to its paragraph *a*.

2022, c. 23, s. 79.

869.16. If a property is transferred from a trust (in this section referred to as the "transferor trust") to an employee life and health trust (in this section referred to as the "receiving trust") and a notice has been sent in that regard to the Minister of Revenue of Canada in accordance with subsection 16 of section 144.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the following rules apply:

(a) the transferred property is deemed to have been disposed of by the transferor trust, and to have been acquired by the receiving trust, for an amount equal to the cost amount of the property to the transferor trust immediately before the disposition; and

(b) section 690.2 does not apply in respect of the transfer.

Chapter V.2 of Title II of Book I applies in relation to a notice sent in accordance with subsection 16 of section 144.1 of the Income Tax Act as if the notice were an election made under that subsection 16.

2022, c. 23, s. 79.

869.17. Where section 869.16 applies in respect of the transfer of a property to an employee life and health trust, the transfer is not considered to be a contribution to the trust for the purposes of sections 869.4 and 869.6.

2022, c. 23, s. 79.

869.18. A trust is required, on or before its first filing-due date after 31 December 2021, to notify the Minister in the prescribed form that it is an employee life and health trust if

(a) prior to 27 February 2018, it provided employee benefits all or substantially all of which are designated employee benefits;

(b) after 26 February 2018, it becomes an employee life and health trust because it satisfies the conditions of section 869.2; and

(c) sections 869.15 and 869.16 do not apply in respect of the trust.

2022, c. 23, s. 79.

TITLE II

DEFERRED PROFIT SHARING PLAN

1972, c. 23; 1991, c. 25, s. 98.

CHAPTER I

GENERAL RULES

1972, c. 23.

870. In this Title,

"deferred profit sharing plan" means a plan accepted as such by the Minister of Revenue of Canada for registration for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and the registration of which is in force;

"forfeited amount" under a deferred profit sharing plan or a plan the registration of which has been revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act means an amount to which a beneficiary under the plan has ceased to have any rights, other than that portion of the amount that is payable, as a consequence of the death of the beneficiary, to a person who is entitled thereto by virtue of the participation of the beneficiary in the plan.

1972, c. 23, s. 651; 1991, c. 25, s. 99; 2000, c. 5, s. 293.

871. In this Title, the words "other beneficiary", in the expression "employee or other beneficiary", mean a person other than the employee, to whom an amount is or becomes payable by a trust governed by a deferred profit sharing plan following payments made to the trust under the plan for the benefit of employees, including the employee concerned.

1972, c. 23, s. 652; 1991, c. 25, s. 99.

CHAPTER II

Repealed, 1991, c. 25, s. 100.

1991, c. 25, s. 100.

872. *(Repealed).*

1972, c. 23, s. 653; 1984, c. 15, s. 191; 1986, c. 15, s. 129; 1991, c. 25, s. 100.

873. *(Repealed).*

1972, c. 23, s. 654; 1991, c. 25, s. 100.

874. *(Repealed).*

1972, c. 23, s. 655; 1991, c. 25, s. 100.

875. *(Repealed).*

1972, c. 23, s. 656; 1991, c. 25, s. 100.

CHAPTER III

REVOCATION OF REGISTRATION

1972, c. 23.

876. *(Repealed).*

1972, c. 23, s. 657; 1975, c. 83, s. 84; 1991, c. 25, s. 101.

876.1. *(Repealed).*

1984, c. 15, s. 192; 1991, c. 25, s. 101.

877. *(Repealed).*

1972, c. 23, s. 658; 1977, c. 26, s. 94; 1991, c. 25, s. 101.

878. *(Repealed).*

1972, c. 23, s. 659; 1975, c. 22, s. 222; 1991, c. 25, s. 101.

879. Where, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the registration of a plan is revoked under subsection 14 or 14.1 of section 147 of the said Act, the following rules apply:

(a) (subparagraph repealed);

(b) section 880 does not apply to a taxation year of a trust which is, at any time in the year, governed by such a plan;

(c) (subparagraph repealed);

(d) a taxpayer shall include in computing his income for a taxation year:

i. all amounts received by him in the year under such a plan that would otherwise have been included in computing his income under section 885, and

ii. the amount or value of the funds or property appropriated to or for the benefit of the taxpayer in the year, where such amount or value would otherwise have been included in computing his income under section 889 at the time of the appropriation of the funds or property;

(e) a plan the registration of which is revoked is deemed, for the purposes of this Part, not to be a profit sharing plan or a retirement compensation arrangement.

For the purposes of this Part, a plan the registration of which is revoked before 1 January 1991 under sections 876 and 876.1, as they read before that date, that was not accepted again for registration under this

Part before that date, is deemed, as of that date, to be a plan the registration of which has been revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act.

1972, c. 23, s. 660; 1991, c. 25, s. 102.

CHAPTER IV

TAX

1972, c. 23.

880. No tax is payable by a trust under this Part for the period during which it is governed by a deferred profit sharing plan.

1972, c. 23, s. 661; 1991, c. 25, s. 103.

CHAPTER V

DEDUCTIONS

1972, c. 23.

881. An employer may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 8 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), is allowed as a deduction for the year in computing his income for the purposes of the said Act.

1972, c. 23, s. 662; 1972, c. 26, s. 63; 1976, c. 18, s. 14; 1979, c. 38, s. 25; 1982, c. 5, s. 153; 1984, c. 15, s. 193; 1991, c. 25, s. 104.

882. *(Repealed).*

1972, c. 23, s. 663; 1991, c. 25, s. 105.

883. For the purposes of sections 884, 885 and 886, where an employee or other beneficiary receives, in a taxation year, an amount from a trustee under a deferred profit sharing plan and the employee was a beneficiary under the plan while the plan was a profit sharing plan, the amount determined for the year, under this section, in relation to the plan and in respect of the beneficiary is such portion of the aggregate of the amounts so received in the year as does not exceed the remainder after subtracting

(a) the aggregate of each amount:

i. received by the employee or other beneficiary in a previous taxation year from a trustee under the plan while it was a profit sharing plan or a deferred profit sharing plan; and

ii. allocated to the employee or other beneficiary under the plan while it was a profit sharing plan, in respect of a capital loss sustained by the trust before 1972; from

(b) the aggregate of each amount:

i. included in respect of the plan in computing the income of the employee for the year or a previous year under sections 852 to 865;

ii. paid by him to the trustee under the plan while it was a profit sharing plan; and

iii. allocated to the employee or other beneficiary by a trustee under the plan while it was a profit sharing plan, in respect of a capital gain made by the trust before 1972.

1972, c. 23, s. 664; 1973, c. 17, s. 104; 1991, c. 25, s. 106.

884. For the purposes of sections 885 and 886, where an employee or other beneficiary receives, in a taxation year, an amount from a trustee under a deferred profit sharing plan and the employee has made a payment in the year or a previous taxation year to a trustee under the plan while it was a deferred profit sharing plan, the amount determined for the year, under this section, in relation to the plan and in respect of the beneficiary, is such portion of the aggregate of the amounts so received in the year, minus any amount determined for the year under section 883 in relation to the plan and in respect of the beneficiary, as does not exceed the amount by which

(a) the aggregate of each amount so paid by the employee in the year or a previous year, to the extent that such amount was not deductible by the employee in computing his income, exceeds

(b) the aggregate of each amount received by the employee or other beneficiary from a trustee under the plan while it was a deferred profit sharing plan, to the extent that such amount was included in computing the amount determined under this section for a previous year in relation to the plan and in respect of the employee or other beneficiary.

1972, c. 23, s. 665; 1973, c. 17, s. 105; 1991, c. 25, s. 107.

CHAPTER VI

AMOUNTS TO BE INCLUDED

1972, c. 23.

885. A beneficiary under a deferred profit sharing plan shall, in computing the income of the beneficiary for a taxation year, include the amount by which the aggregate of all amounts received by the beneficiary in the year from a trustee under the plan, other than as a result of acquiring an annuity described in subparagraph vi of paragraph *k* of subsection 2 of section 147 of the English text of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) under which the beneficiary is the annuitant, exceeds the aggregate of all amounts each of which is an amount determined for the year under section 883, 884 or 886 in relation to the plan and in respect of the beneficiary.

1972, c. 23, s. 666; 1973, c. 17, s. 106; 1991, c. 25, s. 108; 1998, c. 16, s. 209; 2021, c. 36, s. 91.

885.1. A beneficiary described in paragraph *k*.2 of subsection 2 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) shall include, in computing his income for a taxation year, the aggregate of amounts allocated or reallocated to him in the year in respect of an amount paid, after 1 December 1982, by an employer to a trust governed by a deferred profit sharing plan or a plan the registration of which has been revoked under subsection 14 or 14.1 of section 147 of the said Act, or a forfeited amount under any such plan.

1984, c. 15, s. 194; 1991, c. 25, s. 108.

886. For the purposes of sections 885 and 888, where a beneficiary under a deferred profit sharing plan receives, in a taxation year and when the beneficiary is resident in Canada, from a trustee under the plan, on the beneficiary's withdrawal from the plan or retirement from employment or on the death of an employee or former employee, a single payment that includes shares of the capital stock of a corporation that is an employer who contributes to the plan or shares of the capital stock of a corporation with which the employer does not deal at arm's length and the beneficiary makes a valid election under subsection 10.1 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the payment, the amount determined for the year under this section in relation to the plan and in respect of the beneficiary is equal to the amount by which the fair market value of those shares, immediately before the single payment is made, exceeds the cost amount to the plan of those shares at that time.

1973, c. 17, s. 107; 1987, c. 67, s. 164; 1991, c. 25, s. 108; 1997, c. 3, s. 71; 1997, c. 85, s. 198.

887. *(Repealed).*

1973, c. 17, s. 107; 1987, c. 67, s. 165.

888. Where a trustee under a deferred profit sharing plan has, at any time in a taxation year, made under the plan a single payment that included shares referred to in section 886 to a beneficiary who was resident in Canada at the time and the beneficiary has made the election referred to in section 886 in respect of that payment, the following rules apply:

(a) the trustee is deemed to have disposed of those shares for proceeds of disposition equal to the cost amount to the trust of those shares immediately before the single payment was made;

(b) the cost to the beneficiary of those shares is deemed to be equal to their cost amount to the trust immediately before the single payment was made;

(c) the cost to the beneficiary of each of those shares is deemed to be equal to the proportion of the amount determined under paragraph *a* in respect of all those shares that the fair market value of the share at the time the single payment was made is of that of all those shares at the same time;

(d) for the application of paragraph *d* of section 339 to the taxation years 1989 and 1990, the cost to the beneficiary of those shares is an eligible amount in respect of the beneficiary for the year.

1973, c. 17, s. 107; 1987, c. 67, s. 166; 1991, c. 25, s. 109; 1997, c. 85, s. 199.

888.1. A taxpayer who has a share in respect of which he has made the election referred to in section 886 shall include in computing his income for the taxation year in which he disposed of or exchanged the share or ceased to be resident in Canada, whichever is the earlier, the amount by which the fair market value of the share at the time he acquired it exceeds the cost to him, determined under paragraph *c* of section 888, of the share at the time he acquired it.

1987, c. 67, s. 166; 1997, c. 85, s. 200.

888.2. *(Repealed).*

1987, c. 67, s. 166; 2003, c. 2, s. 254.

888.3. *(Repealed).*

1998, c. 16, s. 210; 2009, c. 5, s. 375.

888.4. If an amendment is made to an annuity contract to which subparagraph vi of paragraph *k* of subsection 2 of section 147 of the English version of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) applies, the sole effect of which is to defer annuity commencement to not later than the end of the year in which the individual in respect of whom the annuity contract was purchased reaches 71 years of age, the annuity contract is deemed not to have been disposed of by the individual.

2009, c. 5, s. 376.

889. (1) An employer who contributes to a deferred profit sharing plan or a corporation with which he does not deal at arm's length shall include, in computing his or its income for a taxation year, the amount or value of the funds or property of a trust governed by such a plan that are appropriated to or for his or its benefit in any manner whatever in that year.

(2) The rule provided in subsection 1 does not apply if the appropriation results from a payment for shares of the employer or corporation by the trust, or if the funds or property, or an amount equal to their value, are repaid to the trust within one year from the end of the taxation year and if it is established that the repayment has not been made as part of a series of appropriations and repayments.

1972, c. 23, s. 667; 1991, c. 25, s. 110; 1997, c. 3, s. 71.

890. Where a trust governed by a deferred profit sharing plan or by a plan the registration of which has been revoked under subsection 14 or 14.1 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) disposes of property to a taxpayer for no consideration or for a consideration less than its fair market value at the time of the disposition, or acquires property from a taxpayer for a consideration greater than its fair market value at the time of the acquisition, the taxpayer who acquires or disposes of the property is deemed, for the purposes of sections 879 and 885, to have received at that time from the trust under the plan, as a beneficiary under the trust, an amount equal to the difference between that fair market value and the consideration, if any.

1972, c. 23, s. 668; 1975, c. 22, s. 223; 1991, c. 25, s. 110.

CHAPTER VII

TRANSFERS

1991, c. 25, s. 111.

890.0.1. An amount is transferred from a deferred profit sharing plan in accordance with this section if the following conditions are met:

(a) the amount is not part of a series of periodic payments;

(b) the amount is transferred on behalf of an individual described in the second paragraph in full or partial satisfaction of his entitlement to benefits under the plan;

(c) the amount would, if it were paid directly to the individual, be included in computing his income for a taxation year under section 885;

(d) the amount is transferred for the benefit of the individual directly to any of the following plans, funds or providers:

i. a registered pension plan,

ii. a registered retirement savings plan under which the individual is the annuitant, within the meaning of paragraph *b* of section 905.1,

iii. a deferred profit sharing plan that can reasonably be expected to have at least five beneficiaries at all times throughout the calendar year in which the transfer is made,

iv. a registered retirement income fund under which the individual is the annuitant within the meaning of paragraph *d* of section 961.1.5, or

v. a licensed annuities provider to acquire an advanced life deferred annuity, if the individual is an employee or former employee of an employer who participated in the plan on the employee's behalf.

The individual referred to in subparagraph *b* of the first paragraph is an individual

(a) who is an employee or former employee of an employer who participated in the plan on the employee's behalf, or

(b) who is the spouse or former spouse of an employee or former employee referred to in subparagraph *a* and who is entitled to the amount referred to in subparagraph *b* of the first paragraph

i. as a consequence of the death of the employee or former employee, or

ii. under a decree, an order or a judgment of a competent tribunal or under a written agreement relating to a partition of property between the employee or former employee and the individual in settlement of rights arising out of, or on the breakdown of, their marriage.

1991, c. 25, s. 111; 1994, c. 22, s. 285; 2009, c. 5, s. 377; 2017, c. 1, s. 252; 2022, c. 23, s. 80.

890.0.2. Where an amount is transferred on behalf of an individual in accordance with section 890.0.1, the following rules apply:

(a) the amount shall not, by reason only of that transfer, be included in computing the income of any individual by virtue of this Title, and

(b) no amount is deductible under any provision of this Part in computing the income of any individual in respect of the amount transferred.

1991, c. 25, s. 111.

890.0.3. Where the transfer of an amount from a deferred profit sharing plan in a calendar year on behalf of a beneficiary under the plan would, but for this section, be made in accordance with section 890.0.1 and, in the opinion of the Minister of Revenue of Canada, the requirements of subsection 5.1 of section 147 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the plan are not satisfied for the year by reason that the beneficiary's pension credits or pension adjustments, within the meanings assigned by that Act, do not comply with any of paragraphs *a* to *c* of subsection 5.1 of the said section 147, such portion of the amount transferred as may reasonably be considered to derive from amounts allocated or reallocated to the beneficiary in the year or from earnings reasonably attributable to those amounts is deemed to be an amount that was not transferred in accordance with section 890.0.1, except to the extent expressly provided in writing by the Minister of Revenue of Canada for the purposes of subsection 22 of the said section 147.

1991, c. 25, s. 111; 1995, c. 49, s. 194; 2000, c. 5, s. 293.

TITLE II.1

RETIREMENT COMPENSATION ARRANGEMENTS

1989, c. 77, s. 95.

CHAPTER I

GENERAL RULES

1989, c. 77, s. 95.

890.1. In this Title, the expression

(a) "subject property of a retirement compensation arrangement" means property that is held in connection with the arrangement;

(b) "retirement compensation arrangement" means a plan or arrangement under which contributions, other than payments made to acquire an interest in a life insurance policy, are made by an employer or former employer of a taxpayer, or by a person with whom the employer or former employer does not deal at arm's length, to another person or partnership, in this Title referred to as the "custodian", in connection with benefits that are to be or may be received or enjoyed by any person on, after or in contemplation of any substantial change in the services rendered by the taxpayer, the retirement of the taxpayer or the loss of an office or employment of the taxpayer;

(c) "RCA trust" under a retirement compensation arrangement means

i. any trust governed by the arrangement; and

ii. any trust deemed by paragraph *a* of section 890.2 to be created in respect of subject property of the arrangement.

For the purposes of subparagraph *b* of the first paragraph, a retirement compensation arrangement does not include

(a) a registered pension plan;

(a.1) a pooled registered pension plan;

(b) a disability or income maintenance insurance plan under a policy with an insurance corporation;

(c) a deferred profit sharing plan;

(d) a profit sharing plan;

(e) a registered retirement savings plan;

(f) an employee trust;

(f.1) an employee life and health trust;

(g) a group sickness or accident insurance plan;

(h) a supplementary unemployment benefit plan;

(i) a trust described in paragraph *m* of section 998;

(j) a plan or arrangement established for the purpose of deferring the salary or wages of a professional athlete for his services as such with a team that participates in a league having regularly scheduled games, in this paragraph referred to as an "athlete's plan", where

i. the plan or arrangement would, but for paragraph *j* of section 47.16, be a salary deferral arrangement; and

ii. in the case of a Canadian team, the custodian of the plan or arrangement carries on business through a fixed place of business in Canada and is licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as trustee;

(k) a salary deferral arrangement, whether or not deferred amounts thereunder are required to be included as benefits under section 37 in computing a taxpayer's income;

(l) a plan or arrangement, other than an athlete's plan, that is maintained primarily for the benefit of persons not resident in Canada in respect of services rendered outside Canada;

(m) an insurance policy;

(n) a prescribed plan or arrangement.

For the purposes of the definition of "retirement compensation arrangement", where a particular person holds property in trust under an arrangement that, if the property were held by another person, would be a retirement compensation arrangement, the arrangement is deemed to be a retirement compensation arrangement of which the particular person is the custodian.

1989, c. 77, s. 95; 1991, c. 25, s. 112; 1991, c. 25, s. 176; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 14, s. 149; 2011, c. 6, s. 175; 2015, c. 21, s. 331.

890.2. In respect of the subject property of a retirement compensation arrangement, other than subject property of the arrangement held by a trust governed by a retirement compensation arrangement, for the purposes of this Part, the following rules apply:

(a) a trust is deemed to be created on the day that the arrangement is established;

(b) the subject property of the arrangement is deemed to be property of the trust and not to be property of any other person; and

(c) the custodian of the arrangement is deemed to be the trustee having ownership or control of the trust property.

1989, c. 77, s. 95; 2017, c. 1, s. 253.

890.3. For the purposes of this Part, where by virtue of a plan or arrangement an employer is obliged to provide benefits that are to be received or enjoyed by any person on, after or in contemplation of any substantial change in the services rendered by a taxpayer, the retirement of a taxpayer or the loss of an office or employment of a taxpayer, and where the employer, former employer or a person or partnership with whom the employer or former employer does not deal at arm's length acquires an interest in a life insurance policy that may reasonably be considered to be acquired to fund, in whole or in part, those benefits, the rules set out in the second paragraph apply in respect of the plan or arrangement if it is not otherwise a retirement compensation arrangement and is not excluded from the definition of the expression "retirement compensation arrangement" by any of subparagraphs *a* to *l* and *n* of the second paragraph of section 899.1.

The rules referred to in the first paragraph are the following:

(a) the person or partnership referred to in the first paragraph who acquired the interest is deemed to be the custodian of a retirement compensation arrangement;

(b) the interest is deemed to be subject property of the retirement compensation arrangement;

(c) an amount equal to twice the amount of any premium paid in respect of the interest or any repayment of a policy loan thereunder is deemed to be a contribution under the retirement compensation arrangement; and

(d) any payment received in respect of the interest, including a policy loan, and any amount received as a refund of refundable tax under subsection 2 of section 207.7 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) is deemed to be an amount received out of or under the retirement compensation arrangement by the recipient and not to be a payment of any other amount.

1989, c. 77, s. 95; 1991, c. 25, s. 176; 1997, c. 3, s. 71; 2001, c. 53, s. 180.

890.4. For the purposes of the provisions of this Part relating to retirement compensation arrangements, where a corporation that at any time carried on a personal services business or an employee of the corporation, enters into a plan or arrangement with a person or partnership, referred to in this section as the "employer", to which the corporation renders services, and where the plan or arrangement provides for benefits to be received or enjoyed by any person on, after or in contemplation of the cessation of, or any substantial change in, the services rendered by the corporation, or an employee of the corporation, to the employer, the following rules apply:

(a) the employer and the corporation are deemed to be an employer and employee, respectively, in relation to each other; and

(b) any benefits to be received or enjoyed by any person under the plan or arrangement are deemed to be benefits to be received or enjoyed by the person on, after or in contemplation of a substantial change in the services rendered by the corporation.

1989, c. 77, s. 95; 1997, c. 3, s. 71.

890.5. Where at any time an employee benefit plan becomes a retirement compensation arrangement as a consequence of a change of the custodian of the plan or as a consequence of the custodian ceasing either to carry on business through a fixed place of business in Canada or to be licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as trustee,

(a) for the purposes of this Part, the custodian of the plan is deemed to have made a contribution to the arrangement immediately after that time, in an amount equal to the fair market value at that time of all the properties of the plan; and

(b) for the purposes of sections 209.1 to 209.4, that amount is deemed to be a payment made at that time out of or under the plan to or for the benefit of employees or former employees of the employers who contributed to the plan.

1989, c. 77, s. 95; 1991, c. 25, s. 176; 1996, c. 39, s. 273.

890.6. For the purposes of this Part, where a resident's contribution has been made under a plan or arrangement, in this section referred to as the "plan", the following rules apply:

(a) the plan is deemed, in respect of its application to all resident's contributions made under the plan and all property that can reasonably be considered to be derived from those contributions, to be a separate arrangement, in this section referred to as the "residents' arrangement", independent of the plan in respect of its application to all other contributions and property that can reasonably be considered to derive from those other contributions;

(b) the residents' arrangement is deemed to be a retirement compensation arrangement; and

(c) each person and partnership to whom a contribution is made under the residents' arrangement is deemed to be a custodian of the residents' arrangement.

1989, c. 77, s. 95; 1991, c. 25, s. 176; 1995, c. 49, s. 195; 1997, c. 3, s. 71.

890.6.1. For the purposes of section 890.6, "resident's contribution" means such part of a contribution made under a plan or arrangement, in this section referred to as the "plan", at a time when the plan would, but for subparagraph *l* of the second paragraph of section 890.1, be a retirement compensation arrangement as

(a) is not a contribution referred to in paragraph 4, 5 or 6 of section 6804 of the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)); and

(b) can reasonably be considered to have been made in respect of services rendered by an individual to an employer in a period

i. throughout which the individual was resident in Canada and rendered services to the employer that were primarily services rendered in Canada or services rendered in connection with a business carried on by the employer in Canada, or a combination of such services, and

ii. at the beginning of which the individual had been resident in Canada throughout at least 60 of the 72 preceding calendar months, where the individual was not resident in Canada at any time before the period and became a member of the plan before the end of the month after the month in which the individual became resident in Canada.

For the purposes of subparagraph *b* of the first paragraph, where benefits provided to an individual under a particular plan or arrangement are replaced by benefits under another plan or arrangement, the other plan or arrangement is deemed, in respect of the individual, to be the same plan or arrangement as the particular plan or arrangement.

1995, c. 49, s. 196; 2001, c. 7, s. 135; 2010, c. 5, s. 83.

890.7. For the purposes of this Part, other than this section, where a retirement compensation arrangement is part of a plan or arrangement under which amounts not related to the retirement compensation arrangement are payable or provided, the following rules apply:

(a) the retirement compensation arrangement is deemed to be a separate arrangement independent of other parts of the plan or arrangement of which it is a part; and

(b) subject to section 47.14, amounts paid out of or under the plan or arrangement are deemed to have first been paid out of the retirement compensation arrangement unless a provision in the plan or arrangement otherwise provides.

1989, c. 77, s. 95.

CHAPTER II

TAX

1989, c. 77, s. 95.

890.8. No tax is payable by an RCA trust under this Part.

1989, c. 77, s. 95.

CHAPTER III

AMOUNTS TO BE INCLUDED

1989, c. 77, s. 95.

890.9. A taxpayer shall include in computing his income for a taxation year

(a) any amount, including a return of contributions, received in the year by the taxpayer or another person, other than an amount required to be included in that other person's income for a taxation year under section 890.11, out of or under a retirement compensation arrangement that can reasonably be considered to have been received in respect of an office or employment of the taxpayer;

(b) any amount received or that became receivable in the year by the taxpayer as proceeds from the disposition of an interest in a retirement compensation arrangement; and

(c) the aggregate of all amounts, including a return of contributions, each of which is an amount received in the year by the taxpayer out of or under a retirement compensation arrangement that can reasonably be considered to have been received in respect of an office or employment of a person other than the taxpayer, except to the extent that the amount was required

i. under section 890.11 to be included in computing the taxpayer's income for a taxation year; or

ii. under paragraph *a* of this section or section 429 to be included in computing the income for the year of a person resident in Canada other than the taxpayer.

1989, c. 77, s. 95; 1991, c. 25, s. 176.

890.10. For the purposes of paragraphs *a* and *c* of section 890.9, where, at any time in a year, a trust governed by a retirement compensation arrangement makes, in respect of property, any of the transactions described in the second paragraph, the amount, if any, by which the fair market value referred to in subparagraph *a*, *b* or *c* of the second paragraph differs from the consideration referred to therein or, if there is no consideration, the amount of the fair market value referred to therein is deemed to be an amount received at that time by the person out of or under the arrangement that can reasonably be considered to have been received in respect of an office or employment of a taxpayer.

The transactions referred to in the first paragraph are the following:

(a) the trust disposes of property to a person for consideration less than the fair market value of the property at the time of the disposition, or for no consideration;

(b) the trust acquires property from a person for consideration greater than the fair market value of the property at the time of the acquisition;

(c) the trust permits a person to use or enjoy property of the trust for no consideration or for consideration less than the fair market value of such use or enjoyment.

1989, c. 77, s. 95.

890.11. A taxpayer shall also include in computing his income for a taxation year the aggregate of all amounts each of which is an amount received by him in the year in the course of a business out of or under a retirement compensation arrangement to which he, another person who carried on a business that was acquired by him, or any person with whom he or that other person does not deal at arm's length, has contributed an amount that was deductible under section 139.1 in computing the contributor's income for a taxation year.

1989, c. 77, s. 95; 1991, c. 25, s. 176.

CHAPTER IV

DEDUCTIONS

1989, c. 77, s. 95.

890.12. A taxpayer may deduct in computing his income for a taxation year amounts paid by him in the year as contributions under a retirement compensation arrangement in respect of services rendered by his employee or former employee, other than where it is established, by subsequent events or otherwise, that the amounts were paid as part of a series of payments and refunds of contributions under the arrangement.

1989, c. 77, s. 95; 1991, c. 25, s. 176.

890.13. A taxpayer may also deduct in computing his income for a taxation year,

(a) where an amount in respect of a particular retirement compensation arrangement is required by paragraph *a* or *c* of section 890.9 or by section 429 to be included in computing the taxpayer's income for the year, an amount equal to the lesser of

i. the aggregate of all amounts in respect of the particular arrangement so required to be included in computing the taxpayer's income for the year, and

ii. the amount by which the aggregate of all amounts each of which is an amount deducted under this paragraph or paragraph *b* in respect of the particular arrangement in computing the taxpayer's income for a preceding taxation year or an amount transferred in respect of the taxpayer before the end of the year from the particular arrangement to another retirement compensation arrangement in circumstances in which section 890.14 applies, to the extent that the amount would have been deductible under this paragraph in respect of

the particular arrangement in computing the taxpayer's income if it had been received by the taxpayer out of the particular arrangement, is exceeded by the aggregate of all amounts each of which is

(1) an amount, other than an amount deductible under section 70.2 or transferred to the particular arrangement in circumstances in which section 890.14 applies, contributed under the particular arrangement by the taxpayer while it was a retirement compensation arrangement and before the end of the year,

(2) an amount transferred in respect of the taxpayer before the end of the year to the particular arrangement from another retirement compensation arrangement in circumstances in which section 890.14 applies, to the extent that the amount would have been deductible under this paragraph in respect of the other arrangement in computing the taxpayer's income if it had been received by the taxpayer out of the other arrangement,

(3) an amount paid by the taxpayer before the end of the year and at a time when the taxpayer was resident in Canada to acquire an interest in the particular arrangement, or

(4) an amount that was received or became receivable by the taxpayer before the end of the year and at a time when the taxpayer was resident in Canada as proceeds from the disposition of an interest in the particular arrangement; and

(b) where an amount in respect of a particular retirement compensation arrangement is required by paragraph *b* of section 890.9 to be included in computing the taxpayer's income for the year, an amount equal to the lesser of

i. the aggregate of all amounts in respect of the particular arrangement so required to be included in the taxpayer's income for the year, and

ii. the amount by which the aggregate of all amounts each of which is an amount deducted under paragraph *a* in respect of the particular arrangement in computing the taxpayer's income for the year or a preceding taxation year, an amount deducted under this paragraph in respect of the particular arrangement in computing the taxpayer's income for a preceding taxation year or an amount transferred in respect of the taxpayer before the end of the year from the particular arrangement to another retirement compensation arrangement in circumstances in which section 890.14 applies, to the extent that the amount would have been deductible under paragraph *a* in respect of the particular arrangement in computing the taxpayer's income if it had been received by the taxpayer out of the other arrangement, is exceeded by the aggregate of all amounts each of which is

(1) an amount, other than an amount deductible under section 70.2 or transferred to the particular arrangement in circumstances in which section 890.14 applies, contributed under the particular arrangement by the taxpayer while it was a retirement compensation arrangement and before the end of the year,

(2) an amount transferred in respect of the taxpayer before the end of the year to the particular arrangement from another retirement compensation arrangement in circumstances in which section 890.14 applies, to the extent that the amount would have been deductible under paragraph *a* in respect of the other arrangement in computing the taxpayer's income if it had been received by the taxpayer out of the other arrangement, and

(3) an amount paid by the taxpayer before the end of the year and at a time when the taxpayer was resident in Canada to acquire an interest in the particular arrangement.

1989, c. 77, s. 95; 1991, c. 25, s. 176; 1997, c. 14, s. 150; 2000, c. 5, s. 190.

CHAPTER V

ARRANGEMENT TRANSFERS

2000, c. 5, s. 191.

890.14. Where an amount, other than an amount that is part of a series of periodic payments, is transferred directly to a retirement compensation arrangement, other than a plan or arrangement the custodian of which is not resident in Canada or which is deemed under section 890.6 to be a retirement compensation arrangement, from another retirement compensation arrangement, the following rules apply:

(a) the amount shall not, solely because of the transfer, be included in computing a taxpayer's income; and

(b) no deduction may be made in respect of the amount in computing a taxpayer's income.

2000, c. 5, s. 191.

TITLE III

REGISTERED EDUCATION SAVINGS PLANS

1975, c. 21, s. 19.

CHAPTER I

INTERPRETATION AND REGISTRATION

1975, c. 21, s. 19; 2000, c. 5, s. 192.

890.15. In this Title,

"accumulated income payment" under an education savings plan means any amount paid out of the plan, other than a payment described in any of paragraphs *a* and *c* to *e* of the definition of "trust", to the extent that the amount so paid exceeds the fair market value of any consideration given to the plan for the payment of the amount;

"beneficiary" under an education savings plan means a person, designated by a subscriber under the plan, to whom or on whose behalf an educational assistance payment under the plan is to be paid if the person qualifies under the plan;

"designated provincial program" means

(a) a program administered pursuant to an agreement entered into by the government of a province under section 12 of the Canada Education Savings Act (S.C. 2004, c. 26); or

(b) a program established under the laws of a province, other than Québec, to encourage the financing of children's post-secondary education through savings in registered education savings plans;

"education savings plan" means

(a) a contract described in section 893; or

(b) a contract entered into after 31 December 1997 between an individual (other than a trust), such an individual and the individual's spouse, such an individual who is legally the father or mother of a beneficiary and the individual's former spouse who is also legally the father or mother of a beneficiary or the public primary caregiver of a beneficiary, and a person (in this Title referred to as a "promoter"), under which the promoter agrees to pay or to cause to be paid educational assistance payments to or for one or more beneficiaries;

"educational assistance payment" means any amount, other than a refund of contributions, paid out of an education savings plan to or for an individual to assist the individual to further the individual's education at the post-secondary school level;

"public primary caregiver" of a beneficiary under an education savings plan in respect of whom a special allowance is payable under the Children's Special Allowances Act (S.C. 1992, c. 48), means the department, body, agency or institution that maintains the beneficiary or the public curator or public trustee of the province in which the beneficiary resides;

"qualified investment" for a trust governed by a registered education savings plan has the meaning assigned by subsection 1 of section 146.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

"refund of contributions" at any time under a registered education savings plan means

(a) an amount paid at that time as a refund of a contribution that had been made to the plan at a previous time by or on behalf of a subscriber under the plan, otherwise than by way of a transfer from another registered education savings plan; and

(b) an amount paid at that time as a refund of an amount that had been paid into the plan at a previous time by way of a transfer from another registered education savings plan, where the amount would have been a refund of contributions under the other plan if it had been paid at the previous time directly to a subscriber under the other plan;

"registered education savings plan" means, subject to section 890.16, an education savings plan registered or deemed to be registered by the Minister for the purposes of this Part or a registered education savings plan as it is amended from time to time; in that respect, every education savings plan whose registration was effective on 1 January 1998, or that is accepted for registration after 31 December 1997, for the purposes of the Income Tax Act is, subject to the Minister's power to refuse or revoke a registration, deemed to be registered by the Minister for the purposes of this Part;

"specified plan" means an education savings plan

(a) that does not allow more than one beneficiary under the plan at any one time;

(b) under which the beneficiary is an individual in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the beneficiary's taxation year that ends in the 31st year following the year in which the plan was entered into; and

(c) that provides that, at all times after the end of the 35th year following the year in which the plan was entered into, no other individual may be designated as a beneficiary under the plan;

"subscriber" under an education savings plan at any time means

(a) in the case of an education savings plan under a contract described in section 893, the individual referred to in that section with whom the promoter of the plan has entered into the contract; or

(b) in the case of another education savings plan and subject to section 890.17,

i. each individual or the public primary caregiver with whom the promoter of the plan has entered into the plan,

i.1. another individual or another public primary caregiver who has before that time, under a written agreement, acquired a public primary caregiver's rights as a subscriber under the plan,

ii. an individual who has before that time acquired a subscriber's rights under the plan pursuant to a decree, order or judgment of a competent tribunal, or under a written agreement, relating to a partition of property between the individual and a subscriber under the plan in settlement of rights arising out of, or on the breakdown of, their marriage, or

iii. after the death of an individual described in any of subparagraphs i to ii, any other person, including the succession of the subscriber, who acquires the individual's rights as a subscriber under the plan or who makes contributions to the plan in respect of a beneficiary under the plan;

"trust", except in paragraphs *d* and *e* and paragraph *b* of the definition of "education savings plan", means any person who irrevocably holds property under an education savings plan for any of, or any combination of, the following purposes:

(a) the payment of educational assistance payments;

(b) the payment after 31 December 1997 of accumulated income payments;

(c) the payment of a refund of contributions;

(c.1) the repayment of amounts, including the payment of amounts related to that repayment, under the Canada Education Savings Act or under a designated provincial program;

(c.2) the payment of tax under any of sections 1129.66.2, 1129.66.4 and 1129.66.5, including the payment of an amount related to that tax;

(d) the payment of an amount to, or to a trust in favour of, a prescribed educational institution; and

(e) the payment of an amount to another trust that irrevocably holds property under a registered education savings plan for one or more of the purposes set out in paragraphs *a* to *d*.

2000, c. 5, s. 193; 2001, c. 53, s. 181; 2005, c. 38, s. 204; 2009, c. 5, s. 378; 2009, c. 15, s. 163; 2011, c. 6, s. 176; 2020, c. 16, s. 130; 2024, c. 11, s. 87.

890.15.1. In this Title, a contribution to an education savings plan does not include

(a) an amount paid into the plan under or because of the Canada Education Savings Act (S.C. 2004, c. 26) or a designated provincial program;

(b) an amount deemed under section 1029.8.128 to be an overpayment of the trust's tax payable; and

(c) an amount paid into the plan under or because of any other program that has a similar purpose to a designated provincial program and that is funded, directly or indirectly, by a province (other than an amount paid into the plan by a public primary caregiver in its capacity as subscriber under the plan).

2001, c. 53, s. 182; 2005, c. 38, s. 205; 2009, c. 5, s. 379; 2011, c. 6, s. 177.

890.15.2. For the purposes of this Title and paragraph *d*.3 of section 336, a reference to the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26), to an amount paid under that Act, to the payment or repayment of an amount under that Act or to an obligation or condition set out in that Act is a reference to Part III.1 of the Department of Human Resources Development Act (Statutes of Canada, 1996, chapter 11), to an amount paid under that Part, to the payment or repayment of an amount under that Part or to an obligation or condition set out in that Part, as it read at the time the reference is relevant.

2005, c. 38, s. 206.

890.16. For the purposes of this Title, except sections 904 and 904.1, a registered education savings plan ceases to qualify as such from the day following the day on which its registration is revoked or deemed revoked under section 899.

2000, c. 5, s. 193.

890.16.1. For the purposes of this Title and Chapter III of Title XXXV of the Regulation respecting the Taxation Act (chapter I-3, r. 1), "education at the post-secondary school level" or "program at a post-secondary school level" includes a program of studies of an educational institution described in subparagraph 2 of subparagraph i of paragraph *a* of section 752.0.18.10 that furnishes a person with skills for, or improves a person's skills in, an occupation.

2005, c. 38, s. 207; 2009, c. 15, s. 164; 2015, c. 21, s. 332.

890.17. For the purposes of paragraph *b* of the definition of "subscriber" in section 890.15, a subscriber under an education savings plan at any time does not include an individual or a public primary caregiver whose rights as a subscriber under the plan had, before that time, been acquired by an individual or public primary caregiver in the circumstances described in subparagraph i.1 or ii of that paragraph *b*.

2000, c. 5, s. 193; 2005, c. 38, s. 208.

891. *(Repealed).*

1975, c. 21, s. 19; 2000, c. 5, s. 194.

892. *(Repealed).*

1975, c. 21, s. 19; 2000, c. 5, s. 194.

893. The contract to which paragraph *a* of the definition of "education savings plan" in section 890.15 refers is a contract entered into before 1 January 1998 between an individual and a promoter, under which, as consideration for the payment of an amount by the individual, the promoter agrees to pay or to cause to be paid educational assistance payments to or for a beneficiary.

1975, c. 21, s. 19; 2000, c. 5, s. 195.

894. *(Repealed).*

1975, c. 21, s. 19; 1980, c. 13, s. 73; 1993, c. 16, s. 305; 1997, c. 3, s. 41; 2000, c. 5, s. 196.

894.1. If a valid election is made under subsection 1.1 of section 146.1 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), an accumulated income payment under the registered education savings plan may be made to the registered disability savings plan, despite paragraph *c*.1 of section 895 and any terms of the plan required by that paragraph.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1.1 of section 146.1 of the Income Tax Act.

2015, c. 21, s. 333.

895. The Minister shall not register for the purposes of this Part any education savings plan of a promoter unless the promoter applies therefor to the Minister in prescribed form containing prescribed information and, in the Minister's opinion, the following conditions are complied with:

(a) at the time of the application for registration of the plan by the promoter, not fewer than 150 plans have been entered into with the promoter, each of which complied, at the time it was entered into, with the conditions set out in section 894 and the other conditions set out in this section, as those sections read at that time;

(a.1) the plan provides that the property of any trust governed by the plan, after the payment of trustee and administration charges, is irrevocably held for any of the purposes described in the definition of "trust" in section 890.15 by a corporation licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering its services as a trustee;

(b) the promoter and each trust governed by the plan are resident in Canada;

(c) the plan does not allow for any payment before 1 January 1998 to a subscriber, other than the payment of a refund of contributions, unless the subscriber is also the beneficiary under the plan;

(c.1) subject to section 895.0.1, if the plan allows accumulated income payments, the plan provides that an accumulated income payment is permitted to be made only if

i. the payment is made to, or on behalf of, a subscriber under the plan who is resident in Canada when the payment is made,

ii. the payment is not made jointly to, or on behalf of, more than one subscriber, and

iii. any of the following situations apply:

(1) the payment is made after the ninth year that follows the year in which the plan was entered into and each individual, other than a deceased individual, who is or was a beneficiary under the plan has attained 21 years of age before the payment is made and is not, when the payment is made, eligible under the plan to receive an educational assistance payment,

(2) the payment is made in the year in which the plan must be terminated in accordance with paragraph *h*, or

(3) each individual who was a beneficiary under the plan is deceased when the payment is made;

(d) the plan is substantially similar to the plan described in or annexed to the prospectus filed by the promoter with the Autorité des marchés financiers, a securities commission or a similar body in Canada;

(e) in the event that a trust governed by the plan is terminated, the property held by the trust is to be used for any of the purposes described in the definition of "trust" in section 890.15;

(f) the plan provides for the payment of educational assistance payments before 1 January 1997 to an individual only if the individual is, at the time the payment is made, in full-time attendance at a prescribed post-secondary educational institution, enrolled in a prescribed educational program at the institution;

(f.1) the plan provides for the payment of educational assistance payments at any time after 31 December 1996 to or on behalf of an individual only if

i. *(subparagraph repealed),*

ii. the individual is at that time

(1) enrolled as a student in a prescribed educational program at a prescribed post-secondary educational institution, or

(2) 16 years of age or over and enrolled as a student in a prescribed training program at a prescribed postsecondary educational institution, and

iii. any of the following situations apply:

(1) the individual satisfies, at that time, the condition set out in subparagraph 1 of subparagraph ii and has satisfied that condition throughout at least 13 consecutive weeks in the 12-month period that ends at that time, or the total of the payment and all other educational assistance payments made under a registered education savings plan of the promoter to or on behalf of the individual in the 12-month period that ends at that time does not exceed $8,000 or such greater amount as the Minister responsible for the administration of the Canada Education Savings Act (S.C. 2004, c. 26) approves in writing in respect of the individual, or

(2) the individual satisfies, at that time, the condition set out in subparagraph 2 of subparagraph ii and the total of the payment and all other educational assistance payments made under a registered education savings plan of the promoter to or on behalf of the individual in the 13-week period that ends at that time does not exceed $4,000 or such greater amount as the Minister responsible for the administration of the Canada Education Savings Act approves in writing in respect of the individual;

(f.2*)* the plan provides that no contribution to the plan may be made otherwise than by or on behalf of a subscriber under the plan in respect of a beneficiary under the plan or by way of transfer from another plan that is a registered education savings plan;

(f.3*)* the plan provides

i. that an individual is permitted to be designated as a beneficiary under the plan only if

(1) the individual's Social Insurance Number is provided to the promoter before the designation is made, and

(2) the individual is resident in Canada when the designation is made, or the designation is made in conjunction with a transfer of property into the plan from another registered education savings plan under which the individual was a beneficiary immediately before the transfer, and

ii. that a contribution to the plan in respect of an individual who is a beneficiary under the plan is permitted to be made only if

(1) the individual's Social Insurance Number is provided to the promoter before the contribution is made and the individual is resident in Canada when the contribution is made, or

(2) the contribution is made by means of a transfer from another registered education savings plan under which the individual was a beneficiary immediately before the transfer;

(g) the plan provides that no contribution, other than a contribution made by way of transfer from another registered education savings plan, may be made into the plan

i. in the case of a specified plan, after the 35th year following the year in which the plan is entered into, and

ii. in any other case, after the 31st year following the year in which the plan is entered into;

(h) the plan provides that it must be terminated on or before the last day of

i. in the case of a specified plan, the 40th year following the year in which the plan is entered into, and

ii. in any other case, the 35th year following the year in which the plan is entered into;

(h.1*)* where the plan allows accumulated income payments, the plan provides that it must be terminated before 1 March of the year following the year in which the first such payment is made under the plan;

(h.2*)* the plan does not allow for the receipt of property by way of direct transfer from another plan that is a registered education savings plan after the other plan has made any accumulated income payment;

(i) where the plan allows more than one beneficiary under the plan at any one time, the plan provides

i. that each of the beneficiaries under the plan is required to be connected to each living subscriber under the plan, or to have been connected to a deceased original subscriber under the plan, by blood relationship or adoption, and

ii. that a contribution to the plan in respect of a beneficiary is permitted to be made only if

(1) the beneficiary had not attained 31 years of age before the time of the contribution,

(2) the contribution is made by way of transfer from another plan that is a registered education savings plan that allows more than one beneficiary at any one time, and

(3) *(subparagraph repealed),*

iii. an individual is permitted to become a beneficiary under the plan at any particular time only if

(1) the individual had not attained 21 years of age before the particular time, or

(2) the individual was, immediately before the particular time, a beneficiary under another registered education savings plan that allows more than one beneficiary at any one time;

(j) (paragraph repealed);

(k) the plan provides that the promoter shall, within 90 days after an individual becomes a beneficiary under the plan, notify in writing the individual or, if the individual is under 19 years of age at that time and either ordinarily resides with a parent of the individual or is maintained by a public primary caregiver of the individual, that parent or public primary caregiver, of the existence of the plan and the name and address of the subscriber in respect of the plan;

(l) the Minister has no reason to believe that the promoter will not take all reasonable measures to ensure that the plan will continue to comply with the conditions for registration set out in paragraphs *a*.1, *b* to *c*.1 and *e* to *k* for the purposes of this Part; and

(m) the Minister has no reasonable basis to believe that the plan will become revocable.

1975, c. 21, s. 19; 1993, c. 16, s. 306; 1998, c. 16, s. 211; 2000, c. 5, s. 197; 2001, c. 53, s. 183; 2002, c. 45, s. 518; 2003, c. 9, s. 463; 2004, c. 37, s. 90; 2005, c. 38, s. 209; 2006, c. 36, s. 89; 2009, c. 5, s. 380; 2009, c. 15, s. 165; 2011, c. 1, s. 47; 2015, c. 21, s. 334; 2024, c. 11, s. 88.

895.0.1. The Minister may, on written application of the promoter of a registered education savings plan, waive the application of the conditions set out in subparagraph 1 of subparagraph iii of paragraph *c*.1 of section 895 in respect of the plan if a beneficiary under the plan suffers from a severe and prolonged impairment in mental functions that prevents, or can reasonably be expected to prevent, the beneficiary from enrolling in a prescribed educational program at a prescribed post-secondary educational institution.

2001, c. 53, s. 184; 2005, c. 38, s. 210; 2006, c. 36, s. 90.

895.0.1.1. Despite paragraph *f*.1 of section 895, an education savings plan may provide for the payment of an educational assistance payment to or for an individual at any time in the six-month period after the particular time at which the individual ceases to be enrolled as a student in a prescribed educational program or a prescribed training program, if the payment would have complied with that paragraph *f*.1 had the payment been made immediately before the particular time.

2009, c. 15, s. 166; 2011, c. 1, s. 48.

895.0.1.2. An educational assistance payment that is made at any time in accordance with section 895.0.1.1 but not in accordance with paragraph *f*.1 of section 895 is deemed, for the purposes of that paragraph at and after that time, to have been made immediately before the particular time referred to in section 895.0.1.1.

2009, c. 15, s. 166.

895.0.2. For the purposes of subparagraph 1 of subparagraph iii of paragraph *f*.1 of section 895, a reference to an amount that the Minister responsible for the administration of the Canada Education Savings Act (S.C. 2004, c. 26) approves in writing in respect of an individual is a reference to an amount that the Minister of Human Resources Development or the Minister of State to be styled Minister of Human Resources and Skills Development has approved in writing in respect of the individual before the day on which a Minister is designated as responsible for the administration of that Act.

2005, c. 38, s. 211; 2009, c. 5, s. 381.

895.0.3. Despite paragraph *f*.3 of section 895, an education savings plan may provide that an individual's Social Insurance Number need not be provided in respect of

(a) a contribution made to the plan, if the contract constituting the plan was entered into before 1 January 1999; and

(b) a designation, as a beneficiary under the plan, of an individual who is not resident in Canada, if the individual was not assigned a Social Insurance Number before the designation is made.

2009, c. 15, s. 167.

895.1. Where property irrevocably held by a trust governed by a registered education savings plan, in this section referred to as the "transferor plan", is transferred to a trust governed by another registered education savings plan, in this section referred to as the "transferee plan", the following rules apply:

(a) for the purposes of this section, the definition of "specified plan" in section 890.15 and paragraphs *c*. 1, *g* and *h* of section 895, the transferee plan is deemed to have been entered into on the day on which the transferee plan was entered into or, if it is earlier, on the day on which the transferor plan was entered into; and

(b) notwithstanding sections 904 and 904.1, no amount shall be included in computing the income of any person because of the transfer.

1993, c. 16, s. 307; 2000, c. 5, s. 198; 2005, c. 38, s. 212.

896. Where an education savings plan cannot be registered solely because the condition set out in paragraph *a* of section 895 has not been complied with, if the plan is subsequently registered, it is deemed to have been registered on 1 January of the year in which all other conditions referred to in that section were complied with or on 1 January of the year preceding the year in which the plan is subsequently registered, whichever date is the later.

1975, c. 21, s. 19; 2000, c. 5, s. 198.

897. Notwithstanding paragraph *d* of section 895, the Minister may register an education savings plan even though the promoter has not filed the prospectus contemplated therein in respect of the plan, if the promoter is not otherwise required by the laws of Canada or a province to file such a prospectus with the Autorité des marchés financiers, a securities commission or a body performing a similar function in Canada and the plan complies with the other conditions set out in that section 895.

1975, c. 21, s. 19; 1993, c. 16, s. 308; 2000, c. 5, s. 199; 2002, c. 45, s. 519; 2004, c. 37, s. 90.

898. Subject to section 896, an education savings plan shall be deemed to have been registered on 1 January:

(a) of the year 1972 or of the year in which it was created, whichever date is the later, if it was registered before 1976; or

(b) of the year in which it was registered, if it was registered after 1975.

1975, c. 21, s. 19.

CHAPTER II

REVOCATION OF REGISTRATION

1975, c. 21, s. 19.

898.1. If, on a particular day, a registered education savings plan is revocable or ceases to comply with any provision of the plan or with the registering conditions set out in section 895 or a person fails to comply with a condition or obligation imposed under Division II.21 of Chapter III.1 of Title III of Book IX, the Canada Education Savings Act (S.C. 2004, c. 26) or a program administered in accordance with an agreement entered into under section 12 of that Act, that applies in respect of a registered education savings plan, the Minister may send written notice to the promoter of the plan that the Minister proposes to revoke the registration of the plan as of the date specified in the notice, which date must not be earlier than the particular day.

2000, c. 5, s. 200; 2001, c. 53, s. 185; 2005, c. 38, s. 213; 2009, c. 5, s. 382.

898.1.1. For the purposes of paragraph *m* of section 895 and section 898.1, a registered education savings plan is revocable at any time after 27 October 1998 at which

(a) (paragraph repealed);

(b) (paragraph repealed);

(c) a trust governed by the plan begins carrying on a business; or

(d) a trustee that holds property in connection with the plan borrows money for the purposes of the plan, except where

i. the money is borrowed for a term not exceeding 90 days,

ii. the money is not borrowed as part of a series of loans or other transactions and repayments, and

iii. none of the property of the trust is used as security for the borrowed money.

2001, c. 53, s. 186; 2020, c. 16, s. 131.

898.2. Where, in accordance with section 898.1, the Minister sends a notice, in this section referred to as a "notice of intent", to the promoter of a registered education savings plan that the Minister proposes to revoke the registration of the plan, the Minister may, after 30 days after the receipt by the promoter of the notice of intent, send written notice to the promoter that the registration of the plan is revoked as of the day specified in the notice of revocation, which day shall not be earlier than the day specified in the notice of intent.

2000, c. 5, s. 200.

899. Where, in accordance with section 898.2, the Minister sends a notice of revocation of the registration of a registered education savings plan to the promoter of the plan, the registration of the plan is revoked as of the day specified in the notice of revocation, unless the Court of Québec or a judge thereof, on application made at any time before the determination of a contestation under subparagraph *e* of the first paragraph of section 93.1.15 of the Tax Administration Act (chapter A-6.002), decides otherwise.

Subject to the first paragraph, the registration of a registered education savings plan that is deemed to have been registered by the Minister for the purposes of this Part, in accordance with the definition of "registered education savings plan" in section 890.15, is deemed, for the purposes of this Part, to be revoked as of the day on which, for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the registration of the plan is revoked under subsection 13 of section 146.1 of that Act.

1975, c. 21, s. 19; 1975, c. 83, s. 84; 1999, c. 83, s. 273; 2000, c. 5, s. 201; 2010, c. 31, s. 175; 2020, c. 12, s. 125.

900. *(Repealed).*

1975, c. 21, s. 19; 2000, c. 5, s. 202.

CHAPTER III

TAX

1975, c. 21, s. 19.

901. No tax is payable under this Part by a trust on its taxable income for a taxation year, or by a subscriber on the income of the trust for a taxation year after 1971 if, throughout the period of the year in which it is in existence, the trust is governed by a registered education savings plan.

1975, c. 21, s. 19.

901.1. Where a trust governed by a registered education savings plan holds, in a taxation year, a property that is not a qualified investment for the trust, the trust shall, despite section 901, pay tax under this Part on the amount that would be its taxable income for the year if the trust had no income or losses from sources other than properties that are not such qualified investments for the trust, and no capital gains or capital losses other than from the disposition of such properties.

2020, c. 16, s. 132.

901.2. For the purposes of section 901.1, the following rules apply:

(a) a trust's income includes dividends described in sections 501 to 503;

(b) the first paragraph of section 231 must be construed as if the taxable capital gain or allowable capital loss were the total capital gain or the total capital loss, as the case may be, from the disposition of a property; and

(c) the trust's income is computed without reference to paragraph *a* of section 657 and section 657.1.

2020, c. 16, s. 132.

902. *(Repealed).*

1975, c. 21, s. 19; 2017, c. 1, s. 254.

CHAPTER IV

INCOME INCLUSIONS

1975, c. 21, s. 19; 2000, c. 5, s. 203.

903. *(Repealed).*

1975, c. 21, s. 19; 2000, c. 5, s. 204.

904. An individual shall include in computing the individual's income for a taxation year any educational assistance payment paid out of a registered education savings plan to or for the individual in the year that exceeds the total of all excluded amounts in relation to a plan and the individual for the year.

1975, c. 21, s. 19; 1980, c. 13, s. 74; 2000, c. 5, s. 205; 2020, c. 16, s. 133.

904.1. A taxpayer shall include in computing the taxpayer's income for a taxation year the aggregate of

(a) any accumulated income payment (other than an accumulated income payment made under section 894.1) received in the year by the taxpayer under a registered education savings plan that exceeds the total of all excluded amounts in relation to a plan and the individual for the year; and

(b) any amount received in the year by the taxpayer in full or partial satisfaction of a subscriber's interest under a registered education savings plan, other than any excluded amount in relation to the plan.

For the purposes of section 904 and subparagraph *a* of the first paragraph, an excluded amount in relation to a registered education savings plan is an amount in respect of which a subscriber pays a tax under section 207.05 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in relation to the plan, or another plan for which the plan was substituted by the subscriber, that

(a) has not been waived, cancelled or refunded; and

(b) has not reduced any other amount that would otherwise be included in computing an individual's income for the year or a preceding year under the first paragraph or section 904.

For the purposes of subparagraph *b* of the first paragraph, an excluded amount in relation to a registered education savings plan is

(a) any amount received under the plan;

(b) any amount received in satisfaction of a right to a refund of contributions under the plan; or

(c) any amount received by a taxpayer under a decree, order or judgment of a competent tribunal, or under a written agreement, relating to a partition of property between the taxpayer and the taxpayer's spouse or former spouse in settlement of rights arising out of, or on the breakdown of, their marriage.

2000, c. 5, s. 206; 2015, c. 21, s. 335; 2020, c. 16, s. 134.

905. *(Repealed).*

1975, c. 21, s. 19; 1997, c. 14, s. 151; 2000, c. 5, s. 207.

CHAPTER V

ADMINISTRATION

2000, c. 5, s. 208.

905.0.1. Where a registered education savings plan is amended, the promoter of the plan shall file the text of the amendment with the Minister not later than 60 days after the day on which the plan is amended.

2000, c. 5, s. 208.

905.0.2. The Government may make regulations requiring promoters of education savings plans to file information returns in relation to the plans.

2000, c. 5, s. 208.

TITLE III.1

REGISTERED DISABILITY SAVINGS PLAN

2009, c. 15, s. 168.

CHAPTER I

INTERPRETATION AND REGISTRATION

2009, c. 15, s. 168.

905.0.3. In this Title,

"assistance holdback amount", in relation to a disability savings plan, has the meaning assigned by the Canada Disability Savings Regulations (SOR/2008-186) made under the Canada Disability Savings Act (S.C. 2007, c. 35);

"business number" means the Québec business number assigned under the Act respecting the legal publicity of enterprises (chapter P-44.1) or the business number within the meaning of subsection 1 of section 248 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

"designated provincial program" means a program that is established under the laws of a province and that supports savings in registered disability savings plans;

"disability assistance payment", in relation to a disability savings plan of a beneficiary, means any payment made from the plan to the beneficiary under the plan or to the beneficiary's succession;

"disability savings plan" of a beneficiary means an arrangement

(a) between an issuer and one or more of the following:

i. the beneficiary,

ii. a person who, at the time the arrangement is entered into, is a qualifying person described in paragraph *a* or *b* of the definition of "qualifying person" in relation to the beneficiary,

ii.1. if the arrangement is entered into before 1 January 2027, a qualifying family member in relation to the beneficiary who, at the time the arrangement is entered into, is a qualifying person in relation to the beneficiary,

ii.2. a qualifying family member in relation to the beneficiary who, at the time the arrangement is entered into, is not a qualifying person in relation to the beneficiary but is a holder of another arrangement that is a registered disability savings plan of the beneficiary, and

iii. the father or mother of the beneficiary who, at the time the arrangement is entered into, is not a qualifying person in relation to the beneficiary but is a holder of another arrangement that is a registered disability savings plan of the beneficiary;

(b) under which one or more contributions are to be made in trust to the issuer to be invested, used or otherwise applied by the issuer for the purpose of making payments from the arrangement to the beneficiary; and

(c) that is entered into in a taxation year in respect of which

i. the beneficiary is an individual eligible for the tax credit for severe and prolonged impairment in mental or physical functions, or

ii. the beneficiary is not an individual eligible for the tax credit for severe and prolonged impairment in mental or physical functions and an amount is to be transferred from a registered disability savings plan of the beneficiary to the arrangement in accordance with section 905.0.16;

"excluded year" means a calendar year prior to the calendar year in which the certification mentioned in the definition of "specified year" is provided to the issuer of the plan;

"holder" of a disability savings plan at any time means

(a) a person who has, at that time, rights as a person with which the issuer entered into the plan;

(b) a person who has, at that time, rights as a successor or assignee of a person described in paragraph *a* or in this paragraph; or

(c) the beneficiary under the plan if, at that time, the beneficiary is not a person described in paragraph *a* or *b* and has rights under the plan to make decisions, either alone or with other holders of the plan, concerning the plan, unless the only such right is a right to direct that disability assistance payments be made as provided for in subparagraph iii of subparagraph *n* of the first paragraph of section 905.0.6;

"individual eligible for the tax credit for severe and prolonged impairment in mental or physical functions", in respect of a taxation year, means an individual in respect of whom an amount is deductible under section 118.3 of the Income Tax Act in computing the individual's tax payable under Part I of that Act for the year or that would be deductible if that section were read without reference to paragraph *c* of its subsection 1;

"issuer", in relation to a disability savings plan, means a corporation licensed or otherwise authorized under the laws of Canada or of a province to offer in Canada its services as trustee, and with which the Minister responsible for the administration of the Canada Disability Savings Act has entered into an agreement that applies to the plan for the purposes of that Act;

"lifetime disability assistance payments" under a disability savings plan of a beneficiary means disability assistance payments that are identified under the terms of the plan as lifetime disability assistance payments and that, after they begin to be paid, are payable at least annually until the earlier of the day on which the beneficiary dies and the day on which the plan ceases to exist;

"plan trust", in relation to a disability savings plan, means the trust governed by the plan;

"qualifying family member", in relation to a beneficiary of a disability savings plan, at any time, means an individual who, at that time, is

(a) the father or mother of the beneficiary;

(b) the spouse of the beneficiary who is not living separate and apart from the beneficiary by reason of a breakdown of their marriage; or

(c) a brother or sister of the beneficiary, determined without reference to the definitions of "brother" and "sister" in section 1;

"qualifying person", in relation to a beneficiary of a disability savings plan, at any time, means

(a) if the beneficiary has not, at or before that time, reached 18 years of age, a person who is, at that time,

i. the father or mother of the beneficiary,

ii. a tutor, curator or other individual who is legally authorized to act on behalf of the beneficiary, or

iii. a public department, agency or institution that is legally authorized to act on behalf of the beneficiary;

(b) if the beneficiary has, at or before that time, reached 18 years of age and is not, at that time, contractually competent to enter into a disability savings plan, a person who is, at that time, described in subparagraph ii or iii of paragraph *a*; and

(c) other than for the purposes of subparagraph iv of subparagraph *b* of the first paragraph of section 905.0.6, an individual who is a qualifying family member in relation to the beneficiary if

i. at or before that time, the beneficiary has reached 18 years of age and is not a beneficiary under a disability savings plan,

ii. at that time, none of the persons described in subparagraphs ii and iii of paragraph *a* is legally authorized to act on behalf of the beneficiary, and

iii. in the issuer's opinion after reasonable inquiry, the beneficiary's contractual competence to enter into a disability savings plan at that time is in doubt;

"registered disability savings plan" means a disability savings plan that satisfies the conditions set out in section 905.0.5, but does not include a disability savings plan in respect of which any of sections 905.0.7, 905.0.8 and 905.0.20 applies;

"specified maximum amount", for a calendar year in respect of a disability savings plan, means the amount that is the greater of

(a) the amount determined by the formula in subparagraph *l* of the first paragraph of section 905.0.6 in respect of the plan for the calendar year; and

(b) the amount determined by the formula

A + B;

"specified year" for a disability savings plan of a beneficiary means a calendar year, other than an excluded year, that is either the particular calendar year in which a physician or specialized nurse practitioner licensed to practise under the laws of a province (or of the jurisdiction where the beneficiary resides) certifies in writing that the beneficiary's state of health is such that, in the professional opinion of the physician or specialized nurse practitioner, the beneficiary is not likely to survive more than five years, or

(a) if the plan is a specified disability savings plan, a year subsequent to the particular calendar year; or

(b) in any other case, any of the five calendar years following the particular calendar year.

In the formula in paragraph *b* of the definition of "specified maximum amount" in the first paragraph,

(a) A is 10% of the fair market value of the property held by the plan trust at the beginning of the calendar year (other than annuity contracts that, at the beginning of the calendar year, are not described in paragraph b of the definition of "qualified investment" in subsection 1 of section 146.4 of the Income Tax Act); and

(b) B is the aggregate of all amounts each of which is

i. a periodic payment under an annuity contract held by the plan trust at the beginning of the calendar year (other than an annuity contract described at the beginning of the calendar year in paragraph *b* of the definition of "qualified investment" in subsection 1 of section 146.4 of the Income Tax Act) that is paid to the plan trust in the calendar year, or

ii. if the periodic payment under an annuity contract described in subparagraph i is not made to the plan trust because the plan trust disposed of the right to that payment in the calendar year, an amount that is a reasonable estimate of that payment on the assumption that the annuity contract had been held by the plan trust throughout the calendar year and no rights under the contract were disposed of in the calendar year.

2009, c. 15, s. 168; 2010, c. 7, s. 212; 2011, c. 6, s. 178; 2012, c. 8, s. 143; 2013, c. 10, s. 71; 2015, c. 21, s. 336; 2017, c. 1, s. 255; 2019, c. 14, s. 279; 2020, c. 16, s. 135; 2021, c. 36, s. 92; 2024, c. 11, s. 89.

905.0.3.1. Any holder of a disability savings plan who was a qualifying person in relation to the beneficiary under the plan at the time the plan (or another registered disability savings plan of the beneficiary) was entered into solely because of the application of paragraph *c* of the definition of "qualifying person" in

the first paragraph of section 905.0.3 ceases to be a holder of the plan and the beneficiary becomes the holder of the plan if

(a) the beneficiary is determined to be contractually competent by a competent tribunal or other authority under the laws of a province or, in the issuer's opinion after reasonable inquiry, the beneficiary's contractual competence to enter into a disability savings plan is no longer in doubt; and

(b) the beneficiary notifies the issuer that the beneficiary chooses to become the holder of the plan.

2013, c. 10, s. 72; 2015, c. 21, s. 337.

905.0.3.2. If a particular person described in subparagraph ii or iii of paragraph *a* of the definition of "qualifying person" in the first paragraph of section 905.0.3 is appointed in respect of a beneficiary of a disability savings plan and a holder of the plan was a qualifying person in relation to the beneficiary at the time the plan (or another registered disability savings plan of the beneficiary) was entered into solely because of the application of paragraph *c* of that definition, the following rules apply:

(a) the particular person shall notify the issuer without delay of the person's appointment;

(b) the holder of the plan ceases to be a holder of the plan; and

(c) the particular person becomes the holder of the plan.

2013, c. 10, s. 72; 2015, c. 21, s. 338.

905.0.3.3. If a dispute arises as a result of a disability savings plan issuer's acceptance of a qualifying family member who was a qualifying person in relation to the beneficiary at the time the plan (or another registered disability savings plan of the beneficiary) was entered into solely because of the application of paragraph *c* of the definition of "qualifying person" in the first paragraph of section 905.0.3 as a holder of the plan, from the time the dispute arises until the time that the dispute is resolved or a person becomes the holder of the plan under section 905.0.3.1 or 905.0.3.2, the holder of the plan shall make every effort to avoid any reduction in the fair market value of the property held by the plan trust, having regard to the reasonable needs of the beneficiary under the plan.

2013, c. 10, s. 72; 2015, c. 21, s. 339.

905.0.3.4. If, after reasonable inquiry, an issuer of a disability savings plan is of the opinion that an individual's contractual competence to enter into a disability savings plan is in doubt, no judicial recourse may be exercised against the issuer for entering into a disability savings plan, under which the individual is the beneficiary, with a qualifying family member who was a qualifying person in relation to the beneficiary at the time the plan (or another registered disability savings plan of the beneficiary) was entered into solely because of the application of paragraph *c* of the definition of "qualifying person" in the first paragraph of section 905.0.3.

2013, c. 10, s. 72; 2015, c. 21, s. 340.

905.0.4. For the purposes of this Title, a contribution to a disability savings plan does not include, other than for the purposes of paragraph *b* of the definition of "disability savings plan" in the first paragraph of section 905.0.3,

(a) an amount paid into the plan under or because of the Canada Disability Savings Act (S.C. 2007, c. 35) or a designated provincial program;

(b) an amount paid into the plan under or because of any other program that has a similar purpose to a designated provincial program and that is funded, directly or indirectly, by a province, other than an amount paid into the plan by an entity described in subparagraph iii of paragraph *a* of the definition of "qualifying person" in the first paragraph of section 905.0.3 in its capacity as holder of the plan;

(c) an amount transferred to the plan in accordance with section 905.0.16; or

(d) other than for the purposes of subparagraphs *f* to *h* and *n* of the first paragraph of section 905.0.6,

i. an amount that is a specified RDSP payment as defined in subsection 1 of section 60.02 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), and

ii. an amount that is an accumulated income payment made to the plan under section 894.1.

2009, c. 15, s. 168; 2011, c. 6, s. 179; 2012, c. 8, s. 144; 2015, c. 21, s. 341.

905.0.4.1. If, in respect of a beneficiary under a registered disability savings plan, a physician or specialized nurse practitioner licensed to practise under the laws of a province (or of the jurisdiction where the beneficiary resides) certifies in writing that the beneficiary's state of health is such that, in the professional opinion of the physician or specialized nurse practitioner, the beneficiary is not likely to survive more than five years, the holder of the plan elects in prescribed form and provides the election and the certification of the physician or of the specialized nurse practitioner, as the case may be, in respect of the beneficiary under the plan to the issuer of the plan, and the issuer notifies the Minister of the election in a manner and format acceptable to the Minister, the plan becomes a specified disability savings plan at the time the notification is received by the Minister.

Unless the Minister decides otherwise, the conditions of the first paragraph are deemed to be met in relation to a registered disability savings plan when the conditions of subsection 1.1 of section 146.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) are met in relation to that plan and the Minister is deemed to have received the notification referred to in the first paragraph at the time the Minister responsible for the administration of the Canada Disability Savings Act (S.C. 2007, c. 35) receives the notification referred to in that subsection 1.1 in relation to that plan.

2012, c. 8, s. 145; 2019, c. 14, s. 280.

905.0.4.2. A plan ceases to be a specified disability savings plan at the earliest of the following times:

(a) the time that the Minister receives a notification, in a manner and format acceptable to the Minister, from the issuer that the holder of the plan elects that the plan is to cease to be a specified disability savings plan;

(b) the time that is immediately before the earliest time in a calendar year when the total disability assistance payments, other than non-taxable portions, made under the plan in the year and while it was a specified disability savings plan exceeds $10,000 or such greater amount as is required to satisfy the condition of subparagraph i of subparagraph *d*;

(c) the time that is immediately before the time that

i. a contribution is made to the plan,

ii. an amount described in paragraph *a* or *b* of section 905.0.4 or subparagraph ii of paragraph *d* of that section is paid into the plan,

iii. the plan is terminated,

iv. the plan ceases to be a registered disability savings plan as a result of the application of subparagraph *a* of the first paragraph of section 905.0.20, or

v. is the beginning of the first calendar year throughout which the beneficiary under the plan has no severe and prolonged impairment in mental or physical functions the effects of which are described in paragraph *a*.1 of subsection 1 of section 118.3 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)); and

(d) the time immediately following the end of a calendar year if

i. the total amount of disability assistance payments made from the plan in the year is less than the amount determined by the formula in subparagraph *l* of the first paragraph of section 905.0.6 in respect of the plan for the same year or such a lesser amount as is supported by the property of the plan trust, and

ii. the year is not the year in which the plan became a specified disability savings plan;

(e) (subparagraph repealed);

(f) (subparagraph repealed).

Unless the Minister decides otherwise, the Minister is deemed to have received the notification referred to in subparagraph *a* of the first paragraph, in relation to a disability savings plan, at the time the Minister responsible for the administration of the Canada Disability Savings Act (S.C. 2007, c. 35) receives the notification referred to in paragraph *a* of subsection 1.2 of section 146.4 of the Income Tax Act in relation to that plan.

2012, c. 8, s. 145; 2015, c. 21, s. 342.

905.0.4.3. If at a particular time, a plan has ceased to be a specified disability savings plan because of section 905.0.4.2, the holder of the plan may not make an election under section 905.0.4.1 until 24 months after that time.

2012, c. 8, s. 145.

905.0.4.4. The Minister may waive the application of section 905.0.4.2 or 905.0.4.3 if the Minister deems it is just and equitable to do so.

2012, c. 8, s. 145.

905.0.5. The conditions that must be satisfied for a disability savings plan of a beneficiary to be a registered disability savings plan are as follows:

(a) before the plan is entered into and following a written application to the Minister, the issuer of the plan has received written notification from the Minister that, in the Minister's opinion, a plan whose terms are identical to the plan would, if entered into by a person eligible to enter into a disability savings plan, comply with the conditions set out in section 905.0.6;

(b) at or before the time the plan is entered into, the issuer of the plan has been provided with the Social Insurance Number of the beneficiary under the plan and the Social Insurance Number or business number, as the case may be, of each person with which the issuer has entered into the plan; and

(c) at the time the plan is entered into, the beneficiary under the plan is resident in Canada, except that this condition does not apply if, at that time, the beneficiary is the beneficiary under another registered disability savings plan.

Unless the Minister decides otherwise, an issuer is considered to have satisfied the condition set out in subparagraph *a* of the first paragraph in respect of the plan if the issuer has received, in relation to the plan, a notification from the Minister of National Revenue in accordance with paragraph *a* of subsection 2 of section 146.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2009, c. 15, s. 168.

905.0.6. The conditions to which subparagraph *a* of the first paragraph of section 905.0.5 refers are as follows:

(a) the plan stipulates

i. that it is to be operated exclusively for the benefit of the beneficiary under the plan,

ii. that the designation of the beneficiary under the plan is irrevocable, and

iii. that no right of the beneficiary to receive payments from the plan is capable, either in whole or in part, of surrender or assignment;

(b) the plan allows a person to acquire rights as a successor or assignee of a holder of the plan only if the person is

i. the beneficiary under the plan,

ii. the beneficiary's succession,

iii. a holder of the plan at the time the rights are acquired,

iv. a qualifying person in relation to the beneficiary under the plan at the time the rights are acquired, or

v. an individual who is the father or mother of the beneficiary under the plan and was previously a holder of the plan;

(c) the plan provides that, if a person, other than a qualifying family member in relation to the beneficiary under the plan, who is a holder of the plan ceases to be a qualifying person in relation to the beneficiary under the plan at any time, the person ceases at that time to be a holder of the plan;

(d) the plan provides for there to be at least one holder of the plan at all times that the plan is in existence and may provide for the beneficiary under the plan or the beneficiary's succession to automatically acquire rights as a successor or assignee of a holder in order to ensure compliance with this requirement;

(e) the plan provides that, if a person becomes a holder of the plan after the plan is entered into, the person is prohibited, except to the extent otherwise permitted by the Minister or the Minister responsible for the administration of the Canada Disability Savings Act (S.C. 2007, c. 35), from exercising the person's rights as a holder of the plan until the issuer has been advised of the person having become a holder of the plan and been provided with the person's Social Insurance Number or business number;

(f) the plan prohibits contributions from being made to the plan at any time if

i. the beneficiary is not an individual eligible for the tax credit for severe and prolonged impairment in mental or physical functions for the taxation year that includes that time, unless the contribution is a specified RDSP payment within the meaning of subsection 1 of section 60.02 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in respect of the beneficiary, or

ii. the beneficiary died before that time;

(g) the plan prohibits a contribution from being made to the plan at any time if

i. the beneficiary reached 59 years of age before the calendar year that includes that time,

ii. the beneficiary is not resident in Canada at that time, or

iii. the total of the contribution and all other contributions made at or before that time to the plan or to any other registered disability savings plan of the beneficiary would exceed $200,000;

(h) the plan prohibits contributions to the plan by any person who is not a holder of the plan, except with the written consent of a holder of the plan;

(i) the plan provides that no payments may be made from the plan other than

i. disability assistance payments,

ii. a transfer in accordance with section 905.0.16, and

iii. repayments under the Canada Disability Savings Act or a designated provincial program;

(j) the plan prohibits a disability assistance payment from being made if it would result in the fair market value of the property held by the plan trust immediately after the payment being less than the assistance holdback amount in relation to the plan;

(k) the plan provides for lifetime disability assistance payments to begin to be paid no later than the end of the calendar year in which the beneficiary under the plan reaches 60 years of age or, if the plan is entered into in or after the calendar year, in the calendar year following the calendar year in which the plan is entered into;

(l) the plan provides that the total amount of lifetime disability assistance payments made in a calendar year, other than a specified year for the plan, must not exceed the amount determined by the formula

[A/(B + 3 - C)] + D;

(m) the plan stipulates whether or not disability assistance payments that are not lifetime disability assistance payments are to be permitted under the plan;

(n) the plan provides that when the total of all amounts paid under the Canada Disability Savings Act before the beginning of a calendar year to any registered disability savings plan of the beneficiary exceeds the total of all contributions made before the beginning of the calendar year to any registered disability savings plan of the beneficiary,

i. if the calendar year is not a specified year for the plan and the conditions of subparagraphs 1 and 2 of subparagraph ii of subparagraph *p* are not met in the year, the total amount of disability assistance payments made to the beneficiary under the plan in the year must not exceed the specified maximum amount for the year, except that, in calculating that total amount, a payment made following a transfer in the year from another plan in accordance with section 905.0.16 is to be disregarded if it is made

(1) to satisfy an undertaking described in paragraph *d* of section 905.0.16, or

(2) in lieu of a payment that could otherwise have been made under the other plan in the year had the transfer not occurred, and

ii. *(subparagraph repealed);*

iii. if the beneficiary under the plan reached 27 years of age, but not 59 years of age, before the calendar year, the beneficiary has the right to direct that, within the constraints imposed by subparagraph i and by subparagraph *j*, one or more disability assistance payments be made under the plan to the beneficiary in the year;

(n.1*)* the plan provides that, if the beneficiary under the plan reached 59 years of age before a calendar year, the total amount of disability assistance payments made to the beneficiary in the calendar year must not be less than the amount determined by the formula in subparagraph *l* in respect of the plan for the year or such lesser amount as is supported by the property of the plan trust;

(o) the plan provides that, at the direction of the holders of the plan, the issuer shall transfer all of the property held by the plan trust or an amount equal to its value to another registered disability savings plan of

the beneficiary, together with all information in its possession (other than information provided to the issuer of the other plan by the Minister responsible for the administration of the Canada Disability Savings Act) that may reasonably be considered necessary for compliance, in respect of the other plan, with the requirements of this Part and with any conditions and obligations under that Act; and

(p) the plan provides for any amounts remaining in the plan, after taking into consideration any repayments under the Canada Disability Savings Act or a designated provincial program, to be paid to the beneficiary under the plan or the beneficiary's succession, and for the plan to cease to exist, at or before the end of the calendar year following the earlier of

i. the calendar year in which the beneficiary under the plan dies, and

ii. the first calendar year in respect of which the following conditions are met:

(1) in the year, the holder of the plan has requested that the issuer terminate the plan, and

(2) throughout the year, the beneficiary has no severe and prolonged impairment in mental or physical functions the effects of which are described in paragraph *a*.1 of subsection 1 of section 118.3 of the Income Tax Act.

In the formula in subparagraph *l* of the first paragraph,

(a) A is the fair market value of the property held by the plan trust at the beginning of the calendar year, other than annuity contracts that, at the beginning of the calendar year, are not described in paragraph *b* of the definition of "qualified investment" in subsection 1 of section 146.4 of the Income Tax Act;

(b) B is the greater of 80 and the age in whole years of the beneficiary at the beginning of the calendar year;

(c) C is the age in whole years of the beneficiary at the beginning of the calendar year; and

(d) D is the aggregate of all amounts each of which is

i. a periodic payment under an annuity contract held by the plan trust at the beginning of the calendar year, other than an annuity contract described at the beginning of the calendar year in paragraph *b* of the definition of "qualified investment" in subsection 1 of section 146.4 of the Income Tax Act, that is paid to the plan trust in the calendar year, or

ii. if the periodic payment under an annuity contract described in subparagraph i is not made to the plan trust because the plan trust disposed of the right to that payment in the calendar year, an amount that is a reasonable estimate of that payment on the assumption that the annuity contract had been held throughout the calendar year by the plan trust and no rights under the contract were disposed of in the calendar year.

Where, at a particular time after 18 March 2019 and before 1 January 2021, a registered disability savings plan would otherwise be required to be terminated because of subparagraph ii of subparagraph *p* of the first paragraph, as it read at that time, or any terms of the plan provided because of that subparagraph ii, then despite that subparagraph ii or those terms, the plan is not required to be terminated before 1 January 2021, if

(a) the beneficiary of the plan has no severe and prolonged impairment in mental or physical functions the effects of which are described in paragraph *a*.1 of subsection 1 of section 118.3 of the Income Tax Act; or

(b) a valid election was made under subsection 4.1 of section 146.4 of the Income Tax Act, as it read immediately before 1 January 2021, and the election ceases to be valid after 18 March 2019 and before 1 January 2021 because of paragraph *b* of subsection 4.2 of section 146.4 of that Act, as it read immediately before 1 January 2021.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 4.1 of section 146.4 of the Income Tax Act to which subparagraph *b* of the third paragraph refers.

2009, c. 15, s. 168; 2011, c. 6, s. 180; 2013, c. 10, s. 73; 2015, c. 21, s. 343; 2020, c. 16, s. 136; 2021, c. 36, s. 93.

905.0.7. A disability savings plan is deemed never to have been a registered disability savings plan unless

(a) the issuer of the plan provides without delay notification of the plan's establishment in the prescribed form containing prescribed information to the Minister; and

(b) if the beneficiary is the beneficiary under another registered disability savings plan at the time the plan is established, that other plan is terminated without delay.

Unless the Minister decides otherwise, an issuer of a disability savings plan is considered to have notified the Minister in the manner specified in subparagraph *a* of the first paragraph, in relation to the plan, if the issuer has notified, in relation to the plan, the Minister responsible for the administration of the Canada Disability Savings Act (S.C. 2007, c. 35) in accordance with paragraph *a* of subsection 3 of section 146.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2009, c. 15, s. 168; 2015, c. 21, s. 344.

905.0.8. For the purposes of this Title, a disability savings plan that is deemed never to have been a registered disability savings plan because of paragraph *a* or *b* of subsection 3 of section 146.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) is deemed never to have been a registered disability savings plan.

2009, c. 15, s. 168.

CHAPTER II

TAX

2009, c. 15, s. 168.

905.0.9. No tax is payable under this Part by a trust on its taxable income for a taxation year if, throughout the period of the year in which the trust is in existence, the trust is governed by a registered disability savings plan.

2009, c. 15, s. 168.

905.0.10. Despite section 905.0.9, a trust governed by a registered disability savings plan shall pay tax under this Part on its taxable income for a taxation year if the trust

(a) has borrowed money in the year; or

(b) has borrowed money in a preceding taxation year and has not repaid it before the beginning of the year.

2009, c. 15, s. 168.

905.0.11. If section 905.0.10 does not apply, a trust governed by a registered disability savings plan that carries on a business in a taxation year shall, despite section 905.0.9, pay tax under this Part on the amount that its taxable income for the year would be if it had no incomes or losses from sources other than that business.

2009, c. 15, s. 168.

905.0.12. If section 905.0.10 does not apply and a trust governed by a registered disability savings plan holds, in a taxation year, a property that is not a qualified investment (within the meaning assigned to that

expression by subsection 1 of section 146.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for the trust, the trust shall, despite section 905.0.9, pay tax under this Part on the amount that its taxable income for the year would be if it had no incomes or losses from sources other than properties that are not qualified investments for the trust and no capital gains or capital losses other than from the disposition of such properties.

2009, c. 15, s. 168; 2012, c. 8, s. 146; 2020, c. 16, s. 137.

905.0.13. For the purposes of sections 905.0.11 and 905.0.12, the following rules apply:

(a) a trust's income includes the dividends described in sections 501 to 503;

(b) the trust's taxable capital gain or allowable capital loss from the disposition of a property is equal to the capital gain or capital loss, as the case may be, from the disposition of the property; and

(c) the trust's income is computed without reference to paragraph *a* of section 657.

2009, c. 15, s. 168; 2024, c. 11, s. 90.

CHAPTER III

AMOUNT TO BE INCLUDED

2009, c. 15, s. 168.

905.0.14. If a disability assistance payment is made under a registered disability savings plan of a beneficiary, the amount by which the amount of the payment exceeds the non-taxable portion of the payment must be included,

(a) if the beneficiary is alive at the time the payment is made, in computing the beneficiary's taxable income for the taxation year in which the payment is made; and

(b) if the beneficiary is deceased at the time the payment is made, in computing the taxable income of the beneficiary's succession for the succession's taxation year in which the payment is made.

2009, c. 15, s. 168.

905.0.15. The non-taxable portion of a disability assistance payment made at a particular time under a registered disability savings plan of a beneficiary is the lesser of the amount of the disability assistance payment and the amount determined by the formula

$$A \times B / C + D$$

In the formula in the first paragraph,

(a) A is the amount of the disability assistance payment;

(b) B is the amount by which the aggregate of all amounts each of which is the amount of a contribution made before the particular time to any registered disability savings plan of the beneficiary exceeds the aggregate of all amounts each of which would be the non-taxable portion of a disability assistance payment made before the particular time under any registered disability savings plan of the beneficiary if the formula in the first paragraph were read without reference to D;

(c) C is the amount by which the fair market value of the property held by the plan trust immediately before the disability assistance payment exceeds the assistance holdback amount in relation to the plan;

(d) D is an amount in respect of which a holder of the plan pays a tax under section 207.05 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in relation to the plan, or another plan for which the plan was substituted by the holder, that

i. has not been waived, cancelled or refunded, and

ii. has not otherwise been used in the year or a preceding year in computing the non-taxable portion of a disability assistance payment made under the plan or another plan for which the plan was substituted.

2009, c. 15, s. 168; 2011, c. 6, s. 181; 2020, c. 16, s. 138.

905.0.16. An amount is transferred from a registered disability savings plan (in this section referred to as the "prior plan") of a beneficiary in accordance with this section if

(a) the amount is transferred directly to another registered disability savings plan (in this section referred to as the "new plan") of the beneficiary;

(b) the prior plan ceases to exist immediately after the transfer;

(c) the issuer of the prior plan provides the issuer of the new plan with all information in its possession concerning the prior plan (other than information provided to the issuer of the new plan by the Minister responsible for the administration of the Canada Disability Savings Act (S.C. 2007, c. 35)) as may reasonably be considered necessary for compliance, in respect of the new plan, with the requirements of this Part and the issuer of the new plan confirms that it has in its possession all information provided by the issuer of the prior plan and by that Minister that is necessary for the purposes of paragraph *c* of subsection 8 of section 146.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)); and

(d) if the beneficiary reached 59 years of age before the calendar year in which the transfer occurs, the issuer of the new plan undertakes to make—in addition to any other disability assistance payments that would otherwise have been made under the new plan in the year—one or more disability assistance payments under the plan in the year, the total of which is equal to the amount by which the total amount of disability assistance payments that would have been required to be made under the prior plan in the year if the transfer had not occurred exceeds the total amount of disability assistance payments made under the prior plan in the year.

2009, c. 15, s. 168; 2015, c. 21, s. 345.

905.0.17. An amount transferred in accordance with section 905.0.16 is not, solely because of that transfer, to be included in computing the income of a taxpayer.

2009, c. 15, s. 168.

CHAPTER IV

NON-COMPLIANT PLAN

2009, c. 15, s. 168.

905.0.18. A registered disability savings plan is non-compliant, at any time, if at that time

(a) it fails to comply with a condition set out in section 905.0.6;

(b) there is a failure to administer the plan in accordance with its terms, other than those terms which the plan is required by subparagraph i of subparagraph *a* of the first paragraph of section 905.0.6 to stipulate; and

(c) a person fails to comply with conditions or obligations imposed, with respect to the plan, under the Canada Disability Savings Act (S.C. 2007, c. 35), and the Minister responsible for that Act is of the opinion that it is appropriate that the plan be considered to be non-compliant because of the failure in accordance with paragraph *c* of subsection 11 of section 146.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2009, c. 15, s. 168.

905.0.19. If, but for this section, a registered disability savings plan would be non-compliant at a particular time because of a failure described in paragraph *a* or *b* of section 905.0.18,

(a) the Minister may waive the application of either paragraph with respect to the failure, if it is just and equitable to do so;

(b) the Minister may deem the failure to have occurred at a later time;

(c) if the failure consists of the making of a contribution that is prohibited under any of subparagraphs *f* to *h* of the first paragraph of section 905.0.6, an amount equal to the amount of the contribution has been withdrawn from the plan within such period as is specified by the Minister and the Minister has approved the application of this paragraph with respect to the failure, the following rules apply:

i. the contribution is deemed never to have been made, and

ii. the withdrawal is deemed not to be a disability assistance payment and not to be in contravention of the condition set out in subparagraph *i* of the first paragraph of section 905.0.6; or

(d) if the failure consists of the plan not being terminated within the period specified in subparagraph *p* of the first paragraph of section 905.0.6 and was due either to the issuer not being aware of the circumstances under which the plan ceases to exist or to some uncertainty as to the existence of those circumstances, the Minister may specify a later date on or before which it is reasonable to consider that the plan ceases to exist in an orderly manner and, for the purposes of paragraphs *a* and *b* of section 905.0.18, subparagraph *p* of the first paragraph of section 905.0.6 and the plan terms are to be read as though they required the plan to cease to exist at the date so specified.

2009, c. 15, s. 168.

905.0.20. If, at a particular time, a registered disability savings plan is non-compliant under section 905.0.18, the following rules apply:

(a) the plan ceases, at that particular time, to be a registered disability savings plan, other than for the purpose of applying, at that particular time, section 905.0.18 and this section;

(b) a disability assistance payment is deemed to have been made under the plan at the time (in this section referred to as the "relevant time") immediately before the particular time to the beneficiary under the plan or, if the beneficiary is deceased at the relevant time, to the beneficiary's succession, the amount of which payment is equal to the amount by which the fair market value of the property held by the plan trust at the relevant time exceeds the assistance holdback amount in relation to the plan; and

(c) if the plan is non-compliant because of a payment that is not in accordance with subparagraph *j* of the first paragraph of section 905.0.6, a disability assistance payment the amount of which is equal to the amount determined in the second paragraph and the non-taxable portion of which is deemed to be nil, is deemed to have been made under the plan at the relevant time—in addition to the payment deemed by subparagraph *b* to have been made—to the beneficiary under the plan or, if the beneficiary is deceased at the relevant time, to the beneficiary's succession.

The amount to which subparagraph *c* of the first paragraph refers is equal to the amount by which the lesser of the assistance holdback amount in relation to the plan and the fair market value of the property held

by the plan trust at the relevant time exceeds the fair market value of the property held by the plan trust immediately after the particular time.

2009, c. 15, s. 168.

905.0.21. The issuer of a registered disability savings plan shall,

(a) if a person becomes a holder of the plan after the plan is entered into, so notify the Minister in the prescribed form containing prescribed information on or before the day that is 60 days after the day on which the issuer is notified that the person has become a holder of the plan or, if it is later, the day on which the issuer is provided with the new holder's Social Insurance Number or business number;

(b) not amend the plan before having received a written notice from the Minister that, in the Minister's opinion, a plan whose terms are identical to the amended plan would, if entered into by a person eligible to enter into a disability savings plan, comply with the conditions set out in the first paragraph of section 905.0.6;

(c) notify the Minister in writing on or before the day that is 30 days after the day on which the issuer becomes aware that the plan is, or is likely to become, non-compliant, as determined without reference to paragraph *c* of section 905.0.18 and section 905.0.19;

(d) (paragraph repealed);

(e) if the issuer enters into the plan with a qualifying family member who was a qualifying person in relation to the beneficiary under the plan at the time the plan (or another registered disability savings plan of the beneficiary) was entered into solely because of the application of paragraph *c* of the definition of "qualifying person" in the first paragraph of section 905.0.3,

i. so notify the beneficiary under the plan without delay in writing and include in the notification information setting out the circumstances in which the holder of the plan may be replaced under section 905.0.3.1 or 905.0.3.2, and

ii. collect and use any information provided by the holder of the plan that is relevant to the administration and operation of the plan.

Unless the Minister decides otherwise, an issuer is considered to have satisfied the obligation imposed under subparagraph *b* of the first paragraph in respect of the amended plan if the issuer has received, in relation to the plan, a notice from the Minister of National Revenue in accordance with paragraph *a* of subsection 2 of section 146.4 of the Income Tax Act.

2009, c. 15, s. 168; 2013, c. 10, s. 74; 2015, c. 21, s. 346; 2020, c. 16, s. 139.

TITLE IV

REGISTERED RETIREMENT SAVINGS PLANS

1972, c. 23.

CHAPTER I

INTERPRETATION AND REGISTRATION

1972, c. 23; 1980, c. 13, s. 75.

905.1. In this Title,

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

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

ii. an amount received by the person with whom the annuitant entered into a contract or arrangement contemplated in the definition of "retirement savings plan" in subsection 1 of section 146 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) as a premium under the plan,

ii.1. an amount in respect of which the annuitant pays a tax under Part XI.01 of the Income Tax Act, unless the tax is waived, cancelled or refunded,

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

iv. a tax-paid amount described in subparagraph ii of paragraph *c*.1 that relates to interest or to another amount included in computing income otherwise than because of any of the provisions of this Title;

(b) "annuitant" means, until such time after the date provided for the first payment of benefits as his spouse becomes entitled, as a consequence of his death, to receive benefits to be paid out of or under the plan, the individual referred to in the definition of "retirement savings plan" in subsection 1 of section 146 of the Income Tax Act for whom, under a retirement savings plan, a retirement income is to be provided, and, after the individual's death, his spouse;

(c) "issuer" means the person referred to in the definition of "retirement savings plan" in subsection 1 of section 146 of the Income Tax Act with whom an annuitant has a contract or arrangement that is a retirement savings plan;

(c.1*)* "tax-paid amount", in respect of a registered retirement savings plan, means

i. an amount paid to a person in respect of the amount that would, if this Part were read without reference to paragraph *a* of section 657 and section 657.1, be income of a trust governed by the plan for a taxation year for which the trust is subject to tax under this Part because of section 921.1, or

ii. where the plan is a deposit with a depositary referred to in clause B of subparagraph iii of paragraph *b* of the definition of "retirement savings plan" in subsection 1 of section 146 of the Income Tax Act, and an amount is received at any time out of or under the plan by a person, the portion of the amount that may reasonably be considered to relate to interest or another amount in respect of the deposit that is required to be included in computing the income of any person, other than the annuitant, otherwise than because of any of the provisions of this Title;

(d) (paragraph repealed);

(e) "premium" has the meaning assigned by subsection 1 of section 146 of the Income Tax Act;

(f) "spousal plan", in relation to an individual, means

i. a registered retirement savings plan

(1) to which the individual has paid a premium at a time when his spouse was the annuitant under the plan, or

(2) that has received a payment out of or a transfer from a registered retirement savings plan or a registered retirement income fund that was a spousal plan in relation to the individual, or

ii. a registered retirement income fund that has received a payment out of or a transfer from a spousal plan in relation to the individual;

(g) "retirement income" has the meaning assigned by subsection 1 of section 146 of the Income Tax Act.

1980, c. 13, s. 76; 1984, c. 15, s. 195; 1986, c. 15, s. 130; 1988, c. 18, s. 71; 1991, c. 25, s. 113; 1995, c. 49, s. 197; 2000, c. 5, s. 209; 2001, c. 53, s. 187; 2005, c. 1, s. 198; 2012, c. 8, s. 147.

905.1.1. For the purposes of this Title and paragraph *a* of sections 462.24, 935.3 and 935.14, a contribution made by an individual to an account of the individual, or of the individual's spouse, under a specified pension plan is deemed to be a premium paid by the individual to a registered retirement savings plan under which the individual, or the individual's spouse, as the case may be, is the annuitant.

2013, c. 10, s. 75.

905.1.2. For the purposes of section 133.4, subparagraph i of paragraph *a* of the definition of "excluded right or interest" in section 785.0.1, subparagraph *d* of the first paragraph of section 890.0.1, sections 913 and 924.0.1, paragraph *b* of the definition of "excluded premium" in the first paragraph of section 935.1, paragraph *c* of the definition of "excluded premium" in the first paragraph of section 935.12, subparagraph *b* of the second paragraph of section 961.17, Chapter III of Title VI.0.1 and paragraph *c* of section 965.0.35, an individual's account under a specified pension plan is deemed to be a registered retirement savings plan under which the individual is the annuitant.

2013, c. 10, s. 75; 2015, c. 21, s. 347.

905.1.3. For the purposes of sections 924.1, 931.1, 931.3 and 931.5, a payment received by an individual from a specified pension plan is deemed to be a payment received by the individual from a registered retirement savings plan.

2013, c. 10, s. 75.

905.2. Paragraph *d* of section 905.1, as limited in its application by subsection 2 of section 71 of the Act to again amend the Taxation Act and other fiscal legislation (1988, chapter 18), applies from 1 January 1989 only for the purposes of sections 923.1 to 923.2.1.

1991, c. 25, s. 114.

905.3. *(Repealed).*

1991, c. 25, s. 114; 1994, c. 22, s. 286.

906. *(Repealed).*

1972, c. 23, s. 669; 1991, c. 25, s. 115.

907. *(Repealed).*

1972, c. 23, s. 670; 1972, c. 26, s. 64; 1975, c. 21, s. 20; 1979, c. 18, s. 60; 1982, c. 5, s. 154; 1988, c. 18, s. 72; 1991, c. 25, s. 115.

908. In this Title, a refund of premiums means any amount paid out of or under a registered retirement savings plan by reason of the death of the annuitant under the plan, other than a tax-paid amount in respect of the plan, to

(a) the individual who, immediately before the death of the annuitant, was the spouse of the annuitant, where the annuitant died before the date provided for the first payment of benefits; or

(b) the child or grandchild of the annuitant who was, immediately before the death of the annuitant, financially dependent on the annuitant for support.

For the purposes of subparagraph *b* of the first paragraph, a child or grandchild of the annuitant is deemed not to be financially dependent on the annuitant at the time of the death of the annuitant if the child's or grandchild's income, for the taxation year preceding the taxation year in which the annuitant died, was greater than the amount determined under the formula provided for in subsection 1.1 of section 146 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for that preceding year.

1972, c. 23, s. 671; 1977, c. 26, s. 95; 1979, c. 18, s. 61; 1980, c. 13, s. 77; 1984, c. 15, s. 196; 1986, c. 15, s. 131; 1988, c. 18, s. 73; 1989, c. 5, s. 158; 1991, c. 25, s. 116; 1993, c. 64, s. 96; 1995, c. 49, s. 198; 2000, c. 5, s. 210; 2001, c. 53, s. 188; 2004, c. 8, s. 171; 2005, c. 1, s. 199.

909. *(Repealed).*

1972, c. 23, s. 672; 1979, c. 18, s. 62; 1980, c. 13, s. 78; 1988, c. 18, s. 74; 1991, c. 25, s. 117.

910. *(Repealed).*

1972, c. 23, s. 673; 1977, c. 26, s. 96; 1979, c. 18, s. 63; 1980, c. 13, s. 79; 1984, c. 15, s. 197; 1988, c. 18, s. 75; 1991, c. 25, s. 117.

910.1. *(Repealed).*

1982, c. 5, s. 155; 1991, c. 25, s. 117.

911. *(Repealed).*

1972, c. 23, s. 674; 1972, c. 26, s. 65; 1979, c. 18, s. 64; 1980, c. 13, s. 80; 1984, c. 15, s. 198; 1987, c. 67, s. 167; 1988, c. 18, s. 76; 1991, c. 25, s. 117.

912. *(Repealed).*

1972, c. 23, s. 675; 1991, c. 25, s. 117.

913. The rules set out in the second paragraph apply where a registered retirement savings plan is revised or amended at any time to provide for the payment or transfer, before the date provided for the first payment of benefits, of any property under the plan by the issuer on behalf of the annuitant under the plan (in this section referred to as the "transferor"),

(a) to a registered pension plan for the benefit of the transferor or to a registered retirement savings plan or registered retirement income fund under which the transferor is the annuitant;

(b) to a licensed annuities provider to acquire an advanced life deferred annuity for the benefit of the transferor;

(c) to a registered retirement savings plan or registered retirement income fund under which the transferor's spouse or former spouse is the annuitant, where the transferor and the transferor's spouse or former spouse are living separate and apart and the payment or transfer is made under a decree, order or judgment of a competent tribunal, or under a written separation agreement, relating to a partition of property between the transferor and the transferor's spouse or former spouse in settlement of rights arising out of, or on the breakdown of, their marriage; or

(d) to a first home savings account for the benefit of the transferor, provided that section 931.1 would not apply in respect of an amount, in respect of the property, if the property were received by the transferor as a benefit out of or under the registered retirement savings plan.

The rules to which the first paragraph refers are as follows:

(a) the amount paid or transferred on behalf of the transferor must not, by reason only of such payment or transfer, be included in computing the income of the transferor or the transferor's spouse or former spouse; and

(b) no deduction may be made in computing the income of any individual under Chapter III of Title II of Book III or Title IV.4 in respect of the amount so paid or transferred.

1972, c. 23, s. 676; 1972, c. 26, s. 66; 1977, c. 26, s. 97; 1979, c. 18, s. 65; 1980, c. 13, s. 81; 1984, c. 15, s. 199; 1988, c. 18, s. 77; 1991, c. 25, s. 118; 1994, c. 22, s. 287; 1995, c. 49, s. 236; 1997, c. 14, s. 290; 2022, c. 23, s. 81; 2023, c. 19, s. 97.

914. Where a registered retirement savings plan is revised, amended or, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), deemed to have been amended under subsection 13.2 of section 146 of that Act, or where another plan is substituted therefor and the resultant plan is deemed, under subsection 12 of that section 146, not to be a registered retirement savings plan for the purposes of that Act, the following rules apply:

(a) the new plan is deemed, for the purposes of this Part, not to be a registered retirement savings plan, and

(b) the individual who was the annuitant under the plan before such operation shall, in computing his income for the taxation year in which the operation took place, include as income received at the time of that operation, an amount equal to the fair market value of all the property of the plan immediately before that time.

1972, c. 23, s. 677; 1977, c. 26, s. 98; 1978, c. 26, s. 168; 1988, c. 18, s. 78; 1991, c. 25, s. 118; 1998, c. 16, s. 212.

914.1. *(Repealed).*

1984, c. 15, s. 200; 1991, c. 25, s. 119.

915. For the purposes of section 914, an arrangement under which the payment of an amount is made on the security of a right under the plan or which provides for the release or extinction, in whole or in part, of a right or obligation under a registered retirement savings plan, either in exchange or substitution for any right or obligation, or otherwise, except an arrangement the sole object and effect of which is to revise or amend the plan is deemed to be another plan substituted for a registered retirement savings plan.

1972, c. 23, s. 678.

915.1. *(Repealed).*

1979, c. 18, s. 66; 1980, c. 13, s. 82; 1988, c. 18, s. 79.

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

However, the annuitant contemplated in the first paragraph may deduct from the amount he is deemed to have received under that paragraph an amount not exceeding the amount determined by the formula

$$A \times \{1 - [(B + C - D) / (B + C)]\}.$$

For the purposes of the formula in the second paragraph,

(a) A is the aggregate of

i. all refunds of premiums in respect of the plan,

ii. all tax-paid amounts in respect of the plan paid to individuals who, otherwise than because of section 930, received refunds of premiums in respect of the plan, and

iii. all amounts each of which is a tax-paid amount in respect of the plan paid to the legal representative of the annuitant under the plan, to the extent that the legal representative would have been entitled to designate that tax-paid amount under section 930 if tax-paid amounts were not excluded in determining refunds of premiums;

(b) B is the fair market value of the property of the plan at the particular time that is the later of the end of the first calendar year that begins after the death of the annuitant and the time immediately after the last time that any refund of premiums in respect of the plan is paid out of or under the plan;

(c) C is the aggregate of all amounts paid out of or under the plan after the death of the annuitant and before the particular time; and

(d) D is the lesser of the fair market value of the property of the plan at the time of the annuitant's death and the aggregate of all amounts determined in respect of the plan under paragraphs *b* and *c*.

1979, c. 18, s. 66; 1980, c. 13, s. 83; 1995, c. 49, s. 199; 2000, c. 5, s. 211.

915.3. *(Repealed).*

1979, c. 18, s. 66; 1988, c. 18, s. 79.

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

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

1980, c. 13, s. 84; 2001, c. 53, s. 189.

916. *(Repealed).*

1972, c. 23, s. 679; 1991, c. 25, s. 120.

917. Notwithstanding any other provision of this Title, an amount received in a taxation year as a benefit under a registered retirement savings plan which was not, at the end of the year in which the plan started, a registered retirement savings plan, is deemed to have been received in the year otherwise than as a benefit or other payment under a registered retirement savings plan, except for any prescribed part.

1972, c. 23, s. 680; 1982, c. 5, s. 156; 1991, c. 25, s. 121.

917.1. Where, at any particular time, an amount is credited or added to a deposit with a depositary referred to in subparagraph iii of paragraph *b* of the definition of "retirement savings plan" in subsection 1 of section 146 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) as interest or other income in respect of the deposit and the deposit is, at that time, a registered retirement savings plan the annuitant under which was alive during the calendar year in which the amount is credited or added or during

the preceding calendar year, the amount is deemed not to be received by the annuitant or any other person solely because of the crediting or adding.

1991, c. 25, s. 122; 1995, c. 49, s. 200.

918. *(Repealed).*

1977, c. 26, s. 99; 1988, c. 18, s. 80; 1991, c. 25, s. 123.

CHAPTER II

TAX

1972, c. 23.

919. No tax is payable by a trust under this Part for a taxation year if throughout the period of the year during which it is in existence it is governed by a registered retirement savings plan.

1972, c. 23, s. 681; 1975, c. 22, s. 224.

920. (1) Notwithstanding section 919, a trust contemplated therein must pay tax under this Part on its taxable income for a taxation year if it borrows money in the year or has, since 18 June 1971, borrowed money which it has not repaid before the beginning of the year.

(2) The rule provided for in subsection 1 does not apply in the case of borrowed money used in carrying on a business.

1972, c. 23, s. 682; 1995, c. 49, s. 201.

921. Where section 920 does not apply, a trust governed by a registered retirement savings plan that carries on a business in a taxation year must, notwithstanding section 919, pay tax under this Part on the amount by which the amount that its taxable income for the year would be if it had no incomes or losses from sources other than that business, exceeds such portion of the taxable income as can reasonably be considered to be income from, or from the disposition of, qualified investments within the meaning of subsection 1 of section 146 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1972, c. 23, s. 683; 1995, c. 49, s 202.

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

1980, c. 13, s. 85; 1995, c. 49, s. 202.

921.2. Despite section 919, where, in a taxation year, a trust governed by a registered retirement savings plan holds a property that is a non-qualified investment for the purposes of subsection 10.1 of section 146 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), tax is payable under this Part by the trust on the amount that its taxable income for the year would be if it had no incomes or losses from sources other than non-qualified investments and no capital gains or capital losses other than from dispositions of non-qualified investments.

1987, c. 67, s. 168; 1991, c. 25, s. 124; 2012, c. 8, s. 148.

921.3. For the purposes of section 921.2,

(a) the income of a trust includes dividends described in sections 501 to 503;

(b) the first paragraph of section 231 shall be interpreted as if the taxable capital gain or the allowable capital loss represented the total capital gain or total capital loss, as the case may be, resulting from the disposition of a property.

1987, c. 67, s. 168; 1990, c. 59, s. 326.

CHAPTER III

DEDUCTIONS

1972, c. 23.

922. An individual may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 5 of section 146 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), is allowed as a deduction for the year in computing his income for the purposes of the said Act.

1972, c. 23, s. 684; 1974, c. 18, s. 29; 1975, c. 22, s. 225; 1976, c. 18, s. 15; 1977, c. 26, s. 100; 1982, c. 5, s. 157; 1984, c. 15, s. 201; 1988, c. 18, s. 81; 1991, c. 25, s. 125.

922.1. An individual may deduct in computing the individual's income for a taxation year, the amount by which the amount that the individual designates for the year under subsection 3 of section 146.01 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) exceeds the amount that the individual designates for the year under section 935.3, to the extent that the excess may reasonably be considered to be paid as reimbursement of an amount that is an eligible amount as defined in subsection 1 of that section 146.01 and that was included, because of the application of section 929, in computing the individual's income for the taxation year in which it was received by the individual.

No individual may benefit from the deduction provided for in the first paragraph unless the individual encloses, with the fiscal return the individual is required to file under section 1000 for the year, a copy of the document the individual is required to file with the Minister of Revenue of Canada under subsection 3 of section 146.01 of the Income Tax Act of Canada.

2001, c. 53, s. 190.

923. An individual may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 5.1 of section 146 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), is allowed as a deduction for the year in computing his income for the purposes of the said Act.

1975, c. 21, s. 21; 1977, c. 26, s. 101; 1991, c. 25, s. 125.

923.0.1. If an individual's entitlement to benefits under a defined benefit provision of a registered pension plan is transferred, after 28 February 2009 and before 1 January 2011, in accordance with section 965.0.8, there may be deducted in computing the individual's income for a taxation year that ends on or after the day on which the transfer was made, in respect of a premium paid by the individual to a registered retirement savings plan under which the individual is the annuitant, the amount that is allowed as a deduction for the year in computing the individual's income for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) under subsection 5.2 of section 146 of that Act.

A premium referred to in the first paragraph that is paid before 1 January 2013 is deemed, if the individual makes a valid election under subsection 5.201 of section 146 of the Income Tax Act, in respect of the premium, to have been paid in the taxation year in which the transfer referred to in that paragraph was made and not in the taxation year in which it was actually paid.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 5.201 of section 146 of the Income Tax Act.

2013, c. 10, s. 76.

923.1. *(Repealed).*

1986, c. 15, s. 132; 1987, c. 67, s. 169.

923.2. *(Repealed).*

1986, c. 15, s. 132; 1986, c. 19, s. 170; 1987, c. 67, s. 169.

923.2.1. *(Repealed).*

1986, c. 19, s. 171; 1987, c. 67, s. 169.

923.3. *(Repealed).*

1986, c. 15, s. 132; 1987, c. 67, s. 169.

923.4. *(Repealed).*

1991, c. 25, s. 126; 1999, c. 83, s. 124.

923.5. An individual may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 6.1 of section 146 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), is allowed as a deduction for the year in computing his income for the purposes of the said Act.

1991, c. 25, s. 126.

924. An individual may deduct, in computing his income for a taxation year, the amount that, by virtue of subsection 8.2 of section 146 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), is allowed as a deduction for the year in computing his income for the purposes of the said Act.

1977, c. 26, s. 102; 1984, c. 15, s. 202; 1988, c. 18, s. 82; 1991, c. 25, s. 127.

924.0.1. Where, at any time in a taxation year, an individual has received a payment from a registered retirement savings plan or a registered retirement income fund in respect of all or any portion of a premium paid by the individual to a registered retirement savings plan and the payment has been deducted in computing the income of the individual for the year under section 924, the premium or portion thereof, as the case may be, is deemed, for the purposes of sections 931.1 and 961.17.0.1, after that time, not to have been a premium paid by the individual to a registered retirement savings plan.

1991, c. 25, s. 128.

924.1. Where, in respect of an amount required at any time in a taxation year to be included in computing the income of the spouse of an individual, all or part of a premium is, by virtue of section 931.1, included in computing the individual's income for the year, the following rules apply:

(a) the premium or part thereof, as the case may be, is deemed, for the purposes of sections 931.1 and 961.17.0.1, after that time, not to have been a premium paid to a registered retirement savings plan under which the individual's spouse is the annuitant;

(b) an amount equal to the premium or part thereof, as the case may be, may be deducted in computing the income of the spouse for the year.

1988, c. 18, s. 82; 1991, c. 25, s. 129.

924.2. If an individual who is an annuitant under a registered retirement savings plan dies before the date provided for the first payment of benefits under the plan, there may be deducted in computing the individual's income for the taxation year in which the individual dies an amount not exceeding the amount determined, after all amounts payable under the plan have been paid, by the formula

A - B.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is

i. the amount deemed by the first paragraph of section 915.2 to have been received by the individual as a benefit out of or under the plan,

ii. an amount (other than an amount described in subparagraph iii) received, after the death of the individual, by another individual as a benefit out of or under the plan and included under section 929 in computing the other individual's income, or

iii. a tax-paid amount in respect of the plan; and

(b) B is the aggregate of all amounts paid out of or under the plan after the death of the individual who is the annuitant.

2010, c. 5, s. 90.

924.3. Unless the Minister has waived in writing the application of this section with respect to all or any portion of the amount determined in section 924.2, that section does not apply in respect of an individual who is an annuitant under a registered retirement savings plan if

(a) after the death of the individual, a trust governed by the plan held an investment that was a non-qualified investment for the purposes of section 146 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)); or

(b) the last payment out of or under the plan was made after the end of the year following the year in which the individual died.

2010, c. 5, s. 90.

925. *(Repealed).*

1972, c. 23, s. 685; 1973, c. 17, s. 108; 1975, c. 21, s. 22; 1984, c. 15, s. 203; 1988, c. 18, s. 83; 1990, c. 7, s. 80; 1991, c. 25, s. 130.

926. *(Repealed).*

1972, c. 23, s. 686; 1978, c. 26, s. 169; 1988, c. 18, s. 84; 1991, c. 25, s. 131; 2012, c. 8, s. 149.

927. *(Repealed).*

1972, c. 23, s. 687; 1991, c. 25, s. 131; 2012, c. 8, s. 149.

928. (1) Where, in a taxation year, a loan for which a trust governed by a registered retirement savings plan has used or permitted to be used trust property as security ceases to be extant and the fair market value of the property so used was included, under section 933, in computing the income of the individual who is the annuitant under the plan, the individual may deduct, in computing his income for the year, the amount by which the amount so included in computing his income in consequence of the trust's using or permitting to be used the property as security for the loan exceeds the net loss sustained by the trust in consequence of its using or permitting to be used the property as security for the loan.

(2) The loss contemplated in subsection 1 does not however include payments made by the trust as interest or a change in the fair market value of the property.

1972, c. 23, s. 688; 1991, c. 25, s. 132.

CHAPTER IV

INCLUDED AMOUNTS

1972, c. 23.

929. An individual shall include in computing the individual's income for a taxation year an amount received by the individual in the year as a benefit out of or under a registered retirement savings plan, other than an amount included under section 914 in computing the individual's income and an excluded withdrawal, as defined in the first paragraph of section 935.1 or 935.12, in respect of the individual.

1972, c. 23, s. 689; 1975, c. 22, s. 226; 1978, c. 26, s. 170; 1988, c. 18, s. 85; 1991, c. 25, s. 133; 1994, c. 22, s. 288; 2001, c. 53, s. 191.

929.1. Notwithstanding sections 1010 to 1011, if a designated withdrawal, as defined in the first paragraph of section 935.1, or an amount referred to in paragraph *a* of the definition of "eligible amount" in the first paragraph of section 935.12 is received by an individual in a taxation year and, at any time after that year, it is determined that the amount is not an excluded withdrawal, as defined in the first paragraph of section 935.1 or 935.12, such assessment, reassessment or additional assessment of tax, interest and penalties shall be made by the Minister as is necessary to give effect to the determination.

1994, c. 22, s. 289; 2001, c. 53, s. 192.

930. If an amount paid out of or under a registered retirement savings plan is received by the legal representative of a deceased individual who was an annuitant under the plan and that amount would have been a refund of premiums had it been paid under the plan to an individual who is a beneficiary, within the meaning of the second paragraph of section 646, of the annuitant's succession, that amount is, to the extent that it is so designated jointly by the legal representative and the individual in the prescribed form filed with the Minister, deemed to be received by the individual and not by the legal representative, at the time it is so received by the legal representative, as a benefit that is a refund of premiums.

1973, c. 17, s. 109; 1980, c. 13, s. 86; 1988, c. 18, s. 85; 1998, c. 16, s. 251; 2001, c. 53, s. 193; 2009, c. 15, s. 169.

931. *(Repealed).*

1973, c. 17, s. 109; 1980, c. 13, s. 87.

931.1. Where, at any time in a taxation year, a particular amount in respect of a registered retirement savings plan that is a spousal plan in relation to an individual is required, by reason of section 914 or 929, to be included in computing the income of the individual's spouse before the date provided for the first payment of benefits under the plan or as a payment in full or partial commutation of a retirement income under the plan and the individual is not an individual who is living apart from his spouse at that time because of the breakdown of their marriage, the individual shall include at that time, in computing his income for the year, the lesser of the following amounts:

(a) the aggregate of all amounts each of which is a premium paid by him in the year or in one of the two preceding taxation years to a registered retirement savings plan under which his spouse was the annuitant at the time the premium was paid, and

(b) the particular amount.

1978, c. 26, s. 171; 1986, c. 15, s. 133; 1986, c. 19, s. 172; 1988, c. 18, s. 86; 1991, c. 25, s. 134; 1995, c. 1, s. 95.

931.2. *(Repealed).*

1978, c. 26, s. 171; 1988, c. 18, s. 86; 1991, c. 25, s. 135.

931.3. Where an individual has paid more than one premium described in section 931.1, such a premium or part thereof paid by him at any time is deemed to have been included in computing his income by virtue of the said section before premiums or parts thereof paid by him after that time.

1978, c. 26, s. 171; 1988, c. 18, s. 86.

931.4. *(Repealed).*

1978, c. 26, s. 171; 1988, c. 18, s. 87.

931.5. Section 931.1 does not apply

(a) in respect of an individual at any time during the year in which the individual dies;

(b) in respect of an individual where either the individual or his spouse is not resident in Canada at the time referred to in the said section;

(c) in respect of amounts paid out of or under a new plan referred to in section 914 to which the first paragraph of the said section applied before 26 May 1976;

(d) to any payment that is received in full or partial commutation of a registered retirement income fund or a registered retirement savings plan and in respect of which a deduction was made under paragraph *f* of section 339 if, where the deduction was in respect of the acquisition of an annuity, the terms thereof provide that it cannot be commuted, and it is not commuted, in whole or in part within three years after the acquisition thereof;

(e) in respect of an amount that is deemed, under the first paragraph of section 915.2, to have been received by an annuitant under a registered retirement savings plan immediately before his death.

1978, c. 26, s. 171; 1988, c. 18, s. 88; 1991, c. 25, s. 136.

932. (1) Where a trust governed by a registered retirement savings plan, in a taxation year, disposes of property for no consideration or for a consideration less than its fair market value at that time, the annuitant under the plan shall include in his income for the year the difference between that value and that consideration.

(2) The rule provided in subsection 1 applies if the trust acquires a property for a consideration greater than its fair market value.

1972, c. 23, s. 690.

933. If, at any time in a taxation year, a trust governed by a registered retirement savings plan uses or permits to be used any property of the trust as security for a loan, the individual who is an annuitant under the plan at that time shall include, in computing the individual's income for the year, the fair market value of the property at the time it commenced to be so used.

1972, c. 23, s. 691; 1980, c. 13, s. 88; 1988, c. 18, s. 89; 1991, c. 25, s. 137; 2012, c. 8, s. 150.

CHAPTER V

Repealed, 1991, c. 25, s. 138.

1991, c. 25, s. 138.

934. *(Repealed).*

1972, c. 23, s. 692; 1972, c. 26, s. 67; 1975, c. 22, s. 227; 1982, c. 5, s. 158; 1991, c. 25, s. 138.

935. *(Repealed).*

1972, c. 23, s. 693; 1988, c. 18, s. 90; 1991, c. 25, s. 138.

TITLE IV.1

HOME BUYERS' PLAN

1994, c. 22, s. 290.

CHAPTER I

INTERPRETATION AND GENERALITIES

1994, c. 22, s. 290.

935.1. In this Title,

"annuitant" has the meaning assigned by paragraph *b* of section 905.1;

"benefit" has the meaning assigned by paragraph *a* of section 905.1;

"completion date", in respect of an amount received by an individual, means

(a) where the amount was received before 2 March 1993, 1 October 1993;

(b) where the amount was received after 1 March 1993 and before 2 March 1994, 1 October 1994; and

(c) in any other case, 1 October of the calendar year following the calendar year in which the amount was received;

"designated withdrawal" of an individual is an amount received by the individual, as a benefit out of or under a registered retirement savings plan, pursuant to the individual's written request in the prescribed form referred to in paragraph *a* of the definition of "eligible amount" as that definition read in its application to amounts received before 1 January 1999, paragraph *a* of the definition of "regular eligible amount" or paragraph *a* of the definition of "supplemental eligible amount";

"eligible amount" of an individual means a regular eligible amount or supplemental eligible amount of the individual;

"excluded premium" in respect of an individual means a premium under a registered retirement savings plan where the premium

(a) was designated by the individual for the purposes of paragraph *j*, *j*.1, *j*.2 or *l* of section 60 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(b) was an amount transferred directly from a registered retirement savings plan, registered pension plan, registered retirement income fund or deferred profit sharing plan;

(c) was deductible under section 923.5 in computing the individual's income for any taxation year; or

(d) was deducted in computing the individual's income for the taxation year 1991;

"excluded withdrawal" of an individual means

(a) an eligible amount received by the individual;

(b) a particular amount, other than an eligible amount, received while the individual was resident in Canada and in a calendar year if

i. the particular amount would be an eligible amount of the individual if the definition of "regular eligible amount" were read without reference to paragraphs *c* and *g* thereof and the definition of "supplemental eligible amount" were read without reference to paragraphs *d* and *f* thereof,

ii. a payment, other than an excluded premium, equal to the particular amount is made by the individual under a retirement savings plan that is, at the end of the taxation year of the payment, a registered retirement savings plan under which the individual is the annuitant,

iii. the payment is made before the particular time that is

(1) if the individual was not resident in Canada at the time the individual filed a fiscal return for the taxation year in which the particular amount was received, the earlier of the end of the following calendar year and the time at which the individual filed the fiscal return,

(2) where subparagraph 1 does not apply and the particular amount would, if subparagraph 1 of subparagraph ii of subparagraph *c* of the first paragraph of section 935.2 were read without the words "and the individual or the specified disabled person acquires the qualifying home or a replacement property for the qualifying home before the day that is one year after that completion date", be an eligible amount, the end of the second following calendar year, and

(3) in any other case, the end of the following calendar year, and

iv. either

(1) if the particular time is before 1 January 2000, the payment is made, as a repayment of the particular amount, to the issuer of a registered retirement savings plan from which the particular amount was received, no other payment is made as a repayment of the particular amount and that issuer is notified of the payment in a prescribed form submitted to the issuer at the time the payment is made, or

(2) the payment is made after 31 December 1999 and before the particular time and the payment, and no other payment, is designated under this subparagraph as a repayment of the particular amount in a prescribed form filed with the Minister on or before the particular time or before such later time as is acceptable to the Minister; or

(c) an amount, other than an eligible amount, that is received in a calendar year before the calendar year 1999 and that would be an eligible amount of the individual if the definition of "eligible amount", as it applied to amounts received before 1 January 1999, were read without reference to paragraphs *c* and *e* thereof, where the individual

i. died before the end of the following calendar year, and

ii. was resident in Canada throughout the period that began immediately after the amount was received and ended at the time of the death; or

(d) a particular amount, other than an eligible amount, received while the individual was resident in Canada and in a calendar year if

i. the particular amount would be a regular eligible amount if section 935.2.1 were read without reference to subparagraph iii of its paragraph *a*,

ii. a payment, other than an excluded premium, equal to the particular amount is made by the individual under a retirement plan that is, at the end of the taxation year of the payment, a registered retirement savings plan under which the individual is the annuitant, and

iii. the payment is made before the end of the second calendar year after the calendar year that includes the particular time referred to in section 935.2.1;

"issuer" has the meaning assigned by paragraph *c* of section 905.1;

"participation period" of an individual means each period that begins at the beginning of a calendar year in which the individual receives an eligible amount and that ends immediately before the beginning of the first subsequent calendar year at the beginning of which the individual's specified balance is nil;

"premium" has the meaning assigned by paragraph *e* of section 905.1;

"qualifying home" means

(a) a housing unit located in Canada; or

(b) a share of the capital stock of a housing cooperative, the holder of which is entitled to possession of a housing unit located in Canada;

"regular eligible amount" of an individual means an amount received at a particular time by the individual as a benefit out of or under a registered retirement savings plan if

(a) the amount is received pursuant to the individual's written request in a prescribed form in which the individual sets out the location of a qualifying home that the individual has begun, or intends not later than one year after its acquisition by the individual to begin, using as a principal place of residence;

(b) the individual entered into an agreement in writing before the particular time for the acquisition of the qualifying home or with respect to its construction;

(c) the individual acquires the qualifying home or a replacement property for the qualifying home before the completion date in respect of the amount received by the individual, or dies before the end of the calendar year that includes the completion date in respect of the amount;

(d) neither the individual nor the individual's spouse acquired the qualifying home more than 30 days before the particular time;

(e) the individual did not have an owner-occupied home in the period that began on the first day of the fourth preceding calendar year that included the particular time, and that ended on the 31st day before the particular time;

(f) the individual's spouse did not, in the period referred to in paragraph *e*, have an owner-occupied home that was inhabited by the individual during the spouse's marriage to the individual, or that was a share of the capital stock of a housing cooperative that relates to a housing unit inhabited by the individual during the spouse's marriage to the individual;

(g) the individual

i. acquired the qualifying home before the particular time and is resident in Canada at the particular time, or

ii. is resident in Canada throughout the period that begins at the particular time and ends at the earlier of the time of the individual's death and the earliest time at which the individual acquires the qualifying home or a replacement property for the qualifying home;

(h) the aggregate of the amount and all other eligible amounts received by the individual in the calendar year that includes the particular time does not exceed $35,000; and

(i) the individual's specified balance at the beginning of the calendar year that includes the particular time is nil;

"replacement property" for a particular qualifying home in respect of an individual, or of a specified disabled person in respect of the individual, means another qualifying home that

(a) the individual or the specified disabled person agrees to acquire, or begins the construction of, at a particular time that is after the latest time that the individual made a request described in the definition of "designated withdrawal" in respect of the particular qualifying home;

(b) at the particular time, the individual intends to be used by the individual or the specified disabled person as a principal place of residence not later than one year after its acquisition; and

(c) none of the individual, the individual's spouse, the specified disabled person or that person's spouse had acquired before the particular time;

"specified balance" of an individual at any time means the amount by which the aggregate of all eligible amounts received by the individual at or before that time exceeds the aggregate of all amounts designated under section 935.3 by the individual for taxation years that ended before that time, and all amounts each of which is included under sections 935.4 and 935.5 in computing the individual's income for a taxation year that ended before that time;

"specified disabled person", in respect of an individual at any time, means a person who

(a) is the individual or is related at that time to the individual; and

(b) would be entitled to a deduction under subsection 1 of section 118.3 of the Income Tax Act in computing the person's tax payable under Part I of this Act for the person's taxation year that includes that time if that subsection were read without reference to its paragraph *c*;

"supplemental eligible amount" of an individual means an amount received at a particular time by the individual as a benefit out of or under a registered retirement savings plan if

(a) the amount is received pursuant to the individual's written request in a prescribed form identifying a specified disabled person in respect of the individual and setting out the location of a qualifying home that has begun to be used by that person as a principal place of residence, or that the individual intends to be used by that person as a principal place of residence not later than one year after its first acquisition after the particular time;

(b) the purpose of receiving the amount is to enable the specified disabled person to live in a dwelling that is more accessible by that person or in which that person is more mobile or functional, or in an environment better suited to the personal needs and care of that person;

(c) the individual or the specified disabled person entered into an agreement in writing before the particular time for the acquisition of the qualifying home or with respect to its construction;

(d) either

i. the individual or the specified disabled person acquires a qualifying home or a replacement property for the qualifying home after 31 December 1998 and before the completion date in respect of the amount received by the individual, or

ii. the individual dies before the end of the calendar year that includes the completion date in respect of the amount received by the individual;

(e) none of the individual, the spouse of the individual, the specified disabled person or the spouse of that person acquired the qualifying home more than 30 days before the particular time;

(f) either

i. the individual or the specified disabled person acquired the qualifying home before the particular time and the individual is resident in Canada at the particular time, or

ii. the individual is resident in Canada throughout the period that begins at the particular time and ends at the earlier of the time of the individual's death and the earliest time at which the individual or the specified disabled person acquires the qualifying home or a replacement property for the qualifying home;

(g) the aggregate of the amount and all other eligible amounts received by the individual in the calendar year that includes the particular time does not exceed $35,000; and

(h) the individual's specified balance at the beginning of the calendar year that includes the particular time is nil.

In this Title, a reference to a qualifying home that is a share described in paragraph *b* of the definition of "qualifying home" in the first paragraph means, where the context so requires, the housing unit to which that share relates.

1994, c. 22, s. 290; 1995, c. 49, s. 203; 1996, c. 39, s. 237; 1997, c. 3, s. 71; 1997, c. 85, s. 330; 2000, c. 5, s. 212; 2001, c. 53, s. 194; 2009, c. 5, s. 383; 2010, c. 5, s. 91; 2012, c. 8, s. 151; 2013, c. 10, s. 77; 2021, c. 14, s. 105.

935.2. For the purposes of this Title,

(a) an individual is deemed to have acquired a qualifying home if the individual acquired it jointly with one or more other persons;

(a.1) an individual is deemed to have an owner-occupied home at any time where, at that time, the individual owns, whether jointly with another person or otherwise, a housing unit or a share of the capital stock of a housing cooperative and the housing unit is inhabited by the individual as the individual's principal place of residence at that time, or the share was acquired for the purpose of acquiring a right to possess a housing unit owned by the cooperative and that unit is inhabited by the individual as the individual's principal place of residence at that time;

(b) where an individual agrees to acquire a housing unit held in co-ownership, the individual is deemed to have acquired it on the day the individual is entitled to take possession of it;

(c) except for the purposes of subparagraph ii of paragraph *g* of the definition of "regular eligible amount" in the first paragraph of section 935.1 and of subparagraph ii of paragraph *f* of the definition of "supplemental eligible amount" in that paragraph, an individual or a specified disabled person in respect of the individual is deemed to have acquired, before the completion date in respect of a designated withdrawal received by the individual, the qualifying home in respect of which the designated withdrawal was received if

i. neither a qualifying home nor a replacement property for the qualifying home was acquired by the individual or the specified disabled person before that completion date, and

ii. either

(1) the individual or the specified disabled person is obliged under the terms of a written agreement in effect on that completion date to acquire the qualifying home, or a replacement property for the qualifying home, on or after that date, and the individual or the specified disabled person acquires the qualifying home or a replacement property for the qualifying home before the day that is one year after that completion date, or

(2) the individual or the specified disabled person made payments to persons with whom the individual was dealing at arm's length, in the period described in the second paragraph, in respect of the construction of the qualifying home or a replacement property for the qualifying home, and the aggregate of all payments so made was not less than the aggregate of all designated withdrawals that were received by the individual in respect of the qualifying home;

(d) (subparagraph repealed);

(e) (subparagraph repealed);

(f) an amount received by an individual in a particular calendar year is deemed to have been received by the individual at the end of the preceding calendar year and not at any other time if

i. the amount is received in January of the particular year or at such later time as is acceptable to the Minister,

ii. the amount would not be an eligible amount if this Title were read without reference to this paragraph, and

iii. the amount would be an eligible amount if the definition of "regular eligible amount" in the first paragraph of section 935.1 were read without reference to subparagraph i thereof and the definition of "supplemental eligible amount" in that paragraph were read without reference to paragraph *h* thereof.

The period to which subparagraph 2 of subparagraph ii of subparagraph *c* of the first paragraph refers is the period that begins at the time the individual first benefited from a designated withdrawal in respect of the qualifying home and that ends before the completion date in respect of the designated withdrawal.

1994, c. 22, s. 290; 1995, c. 49, s. 204; 1996, c. 39, s. 238; 1997, c. 3, s. 71; 1997, c. 85, s. 330; 2000, c. 5, s. 213; 2001, c. 53, s. 195.

935.2.1. For the purposes of the definition of "regular eligible amount" in the first paragraph of section 935.1 and despite subparagraph *a*.1 of the first paragraph of section 935.2, the following rules apply:

(a) an individual and the individual's spouse are deemed not to have an owner-occupied home in a period ending before the particular time referred to in the definition of that expression if

i. at the particular time, the individual has been living separate and apart from the individual's spouse, because of a breakdown of their marriage, for a period of at least 90 days and began living separate and apart from the individual's spouse in the calendar year that includes the particular time or at any time included in any of the four preceding calendar years,

ii. in the absence of this section, the individual would not be precluded from having a regular eligible amount because of the application of paragraph *f* of the definition of that expression in respect of a spouse (other than the spouse referred to in subparagraph i), and

iii. where the individual has an owner-occupied home at the particular time,

(1) the home is not the qualifying home referred to in the definition of that expression and the individual disposes of the home no later than the end of the second calendar year after the calendar year that includes the particular time, or

(2) the individual acquires the spouse's right in the home; and

(b) where an individual to whom paragraph a applies has an owner-occupied home at the particular time referred to in that paragraph and the individual acquires the spouse's right in the home, the individual is deemed for the purposes of paragraphs *c* and *d* of the definition of that expression to have acquired a qualifying home on the date that the individual acquired the right.

2021, c. 14, s. 106.

CHAPTER II

REPAYMENTS OF ELIGIBLE AMOUNTS AND AMOUNTS TO BE INCLUDED

1994, c. 22, s. 290.

935.3. An individual may designate a single amount for a taxation year in a prescribed form filed with the fiscal return the individual is required to file under section 1000 for the year, if the amount does not exceed the lesser of

(a) the aggregate of all amounts, other than excluded premiums, repayments to which paragraph *b* or *d* of the definition of "excluded withdrawal" in the first paragraph of section 935.1 applies and amounts paid by the individual in the first 60 days of the year that can reasonably be considered to have been deducted in computing the individual's income, or designated under this section, for the preceding taxation year, paid by the individual in the year or within 60 days after the end of the year under a retirement savings plan that is at the end of the year or the following taxation year a registered retirement savings plan under which the individual is the annuitant; and

(b) the amount by which

i. the aggregate of all eligible amounts received by the individual before the end of the year exceeds

ii. the aggregate of

(1) all amounts designated by the individual under this section for preceding taxation years, and

(2) all amounts each of which is an amount included in computing the income of the individual under section 935.4 or 935.5 for a preceding taxation year.

1994, c. 22, s. 290; 1996, c. 39, s. 239; 1997, c. 31, s. 88; 2001, c. 53, s. 196; 2021, c. 14, s. 107.

935.4. An individual shall include in computing the income of the individual for a particular taxation year included in a particular participation period of the individual the amount determined by the formula

$$[(A - B - C) / (15 - D)] - E.$$

For the purposes of the formula in the first paragraph,

(a) A is

i. an amount equal to zero where

(1) the individual died or ceased to be resident in Canada in the particular year, or

(2) the completion date in respect of an eligible amount received by the individual was in the particular year; and

ii. in any other case, the aggregate of all eligible amounts received by the individual in preceding taxation years included in the particular participation period;

(b) B is

i. if the completion date in respect of an eligible amount received by the individual was in the preceding taxation year, an amount equal to zero, and

ii. in any other case, the aggregate of all amounts each of which is designated under section 935.3 by the individual for a preceding taxation year included in the particular participation period;

(c) C is the aggregate of all amounts each of which is an amount included under this section or section 935.5 in computing the income of the individual for a preceding taxation year included in the particular participation period;

(d) D is the lesser of 14 and the number of taxation years of the individual ending in the period beginning on the following dates and ending at the beginning of the particular year:

i. where the completion date in respect of an eligible amount received by the individual was before 1 January 1995, 1 January 1995, and

ii. in any other case, 1 January of the first calendar year beginning after the completion date in respect of an eligible amount received by the individual; and

(e) E is

i. *(subparagraph repealed)*;

ii. if the completion date in respect of an eligible amount received by the individual was in the preceding taxation year, the aggregate of all amounts each of which is designated under section 935.3 by the individual for the particular year or a preceding taxation year included in the particular participation period, and

iii. in any other case, the amount designated under section 935.3 by the individual for the particular year.

1994, c. 22, s. 290; 1995, c. 49, s. 205; 1996, c. 39, s. 240; 2001, c. 53, s. 197.

935.5. If at a particular time in a taxation year an individual ceases to be resident in Canada, the individual shall include in computing the income of the individual for the period in the year during which the individual was resident in Canada the amount by which the aggregate of all amounts each of which is an eligible amount received by the individual in the year or a preceding taxation year exceeds the amount determined under the second paragraph.

The amount to which the first paragraph refers is the aggregate of

(a) all amounts designated under section 935.3 by the individual in respect of amounts paid not later than 60 days after the particular time and before the individual files a fiscal return for the year; and

(b) all amounts included under section 935.4 or this section in computing the income of the individual for preceding taxation years.

1994, c. 22, s. 290; 1996, c. 39, s. 241; 2001, c. 53, s. 198.

935.6. If an individual dies at a particular time in a taxation year, there shall be included in computing the income of the individual for the year the amount by which the individual's specified balance immediately before that time exceeds the amount designated under section 935.3 by the individual for the year.

1994, c. 22, s. 290; 2001, c. 53, s. 199.

935.7. If a spouse of an individual was resident in Canada immediately before the individual's death at a particular time in a taxation year and the spouse and the individual's legal representative jointly so elect in writing in the individual's fiscal return filed under this Part for the year, the following rules apply:

(a) section 935.6 does not apply in respect of the individual,

(b) the spouse is deemed to have received a particular eligible amount at the particular time equal to the amount that, but for this section, would be determined under section 935.6 in respect of the individual;

(c) for the purposes of section 935.4 and paragraph *d*, the completion date in respect of the particular amount is deemed to be

i. if the spouse received an eligible amount before the death, other than an eligible amount received in a participation period of the spouse that ended before the beginning of the year, the completion date in respect of that amount, and

ii. in any other case, the completion date in respect of the last eligible amount received by the individual; and

(d) for the purposes of section 935.4, the completion date in respect of each eligible amount received by the spouse, after the death and before the end of the spouse's participation period that includes the time of the death, is deemed to be the completion date in respect of the particular amount.

1994, c. 22, s. 290; 1995, c. 49, s. 206; 1996, c. 39, s. 242; 2001, c. 53, s. 200.

935.8. *(Repealed).*

1994, c. 22, s. 290; 2009, c. 5, s. 384.

935.8.1. Where an amount, other than an amount paid in the first 60 days of a taxation year, is paid as a premium by an individual in the year and the Minister so directs, the following rules apply:

(a) all or part of the amount may be designated in writing by the individual for the purposes of section 935.3 and, to that end, the amount is deemed to have been paid at the beginning of the year and not at the time it was actually paid; and

(b) the designation of all or part of that amount is deemed to have been made in the prescribed form the individual is required to send with the fiscal return the individual is required to file under section 1000 for the preceding taxation year.

2003, c. 2, s. 255.

CHAPTER III

Repealed, 1996, c. 39, s. 243.

1994, c. 22, s. 290; 1995, c. 49, s. 207; 1996, c. 39, s. 243.

935.9. *(Repealed).*

1994, c. 22, s. 290; 1995, c. 49, s. 208; 1996, c. 39, s. 243.

935.10. *(Repealed).*

1994, c. 22, s. 290; 1995, c. 49, s. 209; 1996, c. 39, s. 243.

935.10.1. *(Repealed).*

1995, c. 49, s. 210; 1996, c. 39, s. 243.

935.10.2. *(Repealed).*

1995, c. 49, s. 210; 1996, c. 39, s. 243.

935.11. *(Repealed).*

1994, c. 22, s. 290; 1995, c. 49, s. 211; 1996, c. 39, s. 243.

TITLE IV.2

LIFELONG LEARNING INCENTIVE PLAN

CHAPTER I

INTERPRETATION AND GENERAL

2001, c. 53, s. 201.

935.12. In this Title,

"annuitant" has the meaning assigned by paragraph *b* of section 905.1;

"benefit" has the meaning assigned by paragraph *a* of section 905.1;

"eligible amount" of an individual means a particular amount received at a particular time in a calendar year by the individual as a benefit out of or under a registered retirement savings plan if

(a) the particular amount is received after 31 December 1998 pursuant to the individual's written request in a prescribed form;

(b) in respect of the particular amount, the individual designates in the form prescribed a person, in this definition referred to as the "designated person", who is the individual or the individual's spouse;

(c) the aggregate of the eligible amount and all other eligible amounts received by the individual at or before the particular time and in the year does not exceed $10,000;

(d) the aggregate of the particular amount and all other eligible amounts received by the individual at or before the particular time, other than amounts received in participation periods of the individual that ended before the year, does not exceed $20,000;

(e) the individual did not receive an eligible amount at or before the particular time in respect of which someone other than the designated person was designated, other than an amount received in a participation period of the individual that ended before the year;

(f) the designated person is enrolled at the particular time as a full-time student in a qualifying educational program or has received written notification before the particular time that the designated person is absolutely or contingently entitled to enroll before March of the following year as a full-time student in a qualifying educational program;

(g) the individual is resident in Canada throughout the period that begins at the particular time and ends immediately before the earlier of the beginning of the following year and the time of the individual's death;

(h) except where the individual dies after the particular time and before April of the following year, the designated person is enrolled as a full-time student in a qualifying educational program after the particular time and before March of the following year and

i. the designated person completes the qualifying educational program before April of the following year,

ii. the designated person does not withdraw from the qualifying educational program before April of the following year, or

iii. less than 75% of the tuition paid, after the beginning of the year and before April of the following year, in respect of the designated person and the qualifying educational program is refundable; and

(i) if an eligible amount was received by the individual before the year, the particular time is neither

i. in the individual's repayment period for the individual's participation period that includes the particular time, nor

ii. after January, or a later month where the Minister so permits, of the fifth calendar year of the individual's participation period that includes the particular time;

"excluded premium" of an individual means a premium that

(a) was designated by the individual for the purposes of paragraph *j*, *j*.1 or *l* of section 60 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or for the purposes of section 935.3;

(b) was a repayment to which paragraph *b* or *d* of the definition of "excluded withdrawal" in the first paragraph of section 935.1 applies;

(c) was an amount transferred directly from a registered retirement savings plan, registered pension plan, registered retirement income fund or deferred profit sharing plan; or

(d) was deductible under section 923.5 in computing the individual's income for any taxation year;

"excluded withdrawal" of an individual means

(a) an eligible amount received by the individual; or

(b) a particular amount, other than an eligible amount, received while the individual was resident in Canada and in a calendar year if

i. the particular amount would be an eligible amount of the individual if the definition of "eligible amount" were read without reference to paragraphs *g* and *h* of that definition,

ii. a payment, other than an excluded premium, equal to the particular amount is made by the individual under a retirement savings plan that is, at the end of the taxation year of the payment, a registered retirement savings plan under which the individual is the annuitant,

iii. the payment is made before the particular time that is,

(1) if the individual was not resident in Canada at the time the individual filed a fiscal return for the taxation year in which the particular amount was received, the earlier of the end of the following calendar year and the time at which the individual filed the fiscal return, and

(2) in any other case, the end of the following calendar year, and

iv. the payment, and no other payment, is designated under this subparagraph as a repayment of the particular amount in a prescribed form filed with the Minister on or before the particular time or before such later time as is acceptable to the Minister;

"participation period" of an individual means each period that begins at the beginning of a calendar year in which the individual receives an eligible amount and at the beginning of which the individual's specified balance is nil and that ends immediately before the beginning of the first subsequent calendar year at the beginning of which the individual's specified balance is nil;

"premium" has the meaning assigned by paragraph *e* of section 905.1;

"qualifying educational program" means a qualifying educational program within the meaning assigned by subsection 1 of section 146.02 of the Income Tax Act;

"repayment period" of an individual for a participation period of the individual in respect of a person designated under paragraph *b* of the definition of "eligible amount" means the period within the participation period that begins at one of the times referred to in subparagraphs i to iv of paragraph *a* of the definition of "repayment period" in subsection 1 of section 146.02 of the Income Tax Act and that ends at the end of the participation period;

"specified balance" of an individual at any time means the amount by which the aggregate of all eligible amounts received by the individual at or before that time exceeds the aggregate of all amounts designated under section 935.14 by the individual for taxation years that ended before that time, and all amounts each of which is included under section 935.15 or 935.16 in computing the individual's income for a taxation year that ended before that time.

In this Title, a full-time student in a taxation year includes an individual to whom subsection 3 of section 118.6 of the Income Tax Act applies for the purpose of computing tax payable under Part I of that Act for the year or the following taxation year.

2001, c. 53, s. 201; 2013, c. 10, s. 78; 2021, c. 14, s. 108.

935.13. For the purposes of the definition of "eligible amount" in the first paragraph of section 935.12, a particular person is deemed to be the only person in respect of whom a particular amount was designated under paragraph *b* of that definition if

(a) an individual received the particular amount;

(b) the individual files a prescribed form with the Minister in which the particular person is specified in connection with the receipt of the particular amount;

(c) the particular amount would be an eligible amount of the individual if that definition were read without reference to paragraphs *b* and *e* of that definition and paragraphs *f* and *h* of that definition were read as follows:

"(*f*) the individual or the individual's spouse, as the case may be, is enrolled at the particular time as a full-time student in a qualifying educational program or has received written notification before the particular time that the individual or the individual's spouse, as the case may be, is absolutely or contingently entitled to enroll before March of the following year as a full-time student in a qualifying educational program;";

"(*h*) except where the individual dies after the particular time and before April of the following year, the individual or the individual's spouse, as the case may be, is enrolled as a full-time student in a qualifying educational program after the particular time and before March of the following year and

i. the individual or the individual's spouse, as the case may be, completes the qualifying educational program before April of the following year,

ii. the individual or the individual's spouse, as the case may be, does not withdraw from the qualifying educational program before April of the following year, or

iii. less than 75% of the tuition paid, after the beginning of the year and before April of the following year, in respect of the individual or the individual's spouse, as the case may be, and the qualifying educational program is refundable; and";

(d) the Minister so permits.

2001, c. 53, s. 201.

CHAPTER II

REPAYMENT OF ELIGIBLE AMOUNTS AND AMOUNTS TO BE INCLUDED

2001, c. 53, s. 201.

935.14. An individual may designate a single amount for a taxation year in a prescribed form filed with the fiscal return the individual is required to file under section 1000 for the year, if the amount does not exceed the lesser of

(a) the aggregate of all amounts, other than excluded premiums, repayments to which paragraph *b* of the definition of "excluded withdrawal" in the first paragraph of section 935.12 applies and amounts paid by the individual in the first 60 days of the year that can reasonably be considered to have been deducted in computing the individual's income, or designated under this section, for the preceding taxation year, paid by the individual in the year or within 60 days after the end of the year under a retirement savings plan that is at the end of the year or the following taxation year a registered retirement savings plan under which the individual is the annuitant; and

(b) the individual's specified balance at the end of the year.

2001, c. 53, s. 201.

935.15. An individual shall in computing the individual's income for a particular taxation year that begins after 31 December 2000 include the amount determined by the formula

$$[(A - B - C) / (10 - D)] - E.$$

In the formula provided for in the first paragraph,

(a) A is

i. nil, if

(1) the individual died or ceased to be resident in Canada in the particular year, or

(2) the beginning of the particular year is not included in a repayment period of the individual, and

ii. in any other case, the aggregate of all eligible amounts received by the individual in preceding taxation years, other than taxation years in participation periods of the individual that ended before the particular year;

(b) B is

i. nil, if the particular year is the first taxation year in a repayment period of the individual, and

ii. in any other case, the aggregate of all amounts designated under section 935.14 by the individual for preceding taxation years, other than taxation years in participation periods of the individual that ended before the particular year;

(c) C is the aggregate of all amounts each of which is included under this section or section 935.16 in computing the individual's income for a preceding taxation year, other than a taxation year included in a participation period of the individual that ended before the particular year;

(d) D is the lesser of nine and the number of taxation years of the individual that end in the period that begins at the beginning of the individual's last repayment period that began at or before the beginning of the particular year and ends at the beginning of the particular year; and

(e) E is

i. if the particular year is the first taxation year within a repayment period of the individual, the aggregate of the amount designated under section 935.14 by the individual for the particular year and all amounts so designated for preceding taxation years, other than taxation years in participation periods of the individual that ended before the particular year, and

ii. in any other case, the amount designated under section 935.14 by the individual for the particular year.

2001, c. 53, s. 201.

935.16. If at any time in a taxation year an individual ceases to be resident in Canada, the individual shall include in computing the income of the individual for the period in the year during which the individual was resident in Canada the amount by which the aggregate of all amounts each of which is an eligible amount received by the individual in the year or a preceding taxation year exceeds the amount determined under the second paragraph.

The amount to which the first paragraph refers is the aggregate of

(a) all amounts designated under section 935.14 by the individual in respect of an amount paid not later than 60 days after that time and before the individual files a fiscal return for the year; and

(b) all amounts included under section 935.15 or this section in computing the income of the individual for a preceding taxation year.

2001, c. 53, s. 201.

935.17. If an individual dies at any time in a taxation year, there shall be included in computing the income of the individual for the year the amount by which the individual's specified balance immediately before that time exceeds the amount designated under section 935.14 by the individual for the year.

2001, c. 53, s. 201.

935.18. If a spouse of an individual was resident in Canada immediately before the individual's death at a particular time in a taxation year and the spouse and the individual's legal representatives jointly so elect in writing in the individual's fiscal return filed under this Part for the year, the following rules apply:

(a) section 935.17 does not apply to the individual;

(b) the spouse is deemed to have received a particular eligible amount at the particular time equal to the amount that, but for this section, would be determined under section 935.17 in respect of the individual;

(c) subject to paragraph *d*, for the purpose of applying this Title after the particular time, the spouse is deemed to be the person designated under paragraph *b* of the definition of "eligible amount" in the first paragraph of section 935.12 in respect of the particular amount; and

(d) where the spouse received an eligible amount before the particular time in the spouse's participation period that included the particular time and the particular individual designated under paragraph *b* of the definition of "eligible amount" in the first paragraph of section 935.12 in respect of that eligible amount was not the spouse, for the purpose of applying this Title after the particular time the particular individual is deemed to be the person designated under that paragraph in respect of the particular amount.

2001, c. 53, s. 201.

935.19. Where an amount, other than an amount paid in the first 60 days of a taxation year, is paid as a premium by an individual in the year and the Minister so directs, the following rules apply:

(a) all or part of the amount may be designated in writing by the individual for the purposes of section 935.14 and, to that end, the amount is deemed to have been paid at the beginning of the year and not at the time it was actually paid; and

(b) the designation of all or part of that amount is deemed to have been made in the prescribed form the individual is required to send with the fiscal return the individual is required to file under section 1000 for the preceding taxation year.

2003, c. 2, s. 256.

TITLE IV.3

TAX-FREE SAVINGS ACCOUNTS

2009, c. 15, s. 170.

CHAPTER I

DEFINITION

2009, c. 15, s. 170.

935.20. In this Title, "holder" has the meaning assigned by subsection 1 of section 146.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2009, c. 15, s. 170.

CHAPTER II

TAX

2009, c. 15, s. 170.

935.21. No tax is payable under this Part by a trust that is governed by a tax-free savings account on its taxable income for a taxation year.

2009, c. 15, s. 170.

935.22. Despite section 935.21, a trust governed by a tax-free savings account that carries on a business in a taxation year shall pay tax under this Part on the amount that would be its taxable income for the year if it had no incomes or losses from sources other than that business.

2009, c. 15, s. 170.

935.23. Despite section 935.21, a trust governed by a tax-free savings account that holds, in a taxation year, a property that is a non-qualified investment (for the purposes of Part XI.01 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.))) for the trust, shall pay tax under this Part on the amount that would be its taxable income for the year if it had no incomes or losses from sources other than such investments and no capital gains or capital losses other than from the disposition of such investments.

2009, c. 15, s. 170; 2012, c. 8, s. 152.

935.24. For the purposes of sections 935.22 and 935.23, the following rules apply:

(a) a trust's income includes a dividend described in sections 501 to 503;

(b) the trust's taxable capital gain or allowable capital loss from the disposition of a property is equal to its capital gain or capital loss, as the case may be, from the disposition; and

(c) a trust's income is computed without reference to paragraph *a* of section 657.

2009, c. 15, s. 170; 2011, c. 6, s. 182.

935.24.1. Where tax is payable under this Part for a taxation year because of section 935.22 by a trust that is governed by a tax-free savings account that carries on a business at any time in the taxation year, the following rules apply:

(a) the holder of the tax-free savings account is solidarily liable with the trust to pay each amount payable under this Act by the trust that is attributable to that business; and

(b) the liability of the issuer, within the meaning of subsection 1 of section 146.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), at any time for amounts payable under this Act in respect of that business must not exceed the aggregate of

i. the amount of property of the trust that the issuer is in possession or control of at that time in its capacity as legal representative of the trust, and

ii. the total amount of all distributions of property from the trust on or after the date that the notice of assessment was sent in respect of the taxation year and before that time.

2021, c. 14, s. 109.

935.25. An amount that is credited or added to a deposit that is a tax-free savings account as interest or other income in respect of the account is deemed not to be received by the holder of the account solely because of that crediting or adding.

2009, c. 15, s. 170.

CHAPTER III

SPECIAL PROVISIONS

2009, c. 15, s. 170.

935.26. If an arrangement that governs a trust ceases, at a particular time, to be a tax-free savings account, the following rules apply:

(a) the trust is deemed to have disposed, immediately before the particular time, of each property held by the trust for proceeds of disposition equal to the property's fair market value immediately before the particular time and to have acquired, at the particular time, each such property at a cost equal to that fair market value;

(b) the trust's last taxation year that began before the particular time is deemed to have ended immediately before the particular time; and

(c) a taxation year of the trust is deemed to begin at the particular time.

2009, c. 15, s. 170.

935.26.1. If an arrangement that governs a trust ceases to be a tax-free savings account because of the death of the holder of the tax-free savings account, the following rules apply:

(a) the arrangement is deemed, for the purposes of the third paragraph of section 647, sections 935.21 to 935.24 and 935.26 and paragraph *h*.1 of section 998, to continue to be a tax-free savings account until, and to cease to be a tax-free savings account immediately after, the exemption-end time;

(b) there must be included in computing a taxpayer's income for a taxation year the aggregate of all amounts each of which is an amount determined by the formula

A - B; and

(c) there must be included in computing the trust's income for its first taxation year, if any, that begins after the exemption-end time the amount determined by the formula

C - D.

In the formulas in subparagraphs *b* and *c* of the first paragraph,

(a) A is the amount of a payment made out of or under the trust, in satisfaction of all or part of the taxpayer's beneficial interest in the trust, in the taxation year, after the holder's death and at or before the exemption-end time;

(b) B is an amount designated by the trust not exceeding the lesser of

i. the amount of the payment, and

ii. the amount by which the fair market value of all of the property held by the trust immediately before the holder's death exceeds the aggregate of all amounts each of which is an amount determined under this subparagraph *b* in respect of any other payment made out of or under the trust;

(c) C is the fair market value of all of the property held by the trust at the exemption-end time; and

(d) D is the amount by which the fair market value of all of the property held by the trust immediately before the holder's death exceeds the aggregate of all amounts each of which is an amount determined under subparagraph *b* in respect of a payment made out of or under the trust.

For the purposes of this section, the exemption-end time is the earlier of

(a) the time at which the trust ceases to exist; and

(b) the end of the first calendar year that begins after the holder dies.

2010, c. 5, s. 92.

935.27. If an annuity contract ceases, at a particular time, to be a tax-free savings account, the following rules apply:

(a) the holder of the tax-free savings account is deemed to have disposed of the contract immediately before the particular time for proceeds of disposition equal to its fair market value immediately before the particular time;

(b) the contract is deemed to be a separate annuity contract issued and effected at the particular time otherwise than pursuant to or as a tax-free savings account; and

(c) each person who has a right in the separate annuity contract at the particular time is deemed to acquire the right at the particular time at a cost equal to its fair market value at the particular time.

2009, c. 15, s. 170; 2020, c. 16, s. 140.

935.28. If a deposit ceases, at a particular time, to be a tax-free savings account, the following rules apply:

(a) the holder of the tax-free savings account is deemed to have disposed of the deposit immediately before the particular time for proceeds of disposition equal to its fair market value immediately before the particular time; and

(b) each person who has a right in the deposit at the particular time is deemed to acquire the right at the particular time at a cost equal to its fair market value at the particular time.

2009, c. 15, s. 170; 2020, c. 16, s. 141.

935.29. An arrangement that is a qualifying arrangement, as defined in subsection 1 of section 146.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), is deemed not to be a retirement savings plan, an education savings plan, a retirement income fund or a disability savings plan.

2009, c. 15, s. 170.

TITLE IV.4

TAX-FREE FIRST HOME SAVINGS ACCOUNT

2023, c. 19, s. 98.

CHAPTER I

DEFINITIONS

2023, c. 19, s. 98.

935.30. In this Title,

"beneficiary" under a first home savings account means an individual, including a succession, or a qualified donee that has a right to receive a distribution from the first home savings account after the death of the holder of the account;

"holder" has the meaning assigned by subsection 1 of section 146.6 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

"issuer" has the meaning assigned by subsection 1 of section 146.6 of the Income Tax Act;

"maximum participation period" of an individual means the period that

(a) begins when an individual first enters into a qualifying arrangement; and

(b) ends at the end of the calendar year following the calendar year in which the earliest of the following events occurs:

i. the 14th anniversary of the date the individual enters into the first qualifying arrangement,

ii. the individual attains 70 years of age, and

iii. the individual first makes a qualifying withdrawal from a first home savings account;

"qualifying arrangement" has the meaning assigned by subsection 1 of section 146.6 of the Income Tax Act;

"qualifying home" means

(a) a housing unit located in Canada; or

(b) a share of the capital stock of a housing cooperative, the holder of which is entitled to possession of a housing unit located in Canada;

"qualifying individual" at a particular time means an individual who

(a) is a resident of Canada;

(b) is at least 18 years of age; and

(c) did not, at any prior time in the calendar year or in the preceding four calendar years, inhabit as a principal place of residence a qualifying home (or a home that would be a qualifying home if it were located in Canada) that was owned, alone or jointly with another person, by

i. the individual, or

ii. the spouse of the individual at the particular time;

"qualifying withdrawal" has the meaning assigned by subsection 1 of section 146.6 of the Income Tax Act;

"survivor" of a qualifying individual means an individual who is, immediately before the qualifying individual's death, the spouse of the qualifying individual.

In this Title, a reference to a qualifying home that is a share described in paragraph *b* of the definition of "qualifying home" in the first paragraph means, where the context so requires, the housing unit to which that share relates.

2023, c. 19, s. 98.

CHAPTER II

TAX

2023, c. 19, s. 98.

935.31. No tax is payable under this Part by a trust that is governed by a first home savings account on its taxable income for a taxation year.

2023, c. 19, s. 98.

935.32. Despite section 935.31, a trust governed by a first home savings account that carries on a business in a taxation year shall pay tax under this Part on the amount that would be its taxable income for the year if it had no incomes or losses from sources other than that business.

2023, c. 19, s. 98.

935.33. Despite section 935.31, a trust governed by a first home savings account that holds, in a taxation year, a property that is a non-qualified investment (for the purposes of Part XI.01 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for the trust, shall pay tax under this Part on the amount that would be its taxable income for the year if it had no incomes or losses from sources other than such investments and no capital gains or capital losses other than from the disposition of such investments.

2023, c. 19, s. 98.

935.34. For the purposes of sections 935.32 and 935.33, the following rules apply:

(a) a trust's income includes a dividend described in sections 501 to 503;

(b) the trust's taxable capital gain or allowable capital loss from the disposition of a property is equal to its capital gain or capital loss, as the case may be, from the disposition of the property; and

(c) a trust's income is computed without reference to paragraph *a* of section 657.

2023, c. 19, s. 98.

935.35. Where tax is payable under this Part for a taxation year because of section 935.32 by a trust that is governed by a first home savings account that carries on a business at any time in the taxation year, the following rules apply:

(a) the holder of the first home savings account is solidarily liable with the trust to pay each amount payable under this Act by the trust that is attributable to that business; and

(b) the issuer's liability at any time for amounts payable under this Act in respect of that business may not exceed the aggregate of

i. the amount of property of the trust that the issuer is in possession or control of at that time in its capacity as legal representative of the trust, and

ii. the total amount of all distributions of property from the trust on or after the date that the notice of assessment was sent in respect of the taxation year and before that time.

2023, c. 19, s. 98.

CHAPTER III

DEDUCTION

2023, c. 19, s. 98.

935.36. In computing a taxpayer's income for a taxation year, there may be deducted the amount that, by virtue of subsection 5 of section 146.6 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), is allowed as a deduction for the year in computing the taxpayer's income for the purposes of that Act.

2023, c. 19, s. 98.

CHAPTER IV

INCLUSION

2023, c. 19, s. 98.

935.37. In computing a taxpayer's income for a taxation year, there shall be included an amount received by the taxpayer in the year out of a first home savings account of which the taxpayer is the holder, other than an amount that is

(a) a qualifying withdrawal;

(b) a designated amount, within the meaning assigned by subsection 1 of section 207.01 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)); or

(c) an amount otherwise included in computing the taxpayer's income for the year.

2023, c. 19, s. 98.

CHAPTER V

TRANSFERS AND VARIOUS PROVISIONS

2023, c. 19, s. 98.

935.38. The rules set out in the second paragraph apply where an amount is transferred at a particular time from a first home savings account (in this section referred to as the "transferor account") and the following conditions are met:

(a) the amount is transferred for the benefit of an individual who

i. is the holder of the transferor account,

ii. is a spouse or former spouse of the holder of the transferor account, where the transfer is made under a decree, order or judgment of a competent tribunal, or under a written agreement, relating to a partition of property between the holder and the individual in settlement of rights arising out of, or on the breakdown of, their marriage, or

iii. is entitled to the amount as a consequence of the death of the holder of the transferor account if the individual was the spouse of the holder of the transferor account immediately before the death;

(b) the amount is transferred directly to another first home savings account of the individual or a registered retirement savings plan or a registered retirement income fund under which the individual is the annuitant; and

(c) where the transfer is not made to another first home savings account of the holder of the transferor account, the amount does not exceed the amount by which the total fair market value, immediately before the particular time, of all property held as part of a first home savings account under which the holder of the transferor account is a holder exceeds the excess FHSA amount, within the meaning assigned by subsection 1 of section 207.01 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), of the holder of the transferor account at the particular time.

The rules to which the first paragraph refers are as follows:

(a) the amount transferred in accordance with the first paragraph must not, by reason only of such transfer, be included in computing the income of any taxpayer; and

(b) no deduction may be made in computing the income of any taxpayer in respect of the amount so transferred.

2023, c. 19, s. 98.

935.39. Where an amount is transferred from a first home savings account (in this section referred to as the "transferor account") to another first home savings account, a registered retirement savings plan or a registered retirement income fund and section 935.38 does not apply in respect of the amount transferred, the amount is deemed to have been paid from the transferor account for the benefit of the holder of that account.

2023, c. 19, s. 98.

935.40. Where an amount is transferred from a first home savings account to another first home savings account, a registered retirement savings plan or a registered retirement income fund and the first paragraph of section 935.38 applies only in respect of a portion of the amount transferred, the rules set out in the second paragraph of section 935.38 apply only in respect of that portion and section 935.39 applies in respect of the difference.

2023, c. 19, s. 98.

935.41. Where, at any time in a taxation year, a trust governed by a first home savings account uses or permits to be used any property of the trust as security for a loan, the individual who is the holder of the account at that time shall include, in computing the individual's income for the year, the fair market value of the property at the time it commenced to be so used.

2023, c. 19, s. 98.

935.42. Where, in a taxation year, a loan for which a trust governed by a first home savings account has used or permitted to be used trust property as security ceases to be extant and the fair market value of the property so used was included, under section 935.41, in computing the income of the individual who is the holder of the account, the individual may deduct, in computing the individual's income for the year, the amount by which the amount so included in computing the individual's income in consequence of the trust's using or permitting to be used the property as security for the loan exceeds the net loss sustained by the trust in consequence of such use.

The loss referred to in the first paragraph does not include payments made by the trust as interest or a change in the fair market value of the property.

2023, c. 19, s. 98.

935.43. If the holder of a first home savings account dies and the holder's survivor is designated as the successor holder of the account, the survivor is, immediately after the time of death, deemed to have entered into a new qualifying arrangement in respect of the first home savings account unless

(a) the survivor is a qualifying individual and the balance of the first home savings account is transferred to a registered retirement savings plan or a registered retirement income fund of the survivor, or distributed to the survivor in accordance with section 935.44, by the end of the calendar year following the year of death; or

(b) the survivor is not a qualifying individual, in which case the balance of the first home savings account is to be transferred to a registered retirement savings plan or a registered retirement income fund of the survivor, or distributed to the survivor in accordance with section 935.44, by the end of the calendar year following the year of death.

2023, c. 19, s. 98.

935.44. Where the holder of a first home savings account dies, the amount from that account that is distributed because of the death, in a taxation year, to, or for the benefit of, a beneficiary in relation to that account must be included in computing the beneficiary's income for the year.

2023, c. 19, s. 98.

935.45. Where an amount from the first home savings account of a deceased holder is distributed at a particular time to the holder's legal representative and a survivor of the holder is entitled to all or a portion of the amount in full or partial satisfaction of the survivor's rights as a person beneficially interested under the holder's succession, the following rules apply:

(a) if a payment is made from the succession to a first home savings account, a registered retirement savings plan or a registered retirement income fund of the survivor, the payment is deemed to be a transfer from the account to the extent that

i. it is so designated jointly by the legal representative and the survivor in the prescribed form filed with the Minister, and

ii. it meets the conditions to be a transferred amount in accordance with any of sections 935.38 to 935.40;

(b) if a payment is made from the succession to the survivor, the payment is deemed for the purposes of section 935.44 to be a distribution to the survivor as a beneficiary to the extent that it is so designated jointly by the legal representative and the survivor in the prescribed form filed with the Minister; and

(c) for the purposes of section 935.44, the amount distributed to the legal representative from the first home savings account is deemed to be reduced by the amounts designated in accordance with paragraphs *a* and *b*.

2023, c. 19, s. 98.

935.46. An arrangement ceases to qualify as a first home savings account at the time specified in paragraph *b* of subsection 16 of section 146.6 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or, if such time is not determined in accordance with that paragraph, at the earliest of the following times:

(a) the end of the maximum participation period of the last holder;

(b) the end of the calendar year following the year of the death of the last holder;

(c) the time at which the arrangement ceases to be a qualifying arrangement; or

(d) the time at which the arrangement ceases to be administered in accordance with the conditions in subsection 2 of section 146.6 of the Income Tax Act.

2023, c. 19, s. 98.

935.47. Where an arrangement ceases at a particular time to be a first home savings account, the following rules apply:

(a) section 935.31 does not apply to exempt the trust governed by the arrangement from tax under this Part on the taxable income of the trust earned after the particular time;

(b) if the taxpayer who was the holder under the arrangement immediately before it ceased to be a first home savings account is not deceased at the particular time, an amount equal to the fair market value of all property of the arrangement immediately before the particular time is to be included in computing the taxpayer's income for the taxation year that includes the particular time; and

(c) if the last holder is deceased at the particular time, each beneficiary of the first home savings account shall include in computing his or her income, for the taxation year that includes the particular time, the proportion of the fair market value of all property of the arrangement immediately before the particular time that the beneficiary is entitled to.

2023, c. 19, s. 98.

TITLE V

Repealed, 2005, c. 23, s. 123.

2005, c. 23, s. 123.

CHAPTER I

Repealed, 2005, c. 23, s. 123.

2005, c. 23, s. 123.

936. *(Repealed).*

1975, c. 21, s. 23; 1987, c. 67, s. 170; 2005, c. 23, s. 123.

937. *(Repealed).*

1975, c. 21, s. 23; 1982, c. 5, s. 159; 1997, c. 3, s. 71; 2005, c. 23, s. 123.

938. *(Repealed).*

1975, c. 21, s. 23; 1982, c. 5, s. 160; 1984, c. 15, s. 204; 2005, c. 23, s. 123.

939. *(Repealed).*

1975, c. 21, s. 23; 1978, c. 26, s. 172; 1982, c. 5, s. 161; 1997, c. 3, s. 71; 2005, c. 23, s. 123.

940. *(Repealed).*

1977, c. 26, s. 103; 1982, c. 5, s. 162; 2005, c. 23, s. 123.

941. *(Repealed).*

1977, c. 26, s. 103; 1980, c. 13, s. 89; 1997, c. 3, s. 71; 2005, c. 23, s. 123.

941.1. *(Repealed).*

1982, c. 5, s. 163; 1997, c. 14, s. 152; 2005, c. 23, s. 123.

942. *(Repealed).*

1977, c. 26, s. 103; 1978, c. 26, s. 173; 2005, c. 23, s. 123.

943. *(Repealed).*

1975, c. 21, s. 23; 1997, c. 3, s. 71; 1997, c. 85, s. 201; 2000, c. 5, s. 214; 2005, c. 23, s. 123.

943.1. *(Repealed).*

1982, c. 56, s. 16; 1997, c. 3, s. 71; 1997, c. 85, s. 202.

943.2. *(Repealed).*

1983, c. 44, s. 31; 1984, c. 35, s. 17; 1997, c. 3, s. 71; 1997, c. 85, s. 202.

CHAPTER II

Repealed, 2005, c. 23, s. 123.

2005, c. 23, s. 123.

944. *(Repealed).*

1975, c. 21, s. 23; 1977, c. 26, s. 104; 1978, c. 26, s. 174; 1982, c. 5, s. 164; 1982, c. 56, s. 17; 1984, c. 15, s. 205; 1987, c. 67, s. 171; 2005, c. 23, s. 123.

944.1. *(Repealed).*

1983, c. 44, s. 32; 2005, c. 23, s. 123.

944.2. *(Repealed).*

1990, c. 7, s. 81; 1991, c. 8, s. 55; 2005, c. 23, s. 123.

944.3. *(Repealed).*

1991, c. 8, s. 56; 2005, c. 23, s. 123.

944.4. *(Repealed).*

1992, c. 1, s. 84; 2005, c. 23, s. 123.

944.5. *(Repealed).*

1993, c. 19, s. 72; 1997, c. 14, s. 153; 2005, c. 23, s. 123.

944.6. *(Repealed).*

1997, c. 14, s. 154; 1998, c. 46, s. 65; 2005, c. 23, s. 123.

944.7. *(Repealed).*

1997, c. 14, s. 154; 2005, c. 23, s. 123.

944.8. *(Repealed).*

1997, c. 14, s. 154; 2005, c. 23, s. 123.

945. *(Repealed).*

1975, c. 21, s. 23; 1975, c. 83, s. 84; 1982, c. 5, s. 165; 1984, c. 15, s. 206; 1987, c. 67, s. 172; 1999, c. 83, s. 273; 2005, c. 23, s. 123.

946. *(Repealed).*

1975, c. 21, s. 23; 1982, c. 5, s. 165; 1982, c. 56, s. 18; 1983, c. 44, s. 33; 1990, c. 7, s. 82; 1991, c. 8, s. 57; 1992, c. 1, s. 85; 1993, c. 19, s. 73; 1997, c. 14, s. 155; 2005, c. 23, s. 123.

946.1. *(Repealed).*

1997, c. 14, s. 156; 2005, c. 23, s. 123.

CHAPTER III

Repealed, 2005, c. 23, s. 123.

2005, c. 23, s. 123.

947. *(Repealed).*

1975, c. 21, s. 23; 2005, c. 23, s. 123.

948. *(Repealed).*

1975, c. 21, s. 23; 2005, c. 23, s. 123.

949. *(Repealed).*

1975, c. 21, s. 23; 2005, c. 23, s. 123.

950. *(Repealed).*

1975, c. 21, s. 23; 2005, c. 23, s. 123.

951. *(Repealed).*

1975, c. 21, s. 23; 1979, c. 18, s. 67; 1984, c. 15, s. 207; 1990, c. 59, s. 327; 2005, c. 23, s. 123.

CHAPTER IV

Repealed, 2005, c. 23, s. 123.

2005, c. 23, s. 123.

952. *(Repealed).*

1975, c. 21, s. 23; 1978, c. 26, s. 175; 1982, c. 56, s. 19; 2005, c. 23, s. 123.

952.1. *(Repealed).*

1978, c. 26, s. 176; 1980, c. 13, s. 90; 2005, c. 23, s. 123.

953. *(Repealed).*

1975, c. 21, s. 23; 1978, c. 26, s. 177; 1982, c. 56, s. 20; 1997, c. 3, s. 71; 2005, c. 23, s. 123.

954. *(Repealed).*

1975, c. 21, s. 23; 1978, c. 26, s. 178; 1982, c. 56, s. 21; 2005, c. 23, s. 123.

954.1. *(Repealed).*

1982, c. 56, s. 21; 2005, c. 23, s. 123.

CHAPTER V

Repealed, 2005, c. 23, s. 123.

2005, c. 23, s. 123.

955. *(Repealed).*

1975, c. 21, s. 23; 1977, c. 26, s. 105; 1978, c. 26, s. 179; 1982, c. 5, s. 166; 1982, c. 56, s. 22; 1983, c. 44, s. 34; 1984, c. 35, s. 18; 1987, c. 67, s. 173; 1990, c. 7, s. 83; 1991, c. 8, s. 58; 1992, c. 1, s. 86; 1993, c. 19, s. 74; 1997, c. 14, s. 157; 1998, c. 46, s. 65; 2005, c. 23, s. 123.

955.1. *(Repealed).*

1983, c. 44, s. 35; 2005, c. 23, s. 123.

956. *(Repealed).*

1975, c. 21, s. 23; 1982, c. 56, s. 23; 2005, c. 23, s. 123.

957. *(Repealed).*

1975, c. 21, s. 23; 1982, c. 56, s. 24; 2005, c. 23, s. 123.

CHAPTER VI

Repealed, 2005, c. 23, s. 123.

2005, c. 23, s. 123.

958. *(Repealed).*

1975, c. 21, s. 23; 1991, c. 25, s. 139; 1995, c. 49, s. 212; 1996, c. 39, s. 244; 2005, c. 23, s. 123.

CHAPTER VII

Repealed, 2005, c. 23, s. 123.

2005, c. 23, s. 123.

959. *(Repealed).*

1975, c. 21, s. 23; 1982, c. 5, s. 167; 1997, c. 14, s. 158; 2005, c. 23, s. 123.

960. *(Repealed).*

1975, c. 21, s. 23; 1982, c. 5, s. 167; 1990, c. 7, s. 84; 2005, c. 23, s. 123.

961. *(Repealed).*

1975, c. 21, s. 23; 2005, c. 23, s. 123.

961.1. *(Repealed).*

1978, c. 26, s. 180; 1982, c. 5, s. 168; 1995, c. 63, s. 97; 1997, c. 14, s. 159; 2005, c. 23, s. 123.

961.1.1. *(Repealed).*

1982, c. 56, s. 25; 2005, c. 23, s. 123.

961.1.2. *(Repealed).*

1983, c. 44, s. 36; 1984, c. 35, s. 19; 1985, c. 25, s. 137; 2005, c. 23, s. 123.

961.1.3. *(Repealed).*

1983, c. 44, s. 36; 1985, c. 25, s. 138; 2005, c. 23, s. 123.

961.1.4. *(Repealed).*

1986, c. 15, s. 134; 2005, c. 23, s. 123.

961.1.4.1. *(Repealed).*

1991, c. 8, s. 59; 2005, c. 23, s. 123.

TITLE V.1

REGISTERED RETIREMENT INCOME FUND

1979, c. 18, s. 68.

CHAPTER I

INTERPRETATION

1979, c. 18, s. 68; 1988, c. 18, s. 91; 2000, c. 39, s. 104.

961.1.5. In this Title,

(a) "property held" in connection with a retirement income fund means property held by the carrier of the fund, whether held by the carrier as trustee or beneficial owner thereof, the value of which, or the income or loss from which is relevant in determining the amount for a year payable to the annuitant under the fund;

(b) "carrier" of a retirement income fund has the meaning assigned by subsection 1 of section 146.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

(c) "minimum amount" under a retirement income fund for a year means the amount determined under section 961.1.5.0.1 in respect of the fund for the year;

(c.1) "designated benefit" of an individual in respect of a registered retirement income fund means the aggregate of

i. such amounts paid out of or under the fund after the death of the last annuitant thereunder to the legal representative of that annuitant

(1) as would, had they been paid under the fund to the individual, have been refunds of premiums within the meaning assigned by the first paragraph of section 908, if the fund were a registered retirement savings plan under which the date provided for the first payment of benefits was subsequent to the death, and

(2) as are designated jointly by the legal representative and the individual on the prescribed form filed with the Minister; and

ii. amounts paid out of or under the fund after the death of the last annuitant thereunder to the individual that would be refunds of premiums within the meaning assigned by the first paragraph of section 908 had the fund been a registered retirement savings plan under which the date provided for the first payment of benefits was subsequent to the death;

(d) "annuitant" under a retirement income fund at any time means any of the following persons:

i. the first individual to whom the carrier has undertaken to make the payments described in the definition of "retirement income fund" in subsection 1 of section 146.3 of the Income Tax Act out of or under the fund, where the first individual is alive at that time;

ii. after the death of the first individual, a spouse, in this subparagraph referred to as the "surviving spouse", of the first individual to whom the carrier has undertaken to make payments described in the definition of "retirement income fund" in subsection 1 of section 146.3 of the Income Tax Act out of or under the fund after the death of the first individual, where the surviving spouse is alive at that time and the undertaking was made pursuant to an election described in the said definition of the first individual or with the consent of the legal representative of the first individual; and

iii. after the death of the surviving spouse, another spouse of the surviving spouse to whom the carrier has undertaken, with the consent of the legal representative of the surviving spouse, to make payments described in the definition of "retirement income fund" in subsection 1 of section 146.3 of the Income Tax Act out of or under the fund after the death of the surviving spouse, where that other spouse is alive at that time.

1988, c. 18, s. 92; 1991, c. 25, s. 140; 1994, c. 22, s. 291; 1995, c. 49, s. 213; 1996, c. 39, s. 245; 2000, c. 5, s. 215.

961.1.5.0.1. The amount to which paragraph *c* of section 961.1.5 refers in respect of a retirement income fund is equal to zero for the year in which the arrangement relating to the fund is made and, for each subsequent year, to the amount determined by the formula

$$(A \times B) + C.$$

In the formula provided for in the first paragraph,

(a) A is the fair market value of all properties held in connection with the fund at the beginning of the year, other than annuity contracts held by a trust governed by the fund that, at the beginning of the year, are not referred to in paragraph *b*.1 of the definition of "qualified investment" in subsection 1 of section 146.3 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(b) B is

i. where the first annuitant under the fund elected in respect of the fund under subparagraph ii of paragraph *c* of section 961.1.5, as it read before 1 January 1992, or under the first paragraph of section 961.4,

as it read before 1 January 1986, to use the age of another individual, the prescribed factor for the year in respect of the other individual,

ii. where subparagraph i does not apply and the first annuitant under the fund so elects before any payment has been made under the fund by the carrier, the prescribed factor for the year in respect of an individual who is the spouse of the first annuitant at the time of the election, and

iii. in any other case, the prescribed factor for the year in respect of the first annuitant under the fund; and

(c) C is, where the fund governs a trust, the aggregate of all amounts each of which is

i. a periodic payment under an annuity contract held by the trust at the beginning of the year, other than an annuity contract referred to at the beginning of the year in paragraph *b*.1 of the definition of "qualified investment" in subsection 1 of section 146.3 of the Income Tax Act, that is paid to the trust in the year, or

ii. if the periodic payment under an annuity contract described in subparagraph i is not made to the trust because the trust disposed of the right to that payment in the year, a reasonable estimate of that payment on the assumption that the annuity contract has been held by the trust throughout the year and no rights under the contract were disposed of in the year.

2000, c. 5, s. 216; 2009, c. 5, s. 385.

961.1.5.0.2. The minimum amount under a retirement income fund for the taxation year 2008 is 75% of the amount that would, but for this section, be the minimum amount under the fund for that year.

The first paragraph does not apply in respect of a retirement income fund

(a) for the purposes of section 961.17.0.1, paragraph *k* of the definition of "remuneration" in section 1015R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) and subparagraph *a* of the second paragraph of section 1015R21 of that regulation; or

(b) if the individual who was the annuitant under the fund on 1 January 2008 reached 70 years of age in the year 2007.

2010, c. 5, s. 93.

961.1.5.0.3. The minimum amount under a retirement income fund for the taxation year 2020 is 75% of the amount that would, but for this section, be the minimum amount under the fund for that year.

The first paragraph does not apply in respect of a retirement income fund for the purposes of section 961.17.0.1, paragraph *k* of the definition of "remuneration" in section 1015R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) and subparagraph *a* of the second paragraph of section 1015R21 of that regulation.

2021, c. 14, s. 110.

961.1.5.1. *(Repealed).*

1991, c. 25, s. 141; 1994, c. 22, s. 292.

961.2. *(Repealed).*

1979, c. 18, s. 68; 1988, c. 18, s. 93; 1991, c. 25, s. 142.

961.3. *(Repealed).*

1979, c. 18, s. 68; 1988, c. 18, s. 94; 1991, c. 25, s. 142.

961.4. *(Repealed).*

1979, c. 18, s. 68; 1984, c. 15, s. 208; 1988, c. 18, s. 95.

961.5. *(Repealed).*

1979, c. 18, s. 68; 1984, c. 15, s. 209; 1988, c. 18, s. 96; 1991, c. 25, s. 142.

961.5.1. *(Repealed).*

1982, c. 5, s. 169; 1988, c. 18, s. 96; 1991, c. 25, s. 142.

961.6. *(Repealed).*

1979, c. 18, s. 68; 1988, c. 18, s. 96; 1991, c. 25, s. 142.

961.7. *(Repealed).*

1979, c. 18, s. 68; 1988, c. 18, s. 97.

961.8. A designated benefit of an individual in respect of a registered retirement income fund that is received by the legal representative of the last annuitant under the fund is deemed to be received by the individual out of or under the fund at the time it is received by the legal representative and, except for the purposes of paragraph *c*.1 of section 961.1.5, not to be received out of or under the fund by any other person.

1979, c. 18, s. 68; 1980, c. 13, s. 91; 1988, c. 18, s. 98; 1995, c. 49, s. 214.

961.8.1. Where, at any particular time, an amount is credited or added to a deposit with a depositary referred to in paragraph *d* of the definition of "carrier" in subsection 1 of section 146.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) as interest or other income in respect of the deposit and the deposit is, at that time, a registered retirement income fund the annuitant under which was alive during the calendar year in which the amount is credited or added or during the preceding calendar year, the amount is deemed not to be received by the annuitant or any other person solely because of the crediting or adding.

1982, c. 5, s. 170; 1988, c. 18, s. 98; 1991, c. 25, s. 143; 1995, c. 49, s. 214.

CHAPTER II

CHANGE IN FUND AFTER REGISTRATION

1979, c. 18, s. 68; 1988, c. 18, s. 99.

961.9. Where a registered retirement income fund is revised or amended or a new fund is substituted therefor, and the fund as revised or amended or the new fund substituted therefor, as the case may be, in this section referred to as the "amended fund", is deemed, under subsection 11 of section 146.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), not to be a registered retirement income fund for the purposes of the said Act, the following rules apply:

(a) the amended fund is deemed, for the purposes of this Part, not to be a registered retirement income fund;

(b) the individual who was the annuitant under the fund before it became an amended fund shall, in computing his income for the taxation year that includes that day, include as income received out of the fund at that time an amount equal to the fair market value of all the property held in connection with the fund immediately before that time.

1979, c. 18, s. 68; 1984, c. 15, s. 210; 1988, c. 18, s. 100; 1991, c. 25, s. 144.

961.9.1. *(Repealed).*

1988, c. 18, s. 101; 1991, c. 25, s. 145.

961.9.2. *(Repealed).*

1988, c. 18, s. 101; 1991, c. 25, s. 145.

961.10. *(Repealed).*

1979, c. 18, s. 68; 1988, c. 18, s. 102.

961.11. *(Repealed).*

1979, c. 18, s. 68; 1988, c. 18, s. 102.

CHAPTER III

TAXATION

1979, c. 18, s. 68.

961.12. No tax is payable by a trust under this Part for a taxation year if, throughout the period in the year during which the trust is in existence, the trust is governed by a registered retirement income fund.

1979, c. 18, s. 68.

961.13. Notwithstanding section 961.12, a trust governed by a registered retirement income fund shall pay tax under this Part on its taxable income for a taxation year

(a) if it borrows money in the year or has borrowed money that it has not repaid before the commencement of the year, or

(b) if it receives in the year a gift of property, other than property transferred in accordance with subparagraph i or ii of paragraph *f* of subsection 2 of section 146.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), or received such a gift of property in a preceding year and has not divested itself of that property or any property substituted therefor before the commencement of the year.

1979, c. 18, s. 68; 1991, c. 25, s. 146; 1995, c. 49, s. 215.

961.14. Where section 961.13 does not apply, a trust governed by a registered retirement income fund that carries on a business in a taxation year shall, notwithstanding section 961.12, pay tax under this Part on the amount by which the amount that its taxable income for the year would be if it had no incomes or losses from sources other than that business, exceeds such portion of the taxable income as can reasonably be considered to be income from, or from the disposition of, qualified investments within the meaning of subsection 1 of section 146.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1979, c. 18, s. 68; 1995, c. 49, s. 216.

961.15. Despite section 961.12, a trust governed by a registered retirement income fund that holds, at any time in a taxation year, a property that is not a qualified investment for the purposes of subsection 9 of section 146.3 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) shall pay tax under this Part on the amount that its taxable income for the year would be if the trust had no incomes or losses from sources other than properties that are not such qualified investments and no capital gains or capital losses other than from the disposition of such properties.

1979, c. 18, s. 68; 1991, c. 25, s. 147; 2009, c. 5, s. 386; 2012, c. 8, s. 153.

961.16. For the purposes of section 961.15, income of a trust includes dividends described in sections 501 to 503, and the first paragraph of section 231 shall be construed as if the taxable capital gain or the allowable capital loss were the total capital gain or the total capital loss, as the case may be, from the disposition of property.

1979, c. 18, s. 68; 1984, c. 15, s. 211; 1990, c. 59, s. 328.

961.16.1. Notwithstanding sections 961.12 to 961.16, a trust governed by a registered retirement income fund shall pay tax under this Part on its taxable income for each taxation year after the year following the year in which the last annuitant under the fund died.

1980, c. 13, s. 92; 1988, c. 18, s. 103; 1995, c. 49, s. 217.

CHAPTER IV

AMOUNTS TO BE INCLUDED

1979, c. 18, s. 68.

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

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

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

(c) an amount that relates to interest, or to another amount included in computing income otherwise than because of any of the provisions of this Title, and that would, if the fund were a registered retirement savings plan, be a tax-paid amount described in subparagraph ii of paragraph *c*.1 of section 905.1; or

(d) an amount in respect of which the taxpayer pays a tax under Part XI.01 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), unless the tax is waived, cancelled or refunded.

An amount transferred on behalf of an individual from a registered retirement income fund of an annuitant is not to be included in computing the income of a taxpayer, solely because of that transfer, where the amount is

(a) an amount transferred as described in paragraph *e* of subsection 2 of section 146.3 of the Income Tax Act;

(b) an amount transferred on behalf of an individual who is a spouse or former spouse of the annuitant and who is entitled to the amount under an order or judgment of a competent court, or under a written agreement, relating to a partition of property between the annuitant and the annuitant's spouse or former spouse in settlement of rights arising out of, or on the breakdown of, their marriage, directly to

i. a registered retirement income fund under which the individual is the annuitant, or

ii. a registered retirement savings plan under which the individual is the annuitant within the meaning of paragraph *b* of section 905.1;

(b.1) an amount transferred at the direction of the annuitant directly to an account of the annuitant under a pooled registered pension plan;

(c) an amount transferred at the direction of the annuitant directly to a registered pension plan of which, at any time before the transfer, the annuitant was a member, within the meaning of section 965.0.1, or to a

prescribed registered pension plan and allocated to the annuitant under a money purchase provision of the plan, within the meaning of section 965.0.1; or

(d) an amount transferred at the direction of the annuitant directly to a licensed annuities provider to acquire an advanced life deferred annuity for the benefit of the annuitant.

1979, c. 18, s. 68; 1980, c. 13, s. 93; 1988, c. 18, s. 104; 1991, c. 25, s. 148; 1994, c. 22, s. 293; 1995, c. 49, s. 236; 1997, c. 14, s. 290; 2000, c. 5, s. 217; 2005, c. 1, s. 200; 2012, c. 8, s. 154; 2015, c. 21, s. 348; 2021, c. 18, s. 73; 2022, c. 23, s. 82.

961.17.0.1. Where, at any time in a taxation year, a particular amount in respect of a registered retirement income fund that is a spousal plan, within the meaning of paragraph *f* of section 905.1, in relation to an individual is required to be included in computing the income of the individual's spouse and the individual is not an individual who is living apart from his spouse at that time because of the breakdown of their marriage, the individual shall include, at that time, in computing his income for the year, the least of the following amounts:

(a) the aggregate of all amounts each of which is a premium, within the meaning of paragraph *e* of section 905.1, paid by him in the year or in one of the two immediately preceding taxation years to a registered retirement savings plan under which his spouse was the annuitant, within the meaning of paragraph *b* of section 905.1, at the time the premium was paid,

(b) the particular amount, and

(c) the amount by which the aggregate of all amounts each of which is an amount in respect of the fund that is required, in the year and at or before that time, to be included in computing the income of the individual's spouse exceeds the minimum amount under the fund for the year.

1988, c. 18, s. 105; 1991, c. 25, s. 149; 1995, c. 1, s. 96.

961.17.0.2. *(Repealed).*

1988, c. 18, s. 105; 1991, c. 25, s. 150.

961.17.0.3. Where an individual has paid more than one premium described in section 961.17.0.1, such a premium or part thereof paid by him at any time is deemed to have been included in computing his income by virtue of the said section before premiums or parts thereof paid by him after that time.

1988, c. 18, s. 105.

961.17.0.3.1. For the purposes of section 961.17.0.1, paragraph *k* of the definition of "remuneration" in section 1015R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) and subparagraph *a* of the second paragraph of section 1015R21 of that Regulation, the minimum amount under a retirement income fund for the taxation year 2015 is the amount that would be the minimum amount under the fund for the year if it were determined using the prescribed factor referred to in section 961.1.5.0.1R1 of that Regulation for the taxation year 2014.

2017, c. 29, s. 165.

961.17.0.4. Section 961.17.0.1 does not apply

(a) in respect of an individual at any time during the year in which the individual dies;

(b) in respect of an individual where either the individual or the annuitant is not a resident in Canada at the particular time referred to in the said section;

(c) to any payment that is received in full or partial commutation of a registered retirement savings plan or a registered retirement income fund and in respect of which a deduction was made under paragraph *f* of section 339 if, where the deduction was in respect of the acquisition of an annuity, the terms thereof provide

that it cannot be commuted, and it is not commuted, in whole or in part within three years after the acquisition thereof;

(d) in respect of an amount that is deemed, under the first paragraph of section 961.17.1, to have been received by an annuitant under a registered retirement income fund immediately before his death.

1988, c. 18, s. 105; 1991, c. 25, s. 151.

961.17.0.5. Where, in respect of an amount required, at any time in a taxation year, to be included in computing the income of the individual's spouse, all or part of a premium has, by virtue of section 961.17.0.1, been included in computing the individual's income for the year, the following rules apply:

(a) the premium or part thereof, as the case may be, is, for the purposes of sections 931.1 and 961.17.0.1, after that time, deemed not to have been a premium paid to a registered retirement savings plan under which the individual's spouse was the annuitant, within the meaning of paragraph *b* of section 905.1; and

(b) an amount equal to the premium or part thereof, as the case may be, may be deducted in computing the income of the spouse for the year.

1988, c. 18, s. 105; 1991, c. 25, s. 152.

961.17.1. Where the last annuitant under a registered retirement income fund dies, that annuitant is deemed to have received, immediately before death, an amount out of or under a registered retirement income fund equal to the fair market value of the property of the fund at the time of the death.

However, the annuitant referred to in the first paragraph may deduct from the amount he is deemed to have received under that paragraph an amount not exceeding the amount determined by the formula

$$A \times \{1 - [(B + C - D) / (B + C)]\}.$$

For the purposes of the formula in the second paragraph,

(a) A is the aggregate of

i. all designated benefits of individuals in respect of the fund,

ii. all amounts that would, if the fund were a registered retirement savings plan, be tax-paid amounts, within the meaning assigned by paragraph *c*.1 of section 905.1, in respect of the fund received by individuals who received, otherwise than because of section 961.8, designated benefits in respect of the fund, and

iii. all amounts each of which is an amount that would, if the fund were a registered retirement savings plan, be a tax-paid amount, within the meaning of paragraph *c*.1 of section 905.1, in respect of the fund received by the legal representative of the last annuitant under the fund, to the extent that the legal representative would have been entitled to designate that tax-paid amount under subparagraph i of paragraph *c*.1 of section 961.1.5 if tax-paid amounts were not excluded in determining refunds of premiums as defined in the first paragraph of section 908;

(b) B is the fair market value of the property of the fund at the particular time that is the later of the end of the first calendar year beginning after the death of the annuitant and the time immediately after the last time that any designated benefit in respect of the fund is received by an individual;

(c) C is the aggregate of all amounts paid out of or under the fund after the death of the last annuitant and before the particular time; and

(d) D is the lesser of the fair market value of the property of the fund at the time of the death of the last annuitant thereunder and the aggregate of all amounts determined in respect of the fund under paragraphs *b* and *c*.

1980, c. 13, s. 93; 1982, c. 5, s. 171; 1988, c. 18, s. 106; 1995, c. 49, s. 218; 2000, c. 5, s. 218.

961.18. Where, at any time in a taxation year, a trust governed by a registered retirement income fund acquires property for a consideration greater than its fair market value at that time or disposes of property for no consideration or for a consideration less than its fair market value at that time, the annuitant under the fund at that time shall include, in computing his income for the year, twice the difference between such value and such consideration.

1979, c. 18, s. 68; 1988, c. 18, s. 106.

961.19. If, at any time in a taxation year, a trust governed by a registered retirement income fund uses or permits to be used any property of the trust as security for a loan, the annuitant under the fund at that time shall include, in computing the annuitant's income for the year, the fair market value of the property at the time it commenced to be so used.

1979, c. 18, s. 68; 1980, c. 13, s. 94; 1988, c. 18, s. 106; 1991, c. 25, s. 153; 2012, c. 8, s. 155.

CHAPTER V

DEDUCTIONS

1979, c. 18, s. 68.

961.20. *(Repealed).*

1979, c. 18, s. 68; 1988, c. 18, s. 106; 1991, c. 25, s. 154; 2012, c. 8, s. 156.

961.21. (1) Where, at any time in a taxation year, a loan for which a trust governed by a registered retirement income fund has used or permitted to be used trust property as security ceases to be extant and the fair market value of the property so used was included, by virtue of section 961.19, in computing the income of the individual who is the annuitant under the fund, the individual who is at that time the annuitant under the fund may deduct, in computing his income for the year, the amount by which the amount so included in computing the income of an individual in consequence of the trust's using or permitting to be used the property as security for the loan exceeds the net loss sustained by the trust in consequence of its using or permitting to be used the property as security for the loan.

(2) However, the loss contemplated in subsection 1 does not include payments made by the trust as interest nor a change in the fair market value of the property.

1979, c. 18, s. 68; 1988, c. 18, s. 107; 1991, c. 25, s. 155.

961.21.0.1. If the last annuitant under a registered retirement income fund dies, there may be deducted in computing the annuitant's income for the taxation year in which the annuitant dies an amount not exceeding the amount determined, after all amounts payable under the fund have been paid, by the formula

A - B.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is

i. the amount deemed by the first paragraph of section 961.17.1 to have been received by the annuitant out of or under the fund,

ii. an amount (other than an amount described in subparagraph iii) received, after the death of the annuitant, by an individual out of or under the fund and included under the first paragraph of section 961.17 in computing the individual's income, or

iii. an amount that would, if the fund were a registered retirement savings plan, be a tax-paid amount, within the meaning of section 905.1, in respect of the fund; and

(b) B is the aggregate of all amounts paid out of or under the fund after the death of the annuitant.

2010, c. 5, s. 94.

961.21.0.2. Unless the Minister has waived in writing the application of this section with respect to all or any portion of the amount determined in section 961.21.0.1, that section does not apply in respect of an annuitant under a registered retirement income fund if

(a) after the death of the annuitant, a trust governed by the fund held an investment that was not a qualified investment for the purposes of section 146.3 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)); or

(b) the last payment out of or under the fund was made after the end of the year following the year in which the annuitant died.

2010, c. 5, s. 94.

961.21.1. An amount transferred on behalf of an individual from a registered retirement income fund of an annuitant is not to be deducted in computing the income of a taxpayer, where the amount so transferred is transferred in a situation described in any of subparagraphs *a* to *d* of the second paragraph of section 961.17.

2005, c. 1, s. 201; 2022, c. 23, s. 83.

CHAPTER VI

Repealed, 1991, c. 25, s. 156.

1979, c. 18, s. 68; 1991, c. 25, s. 156.

961.22. *(Repealed).*

1979, c. 18, s. 68; 1982, c. 5, s. 172; 1991, c. 25, s. 156.

TITLE V.2

ELECTION IN RESPECT OF A UNIT IN A QUALIFIED TRUST

1987, c. 67, s. 174; 1995, c. 49, s. 219; 1997, c. 3, s. 71; 2006, c. 13, s. 66.

961.23. In this Title, "qualified trust" has the meaning assigned by subsection 5 of section 259 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

1987, c. 67, s. 174; 1995, c. 49, s. 219; 1997, c. 3, s. 42; 2006, c. 13, s. 67.

961.24. For the purposes of Titles III, III.1, IV, IV.3 and V.1, where, at a particular time, a taxpayer that is a trust governed by a registered education savings plan, a registered disability savings plan, a tax-free savings account, a registered retirement savings plan or a registered retirement income fund acquires, holds or

disposes of a unit in a qualified trust, the qualified trust may, to the extent that it has made a valid election, in respect of a period, under subsection 1 of section 259 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), elect in the prescribed manner, in respect of that period, to have the following rules apply:

(a) the taxpayer is deemed not to acquire, hold or dispose of at that time, as the case may be, the unit;

(b) where the taxpayer holds the unit at that time, the taxpayer is deemed to hold at that time that proportion, referred to in this section as the "specified portion", of each property, in this section referred to as a "relevant property", held by the qualified trust at that time that one or, where the unit is a fraction of a whole unit, that fraction, is of the number of units of the qualified trust outstanding at that time;

(c) (paragraph repealed);

(d) where that time is the later of the time the qualified trust acquires the relevant property and the time the taxpayer acquires the unit, the taxpayer is deemed to acquire the specified portion of a relevant property at that time;

(e) where that time is the time the specified portion of a relevant property is deemed under paragraph *d* to have been acquired, the fair market value of the specified portion of the relevant property at that time is deemed to be the specified portion of the fair market value of the relevant property at the time of its acquisition by the qualified trust;

(f) where that time is the time immediately before the time the qualified trust disposes of a particular relevant property, the taxpayer is deemed to dispose of, immediately after that time, the specified portion of the particular relevant property for proceeds equal to the specified portion of the proceeds of disposition to the qualified trust of the particular relevant property;

(g) where that time is the time immediately before the time the taxpayer disposes of the unit, the taxpayer is deemed to dispose of, immediately after that time, the specified portion of each relevant property for proceeds equal to the specified portion of the fair market value of that relevant property at that time; and

(h) where the taxpayer is deemed because of this section to have acquired a portion of a relevant property as a consequence of the acquisition of the unit by the taxpayer and the acquisition of the relevant property by the qualified trust, and subsequently to have disposed of the specified portion of the relevant property, the specified portion of the relevant property is, for the purpose of determining the consequences under this Act of the disposition and without affecting the proceeds of disposition of the specified portion of the relevant property, deemed to be the portion of the relevant property the taxpayer is deemed to have acquired.

1987, c. 67, s. 174; 1995, c. 49, s. 219; 2006, c. 13, s. 68; 2009, c. 15, s. 171; 2012, c. 8, s. 157.

961.24.1. *(Repealed).*

1995, c. 49, s. 219; 2005, c. 23, s. 124.

961.24.2. *(Repealed).*

1995, c. 49, s. 219; 1997, c. 3, s. 71; 2005, c. 23, s. 125; 2006, c. 13, s. 69.

961.24.3. *(Repealed).*

1995, c. 49, s. 219; 1997, c. 3, s. 71; 2005, c. 23, s. 126.

961.24.4. If a qualified trust makes an election under section 961.24,

(a) it shall provide notification of the election

i. not later than 30 days after making the election, to each person who held a unit in the qualified trust before the election was made and during the period for which the election is applicable, and

ii. at the time of acquisition, to each person who acquires a unit in the qualified trust after the election has been made and during the period for which the election is applicable; and

(b) where a person who holds a unit in the qualified trust during the period for which the election is applicable makes a written request to the qualified trust for information that is necessary for the purpose of determining the consequences under this Part of the election for that person, the qualified trust shall provide the person with that information not later than 30 days after receiving the request.

1995, c. 49, s. 219; 1997, c. 3, s. 71; 2005, c. 23, s. 127; 2006, c. 13, s. 70.

TITLE VI

REGISTERED SUPPLEMENTARY UNEMPLOYMENT BENEFIT PLANS

1972, c. 23.

962. (1) For the purposes of this Part, a supplementary unemployment benefit plan is an arrangement under which an employer pays to a trust sums of money to be used exclusively to pay a periodic amount to an employee or former employee of the employer who is laid off for a temporary or indefinite period.

(2) The plan contemplated in subsection 1 does not include however an arrangement in the nature of a pension plan or a profit sharing plan.

(3) A supplementary unemployment benefit plan is registered when approved by the Minister for registration for the purposes of this Part and the regulations in respect of its constitution and operations for the taxation year under consideration.

1972, c. 23, s. 694.

963. No tax is payable by a trust under this Part for the period during which it is governed by a registered supplementary unemployment benefit plan.

1972, c. 23, s. 695.

964. An employer may deduct from his income for a taxation year any amount which he pays in such year or within 30 days thereafter to a trust governed by a plan contemplated in section 962, to the extent that such amount was not deductible in computing his income for a previous taxation year.

The employer must include any amount which he receives following an amendment to or modification of the plan or following the winding-up of the plan.

1972, c. 23, s. 696.

965. A beneficiary of a plan contemplated in section 962 must include in computing his income for a taxation year any amount which he receives from the trust under such plan in that year.

1972, c. 23, s. 697.

TITLE VI.0.1

REGISTERED PENSION PLANS

1991, c. 25, s. 157.

CHAPTER I

DEFINITIONS

1991, c. 25, s. 157.

965.0.1. For the purposes of this Title,

"defined benefit provision" of a pension plan has the meaning assigned by subsection 1 of section 147.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

"licensed annuities provider" means a person who is licensed or otherwise authorized under a law of Canada or a province to carry on an annuities business in Canada;

"member" of a pension plan means an individual who has a right, either immediate or in the future and either absolute or contingent, to receive benefits under the plan, other than an individual who has such a right only by reason of the participation of another individual in the plan;

"money purchase provision" of a pension plan has the meaning assigned by subsection 1 of section 147.1 of the Income Tax Act;

"single amount" means an amount that is not part of a series of periodic payments.

1991, c. 25, s. 157; 1994, c. 22, s. 294; 2000, c. 5, s. 219.

965.0.1.1. Any reference in this Part and the regulations to a pension plan as registered means the terms of the plan on the basis of which the Minister of Revenue of Canada has registered the plan for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and as amended by each amendment referred to in paragraph *a* or *b* of subsection 15 of section 147.1 of that Act, and includes all terms that are not contained in the documents constituting the plan but that are terms of the plan by reason of the Pension Benefits Standards Act, 1985 (Revised Statutes of Canada, 1985, chapter 32, 2nd Supplement) or a similar law of a province.

2000, c. 5, s. 220.

CHAPTER II

DEDUCTIONS

1991, c. 25, s. 157.

965.0.2. There may be deducted in computing an employer's income for a taxation year ending after 31 December 1990, the amount that, by virtue of paragraph *q* of subsection 1 of section 20 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), is allowed as a deduction for the year in computing the employer's income for the purposes of that Act in respect of a contribution made to a registered pension plan.

1991, c. 25, s. 157; 2015, c. 21, s. 349.

965.0.3. An individual may deduct, in computing his income for a taxation year ending after 31 December 1990, an amount equal to the aggregate of the following amounts:

(a) the amounts that, by virtue of paragraph *m* of subsection 1 of section 8 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), are allowed as a deduction for the year in respect of the individual in computing his income for the purposes of the said Act, to the extent that the said paragraph refers to paragraph *a* of subsection 4 of section 147.2 of the said Act,

(b) the least of the following amounts:

i. the amount described in the second paragraph,

ii. $5,500, and

iii. the amount determined by the formula

($5,500 × Y) − Z;

(c) the lesser of the following amounts:

i. the amount by which

(1) the aggregate of all amounts each of which is a contribution, other than an additional voluntary contribution, a contribution prescribed by regulation for the purposes of clause A of subparagraph i of paragraph *c* of subsection 4 of section 147.2 of the Income Tax Act or a contribution included in the aggregate determined in respect of the individual for the year under subparagraph *a* of the second paragraph, made by the individual in the year or any preceding taxation year and after 31 December 1962, to a registered pension plan in respect of a particular year before the year 1990, if all or any part of the particular year is included in the individual's eligible service under the plan, exceeds

(2) the aggregate of all amounts each of which is an amount deducted, in computing the individual's income for any preceding taxation year, in respect of contributions included in the aggregate determined in respect of the individual for the year under subparagraph 1, and

ii. the amount by which $5,500 exceeds the aggregate of the amounts deducted by reason of paragraphs *a* and *b* in computing the individual's income for the year.

The amount referred to in subparagraph i of subparagraph *b* of the first paragraph is equal to the amount by which

(a) the aggregate of all amounts each of which is a contribution, other than an additional voluntary contribution or a contribution prescribed by regulation for the purposes of clause A of subparagraph i of paragraph *b* of subsection 4 of section 147.2 of the Income Tax Act, made by the individual in the year or any preceding taxation year and after 31 December 1945, to a registered pension plan in respect of a particular year before the year 1990, if all or any part of the particular year is included in the individual's eligible service under the plan and if

i. in the case of a contribution that the individual made before 28 March 1988 or was obliged to make under the terms of an agreement in writing entered into before that date, the individual was not a contributor to the plan in the particular year, or

ii. in any other case, the individual was not a contributor to any registered pension plan in the particular year, exceeds

(b) the aggregate of all amounts each of which is an amount deducted, in computing the individual's income for any preceding taxation year, in respect of contributions included in the aggregate determined in respect of the individual for the year under subparagraph *a*.

For the purposes of the formula set forth in subparagraph iii of subparagraph *b* of the first paragraph,

(a) Y is the number of calendar years before the year 1990 each of which is

i. a year all or any part of which is included in the individual's eligible service under a registered pension plan to which the individual has made a contribution that is included in the aggregate determined under subparagraph *a* of the second paragraph, if the individual was not a contributor to any registered pension plan in that year, or

ii. a year all or any part of which is included in the individual's eligible service under a registered pension plan to which the individual has made a contribution before 28 March 1988, or was obliged to make a contribution under the terms of an agreement in writing entered into before that date, that is included in the aggregate determined under subparagraph *a* of the second paragraph, if the individual was not a contributor to the plan in that year, and

(b) Z is the aggregate of all amounts each of which is an amount deducted in computing the individual's income for any preceding taxation year

i. in respect of contributions included in the aggregate determined in respect of the individual for the year under subparagraph *a* of the second paragraph, or

ii. where the preceding year is before the year 1987, under paragraph *c* of section 70 to the extent permitted by paragraph *b* of section 71, as it read for that preceding year, in respect of additional voluntary contributions made in respect of a year that satisfies the conditions specified in subparagraph *a*.

1991, c. 25, s. 157; 2000, c. 5, s. 221.

965.0.4. *(Repealed).*

1991, c. 25, s. 157; 1995, c. 63, s. 98; 1998, c. 16, s. 213.

965.0.4.1. Where a taxpayer dies in a taxation year, for the purpose of computing the taxpayer's income for the year and the preceding taxation year, the following rules apply:

(a) subparagraph *b* of the first paragraph of section 965.0.3 shall be read without reference to subparagraph ii thereof; and

(b) subparagraph *c* of the first paragraph of section 965.0.3 shall be read as follows:

"(*c*) the amount by which

i. the aggregate of all amounts each of which is a contribution, other than an additional voluntary contribution, a contribution prescribed by regulation for the purposes of clause A of subparagraph i of paragraph *c* of subsection 4 of section 147.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or a contribution included in the aggregate determined in respect of the individual for the year under subparagraph *a* of the second paragraph, made by the individual in the year or any preceding taxation year and after 31 December 1962, to a registered pension plan in respect of a particular year before the year 1990, if all or any part of the particular year is included in the individual's eligible service under the plan, exceeds

ii. the aggregate of all amounts each of which is an amount deducted, in computing the individual's income for any preceding taxation year, in respect of contributions included in the aggregate determined in respect of the individual for the year under subparagraph i."

2000, c. 5, s. 222.

CHAPTER III

TRANSFERS

1991, c. 25, s. 157.

965.0.5. An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount is transferred on behalf of a member in full or partial satisfaction of his entitlement to benefits under a money purchase provision of the plan as registered, and

(c) the amount is transferred directly to

i. another registered pension plan to provide benefits in respect of the member under a money purchase provision of that plan,

ii. a registered retirement savings plan under which the member is the annuitant, within the meaning of paragraph *b* of section 905.1,

iii. a registered retirement income fund under which the member is the annuitant, within the meaning of paragraph *d* of section 961.1.5, or

iv. a licensed annuities provider to acquire an advanced life deferred annuity for the benefit of the member.

1991, c. 25, s. 157; 1994, c. 22, s. 295; 2022, c. 23, s. 84.

965.0.6. An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount is transferred on behalf of a member in full or partial satisfaction of his entitlement to benefits under a money purchase provision of the plan as registered, and

(c) the amount is transferred directly to another registered pension plan to fund benefits provided in respect of the member under a defined benefit provision of that plan.

1991, c. 25, s. 157.

965.0.7. An amount is transferred from a registered pension plan, in this section referred to as the "transferor plan", in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount consists of all or any part of the property held in connection with a defined benefit provision of the transferor plan,

(c) the amount is transferred directly to another registered pension plan to be held in connection with a defined benefit provision of the other plan, unless the amount is transferred to an individual pension plan and the transfer is in respect of benefits that are attributable to employment with a former employer that is not a participating employer or its predecessor employer, and

(d) the amount is transferred as a consequence of benefits becoming provided under the defined benefit provision of the other plan to one or more individuals who were members of the transferor plan.

For the purposes of subparagraph *c* of the first paragraph,

"individual pension plan" has the meaning assigned by subsection 1 of section 8300 of the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

"participating employer" has the meaning assigned by subsection 1 of section 147.1 of the Income Tax Act;

"predecessor employer" has the meaning assigned by subsection 1 of section 8500 of the Income Tax Regulations made under the Income Tax Act.

1991, c. 25, s. 157; 2021, c. 36, s. 94.

965.0.8. An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount no portion of which relates to an actuarial surplus,

(b) the amount is transferred on behalf of a member in full or partial satisfaction of benefits to which the member is entitled, either absolutely or contingently, under a defined benefit provision of the plan as registered,

(c) the amount does not exceed the amount referred to in paragraph *c* of subsection 4 of section 147.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), and

(d) the amount is transferred directly to

i. another registered pension plan and allocated to the member under a money purchase provision of that plan,

ii. a registered retirement savings plan under which the member is the annuitant, within the meaning of paragraph *b* of section 905.1, or

iii. a registered retirement income fund under which the member is the annuitant, within the meaning of paragraph *d* of section 961.1.5.

1991, c. 25, s. 157; 1994, c. 22, s. 296.

965.0.8.1. An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is transferred in respect of the actuarial surplus under a defined benefit provision of the plan, and

(b) the amount is transferred directly to another registered pension plan and allocated under a money purchase provision of that plan to one or more members of that plan.

1994, c. 22, s. 297.

965.0.9. An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount no portion of which relates to an actuarial surplus,

(b) the amount is transferred on behalf of an individual who is the spouse or former spouse of a member of the plan and who is entitled to the amount under a decree, order or judgment of a competent tribunal, or under a written agreement, relating to a partition of property between the member and the individual in settlement of rights arising out of, or on the breakdown of, their marriage, and

(c) the amount is transferred directly to

i. another registered pension plan for the benefit of the individual,

ii. a registered retirement savings plan under which the individual is the annuitant, within the meaning of paragraph *b* of section 905.1, or

iii. a registered retirement income fund under which the individual is the annuitant, within the meaning of paragraph *d* of section 961.1.5.

1991, c. 25, s. 157; 1994, c. 22, s. 298; 1995, c. 49, s. 236; 1997, c. 14, s. 290; 2003, c. 2, s. 257; 2021, c. 18, s. 74.

965.0.10. An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount is transferred on behalf of a member who is entitled to the amount as a return of contributions made (or deemed to have been made) by the member under a defined benefit provision of the plan before 1 January 1991, or as interest, computed at a reasonable rate, in respect of those contributions, and

(c) the amount is transferred directly to

i. another registered pension plan for the benefit of the member,

ii. a registered retirement savings plan under which the member is the annuitant, within the meaning of paragraph *b* of section 905.1, or

iii. a registered retirement income fund under which the member is the annuitant, within the meaning of paragraph *d* of section 961.1.5.

For the purposes of subparagraph *b* of the first paragraph, if an amount is transferred in accordance with section 965.0.7 to a defined benefit provision (in this paragraph referred to as the "current provision") of a registered pension plan from a defined benefit provision (in this paragraph referred to as the "former provision") of another registered pension plan on behalf of all or a significant number of members whose benefits under the former provision are replaced by benefits under the current provision, each current service contribution made at a particular time under the former provision by a member whose benefits are so replaced is deemed to be a current service contribution made at that particular time under the current provision by the member.

1991, c. 25, s. 157; 1994, c. 22, s. 299; 2015, c. 21, s. 350.

965.0.11. An amount is transferred from a registered pension plan in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount no portion of which relates to an actuarial surplus,

(b) the amount is transferred on behalf of an individual who is entitled to the amount as a consequence of the death of a member of the plan and who was a spouse or former spouse of the member at the date of the member's death, and

(c) the amount is transferred directly to

i. another registered pension plan for the benefit of the individual,

ii. a registered retirement savings plan under which the individual is the annuitant, within the meaning of paragraph *b* of section 905.1, or

iii. a registered retirement income fund under which the individual is the annuitant, within the meaning of paragraph *d* of section 961.1.5.

1991, c. 25, s. 157; 1994, c. 22, s. 300.

965.0.11.1. An amount is transferred from a registered pension plan, in this section referred to as the "transferor plan", in accordance with this section if

(a) the amount is a single amount;

(b) the amount is transferred in respect of the surplus under a money purchase provision, in this section referred to as the "former provision", of the transferor plan;

(c) the amount is transferred directly to another registered pension plan to be held in connection with a money purchase provision, in this section referred to as the "current provision", of the other plan;

(d) the amount is transferred in conjunction with the transfer of amounts from the former provision to the current provision on behalf of all or a significant number of members of the transferor plan whose benefits under the former provision are replaced by benefits under the current provision; and

(e) the transfer is acceptable, for the purposes of paragraph *e* of subsection 7.1 of section 147.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to the Minister of National Revenue and that Minister has so notified the administrator of the transferor plan in writing.

For the purposes of subparagraph *b* of the first paragraph, "surplus" has the meaning assigned for the purposes of paragraph *b* of subsection 7.1 of section 147.3 of the Income Tax Act.

2003, c. 2, s. 258.

965.0.12. An amount is transferred from a registered pension plan, in this section referred to as the "transferor plan", in accordance with this section if the following conditions are satisfied:

(a) the amount is a single amount,

(b) the amount is transferred in respect of the actuarial surplus under a defined benefit provision of the transferor plan;

(c) the amount is transferred directly to another registered pension plan to be held in connection with a money purchase provision of the other plan;

(d) the amount is transferred in conjunction with the transfer of other amounts from the defined benefit provision to the money purchase provision on behalf of all or a significant number of members of the transferor plan whose benefits under the defined benefit provision are replaced by benefits under the money purchase provision, and

(e) the transfer is acceptable to the Minister of Revenue of Canada for the purposes of paragraph *e* of subsection 8 of section 147.3 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), and the Minister has so notified the administrator of the transferor plan in writing.

1991, c. 25, s. 157; 2000, c. 5, s. 293; 2003, c. 2, s. 259.

965.0.13. Where an amount is transferred in accordance with sections 965.0.5 to 965.0.12, the following rules apply:

(a) the amount shall not, by reason only of that transfer, be included in computing the income of any individual by reason of section 317, and

(b) no deduction may be made under any provision of this Part in computing the income of any individual in respect of the amount transferred.

1991, c. 25, s. 157.

965.0.14. Where, on behalf of an individual, an amount is transferred from a registered pension plan, in this section referred to as the "transferor plan", to another registered pension plan, a registered retirement savings plan or a registered retirement income fund and the transfer is not in accordance with any of sections 965.0.5 to 965.0.11, the amount is deemed to have been paid from the transferor plan to the individual.

1991, c. 25, s. 157; 1994, c. 22, s. 301; 2000, c. 5, s. 223.

965.0.15. Where an amount is transferred from a registered pension plan to another registered pension plan, to a registered retirement savings plan or to a registered retirement income fund, and a portion, but not all, of the amount is transferred in accordance with any of sections 965.0.5 to 965.0.12, the following rules apply:

(a) section 965.0.13 applies in respect of the portion of the amount that is transferred in accordance with any of sections 965.0.5 to 965.0.12, and

(b) section 965.0.14 applies in respect of the remainder of the amount.

1991, c. 25, s. 157; 1994, c. 22, s. 302.

965.0.16. Where the transfer in a calendar year of an amount from a registered pension plan on behalf of a member of the plan would, but for this section, be in accordance with section 965.0.5 or 965.0.6 and, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the registration of the plan is revocable at the end of the year as a consequence of an excess determined under any of paragraphs *a* and *b* of subsection 8 or 9 of section 147.1 of the said Act in respect of the member, such portion of the amount transferred as may reasonably be considered to derive from amounts allocated or reallocated to the member in the year or from earnings reasonably attributable to those amounts is deemed to be an amount that was not transferred in accordance with section 965.0.5 or 965.0.6, as the case may be, except to the extent expressly provided in writing by the Minister of Revenue of Canada for the purposes of subsection 13 of section 147.3 of the said Act.

1991, c. 25, s. 157; 2000, c. 5, s. 293.

965.0.16.1. An individual may deduct, in computing his income for a taxation year, the amount deductible for the year in computing his income for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), under subsection 13.1 of section 147.3 of the said Act.

1994, c. 22, s. 303.

965.0.17. For the purposes of this chapter, where property held in connection with a particular pension plan is made available to pay benefits under another pension plan, the property is deemed to have been transferred from the particular plan to the other plan.

1991, c. 25, s. 157.

965.0.17.1. Where property held in connection with a benefit provision of a registered pension plan is made available to pay benefits under another benefit provision of the plan, sections 965.0.13 to 965.0.15

apply in respect of the transaction by which the property is made so available in the same manner as they would apply if the other benefit provision were in another registered pension plan.

2000, c. 5, s. 224.

CHAPTER IV

ACQUISITION OF AN ANNUITY CONTRACT

2000, c. 5, s. 224.

965.0.17.2. For the purposes of this Part, the rules provided in the second paragraph apply where at any time an individual acquires, in full or partial satisfaction of the individual's entitlement to benefits under a registered pension plan, an interest in an annuity contract (other than an advanced life deferred annuity) purchased from a licensed annuities provider and

(a) the rights provided for under the contract are not materially different from those provided for under the plan as registered;

(b) the contract does not permit premiums to be paid at or after that time, other than a premium paid at that time out of or under the plan to purchase the contract;

(c) either the plan is not a plan in respect of which the Minister of Revenue of Canada may, under subsection 11 of section 147.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), give a notice of intent to revoke the registration of the plan or the Minister of Revenue of Canada waves the application of paragraph *d* of subsection 1 of section 147.4 of that Act with respect to the contract and so notifies the administrator of the plan in writing; and

(d) the individual has not acquired the interest in the contract as a consequence of a transfer of property from the plan to a registered retirement savings plan or a registered retirement income fund.

The rules to which the first paragraph refers are as follows:

(a) the individual is deemed not to have received an amount out of or under the registered pension plan as a consequence of acquiring the interest in the annuity contract; and

(b) except for the purposes of sections 965.0.5 to 965.0.17.1, any amount received at or after the time referred to in the first paragraph by any individual under the contract is deemed to have been received under the registered pension plan.

2000, c. 5, s. 224; 2022, c. 23, s. 85.

965.0.17.3. For the purposes of this Part, the rules set out in the second paragraph apply where an amendment is made at any time to an annuity contract to which section 965.0.17.2 or paragraph *a* of section 2.3 applies and the rights provided for under the contract are materially altered because of the amendment, other than an amendment the sole effect of which is

(a) to defer annuity commencement to not later than the end of the year in which the individual in respect of whom the annuity contract was purchased reaches 71 years of age; or

(b) to enhance benefits under the annuity contract in connection with the demutualization, as defined in section 832.11, of an insurance corporation that is considered for the purposes of sections 832.11 to 832.25 to have been a party to the annuity contract.

The rules to which the first paragraph refers are the following:

(a) each individual who has an interest in the annuity contract immediately before the time referred to in the first paragraph is deemed to have received at that time an amount under a pension plan equal to the fair market value of the interest immediately before that time;

(b) the contract as amended is deemed to be a separate annuity contract issued at the time referred to in the first paragraph otherwise than pursuant to a pension plan; and

(c) each individual who has an interest in the separate annuity contract immediately after the time referred to in the first paragraph is deemed to have acquired the interest at that time at a cost equal to the fair market value of the interest immediately after that time.

2000, c. 5, s. 224; 2001, c. 53, s. 202; 2009, c. 5, s. 387.

965.0.17.4. For the purposes of this Part, where an annuity contract, in this section referred to as the "original contract", to which section 965.0.17.2 or paragraph *a* of section 2.3 applies is, at any time, replaced by another contract, the following rules apply:

(a) the other contract is deemed to be the same contract as, and a continuation of, the original contract if the rights provided for under the other contract

i. are not materially different from those provided for under the original contract, or

ii. are materially different from those provided for under the original contract only because of an enhancement of benefits that can reasonably be considered to have been provided solely in connection with the demutualization, as defined in section 832.11, of an insurance corporation that is considered for the purposes of sections 832.11 to 832.25 to have been a party to the original contract; and

(b) in any other case, each individual who has an interest in the original contract immediately before that time is deemed to have received at that time an amount under a pension plan equal to the fair market value of the interest immediately before that time.

2000, c. 5, s. 224; 2001, c. 53, s. 203.

965.0.18. *(Repealed).*

1998, c. 16, s. 214; 2000, c. 5, s. 225; 2009, c. 5, s. 388.

TITLE VI.0.2

POOLED REGISTERED PENSION PLANS

2015, c. 21, s. 351.

CHAPTER I

DEFINITIONS

2015, c. 21, s. 351.

965.0.19. In this Title,

"administrator", of a pooled pension plan, means

(a) a corporation resident in Canada that is responsible for the administration of the plan and that is authorized under the Pooled Registered Pension Plans Act (S.C. 2012, c. 16) or a similar law of a province to act as an administrator for one or more pooled pension plans; or

(b) an entity designated in respect of the plan under section 21 of the Pooled Registered Pension Plans Act or any provision of a law of a province that is similar to that section;

"member", of a pooled pension plan, means an individual (other than a trust) who holds an account under the plan;

"pooled pension plan" means a plan that is registered under the Pooled Registered Pension Plans Act or a similar law of a province;

"qualifying annuity", for an individual, means a life annuity (other than an advanced life deferred annuity) that

(a) is payable to the individual or, where the annuity is constituted for the benefit of the individual and the individual's spouse jointly, is payable to the individual and, on the individual's death, to the individual's spouse;

(b) is payable beginning no later than the later of the end of the calendar year in which the annuity is acquired and the end of the calendar year in which the individual attains 71 years of age;

(c) unless the annuity is subsequently commuted into a single payment, is payable

i. at least annually, and

ii. in equal amounts, except for an amount that is not so payable solely because of an adjustment that would, if the annuity were an annuity under a retirement savings plan, be in accordance with any of subparagraphs iii to v of paragraph *b* of subsection 3 of section 146 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(d) if the annuity includes a guaranteed period, requires that

i. the guaranteed period not exceed 15 years, and

ii. in the event of the death of the individual and that of the individual's spouse during the guaranteed period, any remaining amounts otherwise payable be commuted into a single payment as soon as practicable after the later death; and

(e) does not permit any premiums to be paid, other than the premium paid from the PRPP to acquire the annuity;

"qualifying survivor", in relation to a member of a PRPP, means an individual who, immediately before the death of the member

(a) was a spouse of the member; or

(b) was a child or grandchild of the member who was financially dependent on the member for support;

"single amount" means an amount that is not part of a series of periodic payments;

"successor member" means an individual who was the spouse of a member of a PRPP immediately before the death of the member and who acquires, as a consequence of the death, all of the member's rights in respect of the member's account under the PRPP.

For the purposes of the definition of "qualifying survivor" in the first paragraph, a child or grandchild of the member is presumed not to be financially dependent on the member at the time of the death of the member if the child's or grandchild's income, for the taxation year preceding the taxation year in which the member died, was greater than the amount determined by the formula in subsection 1.1 of section 146 of the Income Tax Act for that preceding year.

2015, c. 21, s. 351; 2022, c. 23, s. 86.

CHAPTER II

TAX

2015, c. 21, s. 351.

965.0.20. No tax is payable under this Part by a trust governed by a PRPP on its taxable income for a taxation year.

2015, c. 21, s. 351.

965.0.21. Despite section 965.0.20, a trust governed by a PRPP that carries on a business in a taxation year shall pay tax under this Part on the amount that would be its taxable income for the year if it had no incomes or losses from sources other than that business.

2015, c. 21, s. 351.

965.0.22. For the purposes of section 965.0.21, the following rules apply:

(a) a capital gain or capital loss from the disposition of a property held in connection with a business is deemed to be income or a loss, as the case may be, from carrying on the business; and

(b) the trust's income is to be computed without reference to paragraph *a* of section 657 and sections 666 and 668.

2015, c. 21, s. 351.

CHAPTER III

DEDUCTIONS

2015, c. 21, s. 351.

965.0.23. There may be deducted in computing an employer's income for a taxation year, the amount that, by virtue of paragraph *q* of subsection 1 of section 20 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), is allowed as a deduction for the year in computing the employer's income for the purposes of that Act in respect of a contribution made to a PRPP.

2015, c. 21, s. 351.

965.0.24. For the purposes of Title IV (other than sections 924.1, 931.1, 931.3 and 931.5), and paragraph *a* of sections 935.3 and 935.14, a contribution made to a pooled registered pension plan by a member of such a plan is deemed to be a premium paid by the member to a registered retirement savings plan under which the member is the annuitant, within the meaning of paragraph *b* of section 905.1.

2015, c. 21, s. 351.

965.0.24.1. Where a member of a pooled registered pension plan or an employer in relation to the plan has, at any time in a taxation year, received a distribution from the member's account under the plan that is a return of a contribution described in clause A or B of subparagraph ii of paragraph *d* of subsection 3 of section 147.5 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the contribution is deemed not to be a contribution made by the member or the employer, as the case may be, to the plan to the extent that the contribution is not deducted in computing the member's or the employer's income, as the case may be, for the year or a preceding taxation year.

2021, c. 14, s. 111.

965.0.25. There may be deducted in computing the income of a member of a PRPP for the taxation year in which the member dies, an amount not exceeding the amount determined, after all amounts payable from the member's account under the PRPP have been distributed, by the formula

A - B.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount in respect of the member's account

i. included in computing the member's income under section 965.0.28 because of the application of section 965.0.30,

ii. included in computing the income of another taxpayer under section 965.0.32 or 965.0.34, or

iii. transferred in accordance with section 965.0.35 in circumstances described in subparagraph iii of paragraph *b* of that section; and

(b) B is the aggregate of all distributions made from the member's account after the member's death.

2015, c. 21, s. 351.

965.0.26. Unless the Minister has waived in writing the application of this section with respect to all or any portion of the amount determined under section 965.0.25, that section does not apply in respect of a member's account under a PRPP if the last distribution from the account was made after the end of the calendar year following the year in which the member died.

2015, c. 21, s. 351.

965.0.27. For the purposes of section 133.4, subparagraph i of paragraph *a* of the definition of "excluded right or interest" in section 785.0.1, subparagraph *d* of the first paragraph of section 890.0.1, sections 890.0.2, 913 and 924.0.1, paragraph *b* of the definition of "excluded premium" in the first paragraph of section 935.1, paragraph *c* of the definition of "excluded premium" in the first paragraph of section 935.12, the second paragraph of section 961.17 and Chapter III of Title VI.0.1, a member's account under a pooled registered pension plan is deemed to be a registered retirement savings plan under which the member is the annuitant, within the meaning of paragraph *b* of section 905.1.

2015, c. 21, s. 351.

CHAPTER IV

AMOUNTS TO BE INCLUDED

2015, c. 21, s. 351.

965.0.28. If a taxpayer is a member of a PRPP, the taxpayer shall include, in computing income for a taxation year, the aggregate of all amounts each of which is a distribution made in the year from the member's account under the PRPP, other than an amount that is

(a) included in computing the income of another taxpayer under section 965.0.29;

(b) referred to in section 965.0.36; or

(c) distributed after the death of the member.

2015, c. 21, s. 351.

965.0.29. If a taxpayer is the employer of a member of a PRPP, the taxpayer shall include, in computing income for a taxation year, the aggregate of all amounts each of which is a return of contributions that is described in clause A of subparagraph ii of paragraph *d* of subsection 3 of section 147.5 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and that is made to the taxpayer in the year.

2015, c. 21, s. 351.

965.0.30. If a member of a PRPP dies and there is no successor member in respect of the deceased member's account under the PRPP, an amount, equal to the amount by which the fair market value of all property held in connection with the account immediately before the death exceeds the total of all amounts distributed from the account that are described in section 965.0.32, is deemed to have been distributed from the account immediately before the death.

2015, c. 21, s. 351.

965.0.31. If a member of a PRPP dies and there is a successor member in respect of the deceased member's account under the PRPP, the following rules apply:

(a) the account ceases to be an account of the deceased member at the time of the death;

(b) the successor member is, after the time of the death, deemed to hold the account as a member of the PRPP; and

(c) the successor member is deemed to be a separate member in respect of any other account under the PRPP that the successor member holds.

2015, c. 21, s. 351.

965.0.32. If, as a consequence of the death of a member of a PRPP, an amount is distributed in a taxation year from the member's account under the PRPP to, or on behalf of, a qualifying survivor in relation to the member, the amount must be included in computing the qualifying survivor's income for the year, except to the extent that the amount is referred to in section 965.0.36.

2015, c. 21, s. 351.

965.0.33. If an amount is distributed at a particular time from a deceased member's account under a PRPP to the member's legal representative and a qualifying survivor of the member is entitled to all or a portion of the amount in full or partial satisfaction of the qualifying survivor's rights as a beneficiary under the deceased's succession, then, for the purposes of section 965.0.32, the amount or portion of the amount, as the case may be, is deemed to have been distributed at that time from the member's account to the qualifying survivor (and not to the legal representative) to the extent that it is so designated jointly by the legal representative and the qualifying survivor in the prescribed form filed with the Minister.

2015, c. 21, s. 351.

965.0.34. A taxpayer who is not a qualifying survivor in relation to a member of a PRPP shall include, in computing income for a taxation year, the aggregate of all amounts each of which is an amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is the amount of a distribution made in the year from the member's account under the PRPP as a consequence of the member's death to, or on behalf of, the taxpayer; and

(b) B is an amount designated by the administrator of the PRPP not exceeding the lesser of

i. the amount of the distribution, and

ii. the amount by which the fair market value of all property held in connection with the account immediately before the death of the member exceeds the total of

(1) the amount designated in accordance with this paragraph in respect of any prior distribution made from the account, and

(2) an amount included under section 965.0.32 in computing the income of a qualifying survivor in relation to the member.

2015, c. 21, s. 351.

CHAPTER V

TRANSFERS

2015, c. 21, s. 351.

965.0.35. An amount is transferred from a member's account under a pooled registered pension plan in accordance with this section if

(a) the amount is a single amount;

(b) the amount is transferred on behalf of an individual

i. who is the member,

ii. who is a spouse or former spouse of the member and who is entitled to the amount under a decree, order or judgment of a competent tribunal, or under a written agreement, relating to a partition of property between the member and the individual, in settlement of rights arising out of, or on the breakdown of, their marriage, or

iii. who is entitled to the amount as a consequence of the death of the member and was a spouse of the member immediately before the death; and

(c) the amount is transferred directly to

i. the individual's account under the plan,

ii. another pooled registered pension plan in respect of the individual,

iii. a registered pension plan for the benefit of the individual,

iv. a registered retirement savings plan or registered retirement income fund under which the individual is the annuitant, within the meaning of paragraph *b* of section 905.1 or paragraph *d* of section 961.1.5, as the case may be,

v. a licensed annuities provider to acquire a qualifying annuity for the individual, or

vi. a licensed annuities provider to acquire an advanced life deferred annuity for the benefit of the member.

2015, c. 21, s. 351; 2021, c. 18, s. 75; 2022, c. 23, s. 87.

965.0.36. Where an amount is transferred in accordance with section 965.0.35 from a member's account under a PRPP on behalf of an individual, the following rules apply:

(a) the amount must not, by reason only of that transfer, be included in computing the income of the individual; and

(b) no deduction may be made in respect of the amount in computing the income of any taxpayer.

2015, c. 21, s. 351.

965.0.37. If an amount is transferred in accordance with section 965.0.35 to acquire a qualifying annuity, an individual shall include, in computing income for a taxation year under this Title and not under any other provision of this Act, any amount received by the individual during the year out of or under the annuity or as proceeds from the disposition of the annuity.

2015, c. 21, s. 351.

TITLE VI.0.3

ADVANCED LIFE DEFERRED ANNUITY

2022, c. 23, s. 88.

CHAPTER I

DEFINITIONS

2022, c. 23, s. 88.

965.0.38. In this Title,

"advanced life deferred annuity" means a contract for the constitution of an annuity in respect of which the following conditions are met:

(a) it is issued by a licensed annuities provider;

(b) it specifies that it has been set up with the intention that it serve as an advanced life deferred annuity for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(c) it provides for periodic annuity payments that

i. commence to be paid no later than the end of the calendar year in which the annuitant attains 85 years of age, and

ii. are payable for the life of the annuitant or, where the annuity is constituted for the benefit of the annuitant and the annuitant's spouse jointly, for the life of the annuitant and, on the annuitant's death, for the life of the spouse;

(d) it provides that periodic annuity payments are payable in equal amounts, or in amounts that are not equal only because

i. the payments are adjusted in whole or in part to reflect

(1) increases in the Consumer Price Index, as published by Statistics Canada under the Statistics Act (R.S.C. 1985, c. S-19), or

(2) increases at a rate specified in the contract, not exceeding 2% per year, or

ii. the payments are reduced on the death of the annuitant or the death of the annuitant's spouse;

(e) where the annuity is constituted for the benefit of the annuitant and the annuitant's spouse jointly and the annuitant dies before payments commence to be paid, it provides that the payments to the spouse must

i. commence to be paid no later than the date that they would have commenced to be paid if the annuitant were alive, and

ii. be adjusted in accordance with generally accepted actuarial principles if the payments commence to be paid before the date they would have commenced to be paid if the annuitant were alive;

(f) it provides that the amount to be paid, if any, to one or more beneficiaries under the contract after the death of the annuitant — or, if the annuity is constituted for the benefit of the annuitant and the annuitant's spouse jointly and the spouse outlives the annuitant, after the death of the spouse — must

i. be paid as soon as practicable after the death of the annuitant or the death of the annuitant's spouse, as the case may be, and

ii. be equal to or less than the amount, if any, by which the total amount transferred to acquire the annuity exceeds the aggregate of all amounts each of which is an annuity payment made under the contract;

(g) it provides that an amount transferred to acquire the annuity may be refunded, in whole or in part, provided that the refund is paid to reduce the amount of tax that would otherwise be payable by the annuitant under Part XI of the Income Tax Act and that

i. the refund is paid to the annuitant, or

ii. the refund is transferred directly to

(1) the issuer, within the meaning of paragraph *c* of section 905.1, of a registered retirement savings plan of the annuitant,

(2) the carrier, within the meaning of paragraph *b* of section 961.1.5, of a registered retirement income fund of the annuitant,

(3) the administrator, within the meaning of section 965.0.19, of a pooled registered pension plan under which the annuitant is a member, within the meaning of that section, or

(4) the administrator of a money purchase provision, within the meaning of section 965.0.1, of a registered pension plan under which the annuitant is a member, within the meaning of that section;

(h) if it provides that the spouse may request a payment in a single amount in full or partial satisfaction of the spouse's entitlement to payments described in subparagraph ii of paragraph *c* as a consequence of the death of the annuitant, the single amount must not exceed the present value (at the time it is paid) of the other payments that, because of the payment of that single amount, cease to be provided;

(i) it provides that no right under the contract may be surrendered, assigned, charged, anticipated or given as security; and

(j) it does not provide for any payment except as provided for in this definition;

"annuitant" means an individual who has acquired a contract for the constitution of an annuity from a licensed annuities provider;

"beneficiary", under a contract for the constitution of an annuity, means an individual who has a right under the contract to receive a payment after the death of the annuitant or the annuitant's spouse.

2022, c. 23, s. 88.

CHAPTER II

AMOUNTS TO BE INCLUDED

2022, c. 23, s. 88.

965.0.39. The aggregate of all amounts each of which is an amount received or deemed to have been received under paragraph *a* of section 965.0.44 by a taxpayer in a taxation year under an advanced life deferred annuity (other than an amount described in paragraph *f* or *g* of the definition of that expression in section 965.0.38) must be included in computing the taxpayer's income for the year.

2022, c. 23, s. 88.

965.0.40. Where, as a result of the death of an individual, an amount is received by a taxpayer in a taxation year under an advanced life deferred annuity and the amount is described in paragraph *f* of the definition of that expression in section 965.0.38, the following rules apply:

(a) if the taxpayer is the spouse of the individual or is a child or grandchild of the individual who was, immediately before the death of the individual, financially dependent on the individual for support, the amount must be included in computing the taxpayer's income for the year; and

(b) if the taxpayer is not a person described in paragraph *a*, the amount must be included in computing the individual's income for the taxation year in which the individual died.

2022, c. 23, s. 88.

965.0.41. The amount of a refund described in paragraph *g* of the definition of "advanced life deferred annuity" in section 965.0.38 that an annuitant received in accordance with subparagraph i of that paragraph *g* in a taxation year must be included in computing the annuitant's income for the year.

2022, c. 23, s. 88.

CHAPTER III

SPECIAL PROVISIONS

2022, c. 23, s. 88.

965.0.42. Where an amount is paid as a refund in circumstances described in subparagraph ii of paragraph *g* of the definition of "advanced life deferred annuity" in section 965.0.38, the following rules apply:

(a) the amount must not, by reason only of that payment, be included in computing a taxpayer's income under section 313.15; and

(b) no deduction may be made under any provision of this Act in computing a taxpayer's income in respect of the amount.

2022, c. 23, s. 88.

965.0.43. An amount is deemed to have been received at a particular time by a beneficiary, within the meaning of the second paragraph of section 646, of a deceased annuitant's succession and not by the legal representative of the deceased annuitant, where

(a) the amount is described in paragraph *f* of the definition of "advanced life deferred annuity" in section 965.0.38;

(b) the amount was paid to the legal representative;

(c) the beneficiary is a person described in paragraph *a* of section 965.0.40;

(d) the beneficiary is entitled to the amount in full or partial satisfaction of the beneficiary's rights as a beneficiary under the deceased annuitant's succession; and

(e) the amount is designated jointly by the legal representative and the beneficiary in the prescribed form filed with the Minister.

2022, c. 23, s. 88.

965.0.44. Where an amendment is made at any time to a contract and the effect of the amendment is that the conditions in the definition of "advanced life deferred annuity" in section 965.0.38 are no longer being met in its respect, the following rules apply:

(a) the annuitant under the contract immediately before that time is deemed to have received, at that time, an amount under an advanced life deferred annuity equal to the fair market value of the annuitant's right in the contract at that time; and

(b) the annuitant is deemed to have acquired the annuitant's right in the contract at that time at a cost equal to its fair market value at that time.

2022, c. 23, s. 88.

TITLE VI.1

Repealed, 2017, c. 29, s. 166.

1979, c. 14, s. 4; 1983, c. 44, s. 37; 1983, c. 44, s. 69; 2017, c. 29, s. 166.

CHAPTER I

Repealed, 2017, c. 29, s. 166.

1979, c. 14, s. 4; 1983, c. 44, s. 37; 1983, c. 44, s. 69; 2017, c. 29, s. 166.

965.1. *(Repealed).*

1979, c. 14, s. 4; 1981, c. 31, s. 211; 1982, c. 48, s. 341; 1983, c. 44, s. 37; 1984, c. 15, s. 212; 1984, c. 35, s. 20; 1986, c. 15, s. 135; 1987, c. 21, s. 36; 1987, c. 67, s. 175; 1988, c. 4, s. 82; 1989, c. 5, s. 159; 1990, c. 7, s. 85; 1992, c. 1, s. 87; 1993, c. 19, s. 75; 1993, c. 64, s. 97; 1995, c. 1, s. 97; 1995, c. 63, s. 99; 1996, c. 39, s. 246; 1997, c. 3, s. 43; 1997, c. 85, s. 203; 2000, c. 39, s. 105; 2001, c. 53, s. 204; 2002, c. 9, s. 28; 2002, c. 40, s. 89; 2002, c. 45, s. 521; 2003, c. 9, s. 123; 2004, c. 21, s. 224; 2004, c. 37, s. 90; 2005, c. 38, s. 214; 2006, c. 13, s. 71; 2017, c. 29, s. 166.

CHAPTER II

Repealed, 2017, c. 29, s. 166.

1983, c. 44, s. 37; 2017, c. 29, s. 166.

965.2. *(Repealed).*

1979, c. 14, s. 4; 1982, c. 48, s. 342; 1983, c. 44, s. 37; 1986, c. 15, s. 136; 1988, c. 4, s. 83; 1989, c. 5, s. 160; 1990, c. 7, s. 86; 1992, c. 1, s. 88; 1995, c. 1, s. 98; 2017, c. 29, s. 166.

965.3. *(Repealed).*

1979, c. 14, s. 4; 1982, c. 48, s. 343; 1983, c. 44, s. 37; 1984, c. 35, s. 21; 1987, c. 21, s. 37; 1995, c. 63, s. 100; 1997, c. 3, s. 71; 2005, c. 1, s. 202; 2017, c. 29, s. 166.

965.3.1. *(Repealed).*

1983, c. 44, s. 37; 1984, c. 35, s. 21; 1987, c. 21, s. 38; 1989, c. 5, s. 161; 1997, c. 3, s. 44; 2003, c. 9, s. 124; 2017, c. 29, s. 166.

965.3.2. *(Repealed).*

1987, c. 21, s. 39; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.4. *(Repealed).*

1979, c. 14, s. 4; 1982, c. 26, s. 302; 1983, c. 44, s. 37; 1984, c. 35, s. 21; 1987, c. 21, s. 40; 1995, c. 63, s. 101; 1997, c. 3, s. 71; 2003, c. 9, s. 125.

965.4.1. *(Repealed).*

1983, c. 44, s. 37; 1984, c. 35, s. 21; 1987, c. 21, s. 41; 1989, c. 5, s. 162; 1997, c. 3, s. 71; 2003, c. 9, s. 125.

965.4.1.1. *(Repealed).*

1987, c. 21, s. 42; 1997, c. 3, s. 71; 2003, c. 9, s. 125.

965.4.1.2. *(Repealed).*

1987, c. 21, s. 42; 1997, c. 3, s. 71; 2003, c. 9, s. 126; 2017, c. 29, s. 166.

965.4.2. *(Repealed).*

1984, c. 15, s. 213; 1984, c. 35, s. 22; 1987, c. 21, s. 43; 1997, c. 3, s. 71; 2003, c. 9, s. 126; 2017, c. 29, s. 166.

965.4.3. *(Repealed).*

1984, c. 35, s. 23; 1987, c. 21, s. 43; 1990, c. 7, s. 87; 1992, c. 1, s. 89; 1997, c. 3, s. 71; 2003, c. 9, s. 127; 2017, c. 29, s. 166.

965.4.4. *(Repealed).*

1984, c. 35, s. 23; 1988, c. 4, s. 84; 1990, c. 7, s. 88; 1992, c. 1, s. 90; 1993, c. 64, s. 98; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.4.4.1. *(Repealed).*

1993, c. 64, s. 99; 1997, c. 3, s. 71; 1999, c. 83, s. 125; 2003, c. 9, s. 128; 2017, c. 29, s. 166.

965.4.5. *(Repealed).*

1984, c. 35, s. 23; 1993, c. 64, s. 100; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.4.6. *(Repealed).*

1987, c. 21, s. 44; 1997, c. 3, s. 71; 2003, c. 9, s. 129; 2017, c. 29, s. 166.

965.5. *(Repealed).*

1979, c. 14, s. 4; 1981, c. 31, s. 212; 1983, c. 44, s. 37; 1987, c. 21, s. 45; 1988, c. 4, s. 85; 1992, c. 1, s. 91; 1993, c. 64, s. 101; 1997, c. 3, s. 71; 1999, c. 83, s. 126; 2000, c. 39, s. 106; 2017, c. 29, s. 166.

965.5.1. *(Repealed).*

1997, c. 85, s. 204; 1999, c. 83, s. 273; 2002, c. 40, s. 90; 2017, c. 29, s. 166.

965.6. *(Repealed).*

1979, c. 14, s. 4; 1981, c. 31, s. 213; 1982, c. 48, s. 344; 1983, c. 44, s. 37; 1984, c. 15, s. 214; 1986, c. 15, s. 137; 1988, c. 4, s. 86; 1989, c. 5, s. 163; 1990, c. 7, s. 89; 1992, c. 1, s. 92; 1993, c. 19, s. 76; 1993, c. 64, s. 102; 1997, c. 3, s. 71; 1997, c. 85, s. 205; 1999, c. 83, s. 127; 2000, c. 39, s. 107; 2003, c. 9, s. 130; 2017, c. 29, s. 166.

965.6.0.1. *(Repealed).*

1987, c. 21, s. 46; 2017, c. 29, s. 166.

965.6.0.2. *(Repealed).*

1987, c. 21, s. 46; 1988, c. 4, s. 87; 2017, c. 29, s. 166.

965.6.0.2.0.1. *(Repealed).*

1990, c. 7, s. 90; 1997, c. 85, s. 206; 1999, c. 83, s. 273; 2002, c. 40, s. 91; 2017, c. 29, s. 166.

965.6.0.2.0.2. *(Repealed).*

1992, c. 1, s. 93; 1993, c. 64, s. 103; 2003, c. 9, s. 131.

965.6.0.2.0.3. *(Repealed).*

1993, c. 64, s. 104; 2003, c. 9, s. 131.

965.6.0.2.1. *(Repealed).*

1989, c. 5, s. 164; 1992, c. 1, s. 94; 1993, c. 19, s. 77; 1997, c. 3, s. 71; 2003, c. 9, s. 132; 2017, c. 29, s. 166.

965.6.0.3. *(Repealed).*

1988, c. 4, s. 87; 1989, c. 5, s. 165; 1990, c. 7, s. 91; 1991, c. 8, s. 60; 1992, c. 1, s. 95; 1993, c. 19, s. 78; 1997, c. 85, s. 207; 1999, c. 83, s. 273; 2017, c. 29, s. 166.

965.6.0.4. *(Repealed).*

1991, c. 8, s. 61; 1992, c. 1, s. 96; 1993, c. 19, s. 79; 1997, c. 3, s. 45; 1997, c. 85, s. 208; 1999, c. 83, s. 273; 2017, c. 29, s. 166.

965.6.0.5. *(Repealed).*

1992, c. 1, s. 97; 1997, c. 3, s. 71; 1999, c. 83, s. 128; 2000, c. 39, s. 108; 2017, c. 29, s. 166.

CHAPTER II.1

Repealed, 2017, c. 29, s. 166.

1986, c. 15, s. 138; 2017, c. 29, s. 166.

965.6.1. *(Repealed).*

1986, c. 15, s. 138; 1989, c. 5, s. 166; 1990, c. 7, s. 92; 1992, c. 1, s. 98; 2017, c. 29, s. 166.

965.6.2. *(Repealed).*

1986, c. 15, s. 138; 2017, c. 29, s. 166.

965.6.3. *(Repealed).*

1986, c. 15, s. 138; 1992, c. 1, s. 99; 2017, c. 29, s. 166.

965.6.4. *(Repealed).*

1986, c. 15, s. 138; 1992, c. 1, s. 100; 2017, c. 29, s. 166.

965.6.5. *(Repealed).*

1986, c. 15, s. 138; 1992, c. 1, s. 101; 2017, c. 29, s. 166.

965.6.6. *(Repealed).*

1986, c. 15, s. 138; 1992, c. 1, s. 102; 2017, c. 29, s. 166.

965.6.7. *(Repealed).*

1986, c. 15, s. 138; 1995, c. 63, s. 261; 2017, c. 29, s. 166.

CHAPTER II.2

Repealed, 2017, c. 29, s. 166.

1987, c. 21, s. 47; 2017, c. 29, s. 166.

965.6.8. *(Repealed).*

1987, c. 21, s. 47; 1988, c. 4, s. 88; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.6.9. *(Repealed).*

1987, c. 21, s. 47; 1997, c. 3, s. 71; 2004, c. 21, s. 225; 2017, c. 29, s. 166.

965.6.10. *(Repealed).*

1987, c. 21, s. 47; 1990, c. 7, s. 93; 1995, c. 63, s. 102; 1997, c. 3, s. 71; 2002, c. 70, s. 185; 2004, c. 21, s. 225; 2017, c. 29, s. 166.

965.6.10.1. *(Repealed).*

1990, c. 7, s. 94; 1997, c. 3, s. 71; 2004, c. 21, s. 225; 2017, c. 29, s. 166.

965.6.11. *(Repealed).*

1987, c. 21, s. 47; 1990, c. 7, s. 95; 1995, c. 1, s. 99; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.6.12. *(Repealed).*

1987, c. 21, s. 47; 2017, c. 29, s. 166.

965.6.13. *(Repealed).*

1987, c. 21, s. 47; 2017, c. 29, s. 166.

965.6.14. *(Repealed).*

1987, c. 21, s. 47; 2017, c. 29, s. 166.

965.6.15. *(Repealed).*

1987, c. 21, s. 47; 1988, c. 4, s. 89; 2017, c. 29, s. 166.

965.6.16. *(Repealed).*

1987, c. 21, s. 47; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.6.17. *(Repealed).*

1987, c. 21, s. 47; 1988, c. 4, s. 90; 1992, c. 1, s. 103; 2017, c. 29, s. 166.

965.6.18. *(Repealed).*

1987, c. 21, s. 47; 1988, c. 4, s. 90; 2017, c. 29, s. 166.

965.6.19. *(Repealed).*

1987, c. 21, s. 47; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.6.20. *(Repealed).*

1987, c. 21, s. 47; 2017, c. 29, s. 166.

CHAPTER II.3

Repealed, 2017, c. 29, s. 166.

1988, c. 4, s. 91; 2017, c. 29, s. 166.

965.6.21. *(Repealed).*

1988, c. 4, s. 91; 1996, c. 39, s. 247; 2017, c. 29, s. 166.

965.6.22. *(Repealed).*

1988, c. 4, s. 91; 1989, c. 5, s. 167; 2017, c. 29, s. 166.

965.6.23. *(Repealed).*

1988, c. 4, s. 91; 1989, c. 5, s. 168; 1990, c. 7, s. 96; 1992, c. 1, s. 104; 1993, c. 19, s. 80; 1997, c. 85, s. 209; 1999, c. 83, s. 273; 2005, c. 23, s. 128; 2017, c. 29, s. 166.

965.6.23.0.1. *(Repealed).*

2005, c. 23, s. 129; 2017, c. 29, s. 166.

965.6.23.1. *(Repealed).*

1991, c. 8, s. 62; 1992, c. 1, s. 105; 1993, c. 19, s. 81; 1997, c. 3, s. 71; 1997, c. 85, s. 210; 1999, c. 83, s. 273; 2002, c. 45, s. 521; 2003, c. 9, s. 133; 2004, c. 37, s. 90; 2017, c. 29, s. 166.

965.6.24. *(Repealed).*

1988, c. 4, s. 91; 1989, c. 5, s. 169; 2017, c. 29, s. 166.

CHAPTER III

Repealed, 2017, c. 29, s. 166.

1979, c. 14, s. 4; 1983, c. 44, s. 37; 2017, c. 29, s. 166.

965.7. *(Repealed).*

1979, c. 14, s. 4; 1983, c. 44, s. 37; 1984, c. 15, s. 215; 1985, c. 25, s. 139; 1986, c. 15, s. 139; 1987, c. 21, s. 48; 1988, c. 4, s. 92; 1997, c. 3, s. 71; 1997, c. 14, s. 160; 2002, c. 45, s. 521; 2003, c. 9, s. 134; 2004, c. 37, s. 90; 2017, c. 29, s. 166.

965.7.1. *(Repealed).*

1987, c. 21, s. 49; 2017, c. 29, s. 166.

965.7.2. *(Repealed).*

1993, c. 19, s. 82; 2017, c. 29, s. 166.

965.8. *(Repealed).*

1979, c. 14, s. 4; 1983, c. 44, s. 37; 1990, c. 7, s. 97.

965.9. *(Repealed).*

1979, c. 14, s. 4; 1983, c. 44, s. 37; 1984, c. 15, s. 216; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2003, c. 9, s. 135.

965.9.1. *(Repealed).*

1980, c. 13, s. 95; 1983, c. 44, s. 37; 1984, c. 15, s. 217; 1988, c. 4, s. 93; 1989, c. 5, s. 170; 1990, c. 7, s. 98; 1992, c. 1, s. 106; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2003, c. 9, s. 135.

965.9.1.0.0.1. *(Repealed).*

1992, c. 1, s. 107; 2017, c. 29, s. 166.

965.9.1.0.1. *(Repealed).*

1990, c. 7, s. 99; 1992, c. 1, s. 108; 1997, c. 3, s. 71; 1999, c. 83, s. 129; 2000, c. 39, s. 109; 2003, c. 9, s. 136; 2006, c. 13, s. 72; 2017, c. 29, s. 166.

965.9.1.0.2. *(Repealed).*

1990, c. 7, s. 99; 1992, c. 1, s. 109; 1997, c. 3, s. 71; 1999, c. 83, s. 130; 1999, c. 83, s. 273; 2000, c. 39, s. 110; 2001, c. 7, s. 169; 2003, c. 9, s. 137; 2006, c. 13, s. 73; 2017, c. 29, s. 166.

965.9.1.0.3. *(Repealed).*

1997, c. 85, s. 211; 2006, c. 13, s. 74; 2017, c. 29, s. 166.

965.9.1.0.4. *(Repealed).*

1997, c. 85, s. 211; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2006, c. 13, s. 75; 2017, c. 29, s. 166.

965.9.1.0.4.1. *(Repealed).*

1999, c. 83, s. 131; 2017, c. 29, s. 166.

965.9.1.0.4.2. *(Repealed).*

1999, c. 83, s. 131; 2001, c. 7, s. 169; 2006, c. 13, s. 76; 2017, c. 29, s. 166.

965.9.1.0.4.3. *(Repealed).*

1999, c. 83, s. 131; 2001, c. 7, s. 169; 2006, c. 13, s. 77; 2017, c. 29, s. 166.

965.9.1.0.5. *(Repealed).*

1997, c. 85, s. 211; 1999, c. 83, s. 132; 2001, c. 7, s. 169; 2006, c. 13, s. 78; 2017, c. 29, s. 166.

965.9.1.0.6. *(Repealed).*

1997, c. 85, s. 211; 1999, c. 83, s. 133; 2001, c. 7, s. 169; 2006, c. 13, s. 79; 2017, c. 29, s. 166.

965.9.1.0.7. *(Repealed).*

1997, c. 85, s. 211; 1999, c. 83, s. 273; 2017, c. 29, s. 166.

965.9.1.0.8. *(Repealed).*

1997, c. 85, s. 211; 1999, c. 83, s. 273; 2017, c. 29, s. 166.

965.9.1.1. *(Repealed).*

1988, c. 4, s. 94; 1990, c. 7, s. 100; 1993, c. 64, s. 105; 1997, c. 3, s. 71; 1999, c. 83, s. 134; 2001, c. 7, s. 169; 2017, c. 29, s. 166.

965.9.2. *(Repealed).*

1980, c. 13, s. 95; 1983, c. 44, s. 37; 1984, c. 15, s. 217; 1990, c. 7, s. 101; 1997, c. 3, s. 71; 2003, c. 9, s. 138.

965.9.3. *(Repealed).*

1980, c. 13, s. 95; 1983, c. 44, s. 37; 1984, c. 15, s. 217; 1988, c. 4, s. 95; 2003, c. 9, s. 138.

965.9.4. *(Repealed).*

1987, c. 21, s. 50; 1989, c. 5, s. 171; 1990, c. 7, s. 102; 1997, c. 3, s. 46; 2003, c. 9, s. 139; 2017, c. 29, s. 166.

965.9.5. *(Repealed).*

1987, c. 21, s. 50; 1990, c. 7, s. 103; 2005, c. 1, s. 203; 2017, c. 29, s. 166.

965.9.5.1. *(Repealed).*

1988, c. 4, s. 96; 1990, c. 7, s. 104; 1997, c. 3, s. 71; 2005, c. 1, s. 204; 2017, c. 29, s. 166.

965.9.6. *(Repealed).*

1987, c. 21, s. 50; 1997, c. 3, s. 71; 1997, c. 14, s. 161; 2017, c. 29, s. 166.

965.9.7. *(Repealed).*

1987, c. 21, s. 50; 1988, c. 4, s. 97; 1988, c. 64, s. 587; 1990, c. 7, s. 105; 1993, c. 16, s. 309; 1993, c. 64, s. 106; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.9.7.0.1. *(Repealed).*

1990, c. 7, s. 106; 1992, c. 1, s. 110; 1997, c. 3, s. 71; 2003, c. 9, s. 140; 2017, c. 29, s. 166.

965.9.7.0.2. *(Repealed).*

1990, c. 7, s. 106; 1992, c. 1, s. 111; 1997, c. 3, s. 71; 2002, c. 45, s. 521; 2003, c. 9, s. 141; 2004, c. 37, s. 90; 2017, c. 29, s. 166.

965.9.7.0.3. *(Repealed).*

1992, c. 1, s. 112; 1993, c. 64, s. 107; 1997, c. 3, s. 71; 2003, c. 9, s. 142.

965.9.7.0.4. *(Repealed).*

1992, c. 1, s. 112; 1997, c. 3, s. 71; 2003, c. 9, s. 142.

965.9.7.0.5. *(Repealed).*

1993, c. 64, s. 108; 1997, c. 3, s. 71; 2003, c. 9, s. 142.

965.9.7.0.6. *(Repealed).*

1993, c. 64, s. 108; 1997, c. 3, s. 71; 2003, c. 9, s. 142.

CHAPTER III.1

Repealed, 2017, c. 29, s. 166.

1989, c. 5, s. 172; 2017, c. 29, s. 166.

965.9.7.1. *(Repealed).*

1989, c. 5, s. 172; 1997, c. 3, s. 71; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2002, c. 45, s. 521; 2004, c. 37, s. 90; 2017, c. 29, s. 166.

965.9.7.2. *(Repealed).*

1989, c. 5, s. 172; 1997, c. 3, s. 71; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2002, c. 45, s. 521; 2003, c. 9, s. 143; 2004, c. 37, s. 90; 2017, c. 29, s. 166.

965.9.7.3. *(Repealed).*

1989, c. 5, s. 172; 1997, c. 3, s. 71; 2002, c. 45, s. 521; 2004, c. 37, s. 90; 2017, c. 29, s. 166.

CHAPTER III.2

Repealed, 2017, c. 29, s. 166.

1989, c. 5, s. 172; 2017, c. 29, s. 166.

965.9.8. *(Repealed).*

1988, c. 4, s. 97; 1989, c. 5, s. 173; 1990, c. 7, s. 107; 1991, c. 8, s. 63; 1993, c. 19, s. 83; 1995, c. 1, s. 100; 2017, c. 29, s. 166.

CHAPTER III.3

Repealed, 2017, c. 29, s. 166.

1992, c. 1, s. 113; 2017, c. 29, s. 166.

965.9.8.1. *(Repealed).*

1992, c. 1, s. 113; 1993, c. 19, s. 84; 1993, c. 64, s. 109; 1995, c. 1, s. 101; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1997, c. 14, s. 162; 1997, c. 85, s. 212; 2017, c. 29, s. 166.

965.9.8.2. *(Repealed).*

1992, c. 1, s. 113; 1997, c. 3, s. 71; 1999, c. 83, s. 135; 2001, c. 7, s. 169; 2017, c. 29, s. 166.

965.9.8.2.1. *(Repealed).*

1993, c. 19, s. 85; 2017, c. 29, s. 166.

965.9.8.3. *(Repealed).*

1992, c. 1, s. 113; 2017, c. 29, s. 166.

965.9.8.4. *(Repealed).*

1992, c. 1, s. 113; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.9.8.5. *(Repealed).*

1992, c. 1, s. 113; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.9.8.6. *(Repealed).*

1992, c. 1, s. 113; 2005, c. 1, s. 205; 2017, c. 29, s. 166.

965.9.8.7. *(Repealed).*

1992, c. 1, s. 113; 1997, c. 3, s. 71; 2005, c. 1, s. 206; 2017, c. 29, s. 166.

965.9.8.8. *(Repealed).*

1992, c. 1, s. 113; 2017, c. 29, s. 166.

965.9.8.9. *(Repealed).*

1992, c. 1, s. 113; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.9.8.10. *(Repealed).*

1993, c. 64, s. 110; 1995, c. 1, s. 102; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

CHAPTER IV

Repealed, 2017, c. 29, s. 166.

1979, c. 14, s. 4; 1983, c. 44, s. 37; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.10. *(Repealed).*

1979, c. 14, s. 4; 1983, c. 44, s. 37; 1984, c. 35, s. 21; 1987, c. 21, s. 51; 1988, c. 4, s. 98; 1990, c. 7, s. 108; 1992, c. 1, s. 114; 1993, c. 64, s. 111; 1995, c. 63, s. 103; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1999, c. 83, s. 136; 2000, c. 39, s. 111; 2001, c. 7, s. 169; 2004, c. 21, s. 226; 2017, c. 29, s. 166.

965.10.1. *(Repealed).*

1984, c. 15, s. 218; 1984, c. 35, s. 24; 1986, c. 15, s. 140; 1987, c. 21, s. 52; 1995, c. 63, s. 104; 1997, c. 3, s. 71; 2003, c. 9, s. 144; 2017, c. 29, s. 166.

965.10.1.1. *(Repealed).*

1990, c. 7, s. 109; 1992, c. 1, s. 115; 1995, c. 1, s. 103; 1995, c. 63, s. 105; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.10.1.2. *(Repealed).*

2004, c. 21, s. 227; 2017, c. 29, s. 166.

965.10.1.3. *(Repealed).*

2004, c. 21, s. 227; 2017, c. 29, s. 166.

965.10.2. *(Repealed).*

1987, c. 21, s. 53; 1997, c. 3, s. 71; 1999, c. 83, s. 137; 2000, c. 39, s. 112; 2001, c. 7, s. 169; 2004, c. 21, s. 228; 2017, c. 29, s. 166.

965.10.3. *(Repealed).*

1992, c. 1, s. 116; 1997, c. 3, s. 71; 1999, c. 83, s. 138; 2000, c. 39, s. 113; 2001, c. 7, s. 169; 2004, c. 21, s. 229; 2017, c. 29, s. 166.

965.10.3.1. *(Repealed).*

1997, c. 14, s. 163; 1999, c. 83, s. 139; 2000, c. 39, s. 114; 2001, c. 7, s. 169; 2004, c. 21, s. 230; 2017, c. 29, s. 166.

965.10.3.2. *(Repealed).*

1997, c. 14, s. 163; 1999, c. 83, s. 140; 2000, c. 39, s. 115; 2001, c. 7, s. 169; 2004, c. 21, s. 231; 2017, c. 29, s. 166.

965.10.4. *(Repealed).*

2002, c. 9, s. 29; 2004, c. 21, s. 232; 2017, c. 29, s. 166.

965.11. *(Repealed).*

1979, c. 14, s. 4; 1983, c. 44, s. 37; 1987, c. 21, s. 54; 1988, c. 64, s. 587; 1990, c. 7, s. 110; 1993, c. 16, s. 310; 1993, c. 64, s. 112; 1995, c. 49, s. 220; 1997, c. 3, s. 71; 1997, c. 14, s. 164; 1999, c. 83, s. 141; 2017, c. 29, s. 166.

965.11.1. *(Repealed).*

1986, c. 15, s. 141; 1988, c. 4, s. 99; 1990, c. 7, s. 111; 1992, c. 1, s. 117; 1995, c. 63, s. 106; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.2. *(Repealed).*

1986, c. 15, s. 141; 1990, c. 7, s. 112; 1992, c. 1, s. 118; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.3. *(Repealed).*

1986, c. 15, s. 141; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.4. *(Repealed).*

1986, c. 15, s. 141; 1987, c. 21, s. 55; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.5. *(Repealed).*

1987, c. 21, s. 56; 1988, c. 4, s. 100; 1990, c. 7, s. 113; 1992, c. 1, s. 119; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1999, c. 83, s. 142; 1999, c. 83, s. 273; 2000, c. 39, s. 116; 2001, c. 7, s. 169; 2004, c. 21, s. 233; 2017, c. 29, s. 166.

965.11.6. *(Repealed).*

1987, c. 21, s. 56; 1990, c. 7, s. 114; 1992, c. 1, s. 120; 1997, c. 3, s. 71; 2004, c. 21, s. 234; 2017, c. 29, s. 166.

965.11.7. *(Repealed).*

1987, c. 21, s. 56; 1990, c. 7, s. 115; 1992, c. 1, s. 121; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.7.1. *(Repealed).*

1988, c. 4, s. 101; 1988, c. 41, s. 89; 1992, c. 1, s. 122; 1994, c. 16, s. 51; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 31, s. 89; 1997, c. 85, s. 213; 1999, c. 8, s. 20; 2003, c. 29, s. 135; 2006, c. 8, s. 31; 2017, c. 29, s. 166.

965.11.8. *(Repealed).*

1987, c. 21, s. 56; 1988, c. 4, s. 102; 1997, c. 3, s. 71; 2003, c. 9, s. 145.

965.11.9. *(Repealed).*

1987, c. 21, s. 56; 1988, c. 4, s. 102; 1997, c. 3, s. 71; 2003, c. 9, s. 145.

965.11.9.1. *(Repealed).*

1989, c. 5, s. 174; 1997, c. 3, s. 71; 2003, c. 9, s. 145.

965.11.10. *(Repealed).*

1987, c. 21, s. 56; 1988, c. 4, s. 103.

965.11.11. *(Repealed).*

1988, c. 4, s. 104; 1997, c. 3, s. 71; 1997, c. 85, s. 214; 2017, c. 29, s. 166.

965.11.12. *(Repealed).*

1988, c. 4, s. 104; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.13. *(Repealed).*

1988, c. 4, s. 104; 1997, c. 3, s. 71; 1997, c. 85, s. 215; 2017, c. 29, s. 166.

965.11.14. *(Repealed).*

1988, c. 4, s. 104; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.15. *(Repealed).*

1988, c. 4, s. 104; 2017, c. 29, s. 166.

965.11.16. *(Repealed).*

1988, c. 4, s. 104; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.17. *(Repealed).*

1988, c. 4, s. 104; 1997, c. 3, s. 71; 1997, c. 85, s. 216; 2017, c. 29, s. 166.

965.11.18. *(Repealed).*

1988, c. 4, s. 104; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.19. *(Repealed).*

1988, c. 4, s. 104; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.19.1. *(Repealed).*

1989, c. 5, s. 175; 1997, c. 3, s. 71; 1997, c. 85, s. 217; 2017, c. 29, s. 166.

965.11.19.2. *(Repealed).*

1989, c. 5, s. 175; 1997, c. 3, s. 71; 1997, c. 85, s. 218; 2017, c. 29, s. 166.

965.11.19.3. *(Repealed).*

1989, c. 5, s. 175; 1997, c. 3, s. 71; 2003, c. 9, s. 146; 2017, c. 29, s. 166.

965.11.19.4. *(Repealed).*

2003, c. 9, s. 147; 2004, c. 21, s. 235; 2017, c. 29, s. 166.

965.11.20. *(Repealed).*

1988, c. 4, s. 104; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.11.21. *(Repealed).*

2002, c. 40, s. 92; 2017, c. 29, s. 166.

965.12. *(Repealed).*

1983, c. 44, s. 37; 1986, c. 15, s. 142; 1990, c. 7, s. 116.

CHAPTER V

Repealed, 2003, c. 9, s. 148.

1983, c. 44, s. 37; 1997, c. 3, s. 71; 2003, c. 9, s. 148.

965.13. *(Repealed).*

1983, c. 44, s. 37; 1984, c. 35, s. 21; 1987, c. 21, s. 57; 1989, c. 5, s. 176; 1990, c. 7, s. 117; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2003, c. 9, s. 148.

965.14. *(Repealed).*

1983, c. 44, s. 37; 1984, c. 35, s. 21; 1997, c. 3, s. 71; 2003, c. 9, s. 148.

965.15. *(Repealed).*

1983, c. 44, s. 37; 1984, c. 35, s. 21; 1988, c. 4, s. 105; 1989, c. 5, s. 177; 1990, c. 7, s. 118; 1997, c. 3, s. 71; 2003, c. 9, s. 148.

965.16. *(Repealed).*

1983, c. 44, s. 37; 1984, c. 35, s. 25; 1988, c. 4, s. 106; 1989, c. 5, s. 178; 1990, c. 7, s. 119; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2003, c. 9, s. 148.

965.16.0.1. *(Repealed).*

1987, c. 21, s. 58; 1988, c. 4, s. 107; 1989, c. 5, s. 179; 1990, c. 7, s. 120; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2003, c. 9, s. 148.

965.16.0.2. *(Repealed).*

1988, c. 4, s. 108; 1989, c. 5, s. 180; 1990, c. 7, s. 121; 1997, c. 3, s. 71; 2003, c. 9, s. 148.

965.16.1. *(Repealed).*

1983, c. 44, s. 37; 1984, c. 15, s. 219; 1984, c. 35, s. 26; 1986, c. 15, s. 143; 1987, c. 21, s. 59; 1988, c. 4, s. 109; 1990, c. 7, s. 122; 1997, c. 3, s. 71; 2003, c. 9, s. 148.

965.17. *(Repealed).*

1983, c. 44, s. 37; 1990, c. 7, s. 123; 1997, c. 3, s. 71; 1997, c. 14, s. 165; 2003, c. 9, s. 148.

965.17.1. *(Repealed).*

1992, c. 1, s. 123; 1997, c. 3, s. 71; 2003, c. 9, s. 148.

CHAPTER V.1

Repealed, 2017, c. 29, s. 166.

1992, c. 1, s. 123; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.17.2. *(Repealed).*

1992, c. 1, s. 123; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1999, c. 83, s. 143; 2000, c. 39, s. 117; 2001, c. 7, s. 169; 2002, c. 9, s. 30; 2003, c. 9, s. 149; 2004, c. 21, s. 236; 2017, c. 29, s. 166.

965.17.3. *(Repealed).*

1992, c. 1, s. 123; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1999, c. 83, s. 144; 2002, c. 9, s. 31; 2017, c. 29, s. 166.

965.17.3.1. *(Repealed).*

1999, c. 83, s. 145; 2001, c. 7, s. 169; 2002, c. 9, s. 32; 2017, c. 29, s. 166.

965.17.3.2. *(Repealed).*

1999, c. 83, s. 145; 2002, c. 9, s. 33; 2017, c. 29, s. 166.

965.17.3.3. *(Repealed).*

2002, c. 9, s. 34; 2004, c. 21, s. 237; 2017, c. 29, s. 166.

965.17.4. *(Repealed).*

1992, c. 1, s. 123; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.17.4.1. *(Repealed).*

1997, c. 14, s. 166; 1999, c. 83, s. 146; 2002, c. 9, s. 35; 2017, c. 29, s. 166.

965.17.5. *(Repealed).*

1992, c. 1, s. 123; 1997, c. 3, s. 71; 1999, c. 83, s. 147; 2002, c. 9, s. 36; 2017, c. 29, s. 166.

965.17.5.1. *(Repealed).*

1997, c. 14, s. 167; 1999, c. 83, s. 148; 2002, c. 9, s. 37; 2017, c. 29, s. 166.

965.17.5.2. *(Repealed).*

2002, c. 9, s. 38; 2004, c. 21, s. 238; 2017, c. 29, s. 166.

965.17.6. *(Repealed).*

1992, c. 1, s. 123; 1993, c. 64, s. 113.

CHAPTER VI

Repealed, 2017, c. 29, s. 166.

1983, c. 44, s. 37; 2017, c. 29, s. 166.

965.18. *(Repealed).*

1983, c. 44, s. 37; 1988, c. 4, s. 110; 1989, c. 5, s. 181; 1990, c. 7, s. 124; 1992, c. 1, s. 124; 1995, c. 1, s. 104; 2017, c. 29, s. 166.

965.19. *(Repealed).*

1983, c. 44, s. 37; 1986, c. 15, s. 144; 1988, c. 4, s. 110; 1989, c. 5, s. 182; 2003, c. 9, s. 150; 2017, c. 29, s. 166.

965.19.1. *(Repealed).*

1986, c. 15, s. 144; 1988, c. 4, s. 110; 1989, c. 5, s. 183; 1990, c. 7, s. 125; 1992, c. 1, s. 125; 1993, c. 19, s. 86; 2003, c. 9, s. 151.

965.19.1.1. *(Repealed).*

1989, c. 5, s. 184; 1997, c. 3, s. 71; 2003, c. 9, s. 151.

965.19.2. *(Repealed).*

1986, c. 15, s. 144; 1987, c. 21, s. 60; 1989, c. 5, s. 185; 1990, c. 7, s. 126; 1992, c. 1, s. 126; 2003, c. 9, s. 152; 2017, c. 29, s. 166.

CHAPTER VII

Repealed, 2017, c. 29, s. 166.

1983, c. 44, s. 37; 2017, c. 29, s. 166.

965.20. *(Repealed).*

1983, c. 44, s. 37; 1986, c. 15, s. 145; 1987, c. 21, s. 61; 1988, c. 4, s. 111; 1990, c. 7, s. 127; 1992, c. 1, s. 127; 1995, c. 1, s. 105; 2017, c. 29, s. 166.

965.20.1. *(Repealed).*

1984, c. 35, s. 27; 1986, c. 15, s. 146; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.20.1.1. *(Repealed).*

1988, c. 4, s. 112; 1992, c. 1, s. 128; 1995, c. 63, s. 261; 2017, c. 29, s. 166.

965.20.2. *(Repealed).*

1986, c. 15, s. 147; 1997, c. 3, s. 71; 2017, c. 29, s. 166.

965.20.2.1. *(Repealed).*

1992, c. 1, s. 129; 1995, c. 63, s. 261; 2017, c. 29, s. 166.

CHAPTER VIII

Repealed, 2017, c. 29, s. 166.

1983, c. 44, s. 37; 2017, c. 29, s. 166.

965.21. *(Repealed).*

1983, c. 44, s. 37; 1985, c. 25, s. 140; 1987, c. 67, s. 176; 1992, c. 1, s. 130; 2005, c. 23, s. 130; 2017, c. 29, s. 166.

965.22. *(Repealed).*

1983, c. 44, s. 37; 1984, c. 15, s. 220; 1989, c. 5, s. 186; 1990, c. 59, s. 329; 1992, c. 1, s. 131; 1997, c. 14, s. 168; 1997, c. 85, s. 219; 2003, c. 9, s. 153; 2017, c. 29, s. 166.

965.23. *(Repealed).*

1983, c. 44, s. 37; 1992, c. 1, s. 132; 2017, c. 29, s. 166.

965.23.0.1. *(Repealed).*

1997, c. 85, s. 220; 1999, c. 83, s. 149; 2017, c. 29, s. 166.

965.23.1. *(Repealed).*

1991, c. 8, s. 64; 1992, c. 1, s. 133; 1997, c. 85, s. 221; 2017, c. 29, s. 166.

965.23.1.0.1. *(Repealed).*

1997, c. 85, s. 222; 1999, c. 83, s. 150; 2017, c. 29, s. 166.

965.23.1.1. *(Repealed).*

1992, c. 1, s. 134; 1997, c. 3, s. 71; 1997, c. 85, s. 223.

965.23.1.2. *(Repealed).*

1992, c. 1, s. 134; 1997, c. 3, s. 71; 2003, c. 9, s. 154.

965.23.1.3. *(Repealed).*

1992, c. 1, s. 134; 1997, c. 3, s. 71; 2003, c. 9, s. 154.

965.24. *(Repealed).*

1983, c. 44, s. 37; 1986, c. 15, s. 148.

CHAPTER VIII.1

Repealed, 2017, c. 29, s. 166.

1988, c. 4, s. 113; 2017, c. 29, s. 166.

965.24.1. *(Repealed).*

1988, c. 4, s. 113; 1997, c. 3, s. 71; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2017, c. 29, s. 166.

965.24.1.1. *(Repealed).*

1990, c. 7, s. 128; 1997, c. 3, s. 71; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2017, c. 29, s. 166.

965.24.1.2. *(Repealed).*

1992, c. 1, s. 135; 1997, c. 3, s. 71; 2003, c. 9, s. 155; 2017, c. 29, s. 166.

965.24.1.2.1. *(Repealed).*

1997, c. 85, s. 224; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2017, c. 29, s. 166.

965.24.1.2.1.1. *(Repealed).*

1999, c. 83, s. 151; 2001, c. 7, s. 169; 2017, c. 29, s. 166.

965.24.1.3. *(Repealed).*

1992, c. 1, s. 135; 1997, c. 3, s. 71; 2003, c. 9, s. 156; 2017, c. 29, s. 166.

965.24.1.4. *(Repealed).*

1997, c. 85, s. 225; 1999, c. 83, s. 273; 2017, c. 29, s. 166.

965.24.2. *(Repealed).*

1990, c. 7, s. 128; 1992, c. 1, s. 136; 1993, c. 64, s. 114; 1997, c. 3, s. 71; 2002, c. 45, s. 521; 2003, c. 9, s. 157; 2004, c. 37, s. 90; 2017, c. 29, s. 166.

965.24.3. *(Repealed).*

1990, c. 7, s. 128; 1997, c. 3, s. 71; 2003, c. 9, s. 158; 2017, c. 29, s. 166.

CHAPTER IX

Repealed, 2017, c. 29, s. 166.

1983, c. 44, s. 37; 2017, c. 29, s. 166.

965.25. *(Repealed).*

1983, c. 44, s. 37; 1986, c. 15, s. 149; 1990, c. 7, s. 129; 2017, c. 29, s. 166.

965.26. *(Repealed).*

1983, c. 44, s. 37; 1986, c. 15, s. 149; 1987, c. 21, s. 62; 1989, c. 5, s. 187; 1990, c. 7, s. 130; 1992, c. 1, s. 137; 1997, c. 3, s. 71; 1997, c. 85, s. 226; 1999, c. 83, s. 273; 2017, c. 29, s. 166.

965.26.0.1. *(Repealed).*

1989, c. 5, s. 188; 2017, c. 29, s. 166.

965.26.1. *(Repealed).*

1988, c. 4, s. 114; 2017, c. 29, s. 166.

965.26.2. *(Repealed).*

1988, c. 4, s. 114; 2017, c. 29, s. 166.

965.27. *(Repealed).*

1983, c. 44, s. 37; 1986, c. 15, s. 149; 1988, c. 4, s. 115; 1990, c. 7, s. 131; 2002, c. 9, s. 39; 2017, c. 29, s. 166.

965.28. *(Repealed).*

1984, c. 15, s. 221; 1990, c. 7, s. 132; 1997, c. 3, s. 71; 2003, c. 9, s. 159; 2017, c. 29, s. 166.

965.28.1. *(Repealed).*

1990, c. 7, s. 133; 1992, c. 1, s. 138; 1997, c. 3, s. 71; 2002, c. 45, s. 521; 2003, c. 9, s. 160; 2004, c. 37, s. 90; 2017, c. 29, s. 166.

965.28.2. *(Repealed).*

1990, c. 7, s. 133; 1997, c. 3, s. 71; 2002, c. 45, s. 521; 2004, c. 37, s. 90; 2017, c. 29, s. 166.

TITLE VI.2

QUÉBEC BUSINESS INVESTMENT COMPANIES

1986, c. 15, s. 150.

CHAPTER I

INTERPRETATION

1986, c. 15, s. 150.

965.29. In this Title, the expression

(a) "common share with full voting rights" means a common share with full voting rights within the meaning of the Act respecting Québec business investment companies (chapter S-29.1);

(b) (paragraph repealed);

(b.0.1*) (paragraph repealed);*

(b.1*)* "financial commitment" means the financial commitment of a shareholder of a Québec business investment company as determined under section 965.31.2;

(b.2*)* "additional interest in respect of a qualified investment" of a shareholder means the aggregate, in respect of a qualified investment, of all amounts each of which corresponds to,

i. except in the case referred to in subparagraph ii, such part of the portion attributable to the qualified investment of the amount renounced by a Québec business investment company under section 965.31.5 in respect of a share issue the proceeds of which have been used to make the qualified investment as is represented by the proportion, immediately before the time the qualified investment was made by the Québec business investment company, that the paid-up capital of the common shares with full voting rights of the share capital of the Québec business investment company beneficially owned by the shareholder is of the total paid-up capital of all issued and paid-up common shares with full voting rights of the share capital of the Québec business investment company, or

ii. where a Québec business investment company allocates to a shareholder it selects, as additional participation in respect of the qualified investment, all or part of the portion attributable to the qualified investment of the amount renounced by it under section 965.31.5 in respect of a share issue the proceeds of which have been used to make the qualified investment, the amount accepted as such in respect of the shareholder by the body designated under section 1 of the Act respecting Québec business investment companies;

(c) "interest in a qualified investment" of a shareholder means the portion of a qualified investment of a Québec business investment company represented by the proportion, immediately before the time the qualified investment is made by the Québec business investment company, that the paid-up capital of the common shares with full voting rights of the share capital of the Québec business investment company beneficially owned by the shareholder is of the total paid-up capital of all issued and paid-up common shares with full voting rights of the share capital of the Québec business investment company except, where the Québec business investment company allocates to a shareholder it selects all or part of the qualified investment as participation in the qualified investment, the amount accepted as such in respect of the shareholder by the body designated under section 1 of the Act respecting Québec business investment companies;

(c.1*)* "adjusted interest in a qualified investment" means the adjusted interest in a qualified investment as determined under section 965.31.1;

(c.2) "unused adjusted qualified investment deduction" means the unused adjusted qualified investment deduction as determined under sections 965.30 and 965.31;

(d) "qualified investment" means an investment made by a Québec business investment company in accordance with the Act respecting Québec business investment companies;

(d.1) (paragraph repealed);

(e) "total income" means the total income of an individual as defined in paragraph *j* of section 965.1, as it read before being repealed;

(e.1) (paragraph repealed);

(f) "Québec business investment company" means a corporation described in section 1 of the Act respecting Québec business investment companies whose registration as such is in force.

1986, c. 15, s. 150; 1987, c. 21, s. 63; 1988, c. 4, s. 116; 1990, c. 7, s. 134; 1992, c. 1, s. 139; 1993, c. 64, s. 115; 1997, c. 3, s. 47; 1997, c. 14, s. 169; 1998, c. 17, s. 64; 1999, c. 83, s. 152; 2001, c. 69, s. 12; 2002, c. 40, s. 93; 2010, c. 37, s. 107; 2017, c. 29, s. 167.

CHAPTER II

GENERAL PROVISIONS

1986, c. 15, s. 150.

965.30. The unused adjusted qualified investment deduction of an individual for a taxation year is the amount by which the aggregate of the amounts which represent his adjusted interest in a qualified investment for each of the preceding five taxation years exceeds the aggregate of the amounts deducted under this Title for the said preceding taxation years in respect of those amounts.

1986, c. 15, s. 150; 1987, c. 21, s. 64; 1990, c. 7, s. 135; 1993, c. 64, s. 116; 1997, c. 14, s. 290.

965.31. *(Repealed).*

1986, c. 15, s. 150; 1987, c. 21, s. 64; 1989, c. 5, s. 189; 1990, c. 7, s. 136; 1993, c. 64, s. 116; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1999, c. 83, s. 153.

965.31.1. The adjusted interest in a qualified investment of a taxpayer is an amount equal to,

(a) in the case of a qualified investment made before 2 May 1986, 100% of the amount of his or its interest in the qualified investment;

(b) in the case of a qualified investment made during the period extending from 1 May 1986 to 16 May 1989 by a Québec business investment company other than such a corporation referred to in paragraph *c*, *d* or *e*, 100% of the amount of his or its interest in the qualified investment without exceeding 100% of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(c) in the case of a qualified investment made during the period extending from 1 May 1986 to 16 May 1989 by a Québec business investment company referred to in section 4.1 of the Act respecting Québec business investment companies (chapter S-29.1), 125% of the amount of his or its interest in the qualified investment without exceeding 125% of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(d) in the case of a qualified investment made during the period extending from 12 May 1988 to 16 May 1989 by a Québec business investment company referred to in section 4.2 of the Act respecting Québec business investment companies, as it read immediately before its repeal, 125% of the amount of his or its

interest in the qualified investment without exceeding 125% of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(e) in the case of a qualified investment made during the period extending from 12 May 1988 to 16 May 1989 by a Québec business investment company referred to in section 4.3 of the Act respecting Québec business investment companies, as it read immediately before its repeal, 150% of the amount of his or its interest in the qualified investment without exceeding 150% of the amount of his or its financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(f) in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies and made during the period extending from 17 May 1989 to 2 May 1991 by a Québec business investment company referred to in section 4 of the said Act, 100% of the amount of the taxpayer's interest in the qualified investment without exceeding 100% of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(g) in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies and made during the period extending from 17 May 1989 to 2 May 1991 by a Québec business investment company referred to in section 4.1 of the said Act, 125% of the amount of the taxpayer's interest in the qualified investment without exceeding 125% of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(h) in the case of a qualified investment referred to in section 12.3 of the Act respecting Québec business investment companies and made during the period extending from 17 May 1989 to 2 May 1991 by a Québec business investment company referred to in section 4 of the said Act, 125% of the amount of the taxpayer's interest in the qualified investment without exceeding 125% of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(i) in the case of a qualified investment referred to in section 12.3 of the Act respecting Québec business investment companies and made during the period extending from 17 May 1989 to 2 May 1991 by a Québec business investment company referred to in section 4.1 of the said Act, 150% of the amount of the taxpayer's interest in the qualified investment without exceeding 150% of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(j) in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies and made during the period from 3 May 1991 to 31 March 1998 by a Québec business investment company referred to in section 4 of the said Act, 100%, where the taxpayer is a corporation, or 125%, where the taxpayer is an individual, of the aggregate of the amount of the taxpayer's interest in the qualified investment and the amount of the taxpayer's additional interest in respect of the qualified investment, without exceeding 100%, where the taxpayer is a corporation, or 125%, where the taxpayer is an individual, of the amount of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(k) in the case of a qualified investment referred to in section 12.2 of the Act respecting Québec business investment companies and made during the period from 3 May 1991 to 31 March 1998 by a Québec business investment company referred to in section 4.1 of the said Act, 125%, where the taxpayer is a corporation, or 150%, where the taxpayer is an individual, of the aggregate of the amount of the taxpayer's interest in the qualified investment and the amount of the taxpayer's additional interest in respect of the qualified investment, without exceeding 125%, where the taxpayer is a corporation, or 150%, where the taxpayer is an individual, of the amount of the taxpayer's financial commitment in respect of the Québec business

investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(l) in the case of a qualified investment referred to in section 12.3 of the Act respecting Québec business investment companies and made during the period from 3 May 1991 to 31 March 1998 by a Québec business investment company referred to in section 4 of the said Act, 125%, where the taxpayer is a corporation, or 150%, where the taxpayer is an individual, of the aggregate of the amount of the taxpayer's interest in the qualified investment and the amount of the taxpayer's additional interest in respect of the qualified investment, without exceeding 125%, where the taxpayer is a corporation, or 150%, where the taxpayer is an individual, of the amount of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(m) in the case of a qualified investment referred to in section 12.3 of the Act respecting Québec business investment companies and made during the period from 3 May 1991 to 31 March 1998 by a Québec business investment company referred to in section 4.1 of the said Act, 150%, where the taxpayer is a corporation, or 175%, where the taxpayer is an individual, of the aggregate of the amount of the taxpayer's interest in the qualified investment and the amount of the taxpayer's additional interest in respect of the qualified investment, without exceeding 150%, where the taxpayer is a corporation, or 175%, where the taxpayer is an individual, of the amount of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(n) in the case of a qualified investment made during the period from 1 April 1998 to 29 March 2001 by a Québec business investment company, 150% of the aggregate of the amount of the taxpayer's interest in the qualified investment and the amount of the taxpayer's additional interest in respect of the qualified investment, without exceeding 150% of the amount of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment;

(o) in the case of a qualified investment made after 29 March 2001 by a Québec business investment company in a corporation referred to in the third paragraph of section 12 of the Act respecting Québec business investment companies whose assets referred to in subparagraph 2 of that paragraph are under $25,000,000, 150% of the aggregate of the amount of the taxpayer's interest in the qualified investment and the amount of the taxpayer's additional interest in respect of the qualified investment, without exceeding 150% of the amount of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment; and

(p) in the case of a qualified investment made after 29 March 2001 by a Québec business investment company in a corporation referred to in the third paragraph of section 12 of the Act respecting Québec business investment companies whose assets referred to in subparagraph 2 of that paragraph are $25,000,000 or over, 125% of the aggregate of the amount of the taxpayer's interest in the qualified investment and the amount of the taxpayer's additional interest in respect of the qualified investment, without exceeding 125% of the amount of the taxpayer's financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment.

1987, c. 21, s. 64; 1989, c. 5, s. 190; 1990, c. 7, s. 137; 1992, c. 1, s. 140; 1997, c. 3, s. 71; 1999, c. 83, s. 154; 2002, c. 40, s. 94.

965.31.2. The financial commitment of a shareholder of a Québec business investment company, at a particular time, is equal to the amount by which the aggregate of amounts representing the total of his interest in and additional interest in respect of a qualified investment made by the Québec business investment company before that time and held by it at that time is exceeded by the aggregate of

(a) the lesser of the paid-up capital represented by the shares of the capital stock of the Québec business investment company held by the shareholder at that time as the actual owner thereof and the cost to the

shareholder of those shares determined without taking into account the borrowing costs or other costs related to the acquisition thereof or of the custody fees;

(b) the amount of the loans and advances that are due to the shareholder, at that time, by the Québec business investment company; and

(c) the percentage of the surpluses of the Québec business investment company, other than a property revaluation surplus, as shown in its financial statements submitted to the shareholders or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, for its last taxation year ended before that time and adjusted to take into account any gain or loss realized, from the end of the said taxation year until the particular time, as a result of the disposition by the Québec business investment company of a qualified investment, equal to the percentage of the interest in the surpluses, taking into account the rights of the other shareholders, of the shares held by the shareholder at that time as the actual owner thereof.

Notwithstanding the foregoing, in no case may the aggregate of the amount determined under subparagraphs *a* to *c* of the first paragraph be less than the cost to the shareholder of the shares of the capital stock of the Québec business investment company held by him at that time as the actual owner thereof without taking into account the borrowing costs or other costs related to the acquisition thereof or of the custody fees.

1987, c. 21, s. 64; 1992, c. 1, s. 141; 1995, c. 63, s. 107.

965.31.3. In this Title, where an individual acquires by succession or will a share of a Québec business investment company, the following rules apply:

(a) the cost to the individual of the share is deemed to be equal to the cost to the deceased shareholder of the share determined without taking into account the borrowing costs and other costs related to the acquisition thereof or the custody fees;

(b) the individual's interest in and additional interest in respect of a qualified investment that is made by the Québec business investment company after the death of the shareholder but before the time the share is allocated or transferred to the individual, are deemed to be an interest of the individual in and an additional interest of the individual in respect of a qualified investment for the year in which the share is allocated or transferred to the individual and not to be an interest of the individual in and an additional interest of the individual in respect of a qualified investment for the year in which the Québec business investment company makes the qualified investment.

1989, c. 5, s. 191; 1992, c. 1, s. 142; 1997, c. 3, s. 71; 1999, c. 83, s. 155.

965.31.4. For the purposes of this Title, where, at any time, a trust governed by a registered retirement savings plan or a registered retirement income fund, of the type commonly called self-directed, holds as actual owner a common share with full voting rights of the capital stock of a Québec business investment company, the following rules apply:

(a) the annuitant, within the meaning of paragraph *b* of section 905.1 or paragraph *d* of section 961.1.5, as the case may be, under the plan or fund at that time is deemed to be the shareholder holding the share at that time as the actual owner thereof and the trust is deemed not to be that shareholder;

(b) the cost of the share referred to in section 965.31.2 to the annuitant referred to in paragraph *a* is deemed to be the same as the cost thereof to the trust;

(c) loans and advances due to the trust at that time by the Québec business investment company are deemed to be due at that time by the latter to the annuitant referred to in paragraph *a* and not to the trust;

(d) investments referred to in section 965.34 of the trust in the Québec business investment company are deemed to be investments of the annuitant referred to in paragraph *a* and not those of the trust.

1991, c. 8, s. 65.

CHAPTER II.1

RENUNCIATION

1992, c. 1, s. 143.

965.31.5. Where a Québec business investment company makes a share issue in respect of which a prospectus or offering memorandum was filed with the Autorité des marchés financiers and the receipt for the final prospectus or the exemption from filing a prospectus was granted after 2 May 1991, it may renounce, in respect of the share issue, an amount not exceeding the lesser of

(a) the aggregate of the expenses incurred by the Québec business investment company, in the course of the issue, at or before the time the renunciation is made and, where such is the case, the reasonable additional expenses it expects to incur after that time in the course of the share issue, and

(b) 15% of the aggregate of the proceeds of the share issue at or before the time the renunciation is made and, where such is the case, the additional proceeds the Québec business investment company expects to receive for the additional shares it intends to issue after that time as part of the share issue.

Where a Québec business investment company makes a qualified investment after 2 May 1991 wholly or partially out of the proceeds of a share issue referred to in the first paragraph, the portion of the amount, referred to in this paragraph as the "particular amount", renounced by it under the first paragraph in respect of the share issue, represented by the proportion that the amount of such portion of the qualified investment as may reasonably be considered to have been made out of the proceeds of the share issue is of the amount by which the aggregate referred to in subparagraph *b* of the first paragraph in respect of the share issue exceeds the particular amount, is deemed, for the purposes of paragraph *b*.2 of section 965.29, to be attributable to the qualified investment.

Any renunciation made by a Québec business investment company under the first paragraph in respect of a share issue is valid only if it is made, in prescribed form, on or before the earlier of the last day of its fiscal period in which the share issue commenced and 31 December in the calendar year in which the share issue commenced.

1992, c. 1, s. 143; 2002, c. 45, s. 521; 2004, c. 37, s. 90.

965.31.6. A Québec business investment company may renounce an amount under section 965.31.5 in respect of an expense

(a) on the one hand, only if the expense is an expense that would be deductible under section 147, but for the second paragraph thereof and section 147.1, in computing the income of the Québec business investment company for any taxation year; and

(b) on the other hand, only to the extent that the Québec business investment company has not deducted the expense in computing its income for any taxation year preceding the year in which the renunciation is made, has not been or cannot reasonably expect to be reimbursed for the expense, has not received or cannot reasonably expect to receive government assistance or non-government assistance, within the meanings assigned by the first paragraph of section 1029.6.0.0.1, in respect of the expense, and has not transferred to another person its right to such a reimbursement or such assistance.

1992, c. 1, s. 143; 1993, c. 64, s. 117; 2004, c. 21, s. 239.

CHAPTER III

DEDUCTIONS

1986, c. 15, s. 150.

965.32. An individual, other than a trust, who is resident in Québec on 31 December of a year may deduct in computing his taxable income for that year an amount not exceeding the sum of the aggregate of the amounts representing his adjusted interest in a qualified investment for the year and the unused portion of his deduction relating to an adjusted interest in a qualified investment for the year.

However, the amount of the deduction provided for in the first paragraph shall not exceed 30% of the individual's total income for the year.

1986, c. 15, s. 150; 1987, c. 21, s. 65; 1990, c. 7, s. 138; 1993, c. 64, s. 118.

965.33. *(Repealed).*

1986, c. 15, s. 150; 1987, c. 21, s. 66; 1989, c. 5, s. 192; 1990, c. 7, s. 139; 1993, c. 19, s. 87; 1993, c. 64, s. 119; 1997, c. 3, s. 71; 1999, c. 83, s. 156.

965.33.1. *(Repealed).*

1990, c. 7, s. 140; 1993, c. 64, s. 120.

965.33.2. *(Repealed).*

1990, c. 7, s. 140; 1993, c. 64, s. 120.

965.33.3. *(Repealed).*

1990, c. 7, s. 140; 1993, c. 64, s. 120.

CHAPTER IV

ADMINISTRATION

1986, c. 15, s. 150.

965.34. An individual who elects to have this Title apply shall enclose with the fiscal return the individual is required to file for a taxation year under section 1000 the prescribed form containing the prescribed information in respect of the individual's investments in a Québec business investment company of which the individual is a shareholder and a copy of the information returns filed in prescribed form received by the individual from the body designated under section 1 of the Act respecting Québec business investment companies (chapter S-29.1) for the year in respect of those investments.

1986, c. 15, s. 150; 1989, c. 5, s. 193; 1997, c. 3, s. 71; 1998, c. 17, s. 64; 1999, c. 83, s. 157; 2001, c. 69, s. 12; 2002, c. 9, s. 40; 2010, c. 37, s. 108.

965.34.1. *(Repealed).*

1990, c. 7, s. 141; 1993, c. 64, s. 121.

965.34.2. Where a Québec business investment company renounces an amount under section 965.31.5 in respect of a share issue, it shall file with the Minister a prescribed form in respect of the renunciation on or before the last day of the month following that in which the renunciation is made.

1992, c. 1, s. 144.

965.34.3. *(Repealed).*

1992, c. 1, s. 144; 1993, c. 16, s. 311; 1995, c. 63, s. 261; 2004, c. 21, s. 240; 2010, c. 31, s. 175; 2012, c. 8, s. 158.

965.34.4. Where the amount that a Québec business investment company purported to renounce, in respect of a share issue, under section 965.31.5 in respect of expenses incurred by it in the course of the share issue either exceeds the amount it may renounce under the said section in respect of the share issue or, where upon making the renunciation, it took into account additional expenses not yet incurred at that time or additional issue proceeds not yet received at that time, differs from the particular amount it would have been entitled to renounce under the said section in respect of that issue if, at that time, it could have taken into account the additional expenses actually incurred after that time and the additional issue proceeds actually received after that time, the following rules apply:

(a) the Québec business investment company shall, as the case may be, either reduce the amount so renounced in respect of the share issue by the amount of the excess, or alter it to make it equal to the particular amount;

(b) the Québec business investment company shall file a statement with the Minister indicating the adjustments made in the amount so renounced.

For the purposes of this Title, where the Québec business investment company fails to comply with subparagraphs *a* and *b* of the first paragraph within 30 days after notice in writing by the Minister has been forwarded to it that the adjustment as provided in the said subparagraph *a* is or will be required for the purposes of any assessment of tax under this Part, the Minister may, as the case may be, either reduce the amount purported to be renounced by the Québec business investment company in respect of the share issue contemplated in the first paragraph by the amount of the excess referred to in that paragraph or alter it to make it equal to the particular amount referred to in that paragraph.

In either such case, the amount renounced by the Québec business investment company in respect of the share issue is deemed, notwithstanding section 965.31.5, to be the amount as reduced or altered, as the case may be, by the Québec business investment company or by the Minister, as the case may be.

1992, c. 1, s. 144; 1997, c. 14, s. 170.

TITLE VI.3

FIRST COOPERATIVE INVESTMENT PLAN

1986, c. 15, s. 150; 2006, c. 37, s. 36.

CHAPTER I

INTERPRETATION

1986, c. 15, s. 150.

965.35. For the purposes of this Title, the expression

(a) "qualified cooperative" means a qualified cooperative within the meaning of the cooperative investment plan;

(b) "adjusted cost" means the cost of a qualifying security as determined under sections 965.36 and 965.36.1;

(b.1) "cooperative investment plan" means the cooperative investment plan adopted under the Act respecting the Ministère de l'Économie et de l'Innovation (chapter M-14.1);

(c) "total income" means the total income of an individual within the meaning of paragraph *j* of section 965.1, as it read before being repealed;

(c.1) "qualified partnership" means a partnership that is a member of a farm cooperative and, within 60 days after the end of the fiscal period in which it acquired a qualifying security and not later than 31 January of the year immediately following the year in which the said fiscal period ends, files with the farm cooperative a written declaration indicating the share of each of its members of the income or loss of the partnership for that fiscal period;

(d) "qualifying security" means a qualifying security within the meaning of the cooperative investment plan.

1986, c. 15, s. 150; 1987, c. 21, s. 67; 1988, c. 41, s. 89; 1992, c. 1, s. 145; 1994, c. 16, s. 51; 1995, c. 63, s. 108; 1997, c. 3, s. 71; 1999, c. 8, s. 20; 2003, c. 29, s. 139; 2006, c. 8, s. 31; 2017, c. 29, s. 168; 2019, c. 29, s. 1.

CHAPTER II

GENERAL PROVISION

1986, c. 15, s. 150.

965.36. The adjusted cost to an individual of a qualifying security is obtained by multiplying the cost to the individual of the security, determined without taking into account the borrowing costs or other costs related to the acquisition of the security incurred by the individual or by a qualified partnership, by

(a) 100% in the case of a qualifying security, other than such a security referred to in the second paragraph, acquired after 31 December 1985 and before 13 June 2003; and

(b) 75% in the case of a qualifying security, other than such a security referred to in the second paragraph, acquired after 12 June 2003 and before 1 January 2005.

The adjusted cost of a qualifying security acquired by an individual within the scope of a workers investment program referred to in Division 4.1 of the cooperative investment plan is obtained by multiplying the cost to the individual of the security, determined without taking into account the borrowing costs or other costs related to the acquisition incurred by the individual, by

(a) 125%, where the individual acquires the security after 16 May 1989 and before 13 June 2003; and

(b) 93.75%, where the individual acquires the security after 12 June 2003 and before 1 January 2005.

1986, c. 15, s. 150; 1987, c. 21, s. 68; 1990, c. 7, s. 142; 1997, c. 3, s. 71; 2004, c. 21, s. 241; 2006, c. 37, s. 37.

965.36.1. Where a qualifying security is acquired by an individual within the scope of the issue of that security by a qualified cooperative that holds, for the year in which the security is issued, a valid certificate issued by the Minister of Economic Development, Innovation and Export Trade certifying that the qualified cooperative is a small or medium-sized cooperative, within the meaning of the cooperative investment plan, the following rules apply:

(a) the percentages specified in subparagraph *a* of the first and second paragraphs of section 965.36 shall be increased by 25 points, where the qualifying security is acquired after 2 May 1991 and before 13 June 2003; and

(b) the percentages specified in subparagraph *b* of the first and second paragraphs of section 965.36 shall be increased by 18.75 points, where the qualifying security is acquired after 12 June 2003 and before 1 January 2005.

1992, c. 1, s. 146; 1994, c.16, s. 51; 1997, c. 14, s. 171; 1999, c. 8, s. 20; 2002, c. 40, s. 95; 2003, c. 29, s. 135; 2004, c. 21, s. 242; 2006, c. 8, s. 31; 2006, c. 37, s. 38.

965.36.2. For the purposes of this Title, where, at any time, a trust governed by a registered retirement savings plan, of the type commonly called self-directed, acquires, as first purchaser, a qualifying security of a qualified cooperative, the following rules apply:

(a) the annuitant, within the meaning of paragraph *b* of section 905.1, under the plan at that time is deemed to be the person who acquires the qualifying security at that time as first purchaser and the trust is deemed not to be that person, to the extent that the annuitant at that time is an individual who is a qualified investor, within the meaning of the cooperative investment plan, in respect of the qualified cooperative; and

(b) the cost to the annuitant referred to in subparagraph *a* of the qualifying security is deemed to be the same as the cost to the trust.

1995, c. 1, s. 106.

CHAPTER III

DEDUCTION

1986, c. 15, s. 150.

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

1986, c. 15, s. 150; 1993, c. 19, s. 88.

965.37.1. For the purposes of section 965.37, an individual who is a member of a qualified partnership and whose activities consist mainly in carrying on a farming business or whose main activity is carried on within the partnership is deemed, if the individual is a member of the partnership at the end of the fiscal period of the partnership in which it acquired a qualifying security, to have acquired the qualifying security in the year in which that fiscal period ends, at a cost equal to the agreed proportion of the cost of the qualifying security for the partnership, in respect of the individual for that fiscal period of the partnership.

1987, c. 21, s. 69; 1995, c. 63, s. 109; 1997, c. 3, s. 71; 2009, c. 15, s. 172.

965.38. Notwithstanding section 965.37, in no case may the amount of the deduction provided for in the said section in respect of an individual for a year exceed 30% of the individual's total income for the year.

1986, c. 15, s. 150; 1988, c. 4, s. 117; 1989, c. 5, s. 194; 2002, c. 40, s. 96.

CHAPTER IV

ADMINISTRATION

1986, c. 15, s. 150.

965.39. An individual who elects to have this Title apply shall enclose with the fiscal return the individual is required to file for a taxation year under section 1000 the prescribed form containing the prescribed information in respect of an investment in a qualified cooperative and a copy of the information returns filed in prescribed form received by the individual from a qualified cooperative for the year in respect of the individual's investment or deemed investment as a member of a qualified partnership at the end of a fiscal period of the partnership ending in that year.

1986, c. 15, s. 150; 1987, c. 21, s. 70; 1997, c. 3, s. 71; 2002, c. 9, s. 41.

TITLE VI.3.1

SECOND COOPERATIVE INVESTMENT PLAN

2006, c. 37, s. 39.

CHAPTER I

DEFINITIONS

2006, c. 37, s. 39.

965.39.1. In this Title,

"adjusted cost" means the cost of a qualifying security as determined under section 965.39.2;

"eligible member" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act (chapter R-8.1.1);

"qualified cooperative" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"qualified federation of cooperatives" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"qualifying security" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"total income" has the meaning assigned by the first paragraph of section 965.55.

2006, c. 37, s. 39.

CHAPTER II

GENERAL PROVISIONS

2006, c. 37, s. 39.

965.39.2. The adjusted cost to an individual of a qualifying security is obtained by multiplying the cost to the individual of the security, determined without taking into account the borrowing costs or other costs related to the acquisition of the security incurred by the individual or by a partnership, by 125%.

2006, c. 37, s. 39.

965.39.3. For the purposes of this Title, if, at any time, a trust governed by a registered retirement savings plan, of the type commonly called self-directed, acquires, as first purchaser, a qualifying security of a qualified cooperative or qualified federation of cooperatives, the following rules apply:

(a) the annuitant, within the meaning of paragraph *b* of section 905.1, under the plan at that time is deemed to be the person who acquires the qualifying security at that time as first purchaser and the trust is deemed not to be that person, provided that the annuitant at that time is an individual who is a qualified investor, within the meaning of section 9 of the Cooperative Investment Plan Act (chapter R-8.1.1), in respect of the qualified cooperative or qualified federation of cooperatives; and

(b) the cost to the annuitant referred to in paragraph *a* of the qualifying security is deemed to be the same as the cost to the trust.

2006, c. 37, s. 39.

CHAPTER III

DEDUCTION

2006, c. 37, s. 39.

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

2006, c. 37, s. 39.

965.39.5. For the purposes of sections 965.39.2 and 965.39.4, if a partnership acquires, in a fiscal period of the partnership, a qualifying security of a qualified cooperative or qualified federation of cooperatives, an individual who is an eligible member of the partnership at the end of the fiscal period is deemed to have acquired the qualifying security in the year in which the fiscal period ends, at a cost equal to the agreed proportion of the cost of the qualifying security for the partnership, in respect of the individual for that fiscal period of the partnership.

2006, c. 37, s. 39; 2009, c. 15, s. 173.

965.39.6. Despite section 965.39.4, in no case may the amount of the deduction provided for in that section in respect of an individual for a year exceed 30% of the individual's total income for the year.

2006, c. 37, s. 39.

CHAPTER IV

ADMINISTRATION

2006, c. 37, s. 39.

965.39.7. An individual who elects to have this Title apply shall enclose with the fiscal return the individual is required to file for a taxation year under section 1000 the prescribed form containing the prescribed information in respect of an investment in a qualified cooperative or qualified federation of cooperatives and a copy of the information returns filed in prescribed form received by the individual from a qualified cooperative or qualified federation of cooperatives for that year in respect of the individual's investment or deemed investment as an eligible member of a partnership at the end of a fiscal period of the partnership ending in that year.

2006, c. 37, s. 39.

TITLE VI.4

Repealed, 2005, c. 23, s. 131.

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

CHAPTER I

Repealed, 2005, c. 23, s. 131.

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.40. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 66; 1991, c. 8, s. 116; 1992, c. 1, s. 147; 2005, c. 23, s. 131.

CHAPTER II

Repealed, 2005, c. 23, s. 131.

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.41. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.42. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 116; 1992, c. 1, s. 148; 2005, c. 23, s. 131.

965.43. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.44. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.45. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 67; 1991, c. 8, s. 116; 1992, c. 1, s. 149; 2005, c. 23, s. 131.

965.46. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 67; 1991, c. 8, s. 116; 1992, c. 1, s. 150; 2005, c. 23, s. 131.

CHAPTER III

Repealed, 2005, c. 23, s. 131.

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.47. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.48. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 68; 1991, c. 8, s. 116; 1992, c. 1, s. 151; 2005, c. 23, s. 131.

965.48.1. *(Repealed).*

1992, c. 1, s. 152; 2005, c. 23, s. 131.

CHAPTER IV

Repealed, 2005, c. 23, s. 131.

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.49. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.50. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.51. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 69; 1991, c. 8, s. 116; 1992, c. 1, s. 153; 2005, c. 23, s. 131.

CHAPTER V

Repealed, 2005, c. 23, s. 131.

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.52. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 116; 1992, c. 1, s. 154; 2005, c. 23, s. 131.

965.53. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 70; 1991, c. 8, s. 116; 1992, c. 1, s. 155; 2005, c. 23, s. 131.

CHAPTER VI

Repealed, 2005, c. 23, s. 131.

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

965.54. *(Repealed).*

1990, c. 7, s. 143; 1991, c. 8, s. 116; 2005, c. 23, s. 131.

TITLE VI.5

STOCK SAVINGS PLANS II

2006, c. 13, s. 80; 2010, c. 5, s. 95.

CHAPTER I

INTERPRETATION AND GENERAL

2006, c. 13, s. 80.

DIVISION I

DEFINITIONS

2006, c. 13, s. 80.

965.55. In this Title and in sections 1049.14.2 to 1049.14.24,

"adjusted cost" of a qualifying share, qualifying security or valid share means the adjusted cost determined under Chapter V;

"assets" of a corporation means the assets determined in accordance with subdivision 3 of Division II;

"common share with voting rights" means a common share carrying a right to vote in all circumstances in the issuing corporation;

"coverage deficiency amount" means the amount determined in accordance with section 965.129;

"dealer" means a dealer, within the meaning of section 3 of the Derivatives Act (chapter I-14.01) or within the meaning of section 5 of the Securities Act (chapter V-1.1), having an establishment in Québec and registered with the Autorité des marchés financiers, a mutual fund within the meaning of that Act and an insurer, a bank, a corporation licensed or otherwise authorized under the laws of Canada or of a province to offer its services therein as a trustee, a savings and credit union or any other prescribed person;

"designated qualified issuing corporation" has the meaning assigned by sections 965.95 and 965.95.1;

"eligible transaction" means a transaction by which a capital pool company acquires important assets, other than cash on hand, as a consequence of the making of a purchase, consolidation or amalgamation contract or of an arrangement with another corporation, or as a consequence of another kind of transaction;

"list of the Autorité des marchés financiers" means the list published periodically by the Autorité des marchés financiers and containing the names of the corporations and the designation of those classes of shares of their capital stock that may constitute valid shares for the purposes of this Title;

"negotiable instrument" means any standardized derivative within the meaning of section 3 of the Derivatives Act or any form of investment referred to in section 1 of the Securities Act, without reference to the exception provided for in subparagraph 3 of the first paragraph of that section;

"paid-up capital"

(a) in relation to a share of the capital stock of a corporation means the amount shown in its books in the capital stock account in respect of that share and any amount shown elsewhere in its books and received in consideration for the issue of that share; and

(b) in relation to a subscription right in a share of the capital stock of a corporation means the amount shown in its books in the capital stock account in respect of that right and received in consideration for the issue of that right;

"public security issue" means the distribution of a security in accordance with a receipt granted by the Autorité des marchés financiers after 21 April 2005;

"public share issue" means the distribution of a share in accordance with a receipt granted by the Autorité des marchés financiers after 21 April 2005 or, if section 965.76 applies, in accordance with an exemption from filing a prospectus provided for

(a) in section 51 of the Securities Act, if the exemption from filing a prospectus is granted by the Autorité des marchés financiers after 21 April 2005 and before 14 September 2005;

(b) in subsection 2 of section 2.10 of Regulation 45-106 respecting prospectus and registration exemptions (chapter V-1.1, r. 21), if the exemption from filing a prospectus is granted by the Autorité des marchés financiers after 13 September 2005 and before 28 September 2009; or

(c) in subsection 1 of section 2.10 of Regulation 45-106 respecting prospectus and registration exemptions, if the exemption from filing a prospectus is granted by the Autorité des marchés financiers after 27 September 2009;

"qualified issuing corporation" means a corporation described in Division I of Chapter IV that is not governed by an Act establishing a labour-sponsored fund, by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1) or by the Act respecting Québec business investment companies (chapter S-29.1);

"qualified mutual fund" means a mutual fund described in Division II of Chapter IV;

"qualifying security" means a security meeting the requirements of section 965.85;

"qualifying share" means a share meeting the requirements of any of sections 965.74 to 965.76, other than a share referred to in section 965.79;

"security" means an investment in a qualified mutual fund;

"stock savings plan II" means an arrangement described in section 965.56;

"total income", in respect of an individual for a year, means the amount by which the individual's income for the year that would be determined under section 28 but for paragraph *k*.0.1 of section 311, section 311.1 where that section applies to a social assistance payment other than a payment received as last resort financial assistance under the Individual and Family Assistance Act (chapter A-13.1.1) or as similar government assistance, and paragraph *a* of section 317 where that paragraph refers to the amount of any supplement or allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or to a payment similar to such a supplement or allowance made under a law of a province, exceeds the amount the individual deducts for the year in computing the individual's taxable income under Titles VI.5 and VI.5.1 of Book IV;

"valid qualifying security" in respect of a year means a qualifying security acquired by an individual in that year and held without interruption, throughout the part of the year that follows the acquisition, in an SME growth stock plan under which the individual is a beneficiary;

"valid share" means a share described in Chapter III;

"venture capital corporation" means a corporation

(a) whose main activity consists in investing funds in the form of shares of the capital stock of another corporation;

(b) that generally participates in the management of the other corporation in which it invests funds;

(c) that invests funds in another corporation that are generally not guaranteed by the assets of the other corporation; and

(d) whose initial investment in another corporation does not exceed 20% of its funds available for such investments.

For the purposes of the definitions of "public security issue" and "public share issue" in the first paragraph, the application for a receipt in respect of the distribution of a share or security or, if section 965.76 applies,

the application for an exemption from filing a prospectus, must be filed with the Autorité des marchés financiers before 1 January 2015.

2006, c. 13, s. 80; 2007, c. 12, s. 94; 2009, c. 58, s. 88; 2010, c. 5, s. 96; 2010, c. 25, s. 103; 2013, c. 10, s. 79.

965.56. A stock savings plan II is

(a) an arrangement made between an individual who is not a trust and a dealer, under which the individual entrusts the dealer with the custody of such of the individual's qualifying shares and valid shares as the individual may indicate, that are not included in any other plan of any kind for the purposes of this Act or of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)); or

(b) an arrangement made between an individual who is not a trust and a dealer or a qualified mutual fund, under which the individual entrusts

i. the dealer with the custody of such of the individual's qualifying securities as the individual may indicate, that are not included in any other plan of any kind for the purposes of this Act or of the Income Tax Act, or

ii. the qualified mutual fund with the custody of such of the individual's qualifying securities, issued by the qualified mutual fund, as the individual may indicate, that are not included in any other plan of any kind for the purposes of this Act or of the Income Tax Act.

2006, c. 13, s. 80; 2010, c. 5, s. 97.

DIVISION II

GENERAL RULES

2006, c. 13, s. 80.

§ 1. — *Listing and disclosure*

2006, c. 13, s. 80.

965.57. A qualified issuing corporation making a public issue of shares of its capital stock with a stipulation that they can be included in a stock savings plan II is required to take steps to have the shares listed on a designated stock exchange located in Canada not later than 60 days after the date of the receipt for the final prospectus relating to their issue.

2006, c. 13, s. 80; 2010, c. 5, s. 98.

§ 2. — *Administration*

2006, c. 13, s. 80.

965.58. Every dealer with whom an individual has made an arrangement for a stock savings plan II shall keep in Québec a record showing, in a separate account, all the transactions effected on behalf of that individual under the plan.

2006, c. 13, s. 80; 2010, c. 5, s. 99.

965.59. The dealer shall ensure that every qualifying share to be included in a stock savings plan II has been acquired for money consideration as part of a public share issue, that the certificate for the share has been sent to the dealer directly by the issuer of the certificate or by another dealer who certifies that the share has been held, without interruption from its issue, by a dealer acting as an intermediary or as a firm underwriter, and that the qualified issuing corporation that issued it has stated, in the final prospectus or in the

application for an exemption from filing a prospectus relating to the share, that the share could be included in a stock savings plan II.

2006, c. 13, s. 80; 2010, c. 5, s. 100.

965.60. The dealer shall ensure that every valid share to be included in a stock savings plan II meets the requirements set out in Chapter III.

2006, c. 13, s. 80; 2010, c. 5, s. 101.

965.61. Every qualified mutual fund with which an individual has made an arrangement for a stock savings plan II shall keep in Québec a record showing, in a separate account, all the transactions effected on behalf of that individual under the plan.

2006, c. 13, s. 80; 2010, c. 5, s. 102.

965.62. Every trustee or manager of a qualified mutual fund shall send to the Minister a statement to the effect that the undertakings of the qualified mutual fund specified in section 965.119 are fulfilled.

The statement must be filed within the three months that follow each year provided for in section 965.119.

2006, c. 13, s. 80.

965.63. An individual who elects to have this Title apply shall enclose with the fiscal return the individual is required to file for a taxation year under section 1000 the prescribed form containing the prescribed information in respect of the stock savings plans II under which the individual is a beneficiary and a copy of the information returns filed in prescribed form received by the individual for the year in respect of those plans from the dealers or qualified mutual funds.

2006, c. 13, s. 80; 2010, c. 5, s. 103.

§ 3. — *Assets*

2006, c. 13, s. 80.

965.64. The assets of a corporation are the assets shown in its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles.

For the purposes of the first paragraph, the following rules apply in computing the assets of a corporation:

(a) the amount of the surplus reassessment of its property and the amount of its incorporeal assets shall be subtracted, to the extent that the amount shown in their respect exceeds the expenditure made in their respect; and

(b) if a consideration for the purchase of incorporeal assets consists of shares of the corporation's capital stock, it is deemed to be nil.

2006, c. 13, s. 80.

965.65. The assets of a corporation that, within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, results from an amalgamation within the meaning of section 544 are equal to the greater of

(a) the amount of the assets, determined in accordance with section 965.64, of the corporation resulting from the amalgamation; and

(b) the amount of the aggregate of the assets of each of the predecessor corporations, determined in accordance with section 965.64, as if the reference in that section to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus were replaced by a reference to its financial statements submitted to the shareholders for each of the taxation years ended within the 365 days preceding the time of amalgamation and as if only the greatest amount, if any, of the assets of each of the predecessor corporations were taken into account.

2006, c. 13, s. 80.

965.66. The assets of a corporation that is associated with another corporation in the 12 months preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, are equal to the amount by which the aggregate of the assets of the corporation and those of each corporation associated with it, determined in accordance with sections 965.64 and 965.65, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

For the purposes of the first paragraph, no reference is to be made to section 21.20.4 in determining whether an issuing corporation and a particular corporation are associated with each other in the 12-month period referred to in that paragraph, if the issuing corporation uses a portion of the proceeds of a public share issue in payment of the acquisition of shares or any other negotiable instrument of the particular corporation and if the conditions set out in paragraph *a* or *b* of section 965.79 are met.

2006, c. 13, s. 80; 2009, c. 15, s. 174.

965.67. For the purposes of sections 965.64 to 965.66, the assets are to be computed by making every possible combination in the computation in respect of each fiscal period of each corporation referred to, where that is the case, in those sections.

2006, c. 13, s. 80.

965.68. For the purposes of section 965.64, the following rules apply:

(a) if a computation provided for in that section must be made in respect of a corporation that is in its first fiscal period, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus is to be replaced by a reference to its financial statements at the beginning of its first fiscal period; and

(b) if a computation provided for in that section must be made in respect of a corporation that, within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, modified its usual and accepted fiscal period, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus is to be replaced by a reference to its financial statements submitted to the shareholders for each of the taxation years ended in the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus.

2006, c. 13, s. 80.

965.69. For the purposes of sections 965.64 to 965.68, if a computation provided for in those sections must be made in respect of a corporation described in section 965.70 that makes a public share issue, the computation is made without reference to the assets, if any, of a government or of another corporation mentioned in section 965.70 that is no longer associated with it on the date on which the public share issue ends and, in the case of the other corporation, was not directly or indirectly controlled by the issuing corporation at any time in the 12 months preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus.

2006, c. 13, s. 80.

965.70. A corporation referred to in section 965.69 is a corporation that, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus, would be a qualified issuing corporation but for a government or another corporation associated with a government associated with it on that date, except a corporation directly or indirectly controlled by the issuing corporation on that date or that was so controlled at any time in the 12 months preceding that date, and that is, on the date on which the public share issue ends, no longer associated with that government or that other corporation.

The issuing corporation is also a corporation referred to in section 965.69 for the 12 months following the date on which it is no longer associated with that government or that other corporation.

2006, c. 13, s. 80.

965.71. For the purposes of sections 965.64 to 965.67, if a computation provided for in those sections must be made in respect of a particular corporation that makes a public share issue and that would be, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus, a qualified issuing corporation but for a venture capital corporation associated with it on that date, the computation is made without reference to the assets of that venture capital corporation if, on the date on which the public share issue ends, the particular corporation is no longer associated with that venture capital corporation.

2006, c. 13, s. 80.

965.72. For the purposes of this Title, if a corporation is required to meet a requirement in respect of which section 965.64 or 965.66 applies, the requirement must be met for each of its fiscal periods referred to, where that is the case, in those sections.

2006, c. 13, s. 80.

965.73. For the purposes of sections 965.64 to 965.67, if a corporation or a corporation associated with it reduces its assets by any transaction for the purpose of qualifying the corporation as a corporation whose assets are less than $200,000,000, the assets are deemed not to have been reduced unless the Minister decides otherwise.

2006, c. 13, s. 80; 2010, c. 5, s. 104.

CHAPTER II

QUALIFYING SHARES AND QUALIFYING SECURITIES

2006, c. 13, s. 80.

DIVISION I

QUALIFYING SHARES

2006, c. 13, s. 80.

965.74. A share of the capital stock of an issuing corporation qualifies for a stock savings plan II if

(a) it is a common share with voting rights;

(b) it cannot, under the conditions pertaining to its issue, be redeemed in whole or in part by the issuing corporation or purchased in whole or in part by anyone, directly or indirectly, in any manner whatever, or be the subject of a transaction that would result either in rendering such a share, a share substituted for such a share or a share received as a result of a transaction referred to in any of sections 301, 536, 541 and 544 in relation to any such share or substituted share, redeemable in whole or in part by the issuing corporation or purchasable in whole or in part by anyone, directly or indirectly, in any manner whatever, or in transferring property of the corporation other than a dividend to the shareholder;

(c) it cannot, under the conditions pertaining to its issue, entitle the holder to a dividend that is or will be the subject of an undertaking under which its payment is guaranteed by a person other than the issuing corporation;

(d) it is issued by a qualified issuing corporation that states in the final prospectus that the share may be included in a stock savings plan II and entitles its holder to the benefit provided for in its respect by this Title;

(e) before the receipt for a final prospectus has been obtained, it was the subject of a favourable advance ruling from the Minister to the effect that it complies with the objectives of this Title;

(f) it is acquired for money consideration within the scope of a public share issue by an individual or a qualified mutual fund as first purchaser, other than a dealer acting as an intermediary or as a firm underwriter; and

(g) it is subscribed and paid.

2006, c. 13, s. 80; 2010, c. 5, s. 105; 2010, c. 31, s. 89.

965.75. The certificate relating to a share described in section 965.74 must be given directly to the dealer referred to in section 965.56 by the issuer of the certificate or by another dealer who certifies that the certificate has been held, without interruption from its issue, by a dealer acting as an intermediary or as a firm underwriter, or issued and registered in the dealer's name or in the name of a person designated by the dealer.

2006, c. 13, s. 80.

965.76. Subject to section 965.77, a share also qualifies for a stock savings plan II if

(a) it is acquired for money consideration by a qualified mutual fund as first purchaser, other than a dealer acting as an intermediary or as a firm underwriter, as part of the distribution of a share in respect of which an exemption from filing a prospectus is referred to in the definition of "public share issue" in the first paragraph of section 965.55;

(b) it meets the requirements of paragraphs *a* to *c* and *g* of section 965.74;

(c) in the taxation year of the issuing corporation during which the application for an exemption from filing a prospectus was filed and before the granting of the exemption, it was the subject of a favourable advance ruling from the Minister to the effect that it complies with the objectives of this Title;

(d) on or before 10 days after the day of the distribution of the share, a copy of the report provided for in section 46 of the Securities Act (chapter V-1.1), if the exemption from filing a prospectus is granted before 14 September 2005, in section 6.1 of Regulation 45-106 respecting prospectus and registration exemptions (chapter V-1.1, r. 21), if the exemption from filing a prospectus is granted after 13 September 2005 and before 28 September 2009, or in subsection 1 of section 6.1 of Regulation 45-106 respecting prospectus and registration exemptions, if the exemption from filing a prospectus is granted after 27 September 2009, was filed with the Minister, accompanied by the certificate described in section 965.78, unless the issuing corporation makes a first public share issue under this Title in accordance with an exemption from filing a prospectus referred to in the definition of "public share issue" in the first paragraph of section 965.55; and

(e) it is issued by a qualified issuing corporation having common shares of its capital stock carrying voting rights listed on a designated stock exchange located in Canada.

2006, c. 13, s. 80; 2010, c. 5, s. 106; 2010, c. 25, s. 104; 2010, c. 31, s. 89.

965.77. The condition in paragraph *c* of section 965.76 does not apply in respect of a share if an issuing corporation has previously made a public share issue under this Title otherwise than in accordance with an

exemption from filing a prospectus referred to in the definition of "public share issue" in the first paragraph of section 965.55.

2006, c. 13, s. 80; 2010, c. 25, s. 105.

965.78. The certificate to which paragraph *d* of section 965.76 refers means a certificate from a manager of the issuing corporation certifying that it is a qualified issuing corporation and that the share issued to the mutual fund–as part of the distribution of a share in respect of which an exemption from filing a prospectus is referred to in the definition of "public share issue" in the first paragraph of section 965.55–is a qualifying share.

2006, c. 13, s. 80; 2010, c. 25, s. 105.

965.79. Despite section 965.74, if the major portion of the proceeds of a public share issue is, as stated in the final prospectus or as may be inferred from it, used, directly or indirectly, in payment of the acquisition of shares or of any other negotiable instrument of a corporation, a share acquired as part of the public share issue is not a qualifying share, unless,

(a) if the shares or negotiable instruments are securities issued by a particular corporation whose name is disclosed in the final prospectus, the issuing corporation or another corporation associated with it carries on a business and the particular corporation is, immediately after the acquisition, directly or indirectly, a subsidiary controlled corporation of the issuing corporation and the activities of the particular corporation or those of a subsidiary corporation the particular corporation controls directly or indirectly have commercial possibilities directly linked with the activities of the issuing corporation or of another corporation associated with it on the date of the receipt for the final prospectus; or

(b) if the shares or negotiable instruments will be securities issued by a corporation whose name is not disclosed in the final prospectus, the issuing corporation or another corporation associated with it carries on a business and the issuing corporation states expressly in the final prospectus that the shares or negotiable instruments will be securities issued by a particular corporation that, immediately after the acquisition, will be directly or indirectly, a subsidiary controlled corporation of the issuing corporation and the activities of the particular corporation or those of a subsidiary corporation the particular corporation controls directly or indirectly have commercial possibilities directly linked with the activities of the issuing corporation or those of another corporation associated with it on the date of the receipt for the final prospectus.

2006, c. 13, s. 80.

965.80. For the purposes of section 965.79, if all or part of the proceeds of a public share issue is, as stated in the final prospectus or as may be inferred from it, used for the repayment of borrowed money or of any other debt contracted within a reasonable period of time before or after the date of the receipt for the final prospectus, or the redemption of shares or of any other securities issued within such a period of time for the payment of shares or of any other negotiable instrument, the use of all or part of the proceeds is deemed to be a payment for such an acquisition.

2006, c. 13, s. 80.

965.81. For the purposes of sections 965.79 and 965.80, if all or part of the proceeds of a public share issue is, as stated in the final prospectus or as may be inferred from it, used for the repayment of borrowed money or of any other debt contracted by a particular corporation within a reasonable period of time before or after the date of the receipt for the final prospectus, or the redemption of shares or of any other securities issued within such a period of time for the payment of shares or of any other negotiable instrument issued by another corporation, and the issuing corporation results from the amalgamation, within the meaning of section 544, of the particular corporation and of the other corporation, the issuing corporation is deemed to be, immediately after the acquisition mentioned in section 965.79, the particular corporation.

2006, c. 13, s. 80.

965.82. For the purposes of sections 965.79 and 965.80, a share or a negotiable instrument does not include, if the issuing corporation carries on the activities of a dealer, such property described in an inventory.

2006, c. 13, s. 80.

965.83. Section 965.79 does not apply if the issuing corporation is

(a) a bank;

(b) a body governed by the Insurance Companies Act (S.C. 1991, c. 47) or by the Insurers Act (chapter A-32.1);

(c) a corporation holding a licence or otherwise authorized by the laws of Canada or of a province to offer its services as a trustee; or

(d) a corporation whose principal business is the lending of money or the purchasing of debts.

2006, c. 13, s. 80; 2018, c. 23, s. 811.

965.84. For the purposes of this chapter, if all or part of the proceeds of a public share issue relates, directly or indirectly, as stated by a corporation in a final prospectus or as may be inferred from it, to activities to be carried on outside Québec and, in the opinion of the Minister, the activities may have a tangible negative impact on the level of employment or economic activity in Québec of that corporation or of a subsidiary of that corporation, a share of that corporation acquired as part of the public share issue is not a qualifying share.

2006, c. 13, s. 80.

DIVISION II

QUALIFYING SECURITIES

2006, c. 13, s. 80.

965.85. A security qualifies for a stock savings plan II if

(a) it is issued by a qualified mutual fund that states, in the final prospectus relating to the issue of the security, that the security may be included in a stock savings plan II and entitles its holder to the benefit provided for in its respect by this Title;

(b) where it is issued by a qualified mutual fund that, in respect of its first public security issue consisting of securities that may be included in a stock savings plan II, has made an election under section 965.121, it is a security issued as part of that first public security issue;

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

(d) before the receipt for a final prospectus relating to its issue has been obtained, it was the subject of a favourable advance ruling from the Minister to the effect that it complies with the objectives of this Title; and

(e) the certificate attesting to it is

i. kept, under the terms of an arrangement provided for in subparagraph ii of paragraph *b* of section 965.56, by the qualified mutual fund that issued the security, or

ii. given directly to the dealer referred to in subparagraph i of paragraph *b* of section 965.56 by the issuer of the certificate or by another dealer who certifies that the certificate has been held, without interruption from

its issue, by a dealer acting as an intermediary or as a firm underwriter, or issued and registered in the dealer's name or in the name of a person designated by the dealer.

2006, c. 13, s. 80; 2010, c. 5, s. 107; 2010, c. 31, s. 89.

CHAPTER III

VALID SHARES

2006, c. 13, s. 80.

965.86. A share of a class of the capital stock of a corporation is a valid share if

(a) it is acquired through a transaction on a stock exchange during a trading session;

(b) at the time of its acquisition, it is listed on a designated stock exchange located in Canada or, if the acquisition occurs before 14 December 2007, on a Canadian stock exchange, within the meaning assigned to that expression by section 1 on 13 December 2007;

(c) on the date of its acquisition, the class of shares of the capital stock of the corporation to which the share belongs is included in the list of the Autorité des marchés financiers; and

(d) as part of its acquisition, the certificate attesting to it is given to the dealer referred to in section 965.56 or issued and registered in the dealer's name or in the name of a person designated by the dealer.

2006, c. 13, s. 80; 2010, c. 5, s. 108; 2017, c. 29, s. 169.

965.87. A share of a class of the capital stock of a corporation is also a valid share if

(a) it is acquired by an individual or a qualified mutual fund as first purchaser, other than a dealer acting as an intermediary or as a firm underwriter;

(b) at the time of its acquisition, it is listed on a designated stock exchange located in Canada or, if the acquisition occurs before 14 December 2007, on a Canadian stock exchange, within the meaning assigned to that expression by section 1 on 13 December 2007;

(c) it is issued by the corporation as part of a share issue referred to in the second paragraph of any of sections 965.105, 965.107 and 965.110;

(d) on the date of its acquisition, the class of shares of the capital stock of that corporation to which the share belongs is included in the list of the Autorité des marchés financiers; and

(e) as part of its acquisition, the certificate attesting to it is given to the dealer referred to in section 965.56 or issued and registered in the dealer's name or in the name of a person designated by the dealer.

2006, c. 13, s. 80; 2010, c. 5, s. 109; 2017, c. 29, s. 170.

965.88. A corporation may obtain a designation of eligibility for the list of the Autorité des marchés financiers in respect of a share of a class of its capital stock if it files an application with the Minister in the prescribed form containing prescribed information, on which a director of the corporation shall certify that the following conditions are satisfied on the date of the application:

(a) the share is listed on a designated stock exchange located in Canada and meets the requirements of paragraphs *a* to *c* of section 965.74; and

(b) the corporation would meet the requirements set out in section 965.90 or 965.94 if, in those sections, "on the date of the receipt for the final prospectus or of the exemption from filing a prospectus" were replaced by "on the date of the application filed with the Minister" and if, in subparagraph *d* of the first paragraph of

section 965.94, “before the date of the receipt for the final prospectus or of the exemption from filing a prospectus” were replaced by “before the date of the application filed with the Minister”.

The corporation shall enclose a description of its capital stock and its consolidated and non-consolidated financial statements with the prescribed form referred to in the first paragraph.

2006, c. 13, s. 80; 2006, c. 36, s. 91; 2009, c. 15, s. 175; 2010, c. 5, s. 110.

965.89. A qualified issuing corporation that has made a public share issue and in respect of which a share of a class of its capital stock is a qualifying share because of the application of section 965.76, may request that the class of shares to which the share belongs be included in the list of the Autorité des marchés financiers.

2006, c. 13, s. 80.

CHAPTER IV

QUALIFIED ISSUERS

2006, c. 13, s. 80.

DIVISION I

QUALIFIED ISSUING CORPORATIONS

2006, c. 13, s. 80.

§ 1. — *Basic rules*

2006, c. 13, s. 80.

965.90. A corporation making a public share issue is a qualified issuing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,

(a) it is a Canadian corporation;

(b) its assets are less than $200,000,000;

(c) its central management is in Québec and more than one-half of the wages paid to its employees, within the meaning of the regulations made under section 771, in its last taxation year ended before that date, were paid to employees of an establishment situated in Québec;

(d) throughout the preceding 12 months, it carried on a business and had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders; and

(e) not more than 50% of the value of its property, as shown in its financial statements submitted to the shareholders for its last taxation year ended before that date, or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, consists of the value of cash on hand or on deposit, shares, promissory notes, debentures, bonds, any other debt securities, guaranteed investment certificates, units of a mutual fund trust, units representing an undivided share in a project or property, subscription rights or purchasing rights to such shares that are not qualified investments described in section 965.92.

2006, c. 13, s. 80; 2010, c. 5, s. 111.

965.91. For the purposes of paragraph *d* of section 965.90, the following rules apply:

(a) a corporation is deemed to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders, if

i. throughout the 12-month period preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, a class of shares of its capital stock is listed on a designated stock exchange located in Canada, and

ii. a person, other than such an insider or a person related to such an insider, or a partnership provides the corporation, in the period described in subparagraph i, with services under a service contract and the corporation would normally require the services of more than five full-time employees if those services were not provided; and

(b) if the favourable advance ruling referred to in paragraph *e* of section 965.74 or paragraph *c* of section 965.76 confirms that the corporation making a public share issue is carrying on a business on a seasonal basis and that the continuous period during which the business is carried on is comparable to that of other businesses operating in the same sector of activity, paragraph *d* of section 965.90 is to be read as if "throughout the preceding 12 months" was replaced by "throughout a period of seasonal activity that precedes that date".

2006, c. 13, s. 80; 2009, c. 5, s. 389; 2010, c. 5, s. 112.

965.92. The qualified investments to which paragraph *e* of section 965.90 refers are

(a) voting shares representing not less than 20% of the voting shares of a particular corporation meeting the requirement of paragraph *e* of section 965.90;

(b) promissory notes, debentures, bonds or other debt securities issued by a particular corporation referred to in paragraph *a* and shares without voting rights of such a particular corporation;

(c) debentures, bonds or shares issued by a cooperative, other than a savings and credit union, meeting the requirement of paragraph *e* of section 965.90;

(d) promissory notes or other debt securities obtained in the ordinary course of its business and held by a bank, a body governed by the Insurance Companies Act (S.C. 1991, c. 47) or by the Insurers Act (chapter A-32.1), a corporation licensed or otherwise authorized under the laws of Canada or of a province to offer its services as a trustee, or any other corporation whose principal business is the lending of money or the purchasing of debts; and

(e) property described in an inventory by a corporation carrying on the activities of a dealer.

2006, c. 13, s. 80; 2018, c. 23, s. 811.

965.93. For the purposes of paragraph *e* of section 965.90, the Minister may, for the purpose of determining whether the value of the corporation's property that is referred to in that paragraph *e* does not exceed 50%, require from the issuing corporation any document the Minister deems necessary, including the filing of non-consolidated financial statements.

2006, c. 13, s. 80.

965.94. A corporation making a public share issue is also a qualified issuing corporation if, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus,

(a) it is a Canadian corporation whose head office or principal place of business is in Québec;

(b) substantially all of its property consists of shares of the capital stock of one or more of its subsidiary controlled corporations or of loans or advances granted to such subsidiary corporations;

(c) one of the subsidiary corporations meets the requirements of paragraphs *a* to *c* and *e* of section 965.90 and, throughout the 12 preceding months, carried on a business and had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders; and

(d) not more than 50% of the value of the issuing corporation's property, as shown in the issuing corporation's last consolidated financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, consists of property mentioned in paragraph *e* of section 965.90.

For the purposes of subparagraph *c* of the first paragraph, a subsidiary is deemed to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act nor persons related to such insiders, if

(a) throughout the 12-month period preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, a class of shares of its capital stock is listed on a designated stock exchange located in Canada; and

(b) a person, other than such an insider or a person related to such an insider, or a partnership provides the subsidiary, in the period described in subparagraph *a*, with services under a service contract and the subsidiary would normally require the services of more than five full-time employees if those services were not provided.

For the purposes of subparagraph *c* of the first paragraph, if the favourable advance ruling referred to in paragraph *e* of section 965.74 or paragraph *c* of section 965.76 confirms that the subsidiary is carrying on a business on a seasonal basis and that the continuous period during which the business is carried on is comparable to that of other businesses operating in the same sector of activity, subparagraph *c* of the first paragraph is to be read as if "throughout the 12 preceding months" was replaced by "throughout a period of seasonal activity that precedes that date".

2006, c. 13, s. 80; 2006, c. 36, s. 92; 2007, c. 12, s. 95; 2009, c. 5, s. 390; 2010, c. 5, s. 113.

965.95. A capital pool company making a public share issue may, where the distribution of shares is made in accordance with a receipt of the Autorité des marchés financiers, be designated by the Minister as a qualified issuing corporation if, on the date of the receipt for the final prospectus,

(a) it is a Canadian corporation;

(b) its assets are less than $200,000,000;

(c) it would meet the requirements of paragraph *e* of section 965.90 if no reference was made to the corporation's liquid assets to be used in connection with the carrying out of an eligible transaction;

(d) the major portion of the proceeds of the issue, as stated in the final prospectus or as may be inferred from it, will be used for the carrying out of an eligible transaction whose purpose is, directly or indirectly, to continue an existing business that, if it had been carried on by the corporation throughout the 12 preceding months, would have enabled the corporation to meet the requirements of paragraphs *c* and *d* of section 965.90; and

(e) the Minister is of the opinion that the public share issue complies with the objectives of this Title.

2006, c. 13, s. 80; 2010, c. 5, s. 114.

965.95.1. A capital pool company that, for the purposes of section 965.76 and in accordance with an exemption from filing a prospectus, makes a public share issue to a qualified mutual fund may be designated by the Minister as a qualified issuing corporation if, on the date of the exemption from filing a prospectus,

(a) the issue is made concomitantly with an eligible transaction carried out by the capital pool company;

(b) the capital pool company meets the requirements of paragraphs *a* and *b* of section 965.95;

(c) the major portion of the proceeds of the issue of qualifying shares to the qualified mutual fund will be used for the carrying out of a concomitant eligible transaction whose purpose is, directly or indirectly, to continue an existing business that is carried on by a corporation that, on the date of the exemption from filing a prospectus, meets the requirements of paragraphs *a* to *e* of section 965.90; and

(d) the Minister is of the opinion that the public share issue complies with the objectives of this Title.

For the purposes of the first paragraph, the Minister may require any document or information the Minister considers necessary to render an advance ruling on compliance with the objectives of this Title.

2013, c. 10, s. 80.

§ 2. — *Amalgamations*

2006, c. 13, s. 80.

965.96. For the purposes of paragraph *c* of section 965.90, if a corporation results from an amalgamation within the meaning of section 544, the requirement relating to the percentage of the wages paid to the employees of the corporation, in its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, is to be replaced by the requirement that more than one-half of the wages paid by a predecessor corporation, in its last taxation year ended immediately before the amalgamation, to its employees, within the meaning of the regulations under section 771, were paid to employees of an establishment situated in Québec.

For the purposes of paragraph *d* of section 965.90, if a corporation results from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed between the time of the amalgamation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement relating to the number of employees set out in that paragraph is to be replaced by the requirement that that corporation have, throughout the period from the time of the amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders and for one of the predecessor corporations to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of that Act nor persons related to such insiders throughout the part of the 12-month period ending on the date of the receipt for the final prospectus or of the exemption from filing a prospectus that precedes the time of the amalgamation.

For the purposes of the second paragraph, a predecessor corporation is deemed to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act nor persons related to such insiders, if

(a) throughout the part of the period described in the second paragraph, a class of shares of its capital stock is listed on a designated stock exchange located in Canada; and

(b) a person, other than such an insider or a person related to such an insider, or a partnership provides the predecessor corporation, in the part of the period referred to in subparagraph *a*, with services under a service contract and that predecessor corporation would normally have required the services of more than five full-time employees if those services had not been provided.

The rules of the second and third paragraphs apply, with the necessary modifications, to

(a) the requirement relating to the carrying on of a business set out in paragraph *d* of section 965.90; and

(b) the requirement relating to the carrying on of a business on a seasonal basis throughout a period of seasonal activity, because of the application of paragraph *b* of section 965.91.

2006, c. 13, s. 80; 2007, c. 12, s. 96; 2009, c. 5, s. 391; 2010, c. 5, s. 115.

965.97. For the purposes of section 965.96, if a predecessor corporation referred to in that section is itself a corporation resulting from an amalgamation within the meaning of section 544, in this section referred to as the "original amalgamation", and a period of at least 12 months has not elapsed between the time of the original amalgamation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement in its respect concerning the number of employees, for the part of the period described in the second paragraph of section 965.96, is to be replaced by the requirement that that corporation have had, throughout the part of that period between the time of the original amalgamation and the time of the amalgamation referred to in the second paragraph of section 965.96, not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders and for one of the predecessor corporations that were replaced by the original amalgamation to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of that Act nor persons related to such insiders throughout the part of the part of the period described in the second paragraph of section 965.96 within the 12-month period that ends on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.

For the purposes of the first paragraph, a predecessor corporation is deemed to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act nor persons related to such insiders, if

(a) throughout the part of the part of the period described in the first paragraph, a class of shares of its capital stock is listed on a designated stock exchange located in Canada; and

(b) a person, other than such an insider or a person related to such an insider, or a partnership provides the predecessor corporation, in the part of the period referred to in subparagraph *a*, with services under a service contract and that predecessor corporation would normally have required the services of more than five full-time employees if those services had not been provided.

For the purposes of the first paragraph, if the predecessor corporation referred to lastly in that paragraph, or a predecessor corporation that is referred to lastly in that paragraph as a result of the application of this paragraph, is itself a corporation resulting from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed between the time of that amalgamation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the rule set out in the first paragraph applies in relation to the requirement in its respect concerning the number of employees set out lastly in that paragraph.

The rules of the first, second and third paragraphs apply, with the necessary modifications, to

(a) the requirement relating to the carrying on of a business set out in paragraph *d* of section 965.90; and

(b) the requirement relating to the carrying on of a business on a seasonal basis throughout a period of seasonal activity, because of the application of paragraph *b* of section 965.91.

2006, c. 13, s. 80; 2007, c. 12, s. 97; 2009, c. 5, s. 392; 2010, c. 5, s. 116.

§ 3. — *Windings-up*

2006, c. 13, s. 80.

965.98. For the purposes of section 965.90, if a corporation making a public share issue does not meet the requirement relating to the number of employees set out in paragraph *d* of that section and a winding-up as described in section 556 of a subsidiary within the meaning of that section in respect of which the corporation is, immediately before the winding-up, the parent within the meaning of that section, terminates within the

12-month period immediately before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement is replaced by the following requirements:

(a) the corporation shall, throughout the period from the time the winding-up terminates to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, have not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders; and

(b) the subsidiary shall, throughout the part of the 12-month period ending on the date of the receipt for the final prospectus or of the exemption from filing a prospectus that precedes the time the winding-up terminates, have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act nor persons related to such insiders.

For the purposes of subparagraph *b* of the first paragraph, a subsidiary is deemed to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act nor persons related to such insiders, if

(a) throughout the part of the period described in that subparagraph *b*, a class of shares of its capital stock is listed on a designated stock exchange located in Canada; and

(b) a person, other than such an insider or a person related to such an insider, or a partnership provides the subsidiary, in the part of the period referred to in subparagraph *a*, with services under a service contract and the subsidiary would normally have required the services of more than five full-time employees if those services had not been provided.

The rules of the first and second paragraphs apply, with the necessary modifications, to the requirement relating to the carrying on of a business set out in paragraph *d* of section 965.90.

2006, c. 13, s. 80; 2010, c. 5, s. 117.

965.99. For the purposes of section 965.98, if the subsidiary, in this section referred to as the "particular subsidiary", does not meet the requirement set out in subparagraph *b* of the first paragraph of that section and a winding-up as described in section 556 of a subsidiary within the meaning of that section, in this section referred to as the "other subsidiary", in respect of which the particular subsidiary is, immediately before the winding-up, the parent within the meaning of that section, terminates within the 12-month period immediately before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement is replaced by the following requirements:

(a) the particular subsidiary shall, throughout the part of the period between the time the winding-up of the other subsidiary terminates and the time the winding-up referred to in the first paragraph of section 965.98 terminates, have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders; and

(b) the other subsidiary shall, throughout the part of the period immediately before the date of the receipt for the final prospectus or of the exemption from filing a prospectus that precedes the time its winding-up terminates, have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act nor persons related to such insiders.

For the purposes of subparagraph *b* of the first paragraph, the other subsidiary is deemed to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act nor persons related to such insiders, if

(a) throughout the part of the period described in that subparagraph *b*, a class of shares of its capital stock is listed on a designated stock exchange located in Canada; and

(b) a person, other than such an insider or a person related to such an insider, or a partnership provides the other subsidiary, in the part of the period referred to in subparagraph *a*, with services under a service contract

and that other subsidiary would normally have required the services of more than five full-time employees if those services had not been provided.

For the purposes of the first paragraph, if the other subsidiary does not meet the requirement set out in subparagraph *b* of that paragraph and a winding-up as described in section 556 of a subsidiary within the meaning of that section, in this paragraph referred to as the "underlying subsidiary", in respect of which the other subsidiary is, immediately before the winding-up, the parent within the meaning of that section, terminates within the 12-month period described in the first paragraph, the rules set out in subparagraphs a and b of the first paragraph apply to the other subsidiary and to the underlying subsidiary, respectively.

The rules of the first, second and third paragraphs apply, with the necessary modifications, to the requirement relating to the carrying on of a business set out in paragraph *d* of section 965.90.

2006, c. 13, s. 80; 2010, c. 5, s. 118.

§ 4. — *Continuation of a business*

2006, c. 13, s. 80.

965.100. For the purposes of section 965.90, if a particular business carried on by a corporation is, where the Minister so decides, considered in fact to consist mainly in the continuation of a business or part of a business carried on by another taxpayer before the time of the beginning of the carrying on of the particular business by the corporation, the following rules apply:

(a) the requirement relating to the percentage of wages paid to the corporation's employees, set out in paragraph *c* of section 965.90, is replaced by the following requirements if the corporation is in its first fiscal period:

i. throughout the period from the time of the beginning of the carrying on of the particular business by the corporation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, more than one-half of the wages paid to its employees, within the meaning of the regulations under section 771, were paid to employees of an establishment situated in Québec, and

ii. immediately before the time of the beginning of the carrying on of the particular business by the corporation, more than one-half of the wages paid by the other taxpayer to its employees, within the meaning of the regulations under section 771, were paid to employees of an establishment situated in Québec throughout the part of the 12-month period ending on the date of the receipt for the final prospectus or of the exemption from filing a prospectus that precedes the beginning of the carrying on of the particular business by the corporation; and

(b) the requirement relating to the number of employees set out in paragraph *d* of section 965.90 is replaced by the following requirements if a period of at least 12 months has not elapsed between the time of the beginning of the carrying on of the particular business by the corporation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus:

i. throughout the period from the time of the beginning of the carrying on of the particular business by the corporation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the corporation must have not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders, and

ii. immediately before the time of the beginning of the carrying on of the particular business by the corporation, the other taxpayer must have had, in relation to that business or part of a business, not fewer than five full-time employees who are neither insiders within the meaning of section 89 of that Act nor persons related to such insiders throughout the part of the 12-month period ending on the date of the receipt for the final prospectus or of the exemption from filing a prospectus that precedes the beginning of the carrying on of the particular business by the corporation.

For the purposes of the first paragraph, the continuation of a business or part of a business carried on by another taxpayer before the beginning of the carrying on, by a corporation, of the particular business must result from

(a) the acquisition or rental, by the corporation, of property from the other taxpayer who, throughout the part of the period described in the first paragraph that precedes the acquisition or rental, carried on a business in which the other taxpayer used that property; or

(b) the carrying on, by the corporation, of a new business that may reasonably be considered in fact to consist in the extension of a business or part of a business carried on by the other taxpayer.

For the purposes of subparagraph *b* of the first paragraph, the other taxpayer is deemed to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act nor persons related to such insiders, if

(a) throughout the part of the period described in subparagraph ii of subparagraph *b* of the first paragraph, a class of shares of its capital stock is listed on a designated stock exchange located in Canada; and

(b) a person, other than such an insider or a person related to such an insider, or a partnership provides the other taxpayer, in the period referred to in subparagraph *a*, with services under a service contract and that other taxpayer would normally have required the services of more than five full-time employees if those services had not been provided.

2006, c. 13, s. 80; 2006, c. 36, s. 93; 2010, c. 5, s. 119.

§ 5. — *Various rules*

2006, c. 13, s. 80.

965.101. For the purposes of paragraph *c* of section 965.90, if a corporation has, within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, modified its usual and accepted fiscal period, the reference to its last taxation year ended before that date is to be replaced by a reference to each of the taxation years ended within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus.

2006, c. 13, s. 80.

965.102. For the purposes of paragraph *e* of section 965.90, the following rules apply:

(a) in the case of a corporation in its first fiscal period, except in the case provided for in paragraph *c*, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus is to be replaced by a reference to its financial statements at the beginning of its first fiscal period;

(b) in the case of a corporation having modified its usual and accepted fiscal period within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus otherwise than as a result of an amalgamation within the meaning of section 544, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus is to be replaced by a reference to its financial statements submitted to the shareholders for each of the taxation years ended within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus; and

(c) in the case of a corporation resulting from an amalgamation within the meaning of section 544 within the 365 days preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus is to be replaced by a reference to its financial statements submitted to the shareholders at the beginning of its first

fiscal period if the corporation is in its first fiscal period, or for each of the taxation years ended since the time of the amalgamation in other cases, and to the financial statements submitted to the shareholders of the predecessor corporation referred to in section 965.96 or 965.97 for each of its taxation years ended within the 365 days preceding the time of the amalgamation.

2006, c. 13, s. 80.

965.103. For the purposes of paragraph *e* of section 965.90, if the major portion of the proceeds of a public share issue is used for the financing of scientific research and experimental development carried on in Québec, the corporation may elect to have the following rules apply:

(a) the reference to its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus is replaced, where applicable, by a reference to its last interim financial statements, before that date, as audited and submitted to the shareholders;

(b) that paragraph *e* is to be read without reference to "cash on hand or on deposit," and "promissory notes, debentures, bonds, any other debt securities, guaranteed investment certificates,"; and

(c) the value of the property mentioned in that paragraph *e* is increased by the amount of expenditures for scientific research and experimental development carried on by the corporation in Québec in the taxation years ended in a 60-consecutive-month period ending on the date of the financial statements considered and, in the case of interim financial statements, is also increased by the amount of expenditures for scientific research and experimental development carried on in Québec in the period covered by those interim financial statements.

2006, c. 13, s. 80.

965.104. For the purposes of paragraph *e* of section 965.90, if, between the end of the last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus and the date of that receipt or exemption, a substantial change occurs in relation to the composition of a corporation's property and the Minister is of the opinion that the objectives of this Title, except that paragraph *e*, are met, the Minister may, for the purpose of determining whether the value of the corporation's property that is referred to in that paragraph *e* does not exceed 50%, consult any document the Minister considers appropriate in the circumstances, including the last audited interim financial statements of the corporation, prepared before the date of the receipt for the final prospectus or of the exemption from filing a prospectus and submitted to the shareholders.

For the purposes of the first paragraph, a substantial change in relation to the composition of a corporation's property means a decrease of at least 25 points between the percentage representing the proportion that the value of the property referred to in paragraph *e* of section 965.90 is of the total value of its property, as shown in its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, and the percentage representing the proportion that the value of the property referred to in that paragraph *e* is of the total value of its property, as shown in its last interim financial statements, or, if such financial statements have not been prepared, in any other document the Minister considers appropriate in the circumstances.

2006, c. 13, s. 80.

§ 6. — *Purchase or redemption of shares and anti-avoidance rule*

2006, c. 13, s. 80.

965.105. For the purposes of this Title, "qualified issuing corporation" does not include a corporation that, in the period beginning on the first day of the fifth calendar year preceding the calendar year in which it is granted a receipt for a final prospectus or an exemption from filing a prospectus in respect of a share issue and ending at the time the receipt or exemption is granted, makes a transaction consisting in the purchase or redemption in any manner whatever, directly or indirectly, of a share of a class of its capital stock other than a share described in section 965.106.

The first paragraph applies during the period referred to in the first paragraph until the corporation has, in respect of each transaction, made an issue of shares of its capital stock that meet the requirement of paragraph *b* of section 965.74 and are not qualifying shares, for an amount equal to or greater than the amount of the transaction.

2006, c. 13, s. 80.

965.106. The share to which section 965.105 refers is

(a) a share that is a fractional share;

(b) a share that can, under the conditions pertaining to its issue, be redeemed by the issuing corporation or purchased by anyone, directly or indirectly, in any manner whatever, and that was not received as part of a large distribution of surplus or as a result of a transaction referred to in any of sections 301, 536, 541 and 544 in respect of a share meeting, at the time of its issue, the requirement of paragraph *b* of section 965.74 or in respect of a share substituted for such a share; or

(c) a share purchased or redeemed to meet the requirements of an Act or the regulations governing a sector of activities.

2006, c. 13, s. 80.

965.107. For the purposes of this Title, "qualified issuing corporation" does not include a corporation whose shares of a class of its capital stock are, in the period beginning on the first day of the fifth calendar year preceding the calendar year in which it is granted a receipt for a final prospectus or an exemption from filing a prospectus in respect of a share issue and ending at the time the receipt or exemption is granted, the subject of a particular transaction consisting of a transaction or operation or of a series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the particular transaction is equivalent to the redemption of a share of a class of its capital stock other than a share described in section 965.108.

The first paragraph applies during the period referred to in the first paragraph until the corporation has, in respect of each particular transaction and for an amount determined in section 965.109, made an issue of shares of its capital stock that meet the requirement of paragraph *b* of section 965.74 and are not qualifying shares or until shares of the capital stock of the corporation have been the subject, in respect of each particular transaction, of a transaction or operation or of a series of transactions or operations, for an amount determined in section 965.109, if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or the series of transactions or operations is equivalent to the issue of shares of the capital stock of the corporation that meet the requirement of that paragraph *b*.

The Minister may exercise the power provided for in the first paragraph, in particular, when shares of the capital stock of a corporation that are not described in section 965.108 are acquired by a person related to the corporation.

2006, c. 13, s. 80.

965.108. The share to which section 965.107 refers is

(a) a share that is a fractional share;

(b) a share that can, under the conditions pertaining to its issue, be redeemed by the issuing corporation or purchased by anyone, directly or indirectly, in any manner whatever, and that was not received as part of a large distribution of surplus or as a result of a transaction referred to in any of sections 301, 536, 541 and 544, in relation to a share meeting, at the time of its issue, the requirement of paragraph *b* of section 965.74 or in relation to a share substituted for such a share; or

(c) a share that is the subject of a transaction or operation or of a series of transactions or operations if the transaction or operation or the series of transactions or operations is effected to meet the requirements of an Act or the regulations governing a sector of activities.

2006, c. 13, s. 80.

965.109. The amount to which the second paragraph of section 965.107 refers is an amount that, in the opinion of the Minister, is equal to or greater than the amount that would have been disbursed for the acquisition of the shares that, but for a transaction or operation or a series of transactions or operations referred to in the first paragraph of that section, would have been purchased or redeemed.

2006, c. 13, s. 80.

965.110. For the purposes of this Title, "qualified issuing corporation" does not include a corporation the net shareholders' equity of which, in the period beginning on the first day of the fifth calendar year preceding the calendar year in which it is granted a receipt for a final prospectus or an exemption from filing a prospectus in respect of a public share issue and ending at the time the receipt or exemption is granted, is affected, directly or indirectly, in any manner whatever, as a result of a particular transaction consisting of a transaction or operation or of a series of transactions or operations other than a transaction or operation or a series of transactions or operations described in section 965.112 if, in the opinion of the Minister, it is reasonable to believe that the particular transaction is equivalent to the redemption of a share of a class of its capital stock other than a share described in section 965.111.

The first paragraph applies during the period referred to in the first paragraph until the corporation has, in respect of each particular transaction, made an issue of shares of its capital stock that meet the requirement of paragraph *b* of section 965.74 and are not qualifying shares or until the net shareholders' equity of the corporation has been the subject, in respect of each particular transaction, of a transaction or operation or of a series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or the series of transactions or operations is equivalent to the issue of such shares of the capital stock of the corporation for an amount that is equal to or greater than the amount by which the net shareholders' equity was modified.

Without restricting the generality of the preceding paragraphs, the Minister may render such a decision, in particular, when a corporation makes a large distribution of its surplus, except such a distribution in shares of its capital stock.

2006, c. 13, s. 80.

965.111. The share to which section 965.110 refers is

(a) a share that is a fractional share; or

(b) a share that can, under the conditions pertaining to its issue, be redeemed by the issuing corporation or purchased by anyone, directly or indirectly, in any manner whatever, and that was not received as part of a large distribution of surplus or as a result of a transaction referred to in any of sections 301, 536, 541 and 544,

in relation to a share meeting, at the time of its issue, the requirement of paragraph *b* of section 965.74 or in relation to any share substituted for such a share.

2006, c. 13, s. 80.

965.112. A transaction or operation or a series of transactions or operations referred to in the first paragraph of section 965.110 is a transaction or operation or a series of transactions or operations effected to meet the requirements of an Act or the regulations governing a sector of activities.

2006, c. 13, s. 80.

965.113. For the purposes of this Title, a corporation that has made a particular transaction referred to in the first paragraph of any of sections 965.105, 965.107 and 965.110, is not required to meet the requirement set out in the second paragraph of those sections, where applicable, in respect of the particular transaction, if the aggregate of the amounts by which its capital stock has been reduced as a result of the particular transaction and of any other transaction consisting of a particular transaction referred to in the first paragraph of those sections that is made during the period that begins on the three hundred and sixty-fourth day preceding the day of the particular transaction and ends immediately before the particular transaction is made is less than 5% of the aggregate of the following amounts, determined immediately before the particular transaction is made:

(a) the paid-up capital relating to the shares of its capital stock, other than shares described in sections 965.106, 965.108 and 965.111; and

(b) the paid-up capital relating to the subscription rights in the shares referred to in paragraph *a*.

2006, c. 13, s. 80.

965.114. For the purposes of this Title, a corporation that plans to make a share issue that can be included in a stock savings plan II as qualifying shares, no share of the capital stock of which was issued with a stipulation that it could be included in such a plan nor was issued, as a result of a transaction referred to in section 541 or 544, other than a transaction referred to in section 555.1, in replacement of or substitution for a share issued with such a stipulation, and that makes before the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to its issue or has made a particular transaction referred to in the first paragraph of any of sections 965.105, 965.107 and 965.110, is not required to meet the requirement set out in the second paragraph of those sections, where applicable, in respect of the particular transaction, if the aggregate of the amounts by which its capital stock has been reduced as a result of the particular transaction and of any other transaction consisting of a particular transaction referred to in the first paragraph of those sections that is made during the period that begins on the three hundred and sixty-fourth day preceding the day of the particular transaction and ends immediately before the particular transaction is made is less than 10% of the amount of the share issue that the corporation plans to make.

2006, c. 13, s. 80; 2010, c. 5, s. 120.

965.115. Despite sections 965.105 to 965.114, a corporation may make a transaction referred to in those sections without having to meet the requirement set out in the second paragraph of any of sections 965.105, 965.107 and 965.110 if, in the opinion of the Minister, an undesirable situation would otherwise result.

2006, c. 13, s. 80.

965.116. For the purposes of this Title, "qualified issuing corporation" does not include a corporation that effects a transaction or operation or a series of transactions or operations if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or the series of transactions or operations was effected to meet the requirements set out in paragraph *d* or *e* of section 965.90.

2006, c. 13, s. 80.

DIVISION II

QUALIFIED MUTUAL FUNDS

2006, c. 13, s. 80.

965.117. A qualified mutual fund is a mutual fund, within the meaning of section 5 of the Securities Act (chapter V-1.1), that meets the requirements of this division.

2006, c. 13, s. 80; 2010, c. 25, s. 106.

965.118. A qualified mutual fund shall be established in Québec and the trustee or manager of the qualified mutual fund shall be resident in Canada and maintain an establishment in Québec.

2006, c. 13, s. 80.

965.119. When making, in any year, a public security issue consisting of securities that may be included in a stock savings plan II, a qualified mutual fund shall stipulate in the final prospectus relating to their issue that it undertakes to meet the following requirements:

(a) to acquire, on or before 31 December in the year, qualifying shares with the proceeds or expected proceeds, for the year, of the public security issue, whose adjusted cost is not less than the adjusted cost of the aggregate of all qualifying securities issued by the qualified mutual fund in the year and constituting valid qualifying securities;

(b) to be the owner, on 31 December in the year and in each of the following two years, of qualifying shares or valid shares, other than qualifying shares or valid shares having already been used, in respect of the same year, for the purposes of this paragraph, and whose adjusted cost is not less than the adjusted cost of the aggregate of all qualifying securities issued by the qualified mutual fund in the year and not redeemed by the qualified mutual fund on 31 December in the year and on 31 December in each of the two years following the year, respectively, as the case may be; and

(c) to ensure, in relation to a qualifying share acquired by the qualified mutual fund, that no coverage deficiency amount may be computed in respect of an individual who has acquired a qualifying security as part of a public security issue.

For the purposes of subparagraph *a* of the first paragraph and section 965.120, the expected proceeds of a public security issue made by a qualified mutual fund for a year are the proceeds of such a public security issue or a portion of such proceeds, as the case may be, to the extent that

(a) the public security issue ends on or before 31 December of that year; and

(b) the proceeds or the portion of the proceeds is used to compensate or repay the acquisition cost of qualifying shares acquired by the qualified mutual fund at a particular time during the 90-day period that precedes the date on which the public security issue ends.

2006, c. 13, s. 80; 2010, c. 5, s. 121.

965.120. A qualified mutual fund that intends to make a public security issue and to acquire qualifying shares with the expected proceeds of the public security issue shall stipulate in the final prospectus relating to the issue that it undertakes to satisfy the conditions set out in subparagraphs *a* and *b* of the second paragraph of section 965.119.

2006, c. 13, s. 80.

965.121. A qualified mutual fund that makes, in a particular year, a public security issue consisting of securities that may be included in a stock savings plan II and is making its first such public security issue may, instead of stipulating in the final prospectus relating to their issue that it undertakes to meet the requirements

set out in section 965.119, elect to stipulate in the final prospectus that it undertakes to meet the following requirements or may, once it has stipulated that it undertakes to meet the requirements set out in section 965.119, elect instead to undertake to meet the following requirements by sending to the Minister and to the Autorité des marchés financiers a written notice to that effect on or before 31 December in the year in which the receipt for the final prospectus relating to their issue was obtained:

(a) to use a determined percentage, which must be the same throughout any particular year during which securities are issued as part of the security issue, not lower than 50%, of the proceeds, for the particular year, of the issue of securities not redeemed by the qualified mutual fund on or before 31 December in the particular year, to acquire, on or before 31 December in the year following the particular year, qualifying shares that are issued by qualified issuing corporations;

(b) to cause the proportion, expressed as a percentage, that the adjusted cost is of the cost, determined without reference to the borrowing costs, brokerage or custody fees or other similar costs, to the qualified mutual fund, of the aggregate of all qualifying shares described in paragraph *a* that the qualified mutual fund has undertaken to acquire in accordance with that paragraph *a* on or before 31 December in the year following the particular year, to be equal to or greater than the determined percentage, not lower than 50%, stated in that respect by the qualified mutual fund, in respect of the public security issue, in the final prospectus relating to their issue or in the written notice to be sent by the qualified mutual fund to the Minister and to the Autorité des marchés financiers, as the case may be;

(c) to acquire, on or before 31 December in the particular year, qualifying shares with the proceeds, for the particular year, of the public security issue, that are not the subject of the undertaking under paragraph *a* and are not qualifying shares having already been used, in respect of the particular year, for the purposes of paragraph *d*, and whose adjusted cost is not less than the amount by which the adjusted cost of the aggregate of all qualifying securities issued by the qualified mutual fund in the particular year and constituting valid qualifying securities exceeds the particular amount equal to the lesser of the proceeds of the issue of securities constituting, for the particular year, valid qualifying securities and the amount obtained by applying to the portion, that is the subject of the undertaking under paragraph *a*, of the proceeds, for the particular year, of the public security issue, the percentage determined under paragraph *b* in respect of the public security issue;

(d) to acquire, on or before 31 December in the year following the particular year, qualifying shares described in paragraph *a* with the proceeds, for the particular year, of the public security issue, other than any such qualifying shares having already been used, in respect of the particular year, for the purposes of paragraph *c*, and whose adjusted cost is equal to or greater than the particular amount referred to in paragraph *c* in respect of the particular year;

(e) to be the owner, on 31 December in the particular year and in each of the following two years, of shares that are qualifying shares or valid shares, other than qualifying shares or valid shares having already been used, in respect of the same year, for the purposes of paragraph *f* or of this paragraph, and whose adjusted cost is equal to or greater than the amount by which the adjusted cost of the aggregate of all qualifying securities issued by the qualified mutual fund in the particular year and not redeemed by the qualified mutual fund on 31 December in the particular year and on 31 December in each of the two years following the particular year, respectively, as the case may be, exceeds the particular amount referred to in paragraph *c* in respect of the particular year;

(f) to be the owner, on 31 December in each of the three years following the particular year, of shares that are qualifying shares or valid shares, other than qualifying shares or valid shares having already been used, in respect of the same year, for the purposes of this paragraph, and whose adjusted cost is equal to or greater than the particular amount referred to in paragraph *c* in respect of the particular year; and

(g) to ensure, in relation to a qualifying share acquired by the qualified mutual fund, that no coverage deficiency amount may be computed in respect of an individual who has acquired a qualifying security as part of a public security issue.

2006, c. 13, s. 80; 2010, c. 5, s. 122.

965.122. If a qualified mutual fund stipulates, in a final prospectus relating to a public security issue, the percentage to be used for the purposes of paragraph *a* of section 965.124, it shall also stipulate the portion of the adjusted cost of the qualifying security to be considered as the portion that may reasonably be allocated to the purchase of qualifying shares referred to in section 965.123.

2006, c. 13, s. 80.

CHAPTER V

ADJUSTED COST

2006, c. 13, s. 80.

965.123. The adjusted cost of a qualifying share to an individual or a qualified mutual fund is obtained by multiplying the cost of the qualifying share to the individual or the qualified mutual fund, determined without reference to the borrowing costs, brokerage or custody fees or other similar costs related to the qualifying share, by

(a) 150% in the case of a qualifying share acquired by the individual or the qualified mutual fund after 19 March 2009 and before 1 January 2011; or

(b) 100% in the case of any other qualifying share acquired by the individual or the qualified mutual fund.

2006, c. 13, s. 80; 2010, c. 5, s. 123.

965.124. The adjusted cost of a qualifying security to an individual is the amount obtained by multiplying the cost of the security to the individual, determined without reference to the borrowing costs, brokerage or custody fees or other similar costs related to the security, by

(a) the percentage stipulated in that respect in the final prospectus relating to its issue; or

(b) if it is so stipulated in the final prospectus relating to its issue, the percentage determined not later than 60 days after the year of its issue and equal to such proportion as is represented,

i. in respect of a qualified mutual fund that has undertaken to meet the requirements set out in section 965.119 in respect of the public security issue as part of which the qualifying security was issued, by the proportion that the adjusted cost of the aggregate of all qualifying shares acquired in that year by the qualified mutual fund with the proceeds of the public issue of securities that are valid qualifying securities in respect of the year is of the proceeds of the issue, and

ii. in respect of a qualified mutual fund that has undertaken to meet the requirements set out in section 965.121 in respect of the public security issue as part of which the qualifying security was issued, by the proportion that the aggregate of the adjusted cost of the aggregate of all qualifying shares that are the subject of the undertaking given by the qualified mutual fund in respect of the public security issue in accordance with paragraph *a* of that section and that may be acquired by it for an amount equal to the particular amount referred to in paragraph *c* of that section in respect of the year, and the adjusted cost of the aggregate of all qualifying shares acquired by the qualified mutual fund in that year with that portion of the proceeds of the public issue of securities that are valid qualifying securities in respect of that year in excess of the particular amount is of the proceeds of the public issue of securities that are valid qualifying securities in respect of that year.

2006, c. 13, s. 80.

965.125. The adjusted cost of a share that is a valid share to an individual or a qualified mutual fund is obtained by multiplying the cost of the share to the individual or the qualified mutual fund, determined without reference to the borrowing costs, brokerage or custody fees or other similar costs related to the share, by

(a) 150% in the case of a valid share acquired by the individual or the qualified mutual fund after 19 March 2009 and before 1 January 2011; or

(b) 100% in the case of any other valid share acquired by the individual or the qualified mutual fund.

2006, c. 13, s. 80; 2010, c. 5, s. 124.

CHAPTER VI

DEDUCTION

2006, c. 13, s. 80.

965.126. An individual resident in Québec on 31 December in a year who acquires during the year a qualifying share or qualifying security that the individual includes in a stock savings plan II under which the individual is a beneficiary, may deduct in computing the individual's taxable income for the year, in respect of the aggregate of such plans, an amount not exceeding the lesser of the amounts determined by the following formulas:

(a) A + B; and

(b) (C − D) − (E − F).

In the formulas in the first paragraph,

(a) A is the adjusted cost of the qualifying shares that the individual acquired during the year and included in those plans on or before 31 January of the following year;

(b) B is the adjusted cost of the qualifying securities that the individual acquired during the year and included in those plans on or before 31 January of the following year, and that are valid qualifying securities in respect of the year;

(c) C is the adjusted cost of the shares and securities included in those plans, at the end of the year, including those that the individual acquired in the year and included in those plans on or before 31 January of the following year;

(d) D is the individual's coverage deficiency amounts for the year and for each of the preceding two years;

(e) E is the amounts that the individual deducted under section 726.4.0.1 for the preceding two years; and

(f) F is any amount described in section 310 that the individual was required to include in computing the individual's income for the preceding year in respect of a stock savings plan II.

2006, c. 13, s. 80; 2010, c. 5, s. 125.

965.127. The amount of the deduction under section 965.126 in respect of an individual is not to exceed 10% of the individual's total income for the year.

2006, c. 13, s. 80.

CHAPTER VII

INCLUSION

2006, c. 13, s. 80.

965.128. An individual resident in Québec on 31 December in a year who withdraws during the year a share or security from a stock savings plan II under which the individual is a beneficiary, is required to include in computing the individual's income for the year, in respect of the aggregate of such plans, the lesser of the amounts determined by the following formulas:

(a) A + B; and

(b) (C − D) − (E − F).

In the formulas in the first paragraph,

(a) A is the adjusted cost of the shares and securities withdrawn by the individual from those plans during the year;

(b) B is the individual's coverage deficiency amounts for the year;

(c) C is the amounts that the individual deducted under section 726.4.0.1 for the preceding two years;

(d) D is any amount described in section 310 that the individual was required to include in computing the individual's income for the preceding year in respect of a stock savings plan II;

(e) E is the adjusted cost of the shares and securities included in those plans, at the end of the year, including those that the individual acquired in the year and included in those plans during the month of January of the following year; and

(f) F is the individual's coverage deficiency amounts for the year and for each of the preceding two years.

2006, c. 13, s. 80; 2010, c. 5, s. 126.

965.129. A coverage deficiency amount in respect of an individual means, in respect of a particular withdrawal from a stock savings plan II at a particular time, the amount determined by the formula

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

In the formula in the first paragraph,

(a) A is the adjusted cost of the qualifying shares withdrawn from the plan at the particular time referred to in the first paragraph;

(b) B is the adjusted cost of the qualifying securities withdrawn from the plan at the particular time referred to in the first paragraph;

(c) C is the adjusted cost of the qualifying shares and valid shares acquired after the particular time referred to in the first paragraph and included in the plan on or before the last day of the second month following the month in which the particular withdrawal occurred; and

(d) D is the adjusted cost of the qualifying securities acquired after the particular time referred to in the first paragraph and included in the plan on or before the last day of the second month following the month in which the particular withdrawal occurred.

2006, c. 13, s. 80; 2006, c. 36, s. 94; 2009, c. 5, s. 393; 2010, c. 5, s. 127.

CHAPTER VIII

SPECIAL CASES

2006, c. 13, s. 80.

965.130. Subject to the second paragraph, the deemed disposition, under any of sections 299, 436 and 440, of a share included in a stock savings plan II does not entail the withdrawal of the share from the plan.

If an amount was deducted for a year under section 726.4.0.1 in respect of a particular security that is a qualifying share or a qualifying security and if the deduction relates, directly or through a qualified mutual fund, to shares of a corporation that became a bankrupt in a particular year, the particular security is deemed withdrawn from the stock savings plan II on 1 January of the third year following the year of the deduction or, if it is later, at the time in the particular year when the corporation became a bankrupt.

2006, c. 13, s. 80; 2010, c. 5, s. 128.

965.131. The splitting or replacement of a qualifying share included in a stock savings plan II, as a result of a transaction referred to in any of sections 536, 541 and 544, without any consideration other than a share, does not entail the withdrawal of the qualifying share from the plan if the requirement set out in section 965.75 is met in relation to each share issued in respect of the qualifying share that is split or replaced.

In such a case, each new share so issued is deemed to be a qualifying share that was included in a stock savings plan II at the same time as the qualifying share that is split or replaced.

In any other case, the qualifying share that is split or replaced is deemed to be withdrawn from the stock savings plan II at the time of the splitting or replacement, at the adjusted cost determined in its respect immediately before that time.

2006, c. 13, s. 80; 2010, c. 5, s. 129.

965.132. In the case provided for in the second paragraph of section 965.131, the adjusted cost of each qualifying share that is split or replaced, or of each new share that is issued, is equal to the adjusted cost of the qualifying share that is split or replaced, determined immediately before the splitting or replacement, divided by the number of shares resulting from the splitting or replacement.

2006, c. 13, s. 80.

965.133. In the case of the splitting or replacement of a qualifying share owned by a qualified mutual fund, as a result of a transaction referred to in any of sections 536, 541 and 544, without any consideration other than a share, the following rules apply:

(a) each new share so issued is deemed to be a qualifying share acquired by the qualified mutual fund at the same time and with the same funds as the qualifying share that is split or replaced; and

(b) the adjusted cost of the qualifying share that is split or replaced, or of each new share that is issued, is equal to the adjusted cost of the qualifying share that is split or replaced, determined immediately before the splitting or replacement, divided by the number of shares resulting from the splitting or replacement.

2006, c. 13, s. 80.

TITLE VII

LIFE INSURANCE POLICIES

1972, c. 23.

CHAPTER I

GENERAL RULES

1972, c. 23.

966. In this Title and sections 92.11 to 92.19,

(a) "disposition", in relation to an interest in a life insurance policy, includes the surrender of the policy, a policy loan made after 31 March 1978 in respect of the policy, the dissolution of that interest by virtue of the maturity of the policy, the disposition of that interest by operation of law only, and a particular payment which is not an annuity payment, a policy loan or a policy dividend and which is paid by the insurer in respect of the policy where the latter is not a policy contemplated in the second paragraph of section 968 and is a life annuity contract, within the meaning of the regulations, entered into after 16 November 1978 and before 13 November 1981, buy does not include

i. a payment under a policy as a disability benefit or as an accidental death benefit;

ii. the assignment of all or any part of an interest in the policy for the purpose of securing a debt or a loan other than a policy loan;

iii. the lapse of the policy in consequence of non-payment of the premiums, if the policy was reinstated within the 60 days after the end of the calendar year in which the lapse occurred;

iv. an annuity payment;

v. a payment made under the policy in consequence of the death of any person whose life was insured under the policy if the policy is not an annuity contract and if it was last acquired before 2 December 1982 or is an exempt policy;

vi. any event or transaction by which an individual becomes entitled to receive, under the terms of an exempt policy, all of the proceeds, including or excluding policy dividends, payable under the policy in the form of an annuity contract or annuity payments, if, at the time of the event or transaction, the individual whose life is insured under the policy was totally and permanently disabled;

*(a.*1*)* "insurer" or "life insurer" includes a person who is licensed or otherwise authorized under a law of Canada or a province to issue contracts that are annuity contracts;

*(a.*1.1*)* "policy loan" means an amount advanced by an insurer to a policyholder in accordance with the terms and conditions of a life insurance policy;

*(a.*2*)* "child" of a policyholder includes a child as defined in subparagraph *d* of the first paragraph of section 451;

(b) "segregated fund trust", "segregated fund", "interest" and "amount payable" have the meaning assigned by section 835;

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

*(b.*2*) (paragraph repealed)*;

(b.3*)* "premium" under a life insurance policy includes a prepaid premium under the policy which is refundable only on termination or cancellation of the policy and interest paid after 31 December 1977 to a life insurer in respect of a policy loan in respect of the policy, except such interest deductible after 31 December 1980 in accordance with sections 160 to 163.1, but does not include the portion of any amount paid under the policy with respect to an accidental death benefit, a disability benefit, an additional risk as a result of insuring a substandard life, an additional risk in respect of the conversion of a term policy into another policy after the end of the year, an additional risk under a settlement option, or an additional risk under a guaranteed insurability benefit, if

i. in the case of an annuity contract, a policy issued before 1 January 2017 or a policy in respect of which the particular time at which the policy is issued is determined under section 967.1, where the interest in the policy was last acquired after 1 December 1982, the payment is made after 31 May 1985 and, if the particular time at which the policy is issued is determined under section 967.1, before the particular time, or

ii. in the case where the individual's interest in the policy was last acquired before 2 December 1982, subsection 9 of section 12.2 of the Income Tax Act (R.S.C. 1952, c. 148) applies to the interest, the particular time at which the policy is issued is determined under section 967.1 and the payment is made in the period that starts on the later of 31 May 1985 and the first day on which that subsection 9 applies in respect of the interest and that ends at the particular time;

(b.4*)* "proceeds of the disposition" of an interest in a life insurance policy means the amount of the proceeds that the policyholder, beneficiary or assignee, as the case may be, is entitled to receive on a disposition of such interest and also means,

i. in respect of a surrender or maturity of the policy, the amount by which the cash surrender value of that interest in the policy at the time of surrender or maturity, excluding that portion of the cash surrender value that is applicable to a policyholder's interest in the segregated fund trust related to that policy as referred to in section 851.11, exceeds the aggregate of all amounts each of which is

(1) an amount that reduces, because of the disposition, the amount payable in respect of a policy loan in respect of the policy but, in the case where the policy is issued after 31 December 2016, the disposition is of a part of the interest and, if the particular time at which the policy is issued is determined under section 967.1, the disposition occurs at or after the particular time, only to the extent that the amount represents the portion of the loan applied, immediately after the loan, to pay a premium under the policy, as provided for under the terms and conditions of the policy,

(2) a premium under the policy that is due but unpaid at that time, or

(3) an amount applied, immediately after the time of the surrender, to pay a premium under the policy, as provided for under the terms and conditions of the policy;

ii. in respect of a policy loan in respect of that policy made after 31 March 1978, the lesser of

(1) the amount of the loan, other than the part thereof applied, immediately after the loan, to pay a premium under the policy, as provided for under the terms and conditions of the policy, and

(2) the amount by which the cash surrender value of the policy immediately before the loan is made exceeds the aggregate of the amounts outstanding at that time in respect of policy loans in respect of the policy;

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

iv. in respect of a deemed disposition described in paragraph *b* of section 967, the accumulating fund in respect of the interest, as determined in prescribed manner, immediately before the time of death in respect of a life insurance policy other than an annuity contract, last acquired after 1 December 1982, or immediately after the time of death in respect of an annuity contract;

(c) "value", at a particular time, of an interest in a life insurance policy means, when the interest includes an interest in the cash surrender value of the policy, the amount to which the holder of the interest would be entitled if the policy were surrendered at that time; such value is nil in other cases; and

(d) "cash surrender value" at a particular time of a life insurance policy means its cash surrender value at that time computed without regard to any policy loans made under the policy, any policy dividends, other than paid-up additions, payable under the policy or any interest payable on such dividends.

1972, c. 23, s. 698; 1973, c. 18, s. 26; 1978, c. 26, s. 181; 1980, c. 13, s. 96; 1981, c. 12, s. 11; 1984, c. 15, s. 222; 1986, c. 15, s. 151; 1986, c. 19, s. 173; 1991, c. 25, s. 158; 1993, c. 16, s. 312; 1994, c. 22, s. 304; 1996, c. 39, s. 273; 2001, c. 53, s. 205; 2003, c. 2, s. 260; 2004, c. 8, s. 172; 2019, c. 14, s. 283.

966.1. For the purposes of this Title and sections 92.11 to 92.19,

(a) a policyholder who holds an interest in a life insurance policy since its issue is deemed to have acquired the interest on the later of the date on which the policy came into force and the date on which the application in respect of the policy signed by the policyholder was filed with the insurer;

(b) except as otherwise provided, a policyholder is deemed not to have acquired or disposed of an interest in a life insurance policy, other than an annuity contract, as a result only of the exercise of any provision of the policy, other than a conversion of the policy into an annuity contract; and

(c) where section 92.17 does not apply to an interest in a life insurance policy, other than an annuity contract, last acquired before 2 December 1982 that has been acquired by a taxpayer from a person with whom he was not dealing at arm's length, the interest is deemed to have been last acquired by the taxpayer before 2 December 1982.

1984, c. 15, s. 223; 1986, c. 15, s. 152; 1991, c. 25, s. 159; 1993, c. 16, s. 313; 2001, c. 53, s. 206.

967. For the purposes of sections 157.5, 968, 976 and 976.1,

(a) a policyholder who, at any time, becomes entitled to receive under a life insurance policy, a particular amount as, on account or in lieu of payment of, or in satisfaction of, a policy dividend is deemed

i. to have disposed of an interest in the policy at that time, and

ii. to have become entitled to receive proceeds of the disposition of the interest equal to the amount by which

(1) the particular amount exceeds

(2) the part of the particular amount applied immediately after that time to pay a premium under the policy or to repay a policy loan under the policy, as provided for under the terms and conditions of the policy;

(b) where in a taxation year, the holder of an interest in a life insurance policy or in an annuity contract dies or where the person whose life was insured or who was an annuitant under the contract or policy dies,

i. the policyholder, where the policy was last acquired after 1 December 1982 and is not an exempt policy or an annuity contract, is deemed to dispose of his interest in the policy immediately before the death and the policyholder immediately after such death is deemed to have acquired the interest at a cost equal to the accumulating fund in respect of that interest, as determined in prescribed manner, immediately after the death; and

ii. the holder of the contract, where the contract is neither a life annuity contract within the meaning of the regulations under section 966, entered into before 13 November 1981, nor a prescribed annuity contract is deemed to dispose of his interest in the contract immediately before the death and the holder of the contract

immediately after the death is deemed to have acquired the interest at a cost equal to the accumulating fund in respect of that interest, as determined in prescribed manner, immediately after the death;

(c) where a life insurance policy last acquired after 1 December 1982, or a life insurance policy to which section 92.17 applies by virtue of a prescribed increase of a death benefit under the policy, ceases to be an exempt policy, the policyholder is deemed to dispose of his interest in the policy at that time for proceeds of disposition equal to the accumulating fund with respect to the interest, as determined in prescribed manner, at that time and to reacquire the interest immediately after that time at a cost equal to such proceeds unless the policy ceased to be an exempt policy in consequence of the death of an individual whose life was insured under the policy or at a time when that individual was totally and permanently disabled;

(d) a policyholder with an interest in a life insurance policy issued after 31 December 2016 that gives rise to an entitlement of the policyholder (as a policyholder, beneficiary or assignee, as the case may be) to receive all or a portion of an excess described in subparagraph iv is deemed, at a particular time, to dispose of a part of the interest and to be entitled to receive proceeds of the disposition equal to all or a portion of that excess, as the case may be, if

i. the policy is an exempt policy,

ii. a death benefit, within the meaning of section 92.11R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), under a coverage, within the meaning of paragraph *a* of the definition of that expression in the first paragraph of that section 92.11R1, under the policy is paid at the particular time,

iii. the payment referred to in subparagraph ii results in the termination of the coverage but not the policy, and

iv. the amount of the fund value benefit, within the meaning of section 92.11R1 of the Regulation respecting the Taxation Act, paid in respect of the coverage at the particular time exceeds

(1) in the case where there is no policy anniversary, within the meaning of section 92.11R1 of that Regulation, before the date of death of the individual whose life is insured under the coverage, the amount that would be determined—on the policy anniversary that is on or that first follows that date of death, as the case may be, and as though the coverage were not terminated—in respect of the coverage under subparagraph 1 of subparagraph i of subparagraph *b* of the second paragraph of section 92.19R4 of that Regulation, or

(2) in any other case, the amount that is determined—on the last policy anniversary before the date of death of the individual whose life is insured under the coverage—in respect of the coverage under subparagraph 1 of subparagraph i of subparagraph *b* of the second paragraph of section 92.19R4 of that Regulation as that subparagraph 1 applies in respect of subparagraph ii of subparagraph *b* of the first paragraph of section 92.19R1 of that Regulation.

1972, c. 23, s. 699; 1978, c. 26, s. 182; 1984, c. 15, s. 224; 1986, c. 19, s. 174; 1993, c. 16, s. 314; 1994, c. 22, s. 305; 1996, c. 39, s. 273; 2001, c. 53, s. 207; 2019, c. 14, s. 284; 2021, c. 14, s. 112.

967.1. For the purpose of determining, as of a particular time, whether a life insurance policy (other than an annuity contract) issued before 1 January 2017 is treated as issued after 31 December 2016 for the purposes of this Title (except this section), Divisions I, II and IV of Chapter IV of Title XI of the Regulation respecting the Taxation Act (chapter I-3, r. 1) (except sections 92.19R6.3 and 92.19R6.4) and Chapter VIII of Title XXXV of that Regulation, the policy is deemed to be a policy issued at the particular time if the particular time is the first time after 31 December 2016 at which life insurance—in respect of a life, or two or more lives jointly insured, and in respect of which a particular schedule of premium or cost of insurance rates applies—is

(a) if the life insurance policy is a term insurance policy, converted to permanent life insurance within the policy; or

(b) added to the policy, if the insurance (other than insurance paid for with policy dividends or that is reinstated) is medically underwritten after 31 December 2016, other than to obtain a reduction in the premium or cost of insurance rates under the policy.

2019, c. 14, s. 285; 2021, c. 14, s. 113.

CHAPTER II

COMPUTATION OF THE POLICYHOLDER'S INCOME AND ABATEMENT

1972, c. 23; 1984, c. 15, s. 224.

968. A policyholder must include in computing his income for a taxation year in respect of the disposition of an interest in a life insurance policy, the excess of the proceeds of disposition of such interest in the policy that the holder, beneficiary or assignee, as the case may be, of the policy becomes entitled to receive in the year over the adjusted cost basis, to the holder, of such interest immediately before the disposition.

For the purposes of the first paragraph, a life insurance policy does not include a policy that is, or is issued pursuant to, a registered pension plan, a pooled registered pension plan, a registered retirement savings plan, a deferred profit sharing plan, a registered retirement income fund, a tax-free savings account, a first home savings account, an income-averaging annuity contract, an income-averaging annuity contract respecting income from artistic activities, an annuity contract the cost of which is deductible by the holder under paragraph *f* of section 339 in computing the holder's income, an annuity contract that is a qualifying trust annuity in relation to a taxpayer the cost of which is deductible under that paragraph *f* in computing the taxpayer's income or an annuity contract that the holder acquired in circumstances to which subsection 21 of section 146 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) applied.

1972, c. 23, s. 700; 1978, c. 26, s. 183; 1980, c. 13, s. 97; 1984, c. 15, s. 224; 1986, c. 19, s. 175; 1991, c. 25, s. 160; 1994, c. 22, s. 306; 1995, c. 49, s. 221; 2001, c. 53, s. 208; 2005, c. 23, s. 132; 2009, c. 15, s. 176; 2015, c. 21, s. 352; 2023, c. 19, s. 99.

968.1. A taxpayer must include in computing his income for a taxation year in respect of the disposition of an interest in a life insurance policy that is a policy referred to in section 968 and, which is a life annuity contract, within the meaning of the regulations under section 966 entered into after 16 November 1978 and before 13 November 1981, the amount by which a particular payment referred to in paragraph *a* of section 966 that he becomes entitled to receive in the year exceeds the amount that would be the adjusted cost basis to him of his interest in the policy immediately before the disposition if, for the purposes of sections 976 and 976.1, he were, in respect of that interest in the policy, the policyholder.

1980, c. 13, s. 98; 1984, c. 15, s. 224; 1986, c. 19, s. 176.

969. *(Repealed).*

1972, c. 23, s. 701; 1973, c. 17, s. 110; 1978, c. 26, s. 184.

970. Where the holder of a life insurance policy, other than an annuity contract, last acquired before 2 December 1982 becomes, under the terms of the policy, entitled to receive from the insurer, at any time before the death of the person insured under such policy, all of the proceeds payable at that time, other than policy dividends, under the policy in the form of an annuity contract or annuity payments, the following rules apply:

(a) the payments shall be regarded as annuity payments made under an annuity contract;

(b) the purchase price of the annuity contract is deemed to be the adjusted cost basis of the policy to the holder immediately before the first payment under that contract becomes payable; and

(c) the annuity contract or annuity payments are deemed not to be the proceeds of disposition of an interest in the policy.

1972, c. 23, s. 702; 1984, c. 15, s. 225; 1986, c. 19, s. 177.

971. Where, at a particular time, a policyholder in a life insurance policy disposes in any manner whatever of the policyholder's interest in the policy to a person with whom the policyholder is not dealing at arm's length or disposes, by gift, by distribution from a corporation or by operation of law only, of the interest to a person, the following rules apply:

(a) the policyholder is deemed thereupon to become entitled to receive, at the particular time, proceeds of disposition equal to the greatest of

i. the value of the interest at the particular time,

ii. if the particular time is after 21 March 2016, the greater of

(1) the fair market value of the consideration given, if any, for the interest at the particular time, and

(2) the adjusted cost basis to the policyholder of the interest immediately before the particular time, and

iii. if the particular time is before 22 March 2016, an amount equal to zero;

(b) the person to whom the disposition is made is deemed to acquire the interest, at the particular time, at a cost equal to the amount determined in accordance with subparagraph *a*, in respect of the disposition;

(c) any contribution of capital to a corporation or partnership in connection with the disposition is deemed, to the extent that it exceeds the amount determined in accordance with subparagraph i of subparagraph *a* in respect of the disposition, not to result in a contribution of capital for the purpose of applying paragraphs *e* and *i* of section 255 at or after the particular time;

(d) any contributed surplus of a corporation that arose in connection with the disposition is deemed, to the extent that it exceeds the amount determined in accordance with subparagraph i of subparagraph *a* in respect of the disposition, not to be contributed surplus for the purpose of applying section 504 at or after the particular time; and

(e) if the particular time is before 22 March 2016,

i. subparagraphs *c* and *d* apply only in respect of a disposition that occurs after 31 December 1999 and only if at least one person whose life was insured under the policy before 22 March 2016 is alive on that date, and subparagraphs *c* and *d*, where they apply in respect of the disposition, are to be read as if "the particular time" were replaced by "the beginning of 22 March 2016", and

ii. where any consideration given for the interest includes a share of the capital stock of a corporation, the share (or a share substituted for the share) is disposed of after 21 March 2016 by a taxpayer and section 517.2 applies in respect of the share disposition, then for the purpose of applying Chapter III.1 of Title IX of Book III, the adjusted cost base to the taxpayer of the share immediately before the share disposition is to be reduced by the amount determined by the formula

$$[A - (B \times A / C)] / D.$$

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is the fair market value at the particular time of a share of that capital stock given as consideration for the interest;

(b) B is the greater of the amount determined under subparagraph i of subparagraph *a* of the first paragraph in respect of the disposition of the interest and the adjusted cost basis to the policyholder of the interest immediately before the disposition of the interest;

(c) C is the fair market value at the particular time of the consideration given for the interest, if any; and

(d) D is the total number of shares of that capital stock given as consideration for the interest.

However, the first paragraph does not apply in the case of a deemed disposition described in paragraph *b* of section 967.

1972, c. 23, s. 703; 1978, c. 26, s. 185; 1984, c. 15, s. 225; 1997, c. 3, s. 71; 2019, c. 14, s. 286.

971.1. Notwithstanding any other provision in this Title, where an interest in a life insurance policy other than an annuity contract has been transferred to the policyholder's child for no consideration and a child of the policyholder or a child of the transferee is the person whose life is insured under the policy, the interest is deemed to have been disposed of by the policyholder for proceeds of disposition equal to the adjusted cost basis to the policyholder of the interest immediately before the transfer and the transferee is deemed to have acquired the interest at a cost equal to those proceeds.

1986, c. 15, s. 153; 1986, c. 19, s. 178; 1993, c. 16, s. 315.

971.2. Notwithstanding any other provision of this Title, where an interest of a policyholder in a life insurance policy, other than a policy referred to in the second paragraph of section 968, has been transferred to the policyholder's spouse or a former spouse of the policyholder in settlement of rights arising out of their marriage, and both the policyholder and the transferee were resident in Canada at the time of the transfer, the interest is deemed to have been disposed of by the policyholder for proceeds of the disposition equal to the adjusted cost basis to the policyholder of the interest immediately before the transfer and to have been acquired by the transferee at a cost equal to those proceeds.

The first paragraph does not apply where the policyholder makes a valid election under subsection 8.1 of section 148 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have that subsection not apply in respect of the transfer.

1993, c. 16, s. 316; 1994, c. 22, s. 307; 1997, c. 85, s. 227.

971.3. Notwithstanding any other provision of this Title, where, as a consequence of the death of a policyholder who was resident in Canada immediately before the policyholder's death, an interest in a life insurance policy, other than a policy referred to in the second paragraph of section 968, has been transferred or distributed to the policyholder's spouse who was resident in Canada immediately before the policyholder's death, the interest is deemed to have been disposed of by the policyholder immediately before the policyholder's death for proceeds of the disposition equal to the adjusted cost basis to the policyholder of the interest immediately before the transfer and to have been acquired by the spouse at a cost equal to those proceeds.

The first paragraph does not apply where the policyholder makes a valid election under subsection 8.2 of section 148 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) to have that subsection not apply in respect of the transfer.

1993, c. 16, s. 316; 1997, c. 85, s. 228.

972. For the purposes of this Title, where all or part of the reserves of an insurer in respect of a life insurance policy vary with the fair market value of the assets of a segregated fund, the proceeds of disposition of an interest in the policy are deemed not to include the portion of such proceeds payable out of the segregated fund.

1972, c. 23, s. 704; 1978, c. 26, s. 186.

973. *(Repealed).*

1972, c. 23, s. 705; 1978, c. 26, s. 187.

974. *(Repealed).*

1975, c. 21, s. 24; 1975, c. 22, s. 228; 1976, c. 18, s. 16; 1978, c. 26, s. 188.

975. *(Repealed).*

1972, c. 23, s. 706; 1978, c. 26, s. 189.

CHAPTER III

COMPUTATION OF THE ADJUSTED COST BASIS

1972, c. 23; 1988, c. 18, s. 108.

976. In this Title and in sections 92.11 to 92.19, the adjusted cost basis to the holder of life insurance policy of his interest in the policy at a particular time means the amount by which the amount computed under section 976.1 is exceeded by the aggregate of:

(a) the cost to him of each interest acquired by him in the policy before that particular time but not including an amount referred to in paragraph *b* or *d*;

(b) the amounts paid before that particular time by him or on his behalf in respect of a premium under the policy, other than amounts referred to in subparagraph 3 of subparagraph i of paragraph *b*.4 of section 966, in subparagraph 1 of subparagraph ii of that subparagraph *b*.4 or in subparagraph 2 of subparagraph ii of paragraph *a* of section 967;

(c) the amounts in respect of the disposition of an interest in the policy before that particular time that he was required to include in computing his income or his income earned in Canada as determined under Part II for a taxation year;

(d) the amounts in respect of the repayment, before the particular time and after 31 March 1978, of a policy loan, without exceeding the amount determined under section 976.0.1;

(e) the amount by which the cash surrender value of the policy as at its first anniversary date after 31 March 1977 exceeds the adjusted cost base, determined under the provisions of this Part which were then applicable but without taking sections 978 and 979 into account, of his interest in the policy on that anniversary date;

(f) the amounts in respect of his interest in the policy that he included in computing his income for any taxation year ending before the particular time by virtue of section 92 or sections 92.11 to 92.19;

(g) the amounts paid to him in respect of his interest in the policy to the extent to which prescribed tax was imposed on them before the particular time;

(h) in the case of an interest in a life annuity contract, within the meaning of the regulations under section 966, to which section 92.11 applies for the taxation year that includes the particular time or would apply if the contract had an anniversary day in the year at a time when the taxpayer held the interest, all amounts each of which is a mortality gain, within the meaning of the regulations and determined by the issuer of the contract in accordance with the regulations, in respect of the interest immediately before the end of the calendar year ending in a taxation year commencing before the particular time; and

(i) in the case of an interest in a life insurance policy, other than an annuity contract, to which section 971.3 applied before the particular time, all amounts each of which is a mortality gain, within the meaning of the regulations and determined by the issuer of the policy in accordance with the regulations, in

respect of the interest immediately before the end of the calendar year that ended in a taxation year that began before the particular time.

1972, c. 23, s. 707; 1978, c. 26, s. 190; 1980, c. 13, s. 99; 1982, c. 5, s. 173; 1984, c. 15, s. 226; 1985, c. 25, s. 141; 1986, c. 19, s. 179; 1991, c. 25, s. 161; 1993, c. 16, s. 317; 1994, c. 22, s. 308; 1998, c. 16, s. 215; 2001, c. 53, s. 209; 2019, c. 14, s. 287.

976.0.1. The amount to which paragraph *d* of section 976 refers in respect of a policy loan referred to in that paragraph is determined by the formula

A − B.

In the formula in the first paragraph,

(a) A is the aggregate of

i. the proceeds of the disposition in respect of the loan,

ii. if the policy is issued after 31 December 2016 and, in the case where the particular time at which the policy is issued is determined under section 967.1, the repayment is at or after the particular time, the portion of the loan applied, immediately after the loan, to pay a premium under the policy as provided for under the terms and conditions of the policy, except to the extent that the portion is described in subparagraph 1 of subparagraph i of paragraph *b*.4 of section 966, and

iii. the amount described in paragraph *b* of section 976.1, but not including any payment of interest in respect of the loan; and

(b) B is the aggregate of all amounts each of which is an amount in respect of a repayment of the loan that is deductible under paragraph *k* of section 157, as it read before being struck out, or paragraph *i* of section 336, or referred to in subparagraph 2 of subparagraph ii of paragraph *a* of section 967.

2019, c. 14, s. 288.

976.0.2. For the purposes of paragraph *i* of section 336 and sections 976 and 976.0.1, a particular amount is deemed to be a repayment made immediately before a particular time by a taxpayer in respect of a policy loan in respect of a life insurance policy if

(a) the policy is issued after 31 December 2016;

(b) the taxpayer disposes of a part of the taxpayer's interest in the policy at the particular time;

(c) subparagraph i of paragraph *b*.4 of section 966 applies to determine the proceeds of the disposition of the interest;

(d) the particular amount is not

i. otherwise a repayment by the taxpayer in respect of the policy loan, and

ii. described in subparagraph 1 of subparagraph i of paragraph *b*.4 of section 966; and

(e) the amount payable by the taxpayer in respect of the policy loan is reduced by the particular amount as a consequence of the disposition.

2019, c. 14, s. 288; 2021, c. 14, s. 114.

976.1. The amount that the holder of a life insurance policy shall subtract from the aggregate determined under section 976 is the aggregate of the following amounts:

(a) the total proceeds of the disposition of his interests in the policy that he became entitled to receive before the particular time;

(b) the amount payable on 31 March 1978 in respect of a policy loan in respect of the policy;

(c) the amount received before the particular time in respect of the policy that he was entitled to deduct under paragraph *f* of section 336 in computing his income for a taxation year;

(d) the amounts in respect of his interest in the policy that he deducted under section 157.3 in computing his income for a taxation year commencing before the particular time;

(e) in the case of an interest in a life insurance policy, other than an annuity contract, that was last acquired after 1 December 1982 by the policyholder, all amounts each of which is the net cost of pure insurance, within the meaning of the regulations and determined by the issuer of the policy in accordance with the regulations, in respect of the interest immediately before the end of the calendar year ending in a taxation year commencing after 31 May 1985 and before the particular time;

(f) in the case of an interest in an annuity contract to which section 92.11 applies for the taxation year that includes the particular time, or would apply if the contract had an anniversary day in the year at a time when the taxpayer held the interest, the annuity payments paid, in respect of the interest, while the policyholder held the interest and before the particular time;

(g) in the case of an interest in a contract described in paragraph *h* of section 976, all amounts each of which is a mortality loss, within the meaning of the regulations and determined by the issuer of the contract in accordance with the regulations, in respect of the interest before the particular time;

(h) in the case of a policy that is issued after 31 December 2016 and is not an annuity contract, the aggregate of all amounts each of which is a premium paid by or on behalf of the policyholder, or a cost of insurance charge incurred by the policyholder, before that time, and, in the case where the particular time at which the policy is issued is determined under section 967.1, at or after that latter particular time, to the extent that the premium or charge is in respect of a benefit under the policy, other than a death benefit within the meaning of section 92.11R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1);

(i) in the case of a policy that is issued after 31 December 2016 and is not an annuity contract, the aggregate of all amounts each of which is the policyholder's interest in an amount paid before that time and, in the case where the particular time at which the policy is issued is determined under section 967.1, at or after that latter particular time, to the extent that the amount paid reduced the cash surrender value of the policy or the fund value of the life insurance policy, within the meaning of section 92.11R1 of the Regulation respecting the Taxation Act, and that

i. is a death benefit, within the meaning of section 92.11R1 of the Regulation respecting the Taxation Act, or a disability benefit under the policy, and

ii. does not result in the termination of a coverage, within the meaning of paragraph *b* of the definition of that expression in the first paragraph of that section 92.11R1, under the policy; and

(j) in the case of a policy that is issued after 31 December 2016 and is not an annuity contract, if a death benefit, within the meaning of section 92.11R1 of the Regulation respecting the Taxation Act, under a coverage, within the meaning of paragraph *a* of the definition of that expression in the first paragraph of that section 92.11R1, under the policy is paid before that time as a consequence of the death of an individual whose life was insured under the coverage (and, in the case where the particular time at which the policy is

issued is determined under section 967.1, at or after that latter particular time) and the payment results in the termination of the coverage, the amount determined under section 976.2 with respect to the coverage.

1984, c. 15, s. 227; 1985, c. 25, s. 142; 1991, c. 25, s. 162; 1993, c. 16, s. 318; 1998, c. 16, s. 251; 2001, c. 53, s. 210; 2019, c. 14, s. 289; 2021, c. 14, s. 115.

976.2. The amount to which paragraph *j* of section 976.1 refers in respect of the termination of a coverage under a policy referred to in that paragraph is determined by the formula

$$[A \times (B + C + D) / E] - F.$$

In the formula in the first paragraph,

(a) A is the adjusted cost basis of the policyholder's interest immediately before the termination;

(b) B is the amount of the fund value of the policy, within the meaning of section 92.11R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), paid in respect of the coverage, within the meaning of paragraph *a* of the definition of that expression in the first paragraph of section 92.11R1 of that Regulation, on the termination;

(c) C is the aggregate of all amounts—each of which is an amount in respect of a coverage, within the meaning of paragraph *b* of the definition of that expression in the first paragraph of section 92.11R1 of the Regulation respecting the Taxation Act, in respect of a specific life or two or more specific lives jointly insured under the coverage referred to in paragraph *j* of section 976.1—that would be the present value, determined for the purposes of Division II of Chapter IV of Title XI of that Regulation, on the last policy anniversary, within the meaning of that section 92.11R1, on or before the termination, of the fund value of the coverage, within the meaning of that section 92.11R1, if the fund value of the coverage on that policy anniversary were equal to the fund value of the coverage on the termination;

(d) D is the aggregate of all amounts—each of which is an amount in respect of a coverage, within the meaning of paragraph *b* of the definition of that expression in the first paragraph of section 92.11R1 of the Regulation respecting the Taxation Act (in this subparagraph referred to as a "particular coverage") in respect of a specific life or two or more specific lives jointly insured under the coverage referred to in paragraph *j* of section 976.1—that, on the policy anniversary referred to in subparagraph *c*, would be determined under subparagraph *c* of the fourth paragraph of section 92.11R1.1 of that Regulation in respect of the particular coverage, if the death benefit under the particular coverage, and the fund value of the coverage, within the meaning of that section 92.11R1, on that policy anniversary were equal to the death benefit under the particular coverage and the fund value of the coverage, respectively, on the termination;

(e) E is the amount that would be, on the policy anniversary referred to in subparagraph *c*, the net premium reserve, within the meaning of section 92.11R1 of the Regulation respecting the Taxation Act, determined in respect of the policy for the purposes of Division II of Chapter IV of Title XI of that Regulation, if the fund value benefit, within the meaning of that section 92.11R1, under the policy, the death benefit under each coverage, within the meaning of paragraph *b* of the definition of that expression in the first paragraph of that section 92.11R1, and the fund value of each coverage, within the meaning of that section 92.11R1, on that policy anniversary were equal to the fund value benefit, the death benefit under each coverage and the fund value of each coverage, respectively, under the policy on the termination; and

(f) F is the amount determined under section 977.1 in respect of a disposition before that time of the interest because of paragraph *d* of section 967 in respect of the payment in respect of the fund value benefit under the policy paid in respect of the coverage, within the meaning of paragraph *a* of the definition of that

expression in the first paragraph of section 92.11R1 of the Regulation respecting the Taxation Act, on the termination.

2019, c. 14, s. 290; 2021, c. 14, s. 116.

977. In computing the adjusted cost basis of a policy to a policyholder, where all or any part of the reserves of an insurer in respect of the life insurance policy vary with the fair market value of the property of a segregated fund, the following rules apply:

(a) an amount paid by the policyholder or on his behalf as premiums under the policy or to acquire an interest therein is deemed not to be so paid to the extent that the insurer uses such amount to acquire property for the purposes of the segregated fund; and

(b) any transfer by the insurer of property derived from the segregated fund that results in an increase in the portion of its reserves in respect of the policy that do not vary with the fair market value of the property of the fund is deemed to be a premium paid by the policyholder under the policy.

1972, c. 23, s. 708; 1986, c. 19, s. 180; 1996, c. 39, s. 273.

977.1. Where a taxpayer disposes of a part of the taxpayer's interest in an annuity contract or a life insurance policy (other than such a contract) last acquired after 1 December 1982, the adjusted cost basis to the taxpayer, immediately before the disposition, of the part is equal to the amount determined by the formula

A × B/C.

In the formula in the first paragraph,

(a) A is the adjusted cost basis to the taxpayer of the taxpayer's interest immediately before the disposition;

(b) B is the proceeds of the disposition; and

(c) C is

i. if the policy is a policy (other than an annuity contract) issued after 31 December 2016, the amount determined by the formula

D – E, and

ii. in any other case, the accumulating fund with respect to the taxpayer's interest, as determined in prescribed manner, immediately before the disposition.

In the formula in subparagraph *c* of the second paragraph,

(a) D is the interest's cash surrender value immediately before the disposition; and

(b) E is the aggregate of all amounts each of which is an amount payable, immediately before the disposition, by the taxpayer in respect of a policy loan in respect of the policy.

The first paragraph does not apply, however, if the disposition is a policy loan granted after 31 March 1978 in respect of the policy or is a deemed disposition under paragraph *a* of section 967.

1984, c. 15, s. 228; 1986, c. 19, s. 181; 2001, c. 53, s. 211; 2019, c. 14, s. 291.

977.2. If a policyholder has after 20 March 2013 and before 1 April 2014 disposed of an interest in a leveraged insurance policy because of a partial or complete surrender of the policy, the policyholder may deduct in computing the policyholder's income for the taxation year in which the disposition occurs an amount that does not exceed the least of

(a) the portion of an amount, included under section 968 in computing the policyholder's income for the year in respect of the disposition, that is attributable to an investment account described in paragraph *b* of the definition of "leveraged insurance policy" in section 1 in respect of the policy;

(b) the aggregate of all amounts each of which is an amount, to the extent that the amount has not otherwise been included in determining an amount under this paragraph, of a payment made after 20 March 2013 and before 1 April 2014 that reduces the amount outstanding of a borrowing or policy loan, as the case may be, described in paragraph *a* of the definition of "leveraged insurance policy" in section 1 in respect of the policy; and

(c) the aggregate of all amounts each of which is an amount, to the extent that the amount has not otherwise been included in determining an amount under this paragraph, that the policyholder is entitled to receive as a result of the disposition and that is paid after 20 March 2013 and before 1 April 2014 out of an investment account described in paragraph *b* of the definition of "leveraged insurance policy" in section 1 in respect of the policy.

2017, c. 1, s. 256.

978. *(Repealed).*

1972, c. 23, s. 709; 1978, c. 26, s. 191.

979. *(Repealed).*

1972, c. 23, s. 710; 1978, c. 26, s. 191.

TITLE VIII

Repealed, 2007, c. 12, s. 98.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

CHAPTER I

Repealed, 2007, c. 12, s. 98.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.1. *(Repealed).*

1985, c. 25, s. 143; 2002, c. 45, s. 521; 2004, c. 37, s. 90; 2007, c. 12, s. 98.

CHAPTER II

Repealed, 2007, c. 12, s. 98.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.2. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.3. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.4. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.5. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

CHAPTER III

Repealed, 2007, c. 12, s. 98.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.6. *(Repealed)*.

1985, c. 25, s. 143; 2005, c. 23, s. 133; 2007, c. 12, s. 98.

979.7. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.8. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

CHAPTER IV

Repealed, 2007, c. 12, s. 98.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.9. *(Repealed)*.

1985, c. 25, s. 143; 2005, c. 23, s. 134; 2007, c. 12, s. 98.

979.10. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.11. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

CHAPTER V

Repealed, 2007, c. 12, s. 98.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.12. *(Repealed)*.

1985, c. 25, s. 143; 2005, c. 23, s. 135; 2007, c. 12, s. 98.

979.13. *(Repealed)*.

1985, c. 25, s. 143; 2005, c. 23, s. 135; 2007, c. 12, s. 98.

979.14. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

CHAPTER VI

Repealed, 2007, c. 12, s. 98.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.15. *(Repealed)*.

1985, c. 25, s. 143; 1995, c. 1, s. 199; 1997, c. 31, s. 90; 2007, c. 12, s. 98.

CHAPTER VII

Repealed, 2007, c. 12, s. 98.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.16. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.17. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

979.18. *(Repealed)*.

1985, c. 25, s. 143; 2007, c. 12, s. 98.

TITLE IX

ELIGIBLE FUNERAL ARRANGEMENTS

1996, c. 39, s. 248.

979.19. In this Title,

"cemetery care trust" means a trust established pursuant to an Act of a province for the care and maintenance of a cemetery;

"cemetery services" with respect to an individual means property, including interment vaults, markers, flowers, liners, urns, shrubs and wreaths, and services that relate directly to cemetery arrangements in Canada in consequence of the death of the individual including property and services to be funded out of a cemetery care trust;

"custodian" of an arrangement means

(a) where a trust is governed by the arrangement, a trustee of the trust, and

(b) in any other case, a qualifying person who receives a contribution under the arrangement as a deposit for the provision by the person of funeral or cemetery services;

"eligible funeral arrangement" at a particular time means an arrangement established and maintained by a qualifying person solely for the purpose of funding funeral or cemetery services with respect to one or more individuals and of which there is one or more custodians each of whom was resident in Canada at the time the arrangement was established, where

(a) each contribution made before the particular time under the arrangement was made for the purpose of funding funeral or cemetery services to be provided by the qualifying person with respect to an individual; and

(b) for each such individual, the aggregate of all relevant contributions made before the particular time in respect of the individual does not exceed

i. $15,000, where the arrangement solely covers funeral services with respect to the individual,

ii. $20,000, where the arrangement solely covers cemetery services with respect to the individual, and

iii. $35,000, in any other case;

"funeral services" with respect to an individual means property and services, other than cemetery services with respect to the individual, that relate directly to funeral arrangements in Canada in consequence of the death of the individual;

"qualifying person" means a person licensed or otherwise authorized under the laws of a province to provide funeral or cemetery services with respect to individuals;

"relevant contribution" in respect of an individual under a particular arrangement means

(a) a contribution under the particular arrangement, other than a contribution made by way of a transfer from an eligible funeral arrangement, for the purpose of funding funeral or cemetery services with respect to the individual; or

(b) such portion of a contribution to another arrangement that was an eligible funeral arrangement, other than any such contribution made by way of a transfer from any eligible funeral arrangement, as can reasonably be considered to have subsequently been used to make a contribution under the particular arrangement by way of a transfer from an eligible funeral arrangement for the purpose of funding funeral or cemetery services with respect to the individual.

For the purposes of the definition of "eligible funeral arrangement" in the first paragraph, any payment, other than the portion of the payment that is a contribution to a cemetery care trust, that is made in consideration for the immediate acquisition of a right to burial in or on property that is set apart or used as a place for the burial of human remains or of any interest in a building or structure for the permanent placement of human remains, shall be considered to have been made pursuant to a separate arrangement that is not an eligible funeral arrangement.

Where, in any of the provisions of this Title, a reference to "funeral or cemetery services" is made, that reference includes a reference to a combination of such services.

1996, c. 39, s. 248; 2000, c. 5, s. 226.

979.20. Notwithstanding any other provision of this Part,

(a) no amount that has accrued, is added or is credited to an eligible funeral arrangement shall be included in computing the income of any person solely because of such accrual, adding or crediting;

(b) subject to the second paragraph and section 979.21, no amount shall be

i. included in computing a person's income solely because of the provision by another person of funeral or cemetery services under an eligible funeral arrangement, or

ii. included in computing a person's income because of the disposition of an interest under an eligible funeral arrangement or an interest in a trust governed by an eligible funeral arrangement.

Subparagraph ii of subparagraph *b* of the first paragraph shall not affect the consequences under this Part of the disposition of any right under an eligible funeral arrangement to payment for the provision of funeral or cemetery services.

1996, c. 39, s. 248; 2000, c. 5, s. 227.

979.21. Where at any particular time in a taxation year a particular amount is distributed, otherwise than as payment for the provision of funeral or cemetery services with respect to an individual, to a taxpayer from an arrangement that was, at the time it was established, an eligible funeral arrangement and the particular amount is paid from the balance in respect of the individual under the arrangement, there shall be added in computing the taxpayer's income for the year from property the lesser of the particular amount and the amount determined by the formula

A + B - (C - D).

For the purposes of the formula in the first paragraph,

(a) A is the balance in respect of the individual under the arrangement immediately before the particular time, determined without regard to the value of property in a cemetery care trust;

(b) B is the aggregate of all payments made from the arrangement before the particular time for the provision of funeral or cemetery services with respect to the individual, other than cemetery services funded by property in a cemetery care trust;

(c) C is the aggregate of all relevant contributions made before the particular time in respect of the individual under the arrangement, other than contributions in respect of the individual that were in a cemetery care trust; and

(d) D is the aggregate of all amounts each of which is equal to the amount by which an amount relating to the balance in respect of the individual under the arrangement that is deemed under section 979.22 to have been distributed before the particular time from the arrangement exceeds the portion of that amount that is included, because of that section, in computing a taxpayer's income.

1996, c. 39, s. 248; 2000, c. 5, s. 228; 2009, c. 5, s. 395.

979.22. If, at a particular time, an amount relating to the balance in respect of an individual (in this section and in section 979.23 referred to as the "transferor") under an eligible funeral arrangement (in this section and in section 979.23 referred to as the "transferor arrangement") is transferred, credited or added to the balance in respect of the same or another individual (in this section and in section 979.23 referred to as the "recipient") under the same or another eligible funeral arrangement (in this section and in section 979.23 referred to as the "recipient arrangement"), the following rules apply:

(a) the amount is deemed to have been distributed at the particular time to the transferor or, if the transferor is deceased at that time, to the recipient from the transferor arrangement and to have been paid from the balance in respect of the transferor under the transferor arrangement; and

(b) the amount is deemed to be a contribution made, other than by way of a transfer from an eligible funeral arrangement, at the particular time under the recipient arrangement for the purpose of funding funeral or cemetery services with respect to the recipient.

2009, c. 5, s. 396.

979.23. Section 979.22 does not apply if

(a) the transferor and the recipient are the same individual;

(b) the amount that is transferred, credited or added to the balance in respect of the individual under the recipient arrangement is equal to the balance in respect of the individual under the transferor arrangement immediately before the particular time; and

(c) the transferor arrangement is terminated immediately after the transfer.

2009, c. 5, s. 396.

TITLE X

TAX-FREE RESERVE OF A QUALIFIED SHIPOWNER

2015, c. 21, s. 353.

CHAPTER I

DEFINITIONS

2015, c. 21, s. 353.

979.24. In this Title,

"eligible addition" to a tax-free reserve of a qualified shipowner means qualified property that is allocated by the shipowner to the reserve and does not include an interest or dividend amount attributable to such qualified property or to a capital gain from the disposition of such property;

"eligible withdrawal" from a tax-free reserve of a qualified shipowner means an amount withdrawn by the shipowner from the reserve

(a) to pay the cost of work to maintain or renovate the shipowner's qualified vessel fleet, or the cost of qualified vessel shipbuilding work awarded by the shipowner to the operator of a qualified shipyard; or

(b) to meet the consequences of exceptional and unpredictable events, including financial difficulties likely to jeopardize continuation of the shipowner's activities, to the extent the amount is reasonable in the circumstances;

"excluded property" of a qualified shipowner means

(a) depreciable property;

(b) property, other than depreciable property, used by the qualified shipowner in the course of carrying on its business; and

(c) a debt obligation, a bond, a debenture, a share of the capital stock of a corporation or another similar obligation issued by a person with whom the qualified shipowner is not dealing at arm's length;

"qualification certificate" means a certificate issued under section 11.3 of Schedule C to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1);

"qualified property" of a qualified shipowner means property other than excluded property;

"qualified shipyard" means a shipyard operated in Québec by a corporation and that meets the conditions set out in paragraphs 1 to 3 and 5 of section 9.4 of Schedule C to the Act respecting the sectoral parameters of certain fiscal measures;

"qualified shipowner" means a shipowner that is a corporation carrying on a business in Québec and having an establishment in Québec;

"qualified vessel" of a taxpayer means a scow or a vessel described in section 130R165 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) or in paragraph *c* of class 7 of Schedule B to that Regulation.

2015, c. 21, s. 353.

CHAPTER II

GENERAL RULES

2015, c. 21, s. 353.

979.25. All the qualified property of a qualified shipowner within a reserve created by the shipowner with a view to accumulating the capital necessary to have work carried out by the operator of a qualified shipyard so as to maintain or renovate qualified vessels in the shipowner's fleet or to have a qualified vessel built constitutes a tax-free reserve of the shipowner.

2015, c. 21, s. 353.

979.26. A tax-free reserve of a qualified shipowner may be created only after the shipowner has obtained a qualification certificate.

2015, c. 21, s. 353.

979.27. A tax-free reserve of a qualified shipowner begins on the day on which, for the first time, the shipowner sends the notice required by section 979.28 to the Minister.

A qualified shipowner must file a copy of the qualification certificate with the fiscal return the shipowner is required to file under section 1000 for the taxation year in which a tax-free reserve was created by the shipowner.

2015, c. 21, s. 353.

979.28. Qualified property is considered to be an eligible addition to the tax-free reserve of a qualified shipowner as of the day on which the shipowner informs the Minister, in the prescribed form containing prescribed information, that the property has been allocated to the shipowner's tax-free reserve.

2015, c. 21, s. 353.

979.29. The first eligible addition to a tax-free reserve of a qualified shipowner must be made on or before 31 December 2023.

Despite the first paragraph, a shipowner who obtains a qualification certificate from the Minister of the Economy, Innovation and Exports after 31 December 2023 may make an initial eligible addition to the tax-

free reserve after that date within a reasonable time following the date on which the qualification certificate is issued.

2015, c. 21, s. 353.

979.30. The amount that consists of the interest and dividends attributable to qualified property within the tax-free reserve of a qualified shipowner, and the amount by which the proceeds received by the shipowner from the disposition of such property exceed the expenses incurred by the shipowner to dispose of the property, must be retained in the tax-free reserve, except the part of the amount or excess amount that is withdrawn as an eligible withdrawal or is used to pay tax or settle an obligation of the same nature required to be paid or settled in relation to the amount or excess amount under a law of a jurisdiction other than Québec or a regulation made under such a law.

2015, c. 21, s. 353.

979.31. A tax-free reserve of a qualified shipowner ends at the latest on 31 December 2033.

2015, c. 21, s. 353.

979.32. A tax-free reserve of a qualified shipowner is deemed to end on the first day of the taxation year

(a) for which the shipowner fails to file the documents required under section 979.37; or

(b) in which the shipowner makes a withdrawal other than an eligible withdrawal.

2015, c. 21, s. 353.

979.33. A tax-free reserve of a qualified shipowner is deemed never to have existed if it is reasonable to consider that the ultimate purpose sought by the qualified shipowner in creating the tax-free reserve was to obtain a tax benefit and not to have work carried out by the operator of a qualified shipyard in such a shipyard to maintain or renovate the shipowner's fleet of qualified vessels or to have such a shipyard build qualified vessels.

2015, c. 21, s. 353.

979.34. Despite sections 1010 to 1011, the Minister shall make any assessments, reassessments or additional assessments of tax, interest and penalties and any determinations and redeterminations as are necessary for a taxation year to take into account the application of section 979.33.

2015, c. 21, s. 353.

CHAPTER III

ADMINISTRATION

2015, c. 21, s. 353.

979.35. A qualified shipowner is required for a taxation year to keep separate accounting for the tax-free reserve that must state

(a) the total value of the qualified property within the reserve at the beginning of the year or, if later, on the day on which the reserve was created;

(b) all eligible additions to the reserve made in the year and all eligible withdrawals from the reserve made in the year;

(c) the interest and dividend income received in the year that is attributable to qualified property within the reserve;

(d) in relation to the disposition in the year of qualified property within the reserve, the amount by which the proceeds of disposition of the property exceeds the expenditures made for the purpose of making the disposition; and

(e) the total value of the qualified property in the reserve at the end of the year.

2015, c. 21, s. 353.

979.36. For each taxation year, a qualified shipowner must specify, in the prescribed form containing prescribed information, the amount of dividends and interest attributable to qualified property within its tax-free reserve and the amount of any gain realized or loss sustained from the disposition of qualified property within the tax-free reserve.

2015, c. 21, s. 353.

979.37. A qualified shipowner must file, along with the fiscal return the shipowner is required to file under section 1000 for a taxation year in which it has a tax-free reserve, documents showing the separate accounting for the reserve as well as the form prescribed for the purposes of section 979.36.

2015, c. 21, s. 353.

CHAPTER IV

DEDUCTION

2015, c. 21, s. 353.

979.38. An amount may be deducted in computing a qualified shipowner's taxable income for a taxation year that is equal to the part of the amount included in computing that income for the year as interest and dividends attributable to qualified property within the shipowner's tax-free reserve, if the amount is not otherwise deductible in computing the shipowner's taxable income for the year.

2015, c. 21, s. 353.

CHAPTER V

CAPITAL GAINS AND CAPITAL LOSSES

2015, c. 21, s. 353.

979.39. For the purpose of computing a qualified shipowner's income for a taxation year, the following rules apply:

(a) the amount of any taxable capital gain for the year from the disposition of qualified property within the shipowner's tax-free reserve is deemed to be nil; and

(b) the amount of any allowable capital loss for the year from the disposition of qualified property within the shipowner's tax-free reserve is deemed to be nil.

2015, c. 21, s. 353.

979.40. A qualified shipowner's allowable capital loss from the disposition of particular qualified property not within its tax-free reserve immediately before the disposition time is deemed to be nil if, in the period that includes the 90 days following that time, the particular qualified property or property identical to it is allocated to the qualified shipowner's tax-free reserve as a result of an eligible addition to the reserve.

For the purposes of the first paragraph, the right to acquire qualified property is deemed to be property identical to the qualified property, other than a right, as security only, derived from a hypothec, mortgage, agreement of sale or similar obligation.

2015, c. 21, s. 353.

BOOK VIII

EXEMPTIONS AND QUALIFIED DONEES

2012, c. 8, s. 159.

TITLE I

EXEMPTION FROM TAX

1972, c. 23.

CHAPTER I

RULES OF APPLICATION

1972, c. 23.

980. No tax is payable under this Part on the taxable income of a person for a period during which he complies with the conditions required in this Title to be exempt from tax.

1972, c. 23, s. 712.

981. If the period contemplated in section 980 is only part of a taxation year, this Title only applies to the proportion of the taxable income for the year that the number of days in that period is of the total number of days in that year.

1972, c. 23, s. 713.

CHAPTER II

FOREIGN OFFICERS

1972, c. 23.

982. An officer or servant of the government of a country other than Canada is exempt from tax if his duties require him to reside in Canada, if he resided outside Canada immediately before he assumed his duties and if such country grants a similar privilege to an officer or servant of the same class from Canada or Québec.

However, such exemption does not apply if the individual is a Canadian citizen or is engaged in a business or performing the duties of an office or employment in Canada other than the individual's position with the foreign government.

1972, c. 23, s. 714; 1997, c. 14, s. 172.

983. The exemption provided in section 982 also applies to a member of the family of the individual contemplated in the said section who resides with such individual and to his employee,

(a) if the foreign country grants a similar privilege to the members of the family and employees of the same class of officers or servants of Canada or Québec;

(b) if the member of such family was not, at a particular time, lawfully admitted to Canada for permanent residence or is not engaged in a business, or performing the duties of an office or employment there;

(c) if such employee resided outside Canada before assuming his duties as an employee of such individual and has at no time since then been engaged in a business or employed in Canada otherwise than by an individual contemplated in section 982; and

(d) if the member of that family or the employee is not a Canadian citizen.

1972, c. 23, s. 715.

CHAPTER III

PUBLIC BODIES

1972, c. 23.

984. Any municipality or municipal or public body performing a function of government in Canada is exempt from tax.

1972, c. 23, s. 716; 2009, c. 5, s. 397.

985. A person is exempt from tax for a period when the person is

(a) a corporation, commission or association all of the capital, property or shares, other than directors' qualifying shares, of which is owned by one or more persons each of which is the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec;

(b) a corporation, commission or association not less than 90% of the capital, property or shares, other than directors' qualifying shares, of which is owned by one or more persons each of which is the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec;

(c) a corporation all of the capital, property or shares, other than directors' qualifying shares, of which is owned by one or more persons each of which is another corporation, a commission or an association to which this subparagraph or subparagraph *a* applies for the period;

(d) a corporation, commission or association not less than 90% of the capital, property or shares, other than directors' qualifying shares, of which is owned by

i. one or more persons each of which is the State, Her Majesty in right of Canada, Her Majesty in right of a province, other than Québec, or a person to which subparagraph *a* or *c* applies for the period, or

ii. one or more municipalities in Canada in combination with one or more persons referred to in subparagraph i;

(e) a corporation all of the capital, property or shares, other than directors' qualifying shares, of which is owned by one or more persons each of which is another corporation, a commission or an association to which this subparagraph or any of subparagraphs *a* to *d* applies for the period;

(f) subject to sections 985.0.1 and 985.0.2, a corporation, commission or association not less than 90% of whose capital is owned by one or more entities each of which is a municipality in Canada or a municipal or public body performing a function of government in Canada, and not more than 10% of whose income for the period is derived from activities carried on outside the geographical boundaries of the territories of those entities; or

(g) subject to sections 985.0.1 and 985.0.2, a corporation all of the capital, property or shares (other than directors' qualifying shares) of which is owned by one or more entities (in this subparagraph referred to as "qualifying owners") each of which is, for the period, another corporation, a commission or an association to

which subparagraph *f* applies, a corporation to which this subparagraph applies, a municipality in Canada, or a municipal or public body performing a function of government in Canada, where not more than 10% of the corporation's income for the period is from activities carried on outside

i. if subparagraph *f* applies to a qualifying owner, the geographical boundaries of the territory of the municipality or municipal or public body referred to in subparagraph *f* where it applies to each such qualifying owner,

ii. if this subparagraph applies to a qualifying owner, the geographical boundaries of the territory of a municipality or municipal or public body referred to in subparagraph iii or subparagraph *f*, as the case may be, where it applies to each such qualifying owner, and

iii. if a qualifying owner is a municipality in Canada, or a municipal or public body performing a function of government in Canada, the geographical boundaries of the territory of the municipality or municipal or public body.

Where at a particular time a corporation, commission or association, in this paragraph referred to as the "entity", would, but for this paragraph, be described in any of subparagraphs *a* to *g* of the first paragraph, the entity is deemed not to be, at the particular time, a person described in that subparagraph if

(a) one or more persons, other than the State, Her Majesty in right of Canada, Her Majesty in right of a province, other than Québec, a municipality in Canada or a person which, at the particular time, is a person described in any of subparagraphs *a* to *g* of the first paragraph, have at the particular time a right to the capital, property or shares of that entity, or a right to acquire them; and

(b) the exercise of the rights referred to in subparagraph *a* would result in the entity not being a person described in any of subparagraphs *a* to *g* of the first paragraph at the particular time.

1972, c. 23, s. 717; 1980, c. 13, s. 100; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2000, c. 5, s. 229; 2001, c. 7, s. 136; 2004, c. 8, s. 173; 2009, c. 5, s. 398; 2015, c. 36, s. 65.

985.0.0.1. Section 985 does not apply in respect of a person's taxable income for a particular taxation year that begins after 31 December 1998 where

(a) subparagraph *a* of the first paragraph of section 985 does not apply in respect of the person's taxable income for the person's last taxation year that began before 1 January 1999;

(b) any of subparagraphs *c*, *d* and *e* of the first paragraph of section 985 would, but for this section, have applied in respect of the person's taxable income for the person's last taxation year that began after 31 December 1998;

(c) there has been no change in the direct or indirect control of the person during the period that began at the beginning of the person's first taxation year that began after 31 December 1998 and ends at the end of the particular year;

(d) the person elects in writing before 1 January 2002 to have this section apply; and

(e) the person has not notified the Minister in writing before the beginning of the particular year that the election has been revoked.

2004, c. 8, s. 174.

985.0.0.2. If there is an amalgamation (within the meaning assigned by subsections 1 and 2 of section 544) of a particular corporation and one or more other corporations, each of which is a subsidiary wholly-owned corporation of the particular corporation, and immediately before the amalgamation, the particular

corporation is a person to which section 985 does not apply because of section 985.0.0.1, the new corporation is deemed, for the purposes of section 985.0.0.1, to be the same corporation as the particular corporation.

2015, c. 36, s. 66.

985.0.1. For the purposes of subparagraphs *f* and *g* of the first paragraph of section 985, income of a corporation, commission or association from activities carried on outside the geographical boundaries of the territory of a municipality or of a municipal or public body does not include income from an activity carried on by

(a) the corporation, commission or association, as the case may be, within the geographical boundaries of Canada under an agreement in writing entered into with Her Majesty in right of Canada or a corporation controlled by Her Majesty in right of Canada and to which any of subparagraphs *a* to *g* of the first paragraph of section 985 applies;

(b) the corporation, commission or association, as the case may be, within the geographical boundaries of a province under an agreement in writing entered into with the State or Her Majesty in right of that province, other than Québec, or a corporation controlled by the State or Her Majesty in right of that province, other than Québec, and to which any of subparagraphs *a* to *g* of the first paragraph of section 985 applies;

(c) the corporation, commission or association, as the case may be, within the geographical boundaries of the territory of a municipality in Canada under an agreement in writing entered into with that municipality or a corporation controlled by that municipality and to which any of subparagraphs *a* to *g* of the first paragraph of section 985 applies;

(c.1) the corporation, commission or association, as the case may be, within the geographical boundaries described in section 985.0.3 of a municipal or public body performing a function of government in Canada under an agreement in writing entered into with the body or with a corporation controlled by the body and to which any of subparagraphs *a* to *g* of the first paragraph of section 985 applies; or

(d) the corporation, commission or association, as the case may be, in a province as a producer of electrical energy or natural gas or as a distributor of electrical energy, heat, natural gas or water, where the activity is regulated under the laws of the province.

2000, c. 5, s. 230; 2001, c. 7, s. 137; 2004, c. 8, s. 175; 2009, c. 5, s. 399.

985.0.2. Subparagraphs *a* to *g* of the first paragraph of section 985 do not apply in respect of a person's taxable income for a period in a taxation year if at any time during the period

(a) the person is a corporation the shares of the capital stock of which are owned by one or more other persons that, in total, give them more than 10% of the votes that could be cast at a meeting of shareholders of the corporation, other than shares that are owned by one or more persons each of which is

i. the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec,

ii. a municipality in Canada,

iii. a municipal or public body performing a function of government in Canada, or

iv. a corporation, a commission or an association, to which any of those subparagraphs *a* to *g* apply; or

(b) the person is, or would be if the person were a corporation, controlled, directly or indirectly in any manner whatever, by a person, or by a group of persons that includes a person, who is not

i. the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec,

ii. a municipality in Canada,

iii. a municipal or public body performing a function of government in Canada, or

iv. a corporation, a commission or an association, to which any of those subparagraphs *a* to *g* apply.

2000, c. 5, s. 230; 2009, c. 5, s. 400.

985.0.3. For the purposes of this Book, the geographical boundaries of a municipal or public body performing a function of government in Canada are

(a) the geographical boundaries that encompass the area in respect of which a law of Canada or an agreement given effect by a law of Canada recognizes or grants to the body a power to impose taxes; or

(b) if paragraph *a* does not apply, the geographical boundaries within which that body is authorized by the laws of Canada or of a province to exercise that function.

2009, c. 5, s. 401.

CHAPTER III.1

CHARITIES

1978, c. 26, s. 192; 1995, c. 49, s. 236.

DIVISION I

DEFINITIONS AND GENERALITIES

1978, c. 26, s. 192.

985.1. In this chapter,

(0.a) "charitable activities" includes public policy dialogue and development activities carried on in furtherance of a charitable purpose;

(a) "taxation year" means, in the case of a registered charity, a fiscal period;

(a.0.1) (paragraph repealed);

(a.0.2) (paragraph repealed);

(a.1) "disbursement quota" for a taxation year of a registered charity means the amount determined for the year in respect of the charity under sections 985.9 to 985.9.4;

(a.2) (paragraph repealed);

(b) (paragraph repealed);

(b.1) "designated gift" means that portion of a gift of property made in a taxation year by a particular registered charity, to another registered charity with which it does not deal at arm's length, that is designated by the particular registered charity in the return that it is required to file with the Minister for the year in accordance with the first paragraph of section 985.22;

(b.1.1) "listed terrorist entity", at a particular time, means a person, partnership, group or fund, or an organization or association not endowed with juridical personality, that is at the particular time a listed entity within the meaning of subsection 1 of section 83.01 of the Criminal Code (R.S.C. 1985, c. C-46);

(c) "related business" in relation to a charity includes a business that is unrelated to the purposes of the charity if substantially all of the persons employed by the charity in the carrying on of that business are not remunerated for such employment;

(c.1) "charitable purposes" includes making qualifying disbursements;

(d) "charitable foundation" means a corporation or trust, other than a charitable organization, constituted and operated exclusively for charitable purposes, if no part of the income of such corporation or trust is payable to, or is otherwise available for the personal benefit of, any proprietor, member, shareholder, trustee or settlor of the corporation or trust;

(e) "private foundation" means a charitable foundation that is not a public foundation;

(f) "public foundation" means a charitable foundation described in section 985.1.1;

(f.1) "relevant criminal offence" means a criminal offence under an Act of Canada, or an offence that would be a criminal offence if it were committed in Canada, and that

i. relates to financial dishonesty, including tax evasion, theft and fraud, or

ii. in respect of a charity, a Canadian amateur athletic association, within the meaning of section 985.23.2, or a Québec amateur athletic association, within the meaning of section 985.23.3, is relevant to the operation of the charity or association;

(f.2) "relevant offence" means an offence, other than a relevant criminal offence, under an Act of Québec, of another province or of Canada, or an offence that would be such an offence if it were committed in Canada, or that

i. relates to financial dishonesty, including an offence under charitable fundraising legislation, consumer protection legislation or securities legislation, or

ii. in respect of a charity, a Canadian amateur athletic association, within the meaning of section 985.23.2, or a Québec amateur athletic association, within the meaning of section 985.23.3, is relevant to the operation of the charity or association;

(g) "charitable organization" means an organization described in section 985.1.2;

(g.1) "grantee organization" includes a person, club, society, association, organization or prescribed entity, but does not include a qualified donee;

(h) "ineligible individual", at a particular time, means an individual who has been

i. convicted of a relevant criminal offence unless it is a conviction for which either a pardon has been granted and has neither been revoked nor ceased to have effect, or a record suspension has been ordered under the Criminal Records Act (R.S.C. 1985, c. C-47) or a pardon has been granted or issued under that Act and that record suspension or pardon has neither been revoked nor ceased to have effect,

ii. convicted of a relevant offence in the five-year period preceding the particular time,

iii. a director, trustee, officer or like official of a registered charity, a registered Canadian amateur athletic association or a registered Québec amateur athletic association during a period in which the charity or association engaged in conduct that can reasonably be considered to have constituted a serious breach of the requirements for registration under this Act or the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and for which its registration was revoked in the five-year period preceding the particular time,

iv. an individual who controlled or managed, directly or indirectly, in any manner whatever, a registered charity, a registered Canadian amateur athletic association or a registered Québec amateur athletic association

during a period in which the charity or association engaged in conduct that can reasonably be considered to have constituted a serious breach of the requirements for registration under this Act or the Income Tax Act and for which its registration was revoked in the five-year period preceding the particular time,

v. a promoter in respect of a tax shelter that involved a registered charity, a registered Canadian amateur athletic association or a registered Québec amateur athletic association, the registration of which was revoked under this Act or the Income Tax Act in the five-year period preceding the particular time for reasons that included or were related to participation in the tax shelter,

vi. a listed terrorist entity or a member of such an entity,

vii. a director, trustee, officer or like official of a listed terrorist entity during a period in which that entity supported or engaged in terrorist activities, including a period prior to the date on which the entity became a listed terrorist entity, or

viii. an individual who controlled or managed, directly or indirectly, in any manner whatever, a listed terrorist entity during a period in which that entity supported or engaged in terrorist activities, including a period prior to the date on which the entity became a listed terrorist entity;

(i) "promoter" has the meaning assigned by section 1079.1;

(j) "qualifying disbursement" means a disbursement made by a charity, by way of a gift or by otherwise making resources available, to a qualified donee, subject to section 985.2.0.1, or to a grantee organization, if, in the latter case,

i. the disbursement is in furtherance of a charitable purpose, determined without reference to paragraph *c*.1, of the charity,

ii. the charity ensures that the disbursement is exclusively applied to charitable activities in furtherance of a charitable purpose of the charity, and

iii. the charity maintains documentation sufficient to demonstrate

(1) the purpose for which the disbursement is made, and

(2) that the disbursement is exclusively applied by the grantee organization to charitable activities in furtherance of a charitable purpose of the charity.

1978, c. 26, s. 192; 1986, c. 15, s. 154; 1993, c. 64, s. 122; 1995, c. 1, s. 107; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 1999, c. 83, s. 158; 2005, c. 38, s. 215; 2009, c. 15, s. 177; 2011, c. 34, s. 45; 2012, c. 8, s. 160; 2013, c. 10, s. 81; 2021, c. 18, s. 76; 2021, c. 36, s. 95; 2023, c. 2, s. 24.

985.1.0.1. *(Repealed).*

2005, c. 38, s. 216; 2006, c. 13, s. 82; 2011, c. 34, s. 46.

985.1.0.2. *(Repealed).*

2005, c. 38, s. 216; 2006, c. 13, s. 83; 2009, c. 15, s. 178; 2011, c. 34, s. 46.

985.1.1. The charitable foundation to which paragraph *f* of section 985.1 refers means a charitable foundation that, at a particular time, meets the following conditions:

(a) more than 50% of its directors, trustees, officers or like officials deal at arm's length with each other and with

i. each of the other directors, trustees, officers and like officials of the foundation,

ii. each person described in subparagraph i or ii of paragraph *b*, and

iii. each member of a group of persons, other than the State, Her Majesty in right of Canada or Her Majesty in right of a province (other than Québec), a municipality, another registered charity that is not a private foundation, and any club, society or association described in section 996, who do not deal with each other at arm's length, if the group would, if it were a person, be a person described in subparagraph i of paragraph *b*; and

(b) the charitable foundation is not, at the particular time, and would not at the particular time be, if the foundation were a corporation, controlled, directly or indirectly in any manner whatever,

i. by a person, other than the State, Her Majesty in right of Canada or Her Majesty in right of a province (other than Québec), a municipality, another registered charity that is not a private foundation, and any club, society or association described in section 996

(1) who immediately after the particular time, has contributed to the foundation amounts that are, in total, greater than 50% of the capital of the foundation immediately after the particular time, and

(2) who immediately after the person's last contribution at or before the particular time, had contributed to the foundation amounts that were, in total, greater than 50% of the capital of the foundation immediately after the making of that last contribution, or

ii. by a person, or by a group of persons that do not deal at arm's length with each other, if the person or any member of the group does not deal at arm's length with a person described in subparagraph i.

1986, c. 15, s. 155; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1997, c. 3, s. 48; 1998, c. 16, s. 216; 2000, c. 5, s. 293; 2001, c. 7, s. 169; 2009, c. 5, s. 403.

985.1.2. The organization to which paragraph *g* of section 985.1 refers is an organization, whether or not incorporated, that, at a particular time, meets the following conditions:

(a) all its resources are devoted to charitable activities carried on by the organization itself or to making qualifying disbursements;

(a.1) the organization is constituted and operated exclusively for charitable purposes;

(b) no part of its income is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor of the organization;

(c) more than 50% of its directors, trustees, officers or like officials deal at arm's length with each other and with

i. each of the other directors, trustees, officers and like officials of the organization,

ii. each person described in subparagraph i or ii of paragraph *d*, and

iii. each member of a group of persons, other than the State, Her Majesty in right of Canada or Her Majesty in right of a province (other than Québec), a municipality, another registered charity that is not a private foundation, and any club, society or association described in section 996, who do not deal with each other at arm's length, if the group would, if it were a person, be a person described in subparagraph i of paragraph *d*; and

(d) the organization is not, at the particular time, and would not at the particular time be, if the organization were a corporation, controlled, directly or indirectly in any manner whatever,

i. by a person, other than the State, Her Majesty in right of Canada or Her Majesty in right of a province (other than Québec), a municipality, another registered charity that is not a private foundation, and any club, society or association described in section 996,

(1) who immediately after the particular time, has contributed to the organization amounts that are, in total, greater than 50% of the capital of the organization immediately after the particular time, and

(2) who immediately after the person's last contribution at or before the particular time, had contributed to the organization amounts that were, in total, greater than 50% of the capital of the organization immediately after the making of that last contribution, or

ii. by a person, or by a group of persons that do not deal at arm's length with each other, if the person or any member of the group does not deal at arm's length with a person described in subparagraph i.

1986, c. 15, s. 155; 1995, c. 49, s. 236; 1996, c. 39, s. 273; 1997, c. 3, s. 49; 2000, c. 5, s. 293; 2009, c. 5, s. 403; 2021, c. 18, s. 77; 2023, c. 2, s. 25.

985.2. A charitable organization is deemed to be devoting its resources to charitable activities carried on by it to the extent that it uses those resources in carrying on a related business.

1978, c. 26, s. 192; 1995, c. 49, s. 236; 1997, c. 14, s. 173; 2009, c. 5, s. 404; 2013, c. 10, s. 82; 2021, c. 18, s. 78; 2023, c. 2, s. 26.

985.2.0.1. Disbursements of part of a charitable organization's income that are made, in a taxation year, by way of gifts to a qualified donee (other than disbursements made to a registered charity that is deemed, under section 985.3, to be a charity associated with the charitable organization) are not qualifying disbursements made by the charitable organization if the disbursements exceed 50% of the charitable organization's income for the year.

2023, c. 2, s. 27.

985.2.1. For the purposes of paragraph *b* of sections 985.6 and 985.7, subparagraph *b* of the first paragraph of section 985.8 and section 985.21, the following are deemed to be neither amounts expended in a taxation year on charitable activities nor gifts made to a qualified donee:

(a) a designated gift; and

(b) expenditures relating to the administration and management of a charity.

1986, c. 15, s. 156; 1987, c. 67, s. 177; 1995, c. 49, s. 236; 2011, c. 34, s. 47; 2021, c. 18, s. 79; 2024, c. 11, s. 91.

985.2.2. On application made to the Minister in prescribed form by a registered charity, the Minister may specify an amount in respect of the charity for a taxation year and that amount is deemed to reduce the charity's disbursement quota for the year.

1986, c. 15, s. 156; 1995, c. 49, s. 236; 2001, c. 53, s. 212; 2021, c. 18, s. 79; 2024, c. 11, s. 91.

985.2.3. For the purposes of paragraph *d* of section 985.1, where a corporation or trust devotes any part of its resources to the direct or indirect support of, or opposition to, any political party or candidate for public office, it is deemed not to be constituted and operated exclusively for charitable purposes.

1987, c. 67, s. 178; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 2021, c. 18, s. 79.

985.2.4. For the purposes of paragraph *g* of section 985.1, where an organization devotes any part of its resources to the direct or indirect support of, or opposition to, any political party or candidate for public office, it is deemed not to be constituted and operated exclusively for charitable purposes.

1987, c. 67, s. 178; 1995, c. 49, s. 236; 2021, c. 18, s. 79.

985.2.5. *(Repealed).*

2013, c. 10, s. 83; 2021, c. 18, s. 80.

985.2.6. Subject to sections 985.2.3 and 985.2.4, public policy dialogue and development activities carried on by an organization, corporation or trust in support of its stated purposes are deemed to be carried on exclusively in furtherance of those purposes.

2021, c. 18, s. 81.

985.2.7. Where a person, partnership, group or fund, or an organization or association not endowed with juridical personality, becomes a listed terrorist entity at a particular time and ceases to be a listed terrorist entity at a later time further to an application made under subsection 2 of section 83.05 of the Criminal Code (R.S.C. 1985, c. C-46) or following the application of paragraph *d* of subsection 6 of that section 83.05, the entity is deemed, except for the purposes of this section, not to have become a listed terrorist entity and to not have been a listed terrorist entity throughout the period that begins at the particular time and ends at the later time.

2021, c. 36, s. 96.

985.3. If, following an application made to the Minister of National Revenue in accordance with subsection 7 of section 149.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the Minister of National Revenue designates in writing, after 19 December 2006, a registered charity as a charity associated with one or more particular registered charities, the charities to which the designation applies are deemed to be associated charities from the date specified in the designation, until such time as the designation is revoked by the Minister of National Revenue.

Chapter V.2 of Title II of Book I applies in relation to an application granted by the Minister of National Revenue or a revocation made under subsection 7 of section 149.1 of the Income Tax Act or in relation to an application granted by the Minister before 20 December 2006 or a revocation made under this section before that date, and, to that end, sections 21.4.6 and 21.4.7 must apply, with the necessary modifications, as if a revocation made by the Minister of National Revenue had been made by the registered charities to which that revocation applies.

1978, c. 26, s. 192; 1995, c. 49, s. 236; 2001, c. 53, s. 213; 2009, c. 5, s. 406.

985.4. On application made to him by a private foundation, the Minister may, on such terms and conditions as he determines, designate the foundation to be a public foundation, and on and after the date specified in such designation, the foundation shall, until such designation is revoked, be deemed to be a public foundation.

1978, c. 26, s. 192.

985.4.1. *(Repealed).*

1986, c. 15, s. 157; 1990, c. 59, s. 330.

985.4.2. *(Repealed).*

1986, c. 15, s. 157; 1990, c. 59, s. 330.

985.4.3. The Minister may, by notice sent by registered mail to a registered charity, on his own initiative or on application made to him in prescribed form, designate the charity to be a charitable organization, private foundation or public foundation.

1986, c. 15, s. 157; 1990, c. 59, s. 331; 1995, c. 49, s. 236; 1999, c. 83, s. 159.

DIVISION II

REGISTRATION

1978, c. 26, s. 192.

985.5. (1) On application made to the Minister in prescribed form, the Minister may approve for registration as a charitable organization, private foundation or public foundation a charitable foundation, private foundation or public foundation, as the case may be, that is resident in Canada and was either created or established in Canada.

(2) The following are deemed to be a registered charity:

(a) an organization, other than a charity referred to in paragraph *b*, that, on 31 December 1976, was a Canadian charitable organization prescribed within the meaning of the regulations made under section 710, as they read in their application to the taxation year 1976, and whose registration has not been revoked by the Minister;

(b) a charity registered as a charitable organization, private foundation or public foundation, as the case may be, that is a charitable organization, private foundation or public foundation in conformity with the standards prescribed for such purpose.

1978, c. 26, s. 192; 1986, c. 15, s. 158; 1990, c. 59, s. 332; 1995, c. 49, s. 236; 1997, c. 3, s. 50; 2001, c. 53, s. 214.

985.5.1. *(Repealed).*

1986, c. 15, s. 158; 1990, c. 59, s. 333.

985.5.2. The charity referred to in section 985.4.3 is deemed to be registered as a charitable organization, private foundation or public foundation, as the case may be, for the taxation years beginning after the day of sending of the notice mentioned in that section until it is otherwise designated under that section, until its registration is revoked under sections 985.6 to 985.8.1 or sections 1063 to 1065.1 or, in the case of a charity that is deemed to be registered in accordance with subsection 2 of section 985.5, until it ceases to be so deemed to be registered.

Section 87 of the Tax Administration Act (chapter A-6.002), with the necessary modifications, applies to the notice contemplated in the first paragraph.

1986, c. 15, s. 158; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 2003, c. 2, s. 261; 2009, c. 5, s. 407; 2010, c. 31, s. 175.

DIVISION III

REVOCATION OF REGISTRATION

1978, c. 26, s. 192.

985.6. The Minister may, in the manner described in sections 1064 and 1065, revoke the registration of a charitable organization if the organization

(a) carries on a business that is not a related business;

(b) fails to expend in a taxation year, on charitable activities carried on by it or by way of gifts made by it that are qualifying disbursements, an amount that is at least equal to its disbursement quota for the year; or

(c) makes a disbursement, other than

i. a disbursement made in the course of charitable activities carried on by it, or

ii. a qualifying disbursement.

1978, c. 26, s. 192; 1986, c. 15, s. 159; 1995, c. 49, s. 222; 2005, c. 38, s. 217; 2009, c. 5, s. 408; 2023, c. 2, s. 28.

985.7. The Minister may, in the manner described in sections 1064 and 1065, revoke the registration of a public foundation if the foundation

(a) carries on a business that is not a related business;

(b) fails to expend in a taxation year, on charitable activities carried on by it or by way of gifts made by it that are qualifying disbursements, an amount that is at least equal to its disbursement quota for the year;

(b.1) makes a disbursement, other than

i. a disbursement made in the course of charitable activities carried on by it, or

ii. a qualifying disbursement;

(c) has, since 1 June 1950, acquired control of any corporation; for such purpose, a corporation is controlled by a charitable foundation if more than 50% of its issued share capital having full voting rights under all circumstances belongs to the foundation or both the foundation and persons with whom the foundation does not deal at arm's length; however, a charitable foundation is deemed not to have acquired control of a corporation if it has not purchased or otherwise acquired for a consideration more than 5% of the issued shares of any class of the capital stock of that corporation;

(d) has, since 1 June 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities; or

(e) at any time within the 24 month period preceding the day on which notice is given to the public foundation by the Minister pursuant to section 1064 and at a time when the public foundation was a private foundation, failed to expend amounts or took any action such that the Minister was entitled, pursuant to section 985.8, to revoke its registration as a private foundation.

1978, c. 26, s. 192; 1986, c. 15, s. 160; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 2009, c. 5, s. 409; 2023, c. 2, s. 29.

985.8. The Minister may, in the manner described in sections 1064 and 1065, revoke the registration of a private foundation in the case provided for in paragraph *d* of section 985.7 or if the foundation

(a) carries on a business;

(b) fails to expend in a taxation year, on charitable activities carried on by it or by way of gifts made by it that are qualifying disbursements, an amount that is at least equal to its disbursement quota for the year; or

(c) makes a disbursement, other than

i. a disbursement made in the course of charitable activities carried on by it, or

ii. a qualifying disbursement.

For the purposes of the first paragraph, if, for a taxation year of a private foundation that begins after 18 March 2007, subsection 8 of section 149.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) applies to the foundation in respect of a class of shares of the capital stock of a corporation, the portion of that paragraph before subparagraph *a* is to be read as if "in paragraph *d*" was replaced by "in paragraph *c* or *d*".

1978, c. 26, s. 192; 1986, c. 15, s. 161; 1995, c. 49, s. 236; 2009, c. 5, s. 410; 2009, c. 15, s. 179; 2023, c. 2, s. 30.

985.8.1. The Minister may, in the manner described in sections 1064 and 1065, revoke the registration

(a) of a registered charity, if it has entered into a transaction (including a gift to another registered charity) and it may reasonably be considered that a purpose of the transaction was to avoid or unduly delay the obligation to expend amounts on charitable activities;

(b) of a registered charity, if it may reasonably be considered that a purpose of entering into a transaction (including the acceptance of a gift) with another registered charity to which paragraph *a* applies was to assist the other registered charity in avoiding or unduly delaying the obligation to expend amounts on charitable activities;

(c) of a registered charity, if a false statement, within the meaning assigned by the first paragraph of section 1049.0.3, was made in circumstances amounting to culpable conduct, within the meaning assigned by that first paragraph, in the furnishing of information for the purpose of obtaining or maintaining its registration;

(d) of a registered charity, if it has in a taxation year received a gift of property (other than a designated gift) from another registered charity with which it does not deal at arm's length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those two taxation years, an amount that is less than the fair market value of the property, on charitable activities carried on by it or by way of gifts made by it that are qualifying disbursements to qualified donees or grantee organizations, with which it deals at arm's length;

(e) of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever; and

(f) of a registered charity, if it accepts a gift from a foreign state, within the meaning of section 2 of the State Immunity Act (R.S.C. 1985, c. S-18), that is set out on the list referred to in subsection 2 of section 6.1 of that Act.

1986, c. 15, s. 161; 1995, c. 49, s. 236; 2005, c. 38, s. 218; 2011, c. 34, s. 48; 2012, c. 8, s. 162; 2017, c. 1, s. 257; 2021, c. 36, s. 97; 2023, c. 2, s. 31.

DIVISION III.0.1

Repealed, 2012, c. 8, s. 163.

2005, c. 38, s. 219; 2012, c. 8, s. 163.

985.8.2. *(Repealed).*

2005, c. 38, s. 219; 2010, c. 31, s. 175; 2012, c. 8, s. 163.

985.8.3. *(Repealed).*

2005, c. 38, s. 219; 2010, c. 5, s. 130; 2010, c. 31, s. 175; 2012, c. 8, s. 163.

985.8.4. *(Repealed).*

2005, c. 38, s. 219; 2012, c. 8, s. 163.

DIVISION III.0.2

REFUSAL OR ANNULMENT OF REGISTRATION

2005, c. 38, s. 219.

985.8.5. The Minister may refuse to register a person as a registered charity.

The Minister shall so notify the person by registered mail.

2005, c. 38, s. 219.

985.8.5.1. The Minister may refuse, in the manner described in section 985.8.5, to register a person as a registered charity if

(a) the application for registration is made on the person's behalf by an ineligible individual;

(b) an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever; or

(c) the person has accepted a gift from a foreign state, within the meaning of section 2 of the State Immunity Act (R.S.C. 1985, c. S-18), that is set out on the list referred to in subsection 2 of section 6.1 of that Act.

2012, c. 8, s. 164; 2017, c. 1, s. 258.

985.8.6. The Minister may annul the registration of a person as a registered charity if the registration was granted in error or the person has, solely as a result of a change in law, ceased to be a charity, and the registration is deemed never to have been granted.

The Minister shall so notify the person by registered mail.

2005, c. 38, s. 219.

985.8.7. A receipt issued in accordance with the regulations by a person before the annulment of the person's registration under section 985.8.6 or subsection 23 of section 149.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) is deemed to be a valid receipt if the receipt would have been valid had the person been a registered charity at the time the receipt was issued.

2005, c. 38, s. 219.

DIVISION III.1

DISBURSEMENT QUOTA

2000, c. 5, s. 231.

985.9. The amount referred to in paragraph *a*.1 of section 985.1 for a taxation year in respect of a registered charity is equal to the amount determined by the formula

A/365 × B.

In the formula in the first paragraph,

(a) A is the number of days in the taxation year; and

(b) B is

i. 3.5% of the prescribed amount for the year, in respect of all or a portion of a property owned by the charity at any time in the 24 months immediately preceding the year that was not used directly in charitable activities or administration, if the prescribed amount is less than or equal to $1,000,000, but greater than

(1) if the charity is a charitable organization, $100,000, and

(2) in any other case, $25,000,

i.1. if the prescribed amount for the year in respect of all or a portion of a property owned by the charity at any time in the 24 months immediately preceding the year that was not used directly in charitable activities or administration is greater than $1,000,000, the total of $35,000 and 5% of the amount by which the prescribed amount exceeds $1,000,000, and

ii. in any other case, nil.

(c) (subparagraph repealed);

(d) (subparagraph repealed).

1978, c. 26, s. 192; 1986, c. 15, s. 161; 1988, c. 18, s. 109; 1993, c. 64, s. 123; 1995, c. 49, s. 223; 1997, c. 14, s. 290; 2005, c. 38, s. 220; 2006, c. 13, s. 84; 2011, c. 34, s. 49; 2024, c. 11, s. 92.

985.9.1. *(Repealed).*

1986, c. 15, s. 161; 1995, c. 49, s. 236; 2005, c. 38, s. 221; 2006, c. 13, s. 85; 2011, c. 34, s. 50.

985.9.1.1. *(Repealed).*

1995, c. 63, s. 110; 1997, c. 3, s. 71; 2005, c. 38, s. 222; 2011, c. 34, s. 50.

985.9.2. *(Repealed).*

1986, c. 15, s. 161; 1988, c. 18, s. 110; 1992, c. 1, s. 156; 1995, c. 49, s. 224; 2005, c. 38, s. 223.

985.9.3. *(Repealed).*

1986, c. 15, s. 161; 1992, c. 1, s. 157; 1995, c. 49, s. 236; 2005, c. 38, s. 223.

985.9.4. For the purposes of subparagraphs i and i.1 of subparagraph *b* of the second paragraph of section 985.9, the Minister may

(a) authorize a change in the number of periods chosen by a registered charity in determining the prescribed amount; and

(b) accept any method for the determination of the fair market value of property or a portion thereof that may be required in determining the prescribed amount.

1988, c. 18, s. 111; 1995, c. 49, s. 236; 2005, c. 38, s. 224; 2011, c. 34, s. 51; 2024, c. 11, s. 93.

985.10. *(Repealed).*

1978, c. 26, s. 192; 1986, c. 15, s. 162.

985.11. *(Repealed).*

1978, c. 26, s. 192; 1986, c. 15, s. 162.

985.12. *(Repealed).*

1978, c. 26, s. 192; 1986, c. 15, s. 162.

DIVISION IV

RULES RELATING TO COMPUTATION OF INCOME

1978, c. 26, s. 192.

985.13. *(Repealed).*

1978, c. 26, s. 192; 1986, c. 15, s. 162.

985.14. For the purposes of this chapter, a charity must include, in computing its income for a taxation year, all gifts it has received in the year other than

(a) a designated gift;

(b) any gift made to a religious order or to the body which administers the property of that religious order where the gift is made by a member of that order who has taken vows of perpetual poverty;

(c) any gift or portion of a gift, other than that contemplated in paragraph *b*, made by a donor who is not a charity and in respect of which he has not deducted any amount under paragraph *a* or *c* of section 710 or paragraph *b* or *d* of the second paragraph of section 752.0.10.6, or was not liable for tax under sections 22 to 27 for the taxation year in which the gift was made; or

(d) any gift or portion of a gift made by a donor that is a charity, if such gift was not made out of the income of the donor.

1978, c. 26, s. 192; 1986, c. 15, s. 163; 1993, c. 64, s. 124; 1995, c. 1, s. 108; 1995, c. 49, s. 236; 1999, c. 83, s. 160; 2001, c. 51, s. 83; 2011, c. 34, s. 52.

985.15. *(Repealed).*

1978, c. 26, s. 192; 1995, c. 49, s. 225; 2011, c. 34, s. 53; 2024, c. 11, s. 94.

985.16. *(Repealed).*

1978, c. 26, s. 192; 1986, c. 15, s. 164; 1993, c. 64, s. 125; 1995, c. 49, s. 236; 1997, c. 14, s. 290; 2009, c. 5, s. 411; 2011, c. 34, s. 54.

985.17. For the purposes of this chapter, paragraphs *a* and *b* of section 657 are not applicable in computing the income of a charitable foundation that is a trust.

1978, c. 26, s. 192; 1995, c. 49, s. 236.

985.18. *(Repealed).*

1978, c. 26, s. 192; 1982, c. 5, s. 174; 1986, c. 15, s. 165.

DIVISION V

RULES OF APPLICATION

1978, c. 26, s. 192.

985.19. *(Repealed).*

1978, c. 26, s. 192; 1982, c. 5, s. 175.

985.20. Where a registered charity has expended a disbursement excess for a taxation year, the charity may, for the purpose of determining whether it complies with the requirements of paragraph *b* of section 985.6 or 985.7 or subparagraph *b* of the first paragraph of section 985.8, as the case may be, for the immediately preceding taxation year of the charity and five or less of its immediately subsequent taxation years, include, in computing the amounts expended on charitable activities carried on by it or by way of gifts made by it that are qualifying disbursements, such portion of the disbursement excess for that year as was not so included under this section for a preceding taxation year.

1978, c. 26, s. 192; 1986, c. 15, s. 166; 1995, c. 49, s. 236; 2021, c. 18, s. 82; 2023, c. 2, s. 32.

985.21. For the purposes of section 985.20, "disbursement excess" of a charity for a taxation year means the amount by which the aggregate of the amounts expended in the year by the charity on charitable activities carried on by it or by way of gifts made by it that are qualifying disbursements exceeds its disbursement quota for the year.

1978, c. 26, s. 192; 1986, c. 15, s. 167; 1995, c. 49, s. 226; 2005, c. 38, s. 225; 2023, c. 2, s. 32.

DIVISION VI

INFORMATION RETURNS

1978, c. 26, s. 192.

985.22. Every registered charity carrying on its activities in Québec shall, within six months from the end of each of its taxation years, file with the Minister an information return for the year, in prescribed form and containing prescribed information, without notice or demand therefor.

In addition, every private foundation that is a charity carrying on its activities in Québec shall enclose a copy of any document that it is required to file with the Minister of National Revenue for the year under subsection 14 of section 149.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), because of the application of section 149.2 of that Act, with the information return it is required to file with the Minister for a taxation year under the first paragraph.

1978, c. 26, s. 192; 1986, c. 15, s. 168; 1993, c. 16, s. 319; 1995, c. 49, s. 236; 2009, c. 5, s. 412; 2009, c. 15, s. 180.

DIVISION VII

EXEMPTION FROM TAX

1978, c. 26, s. 192.

985.23. A registered charity is exempt from tax.

1978, c. 26, s. 192; 1995, c. 49, s. 236.

CHAPTER III.1.1

REGISTERED AMATEUR ATHLETIC ASSOCIATIONS

2012, c. 8, s. 165.

985.23.1. In this chapter,

"Canadian amateur athletic association" means an association described in section 985.23.2;

"ineligible individual" has the meaning assigned by paragraph *h* of section 985.1;

"promoter" has the meaning assigned by section 1079.1;

"Québec amateur athletic association" means an association described in section 985.23.3;

"related business" of a Canadian amateur athletic association or a Québec amateur athletic association includes a business that is unrelated to the purposes of the association if substantially all persons employed by the association in the carrying on of that business are not remunerated for that employment;

"taxation year" means a fiscal period.

2012, c. 8, s. 165.

985.23.2. A Canadian amateur athletic association means an association that

(a) is created under any law in force in Canada;

(b) is resident in Canada;

(c) has no part of its income payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder of the association unless the proprietor, member or shareholder is a club, society or association the primary purpose and primary function of which is the promotion of amateur athletics in Canada; and

(d) has the promotion of amateur athletics in Canada on a nationwide basis as its exclusive purpose and exclusive function and devotes all its resources to that purpose and function.

2012, c. 8, s. 165.

985.23.3. A Québec amateur athletic association means an association that

(a) is created under any law of Québec or Canada;

(b) has its management and control centre in Québec;

(c) has no part of its income payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder of the association unless the proprietor, member or shareholder is a club, society or association the primary purpose and primary function of which is the promotion of amateur athletics in Canada; and

(d) has the promotion of amateur athletics in Québec on a Québec-wide basis as its exclusive purpose and exclusive function and devotes all its resources to that purpose and function.

2012, c. 8, s. 165.

985.23.4. A Canadian amateur athletic association or a Québec amateur athletic association is deemed to devote its resources to its exclusive purpose and exclusive function to the extent that

(a) it carries on a related business; or

(b) it carries on activities involving the participation of professional athletes, if those activities are ancillary and incidental to its exclusive purpose and exclusive function.

2012, c. 8, s. 165.

985.23.5. A Canadian amateur athletic association or a Québec amateur athletic association that devotes any part of its resources to the direct or indirect support of, or opposition to, any political party or candidate for public office is deemed not to devote that part of its resources to its exclusive purpose and exclusive function.

2012, c. 8, s. 165; 2013, c. 10, s. 84; 2021, c. 18, s. 83.

985.23.6. The Minister may, on application made to the Minister in the prescribed form, register a Canadian amateur athletic association or a Québec amateur athletic association as such.

Subject to the Minister's power to refuse or revoke registration, a Canadian amateur athletic association validly registered as such under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) is deemed to be also registered as such with the Minister.

2012, c. 8, s. 165.

985.23.7. A registered Canadian amateur athletic association or a registered Québec amateur athletic association shall, within six months from the end of each taxation year of the association and without notice or demand, file with the Minister an information return for the year in the prescribed form containing prescribed information.

Despite the first paragraph, a Canadian amateur athletic association that is deemed, under the second paragraph of section 985.23.6, to be registered with the Minister, is only required to file an information return in the prescribed form if the Minister so requests.

2012, c. 8, s. 165.

985.23.8. A registered Canadian amateur athletic association or a registered Québec amateur athletic association is exempt from tax.

2012, c. 8, s. 165.

985.23.9. The Minister may, in the manner described in sections 1064 and 1065, revoke the registration of a Canadian amateur athletic association or a Québec amateur athletic association if

(a) the association carries on a business that is not a related business;

(b) an ineligible individual is a director, trustee, officer or like official of the association, or controls or manages the association, directly or indirectly, in any manner whatever; or

(c) the association accepts a gift from a foreign state, within the meaning of section 2 of the State Immunity Act (R.S.C. 1985, c. S-18), that is set out on the list referred to in subsection 2 of section 6.1 of that Act.

2012, c. 8, s. 165; 2017, c. 1, s. 259.

985.23.10. Sections 985.8.5 and 985.8.5.1, and sections 93.1.9.1, 93.1.10.1 and 93.1.17 to 93.1.22 of the Tax Administration Act (chapter A-6.002) apply, with the necessary modifications, in respect of an

application for registration as a Canadian amateur athletic association or a Québec amateur athletic association as if it were an application for registration as a charity.

2012, c. 8, s. 165.

CHAPTER III.2

REGISTERED NATIONAL ARTS SERVICE ORGANIZATIONS

1993, c. 16, s. 320.

985.24. Subject to the Minister's power to revoke any registration, every national arts service organization validly registered as such under subsection 6.4 of section 149.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) is deemed to be registered also as such with the Minister.

1993, c. 16, s. 320.

985.25. The following provisions apply, with the necessary modifications, to a registered national arts service organization as if it were a charity registered as a charitable organization:

(a) sections 710 to 714, 716.0.2, 716.0.4 to 716.0.11, 752.0.10.1 to 752.0.10.11 and 752.0.10.12 to 752.0.10.26, Divisions I and III to VI of Chapter III.1 and Title VIII of Book IX; and

(b) Division V of Chapter III and sections 93.1.9.1, 93.1.9.2, 93.1.10.1 and 93.1.17 to 93.1.22 of the Tax Administration Act (chapter A-6.002).

1993, c. 16, s. 320; 1993, c. 64, s. 126; 1995, c. 49, s. 236; 1995, c. 63, s. 111; 1997, c. 14, s. 174; 1997, c. 85, s. 229; 1999, c. 83, s. 161; 2005, c. 38, s. 226; 2010, c. 31, s. 175; 2012, c. 8, s. 166.

985.26. This chapter does not apply to a recognized arts organization nor to a registered cultural or communications organization.

1993, c. 16, s. 320; 1995, c. 1, s. 199; 1997, c. 14, s. 290; 2006, c. 36, s. 95.

CHAPTER III.2.1

REGISTERED JOURNALISM ORGANIZATIONS

2021, c. 18, s. 84.

985.26.1. Subject to the Minister's power to revoke registration, a journalism organization validly registered as such under the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) is deemed to be also registered as such with the Minister.

2021, c. 18, s. 84.

985.26.2. A registered journalism organization shall, within six months from the end of each of its taxation years and without notice or demand, file with the Minister an information return for the year in the prescribed form containing prescribed information.

2021, c. 18, s. 84.

985.26.3. A registered journalism organization is exempt from tax.

2021, c. 18, s. 84.

CHAPTER III.3

Repealed, 2006, c. 36, s. 96.

1997, c. 14, s. 175; 2006, c. 36, s. 96.

DIVISION I

Repealed, 2006, c. 36, s. 96.

1997, c. 14, s. 175; 2006, c. 36, s. 96.

985.27. *(Repealed).*

1997, c. 14, s. 175; 1999, c. 83, s. 162; 2003, c. 9, s. 161; 2005, c. 38, s. 227; 2006, c. 36, s. 96.

DIVISION II

Repealed, 2006, c. 36, s. 96.

1997, c. 14, s. 175; 2006, c. 36, s. 96.

985.28. *(Repealed).*

1997, c. 14, s. 175; 2006, c. 36, s. 96.

985.29. *(Repealed).*

1997, c. 14, s. 175; 2006, c. 36, s. 96.

985.30. *(Repealed).*

1997, c. 14, s. 175; 2006, c. 36, s. 96.

985.31. *(Repealed).*

1997, c. 14, s. 175; 2006, c. 36, s. 96.

DIVISION III

Repealed, 2006, c. 36, s. 96.

1997, c. 14, s. 175; 2006, c. 36, s. 96.

985.32. *(Repealed).*

1997, c. 14, s. 175; 2006, c. 36, s. 96.

DIVISION IV

Repealed, 2006, c. 36, s. 96.

1997, c. 14, s. 175; 2006, c. 36, s. 96.

985.33. *(Repealed).*

1997, c. 14, s. 175; 2006, c. 36, s. 96.

985.34. *(Repealed)*.

1997, c. 14, s. 175; 2006, c. 36, s. 96.

985.35. *(Repealed)*.

1997, c. 14, s. 175; 1997, c. 85, s. 230; 2005, c. 38, s. 228; 2006, c. 36, s. 96.

CHAPTER III.3.1

REGISTERED MUSEUMS

2006, c. 36, s. 97.

985.35.1. In this chapter,

"disbursement quota" of a registered museum for a taxation year means an amount equal to the amount determined for the year in accordance with sections 985.9 to 985.9.4 as if the registered museum were a charity registered as a charitable organization;

"qualified donee" means a donee who is

(a) described in subparagraph i of paragraph *d* of section 710, paragraph *g* or *k* of the definition of "qualified donee" in section 999.2 or subparagraph ii of paragraph *a* of the definition of "qualified donee" in subsection 1 of section 149.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and whose registration as a qualified donee has not been revoked by the Minister of National Revenue;

(b) a national arts service organization validly registered as such under subsection 6.4 of section 149.1 of the Income Tax Act;

(c) a municipal or public body performing a function of government in Canada;

(d) a certified archival centre; or

(e) a registered museum established for purposes similar to those for which the registered museum making the gift was established;

"taxation year" means, in the case of a registered museum, a fiscal period.

2006, c. 36, s. 97; 2012, c. 8, s. 167; 2013, c. 10, s. 85.

985.35.2. On application made to the Minister in prescribed form, the Minister may register an organization as a museum, if the Minister is of the opinion that the organization meets the following conditions:

(a) it is a museum recognized by the Minister of Culture and Communications and whose recognition is in force; and

(b) it is neither a registered charity nor a registered cultural or communications organization.

2006, c. 36, s. 97.

985.35.3. A registered museum is required to expend, in a taxation year, on museum activities carried on by it or by way of gifts made to a qualified donee, an amount that is at least equal to its disbursement quota for the year.

2006, c. 36, s. 97.

985.35.4. On application made to the Minister in prescribed form by a registered museum, the Minister may specify an amount in respect of the museum for a taxation year and that amount is deemed to reduce the museum's disbursement quota for the year.

2006, c. 36, s. 97; 2024, c. 11, s. 95.

985.35.5. If a registered museum has expended a disbursement excess for a particular taxation year, the museum may, for the purpose of determining whether it complies with the requirement of section 985.35.3 for the preceding taxation year or any of the five subsequent taxation years, include in computing the amounts expended on museum activities carried on by it or by way of gifts made to a qualified donee, the portion of the disbursement excess for the particular year that was not so included under this section for a preceding taxation year.

The disbursement excess referred to in the first paragraph is the amount by which the aggregate of all amounts expended in the particular year by the registered museum on museum activities carried on by it or by way of gifts made to a qualified donee exceeds its disbursement quota for that year.

2006, c. 36, s. 97.

985.35.6. *(Repealed).*

2006, c. 36, s. 97; 2009, c. 5, s. 413; 2011, c. 34, s. 55; 2024, c. 11, s. 96.

985.35.7. Every registered museum shall, within six months after the end of each of its taxation years, file with the Minister an information return for the year, in prescribed form and containing the prescribed information, without notice or demand.

2006, c. 36, s. 97.

985.35.8. The Minister may, in the manner described in sections 1064 and 1065, revoke the registration of a museum if the museum

(a) fails to comply with the requirement of section 985.35.3 for a taxation year;

(b) ceases to meet the conditions set out in paragraphs *a* and *b* of section 985.35.2; or

(c) makes a payment in the form of a gift, other than a gift made in the course of museum activities carried on by it, to a donee that is not a qualified donee at the time the gift is made.

2006, c. 36, s. 97.

985.35.9. The Minister may, in the manner described in sections 1064 and 1065, revoke the registration

(a) of a registered museum, if it has entered into a transaction (including a gift to another registered museum) and it may reasonably be considered that a purpose of the transaction was to avoid or unduly delay the obligation to expend amounts on museum activities;

(b) of a registered museum, if it may reasonably be considered that a purpose of entering into a transaction (including the acceptance of a gift) with another registered museum to which paragraph *a* applies was to assist the other registered museum in avoiding or unduly delaying the obligation to expend amounts on museum activities; and

(c) of a registered museum, if it has in a taxation year received a gift of property from another registered museum with which it does not deal at arm's length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those two taxation years, an amount that is less than the

fair market value of the property, on museum activities carried on by it or by way of gifts made to a qualified donee with which it deals at arm's length.

2006, c. 36, s. 97; 2011, c. 34, s. 56.

985.35.10. Paragraph *e* of section 985.8.1, sections 985.8.5, 985.8.5.1 and 1063 to 1065, and sections 93.1.9.1, 93.1.9.2, 93.1.10.1 and 93.1.17 to 93.1.22 of the Tax Administration Act (chapter A-6.002) apply, with the necessary modifications, to a registered museum, or in respect of an application for registration as such a museum, as if it were a registered charity or an application for registration as a charity, as the case may be.

2006, c. 36, s. 97; 2010, c. 31, s. 175; 2012, c. 8, s. 168.

CHAPTER III.3.2

REGISTERED CULTURAL OR COMMUNICATIONS ORGANIZATIONS

2006, c. 36, s. 97.

985.35.11. In this chapter,

"disbursement quota" of a registered cultural or communications organization for a taxation year means an amount equal to the amount determined for the year in accordance with sections 985.9 to 985.9.4 as if the registered cultural or communications organization were a charity registered as a charitable organization;

"qualified donee" means a donee who is

(a) described in subparagraph i of paragraph *d* of section 710, in paragraph *f* or *k* of the definition of "qualified donee" in section 999.2 or in subparagraph ii of paragraph *a* of the definition of "qualified donee" in subsection 1 of section 149.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and whose registration as a qualified donee has not been revoked by the Minister of National Revenue;

(b) a national arts service organization validly registered as such under subsection 6.4 of section 149.1 of the Income Tax Act;

(c) a municipal or public body performing a function of government in Canada;

(d) a certified archival centre; or

(e) a registered cultural or communications organization established for purposes similar to those for which the registered cultural or communications organization making the gift was established;

"taxation year" means, in the case of a registered cultural or communications organization, a fiscal period.

2006, c. 36, s. 97; 2012, c. 8, s. 169; 2013, c. 10, s. 86.

985.35.12. On application made to the Minister in prescribed form, the Minister may register an organization as a cultural or communications organization, if the Minister is of the opinion that the organization meets the following conditions:

(a) it is recommended by the Minister of Culture and Communications to be registered as such;

(b) it is a person described in section 996; and

(c) it is not a registered charity.

An arts organization whose recognition as a recognized arts organization is in force on 29 June 2006, is deemed to be registered as a cultural or communications organization in accordance with the first paragraph.

2006, c. 36, s. 97.

985.35.13. A registered cultural or communications organization is required to expend, in a taxation year, on artistic, cultural or communications activities carried on by it or by way of gifts made to a qualified donee, an amount that is at least equal to its disbursement quota for the year.

2006, c. 36, s. 97.

985.35.14. On application made to the Minister in prescribed form by a registered cultural or communications organization, the Minister may specify an amount in respect of the organization for a taxation year and that amount is deemed to reduce the organization's disbursement quota for the year.

2006, c. 36, s. 97; 2024, c. 11, s. 97.

985.35.15. If a registered cultural or communications organization has expended a disbursement excess for a particular taxation year, the organization may, for the purpose of determining whether it complies with the requirement of section 985.35.13 for the preceding taxation year or any of the five subsequent taxation years, include in computing the amounts expended on artistic, cultural or communications activities carried on by it or by way of gifts made to a qualified donee, the portion of the disbursement excess for the particular year that was not so included under this section for a preceding taxation year.

The disbursement excess referred to in the first paragraph is the amount by which the aggregate of all amounts expended in the particular year by the registered cultural or communications organization on artistic, cultural or communications activities carried on by it or by way of gifts made to a qualified donee exceeds its disbursement quota for that year.

2006, c. 36, s. 97.

985.35.16. *(Repealed).*

2006, c. 36, s. 97; 2009, c. 5, s. 414; 2011, c. 34, s. 57; 2024, c. 11, s. 98.

985.35.17. Every registered cultural or communications organization shall, within six months after the end of each of its taxation years, file with the Minister an information return for the year, in prescribed form and containing the prescribed information, without notice or demand.

2006, c. 36, s. 97.

985.35.18. The Minister may, in the manner described in sections 1064 and 1065, revoke the registration of a cultural or communications organization if the organization

(a) fails to comply with the requirement of section 985.35.13 for a taxation year;

(b) ceases to meet the conditions set out in subparagraphs *a* to *c* of the first paragraph of section 985.35.12; or

(c) makes a payment in the form of a gift, other than a gift made in the course of artistic, cultural or communications activities carried on by it, to a donee that is not a qualified donee at the time the gift is made.

2006, c. 36, s. 97.

985.35.19. The Minister may, in the manner described in sections 1064 and 1065, revoke the registration

(a) of a registered cultural or communications organization, if it has entered into a transaction (including a gift to another registered cultural or communications organization) and it may reasonably be considered that a purpose of the transaction was to avoid or unduly delay the obligation to expend amounts on artistic, cultural or communications activities;

(b) of a registered cultural or communications organization, if it may reasonably be considered that a purpose of entering into a transaction (including the acceptance of a gift) with another registered cultural or

communications organization to which paragraph *a* applies was to assist the other registered cultural or communications organization in avoiding or unduly delaying the obligation to expend amounts on artistic, cultural or communications activities; and

(c) of a registered cultural or communications organization, if it has in a taxation year received a gift of property from another registered cultural or communications organization with which it does not deal at arm's length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those two taxation years, an amount that is less than the fair market value of the property, on artistic, cultural or communications activities carried on by it or by way of gifts made to a qualified donee with which it deals at arm's length.

2006, c. 36, s. 97; 2011, c. 34, s. 58.

985.35.20. Paragraph *e* of section 985.8.1, sections 985.8.5, 985.8.5.1 and 1063 to 1065, and sections 93.1.9.1, 93.1.9.2, 93.1.10.1 and 93.1.17 to 93.1.22 of the Tax Administration Act (chapter A-6.002) apply, with the necessary modifications, to a registered cultural or communications organization, or in respect of an application for registration as such an organization, as if it were a registered charity or an application for registration as a charity, as the case may be.

2006, c. 36, s. 97; 2010, c. 31, s. 175; 2012, c. 8, s. 170.

CHAPTER III.4

POLITICAL EDUCATION ORGANIZATIONS

2004, c. 21, s. 243.

985.36. In this chapter,

"disbursement quota" of a recognized political education organization for a taxation year means an amount equal to the amount determined for the year in accordance with sections 985.9 to 985.9.4 as if the recognized political education organization were a charity registered as a charitable organization;

"qualified donee" means a donee that is a recognized political education organization constituted for purposes similar to those for which the recognized political education organization making the gift was constituted;

"recognized political education organization" means a non-profit organization recognized by the Minister, on the recommendation of the Minister Responsible for Democratic Institutions and Electoral Reform, as having the mission to promote Québec sovereignty or Canadian unity through educational means and whose recognition is in force, other than a registered charity or a political party or an authority of such a party;

"taxation year" means, in the case of a recognized political education organization, a fiscal period.

The recognition granted by the Minister to an organization for the purposes of the definition of "recognized political education organization" in the first paragraph takes effect from the latest of

(a) 19 December 2002;

(b) 1 January of the year in which the recognition is granted; and

(c) the date on which the organization was constituted.

2004, c. 21, s. 243; 2005, c. 38, s. 229; 2006, c. 36, s. 98; I.N. 2020-12-10; 2021, c. 18, s. 85.

985.37. A recognized political education organization is required to expend, in any taxation year, on educational activities promoting Québec sovereignty or Canadian unity carried on by it or by way of gifts made by it to qualified donees, amounts that are at least equal to its disbursement quota for the year.

2004, c. 21, s. 243.

985.38. On application made to the Minister in prescribed form by a recognized political education organization, the Minister may specify an amount in respect of the organization for a taxation year and that amount is deemed to reduce the organization's disbursement quota for the year.

2004, c. 21, s. 243; 2024, c. 11, s. 99.

985.39. Where a recognized political education organization has expended a disbursement excess for a particular taxation year, the organization may, for the purpose of determining whether it complies with the requirement of section 985.37 for its preceding taxation year or any of its five subsequent taxation years, include in the computation of the amounts expended on educational activities promoting Québec sovereignty or Canadian unity carried on by it or by way of gifts made by it to qualified donees, such portion of the disbursement excess for the particular year as was not so included under this section for any preceding taxation year.

The disbursement excess referred to in the first paragraph means the amount by which the aggregate of all amounts expended in the particular year by the recognized political education organization on educational activities promoting Québec sovereignty or Canadian unity carried on by it or by way of gifts made to qualified donees exceeds its disbursement quota for that year.

2004, c. 21, s. 243.

985.40. *(Repealed).*

2004, c. 21, s. 243; 2009, c. 5, s. 415; 2011, c. 34, s. 59; 2024, c. 11, s. 100.

985.41. Every recognized political education organization shall, within six months from the end of each of its taxation years, file with the Minister an information return for the year, in prescribed form and containing the prescribed information, without notice or demand therefor.

2004, c. 21, s. 243.

985.42. The Minister may, in the manner described in sections 1064 and 1065, revoke the recognition of a recognized political education organization if the organization

(a) fails to comply with the requirement of section 985.37 for a taxation year; or

(b) makes a payment in the form of a gift to a donee that is not a qualified donee at the time the gift is made.

2004, c. 21, s. 243; 2009, c. 5, s. 416.

985.43. The Minister may, in the manner described in sections 1064 and 1065, revoke the recognition

(a) of a recognized political education organization, if it has entered into a transaction (including a gift to another recognized political education organization) and it may reasonably be considered that a purpose of the transaction was to avoid or unduly delay the obligation to expend amounts on educational activities promoting Québec sovereignty or Canadian unity;

(b) of a recognized political education organization, if it may reasonably be considered that a purpose of entering into a transaction (including the acceptance of a gift) with another recognized political education organization to which paragraph *a* applies was to assist the other recognized political education organization in avoiding or unduly delaying the obligation to expend amounts on educational activities promoting Québec sovereignty or Canadian unity; and

(c) of a recognized political education organization, if it has in a taxation year received a gift of property from another recognized political education organization with which it does not deal at arm's length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those two taxation years, an amount that is less than the fair market value of the property, on educational activities

promoting Québec sovereignty or Canadian unity carried on by it or by way of gifts made to a qualified donee with which it deals at arm's length.

2004, c. 21, s. 243; 2011, c. 34, s. 60.

985.44. Paragraph *e* of section 985.8.1, sections 985.8.5, 985.8.5.1 and 1063 to 1065, and sections 93.1.9.1, 93.1.9.2, 93.1.10.1 and 93.1.17 to 93.1.22 of the Tax Administration Act (chapter A-6.002) apply, with the necessary modifications, to a recognized political education organization, or in respect of an application for recognition as such an organization, as if it were a registered charity or an application for registration as a charity, as the case may be.

2004, c. 21, s. 243; 2005, c. 38, s. 230; 2010, c. 31, s. 175; 2012, c. 8, s. 171.

CHAPTER IV

OTHER ORGANIZATIONS

1972, c. 23; 1978, c. 26, s. 193.

986. (1) No organization or person contemplated in this chapter shall claim the tax exemption provided therein if part of its or his income is payable to any proprietor, member or shareholder thereof, or is otherwise made available for the personal benefit of any proprietor, member or shareholder.

(2) For the purposes of subsection 1, the income of an organization is deemed to be the amount thereof determined on the assumption that the amount of any taxable capital gain or allowable capital loss is nil.

(3) Subsection 1 does not apply to a club, society or association referred to in section 996 if the proprietor, member or shareholder referred to in the said subsection is a club, society or association referred to in the said section having as its primary purpose and primary function, the promotion of amateur athletics in Canada.

1972, c. 23, s. 718; 1975, c. 22, s. 230; 1978, c. 26, s. 194; 1994, c. 22, s. 309; 1997, c. 3, s. 71.

987. *(Repealed).*

1972, c. 23, s. 719; 1978, c. 26, s. 195.

988. *(Repealed).*

1972, c. 23, s. 720; 1973, c. 17, s. 112; 1975, c. 22, s. 231; 1978, c. 26, s. 196.

989. *(Repealed).*

1972, c. 23, s. 721; 1978, c. 26, s. 197.

990. *(Repealed).*

1972, c. 23, s. 722; 1973, c. 17, s. 113; 1974, c. 18, s. 31; 1975, c. 22, s. 232; 1978, c. 26, s. 198.

991. A corporation that was constituted exclusively for the purpose of carrying on or promoting scientific research and experimental development is exempt from tax if it has not acquired control of any other corporation, if it does not carry on any business and if at least 90% of the amount by which the corporation's gross revenue for the period referred to in section 980 exceeds the aggregate of all amounts paid in the period by the corporation because of subsection 7.1 of section 149 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or section 991.2 is expended in Canada

(a) as an expenditure on scientific research and experimental development, within the meaning of section 230, but excluding an expenditure referred to in paragraph *a* of section 230.0.0.2, directly undertaken by or on behalf of the corporation, or

(b) as a payment to any of the entities described in subparagraphs i and ii of paragraph *d* of subsection 1 of section 222, to be used for scientific research and experimental development.

For the purposes of subsection 1 of section 986 and of this section, such corporation shall include in computing its income and in determining its gross revenue all amounts contributed to the corporation to be used for scientific research and experimental development and the amount of all gifts made to it.

1972, c. 23, s. 723; 1987, c. 67, s. 179; 1990, c. 59, s. 334; 1997, c. 3, s. 71; 1997, c. 31, s. 91; 2015, c. 21, s. 354.

991.1. A corporation that is exempt from tax under this Part for a taxation year because of section 991 shall file with the Minister, on or before its filing-due date for the year, the prescribed form containing the prescribed information.

1997, c. 31, s. 92.

991.2. Where a corporation fails to file the prescribed form as required by section 991.1 for a taxation year, it incurs a penalty equal to the amount determined by the formula

A × B.

For the purposes of the formula in the first paragraph,

(a) A is the greater of $250 and 0.75% of the corporation's taxable income for the year;

(b) B is the lesser of 12 and the number of months in whole or in part that are in the period that begins on the day on or before which the prescribed form is required to be filed and ends on the day it is filed.

1997, c. 31, s. 92.

992. In determining the gross revenue of a corporation for the purpose of determining whether the corporation is described by section 991 for a taxation year, there may be deducted an amount not exceeding its gross revenue for the year computed before applying this section, and there shall be included any amount that has been deducted under this section for the preceding taxation year.

1972, c. 23, s. 724; 1978, c. 26, s. 199; 1982, c. 5, s. 176; 1997, c. 3, s. 71; 1997, c. 31, s. 93.

993. *(Repealed).*

1972, c. 23, s. 725; 1978, c. 26, s. 200; 1982, c. 5, s. 177.

994. For the purposes of section 991, a corporation is deemed to be controlled by another corporation, if more than 50 per cent of its issued capital stock having full voting rights is owned by such other corporation or at once by such other corporation and by persons with whom such other corporation does not deal at arm's length; however, such corporation is not deemed to have acquired control of a corporation if it has not purchased or otherwise acquired subject to payment any share in the capital stock of such corporation.

1972, c. 23, s. 726; 1978, c. 26, s. 201; 1997, c. 3, s. 71.

995. The following are exempt from tax:

(a) an agricultural organization or a board of trade;

(b) a corporation constituted exclusively for the purpose of providing low-cost housing accommodation for the aged.

1972, c. 23, s. 727; 1997, c. 3, s. 71.

996. A club, society or association, established and operated exclusively for non-profit purposes, that, in the Minister's opinion, is not a charity, is exempt from tax.

1972, c. 23, s. 728; 1978, c. 26, s. 202; 1995, c. 49, s. 236; 1997, c. 3, s. 71.

997. Where the main object of a club, society or association contemplated in section 996 is to provide dining, recreational or sporting facilities for its members, a trust is deemed, after 31 December 1971, to have been created and the following rules apply:

(a) its property is deemed to be the property of the trust;

(b) if it is a corporation, it is deemed to be the trustee having control of the trust property;

(c) if it is not a corporation, its officers are deemed to be the trustees having control of the trust property;

(d) the trust shall pay the tax under this Part on its taxable income for each taxation year;

(e) the income and the taxable income of the trust are computed for each taxation year on the assumption that it had no income or losses other than income and losses from property and taxable capital gains and allowable capital losses from disposition of property other than property used exclusively and directly for the main objects of the club, society or association;

(f) an additional amount of $2,000 may be deducted in computing its taxable income for each taxation year but no deduction is permitted under sections 738 to 749;

(g) the provisions of Title XII of Book III, except sections 646 and 647, do not apply to such trust.

1972, c. 23, s. 729; 1977, c. 26, s. 106; 1986, c. 15, s. 169; 1986, c. 19, s. 182; 1989, c. 5, s. 195; 1997, c. 3, s. 51; 2017, c. 1, s. 260.

997.1. Every person who is exempt from tax under this Part because of paragraph *a* of section 995 or section 996 shall, within six months after the end of each fiscal period of the person and without notice or demand therefor, file with the Minister an information return for the period in prescribed form and containing prescribed information, if

(a) the aggregate of all amounts each of which is a taxable dividend or an amount received or receivable by the person as, on account of, in lieu of or in satisfaction of, interest, rentals or royalties in the period exceeds $10,000;

(b) at the end of the person's preceding fiscal period the total assets of the person, determined in accordance with generally accepted accounting principles, exceeded $200,000; or

(c) an information return was required to be filed under this section by the person for a preceding fiscal period.

1994, c. 22, s. 310.

CHAPTER V

MISCELLANEOUS CASES

1972, c. 23.

998. The following are exempt from tax:

(a) an association of employees within the meaning of the Labour Code (chapter C-27) or a benevolent or fraternal benefit society or order;

(b) a mutual insurance corporation receiving its premiums wholly from the insurance of churches, schools or charitable organizations;

(b.1) (paragraph repealed);

(c) a limited-dividend housing company within the meaning of section 2 of the National Housing Act (R.S.C. 1985, c. N-11) all or substantially all of the business of which is the construction, holding or management of low-rental housing projects;

(c.1) a corporation accepted, under paragraph *o*.1 of subsection 1 of section 149 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) by the Minister of Revenue of Canada as a funding medium for the purposes of the registration of a plan as a registered pension plan, and incorporated and operated throughout the period referred to in section 980

i. solely for the administration of that registered pension plan, or

ii. for the administration of that registered pension plan and for no other purpose other than acting as trustee of, or administering, a trust governed by a retirement compensation arrangement, where the terms of the arrangement provide for benefits only in respect of individuals who are provided with benefits under the registered pension plan;

(c.2) a corporation all of the shares, and rights to acquire shares, of the capital stock of which were owned by one or more registered pension plans, by one or more trusts all the beneficiaries of which are registered pension plans, by one or more segregated fund trusts, within the meaning of subparagraph *k* of the first paragraph of section 835, all the beneficiaries of which are registered pension plans or by one or more prescribed persons, or, in the case of a corporation without share capital, all the property of which was held exclusively for the benefit of one or more such plans and, in either case, without interruption from the later of 16 November 1978 and the date on which the corporation was incorporated, and which is a corporation that

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

ii. has, without interruption from the later of 16 November 1978 and the date on which it was incorporated,

(1) limited its activities to acquiring, holding, maintaining, improving, leasing or managing capital property that is immovable property, or real rights in such property, owned by the corporation, a registered pension plan or another corporation described in this paragraph, other than a corporation without share capital, and investing its funds in a partnership that limits its activities to acquiring, holding, maintaining, improving, leasing or managing capital property that is immovable property, or real rights in such property, owned by the partnership,

(2) borrowed money solely for the purpose of earning income from immovable property or a real right in such property, and

(3) made no investments other than investments in immovable property, or a real right in such property, or investments that a pension plan is permitted to make under the Pension Benefits Standards Act, 1985 (R.S.C. 1985, c. 32 (2nd Suppl.)) or a similar law of a province,

iii. has made no investments other than investments that a pension plan is permitted to make under the Pension Benefits Standards Act, 1985 or a similar law of a province, and whose assets where at least 98% cash and investments, that has not issued bonds, notes, debentures or similar obligations or accepted deposits, and has derived at least 98% of its income for the period referred to in section 980 that is a taxation year of the corporation from, or from the disposition of, investments, or

iv. throughout the period referred to in section 980, has limited its activities to acquiring Canadian resource properties by purchase or by incurring Canadian exploration expenses or Canadian development expenses, or holding, exploring, developing, maintaining, improving, managing, operating or disposing of its Canadian resource properties, borrowed money solely for the purpose of earning income from Canadian resource properties and made no investments other than in Canadian resource properties, in property to be used in connection with Canadian resource properties acquired by purchase or by incurring Canadian exploration expenses or Canadian development expenses, in loans secured by Canadian resource properties for the purpose of acquiring, holding, exploring, developing, maintaining, improving, managing, operating or disposing of a Canadian resource property or in investments that a pension plan is permitted to make under the Pension Benefits Standards Act, 1985 or a similar law of a province;

(c.3) a corporation that is a small business investment corporation within the meaning of the regulations;

(c.4) a trust that is a master trust within the meaning of the regulations and that elects to be such a trust under this paragraph in its fiscal return for its first taxation year ending in the period referred to in section 980;

(d) a trust established under a registered pension plan;

(e) a trust established under a profit sharing plan to the extent provided in Title I of Book VII;

(f) a trust established under a deferred profit sharing plan to the extent provided in Title II of Book VII;

(f.1) an RCA trust, within the meaning of subparagraph *c* of the first paragraph of section 890.1;

(g) a trust established under a registered education savings plan, to the extent provided in Title III of Book VII;

(g.1) a trust established under a registered disability savings plan, to the extent provided in Title III.1 of Book VII;

(h) a trust established under a registered retirement savings plan to the extent provided in Title IV of Book VII;

(h.1) a trust established under a tax-free savings account, to the extent provided in Title IV.3 of Book VII;

(h.2) a trust established under a first home savings account, to the extent provided in Title IV.4 of Book VII;

(i) (paragraph repealed);

(i.1) a trust established under a registered retirement income fund to the extent provided in Title V.1 of Book VII;

(j) a trust established under a registered supplementary unemployment benefit plan to the extent provided by sections 962 to 965;

(j.0.1) a trust governed by a pooled registered pension plan to the extent provided in Title VI.0.2 of Book VII;

(j.1) a trust governed by an eligible funeral arrangement;

(j.2) a cemetery care trust;

(k) (paragraph repealed);

(l) a trust established in accordance with a law of Canada or of a province in order to provide funds out of which to compensate persons for claims against the owner of a business contemplated in the relevant law, where that owner is unwilling or unable to compensate his customers or clients, if no part of the property of the trust, after payment of its proper expenses, is available to persons other than clients or customers of such business and as such;

(m) a trust established pursuant to a collective agreement between an employer or an employers' association and employees or an association of employees for the sole purpose of providing for the payment of holiday or vacation pay, if the aggregate of the property of the trust, after payment of its reasonable expenses, is not paid after 11 December 1979 or is not available after 1980 except to a person referred to in paragraph *a*, to a person as a consequence of his employment, or to an legatee by particular title or legal representative of the latter person;

(n) an amateur athlete trust;

(o) an environmental trust;

(p) a trust

i. that was created because of a requirement imposed by section 56 of the Environment Quality Act (chapter Q-2),

ii. that is resident in Canada, and

iii. in which the only persons that are beneficially interested are

(1) the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec, or

(2) a municipality, within the meaning of section 1 of that Act, that is exempt under this Book from tax under this Part on all of its taxable income; or

(q) a trust

i. that was created because of a requirement imposed by subsection 1 of section 9 of the Nuclear Fuel Waste Act (S.C. 2002, c. 23),

ii. that is resident in Canada, and

iii. in which the only persons that are beneficially interested are

(1) the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec,

(2) a nuclear energy corporation, within the meaning of section 2 of that Act, all of the shares of the capital stock of which are owned by one or more persons described in subparagraph 1,

(3) the waste management organization established under section 6 of that Act if all of the shares of its capital stock are owned by one or more nuclear energy corporations described in subparagraph 2, or

(4) Atomic Energy of Canada Limited, being the company incorporated or acquired under subsection 2 of section 10 of the Atomic Energy Control Act (R.S.C. 1970, c. A-19).

1972, c. 23, s. 730; 1974, c. 18, s. 32; 1975, c. 21, s. 25; 1977, c. 26, s. 107; 1979, c. 18, s. 69; 1980, c. 13, s. 101; 1982, c. 5, s. 178; 1982, c. 52, s. 202; 1984, c. 15, s. 229; 1985, c. 25, s. 144; 1987, c. 67, s. 180; 1988, c. 18, s. 112; 1989, c. 77, s. 96; 1990, c. 59, s. 335; 1991, c. 25, s. 163; 1993, c. 16, s. 321; 1994, c. 22, s. 311; 1995, c. 49, s. 236; 1995, c. 63, s. 112; 1996, c. 39, s. 249; 1997, c. 3, s. 52; 1997, c. 14, s. 176; 1998, c. 16, s. 217; 2000, c. 5, s. 232; 2002, c. 45, s. 520; 2004, c. 8, s. 176; 2004, c. 37, s. 90; 2005, c. 23, s. 136; 2009, c. 5, s. 418; 2009, c. 15, s. 181; 2010, c. 25, s. 107; 2015, c. 21, s. 355; 2015, c. 36, s. 67; 2019, c. 14, s. 292; 2020, c. 16, s. 142; 2023, c. 19, s. 100.

998.1. For the purposes of paragraph *c*.2 of section 998, where it must be determined if a corporation is a corporation all of the shares, and rights to acquire shares, of the capital stock of which were owned by one or more registered pension plans, where there has been a merger, within the meaning of section 544, of corporations, section 549 applies and the shares of the predecessor corporations are deemed to have been altered, in form only, and to be shares of the new corporation.

1980, c. 13, s. 102; 1991, c. 25, s. 164; 1997, c. 3, s. 71.

999. There is no tax exemption for the income from a life insurance business carried on by a benevolent or fraternal benefit society; such income is however computed as if such society has no other income or loss than from that source.

The income referred to in the first paragraph includes income from the sale of property used or held by the benevolent or fraternal benefit society in the year in the course of carrying on a life insurance business.

1972, c. 23, s. 731; 1990, c. 59, s. 336; 1997, c. 3, s. 53.

999.0.1. *(Repealed).*

1990, c. 59, s. 337; 1993, c. 16, s. 322; 1998, c. 16, s. 218; 2002, c. 45, s. 520; 2004, c. 37, s. 90; 2019, c. 14, s. 293.

999.0.2. *(Repealed).*

1990, c. 59, s. 337; 1993, c. 16, s. 323; 2019, c. 14, s. 293.

999.0.3. *(Repealed).*

1990, c. 59, s. 337; 1993, c. 16, s. 323; 1997, c. 3, s. 71; 1998, c. 16, s. 219; 2019, c. 14, s. 293.

999.0.4. *(Repealed).*

1990, c. 59, s. 337; 1993, c. 16, s. 323; 2019, c. 14, s. 293.

999.0.5. *(Repealed).*

1993, c. 16, s. 324; 2015, c. 24, s. 128; 2019, c. 14, s. 293.

999.1. Where, at any time (in this section referred to as "that time"), a person that is a corporation or, if that time is after 12 September 2013, a trust becomes or ceases to be exempt from tax under this Part on its taxable income, the following rules apply:

(a) the taxation year of the person—where the person is either a corporation and subsection 10 of section 149 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) does not apply to the corporation in respect of that time, or a trust—that would otherwise include that time is deemed to end immediately before that time and a new taxation year of the person is deemed to begin at that time and, if the person is a corporation, to end at the time at which its taxation year (determined for the purposes of the Income Tax Act) that includes that time, ends;

(a.0.1*) (paragraph repealed);*

(a.1*)* for the purpose of computing the person's income for its first taxation year ending after that time, the person is deemed to have deducted under Chapter III of Title III of Book III and Chapters II and III of Title V of Book VI in computing its income for its taxation year ending immediately before that time, the greatest amount that could have been claimed or deducted for that year as a reserve under those provisions;

(b) the person is deemed to dispose, at the time (in this section referred to as the "disposition time") that is immediately before the time that is immediately before that time, of each property that was owned by it

immediately before that time for an amount equal to its fair market value at that time, and to reacquire the property at that time at a cost equal to that fair market value; and

(c) (paragraph repealed);

(d) (paragraph repealed);

(e) for the purposes of sections 222 to 230.0.0.6, 330, 359 to 418.36, 419 to 419.4, 419.6, 600.1, 600.2, 727 to 737 and 772.2 to 772.13, the person is deemed to be a new corporation or a new trust, as the case may be, the first taxation year of which began at that time;

(f) (paragraph repealed).

1984, c. 15, s. 230; 1986, c. 19, s. 183; 1989, c. 77, s. 97; 1990, c. 59, s. 338; 1994, c. 22, s. 312; 1995, c. 49, s. 227; 1997, c. 3, s. 71; 2000, c. 5, s. 233; 2005, c. 1, s. 207; 2009, c. 5, s. 419; 2017, c. 1, s. 261; 2019, c. 14, s. 294.

TITLE II

QUALIFIED DONEES

2012, c. 8, s. 172.

CHAPTER I

DEFINITION

2012, c. 8, s. 172.

999.2. In this Title, "qualified donee", at a particular time, means

(a) a person described in any of subparagraphs i to v of paragraph *a* of the definition of "qualified donee" in subsection 1 of section 149.1 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) and whose registration as a qualified donee has not been revoked by the Minister of National Revenue;

(b) a registered charity;

(c) a registered Canadian amateur athletic association;

(d) a registered Québec amateur athletic association;

(d.1) a registered journalism organization;

(e) a recognized political education organization;

(f) a registered museum;

(g) a registered cultural or communications organization;

(h) the Organisation internationale de la Francophonie or any of its subsidiary bodies;

(i) the United Nations or any of its agencies;

(j) a foreign charitable organization to which the State has made a gift in the 36-month period that begins 24 months before that time; or

(k) the State or Her Majesty in right of Canada or a province, other than Québec.

2012, c. 8, s. 172; 2013, c. 10, s. 87; 2021, c. 18, s. 86.

CHAPTER II

TEMPORARY SUSPENSION OF THE AUTHORITY TO ISSUE RECEIPTS

2012, c. 8, s. 172.

999.3. The Minister may give notice by registered mail to a person that is a municipality referred to in paragraph *a* of the definition of "qualified donee", provided it is a Québec municipality, or that is a person referred to in any of paragraphs *b* to *g* of that definition, such a person being referred to as a "donee" in this chapter, that the authority of the person to issue receipts in accordance with the regulations is suspended for one year from the eighth day after the notice is mailed if

(a) the donee contravenes any of the provisions of Division V of Chapter III of the Tax Administration Act (chapter A-6.002);

(b) it may reasonably be considered that the donee has acted, in concert with another donee that is the subject of a suspension under this Book, to accept a gift or transfer of property on behalf of that other donee;

(c) an ineligible individual is a director, trustee, officer or like official of the donee, or controls or manages the donee, directly or indirectly, in any manner whatever, unless the donee is a municipality or a registered journalism organization;

(d) where the donee is a registered charity, a registered Canadian amateur athletic association or a registered Québec amateur athletic association, the donee devotes any part of its resources to the direct or indirect support of, or opposition to, any political party or candidate for public office;

(e) (subparagraph repealed);

(f) (subparagraph repealed);

(g) where the donee is a registered charity, a false statement, within the meaning assigned by the first paragraph of section 1049.0.3, was made in circumstances amounting to culpable conduct, within the meaning assigned by that first paragraph, in the furnishing of information for the purpose of maintaining its registration.

For the purposes of the first paragraph, "ineligible individual" has the meaning assigned by paragraph *h* of section 985.1 where the donee is a registered charity, a registered Canadian amateur athletic association or a registered Québec amateur athletic association, and, in any other case, has the meaning that would be assigned by that paragraph *h*, if that paragraph applied to the donee, with the necessary modifications.

2012, c. 8, s. 172; 2013, c. 10, s. 88; 2021, c. 18, s. 87; 2021, c. 36, s. 98.

999.3.1. Where a registered charity, a registered Canadian amateur athletic association, a registered Québec amateur athletic association or a registered journalism organization fails to provide information in a prescribed form filed under section 985.22, 985.23.7 or 985.26.2, as the case may be, the Minister may give notice by registered mail to the charity, association or organization that its authority to issue a receipt in accordance with the regulations is suspended as of the eighth day that follows the day on which the notice is sent until such time as the Minister notifies the charity, association or organization that the Minister has received the required information in prescribed form.

2013, c. 10, s. 89; 2021, c. 18, s. 88.

999.4. Subject to section 93.1.9.2 of the Tax Administration Act (chapter A-6.002), the following rules apply if the Minister has issued a notice to a donee in accordance with section 999.3 or 999.3.1:

(a) the donee is deemed, in respect of gifts made and property transferred to the donee within the one-year period that begins on the day that is seven days after the notice is mailed, not to be a qualified donee for

the purposes of sections 710 and 752.0.10.1 and the Regulation respecting the Taxation Act (chapter I-3, r. 1); and

(b) if the donee is, during that period, offered a gift from any person, the donee shall, before accepting the gift, inform that person that it has received the notice that no deduction under any of sections 710 and 752.0.10.6 to 752.0.10.6.2 may be claimed in respect of a gift made to it in the period, and that a gift made in the period is not a gift to a qualified donee.

2012, c. 8, s. 172; 2013, c. 10, s. 90; 2015, c. 21, s. 356.

999.5. If the authority of a qualified donee to issue receipts is suspended for the purposes of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) under any of subsections 1 to 2.1 of section 188.2 of that Act, the authority is deemed to be suspended for the purposes of this Act and the regulations, subject to a postponement of the period of suspension under subsection 4 of that section 188.2.

2012, c. 8, s. 172; 2013, c. 10, s. 91.

BOOK IX

RETURNS, ASSESSMENTS AND PAYMENTS

1972, c. 23; 1977, c. 26, s. 108; 1977, c. 26, s. 120; 1997, c. 85, s. 231.

TITLE I

RETURNS

1972, c. 23.

1000. (1) A fiscal return containing the prescribed information shall be filed with the Minister in prescribed form, without notice or demand therefor, for each taxation year in the case of a corporation, other than a corporation described in section 1003.1, and in the case of an individual, for each taxation year

(a) for which tax under this Part is payable or would be payable had the individual not deducted an amount in relation to a preceding taxation year and referred to in any of sections 727 to 737;

(b) in respect of which section 42.8 applies to the individual and in which the individual performed employment duties for a regulated establishment within the meaning of section 42.6;

(c) in which the individual has a taxable capital gain or disposes of capital property, where the individual is resident in Canada at any time in the year;

(c.1) at any particular time of which, the individual, as a specified trust, owns a specified immovable or is a member of a partnership that owns a specified immovable;

(c.2) for which, as a trust, other than an excluded trust for the year, the individual deducts an amount in computing income under paragraph *a* or *b* of section 657;

(c.3) on the last day of which the individual is a trust, other than an excluded trust for the year, that is resident in Québec and at any time of which the individual owns property the total of the cost amounts of which is greater than $250,000;

(c.4) on the last day of which the individual is a trust, other than an excluded trust for the year, that is not resident in Québec and at any time of which the individual owns property the individual uses in the operation of a business in Québec the total of the cost amounts of which is greater than $250,000;

(d) in which the individual has a taxable capital gain (otherwise than from an excluded disposition within the meaning of section 1003.2) or disposes of a taxable Québec property (otherwise than in such an excluded disposition), where the individual is not resident in Canada throughout the year; or

(e) at the end of which the individual's specified balance, as defined in the first paragraph of section 935.1 or 935.12, is a positive amount.

(2) Such return must be filed by the following persons and within the following delays:

(a) in the case of a corporation, by or on behalf of the corporation within six months from the end of its taxation year;

(b) (paragraph repealed);

(c) in the case of a person who dies before the day following the day that would otherwise be the person's filing-due date, by the person's legal representatives on or before the person's filing-due date or within six months after the day of death;

(d) in the case of a succession or a trust, by the liquidator of the succession, the executor or the trustee, within 90 days after the end of its taxation year;

(e) in the case of any other person, by that person, on or before

i. 30 April of the following calendar year,

ii. 15 June of the following calendar year if the person is an individual who carried on a business in the taxation year, unless the expenditures made in the course of carrying on the business were primarily the cost or capital cost of a tax shelter within the meaning assigned by section 851.38, or if at any time in the taxation year the person is the spouse of such an individual and the person and the individual are not living apart at that time, or

iii. where at any time in the taxation year the person was the spouse of an individual to whom paragraph *c* applies and the person and the individual were not living apart at that time, within the time specified in paragraph *c*; and

(f) in a case where no return has been filed under paragraphs *a* to *e*, by such person as is required by notice in writing from the Minister to file the return, within such reasonable time as the notice specifies.

(2.1) For the purposes of paragraph *c*.1 of subsection 1,

(a) "specified immovable" and "specified trust" have the meaning assigned by section 1129.77; and

(b) each member of a partnership, at any time, is deemed to be a member of another partnership of which the first partnership is a member at that time.

(2.2) For the purposes of paragraphs *c*.2 to *c*.4 of subsection 1, "excluded trust" for a taxation year means

(a) a succession;

(b) a testamentary trust that is resident in Québec on the last day of the year and that owns property the total of the cost amounts of which is, throughout the year, less than $1,000,000;

(c) a testamentary trust that is not resident in Québec on the last day of the year and that owns property situated in Québec the total of the cost amounts of which is, throughout the year, less than $1,000,000;

(d) a unit trust;

(e) an insurer's segregated fund trust;

(f) a mutual fund trust;

(g) a SIFT trust; or

(h) a tax-exempt trust.

(3) For the purposes of paragraph *e* of subsection 2, two persons shall be considered to be living apart at any time if they were living apart at that time, because of a breakdown of their marriage, and the separation lasted for a period of at least 90 days.

1972, c. 23, s. 732; 1972, c. 26, s. 68; 1975, c. 22, s. 233; 1986, c. 15, s. 170; 1987, c. 67, s. 181; 1993, c. 16, s. 325; 1993, c. 64, s. 127; 1994, c. 22, s. 313; 1995, c. 1, s. 109; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 1997, c. 14, s. 177; 1997, c. 31, s. 94; 1997, c. 85, s. 232; 1998, c. 16, s. 251; 2001, c. 7, s. 138; 2001, c. 53, s. 215; 2006, c. 13, s. 86; 2009, c. 15, s. 182; 2013, c. 10, s. 92; 2015, c. 21, s. 357.

1000.1. An individual who, for a taxation year, is referred to in paragraph *b* of subsection 1 of section 1000 shall file with the Minister, with the fiscal return the individual is required to file for the year under that section, the prescribed form containing the prescribed information.

1997, c. 85, s. 233.

1000.2. If a taxpayer has deducted, in respect of a property described in the second paragraph, an amount in computing the taxpayer's income under paragraph *a* of section 130 or the second paragraph of section 130.1 for a taxation year ending before all the conditions applicable to the property and set out in the third paragraph have been met, and, in a subsequent taxation year, an event occurs that results in any of those conditions not being able to be met, the taxpayer shall, on or before the taxpayer's filing-due date for that subsequent taxation year, file with the Minister for any taxation year that precedes the subsequent taxation year and for which the taxpayer's fiscal return was filed by the taxpayer under section 1000, and for which tax consequences under this Part arise from the fact that, in the case of a property described in subparagraph *a* of the second paragraph, the property cannot be included in the class provided for in that subparagraph or, in the case of a property described in subparagraph *b* of the second paragraph, the property does not meet all the conditions prescribed under subparagraph *b* of the third paragraph, an amended fiscal return in which those tax consequences must be taken into account.

The property to which the first paragraph refers is

(a) a property in Class 12 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) because of subparagraph *t* of the first paragraph of that class or of the second or fourth paragraph of that class; or

(b) a prescribed property.

The conditions to which the first paragraph refers are

(a) in the case of a property described in subparagraph *a* of the second paragraph, the conditions of subparagraph *t* of the first paragraph of Class 12 of Schedule B to the Regulation respecting the Taxation Act or of the second or fourth paragraph of that class; or

(b) in the case of a property described in subparagraph *b* of the second paragraph, the prescribed conditions.

1999, c. 83, s. 163; 2004, c. 21, s. 244; 2011, c. 1, s. 49.

1000.3. If a partnership has deducted, in respect of a property described in the second paragraph, an amount in computing its income under paragraph *a* of section 130 or the second paragraph of section 130.1

for a particular fiscal period ending before all the conditions applicable to the property and set out in the third paragraph have been met, and, in a subsequent fiscal period, an event occurs that results in any of those conditions not being able to be met, each taxpayer who was a member of the partnership at the end of the particular fiscal period shall, on or before the taxpayer's filing-due date for the taxpayer's taxation year in which that subsequent fiscal period ends or would have ended had the taxpayer been a member of the partnership at the end of that subsequent fiscal period, file with the Minister for any taxation year that precedes that taxation year and for which the taxpayer's fiscal return was filed by the taxpayer under section 1000, and for which tax consequences under this Part arise from the fact that, in the case of a property described in subparagraph *a* of the second paragraph, the property cannot be included in the class provided for in that subparagraph or, in the case of a property described in subparagraph *b* of the second paragraph, the property does not meet all the conditions prescribed under subparagraph *b* of the third paragraph, an amended fiscal return in which those tax consequences must be taken into account.

The property to which the first paragraph refers is

(a) a property in Class 12 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) because of subparagraph *t* of the first paragraph of that class or of the second or fourth paragraph of that class; or

(b) a prescribed property.

The conditions to which the first paragraph refers are

(a) in the case of a property described in subparagraph *a* of the second paragraph, the conditions of subparagraph *t* of the first paragraph of Class 12 of Schedule B to the Regulation respecting the Taxation Act or of the second or fourth paragraph of that class; or

(b) in the case of a property described in subparagraph *b* of the second paragraph, the prescribed conditions.

1999, c. 83, s. 163; 2004, c. 21, s. 245; 2011, c. 1, s. 49.

1001. Every person, whether or not the person is liable to pay tax and whether or not a fiscal return has been filed, shall, on demand from the Minister, file with the Minister in the prescribed form containing prescribed information a fiscal return for the taxation year within such time as may be designated in the demand.

1972, c. 23, s. 733; 1973, c. 17, s. 114; 1973, c. 18, s. 27; 1975, c. 83, s. 84; 1997, c. 14, s. 290; 1999, c. 83, s. 273; 2000, c. 5, s. 234; 2015, c. 21, s. 358.

1002. Every trustee in bankruptcy, assignee, liquidator, receiver, agent or other person, including the public curator, administering, managing, winding-up or controlling in any manner the property, business, succession or income of a person who has not filed a fiscal return for a taxation year as required by this Title shall file such return for that year.

1972, c. 23, s. 734; 1975, c. 22, s. 234; 1998, c. 16, s. 251; 2000, c. 5, s. 235; 2020, c. 11, s. 254.

1003. Where section 217.9.1 applies in computing an individual's income for a taxation year from a business, or where an individual who carries on a business in a taxation year dies in the year and after the end of a fiscal period of the business that ends in the year, another fiscal period of the business (in this section referred to as the "short period") ends in the year because of the individual's death, and the individual's legal representative elects that this section apply, the following rules apply:

(a) the individual's income from businesses for short periods, if any, shall not be included in computing the individual's income for the year; and

(b) the individual's legal representative shall file a separate fiscal return for the year under this Part in respect of the individual as if the return were filed in respect of another person and shall pay the tax payable under this Part by that other person for the year computed as if

i. the other person's only income for the year were the amount determined by the formula

A - B; and

ii. subject to sections 693.1, 752.0.26 and 776.1.5.0.19, that other person were entitled to the deductions to which the individual is entitled under sections 725 to 725.5, 752.0.0.1 to 752.0.13.3, 752.0.14 to 752.0.18.15, 776.1.5.0.17 and 776.1.5.0.18 for the year in computing the individual's taxable income or tax payable under this Part, as the case may be, for the year.

In the formula provided for in subparagraph i of subparagraph *b* of the first paragraph,

(a) A is the aggregate of all amounts each of which is the individual's income from a business for a short period; and

(b) B is the aggregate of all amounts each of which is an amount included under section 217.9.1 in computing the individual's income for the taxation year in which the individual dies;

(c) (subparagraph repealed).

1972, c. 23, s. 735; 1986, c. 19, s. 184; 1989, c. 5, s. 196; 1993, c. 64, s. 128; 1994, c. 22, s. 314; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1999, c. 83, s. 273; 2000, c. 5, s. 236; 2001, c. 53, s. 216; 2005, c. 1, s. 208; 2006, c. 36, s. 99; 2015, c. 24, s. 129; 2019, c. 14, s. 295.

1003.1. The corporation to which subsection 1 of section 1000 refers for a taxation year is

(a) a corporation that is a registered charity throughout the year; or

(b) a corporation referred to in the first paragraph of section 27 each taxable Québec property of which that is disposed of in the year is disposed of in an excluded disposition, within the meaning of section 1003.2.

2009, c. 15, s. 183.

1003.2. For the purposes of paragraph *d* of subsection 1 of section 1000 and paragraph *b* of section 1003.1, a disposition of a property by a taxpayer at any time in a taxation year is an excluded disposition if

(a) the taxpayer is not resident in Canada at that time;

(b) no tax is payable under this Part by the taxpayer for the taxation year;

(c) the taxpayer is, at that time, not liable to pay an amount under this Act in respect of a previous taxation year (other than an amount for which the Minister has accepted, and holds, adequate security under Chapter IV.1 of Title III of this Part or under Title III of Part II); and

(d) each taxable Québec property disposed of by the taxpayer in the taxation year is

i. excluded property within the meaning of section 1102.4, or

ii. a property in respect of the disposition of which the Minister has issued to the taxpayer a certificate under any of sections 1098, 1100 and 1102.1.

2009, c. 15, s. 183.

1004. Every person required by this Title to file a fiscal return shall in the fiscal return estimate the amount of tax payable.

1972, c. 23, s. 736; 1986, c. 19, s. 185; 1998, c. 16, s. 220; 2000, c. 5, s. 237.

TITLE II

ASSESSMENT

1972, c. 23.

1005. The Minister shall, with dispatch, examine a taxpayer's fiscal return sent to him for a taxation year and assess, on the one hand, his tax payable for the year and the interest and penalties, if any, which are exigible and, on the other hand, any amount deemed to have been paid under Chapter III.1 of Title III as partial payment of his tax payable for the year pursuant to this Part.

1972, c. 23, s. 737; 1991, c. 8, s. 71; 1992, c. 1, s. 158; 1993, c. 64, s. 129; 1997, c. 85, s. 234; 2000, c. 39, s. 118; 2001, c. 7, s. 139.

1006. Where the Minister determines the amount of a taxpayer's non-capital loss, net capital loss, restricted farm loss, farm loss or limited partnership loss for a taxation year and the taxpayer did not report that amount as such loss in his fiscal return for that year in accordance with section 1000, he shall, at the request of the taxpayer, determine, with all due dispatch, the amount of such loss, and shall send a notice of determination to the person by whom the return was filed.

Such determination is binding on both the Minister and the taxpayer for the purposes of calculating the taxable income of the taxpayer in any other year, subject to the taxpayer's rights of objection, contestation and appeal in respect of the determination and subject to any redetermination by the Minister.

1977, c. 26, s. 109; 1978, c. 26, s. 203; 1985, c. 25, s. 145; 1986, c. 19, s. 186; 1988, c. 4, s. 118; 1997, c. 3, s. 71; 2020, c. 12, s. 146.

1006.1. Where at any time, by reason of section 1079.10, the Minister ascertains the tax consequences to a taxpayer with respect to a transaction, the Minister shall, in the case of a determination pursuant to section 1079.16, or the Minister may, in any other case, determine any amount that is, or could at a subsequent time be, relevant for the purposes of computing the income, taxable income or taxable income earned in Canada of, tax or other amount payable by, or amount refundable to, the taxpayer. Where such a determination is made, the Minister shall send, with all due dispatch, a notice of determination to the taxpayer.

The determination is binding on both the Minister and the taxpayer for the purposes of computing the income, taxable income or taxable income earned in Canada of, tax or other amount payable by, or amount refundable to, the taxpayer for any taxation year, subject to the taxpayer's rights of objection, contestation and appeal in respect of the determination or subject to any redetermination by the Minister.

Despite the first paragraph, no determination may be made by the Minister in a taxation year solely for the purposes of computing the income, taxable income or taxable income earned in Canada of, tax or other amount payable by, or amount refundable to, the taxpayer for a preceding taxation year.

1990, c. 59, s. 339; 2020, c. 12, s. 146; 2023, c. 19, s. 101.

1007. Paragraph *f* of section 312, paragraph *e* of section 336, the provisions of this Book and Chapters III. 1 and III.2 of the Tax Administration Act (chapter A-6.002), as they relate to an assessment or reassessment and to a determination or redetermination of tax, apply, with the necessary modifications, to a determination or redetermination of an amount under this Book.

However, sections 1005 and 1008 do not apply to determinations made under sections 1006 and 1006.1, and an original determination of a taxpayer's loss referred to in section 1006 for a taxation year may be made by the Minister only at the request of the taxpayer.

1977, c. 26, s. 109; 1978, c. 26, s. 204; 1990, c. 59, s. 340; 1995, c. 63, s. 261; 1997, c. 85, s. 235; 1998, c. 16, s. 251; 2010, c. 31, s. 175.

1007.1. The Minister may, within the time specified in the second paragraph, determine any income or loss of a partnership for a fiscal period of the partnership and any deduction or other amount, or any other matter, in respect of the partnership for the period that is relevant in determining the income, taxable income or taxable income earned in Canada of, tax or other amount payable by, or any amount refundable to or deemed to have been paid or to have been an overpayment by, any member of the partnership for any taxation year under this Part.

The Minister may make a determination under the first paragraph within three years after the day that is the later of

(a) the day on or before which a member of a partnership is required under section 1086R78 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) to file an information return for the fiscal period; and

(b) the day on which the information return referred to in subparagraph *a* is filed.

2000, c. 5, s. 238; 2009, c. 15, s. 184.

1007.2. Where a determination is made by the Minister under section 1007.1 in respect of a partnership for a fiscal period, the Minister shall send a notice of the determination to the partnership and to each person who was a member of the partnership during the fiscal period.

2000, c. 5, s. 238.

1007.3. No determination made by the Minister under section 1007.1 in respect of a partnership for a fiscal period is invalid solely because one or more persons who were members of the partnership during the fiscal period did not receive a notice of the determination.

2000, c. 5, s. 238.

1007.4. Where the Minister makes a determination under section 1007.1 or a redetermination in respect of a partnership, the following rules apply:

(a) subject to the rights of objection, contestation and appeal of the member of the partnership referred to in section 93.1.1.1 of the Tax Administration Act (chapter A-6.002) in respect of the determination or redetermination, as the case may be, the determination or redetermination is binding on the Minister and each member of the partnership for the purpose of calculating the income, taxable income or taxable income earned in Canada of, tax or other amount payable by, or any amount refundable to or deemed to have been paid or to have been an overpayment by, the members for any taxation year under this Part; and

(b) despite section 1007 and sections 1010 to 1011, the Minister may, before the end of the day that is one year after the day on which all rights of objection, contestation and appeal expire or are determined in respect of the determination or redetermination, determine the tax, interest, penalties or other amounts payable and determine an amount deemed to have been paid or to have been an overpayment under this Part in respect of any member of the partnership and any other taxpayer for any taxation year as may be necessary to give effect to the determination or redetermination or a final judgment of the Court of Québec, the Court of Appeal or the Supreme Court of Canada.

2000, c. 5, s. 238; 2010, c. 31, s. 175; 2011, c. 34, s. 61; 2020, c. 12, s. 146.

1007.5. Where, as a result of representations made to the Minister that a person was a member of a partnership for a fiscal period of the partnership, a determination is made under section 1007.1 in respect of the fiscal period and the Minister or, as part of a final judgment, the Court of Québec, the Court of Appeal or the Supreme Court of Canada concludes at a subsequent time that the partnership did not exist for the fiscal period or that, throughout the fiscal period, the person was not a member of the partnership, the Minister may, notwithstanding sections 1007 and 1010 to 1011, within one year after that subsequent time, assess the tax, interest, penalties or other amounts payable, or determine an amount deemed to have been paid or to have been an overpayment under this Part, by any taxpayer for any taxation year, but only to the extent that the assessment or determination can reasonably be regarded

(a) as relating to any matter that was relevant in the making of the determination made under section 1007.1;

(b) as resulting from the conclusion that the partnership did not exist for the fiscal period; or

(c) as resulting from the conclusion that the person was, throughout the fiscal period, not a member of the partnership.

2000, c. 5, s. 238.

1007.6. A waiver in respect of the period during which the Minister may make a determination under section 1007.1 in respect of a partnership for a fiscal period may be made by one member of the partnership if that member is

(a) designated for that purpose in the information return filed under section 1086R78 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) for the fiscal period; or

(b) otherwise expressly authorized by the partnership to so act.

2013, c. 10, s. 93.

1008. After examination of a fiscal return, the Minister shall send a notice of assessment to the person by whom the fiscal return was filed.

1972, c. 23, s. 738; 2000, c. 5, s. 239.

1009. Liability for the tax is not affected by an incorrect or incomplete assessment or by the fact that no assessment has been made.

1972, c. 23, s. 739.

1010. (1) The Minister may at any time determine the tax, interest and penalties payable under this Part, or give notice in writing to any taxpayer who filed a fiscal return for a taxation year that no tax is payable for that taxation year.

(2) The Minister may also redetermine the tax, interest and penalties payable under this Part and make a reassessment or an additional assessment, as the case may be,

(a) within three years after the day of sending of an original assessment or of a notice that no tax is payable for a taxation year or the day on which a fiscal return for the taxation year is filed, whichever is later;

(a.0.1) within four years after the later day referred to in paragraph *a* if, at the end of the taxation year concerned, the taxpayer is a mutual fund trust or a corporation other than a Canadian-controlled private corporation;

(a.1) within six years after the later day referred to in paragraph *a* or, in the case of a taxpayer referred to in paragraph *a*.0.1, within seven years after that day, where

i. a redetermination of the taxpayer's tax by the Minister is required in accordance with section 1012 or 1012.2 or would have been required if the taxpayer had claimed an amount under that section within the prescribed time limit,

ii. as a consequence of a redetermination of another taxpayer's tax in accordance with this paragraph or section 1012, there is reason to redetermine the taxpayer's tax for any relevant taxation year,

iii. a redetermination of the taxpayer's tax would be made by the Minister, but for the expiration of the time limit prescribed in paragraph *a*, as a consequence of an additional payment of any income or profits tax to, or a reimbursement of any such tax by, the government of a foreign country or a political subdivision of a foreign country,

iv. a redetermination of the taxpayer's tax is required to be made as a consequence of a reduction under section 359.15 of an amount purported to be renounced by the corporation under any of the sections referred to in that section,

v. a redetermination of the taxpayer's tax is required to be made in order to give effect to the application of sections 752.0.10.10.1 and 752.0.10.18,

vi. a redetermination of the taxpayer's tax is required to be made as a consequence of a transaction, within the meaning of the first paragraph of section 1082.3, involving the taxpayer and a person not resident in Canada with whom the taxpayer was not dealing at arm's length,

vi.1. a redetermination of the taxpayer's tax is required to be made in respect of any income, loss or other amount in relation to a foreign affiliate of the taxpayer,

vii. a redetermination of the taxpayer's tax is required to be made, if the taxpayer is not resident in Canada and carries on a business in Canada, as a consequence of an allocation by the taxpayer of revenues or expenses as amounts in respect of the Canadian business, other than revenues or expenses that relate solely to the Canadian business, that are recorded in the books of account of the Canadian business, and the documentation in support of which is kept in Canada, or a notional transaction between the taxpayer and its Canadian banking business, where the transaction is recognized for the purposes of the computation of an amount under this Act or an applicable tax agreement; or

viii. a redetermination of the taxpayer's tax is required to give effect to the application of any of Chapters VI to VI.2 of Title X of Book III; and

(a.1.1*)* within nine years after the later day referred to in paragraph *a* or, in the case of a taxpayer referred to in paragraph *a*.0.1, within ten years after that day, where

i. a redetermination of the taxpayer's tax was required to be made by the Minister in accordance with section 1012, or should have been so made if the taxpayer had claimed an amount under that section within the prescribed time limit, in order to take into account a deduction claimed under sections 727 to 737 in respect of a loss for a subsequent taxation year,

ii. a redetermination of the taxpayer's tax was made, or a notification that no tax is payable was issued to the taxpayer, for the subsequent taxation year referred to in subparagraph i, after the period referred to in paragraph *a* or *a*.0.1 of subsection 2 in respect of the subsequent taxation year as a consequence of a transaction involving the taxpayer and a person not resident in Canada with whom the taxpayer was not dealing at arm's length, and

iii. the tax redetermination or the notification, referred to in subparagraph ii, reduced the amount of the loss for the subsequent taxation year;

(a.2*)* within three years after the day on which the information return described in section 1079.7 is filed, in relation to a claim or deduction made by the taxpayer in respect of a tax shelter, if that information return is not filed in the manner and within the time specified;

(a.3) within three years after the day on which the information return described in section 1079.8.15.3 is filed in relation to an uncertain tax treatment, within the meaning of section 1079.8.15.2, or, in the case of a taxpayer referred to in paragraph *a*.0.1, within four years after that day, if that information return is not filed in the manner and within the time specified; and

(b) at any time, if the taxpayer or the person who filed the return

i. has made a misrepresentation that is attributable to negligence or wilful default or has committed any fraud in filing the return or in supplying any information provided for in this Part, or

ii. has filed with the Minister a waiver in the prescribed form.

(2.1) In addition, the Minister may redetermine the tax, interest and penalties payable by the taxpayer under this Part for a taxation year for which tax consequences under this Part result from the fact that a redetermination of the taxpayer's tax must be made by the Minister in accordance with section 1012, as a consequence of the application of paragraph *g* or *h* of section 1012.1, in relation to a taxation year referred to in the first or second paragraph of section 1012.1.1, and, despite paragraph *a*.1 of subsection 2, make a reassessment or an additional assessment beyond the period referred to in that paragraph *a*.1.

(3) However, the Minister may, under any of paragraphs *a*.1 to *a*.3 of subsection 2 or subsection 2.1, make a reassessment or an additional assessment beyond the period referred to in paragraph *a* or *a*.0.1 of subsection 2 only to the extent that the reassessment or additional assessment may reasonably be regarded as relating to the tax redetermination referred to in that paragraph *a*.1 or subsection 2.1, to the reduction referred to in subparagraph iii of that paragraph *a*.1.1, to the claim or deduction referred to in that paragraph *a*.2 or to any transaction, or series of transactions, to which the tax treatment, within the meaning of section 1079.8.15.2, that is an uncertain tax treatment referred to in paragraph *a*.3 of subsection 2, relates, as the case may be.

1972, c. 23, s. 740; 1982, c. 5, s. 179; 1985, c. 25, s. 146; 1986, c. 15, s. 171; 1990, c. 7, s. 144; 1990, c. 59, s. 341; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 86, s. 1; 2000, c. 5, s. 240; 2001, c. 7, s. 140; 2004, c. 4, s. 9; 2004, c. 8, s. 177; 2005, c. 23, s. 137; 2011, c. 34, s. 62; 2015, c. 24, s. 130; 2015, c. 36, s. 68; I.N. 2016-01-01 (NCCP); 2021, c. 14, s. 117; 2021, c. 36, s. 99; 2023, c. 2, s. 33; 2024, c. 11, s. 101.

1010.0.0.1. Despite the expiry of the time limits provided for in section 1010, if a taxpayer has deducted, or is a member of a partnership that has deducted, in respect of a property described in the second paragraph, an amount in computing income under paragraph *a* of section 130 or the second paragraph of section 130.1 for a taxation year or a fiscal period, as the case may be, ending before all the conditions applicable to the property and set out in the third paragraph have been met, and, in a subsequent taxation year or fiscal period, an event occurs that results in any of those conditions not being able to be met, the following rules apply:

(a) the Minister may, at any time, but for the amended fiscal return that the taxpayer is required to file under section 1000.2 or 1000.3, redetermine the tax, interest and penalties payable under this Part by the taxpayer for any taxation year for which tax consequences under this Part arise from the fact that, in the case of a property described in subparagraph *a* of the second paragraph, the property cannot be included in the class provided for in that subparagraph or, in the case of a property described in subparagraph *b* of the second paragraph, the property does not meet all the conditions prescribed for the purposes of subparagraph *b* of the third paragraph; and

(b) the Minister may also redetermine the tax, interest and penalties payable under this Part and make a reassessment or an additional assessment, as the case may be,

i. within three years after the later of the day of sending, pursuant to subparagraph *a*, of a notice of assessment for a taxation year or of a notice that no tax is payable for a taxation year and the day on which an amended fiscal return for the taxation year is filed pursuant to section 1000.2 or 1000.3, or

ii. within four years after the day referred to in subparagraph i if, at the end of the taxation year concerned, the taxpayer is a mutual fund trust or a corporation other than a Canadian-controlled private corporation.

The property to which the first paragraph refers is

(a) a property in Class 12 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) because of subparagraph *t* of the first paragraph of that class or of the second or fourth paragraph of that class; or

(b) a prescribed property.

The conditions to which the first paragraph refers are

(a) in the case of a property described in subparagraph *a* of the second paragraph, the conditions of subparagraph *t* of the first paragraph of Class 12 of Schedule B to the Regulation respecting the Taxation Act or of the second or fourth paragraph of that class; or

(b) in the case of a property described in subparagraph *b* of the second paragraph, the prescribed conditions.

However, the Minister may, in respect of a taxation year for which tax consequences under this Part arise from the fact that the property cannot be so included in a class, make an assessment, a reassessment or an additional assessment beyond the periods referred to in paragraph *a* or *a*.0.1 of subsection 2 of section 1010 only to the extent that the assessment, reassessment or additional assessment may reasonably be considered to relate to a tax consequence referred to in section 1000.2 or 1000.3.

1999, c. 83, s. 164; 2004, c. 4, s. 10; 2004, c. 21, s. 246; 2011, c. 1, s. 50; I.N. 2016-01-01 (NCCP).

1010.0.0.2. Despite the expiry of the time limits provided for in section 1010, where a taxpayer, other than a real estate investment trust within the meaning of the first paragraph of section 1129.70, or a partnership of which the taxpayer is a member, directly or indirectly through one or more partnerships, disposes, in a taxation year or a fiscal period that ends in a taxation year, as the case may be, of immovable property, where the property is, in the case where the disposition is made by a corporation or a partnership, capital property of the corporation or partnership and where any of the failures provided for in the second paragraph occurs, the Minister may, subject to the third paragraph, redetermine the taxpayer's tax, interest and penalties for the year under this Part that arise from that failure and make a reassessment or an additional assessment, provided the reassessment or additional assessment is made before the end of the three-year period that begins on the day on which the following documents are filed:

(a) where the immovable property is referred to in section 274 or 274.0.1, the prescribed form containing prescribed information referred to in the fifth paragraph of section 274 or 274.0.1, as the case may be, and the taxpayer's amended fiscal return for the year in which the disposition of the property is reported;

(b) where the disposition is made by the taxpayer and subparagraph *a* does not apply, the taxpayer's amended fiscal return for the year in which the disposition is reported; or

(c) where the disposition is made by the partnership, the amended information return, for its fiscal period that ends in the year, in which the disposition is reported, and the taxpayer's amended fiscal return for the year.

The failures to which the first paragraph refers are as follows:

(a) where the disposition is made by the taxpayer and the property is referred to in section 274 or 274.0.1, the taxpayer fails to send the prescribed form containing prescribed information provided for in the fifth paragraph of section 274 or 274.0.1, as the case may be, or to report the disposition in the fiscal return the taxpayer is required to file under section 1000 for the year;

(b) where the disposition is made by the taxpayer and subparagraph *a* does not apply, the taxpayer fails to report the disposition in the fiscal return the taxpayer is required to file under section 1000 for the year; or

(c) where the disposition is made by the partnership, the disposition is not reported in the information return required to be filed under section 1086R78 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) for its fiscal period that ends in the year.

However, the Minister may, under this section, make a reassessment or an additional assessment beyond the period referred to in paragraph *a* or *a*.0.1 of subsection 2 of section 1010 only to the extent that the reassessment or additional assessment may reasonably be considered to relate to the failure referred to in the first paragraph.

2021, c. 14, s. 118.

1010.0.1. Notwithstanding the expiry of the time limits provided for in section 1010, where a reassessment must be made for a particular taxation year, the Minister may redetermine the tax, interest and penalties and make a reassessment for a subsequent taxation year, but only for the purpose of making an adjustment consequential upon the reassessment in respect of the particular taxation year.

Such a reassessment may or, where the taxpayer so requests in writing, shall be made on or before the day that is either one year after the day on which all rights of objection to the reassessment in respect of the particular taxation year expire or one year after the day a decision relating to the particular year is rendered following an objection, contestation or appeal.

1994, c. 22, s. 315; 1996, c. 31, s. 2; 1997, c. 85, s. 236; 2000, c. 39, s. 119; 2020, c. 12, s. 148.

1010.0.2. Notwithstanding the expiration of the time limits provided for in section 1010, where a taxpayer is the subject of an assessment or reassessment made under the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the Minister may, within one year after the date of that assessment, redetermine the tax, interest and penalties payable by the taxpayer and make a reassessment for the sole purpose of taking into account elements that may be considered to relate to that assessment or reassessment.

1997, c. 86, s. 2; 1999, c. 83, s. 165.

1010.0.3. Notwithstanding the expiration of the time limits provided for in section 1010, where a taxpayer is the subject of an assessment or reassessment by a province other than Québec under an Act that is similar to this Act, the Minister may, within one year after the date of that assessment, redetermine the tax, interest and penalties payable by the taxpayer and make a reassessment for the sole purpose of taking into account elements that may be considered to relate to that assessment or reassessment.

1999, c. 83, s. 166.

1010.0.4. Despite the expiration of the time limits provided for in section 1010, if section 766.2 or 1029.8.50 applied in respect of an individual for a particular taxation year, in relation to an eligible taxation year of the individual, the Minister may redetermine the tax, interest and penalties payable by the individual for the particular taxation year or the amount deemed to have been paid under section 1029.8.50 on account of the individual's tax payable for that particular year, as the case may be, and make a reassessment for that particular year for the sole purpose of taking into account elements that may be considered to relate to an assessment, reassessment or notice that no tax is payable in relation to that eligible taxation year.

2005, c. 38, s. 231; I.N. 2016-01-01 (NCCP).

1010.1. Where the Minister would, but for this section, be entitled by virtue only of the filing of a waiver referred to in subparagraph ii of paragraph *b* of subsection 2 of section 1010, to redetermine the tax, interest or penalties payable under this Part, and to make a reassessment or an additional assessment, as the case may be, the Minister may not make such redetermination, reassessment or additional assessment after the day that

is six months after the date on which a notice of revocation of the waiver is filed with the Minister in the prescribed form and in duplicate, by registered mail.

1986, c. 15, s. 172; 1999, c. 83, s. 273; 2010, c. 31, s. 88; 2011, c. 34, s. 63.

1011. For the purposes of paragraph *b* of subsection 2 of section 1010, the Minister shall not, in computing the income of a taxpayer upon a reassessment or additional assessment made after the expiry of the time limits provided for in paragraphs *a* to *a*.2 of that subsection 2, include any amount other than an amount

(a) that can reasonably be regarded as having been the subject of a waiver referred to in subparagraph ii of paragraph *b* of subsection 2 of section 1010, unless the taxpayer establishes otherwise, or

(b) in respect of which the failure to include it in computing income resulted from misrepresentation attributable to negligence or wilful default or from fraud, on the part of the taxpayer, in filing the fiscal return or in supplying information under this Part, unless the taxpayer establishes otherwise.

1972, c. 23, s. 741; 1982, c. 5, s. 180; 1996, c. 31, s. 3; 2000, c. 5, s. 241; 2015, c. 24, s. 131.

1012. If a taxpayer has filed for a taxation year the fiscal return required by section 1000 and an amount referred to in section 1012.1 is subsequently included in computing the taxpayer's taxable income, claimed as a deduction or deemed to be paid under Chapter III.1 of Title III, as the case may be, by or on behalf of the taxpayer for the taxation year by filing with the Minister, on or before the taxpayer's filing-due date for the subsequent taxation year in respect of that amount, a prescribed form amending the fiscal return for the taxation year, the Minister shall, for any relevant taxation year, other than a taxation year preceding the taxation year, determine the amount deemed to be paid by the taxpayer or redetermine the taxpayer's tax or the amount deemed to be paid by the taxpayer, as the case may be, to take into account the amount so included in computing the taxpayer's taxable income, claimed as a deduction or deemed to be paid.

1972, c. 23, s. 742; 1982, c. 5, s. 181; 1985, c. 25, s. 147; 1989, c. 5, s. 197; 1997, c. 31, s. 95; 2004, c. 21, s. 247; 2009, c. 15, s. 185.

1012.1. For the purposes of section 1012, the amount that may be included in computing the taxpayer's taxable income, claimed as a deduction or deemed to be paid under Chapter III.1 of Title III by or on behalf of the taxpayer for a taxation year is the amount that the taxpayer may include, deduct or be deemed to have paid, as the case may be, for that taxation year under or because of

(a) subparagraph iii of paragraph *c* of section 28 following the application, by reason of the taxpayer's death occurring during a subsequent taxation year, of section 452 in respect of a deductible capital loss for the taxation year;

(b) sections 265 to 269 in respect of a loss on precious property for a subsequent taxation year;

(b.1*)* paragraph *h* of section 312 in respect of a grant referred to therein;

(b.1.0.1*)* section 336.6 in respect of the unused portion of the total investment expense, within the meaning of section 336.5, for a subsequent taxation year;

(b.1.1*)* paragraph *b* of section 339 in respect of a premium, within the meaning of paragraph *e* of section 905.1, paid in a subsequent taxation year under a registered retirement savings plan where the premium is deductible by reason of section 923.5;

(b.2*) (paragraph repealed);*

(c) sections 752.0.10.1 to 752.0.10.14 in respect of a gift made during a subsequent taxation year;

(d) sections 727 to 737 in respect of a loss for a subsequent taxation year;

*(d.*1*)* sections 772.2 to 772.9.1 and 772.10 to 772.13 in respect of the unused portion of the foreign tax credit, within the meaning of section 772.2, or sections 772.9.2 to 772.9.4 in respect of foreign taxes paid, for a subsequent taxation year;

*(d.*1.0.0.1*)* section 776.1.9 in respect of the unused portion of the tax credit, within the meaning of section 776.1.7, for a subsequent taxation year;

*(d.*1.0.0.2*)* section 776.1.21 in respect of the unused portion of the tax credit, within the meaning of section 776.1.19, for a subsequent taxation year;

*(d.*1.0.0.3*)* section 776.1.29 in respect of the unused portion of the tax credit, within the meaning of section 776.1.27, for a subsequent taxation year;

*(d.*1.0.0.4*)* section 776.1.39 in respect of the unused portion of the tax credit, within the meaning of section 776.1.36, for a subsequent taxation year;

*(d.*1.0.1*)* section 785.2.4 as a result of a disposition in a subsequent taxation year;

*(d.*1.0.2*)* the second paragraph of section 915.2, section 924.2, the second paragraph of section 961.17.1 or any of sections 961.21.0.1, 965.0.25 and 965.0.30, in respect of a registered retirement savings plan, a registered retirement income fund or a pooled registered pension plan, with the understanding that an amount claimed as a deduction includes, for the purposes of this section, a reduction of an amount otherwise required to be included in computing a taxpayer's income;

*(d.*1.1*)* section 965.0.3 because of the application of section 965.0.4.1 as a consequence of the taxpayer's death in the subsequent taxation year;

*(d.*1.1.1*)* section 1029.8.36.166.47 in respect of the unused portion of the tax credit, within the meaning of the first paragraph of section 1029.8.36.166.40, for a subsequent taxation year;

*(d.*1.1.2*)* section 1029.8.36.166.60.52 in respect of the unused portion of the tax credit, within the meaning of the first paragraph of section 1029.8.36.166.60.36, for a subsequent taxation year;

*(d.*1.2*)* section 1029.8.36.171.2 in respect of the unused portion of the refundable tax credit, within the meaning of section 1029.8.36.167, for a subsequent taxation year;

*(d.*2*) (paragraph repealed);*

(e) (paragraph repealed);

(f) subparagraph *a* or *b* of the first paragraph of section 1054 as a consequence of an election or specification, referred to in that subparagraph, made by the taxpayer's legal representative for a subsequent taxation year;

(g) the first paragraph of section 1055.1.2 as a consequence of an election referred to in subparagraph *a* of the second paragraph of that section and made by the taxpayer's legal representative for a subsequent taxation year; or

(h) the first paragraph of section 1055.1.3 as a consequence of an election referred to in subparagraph *a* of the second paragraph of that section and made by the taxpayer's legal representative for a subsequent taxation year.

1985, c. 25, s. 147; 1986, c. 15, s. 173; 1987, c. 67, s. 182; 1988, c. 4, s. 119; 1989, c. 5, s. 198; 1990, c. 59, s. 342; 1991, c. 8, s. 72; 1991, c. 25, s. 165; 1993, c. 16, s. 326; 1993, c. 64, s. 130; 1995, c. 63, s. 113; 2000, c. 5, s. 242; 2004, c. 8, s. 178; 2004, c. 21, s. 248; 2005, c. 23, s. 139; 2005, c. 38, s. 232; 2007, c. 12, s. 99; 2009, c. 5, s. 420; 2009, c. 15, s. 186; 2010, c. 5, s. 131; 2011, c. 34, s. 64; 2015, c. 21, s. 359; 2015, c. 36, s. 69; 2017, c. 1, s. 262; 2021, c. 14, s. 119; 2021, c. 18, s. 89.

1012.1.1. If section 1012 applies, in relation to a taxation year, in respect of a particular amount referred to in paragraph *g* or *h* of section 1012.1, it is to be read as if "for any relevant taxation year, other than a taxation year preceding the taxation year" was replaced by "for the taxation year".

If section 1012 applies, in relation to a particular taxation year, in respect of a particular amount referred to in paragraph *d* of section 1012.1 and the conditions of the third paragraph are met, it is to be read as follows:

"**1012.** If a taxpayer has filed for a particular taxation year the fiscal return required by section 1000 and a particular amount referred to in paragraph *d* of section 1012.1 is subsequently claimed as a deduction in computing the taxpayer's taxable income for the particular taxation year by filing with the Minister, on or before the filing-due date applicable to the taxpayer's succession for the subsequent taxation year in respect of any amount deducted because of paragraph *g* of section 1012.1 in computing income for the taxation year of the taxpayer's death, a prescribed form to amend the fiscal return for the particular taxation year, the Minister shall, for any relevant taxation year, other than a taxation year preceding the particular taxation year, redetermine the taxpayer's tax to take into account the amount so claimed as a deduction in computing the taxpayer's taxable income."

The conditions to which the second paragraph refers are the following:

(a) the particular amount relates to a non-capital loss incurred in the taxation year in which the taxpayer died and does not exceed the portion of that loss that may reasonably be attributed to the deduction of any amount in computing the taxpayer's income for that year because of paragraph *g* of section 1012.1, as a consequence of an election made by the taxpayer's legal representative for the subsequent taxation year referred to in that paragraph; and

(b) on or before the filing-due date applicable to the taxpayer's succession for the subsequent taxation year in respect of the amount deducted because of paragraph *g* of section 1012.1 in computing the taxpayer's income for the taxation year in which the taxpayer died, the legal representative files with the Minister an amended fiscal return in the name of the taxpayer for the particular taxation year.

2011, c. 34, s. 65.

1012.1.2. Where section 1012 does not apply to a corporation, in relation to a particular taxation year, in respect of a particular amount referred to in paragraph *d*.1.0.0.2 of section 1012.1 relating to the unused portion of the tax credit, within the meaning of section 776.1.19, of the corporation for a subsequent taxation year but would apply to the corporation if it were read without reference to", on or before the taxpayer's filing-due date for the subsequent taxation year in respect of that amount,", section 1012 is, in relation to the particular taxation year and in respect of the particular amount, to be read as follows:

"**1012.** If a corporation has filed for a particular taxation year the fiscal return required by section 1000 and, in a subsequent taxation year, a particular amount referred to in paragraph *d*.1.0.0.2 of section 1012.1, in respect of the unused portion of the tax credit, within the meaning of section 776.1.19, of the corporation for the subsequent taxation year is claimed as a deduction in computing the corporation's tax payable for the particular taxation year by filing with the Minister, on or before the corporation's filing-due date for the taxation year that includes the day on or before which it is required to file with the Minister the prescribed form containing prescribed information and any document issued by Investissement Québec for the purpose of determining the amount that the corporation is deemed to have paid to the Minister, in respect of the subsequent taxation year, under Division II.6.0.1.9 of Chapter III.1 of Title III, a prescribed form amending the fiscal return for the particular taxation year, the Minister shall, despite sections 1010 to 1011, for any relevant taxation year, other than a taxation year preceding the particular taxation year, redetermine the corporation's tax to take into account the particular amount so claimed as a deduction.".

2015, c. 36, s. 70.

1012.1.3. Where section 1012 does not apply to a corporation, in relation to a particular taxation year, in respect of a particular amount referred to in paragraph *d*.1.0.0.3 of section 1012.1 relating to the unused

portion of the tax credit, within the meaning of section 776.1.27, of the corporation for a subsequent taxation year but would apply to the corporation if it were read without reference to ", on or before the taxpayer's filing-due date for the subsequent taxation year in respect of that amount,", section 1012 is, in relation to the particular taxation year and in respect of the particular amount, to be read as follows:

"**1012.** If a corporation has filed for a particular taxation year the fiscal return required by section 1000 and, in a subsequent taxation year, a particular amount referred to in paragraph *d*.1.0.0.3 of section 1012.1, in respect of the unused portion of the tax credit, within the meaning of section 776.1.27, of the corporation for the subsequent taxation year is claimed as a deduction in computing the corporation's tax payable for the particular taxation year by filing with the Minister, on or before the corporation's filing-due date for the taxation year that includes the day referred to in the first paragraph of section 776.1.35 in relation to the subsequent taxation year, a prescribed form amending the fiscal return for the particular taxation year, the Minister shall, despite sections 1010 to 1011, for any relevant taxation year, other than a taxation year preceding the particular taxation year, redetermine the corporation's tax to take into account the particular amount so claimed as a deduction.".

2017, c. 1, s. 263.

1012.1.4. Where section 1012 does not apply to a corporation, in relation to a particular taxation year, in respect of a particular amount referred to in paragraph *d*.1.0.0.4 of section 1012.1 relating to the unused portion of the tax credit, within the meaning of section 776.1.36, of the corporation for a subsequent taxation year but would apply to the corporation if it were read without reference to ", on or before the taxpayer's filing-due date for the subsequent taxation year in respect of that amount,", section 1012 is, in relation to the particular taxation year and in respect of the particular amount, to be read as follows:

"1012. If a corporation has filed for a particular taxation year the fiscal return required by section 1000 and, in a subsequent taxation year, a particular amount referred to in paragraph *d*.1.0.0.4 of section 1012.1, in respect of the unused portion of the tax credit, within the meaning of section 776.1.36, of the corporation for the subsequent taxation year is claimed as a deduction in computing the corporation's tax payable for the particular taxation year by filing with the Minister, on or before the day that is 12 months after the corporation's filing-due date for the subsequent taxation year, a prescribed form amending the fiscal return for the particular taxation year, the Minister shall, despite sections 1010 to 1011, for any relevant taxation year, other than a taxation year preceding the particular taxation year, redetermine the corporation's tax to take into account the particular amount so claimed as a deduction."

2021, c. 18, s. 90.

1012.2. Where a taxpayer has filed for a particular taxation year the fiscal return required by section 1000 and the amount included in computing the taxpayer's income for the particular taxation year under section 580 is subsequently reduced because of a reduction described in the second paragraph, the Minister shall, if the taxpayer files with the Minister, on or before the filing-due date for the taxpayer's subsequent taxation year in respect of the reduction, a request in the prescribed form to amend the fiscal return for the particular taxation year, redetermine the taxpayer's tax for any relevant taxation year other than a taxation year preceding the particular taxation year in order to take into account the reduction in the amount included in computing the income of the taxpayer for the particular taxation year under section 580.

The reduction to which the first paragraph refers is the reduction in the foreign accrual property income of a foreign affiliate of the taxpayer for a taxation year (in this paragraph referred to as the "claim year") of the foreign affiliate that ends in the particular taxation year, if

(a) the reduction is

i. attributable to the amount of the foreign accrual property loss (within the meaning assigned by subsection 3 of section 5903 of the Income Tax Regulations made under the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) of the foreign affiliate for a taxation year of the foreign affiliate that ends in a subsequent taxation year of the taxpayer, and

ii. included in the value of F of the formula in the definition of "foreign accrual property income" in subsection 1 of section 95 of the Income Tax Act in relation to the foreign affiliate for the claim year; or

(b) the reduction is

i. attributable to the amount of the foreign accrual capital loss (within the meaning assigned by subsection 3 of section 5903.1 of the Income Tax Regulations made under the Income Tax Act) of the foreign affiliate for a taxation year of the foreign affiliate that ends in a subsequent taxation year of the taxpayer, and

ii. included in the value of F.1 of the formula in the definition of "foreign accrual property income" in subsection 1 of section 95 of the Income Tax Act in relation to the foreign affiliate for the claim year.

2004, c. 8, s. 179; 2011, c. 34, s. 66; 2015, c. 21, s. 360.

1012.3. The Minister shall redetermine a taxpayer's tax for a particular taxation year, in order to take into account the application of paragraph *d* of the definition of "excluded property" in the first paragraph of section 851.22.1 or the application of section 851.22.23.6, in respect of property held by the taxpayer, if

(a) the taxpayer has filed for the particular taxation year the fiscal return required by section 1000; and

(b) the taxpayer files with the Minister a prescribed form amending the fiscal return, on or before the filing-due date for the taxpayer's taxation year that

i. if the filing is in respect of paragraph *d* of the definition of "excluded property" in the first paragraph of section 851.22.1, includes the acquisition of control time referred to in that paragraph, and

ii. if the filing is in respect of section 851.22.23.6, follows the particular taxation year.

2010, c. 25, s. 111; 2011, c. 34, s. 67.

1012.4. Where a corporation has filed for a particular taxation year the fiscal return required by section 1000, the corporation is deemed to have paid an amount to the Minister under Division II.6.0.1.9 of Chapter III.1 of Title III for the particular taxation year, a document to be issued by Investissement Québec for the purpose of determining the amount that the corporation is so deemed to have paid to the Minister has been issued after the corporation's filing-due date in respect of the particular taxation year and a particular amount referred to in section 776.1.20 is claimed as a deduction in computing tax payable, by or on behalf of the corporation, for the particular taxation year by filing with the Minister, on or before the corporation's filing-due date for the taxation year that includes the day on or before which it was required to file with the Minister the prescribed form containing prescribed information and any document issued by Investissement Québec for the purpose of determining the amount that the corporation is deemed to have paid to the Minister for the particular taxation year, under that Division II.6.0.1.9, a prescribed form amending the fiscal return for the particular taxation year, the Minister shall, despite sections 1010 to 1011, redetermine the corporation's tax for the particular taxation year to take into account the particular amount so claimed as a deduction.

2015, c. 36, s. 71.

1012.5. Where a taxpayer has filed the fiscal return required by section 1000 for a taxation year and where a formal demand relating to an amount that may be owed by the taxpayer under this Act for the year has been notified in accordance with the first paragraph of section 39 of the Tax Administration Act (chapter A-6.002) to a person regarding the filing of information, additional information or documents, the time limit described in paragraph *a* or *a*.0.1 of subsection 2 of section 1010 for redetermining the tax, interest and penalties payable by the taxpayer and for making a reassessment or an additional assessment, in respect of the taxation year concerned, is suspended for the period that begins on the day the formal demand is notified by registered mail or by personal service and ends on the day the formal demand or the order provided for in section 39.2 of the Tax Administration Act is complied with or, in case of contestation, the day on which a final judgement is

rendered in relation to the formal demand or the order and on which, if applicable, the information, additional information or documents, as the case may be, are filed in accordance with the formal demand or the order.

2019, c. 14, s. 296.

1013. *(Repealed).*

1972, c. 23, s. 743; 1991, c. 67, s. 552.

1014. An assessment shall, subject to being varied or vacated on an objection, contestation or appeal and subject to a reassessment, be deemed to be valid and binding notwithstanding any error, defect or omission in the assessment or in any proceeding relating thereto.

However, where a court vacates an assessment on the ground that it has been issued beyond the period during which the Minister may reassess or make an additional assessment under any of paragraphs *a* to *a*.2 of subsection 2 of section 1010, as the case may be, the assessment replaced by the assessment so vacated remains valid and binding, but any time prescribed by a fiscal law and applicable in regard thereto begins to run from the date of the judgment vacating the last assessment.

1972, c. 23, s. 744; 1982, c. 5, s. 182; 1982, c. 38, s. 13; 1983, c. 47, s. 4; 1986, c. 15, s. 174; 1990, c. 7, s. 145; 1995, c. 63, s. 261; 1997, c. 85, s. 237; 2015, c. 24, s. 132; 2020, c. 12, s. 148.

TITLE III

PAYMENT OF TAX

1972, c. 23.

CHAPTER I

DEDUCTION OR WITHHOLDING

1972, c. 23.

DIVISION I

GENERAL RULES

1997, c. 85, s. 238.

1015. Every person who at any time during a taxation year pays, allocates, grants or awards an amount described in the second paragraph shall, even if the amount paid, allocated, granted or awarded results from a judgment, subject to sections 1015.0.0.1 to 1015.0.2, deduct or withhold from that amount the amount described in the third paragraph and pay to the Minister, on the dates, for the periods and according to terms and conditions prescribed, an amount equal to the deducted or withheld amount on account of the tax payable by the payee for the same taxation year.

For the purposes of the first paragraph, the amounts referred to are the following amounts:

(a) salary or wages or other remuneration;

(b) an amount described in section 313.13 or 317;

(c) a retiring allowance;

(d) a death benefit;

(e) an amount described in paragraph *c* of section 311;

(e.0.1*)* an amount described in paragraph *c*.1 of section 311;

(e.1*)* an amount described in any of paragraphs *e*.2 to *e*.6 of section 311;

(e.2*)* a benefit under a supplementary unemployment benefit plan;

(e.3*)* an amount paid under the program referred to in paragraph *k*.0.2 of section 311;

(e.4*)* an amount paid under a program referred to in section 313.14;

(f) an annuity payment or a payment in full or partial commutation of an annuity, other than a payment made under an income-averaging annuity contract respecting income from artistic activities;

(g) fees, commissions or other amounts for services;

(h) a payment under a deferred profit sharing plan or a plan referred to in section 147 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) as a plan the registration of which has been revoked;

(i) a benefit out of or under a registered retirement savings plan or a new plan referred to in section 914, or under such a plan;

(j) (subparagraph repealed);

(k) an amount as proceeds of the surrender, cancellation or redemption of an income-averaging annuity contract;

(l) a payment out of or under a registered retirement income fund or a fund referred to in section 961.9 as an "amended fund";

(m) a prescribed benefit under a government assistance program;

(n) one or more amounts paid, allocated, granted or awarded to an individual who has elected for the year in prescribed manner in respect of all such amounts;

(o) (subparagraph repealed);

(p) an amount described in paragraph *e* of section 1093;

(q) an amount paid, allocated, granted or awarded as a distribution to one or more persons out of or under a retirement compensation arrangement;

(r) a payment under a plan that is a registered education savings plan or that is such a plan solely for the purposes of sections 904 and 904.1;

(s) a payment made in connection with the closing of a farm income stabilization account, pursuant to sections 45 and 46 of the Farm Income Stabilization Account program established under the Act respecting La Financière agricole du Québec (chapter L-0.1);

(t) a payment from a registered disability savings plan;

(u) an amount described in section 313.12;

(v) a payment from an advanced life deferred annuity;

(w) a payment out of or under

i. a first home savings account, if the amount is required in accordance with Title IV.4 of Book VII to be included in computing a taxpayer's income, or

ii. an arrangement that ceases to be a first home savings account under section 935.46.

For the purposes of the first paragraph and having regard to the regulations under this section, the amount to be deducted or withheld is equal

(a) in cases where subparagraph *b* does not apply,

i. to the amount determined in accordance with the tables drawn up by the Minister determining the amount to be deducted or withheld from an amount paid, allocated, granted or awarded or, where the amount to be deducted or withheld cannot be determined with those tables, to the amount computed in the prescribed manner, or

ii. to the amount determined according to a mathematical formula authorized by the Minister; and

(b) in the cases described in sections 1015R11, 1015R12 and 1015R15 to 1015R29 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), to the prescribed amount.

Where the Minister considers that the aggregate of the amounts a person referred to in the first paragraph is required to pay under this section, under sections 34 and 37.21 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), if section 37.21 of that Act refers to this section, under section 63 of the Act respecting the Québec Pension Plan (chapter R-9) and under section 62 of the Act respecting parental insurance (chapter A-29.011), for a particular calendar year or for the calendar year prior to that particular year, does not exceed $2,400, the Minister may authorize the person, in respect of an amount referred to in the first paragraph and equal to an amount deducted or withheld in respect of remuneration paid by that person during that particular year, to pay that amount on or before the day on which the person would be required, but for this paragraph, to make the last payment required by this section in respect of that remuneration.

The authorization referred to in the fourth paragraph is valid for the calendar year in respect of which it is given and, except where the Minister sends to the person a notice of change in the frequency of payment, for any subsequent calendar year.

Where the Minister considers that the average monthly withholding, within the meaning of the regulations made under this section, of a person referred to in the first paragraph, for the calendar year preceding a particular calendar year or for the second calendar year preceding that particular calendar year, does not exceed $3,000 and the person meets the conditions determined by the Minister, the Minister may authorize the person, in relation to an amount referred to in the first paragraph and equal to an amount deducted or withheld in respect of remuneration paid by that person in a month in the particular calendar year, to pay that amount on the dates, for the periods and according to the terms and conditions prescribed.

The authorization referred to in the sixth paragraph is valid from the first month in respect of which it is given to the end of

(a) the month in which the Minister sends to the person a notice of change in the frequency of payment, where that notice results from the fact that the person no longer meets one of the conditions determined by the Minister; and

(b) the month preceding the month from which a notice of change in the frequency of payment that the Minister sends to the person takes effect, in any other case.

If a person referred to in the first paragraph is a new employer throughout a particular month in a calendar year, that person may elect, in the prescribed form containing prescribed information, to pay an amount referred to in the first paragraph and equal to an amount deducted or withheld in respect of remuneration paid

by that person in the particular month, on the dates, for the periods and according to the terms and conditions prescribed.

For the purposes of the eighth paragraph, a person is deemed

(a) to become a new employer at the beginning of any month beginning after 31 December 2015 in which the person first becomes an employer; and

(b) to cease to be a new employer at a prescribed time in a calendar year if, in a particular month of the calendar year,

i. the monthly withholding amount, within the meaning of the regulations made under this section, to be carried out by the person for the particular month is not less than $1,000, or

ii. the Minister sends to the person, in the particular month, a notice of change in the frequency of payment as a result of the fact that the person no longer meets one of the conditions determined by the Minister.

The tables determining the amount to be deducted or withheld from a particular amount that is paid, allocated, granted or awarded in a taxation year are posted on the Revenu Québec website. The amount specified in the tables includes the amount to be deducted or withheld from the particular amount because of section 37.21 of the Act respecting the Régie de l'assurance maladie du Québec, if that section refers to this section.

The Minister shall publish in the *Gazette officielle du Québec* a notice of the date of coming into force of the tables and the address of the website on which they are posted.

1972, c. 23, s. 745; 1972, c. 26, s. 69; 1977, c. 26, s. 110; 1979, c. 18, s. 70; 1980, c. 13, s. 103; 1982, c. 17, s. 54; 1984, c. 15, s. 231; 1985, c. 25, s. 148; 1986, c. 19, s. 187; 1988, c. 4, s. 120; 1989, c. 77, s. 98; 1991, c. 8, s. 73; 1991, c. 25, s. 166; 1993, c. 16, s. 327; 1995, c. 1, s. 110; 1995, c. 49, s. 228; 1995, c. 63, s. 114; 1997, c. 14, s. 290; 1997, c. 31, s. 96; 1999, c. 65, s. 20; 1999, c. 89, s. 53; 2000, c. 5, s. 243; 2001, c. 9, s. 127; 2001, c. 51, s. 84; 2002, c. 40, s. 97; 2003, c. 9, s. 162; 2004, c. 21, s. 249; 2005, c. 23, s. 140; 2005, c. 38, s. 233; 2007, c. 12, s. 100; 2009, c. 15, s. 187; 2010, c. 5, s. 132; 2011, c. 6, s. 183; 2012, c. 8, s. 173; 2015, c. 21, s. 361; 2015, c. 36, s. 72; 2017, c. 1, s. 264; 2022, c. 23, s. 89; 2023, c. 19, s. 102.

1015.0.0.1. For the purposes of subparagraph *a* of the second paragraph of section 1015 in respect of an amount received or enjoyed by an individual for the performance of duties as a volunteer firefighter or a volunteer assisting in the search and rescue of individuals or in other emergency operations, section 39.6 is to be read without reference to its second paragraph.

2012, c. 8, s. 174; 2015, c. 24, s. 133.

1015.0.1. No amount shall be deducted or withheld under section 1015 in respect of the remuneration, for a period referred to in that section or part of such a period of a taxation year, that an individual receives from employment, to the extent that the remuneration is attributable to an amount that may be deducted in computing the individual's taxable income for the year under any of sections 737.18.10, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7, 737.22.0.13 and 737.28 or that could be deducted under that section if the individual's taxable income were determined under this Part, where,

(a) the certificate referred to in the definition of "foreign researcher" in section 737.19 has been issued in respect of the individual in relation to the individual's employment with an eligible employer, within the meaning of that section, and the certificate is valid for that period or part of the period;

(b) the certificate referred to in paragraph *d* of the definition of "foreign researcher on a postdoctoral internship" in the first paragraph of section 737.22.0.0.1 has been issued in respect of the individual in relation to the individual's employment with an eligible employer, within the meaning of that paragraph, and the certificate is valid for that period or part of the period;

(c) the certificate referred to in the definition of "foreign expert" in section 737.22.0.0.5 has been issued in respect of the individual in relation to the individual's employment with an eligible employer, within the meaning of that section, and the certificate is valid for that period or part of the period;

(d) the certificate referred to in paragraph *d* of the definition of "foreign specialist" in the first paragraph of section 737.22.0.1 has been issued in respect of the individual in relation to the individual's employment with an eligible employer, within the meaning of that paragraph, and the certificate is valid for that period or part of the period;

(d.1) the qualification certificate referred in section 7.3 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) has been issued in respect of the individual in relation to the individual's employment with an eligible employer, within the meaning of the first paragraph of section 737.22.0.4.1, and the qualification certificate is valid for that period or part of the period;

(e) the certificate referred to in paragraph *d* of the definition of "foreign professor" in the first paragraph of section 737.22.0.5 has been issued in respect of the individual in relation to the individual's employment with an eligible employer, within the meaning of that paragraph, and the certificate is valid for that period or part of the period;

(f) the certificate referred to in the definition of "eligible seaman" in section 737.27 has been issued in respect of the individual in relation to the individual's employment with an eligible shipowner, within the meaning of that section, and the certificate is valid for that period or part of the period; or

(g) the work permit referred to in the definition of "foreign farm worker" in section 737.22.0.12 has been issued to the individual within the framework of a recognized federal program, within the meaning of that section, and the permit is valid for that period or part of the period.

The first paragraph applies only if it may reasonably be considered that the conditions relating to the employment of an individual referred to in any of subparagraphs *a* to *f* of that paragraph, on the basis of which the certificate was issued, remain essentially the same for the period or part of the period.

2002, c. 40, s. 98; 2003, c. 9, s. 163; 2004, c. 21, s. 250; 2006, c. 36, s. 100; 2013, c. 10, s. 94; 2022, c. 23, s. 90.

1015.0.2. No amount shall be deducted or withheld under section 1015 in respect of an amount paid, allocated, granted or awarded for services rendered or to be rendered in Québec, for a period referred to in that section or part of such a period of a taxation year, to an individual, to the extent that the amount is attributable to an amount that may be deducted in computing the individual's taxable income for the year or a preceding taxation year under section 737.22.0.10 or could deduct under that section if the individual's taxable income had been determined under this Part, where the certificate referred to in the definition of "eligible individual" in section 737.22.0.9 was issued to the individual in relation to an eligible production, within the meaning of that section, and the certificate is valid for that period or part of the period.

2003, c. 9, s. 164.

1015.0.3. For the purposes of subparagraph *a* of the second paragraph of section 1015, an amount that is deemed to have been received by a taxpayer as a benefit under or because of section 49 or any of sections 50 to 52.0.1 is remuneration paid as a bonus, except the portion of the amount that is

(a) deductible by the taxpayer under section 725.2 in computing the taxpayer's taxable income for a taxation year;

(b) deemed to have been received in a taxation year as a benefit because of a disposition of securities to which section 49.2 applies; or

(c) determined under subparagraph *b* of the first paragraph of section 725.2.3 to be deductible by the taxpayer under section 725.2.2 in computing the taxpayer's taxable income for a taxation year.

2011, c. 34, s. 68.

1015.0.4. For the purposes of this Act, an amount (in this section referred to as the "excess amount") is deemed not to have been deducted or withheld by a person under section 1015 if

(a) the excess amount was, but for this section, deducted or withheld by the person under section 1015;

(b) the excess amount is in respect of an excess payment (in this section referred to as the "total excess payment") of an individual's salary, wages or other remuneration by the person to the individual in a year, that was paid as a result of an administrative, clerical or system error;

(c) before the end of the third year after the calendar year in which the excess amount is deducted or withheld,

i. the person elects, in the manner determined by the Minister, to have this section apply in respect of the excess amount, and

ii. the individual has repaid, or made an arrangement to repay, the total excess payment less the excess amount;

(d) an information return correcting for the total excess payment has not been issued by the person to the individual prior to the making of the election in subparagraph i of paragraph *c*; and

(e) any additional conditions determined by the Minister have been met.

2021, c. 14, s. 120.

1015.1. *(Repealed).*

1982, c. 5, s. 183; 1995, c. 1, s. 111; 1997, c. 31, s. 97.

1015.2. *(Repealed).*

1983, c. 43, s. 5 [In force (in part): 1983, c. 43, s. 17]; 1997, c. 85, s. 239.

1015.3. Every person to whom another person pays, in a taxation year, remuneration, within the meaning of the regulations made under section 1015, shall furnish the other person with a return in the form and within the time prescribed in section 1015.4.

Where a person fails to furnish the return referred to in the first paragraph, the deduction or withholding must be made in respect of the person as though the person were entitled to deduct, in computing the person's tax payable for the year, only the amount obtained by multiplying,

(a) where the deduction or withholding is made in respect of remuneration paid in the year 2023, but before 1 July, $17,183 by 15%; or

(b) where the deduction or withholding is made in respect of remuneration paid in the year 2023, but after 30 June, or in a year subsequent to the year 2023, $17,183 by the percentage determined under section 750.1 for the year.

Where the amount of $17,183 to which subparagraph *b* of the second paragraph refers is to be used for a taxation year subsequent to the year 2023, it is to be adjusted annually in such a manner that the amount used for that taxation year is equal to the total of the amount used for the preceding taxation year and the product obtained by multiplying that amount so used by the factor determined by the formula

(A/B) - 1.

In the formula provided for in the third paragraph,

(a) A is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year preceding that for which an amount is to be adjusted; and

(b) B is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year immediately before the year preceding that for which the amount is to be adjusted.

If the factor determined by the formula in the third paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.

Where the amount that results from the adjustment provided for in the third paragraph is not a multiple of $1, it must be rounded to the nearest multiple of $1 or, if it is equidistant from two such multiples, to the higher multiple.

Where this section applies in respect of remuneration paid in the taxation year 2023, it is to be read without reference to its third, fourth, fifth and sixth paragraphs.

1995, c. 63, s. 115; 1997, c. 85, s. 240; 2002, c. 9, s. 42; 2003, c. 9, s. 165; 2004, c. 21, s. 251; 2005, c. 1, s. 209; 2009, c. 5, s. 421; 2009, c. 15, s. 188; 2017, c. 29, s. 171; 2020, c. 5, s. 214; 2023, c. 19, s. 103.

1015.4. The person referred to in the first paragraph of section 1015.3 shall furnish the other person referred to in that paragraph with a return in the prescribed form containing the prescribed information within the following time:

(a) the person's employment starting date where the other person is the person's employer; and

(b) before remuneration is paid for the first time where the other person is not the person's employer.

The person referred to in the first paragraph of section 1015.3 shall furnish the other person referred to in that paragraph with a new return in the prescribed form containing the prescribed information within 15 days after an event that results in the reduction of the amount of the person's deductions or personal tax credits, according to the information indicated in the last return furnished to the other person.

Notwithstanding the first and second paragraphs, the person referred to in the first paragraph of section 1015.3 may, at any time, furnish the other person referred to in that paragraph with a return or a new return in the prescribed form containing the prescribed information.

2003, c. 9, s. 166.

1015.5. *(Repealed).*

2004, c. 21, s. 252; 2005, c. 1, s. 210.

1016. Where the Minister is satisfied that the deduction or withholding of the amount provided for in the third paragraph of section 1015 would impose undue hardship on the taxpayer, the Minister may determine a lesser amount and that amount shall be deemed to be the amount that is required to be deducted or withheld under that section.

1973, c. 18, s. 28; 1995, c. 18, s. 92; 1997, c. 85, s. 241; 2000, c. 5, s. 244; 2001, c. 51, s. 85.

1017. A taxpayer may elect, in prescribed form and prescribed manner, that the amount deducted or withheld in the taxpayer's respect under section 1015 be increased by the amount specified by the taxpayer in

the election, and that increased amount shall be deemed to be the amount that is required to be deducted or withheld under that section.

1973, c. 18, s. 28; 2001, c. 51, s. 86.

1017.1. A joint election made or expected to be made under Chapter II.1 of Title VI of Book III is not to be considered grounds on which the Minister may determine a lesser amount under section 1016.

2009, c. 5, s. 422.

1017.2. If a transferor and a transferee, within the meaning assigned to those expressions by the first paragraph of section 336.8, make a joint election under Chapter II.1 of Title VI of Book III in respect of a split-retirement income amount for a taxation year, determined in their respect for the purposes of that chapter, the portion of the amount deducted or withheld under section 1015 that may reasonably be considered to be attributable to the split-retirement income amount is deemed to have been deducted or withheld on account of the transferee's tax payable for the year under this Part and not on account of the transferor's tax payable for the year under this Part.

2009, c. 5, s. 422.

1017.3. An amount deemed to have been received as a benefit under or because of section 49 or any of sections 50 to 52.0.1 must not be considered a basis on which the Minister may determine a lesser amount under section 1016 solely because it is received as a non-cash benefit.

2011, c. 34, s. 69.

1018. *(Repealed).*

1972, c. 23, s. 746; 1993, c. 16, s. 328; 1995, c. 1, s. 112.

1019. Where, at the end of a taxpayer's taxation year, the person beneficially entitled to an amount received by the taxpayer after 1984 and before the taxation year as dividends, interest or proceeds of disposition of property is unknown to the taxpayer, the taxpayer shall pay to the Minister, on or before the sixtieth day after the end of the taxation year, on account of the tax payable by that person, an amount equal to 15% of the amount received as dividends or interest and 15% of the amount, if any, by which the proceeds of disposition of property exceed the aggregate of any expenses made or incurred by the taxpayer for the purpose of disposing of the property, to the extent that such expenses were not deducted in computing the taxpayer's income for any taxation year or attributable to any other property.

1972, c. 23, s. 747; 1989, c. 77, s. 99.

1019.1. No payment under section 1019 shall be required in respect of an amount that was included in computing the taxpayer's income contemplated in the said section for the year or a preceding taxation year or in respect of an amount on which the tax contemplated in the said section 1019 was previously paid.

1989, c. 77, s. 99.

1019.2. An amount paid by a taxpayer under section 1019 in respect of dividends, interest or proceeds of disposition of property is deemed to have been received by the person beneficially entitled thereto and to have been deducted or withheld from the amount otherwise payable by the taxpayer to that person.

1989, c. 77, s. 99.

DIVISION II

RULES RELATING TO TIPS

1997, c. 85, s. 242.

1019.3. In this division,

"regulated establishment" has the meaning assigned by section 42.6;

"tippable sale" has the meaning assigned by section 42.6.

1997, c. 85, s. 242.

1019.4. If an employee receives or benefits from tips and performs employment duties for a regulated establishment, the employee shall report in writing to the employer, at the end of each pay period, the amount by which the amount of tips the employee received or benefited from exceeds the amount of tips remitted to or for the benefit of another employee under a tip-sharing arrangement implemented for the employees performing employment duties for the regulated establishment, to the extent that that amount is included in the amount of the tips the employee received or benefited from.

The first paragraph does not apply in respect of the amount of the tips the employee received or benefited from during the pay period referred to therein, in respect of the performance of employment duties for the regulated establishment referred to therein, and that constitute service charges added to the customer's bill.

1997, c. 85, s. 242; 2009, c. 5, s. 423.

1019.5. For the purposes of section 1019.4, where a tip in respect of a sale is not received in the pay period during which the sale is made or in the pay periods referred to in paragraphs *a* and *b*, the tip is deemed to be received in one of the pay periods referred to in those paragraphs and not to be received at the time it is actually received:

(a) subject to paragraph *b*, the tip is deemed to be received in the pay period during which the obligations relating to that sale are fully fulfilled; and

(b) in the case where the funds representing the proceeds of a sale in a regulated establishment, in respect of which a tip was paid, are not received by the operator of the regulated establishment before the end of the pay period referred to in paragraph *a*, in respect of that sale, and where remittance of the tip attributable to that sale to the employee in respect of whom the sale is attributable is deferred to a time after that pay period, the tip is deemed to be received in the pay period during which the funds are received by the operator of the regulated establishment.

1997, c. 85, s. 242.

1019.6. An amount may be deducted or withheld under section 1015 by an employer from remuneration paid to an employee who performs employment duties for a regulated establishment only to the extent that it does not reduce any amount that, but for that section 1015, would have been deducted or withheld from that remuneration under section 153 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), without reference to subsection 1.2 of that section, under section 82 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23), under section 59 of the Act respecting the Québec Pension Plan (chapter R-9), under section 60 of the Act respecting parental insurance (chapter A-29.011), or as dues referred to in paragraph *b* or *c* of section 752.0.18.3.

1997, c. 85, s. 242; 2001, c. 9, s. 128.

1019.7. For the purposes of section 1015, the following rules apply:

(a) whoever employs an individual referred to in section 42.11 is deemed to pay to that individual as remuneration any tip to be attributed to the individual by the employer under that section 42.11, at the time the attribution is to be made under that section; and

(b) where an employee reports under section 1019.4 to the employer, in respect of a pay period, an amount relating to tips the employee received or benefited from in that pay period, the employer is deemed to pay to the employee an amount of remuneration equal to the amount so reported and to have paid that amount of remuneration at the time referred to in the second paragraph.

For the purposes of subparagraph *b* of the first paragraph, the employer referred to therein is deemed to pay the amount of remuneration referred to therein at the time the employer pays to the employee the salary or wages for the pay period referred to therein or, where, having regard to the information available at that time and the time required to determine the amount that is to be deducted or withheld from that amount of remuneration under section 1015, it may reasonably be considered that the employer cannot at that time determine the amount to be so deducted or withheld from that amount of remuneration owing to the fact that payment of the salary or wages for that pay period follows too closely the end of that pay period, at the time the employer pays to the employee the salary or wages for the pay period immediately following that pay period.

1997, c. 85, s. 242.

CHAPTER II

ADJUSTMENT PAYMENTS

1972, c. 23.

1020. (1) The Minister may, with the authorization of the Government, make an adjustment payment to the government of another province or of Canada, where, for a taxation year, such government is authorized to remit to Québec amounts deducted or withheld under the laws of such other province or of Canada, and such remittance is, in the opinion of the Minister, equivalent to an adjustment payment.

(2) The Minister may also, with the same authorization, sign with the government of that other province or of Canada any agreement deemed necessary for the application of this section.

1972, c. 23, s. 748.

1021. The aggregate of the adjustment payments is equal to the aggregate of the amounts deducted or withheld under subsection 1 of section 1020, during a taxation year, from the sums due to individuals who, on the last day of that year, resided in another province mentioned in section 1020; the Minister shall determine the portion of the amount deducted or withheld under section 1020 which is paid to the government of another province and that which is paid to the government of Canada, as an adjustment payment.

1972, c. 23, s. 749.

1022. An individual resident in Québec on the last day of a taxation year may deduct from his tax payable for such year the tax deductions or withholdings made by the government of another province mentioned in section 1020 and that part of the tax deductions or withholdings made by the government of Canada which is transferred to Québec as a payment equivalent to an adjustment payment.

1972, c. 23, s. 750.

1023. An individual who, on the last day of a taxation year, resided in another province mentioned in section 1020 and in respect of whom tax deductions or withholdings were made in Québec shall not claim the refund of the amounts so deducted or withheld or apply the amount thereof to the payment of what he may owe to Québec.

1972, c. 23, s. 751.

1024. For the purposes of sections 1020 to 1023, the expression “adjustment payment” means a payment made by Québec to the government of another province or of Canada in respect of any tax deduction or withholding made in Québec on an amount paid to a person not resident in Québec on the last day of the taxation year and the expression “amount deducted or withheld” does not include an amount which has been refunded to the individual.

1972, c. 23, s. 752.

CHAPTER III

PAYMENTS

1972, c. 23.

DIVISION I

INDIVIDUALS

2003, c. 9, s. 167.

1025. Subject to section 1026.1, every individual whose chief source of income for a taxation year is farming or fishing shall pay to the Minister for the year, on or before 31 December in the year, an amount equal to 2/3 of his tax for the year estimated in accordance with section 1004 or of his basic provisional account, established in prescribed manner, for the preceding taxation year.

1972, c. 23, s. 753; 1972, c. 26, s. 70; 1977, c. 26, s. 111; 1983, c. 49, s. 13; 1984, c. 15, s. 232; 1986, c. 15, s. 175; 1988, c. 4, s. 121; 1993, c. 16, s. 329; 1993, c. 64, s. 131; 1995, c. 1, s. 113.

1026. Subject to section 1026.1, every individual not contemplated in section 1025 shall pay to the Minister for each taxation year

(a) on or before 15 March, 15 June, 15 September and 15 December in the year, an amount equal to one-quarter of his tax for the year estimated in accordance with section 1004, or of his basic provisional account, established in the prescribed manner for the preceding taxation year, or

(b) on or before

i. 15 March and 15 June in the year, an amount equal to one-quarter of his basic provisional account, established in the prescribed manner for the second preceding taxation year, and

ii. 15 September and 15 December in the year, an amount equal to one-half of the amount by which his basic provisional account, established in the prescribed manner, for the preceding taxation year, exceeds one-half of his basic provisional account, established in the prescribed manner, for the second preceding taxation year.

1972, c. 23, s. 754; 1972, c. 26, s. 71; 1977, c. 26, s. 112; 1978, c. 26, s. 205; 1983, c. 44, s. 38; 1983, c. 49, s. 14; 1986, c. 15, s. 176; 1988, c. 4, s. 122; 1990, c. 59, s. 343; 1993, c. 16, s. 330; 1993, c. 64, s. 132; 1995, c. 1, s. 114.

1026.0.1. Every individual shall, on or before the individual’s balance-due day for the year, pay to the Minister for each taxation year the amount by which the individual’s tax payable for the year under this Part exceeds the aggregate of all amounts deducted or withheld under section 1015 in respect of his income for the year and of all other amounts paid or deemed to be paid to the Minister on or before that date as partial payment of the individual’s tax payable under this Part for the year.

1995, c. 1, s. 115; 1997, c. 31, s. 98; 2010, c. 5, s. 133.

1026.0.2. In section 1026.1,

"instalment threshold" of an individual for a taxation year means an amount equal to $1,800;

"net tax owing" by an individual for a taxation year means the amount by which the amount described in the second paragraph is exceeded by the tax payable by the individual for the year under this Part and Parts III.15 and III.15.2, determined without reference to the specified tax consequences for the year, section 313.11 and Chapter II.1 of Title VI of Book III, but with reference to the amount that the individual could deduct from the individual's tax otherwise payable for the year under section 776.41.5 if the individual's eligible spouse for the year were not required to include an amount in computing income for the year under section 313.11.

The amount to which the definition of "net tax owing" in the first paragraph refers corresponds to the aggregate of all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual's income for the year and all amounts the individual is deemed, under Chapter III.1, to have paid to the Minister on account of the individual's tax payable under this Part for the year.

1995, c. 1, s. 115; 1997, c. 85, s. 243; 1998, c. 16, s. 221; 2000, c. 5, s. 245; 2009, c. 5, s. 424; 2009, c. 15, s. 189; 2015, c. 21, s. 362; 2015, c. 36, s. 73.

1026.1. Sections 1025 and 1026 do not apply to an individual for a particular taxation year where

(a) the individual's chief source of income for the particular year is farming or fishing and the individual's net tax owing for the particular year, or for either of the two preceding taxation years, does not exceed the individual's instalment threshold for that year;

(b) the individual's net tax owing for the particular year, or for each of the two preceding taxation years, does not exceed the individual's instalment threshold for that year; or

(c) the individual is, for the particular year, a succession that is a graduated rate estate.

Sections 1026 and 1026.0.1 do not apply to a SIFT trust.

1983, c. 49, s. 15; 1986, c. 15, s. 177; 1993, c. 64, s. 133; 1995, c. 1, s. 116; 2017, c. 1, s. 265.

1026.2. Where an individual has died in a taxation year, sections 1025 and 1026 shall not require the payment of any amount in respect of the individual that would otherwise become due under either of the said sections on or after the day on which the individual died.

1993, c. 16, s. 331; 1993, c. 64, s. 134; 1995, c. 1, s. 117.

1026.3. For the purposes of sections 1025 and 1026, the individual's tax for the year estimated in accordance with section 1004 is to be determined without reference to section 313.11 and Chapter II.1 of Title VI of Book III, but with reference to the amount that the individual could deduct from the individual's tax otherwise payable for the year under section 776.41.5 if the individual's eligible spouse for the year were not required to include an amount in computing income for the year under section 313.11.

2009, c. 5, s. 425; 2015, c. 36, s. 74.

DIVISION II

CORPORATIONS

2003, c. 9, s. 168.

1027. Subject to section 1027.0.3, every corporation subject to taxation under this Part shall pay to the Minister

(a) the amounts determined in accordance with any of the following methods:

i. on or before the last day of each month of the current taxation year an amount equal to 1/12 of its tax for the year estimated in accordance with section 1004 or of its first basic provisional account, established in prescribed manner, for the year,

ii. on or before the last day of each of the first two months of the current taxation year, an amount equal to 1/12 of its second basic provisional account, established in prescribed manner, for the year and, on or before the last day of each of the following months of the year, an amount equal to 1/10 of the excess of its first basic provisional account contemplated in subparagraph i over the amount computed in respect of the first two months of the year, or

iii. if the corporation is a qualified Canadian-controlled private corporation,

(1) on or before the last day of each three-month period in the current taxation year (or if the period that remains in a year after the end of the last such three-month period is less than three months, on or before the last day of that remaining period), an amount equal to 1/4 of its tax for the year estimated in accordance with section 1004 or of its first basic provisional account referred to in subparagraph i, or

(2) on or before the last day of the first period in the current taxation year not exceeding three months, a particular amount equal to 1/4 of its second basic provisional account referred to in subparagraph ii and, on or before the last day of each of the following three-month periods in the current year (or if the period that remains in a year after the end of the last such three-month period is less than three months, on or before the last day of that remaining period), an amount equal to 1/3 of the amount by which its first basic provisional account referred to in subparagraph i exceeds the particular amount; and

(b) on or before the corporation's balance-due day for its taxation year, the remainder of the corporation's tax payable for the year.

However, subparagraph *a* of the first paragraph does not apply to a corporation whose total taxes payable for the year under this Act, other than tax payable under Part IV.1, determined without reference to the specified tax consequences for the year, or whose first basic provisional accounts within the meaning of the regulations under subparagraph i of subparagraph *a* of the first paragraph, for the year, other than the first basic provisional account related to tax payable under Part IV.1, do not exceed $3,000.

The first and second paragraphs apply, with the necessary modifications, to a SIFT trust.

1972, c. 23, s. 755; 1973, c. 17, s. 115; 1975, c. 22, s. 235; 1982, c. 5, s. 184; 1983, c. 44, s. 39; 1986, c. 15, s. 178; 1986, c. 19, s. 188; 1987, c. 21, s. 71; 1990, c. 7, s. 146; 1991, c. 8, s. 74; 1992, c. 1, s. 159; 1993, c. 19, s. 89; 1993, c. 64, s. 135; 1997, c. 3, s. 71; 1998, c. 16, s. 222; 2009, c. 15, s. 190; 2010, c. 5, s. 134; 2017, c. 1, s. 266.

1027.0.1. For the purposes of subparagraph iii of subparagraph *a* of the first paragraph of section 1027, a qualified Canadian-controlled private corporation, at a particular time in a taxation year, means a Canadian-controlled private corporation in respect of which the following conditions are met:

(a) the corporation's taxable income for the year or the preceding taxation year does not exceed $500,000;

(b) the corporation's paid-up capital for the year or the preceding taxation year does not exceed $10,000,000;

(c) the excess amount referred to in paragraph *a* of section 771.2.1.2, computed in respect of the corporation for the year or the preceding taxation year, is an amount greater than zero; and

(d) throughout the 12-month period that ends on the day on which the corporation is required to make its last payment under this division, the corporation has

i. paid, on or before the date of expiry of the time allowed to do so, all amounts that were required to be paid under section 1015, Chapter IV of the Act respecting parental insurance (chapter A-29.011), Division I

of Chapter IV of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), Title III of the Act respecting the Québec Pension Plan (chapter R-9) or Title I of the Act respecting the Québec sales tax (chapter T-0.1), and

ii. filed, on or before the date of expiry of the time allowed to do so, all returns that were required to be filed by the corporation under this Act or Title I of the Act respecting the Québec sales tax.

For the purposes of subparagraph *b* of the first paragraph, the paid-up capital of a corporation is

(a) in respect of a corporation referred to in paragraph *a* or *c* of section 1132 or a mining corporation that has not reached the production stage, its paid-up capital that would be determined in accordance with Book III of Part IV if no reference were made to section 1138.2.6;

(b) in respect of an insurance corporation, other than a corporation referred to in subparagraph *a*, its paid-up capital that would be determined in accordance with Title II of Book III of Part IV, if the corporation were a bank and if paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136; and

(c) in respect of a cooperative, its paid-up capital that would be determined in accordance with Title I of Book III of Part IV if no reference were made to section 1138.2.6.

2009, c. 15, s. 191; 2010, c. 5, s. 135.

1027.0.2. For the purposes of subparagraphs *a* and *b* of the first paragraph of section 1027.0.1,

(a) the taxable income of a corporation that, in a particular taxation year, is associated with one or more other corporations is equal to the aggregate of the corporation's taxable income for the particular year and of each of the other corporations' taxable income for their respective taxation years that end in the particular year; and

(b) the paid-up capital of a corporation that, in a particular taxation year, is associated with one or more other corporations is equal to the aggregate of the corporation's paid-up capital determined in accordance with the second paragraph of section 1027.0.1 for the particular year and of the paid-up capital so determined of each of the other corporations for their respective taxation years that end in the particular year.

2009, c. 15, s. 191.

1027.0.3. If payments that a corporation is required to make under section 1027 in a taxation year were made in accordance with subparagraph iii of subparagraph *a* of the first paragraph of that section and the corporation ceases, at a particular time in the taxation year, to be able to avail itself of that subparagraph iii, the following rules apply for the purpose of determining the amounts that the corporation is required to pay to the Minister under section 1027 for the part of the year that follows the particular time:

(a) subparagraph iii of subparagraph *a* of the first paragraph of section 1027 is to be read as follows:

"iii. on or before the last day of each month in the current taxation year, the amount determined by the formula

(A - B)/C;"; and

(b) section 1027 is to be read as if the following paragraph was added after the second paragraph:

"In the formula in subparagraph iii of subparagraph *a* of the first paragraph,

(*a*) A is the corporation's tax for the taxation year estimated in accordance with section 1004 or the corporation's first basic provisional account referred to in subparagraph i of subparagraph *a* of the first paragraph;

(*b*) B is the aggregate of the payments that the corporation was required to make in the taxation year and before the particular time referred to in section 1027.0.3, in accordance with subparagraph iii of subparagraph *a* of the first paragraph; and

(*c*) C is the number of months in the taxation year that end after the particular time referred to in section 1027.0.3."

2009, c. 15, s. 191.

DIVISION III

Repealed, 2013, c. 10, s. 95.

2003, c. 9, s. 169; 2013, c. 10, s. 95.

1027.1. *(Repealed).*

2003, c. 9, s. 169; 2013, c. 10, s. 95.

1027.2. *(Repealed).*

2003, c. 9, s. 169; 2013, c. 10, s. 95.

1027.3. *(Repealed).*

2003, c. 9, s. 169; 2013, c. 10, s. 95.

DIVISION III.1

INSTALMENT DEFERRAL FOR MANUFACTURING CORPORATIONS

2009, c. 15, s. 192.

1027.4. In this division,

"eligible instalment day" of a qualified corporation means a day in the calendar year 2008 on or before which an instalment to be paid by the corporation in respect of the corporation's tax payable under this Part for the taxation year that includes that day would become payable if this Act were read without reference to this division;

"manufacturing corporation" for a taxation year means a corporation whose gross income from its manufacturing or processing activities for the preceding taxation year exceeds 50% of the corporation's total gross income for that preceding taxation year;

"manufacturing corporation operating mainly in the forest industry" for a particular taxation year means a manufacturing corporation for the particular year that meets the following conditions:

(a) the activities of the corporation for the particular year consist in any combination of

i. sawmill and wood preservation activities included in the group described under code 3211 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada,

ii. activities involved in the manufacturing of veneer, plywood and engineered wood products included in the group described under code 3212 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada, excluding activities involved in the manufacturing of structural wood products included in the class described under code 321215 of that publication, and

iii. activities relating to pulp, paper and paperboard mills included in the group described under code 3221 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada; and

(b) the corporation's gross income from activities described in paragraph *a* for the taxation year that precedes the particular year exceeds 50% of the corporation's total gross income for that preceding taxation year;

"manufacturing or processing activities" of a corporation means activities included in the groups described under codes 31 to 33 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada;

"qualified corporation" for a particular taxation year means

(a) a manufacturing corporation operating mainly in the forest industry for the particular year; and

(b) a manufacturing corporation for the particular year, other than a corporation described in paragraph *a*, the paid-up capital of which determined for the taxation year preceding the particular year does not exceed,

i. if the corporation is not associated with any other corporation in the particular year, $75,000,000, and

ii. if the corporation is associated with one or more other corporations in the particular year, the amount by which $75,000,000 exceeds the aggregate of the paid-up capital of each of those other corporations determined either for that other corporation's last taxation year that ended in the 12 months that precede the beginning of the particular year, or, if the other corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of that fiscal period in accordance with generally accepted accounting principles.

For the purposes of paragraph *b* of the definition of "qualified corporation" in the first paragraph, the paid-up capital of a corporation is its paid-up capital determined in accordance with Title I of Book III of Part IV.

2009, c. 15, s. 192.

1027.5. An amount that, because of subparagraph *a* of the first paragraph of section 1027, would otherwise become payable on or before an eligible instalment day by a qualified corporation becomes payable on or before not that day but the qualified corporation's balance-due day for the taxation year that includes the eligible instalment day.

2009, c. 15, s. 192.

DIVISION IV

Repealed, 2005, c. 1, s. 211.

2003, c. 9, s. 169; 2005, c. 1, s. 211.

1028. *(Repealed).*

1972, c. 23, s. 756; 1973, c. 17, s. 116; 1975, c. 22, s. 236; 1986, c. 15, s. 179; 1986, c. 19, s. 189; 1997, c. 3, s. 71; 1997, c. 85, s. 244; 1998, c. 16, s. 223; 2000, c. 39, s. 120; 2001, c. 7, s. 141; 2005, c. 1, s. 211.

1029. *(Repealed).*

1972, c. 23, s. 757; 1972, c. 26, s. 72; 1977, c. 26, s. 113; 1984, c. 35, s. 28; 1993, c. 64, s. 136.

CHAPTER III.1

REFUNDABLE TAX CREDITS

1981, c. 12, s. 12; 1992, c. 1, s. 160.

DIVISION I

Repealed, 2000, c. 39, s. 121.

1983, c. 44, s. 40; 2000, c. 39, s. 121.

1029.0.1. *(Repealed).*

1997, c. 14, s. 178; 1997, c. 85, s. 245; 2000, c. 39, s. 121.

1029.1. *(Repealed).*

1981, c. 12, s. 12; 1983, c. 44, s. 40; 1985, c. 25, s. 149; 1997, c. 3, s. 71; 1997, c. 14, s. 179; 2000, c. 39, s. 121.

1029.2. *(Repealed).*

1981, c. 12, s. 12; 1982, c. 5, s. 185; 1983, c. 44, s. 41; 1985, c. 25, s. 150; 1989, c. 5, s. 199; 1990, c. 7, s. 147; 1991, c. 8, s. 75; 1992, c. 1, s. 161; 1993, c. 19, s. 90; 1995, c. 1, s. 199; 1995, c. 63, s. 116; 1997, c. 3, s. 71; 1997, c. 14, s. 180; 1997, c. 31, s. 99; 2000, c. 39, s. 121.

1029.2.1. *(Repealed).*

1987, c. 21, s. 72; 1993, c. 64, s. 137; 1995, c. 63, s. 261; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2000, c. 39, s. 121.

1029.3. *(Repealed).*

1981, c. 12, s. 12; 1983, c. 44, s. 42; 1984, c. 15, s. 233; 1989, c. 77, s. 100; 1997, c. 3, s. 71; 2000, c. 39, s. 121.

1029.4. *(Repealed).*

1981, c. 12, s. 12; 1997, c. 3, s. 71; 2000, c. 39, s. 121.

1029.5. *(Repealed).*

1981, c. 12, s. 12; 1997, c. 3, s. 71; 2000, c. 39, s. 121.

1029.6. *(Repealed).*

1981, c. 12, s. 12; 1995, c. 63, s. 117; 1997, c. 3, s. 71; 1997, c. 85, s. 246; 1998, c. 16, s. 251; 2000, c. 39, s. 121.

DIVISION I.1

RULES AND DEFINITIONS APPLICABLE TO CERTAIN REFUNDABLE TAX CREDITS

1995, c. 1, s. 118; 1997, c. 14, s. 181.

1029.6.0.0.1. In this chapter,

"government assistance" means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance;

"non-government assistance" means an amount that would be included in computing a taxpayer's income because of paragraph *w* of section 87, if that paragraph were read without reference to its subparagraphs i to iii and v;

"qualified business", in relation to any business carried on by a taxpayer, means any business carried on by the taxpayer other than a specified investment business or a personal services business.

For the purposes of Divisions II.4 to II.6.0.8, II.6.0.9.1 to II.6.0.11, II.6.2, II.6.4.2.1, II.6.5, II.6.5.7 to II.6.5.9, II.6.6.6.1 to II.6.15 and II.23 to II.27, the following rules apply:

(a) in the case of Division II.4, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under Divisions II to II.4, or

ii. an amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)), other than the portion of the amount that may reasonably be attributed to an amount that is a qualified expenditure, within the meaning of subsection 9 of section 127 of that Act, and that, for the purposes of that definition, is an expenditure made before 1 May 1987;

(b) in the case of each of Divisions II.4.2, II.5.1.1 to II.5.1.3, II.5.2, II.6.0.1.8, II.6.0.1.10, II.6.0.1.11, II.6.0.10, II.6.0.11, II.6.2, II.6.4.2.1, II.6.5, II.6.5.7 to II.6.5.9, II.6.6.6.1, II.6.6.6.2, II.6.14.3 to II.6.14.5 and II.27, government assistance or non-government assistance does not include an amount deemed to have been paid to the Minister for a taxation year under that division;

(b.1) in the case of Division II.5.1, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. an amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act that may reasonably be attributed to an amount that is an apprenticeship expenditure, within the meaning of subsection 9 of section 127 of that Act;

(c) in the case of Division II.6, government assistance or non-government assistance does not include

i. an amount that a corporation is deemed to have paid to the Minister for a taxation year under that division,

i.1. an amount that a corporation is deemed to have paid for a taxation year under subsection 3 of section 125.4 or 125.5 of the Income Tax Act,

ii. the amount of financial assistance granted by the Conseil des arts et des lettres du Québec, the Société de développement des entreprises culturelles, the Canada Council for the Arts or the Canadian Independent Film and Video Fund,

iii. the amount of financial assistance granted by the National Film Board of Canada,

iv. the amount of assistance granted by Telefilm Canada in accordance with the Telefilm Canada Act (R.S.C. 1985, c. C-16), other than any subsidy granted by that body under a dubbing and subtitling assistance fund,

v. the amount of financial assistance granted by the Canadian Television Fund under the Licence Fee Program or the Equity Investment Program,

v.1. the amount of financial assistance granted by the Canada Media Fund,

vi. *(subparagraph repealed),*

vii. *(subparagraph repealed),*

viii. the amount of financial assistance granted by the Fonds de développement économique de la région de la Capitale-Nationale,

viii.1. the amount of financial assistance paid by the Société du 400e anniversaire de Québec,

viii.2. the amount of financial assistance granted by the Fonds francophone d'aide au développement cinématographique,

viii.3. the amount of financial assistance granted under the Mesure régionale d'aide au démarrage de productions cinématographiques et télévisuelles implemented by the Ministère de la Culture, des Communications et de la Condition féminine, Ville de Québec and the Bureau de la Capitale-Nationale,

viii.4. the amount of financial assistance granted by the Société des célébrations du 375e anniversaire de Montréal,

viii.5. the amount of financial assistance granted under the programme de Soutien à la production cinématographique et télévisuelle de la Ville de Québec,

viii.6. the amount of financial assistance granted by Eurimages,

viii.7. the amount of financial assistance granted under Ville de Québec's Soutien à la production de courts métrages et de webséries program,

viii.8. the amount of financial assistance granted under Ville de Québec's Soutien à la production de longs métrages et de séries télévisées program, or

ix. the amount of any financial contribution paid by a public body that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission or a similar foreign licence;

(c.1) in the case of Division II.6.0.0.1, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. the amount of financial assistance granted by the Société de développement des entreprises culturelles;

(d) in the case of Division II.6.0.0.2, government assistance or non-government assistance does not include

i. an amount that a corporation is deemed to have paid to the Minister for a taxation year under that division,

ii. an amount that a corporation is deemed to have paid for a taxation year under subsection 3 of section 125.4 or 125.5 of the Income Tax Act,

iii. the amount of financial assistance paid by the Société du 400e anniversaire de Québec, or

iv. the amount of financial assistance granted by the Société des célébrations du 375e anniversaire de Montréal;

(e) in the case of Division II.6.0.0.3, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division,

ii. the amount of financial assistance granted by the Conseil des arts et des lettres du Québec, the Société de développement des entreprises culturelles, the Canada Council for the Arts, the Department of Canadian Heritage, Telefilm Canada out of the Canada Music Fund, Fondation Musicaction or the Foundation Assisting Canadian Talent on Recordings,

iii. the amount of financial assistance paid by the Société du 400e anniversaire de Québec, or

iv. the amount of financial assistance granted by the Société des célébrations du 375e anniversaire de Montréal;

(e.1) in the case of Division II.6.0.0.4, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division,

ii. the amount of financial assistance granted by the Conseil des arts et des lettres du Québec, the Société de développement des entreprises culturelles, the Canada Council for the Arts, Fondation Musicaction or the Foundation Assisting Canadian Talent on Recordings,

iii. the amount of the fees paid by a government, municipality or other public authority to acquire performances of a show,

iv. the amount of financial assistance paid by the Société du 400e anniversaire de Québec, or

v. the amount of financial assistance granted by the Société des célébrations du 375e anniversaire de Montréal;

(e.2) in the case of Division II.6.0.0.4.1, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division,

ii. the amount of financial assistance granted by the Société des célébrations du 375e anniversaire de Montréal, or

iii. the amount of financial assistance granted by the Société de développement des entreprises culturelles;

(f) in the case of Division II.6.0.0.5, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division,

ii. the amount of financial assistance granted by the Canada Book Fund of the Department of Canadian Heritage,

iii. grants paid by the Canada Council for the Arts to book publishers, for international translation and for co-operative projects in writing and publishing,

iv. the amount of financial assistance granted by the Société de développement des entreprises culturelles;

v. the amount of financial assistance paid by the Société du 400e anniversaire de Québec, or

vi. the amount of financial assistance granted by the Société des célébrations du 375e anniversaire de Montréal;

(g) (subparagraph repealed);

(h) in the case of each of Divisions II.6.0.1.2, II.6.0.1.3, II.6.0.1.9, II.6.14.2 and II.6.14.2.3, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. any amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act;

(h.1) in the case of Division II.6.0.1.12, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. an amount deemed to have been paid for a taxation year under subsection 2 of section 125.6 of the Income Tax Act;

(i) in the case of Division II.6.0.3, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division,

ii. any amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act, or

iii. except for the purposes of the definition of "specified wages" in the first paragraph of section 1029.8.36.0.17 and sections 1029.8.36.0.24 and 1029.8.36.0.31, the amount of a grant relating to wages that is paid under the Regulation respecting the Private Investment and Job Creation Promotion Fund (O.C. 530-97, 97-04-23), as that regulation read at the time of its application;

(i.1) in the case of Division II.6.0.8, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division,

ii. the amount of assistance attributable to a specific grain price stabilization program negotiated with La Financière agricole du Québec,

iii. the amount of assistance attributable to a workforce training program,

iv. the amount of federal government assistance directly attributable to the ethanol industry segment, in particular regarding market expansion, process improvement, energy efficiency and change in raw materials, or

v. the amount of assistance attributable to the program supporting the improvement of first generation fuel ethanol production efficiency;

(i.2) in the case of Division II.6.0.9.1, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division,

ii. the amount of assistance attributable to a workforce training program, or

iii. the amount of federal government assistance directly attributable to the biodiesel fuel industry segment, in particular regarding market expansion, process improvement, energy efficiency and change in raw materials;

(i.3) in the case of Division II.6.0.9.2, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. the amount of assistance attributable to a workforce training program;

(i.4) in the case of Division II.6.0.9.3, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. subject to the fourth paragraph, the amount of federal government assistance directly attributable to the industry segment of a biofuel, in particular regarding market expansion, process improvement, energy efficiency and change in raw materials;

(j) in the case of Division II.6.15, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. the portion of any amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act that can reasonably be attributed to an amount that is a pre-production mining expenditure within the meaning of subsection 9 of that section 127;

(k) (subparagraph repealed);

(l) in the case of Division II.23, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. the amount of financial assistance granted by the Ministère des Ressources naturelles et de la Faune under the Rénoclimat program;

(m) in the case of Division II.24, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division,

ii. the amount of financial assistance granted by the Ministère des Ressources naturelles et de la Faune under the Rénoclimat program, or

iii. the portion of any amount deducted or deductible under the Income Tax Act that may reasonably be attributed to an expenditure described in the definition of "home renovation expenditure" in section 1029.8.159;

(n) in the case of Division II.25, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. the amount of financial assistance granted by the Ministère des Ressources naturelles et de la Faune under the Rénoclimat program or the Chauffez vert program; and

(o) in the case of Division II.26, government assistance or non-government assistance does not include

i. an amount deemed to have been paid to the Minister for a taxation year under that division, or

ii. an amount deemed to have been paid on account of an individual's tax payable for a taxation year, other than the amount described in subparagraph i, under this Part or the Income Tax Act that may reasonably

be attributed to an expenditure described in the definition of "septic system repair expenditure" in section 1029.8.174.

Subject to subparagraphs *c* to *f* of the second paragraph, government assistance includes the amount of any financial contribution in respect of a property that is a Québec film production, within the meaning of the first paragraph of section 1029.8.34, a qualified production, within the meaning of the first paragraph of section 1029.8.36.0.0.1 or 1029.8.36.0.0.4, a qualified low-budget production, within the meaning of the first paragraph of section 1029.8.36.0.0.4, a qualified property, within the meaning of the first paragraph of section 1029.8.36.0.0.7, a qualified performance, within the meaning of the first paragraph of section 1029.8.36.0.0.10, a qualified production, within the meaning of the first paragraph of section 1029.8.36.0.0.12.1, an eligible work or an eligible group of works, within the meaning of the first paragraph of section 1029.8.36.0.0.13, that a corporation has received, is entitled to receive or may reasonably expect to receive from a government, municipality or other public authority, or a person or partnership that pays that contribution in circumstances where it is reasonable to conclude that the person or partnership would not have paid the contribution but for the amount that the person or partnership or another person or partnership received from a government, municipality or other public authority.

Government assistance includes, for the purposes of Divisions II.6.0.9.2 and II.6.0.9.3, the value of the compliance credits issued to a corporation, under a regulation adopted by the Government of Canada, aimed at reducing the carbon intensity of liquid fossil fuels or requiring that those fuels have a minimum low-carbon-intensity content, where

(a) within the framework of the regulation, a credit market is established;

(b) compliance credits are issued to the corporation in relation to its eligible production of pyrolysis oil or its eligible production of biofuel, as the case may be, within the meaning assigned to those expressions by Divisions II.6.0.9.2 and II.6.0.9.3; and

(c) a value is attributed to the credits so issued.

2001, c. 51, s. 87; 2001, c. 53, s. 260; 2002, c. 9, s. 43; 2002, c. 40, s. 99; 2003, c. 9, s. 170; 2004, c. 21, s. 253; 2005, c. 1, s. 212; 2005, c. 23, s. 141; 2005, c. 38, s. 234; 2006, c. 13, s. 87; 2006, c. 36, s. 101; 2007, c. 3, s. 72; 2007, c. 12, s. 101; 2009, c. 5, s. 426; 2009, c. 15, s. 193; 2010, c. 5, s. 136; 2010, c. 25, s. 112; 2011, c. 1, s. 51; 2011, c. 34, s. 70; 2012, c. 8, s. 175; 2013, c. 10, s. 96; 2015, c. 21, s. 363; 2015, c. 24, s. 134; 2017, c. 1, s. 267; 2017, c. 29, s. 172; 2019, c. 14, s. 297; 2020, c. 16, s. 143; 2021, c. 14, s. 121 ; 2021, c. 18, s. 91; 2022, c. 23, s. 91; 2023, c. 2, s. 34.

1029.6.0.0.2. A taxpayer may be deemed to have paid an amount to the Minister on account of the taxpayer's tax payable for a taxation year under any of Divisions II to II.6.15 only to the extent that the cost, expenditure or expenses taken into account in computing that amount are reasonable in the circumstances.

2019, c. 14, s. 298.

1029.6.0.1. Subject to any special provisions in this chapter, the following rules apply:

(a) where, in respect of a particular expenditure or particular costs, an amount is deducted in computing a taxpayer's tax payable for a taxation year, is deemed under any of Divisions II to II.6.2, II.6.5, II.6.5.7 to II. 6.5.9 and II.6.14.2 to II.6.15 to have been paid to the Minister by the taxpayer, or is deemed under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) to have been an overpayment to the Minister by the taxpayer, no other amount may be deemed to have been paid to the Minister by the taxpayer for any taxation year under any of those divisions, or be deemed to have been an overpayment to the Minister by the taxpayer under that section 34.1.9, in respect of all or part of a cost, an expenditure or costs included in the particular expenditure or the particular costs, except for, in the case of an amount deducted in computing a taxpayer's tax payable for a taxation year under Title III.4 of Book V, an amount deemed to have been paid by the taxpayer for the year under Division II.6.0.1.9;

(b) where it may reasonably be considered that all or a portion of a consideration paid or payable by a person or partnership under a particular contract relates to a particular expenditure or to particular costs and that the person or a member of the partnership may, for a taxation year, be deemed to have paid an amount to the Minister under any of Divisions II to II.6.2, II.6.5, II.6.5.7 and II.6.14.2 to II.6.15, in respect of that expenditure or those costs, as the case may be, no amount may be deemed to have been paid to the Minister by another taxpayer for any taxation year under any of those divisions, or be deemed to have been an overpayment to the Minister by another taxpayer under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec, in respect of all or part of a cost, an expenditure or costs incurred in performing the particular contract or any contract derived therefrom, that may reasonably be considered to relate to the particular expenditure or particular costs;

(c) (subparagraph repealed);

(d) no corporation may be deemed to have paid an amount to the Minister for a taxation year under this chapter in respect of a cost, an expenditure or any costs incurred by the corporation before 13 June 2003, where the corporation is governed, in the year, by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1);

(e) no corporation may be deemed to have paid an amount to the Minister for a taxation year under this chapter in respect of a cost, an expenditure or any costs incurred by the corporation after 11 March 2003 and before 13 June 2003, where the corporation is governed, in the year, by an Act establishing a labour-sponsored fund;

(f) for the purposes of a particular division of this chapter, a particular amount included in computing an individual's income from an office or employment under Chapter II of Title II of Book III may not be taken into account in computing a particular expenditure that includes the particular amount in respect of which an amount is deemed to have been paid by a taxpayer for a taxation year under the particular division if

i. the particular expenditure is wages, within the meaning of the first paragraph of section 1029.8.36.0.3.72, or a salary or wages, within the meaning of the first paragraph of section 1029.8.33.11.11, and

ii. the particular amount is the value of a benefit that the taxpayer did not pay in currency.

Despite subparagraph *b* of the first paragraph, where a person or a member of a partnership may, for a taxation year, be deemed to have paid an amount to the Minister under Division II.6.0.1.11, in respect of costs under a particular contract that are incurred for the provision of services, under Division II.6.14.2.2, in respect of costs relating to a particular contract, or under Division II.6.14.2.3, in respect of costs incurred in relation to the contract for the acquisition of a particular property that is referred to in subparagraph v of paragraph *b* of the definition of "specified property" in the first paragraph of section 1029.8.36.166.60.36, another taxpayer may, for any taxation year, be deemed to have paid an amount to the Minister under Division II. 6.0.1.9, in respect of an expenditure, incurred in performing the particular contract or the contract for the acquisition of the particular property, as the case may be, that may reasonably be considered to relate to those costs.

1995, c. 1, s. 118; 1995, c. 63, s. 118; 1997, c. 3, s. 71; 1997, c. 14, s. 182; 1997, c. 85, s. 247; 1999, c. 83, s. 167; 1999, c. 86, s. 84; 2001, c. 51, s. 88; 2002, c. 9, s. 44; 2002, c. 40, s. 100; 2003, c. 9, s. 171; 2004, c. 21, s. 254; 2005, c. 1, s. 213; 2005, c. 23, s. 142; 2006, c. 13, s. 88; 2007, c. 12, s. 102; 2010, c. 5, s. 137; 2010, c. 25, s. 113; 2011, c. 1, s. 52; 2012, c. 8, s. 176; 2015, c. 21, s. 364; 2015, c. 36, s. 75; 2019, c. 14, s. 299; 2021, c. 14, s. 122; 2021, c. 18, s. 92; 2022, c. 23, s. 92.

1029.6.0.1.1. *(Repealed).*

2000, c. 39, s. 122; 2002, c. 9, s. 45.

1029.6.0.1.2. Subject to any special provisions in this chapter, a taxpayer may be deemed to have paid an amount to the Minister on account of the taxpayer's tax payable for a particular taxation year under any of Divisions II to II.6.15 (in this paragraph referred to as the "particular division"), only if the taxpayer files with

the Minister the prescribed form containing prescribed information and, if applicable, a copy of each agreement, certificate, favourable advance ruling, qualification certificate, rate schedule, receipt or report the taxpayer is required to file in accordance with that division, on or before the day that is the last of the following days:

(a) the last day of the 12-month period that follows the taxpayer's filing-due date for the particular year; or

(b) either of the following days:

i. where a favourable advance ruling that the taxpayer is required to file with the Minister in accordance with the particular division is issued by the Société de développement des entreprises culturelles, the last day of the 3-month period that follows the date on which the ruling was given, or

ii. in any other case, the last day of the 3-month period that follows the date on which the certificate or qualification certificate that the taxpayer is required to file with the Minister in accordance with the particular division is issued.

For the purposes of the first paragraph, a taxpayer is deemed to have filed with the Minister the prescribed form containing prescribed information and, if applicable, a copy of the documents referred to in the first paragraph within the time limit provided for in that paragraph that applies to the taxpayer for a taxation year so as to be deemed to have paid an amount to the Minister for the year in respect of a cost, an expenditure or any costs under a provision of any of Divisions II to II.6.15 (in this paragraph referred to as the "particular provision"), if

(a) the taxpayer files with the Minister the prescribed form containing prescribed information and, if applicable, a copy of the documents referred to in the first paragraph after the expiry of that time limit so as to be deemed to have paid an amount to the Minister for the year in respect of the cost, expenditure or costs under the particular provision; and

(b) the taxpayer has filed with the Minister the prescribed form containing prescribed information and, if applicable, a copy of the documents referred to in the first paragraph within that time limit so as to be deemed to have paid an amount to the Minister for the year in respect of the cost, expenditure or costs under a provision of any of Divisions II to II.6.15 other than the particular provision.

For the purposes of the first paragraph and subparagraph *b* of the second paragraph, a taxpayer is deemed to have filed with the Minister, within the time limit provided for in the first paragraph that is applicable to the taxpayer for a particular taxation year, a copy of the certificate, qualification certificate or favourable advance ruling which the taxpayer files with the Minister in accordance with any of Divisions II to II.6.15, if the taxpayer filed, before the expiry of that time limit, the prescribed form containing prescribed information and provided for in that division.

2001, c. 51, s. 89; 2002, c. 9, s. 46; 2002, c. 40, s. 101; 2006, c. 36, s. 102; 2007, c. 12, s. 103; 2011, c. 1, s. 53; 2011, c. 6, s. 184; 2013, c. 10, s. 97; 2015, c. 36, s. 76; 2017, c. 29, s. 173; 2019, c. 14, s. 300.

1029.6.0.1.2.1. For the purposes of subparagraphs *a* and *b* of the first paragraph of section 1029.6.0.1, a particular expenditure or particular costs, in respect of which a particular amount is or may be deemed under any of Divisions II to II.6.2, II.6.5, II.6.5.7 and II.6.14.2 to II.6.15 to have been paid to the Minister by a taxpayer, or by a person or a member of a partnership, as the case may be, for a taxation year, or is deemed under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) to have been an overpayment to the Minister by the taxpayer, include the aggregate of the expenditures and costs taken into account, or to be taken into account, as the case may be, in computing the amount used as a basis for computing the particular amount.

2005, c. 23, s. 143; 2006, c. 13, s. 89; 2007, c. 12, s. 104; 2010, c. 25, s. 114; 2012, c. 8, s. 177; 2015, c. 21, s. 365; 2021, c. 18, s. 93.

1029.6.0.1.2.2. The rule set out in the second paragraph applies if

(a) any of the following conditions is met in relation to an expenditure, in this section referred to as the "initial expenditure", incurred in whole or in part after 12 December 2003:

i. by reason of subparagraph *b* of the first paragraph of section 1029.6.0.1, no amount may, in respect of all or part of a cost, an expenditure or costs that constitute only a portion of the initial expenditure (in this section referred to as the "portion not qualifying for a tax credit"), be deemed under any of Divisions II to II.6.2, II.6.5, II.6.5.7 and II.6.14.2 to II.6.15 to have been paid to the Minister by a taxpayer for a taxation year, or be deemed under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) to have been an overpayment to the Minister by the taxpayer, or

ii. a contract payment, within the meaning of the first paragraph of section 1029.8.36.0.17 or section 1029.8.36.4, must be taken into account in computing the amount used as a basis for computing, in respect of the portion of the initial expenditure that, where applicable, exceeds the portion not qualifying for a tax credit thereof, the amount that is deemed under Division II.6.0.3 or II.6.2 to have been paid to the Minister by a taxpayer for a taxation year;

(b) but for this section and section 1029.6.0.1.2.3, a particular amount would be, in respect of the portion of the initial expenditure (in subparagraph *c* and the second paragraph referred to as the "portion qualifying for a tax credit") that, where applicable, exceeds the portion not qualifying for a tax credit thereof, deemed under any of Divisions II to II.6.2, II.6.5, II.6.5.7 and II.6.14.2 to II.6.15 to have been paid to the Minister by the taxpayer for the year, or deemed under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec to have been an overpayment to the Minister by the taxpayer; and

(c) the portion qualifying for a tax credit of the initial expenditure is an expenditure in respect of which a particular maximum amount, which would correspond to a particular limit, in dollars, established on an annual, weekly or hourly basis, or which, where applicable, would be obtained by multiplying, before the application of section 1029.6.0.1.2.3, that particular limit by a proportion or, successively, by more than one proportion, would be provided for by the division referred to in subparagraph *b* for the purpose of determining the amount used as a basis for computing the particular amount referred to in that subparagraph *b*.

The amount that, in respect of the portion qualifying for a tax credit of the initial expenditure, may be deemed under the division referred to in subparagraph *b* of the first paragraph to have been paid to the Minister by the taxpayer for the year, or deemed under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec to have been an overpayment to the Minister by the taxpayer, must be determined as if, subject to section 1029.6.0.1.2.3, the maximum amount then applicable was equal to the product obtained by multiplying the particular maximum amount referred to in subparagraph *c* of the first paragraph for the purposes, in respect of the portion qualifying for a tax credit of the initial expenditure, of that division by the proportion that the part of the period covered by the initial expenditure that may reasonably be attributed to the portion of the initial expenditure that exceeds the aggregate, relating to the portion of the initial expenditure that was incurred after 12 December 2003, of the portion not qualifying for a tax credit of the initial expenditure and any contract payment, within the meaning of the first paragraph of section 1029.8.36.0.17 or section 1029.8.36.4, taken into account in computing the amount used as a basis for computing, in respect of the portion qualifying for a tax credit of the initial expenditure, the particular amount referred to in subparagraph *b* of the first paragraph, is of the period covered by the initial expenditure.

2005, c. 23, s. 143; 2006, c. 13, s. 90; 2007, c. 12, s. 105; 2010, c. 25, s. 115; 2012, c. 8, s. 178; 2015, c. 21, s. 366; 2021, c. 18, s. 94.

1029.6.0.1.2.3. In this section, an expenditure entitling a taxpayer to more than one tax credit for a taxation year means a particular expenditure or particular costs that

(a) were incurred in whole or in part after 12 December 2003;

(b) relate to an activity that is eligible, for the purposes, for the year, of any of Divisions II to II.6.2, II.6.5, II.6.5.7 and II.6.14.2 to II.6.15 in respect of the taxpayer, such division being in this section referred to as the "applicable division", and for the purposes, for any taxation year, of one or more other divisions among those divisions, each division then applicable, if any, being in this section referred to as the "applicable division", or of Division II.6.6.6.1 or II.6.6.6.2, in respect of the taxpayer;

(c) are attributable to the period corresponding to the aggregate of all the periods in the year, or relating to the year, during which they relate to the activity referred to in subparagraph *b*; and

(d) relate to an activity that is eligible for the purposes, for at least a part of the period referred to in subparagraph *c*, of both the first applicable division mentioned in subparagraph *b* and at least one of the other divisions referred to in that subparagraph *b*.

If, for the purposes, in respect of an expenditure entitling a taxpayer to more than one tax credit for a taxation year, of the applicable divisions relating to the expenditure, the taxpayer allocates among those applicable divisions all or part of the period to which that expenditure is attributable, the following rules apply, except for the purposes of subparagraph *b* of the first paragraph of section 1029.6.0.1, for the purpose of establishing, in respect of that expenditure, the particular amount deemed under an applicable division relating to the expenditure to have been paid to the Minister by the taxpayer for the year, or deemed under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) to have been an overpayment to the Minister by the taxpayer:

(a) if a period is attributed for the purposes, in respect of the expenditure entitling to more than one tax credit, of that applicable division, the portion of that expenditure that does not relate to that period is not to be taken into account;

(b) if no period is attributed for the purposes, in respect of the expenditure entitling to more than one tax credit, of that applicable division, no portion of that expenditure is to be taken into account; and

(c) if, for the purpose of establishing the amount used as a basis for computing the particular amount, a maximum amount that corresponds to a particular limit, in dollars, established on an annual, weekly or hourly basis, or that, where applicable, is obtained by multiplying that particular limit by a proportion or, successively, by more than one proportion is to be taken into account, that maximum amount is deemed to be equal to

i. if the second paragraph of section 1029.6.0.1.2.2 applies for the purposes, in respect of the expenditure entitling to more than one tax credit or of part of that expenditure, of that applicable division, the product obtained by multiplying the maximum amount then determined under that second paragraph in relation to that division by the proportion, not exceeding 1, that the period that is attributed for the purposes, in respect of the expenditure entitling to more than one tax credit, of that division is of the part of the period to which the expenditure entitling to more than one tax credit is attributable that was considered as a numerator in the proportion referred to in that second paragraph in relation to that division, and

ii. if subparagraph i does not apply, the product obtained by multiplying that maximum amount, otherwise determined, by the proportion that the period attributed for the purposes, in respect of the expenditure entitling to more than one tax credit, of that applicable division, is of the part of the period to which the expenditure entitling to more than one tax credit is attributable that may reasonably be considered, for the purposes of that division, as having been devoted to the activity referred to in subparagraph *b* of the first paragraph in relation to that expenditure.

For the purpose of making the allocation provided for in the second paragraph, the following rules apply:

(a) the period attributed for the purposes of a particular applicable division must be included entirely in the part of the period to which the expenditure entitling to more than one tax credit is attributable that may reasonably be considered, for the purposes of that applicable division, as having been devoted to the activity referred to in subparagraph *b* of the first paragraph in relation to that expenditure;

(b) the period attributed for the purposes of a particular applicable division must not include any part of the period attributed for the purposes of another applicable division in respect of the expenditure entitling to more than one tax credit; and

(c) the taxpayer may attribute, for the purposes of any of the applicable divisions, no part of the period to which the expenditure entitling to more than one tax credit is attributable.

2005, c. 23, s. 143; 2006, c. 13, s. 91; 2007, c. 12, s. 106; 2010, c. 25, s. 116; 2012, c. 8, s. 179; 2015, c. 21, s. 367; 2021, c. 18, s. 95.

1029.6.0.1.2.4. For the purposes of Divisions II.6.6.6.1 and II.6.6.6.2, the following rules apply:

(a) an expenditure, in respect of which no amount may, because of subparagraph *b* of the first paragraph of section 1029.6.0.1, be deemed under any of Divisions II to II.6.2, II.6.5 and II.6.14.2 to II.6.15 to have been paid to the Minister by a corporation for a taxation year, must, where it is a salary or wages paid by the corporation, be considered to be included in computing an expenditure in respect of which the corporation is deemed to have paid an amount to the Minister under this chapter for any taxation year;

(b) the part of the particular salaries or wages that may reasonably be considered, for the purposes of a particular provision of any of those divisions, to be included in computing an expenditure in respect of which a corporation is deemed to have paid an amount to the Minister under this chapter for any taxation year corresponds, in relation to a particular amount deemed to have been paid to the Minister by the corporation under this chapter, to the amount by which the portion, attributable to the particular salaries or wages, of the aggregate of the salaries or wages that were taken into account in computing the amount used as a basis for computing the particular amount exceeds the portion, attributable to the particular salaries or wages, of the aggregate of any contract payment, within the meaning of paragraph *c*, of any government assistance and of any non-government assistance that was taken into account in computing the amount used as a basis for computing the particular amount; and

(c) "contract payment" has the meaning assigned by section 1029.8.17 or 1029.8.17.0.1, by the first paragraph of section 1029.8.36.0.17 or by section 1029.8.36.4, as the case may be.

Parts III.1.1.7 and III.10.1.2 to III.10.1.8 apply as if a contract payment, within the meaning of subparagraph *c* of the first paragraph, was government assistance.

2005, c. 23, s. 143; 2006, c. 13, s. 92; 2007, c. 12, s. 107; 2010, c. 25, s. 117; 2012, c. 8, s. 180; 2015, c. 21, s. 368; 2021, c. 18, s. 96.

1029.6.0.1.3. *(Repealed).*

2001, c. 51, s. 89; 2002, c. 9, s. 47; 2003, c. 9, s. 172; 2009, c. 15, s. 194.

1029.6.0.1.4. Despite subparagraph *b* of the first paragraph of section 1029.6.0.1, a taxpayer may, subject to section 1029.6.0.1.5 and provided that the conditions set out in the second paragraph are satisfied, be deemed to have paid an amount to the Minister for a taxation year under Division II.6.0.3 in respect of all or part of a wage expense incurred in performing a particular contract, or any contract derived therefrom, that may reasonably be considered to relate to a particular expenditure, even if it may reasonably be considered that all or a portion of a consideration paid or payable by a person under the particular contract relates to the particular expenditure and that the person may, for a taxation year, be deemed to have paid an amount to the Minister under Division II.6 or II.6.0.0.2 in respect of that particular expenditure.

The conditions to which the first paragraph refers are the following:

(a) a particular certificate has been issued to the taxpayer by the Minister of Finance before 14 March 2000 for the purposes of any of Divisions II.6.0.1.4, II.6.0.1.5 and II.6.0.2, as they read before being repealed, or of Division II.6.0.3;

(b) before 14 March 2000, the taxpayer paid wages, in performing a particular contract entered into before that date, that may reasonably be considered to relate to a particular expenditure; and

(c) it may reasonably be considered that all or a portion of a consideration paid or payable by a person under the particular contract referred to in subparagraph *b* relates to the particular expenditure referred to in

that subparagraph and that the person may, for a taxation year, be deemed to have paid an amount to the Minister under Division II.6 or II.6.0.0.2 in respect of that particular expenditure.

For the purposes of subparagraph *a* of the second paragraph, a particular certificate is,

(a) where it has been issued for the purposes of Division II.6.0.1.4, as it read before being repealed, the certificate that was referred to in the first paragraph of section 1029.8.36.0.3.30;

(b) where it has been issued for the purposes of Division II.6.0.1.5, as it read before being repealed, the certificate that was referred to in the first paragraph of section 1029.8.36.0.3.40;

(c) where it has been issued for the purposes of Division II.6.0.2, as it read before being repealed, the certificate referred to in paragraph *a* of section 771.12; and

(d) where it has been issued for the purposes of Division II.6.0.3, the certificate referred to in paragraph *a* of section 771.12 or the certificate referred to in the first paragraph of section 1029.8.36.0.22.

2001, c. 51, s. 89; 2003, c. 9, s. 173; 2015, c. 21, s. 369.

1029.6.0.1.5. Where a taxpayer is a corporation control of which was acquired by a person or group of persons at any time after 13 March 2000, section 1029.6.0.1.4 does not apply to the taxpayer for any taxation year that ends after that time.

2001, c. 51, s. 89; 2003, c. 9, s. 174.

1029.6.0.1.6. *(Repealed).*

2002, c. 40, s. 102; 2010, c. 25, s. 118.

1029.6.0.1.7. In determining, for the purposes of this chapter, whether a person or a group of persons controls a corporation, whether persons or partnerships are related to each other or are not dealing with each other at arm's length, whether a corporation or a partnership is associated with another corporation or partnership or whether a corporation is exempt from tax, the following rules apply:

(a) a partnership is deemed, at a particular time, to be a corporation whose taxation year corresponds to the partnership's fiscal period and all the voting shares in the capital stock of which are owned at that time by each member of the partnership in a proportion equal to the agreed proportion in respect of the member for the partnership's fiscal period that includes that time; and

(b) a trust is deemed, at a particular time, to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this paragraph referred to as the "distribution date") and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) are owned at that time by such a beneficiary, if that beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and if that time occurs before the distribution date, or

(2) are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries, if subparagraph 1 does not apply and that time occurs before the distribution date,

ii. if a beneficiary's share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at that time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at that time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at that time by the person referred to in that section from whom property of the trust or property for which property of the trust was substituted was directly or indirectly received.

2004, c. 21, s. 255; 2009, c. 15, s. 195; 2015, c. 36, s. 77; 2021, c. 14, s. 123; 2021, c. 18, s. 97.

1029.6.0.1.7.1. *(Repealed).*

2015, c. 36, s. 78; 2022, c. 23, s. 93.

1029.6.0.1.8. For the purposes of Divisions II, II.1, II.2.1, II.3.0.1, II.6 to II.6.0.0.5, II.6.0.1.2 to II.6.0.3, II.6.2, II.6.5, II.6.6.6.1, II.6.6.6.2 and II.6.15 and for the purpose of determining the salaries or wages a person, a partnership or any other entity has incurred or paid in respect of the person's, partnership's or entity's employees for a particular period for particular activities or duties, the Minister may take into account the remuneration that would not otherwise be included in those salaries or wages that the person, partnership or entity has incurred or paid in respect of an employee while the employee was temporarily absent from the employee's employment for reasons the Minister considers reasonable.

2005, c. 23, s. 144; 2007, c. 12, s. 108; 2009, c. 15, s. 196; 2010, c. 5, s. 138; 2010, c. 25, s. 119; 2012, c. 8, s. 181; 2021, c. 18, s. 98; 2022, c. 23, s. 94.

1029.6.0.1.8.0.1. For the purposes of Divisions II.6 to II.6.0.0.5, where a corporation shows, to the Minister's satisfaction, that its failure to file, in a taxation year (in this section referred to as the "year of the failure"), an application for an advance ruling or an application for a qualification certificate with the Société de développement des entreprises culturelles in respect of a property is directly attributable to the measures taken to mitigate the effects of the COVID-19 pandemic and that it filed such an application in respect of the property as soon as possible, the Minister may consider that the corporation filed, in the year of the failure, the application for an advance ruling or the application for a qualification certificate, as the case may be, in respect of the property.

Where the Minister exercises discretion in the corporation's favour in accordance with the first paragraph, the application referred to in the first paragraph is deemed to have been filed by the corporation with the Société de développement des entreprises culturelles in respect of the property in the year of the failure and not in the year in which it was actually filed.

2021, c. 36, s. 100.

1029.6.0.1.8.1. If, at a particular time after 21 April 2005, a person or partnership pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be the repayment of a benefit or advantage that, for the purpose of computing an amount, in this section referred to as the "credit amount", that a taxpayer is deemed to have paid to the Minister for any given taxation year under a particular provision of this chapter, or is deemed to have overpaid to the Minister, in relation to any given taxation year, under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), was taken into account in computing a cost, an expenditure or expenses, or the taxpayer's share of a cost, an expenditure or expenses, the following rules apply:

(a) if the cost, expenditure or expenses were incurred by the taxpayer, the provision of this chapter that applies in respect of the repayment by the taxpayer of an amount of government assistance or non-

government assistance relating to the cost, expenditure or expenses, also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the taxpayer at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, or in relation to that year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the cost, expenditure or expenses, was received by the taxpayer;

(b) if the cost, expenditure or expenses were incurred by a particular partnership of which the taxpayer is a member and

i. the benefit or advantage was obtained by a partnership or by a person other than the person referred to in subparagraph ii, the provision of this chapter that applies in respect of the repayment by the particular partnership of an amount of government assistance or non-government assistance relating to the cost, expenditure or expenses, also applies in respect of the repayment of the benefit or advantage as if

(1) the particular amount were an amount paid by the particular partnership at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

(2) for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the cost, expenditure or expenses, was received by the particular partnership, or

ii. the benefit or advantage was obtained by the taxpayer or by a person with whom the taxpayer is not dealing at arm's length, the provision of this chapter that applies in respect of the repayment by the taxpayer of an amount of government assistance or non-government assistance relating to the cost, expenditure or expenses, also applies in respect of the repayment of the benefit or advantage as if

(1) the particular amount were an amount paid by the taxpayer at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

(2) for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the cost, expenditure or expenses, was received by the taxpayer;

(c) if the cost, expenditure or expenses were incurred by a corporation with which the taxpayer is associated at the end of the calendar year that ends in the given taxation year, the provision of this chapter that applies in respect of the repayment by the corporation of an amount of government assistance or non-government assistance relating to the cost, expenditure or expenses, also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the corporation at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the cost, expenditure or expenses, was received by the corporation;

(d) the assumptions that, because of the application of subparagraph *a* or *c*, or of subparagraph i or ii of subparagraph *b*, were made in respect of the benefit or advantage must be taken into account for the purpose of applying, in relation to the taxpayer, the provision to which that subparagraph *a* or *c* or that subparagraph i or ii refers, in respect of the repayment, after that time, of government assistance or non-government assistance or of another benefit or advantage, relating to the cost, expenditure or expenses, or to such a cost, such an expenditure or such expenses; and

(e) if the taxpayer is deemed, because of the application of subparagraph *a* or of subparagraph i or ii of subparagraph *b*, to have paid an amount to the Minister, for a taxation year, under the provision of this chapter to which that subparagraph *a* or that subparagraph i or ii refers, the taxpayer is, for the purposes of this chapter, deemed to be so deemed in relation to an amount of non-government assistance that is repaid.

For the purposes of the first paragraph in respect of the repayment of a benefit or advantage that reduced, in computing the amount that a taxpayer is deemed to have paid to the Minister for a taxation year under any of sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.9.0.3, 1029.8.9.0.4, 1029.8.16.1.4 and 1029.8.16.1.5, the amount of the wages, of the portion of the consideration, of the qualified expenditure, of the eligible fee or of the eligible fee balance, as the case may be, no account is to be taken of subparagraphs *c* to *e* of the first paragraph and its subparagraph *b* is to be read as follows:

"(*b*) if the cost, expenditure or expenses were incurred by a partnership of which the taxpayer is a member, the provision of this chapter that applies in respect of the repayment by the partnership of an amount of government assistance or non-government assistance relating to the cost, expenditure or expenses, also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the partnership at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the cost, expenditure or expenses, was received by the partnership."

For the purposes of the first paragraph in respect of the repayment of a benefit or advantage that reduced, in computing the amount that a taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.33.6 or 1029.8.33.7, the taxpayer's qualified expenditure or the taxpayer's share of such a qualified expenditure, the first paragraph is to be read

(a) as if the following subparagraph was added after subparagraph ii of subparagraph *a*:

"iii. subparagraph i of paragraph *b* of section 1029.8.33.2.1 were read as follows:

"i. the quotient obtained by dividing the amount that the taxpayer is deemed to have paid to the Minister for that year under section 1029.8.33.6 in respect of the trainee in relation to the particular week by the percentage specified in the first paragraph of section 1029.8.33.6 that is applicable in respect of the taxpayer for the particular year, and";";

(b) as if the following subparagraph was added after subparagraph 2 of subparagraph i of subparagraph *b*:

"(3) subparagraph i of paragraph *b* of section 1029.8.33.2.1 were read as follows:

"i. the quotient obtained by dividing the amount that the taxpayer is deemed to have paid to the Minister for the particular year under section 1029.8.33.7 in respect of the trainee in relation to the particular week by the product obtained by multiplying

(1) the percentage specified in the first paragraph of section 1029.8.33.7 that is applicable in respect of the taxpayer for the particular year, and

(2) the agreed proportion in respect of the taxpayer for the partnership's fiscal period ended in the particular year, and", or"; and

(c) as if the following subparagraph was added after subparagraph 2 of subparagraph ii of subparagraph *b*:

"(3) paragraph *b* of section 1029.8.33.2.2 were read as follows:

"(*b*) the amount by which the eligible taxpayer's share, determined in accordance with section 1029.8.33.7 and without reference to section 1029.8.33.7.1, of the particular qualified expenditure exceeds the aggregate of

i. the quotient obtained by dividing the amount that the taxpayer is deemed to have paid to the Minister for that taxation year under section 1029.8.33.7 in respect of the particular qualified expenditure by the percentage specified in the first paragraph of section 1029.8.33.7 that is applicable in respect of the taxpayer for the taxation year in which the particular fiscal period ended, and

ii. the amounts determined under this section, in respect of the taxpayer and in respect of the particular qualified expenditure, for a taxation year previous to the particular taxation year.";".

2006, c. 36, s. 103; 2007, c. 12, s. 109; 2009, c. 15, s. 197; 2021, c. 18, s. 99.

1029.6.0.1.8.2. For the purposes of the first paragraph of section 1029.6.0.1.8.1, an amount is deemed to be an amount paid as the repayment of a benefit or advantage by a person or partnership at a particular time, pursuant to a legal obligation, if that amount

(a) reduced a cost, an expenditure or expenses for the purpose of computing an amount that a taxpayer is deemed to have paid to the Minister for a taxation year under a provision of this chapter or is deemed to have overpaid to the Minister, in relation to a taxation year, under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5);

(b) was not obtained by the person or partnership; and

(c) ceased, at that time, to be an amount that the person or partnership may reasonably expect to obtain.

2006, c. 36, s. 103.

1029.6.0.1.8.3. For the purpose of determining the amount that is deemed to have been paid to the Minister for a taxation year under this chapter, in respect of a cost, an expenditure or expenses incurred by a given partnership in a given fiscal period of the given partnership, the following rules apply in respect of a taxpayer if one or more partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between the taxpayer and the given partnership:

(a) the taxpayer is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the taxpayer's taxation year in which ends the fiscal period of the interposed partnership of which the taxpayer is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period (in this section referred to as the "interposed fiscal period") of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the taxpayer is a member, or deemed to be a member under this paragraph, of the interposed partnership described in subparagraph i at the end of the interposed partnership's interposed fiscal period;

(b) for the purpose of determining the taxpayer's share in an amount in respect of the given partnership for the given fiscal period, the agreed proportion in respect of the taxpayer for that fiscal period of the given partnership is deemed to be equal to the product obtained by multiplying the agreed proportion in respect of the taxpayer for the interposed fiscal period of the interposed partnership of which the taxpayer is directly a member, by

i. if there is only one interposed partnership, the agreed proportion in respect of the interposed partnership for the given partnership's given fiscal period, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the agreed proportion in respect of an interposed partnership for the particular fiscal period of the particular partnership referred to in paragraph *a* of which the interposed partnership is a member at the end of that particular fiscal period;

(c) if, at a particular time that occurs on or before the day that is six months after the end of the given fiscal period, an interposed partnership has received, is entitled to receive or may reasonably expect to receive, an amount of government assistance or non-government assistance, in respect of the cost, the expenditure or the expenses incurred by the given partnership, or is deemed under this paragraph to have received, to be entitled to receive or to reasonably expect to receive such an amount, each of the members of that interposed partnership at the end of the interposed partnership's interposed fiscal period, is deemed at the particular time to have received, to be entitled to receive or to reasonably expect to receive, as the case may be, the member's share in that amount, which share is equal to the agreed proportion of that amount in respect of that member for that fiscal period of the interposed partnership.

2009, c. 15, s. 198.

1029.6.0.1.8.4. For the purpose of determining the amount that is deemed to have been paid to the Minister for a taxation year under this chapter, in respect of the repayment, in a fiscal period of a given partnership (in this section referred to as the "fiscal period of repayment"), of an amount of government assistance or non-government assistance that relates to a cost, an expenditure or expenses that have been incurred by the given partnership in a preceding fiscal period of the given partnership, the following rules apply in respect of a taxpayer if one or more partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between the taxpayer and the given partnership, for the fiscal period of repayment:

(a) the taxpayer is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the taxpayer's taxation year in which ends the fiscal period of the interposed partnership of which the taxpayer is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period (in this section referred to as the "interposed fiscal period") of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the taxpayer is a member, or deemed to be a member under this paragraph, of the interposed partnership described in subparagraph i at the end of the interposed partnership's interposed fiscal period;

(b) the agreed proportion in respect of the taxpayer for the given partnership's fiscal period of repayment is deemed to be equal to the product obtained by multiplying the agreed proportion in respect of the taxpayer for the interposed fiscal period of the interposed partnership of which the taxpayer is directly a member, by

i. if there is only one interposed partnership, the agreed proportion in respect of the interposed partnership for the given partnership's fiscal period of repayment, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the agreed proportion in respect of an interposed partnership for the particular fiscal period of the particular partnership referred to in paragraph *a* of which the interposed partnership is a member at the end of that particular fiscal period;

(c) if, at a particular time in the fiscal period of repayment, an interposed partnership pays, or is deemed to pay under this paragraph, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that has been received, in respect of the cost, the expenditure or the expenses incurred by the given partnership, each of the members of that interposed partnership at the end of the interposed partnership's interposed fiscal period, is deemed to have paid, at the particular time, pursuant to a legal obligation and as repayment of an amount of assistance, the

member's share in that amount, which share is equal to the agreed proportion of that amount in respect of that member for that fiscal period of the interposed partnership; and

(d) if, at a particular time in the fiscal period of repayment, an amount of government assistance or non-government assistance to be received, in respect of the cost, the expenditure or the expenses incurred by the given partnership, is, or is deemed to be under this paragraph, an amount that has not been received by an interposed partnership and that has ceased to be an amount that it could reasonably expect to receive, the share in that amount of assistance of each of the members of that interposed partnership at the end of the interposed partnership's interposed fiscal period—which share is equal to the agreed proportion of that amount of assistance in respect of that member for that fiscal period of the interposed partnership—is deemed to be, at the particular time, an amount that has not been received by that member and that has ceased to be an amount that that member could reasonably expect to receive.

2009, c. 15, s. 198.

1029.6.0.1.8.5. Sections 1029.6.0.1.8.3 and 1029.6.0.1.8.4 do not apply in respect of a taxpayer, in relation to a given partnership, if the Minister is of the opinion that the interposition, between the taxpayer and the given partnership, of one or more other partnerships is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to cause the taxpayer to be deemed to have paid to the Minister for a taxation year under this chapter, an amount greater than the amount that would have been so deemed to have been paid to the Minister for that taxation year, but for that interposition.

2009, c. 15, s. 198.

1029.6.0.1.8.6. In this chapter, where a Minister other than the Minister of Revenue or a body replaces or revokes a certificate, qualification certificate or other similar document that has been issued to a person or a partnership, the following rules apply in respect of the document, unless a more specific similar rule applies to it:

(a) the replaced document is null as of the date of its coming into force or of its deemed coming into force and the new document is deemed, unless it provides otherwise, to come into force as of that date and to have been issued at the time the replaced document was issued or is deemed to have been issued; and

(b) the revoked document is null as of the effective date of the revocation and is deemed not to have been issued, obtained or held as of that date.

Where a document is, without its being replaced, amended by the revocation or replacement of any of its parts or in any other manner, the document before the amendment and the document as amended are deemed, for the purposes of this section, to be separate documents the first of which (referred to as the "replaced document") has been replaced by the second (referred to as the "new document").

Where, in the circumstances described in the second paragraph, a document is amended only for part of its period of validity, the new document is deemed to describe both the situation prevailing before the amendment, as proven by the content of the replaced document, and the new situation, as proven by the content of the new document.

Where, for the purposes of a division of this chapter, a document certifies that a favourable advance ruling has been given, any rule set out in the first paragraph according to which the document is deemed to have been issued or not to have been issued must be considered to be a rule according to which the ruling is deemed to have been given or not to have been given.

It is understood that a document is considered to have never been issued if, under a provision of this chapter, it is null as of the time it was issued or deemed to be issued.

2012, c. 8, s. 182.

1029.6.0.1.9. A taxpayer who is deemed, under a provision of this chapter, to have paid an amount to the Minister on the taxpayer's balance-due day for a taxation year, in relation to an amount of government assistance or non-government assistance that is repaid, is deemed, despite the provision and for the purpose of computing the payments that the taxpayer is required to make during the year under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027 or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed, under such a provision, to have paid to the Minister on the taxpayer's balance-due day for the year, in relation to an amount so repaid, exceeds the portion of that aggregate that may reasonably be considered to be deemed to have been paid to the Minister under this section in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under this section, to have been paid to the Minister on that date, for the purpose of computing that payment.

2006, c. 13, s. 93; 2006, c. 36, s. 104.

1029.6.0.2. *(Repealed).*

1997, c. 14, s. 183; 2003, c. 9, s. 175.

1029.6.0.3. *(Repealed).*

1997, c. 14, s. 183; 2003, c. 9, s. 175.

1029.6.0.4. *(Repealed).*

1997, c. 14, s. 183; 2003, c. 9, s. 175.

1029.6.0.5. *(Repealed).*

1997, c. 14, s. 183; 2003, c. 9, s. 175.

DIVISION I.1.1

ANNUAL ADJUSTMENT OF CERTAIN AMOUNTS

2001, c. 51, s. 90.

1029.6.0.6. Each of the amounts referred to in the fourth paragraph shall, where it is to be used for a taxation year subsequent to the taxation year 2004, be adjusted annually in such a manner that the amount used for that taxation year is equal to the total of the amount used for the preceding taxation year and the product obtained by multiplying that amount so used by the factor determined by the formula

(A/B) - 1.

In the formula provided for in the first paragraph,

(a) A is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year preceding that for which an amount is to be adjusted; and

(b) B is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year immediately before the year preceding that for which the amount is to be adjusted.

If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.

The amounts to which the first paragraph refers are

(a) the amounts of $60,135 and $100,000 mentioned in section 1029.8.61.5;

(a.1) (subparagraph repealed);

(b) (subparagraph repealed);

(b.1) (subparagraph repealed);

(b.2) (subparagraph repealed);

(b.3) (subparagraph repealed);

(b.4) (subparagraph repealed);

(b.5) (subparagraph repealed);

(b.5.0.1) (subparagraph repealed);

(b.5.0.2) (subparagraph repealed);

(b.5.0.2.1) the amount of $1,250, wherever it is mentioned in sections 1029.8.61.96.12 and 1029.8.61.96.13;

(b.5.0.2.2) the amount of $22,180, wherever it is mentioned in section 1029.8.61.96.12;

(b.5.0.3) (subparagraph repealed);

(b.5.0.4) the amounts of $24,195 and $39,350 mentioned in subparagraphs i and ii of subparagraph *b* of the second paragraph of section 1029.8.61.104;

(b.5.1) the amounts between $50,000 and $120,000 mentioned in section 1029.8.66.5.1;

(b.5.2) the amounts between $25,000 and $60,000 mentioned in section 1029.8.66.5.2;

(b.5.3) the amounts of $97,458 and $48,729 mentioned in section 1029.8.66.5.3;

(b.5.4) the amounts between $50,000 and $97,458 mentioned in section 1029.8.66.5.4;

(b.5.5) the amounts between $25,000 and $48,729 mentioned in section 1029.8.66.5.5;

(b.6) the amount of $130,000 mentioned in section 1029.8.66.6;

(b.7) (subparagraph repealed);

(c) the amount of $12,638 mentioned in the definition of "eligible child" in section 1029.8.67;

(c.1) the amounts of $5,375, $10,675 and $14,605 mentioned in the definition of "qualified child care expense" in section 1029.8.67;

(d) the amounts between $21,555 and $104,170 mentioned in section 1029.8.80;

(e) (subparagraph repealed);

(f) (subparagraph repealed);

(g) (subparagraph repealed);

(h) (subparagraph repealed);

(h.1) (subparagraph repealed);

(h.2) (subparagraph repealed);

(h.3) (subparagraph repealed);

(i) (subparagraph repealed);

(j) the amount of $2,500 mentioned in section 1029.8.117;

(k) the amount of $1,000 mentioned in section 1029.8.118;

(l) the amount of $18,600 mentioned in section 1029.8.118;

(m) the amounts of $37,500 and $75,000, wherever they are mentioned in paragraphs *a* and *b* of the definition of "increase amount" in the first paragraph of section 1029.8.126; and

(n) (subparagraph repealed).

For the purposes of the first paragraph in respect of an amount to be used for the taxation year 2005, the amounts referred to in subparagraphs *c* to *i* and *l*of the fourth paragraph, as they read for that taxation year, are deemed to be the amounts used for the taxation year 2004.

2001, c. 51, s. 90; 2005, c. 1, s. 214; 2005, c. 38, s. 235; 2006, c. 36, s. 105; 2009, c. 5, s. 428; 2009, c. 15, s. 199; 2011, c. 1, s. 54; 2011, c. 34, s. 71; 2013, c. 10, s. 98; 2015, c. 21, s. 370; 2015, c. 36, s. 79; 2017, c. 1, s. 268; 2017, c. 29, s. 174; 2019, c. 14, s. 301; 2020, c. 5, s. 214; 2021, c. 14, s. 124; 2021, c. 18, s. 100; 2021, c. 36, s. 101; 2022, c. 23, s. 95; 2023, c. 19, s. 104.

1029.6.0.6.1. *(Repealed).*

2004, c. 21, s. 256; 2005, c. 1, s. 215.

1029.6.0.6.2. Where the amounts listed in the second paragraph are to be used for a particular period of 12 months beginning on 1 July of a taxation year subsequent to the taxation year 2023, they are to be adjusted annually in such a manner that each amount used for the particular period is equal to the total of the amount used for the preceding 12-month period and the product obtained by multiplying that latter amount by the factor determined under section 1029.6.0.6 for the taxation year in which the particular period begins.

The amounts to which the first paragraph refers are

(a) the amounts of $144, $156, $329, $418, $677, $821 and $1,935, wherever they are mentioned in section 1029.8.116.16;

(b) the amount of $39,160 mentioned in section 1029.8.116.16; and

(c) the amount of $23,750 mentioned in section 1029.8.116.34.

2015, c. 36, s. 80; 2019, c. 14, s. 302; 2024, c. 11, s. 102.

1029.6.0.7. If the amount that results from the adjustment provided for in section 1029.6.0.6, in respect of the amounts mentioned in subparagraphs *a*, *b*.5.0.2.2, *b*.5.0.4, *b*.6, *c*.1, *d*, *j*, *l* and *m* of the fourth paragraph of that section, or from the adjustment provided for in section 1029.6.0.6.2, in respect of the amounts mentioned in subparagraphs *b* and *c* of the second paragraph of that section, is not a multiple of $5, it is to be rounded to the nearest multiple of $5 or, if it is equidistant from two such multiples, to the higher multiple.

If the amount that results from the adjustment provided for in section 1029.6.0.6, in respect of the amounts mentioned in subparagraphs *b*.5.0.2.1, *b*.5.1 to *b*.5.5, *c* and *k* of the fourth paragraph of that section, or from the adjustment provided for in section 1029.6.0.6.2, in respect of the amounts mentioned in subparagraph *a* of the second paragraph of that section, is not a multiple of $1, it is to be rounded to the nearest multiple of $1 or, if it is equidistant from two such multiples, to the higher multiple.

2001, c. 51, s. 90; 2004, c. 21, s. 257; 2005, c. 1, s. 216; 2005, c. 38, s. 236; 2009, c. 5, s. 429; 2009, c. 15, s. 200; 2011, c. 1, s. 55; 2011, c. 34, s. 72; 2011, c. 1, s. 55; 2013, c. 10, s. 99; 2015, c. 21, s. 371; 2015, c. 36, s. 81; 2017, c. 1, s. 269; 2017, c. 29, s. 175; 2019, c. 14, s. 303; 2021, c. 14, s. 125; 2021, c. 18, s. 101; 2022, c. 23, s. 96; 2023, c. 19, s. 105.

DIVISION II

CREDIT FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

1983, c. 44, s. 43; 1987, c. 67, s. 183.

1029.6.1. In this division,

"controlled corporation" means

(a) a corporation that is controlled, directly or indirectly in any manner whatever, by an entity, a person or a combination of entities or persons referred to in any of paragraphs *a* to *e* of section 1029.8.5.3; or

(b) a corporation that, in the 24 months preceding the date on which a contract referred to in any of subparagraphs *b* to *i* of the first paragraph of section 1029.7 or 1029.8 is entered into or at a later time determined by the Minister, is controlled, directly or indirectly in any manner whatever, by an entity, a person or a combination of entities or persons referred to in any of paragraphs *a* to *e* of section 1029.8.5.3;

"tax-exempt corporation" means a corporation that

(a) is exempt from tax under Book VIII;

(b) would be exempt from tax under section 985 but for section 192; or

(c) is a controlled corporation or a corporation related to a controlled corporation;

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

1993, c. 19, s. 91; 1995, c. 63, s. 119; 1997, c. 3, s. 71; 2000, c. 5, s. 246; 2004, c. 21, s. 258; 2007, c. 12, s. 110; 2019, c. 14, s. 304.

1029.7. A taxpayer, other than a tax-exempt taxpayer, who carries on a business in Canada, who undertakes scientific research and experimental development related to a business of the taxpayer, in Québec, or causes such research and development to be undertaken in Québec on the taxpayer's behalf as part of a contract, and who encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file under section 1000, or would be required to file if tax were payable under this

Part by the taxpayer, for the taxation year in which the research and development was undertaken is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer's balance-due day for that year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to 14% of the aggregate of

(a) the wages paid by the taxpayer in respect of the research and development undertaken in the year to his employees of an establishment situated in Québec;

(b) where the taxpayer has not made an election under subparagraph *c* of the first paragraph of section 230 for the year, that portion of the consideration paid under the contract by the taxpayer in respect of the research and development undertaken on the taxpayer's behalf in the year to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the contract was entered into and who has undertaken all or part of the research and development, that may reasonably be attributed to wages paid to employees of an establishment of that person or partnership situated in Québec, or that could be so attributed if that person or partnership had such employees;

(b.1) where the taxpayer has made an election under subparagraph *c* of the first paragraph of section 230 for the year, that portion of the consideration paid under the contract by the taxpayer in respect of the research and development undertaken on the taxpayer's behalf in the year to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the contract was entered into and who has undertaken all or part of the research and development, that may reasonably be attributed to that portion of an expenditure incurred for salary or wages of employees of an establishment of that person or partnership situated in Québec who are directly engaged in scientific research and experimental development in Canada that can reasonably be considered to relate to such work having regard to the time spent by the employees thereon, and, for this purpose, where the employees spend all or substantially all of their working time on such scientific research and experimental development, that portion of the expenditure is deemed to be equal to the amount of the expenditure, or that could be so attributed if that person or partnership had such employees;

(c) one-half of that portion of the consideration paid under the contract by the taxpayer to a person or partnership who has an establishment situated in Québec and with whom the taxpayer was dealing at arm's length at the time the contract was entered into,

i. that may reasonably be attributed to such research and development undertaken on the taxpayer's behalf in the year by the employees of an establishment of that person or partnership situated in Québec or that could be so attributed if that person or partnership had such employees, or

ii. that may reasonably be attributed to such research and development undertaken on the taxpayer's behalf in Québec in the year by an individual, other than a trust, who is, if that person is a corporation, a shareholder of that person or who is a member of that partnership;

(d) where the taxpayer has not made an election under subparagraph *c* of the first paragraph of section 230 for the year, that portion of the consideration paid by the taxpayer under a particular contract, other than a contract by which the taxpayer causes scientific research and experimental development to be undertaken on the taxpayer's behalf, for work undertaken in the year, relating to the research and development undertaken in any taxation year, to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the particular contract was entered into and who has undertaken all or part of the work, that may reasonably be attributed to wages paid to employees of an establishment of that person or partnership situated in Québec, or that could be so attributed if that person or partnership had such employees;

(d.1) where the taxpayer has made an election under subparagraph *c* of the first paragraph of section 230 for the year, that portion of the consideration paid by the taxpayer under a particular contract, other than a contract by which the taxpayer causes scientific research and experimental development to be undertaken on the taxpayer's behalf, for work undertaken in the year, relating to the research and development undertaken in any taxation year, to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the particular contract was entered into and who has undertaken all or part of the work, that may reasonably be attributed to wages paid to employees of an establishment of that person or partnership situated in Québec, or that could be so attributed if that person or partnership had such employees;

(e) one-half of that portion of the consideration paid by the taxpayer under a particular contract, other than a contract by which the taxpayer causes scientific research and experimental development to be undertaken on the taxpayer's behalf, for work relating to such research and development undertaken in any taxation year, to a person or partnership who has an establishment situated in Québec and with whom the taxpayer was dealing at arm's length at the time the particular contract was entered into,

i. that may reasonably be attributed to work undertaken in the year by the employees of an establishment of that person or partnership situated in Québec or that could be so attributed if that person or partnership had such employees, or

ii. that may reasonably be attributed to work undertaken in Québec in the year by an individual, other than a trust, who is, if that person is a corporation, a shareholder of that person or who is a member of that partnership;

(f) where the taxpayer has not made an election under subparagraph *c* of the first paragraph of section 230 for the year, that portion of the consideration paid under the contract by the taxpayer in respect of the research and development undertaken on the taxpayer's behalf in the year to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the contract was entered into, and paid again by that person or partnership, under a particular contract, in respect of that research and development, to another person or partnership with whom the taxpayer was not dealing at arm's length at the time the particular contract was entered into and who has undertaken all or part of the research and development, that may reasonably be attributed to wages paid to employees of an establishment of that other person or partnership situated in Québec, or that could be so attributed if the other person or partnership had such employees;

*(f.*1*)* where the taxpayer has made an election under subparagraph *c* of the first paragraph of section 230 for the year, that portion of the consideration paid under the contract by the taxpayer in respect of the research and development undertaken on the taxpayer's behalf in the year to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the contract was entered into, and paid again by that person or partnership, under a particular contract, in respect of that research and development, to another person or partnership with whom the taxpayer was not dealing at arm's length at the time the particular contract was entered into and who has undertaken all or part of the research and development, that may reasonably be attributed to that portion of an expenditure incurred for salary or wages of employees of an establishment of that other person or partnership situated in Québec who are directly engaged in scientific research and experimental development in Canada that can reasonably be considered to relate to such work having regard to the time spent by the employees thereon, and, for this purpose, where the employees spend all or substantially all their working time on such scientific research and experimental development, that portion of the expenditure is deemed to be equal to the amount of the expenditure, or that could be so attributed if the other person or partnership had such employees;

(g) one-half of that portion of the consideration paid under the contract by the taxpayer to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the contract was entered into, and paid again by that person or partnership, under a particular contract, to another person or partnership who has an establishment situated in Québec and with whom the taxpayer was dealing at arm's length at the time the particular contract was entered into,

i. that may reasonably be attributed to such research and development undertaken on the taxpayer's behalf in the year by the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees, or

ii. that may reasonably be attributed to such research and development undertaken on the taxpayer's behalf in Québec in the year by an individual, other than a trust, who is, if that other person is a corporation, a shareholder of that other person or who is a member of that other partnership;

(h) where the taxpayer has not made an election under subparagraph *c* of the first paragraph of section 230 for the year, that portion of the consideration paid by the taxpayer under a particular contract, other than a contract by which the taxpayer causes scientific research and experimental development to be undertaken on the taxpayer's behalf, for work undertaken in the year, relating to the research and development undertaken in

any taxation year, to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the particular contract was entered into, and paid again by that person or partnership, under another particular contract, to another person or partnership with whom the taxpayer was not dealing at arm's length at the time the other particular contract was entered into and who has undertaken all or part of the work, that may reasonably be attributed to wages paid to employees of an establishment of that other person or partnership situated in Québec, or that could be so attributed if the other person or partnership had such employees;

(h.1) where the taxpayer has made an election under subparagraph *c* of the first paragraph of section 230 for the year, that portion of the consideration paid by the taxpayer under a particular contract, other than a contract by which the taxpayer causes scientific research and experimental development to be undertaken on the taxpayer's behalf, for work undertaken in the year, relating to the research and development undertaken in any taxation year, to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the particular contract was entered into, and paid again by that person or partnership, under another particular contract, to another person or partnership with whom the taxpayer was not dealing at arm's length at the time the other particular contract was entered into and who has undertaken all or part of the work, that may reasonably be attributed to wages paid to employees of an establishment of that other person or partnership situated in Québec, or that could be so attributed if the other person or partnership had such employees; and

(i) one-half of that portion of the consideration paid by the taxpayer under a particular contract, other than a contract by which the taxpayer causes scientific research and experimental development to be undertaken on the taxpayer's behalf, for work relating to such research and development undertaken in any taxation year, to a person or partnership with whom the taxpayer was not dealing at arm's length at the time the particular contract was entered into, and paid again by that person or partnership, under another particular contract, to another person or partnership who has an establishment situated in Québec and with whom the taxpayer was dealing at arm's length at the time the other particular contract was entered into,

i. that may reasonably be attributed to the work undertaken in the year by the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees, or

ii. that may reasonably be attributed to the work undertaken in Québec in the year by an individual, other than a trust, who is, if that other person is a corporation, a shareholder of that other person or who is a member of that other partnership.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, the wages and consideration paid by the taxpayer referred to therein include only the wages and consideration that

(a) constitute, for the taxpayer, an expenditure referred to in subsection 1 of section 222, determined, in the case of subparagraphs *c*, *e*, *g* and *i* of that first paragraph, without reference to section 230.0.0.5.1; and

(b) do not constitute

i. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of a university research contract within the meaning of paragraph *b* of section 1029.8.1 or of an eligible research contract within the meaning of paragraph *a*.2 of the said section, in respect of which section 1029.8.6 applies,

ii. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.16.1.4 applies,

iii. *(subparagraph repealed),*

iv. *(subparagraph repealed),*

v. an expenditure described in section 230.0.0.2;

vi. an expenditure specified by the taxpayer for the purposes of clause A of subparagraph ii of paragraph *a* of subsection 2 of section 194 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), where the taxpayer is a corporation;

vii. an expenditure of a current nature incurred by or on behalf of a taxpayer in respect of the general administration or management of a business, including

(1) the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented toward the prosecution of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure,

(2) a legal or accounting fee,

(3) an amount referred to in any of sections 147, 148, 160, 161, 163, 176, 176.4 and 179,

(4) an entertainment expense,

(5) an advertising or selling expense,

(6) a conference or convention expense,

(7) a due or fee in respect of membership in a scientific or technical organization, and

(8) a fine or penalty;

viii. an expenditure of a current nature incurred by or on behalf of a taxpayer for the maintenance and upkeep of premises, facilities or equipment to the extent that the expenditure is not attributable to the prosecution of scientific research and experimental development;

ix. *(subparagraph repealed);*

x. *(subparagraph repealed);*

xi. an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

xii. an expenditure related to scientific research and experimental development in respect of which an amount is deductible under sections 710 to 716.0.11 or 752.0.10.1 to 752.0.10.26 in computing taxable income or tax payable under this Part, as the case may be;

xiii. an expenditure, to the extent that the taxpayer having incurred it or, where applicable, the person or partnership having incurred it on the taxpayer's behalf has received or is entitled to receive a reimbursement in respect of the expenditure from a person resident in Canada, other than

(1) the State or Her Majesty in right of Canada or a province, other than Québec,

(2) a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec,

(3) a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or a province, other than Québec, or by a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec, or

(4) a municipality in Canada or a municipal or public body performing a function of government in Canada; and

xiv. an expenditure, to the extent that the taxpayer having incurred it or, where applicable, the person or partnership having incurred it on the taxpayer's behalf has received or is entitled to receive a reimbursement in respect of the expenditure from a person not resident in Canada and to the extent that the reimbursement is deductible in computing the person's taxable income earned in Canada for a taxation year.

For the purposes of the first paragraph, that portion of the consideration paid by the taxpayer under a particular contract referred to in any of subparagraphs *d*, *e*, *h* and *i* of that paragraph shall be reduced by the amount of the consideration for the disposition of property to the taxpayer, other than a property resulting from scientific research and experimental development.

Where a taxpayer paid a consideration under a particular contract referred to in any of subparagraphs *d*, *d*.1, *e*, *h*, *h*.1 and *i* of the first paragraph for work undertaken in a taxation year, the portion of that paragraph before subparagraph *a* is to be read, for the purposes of any of those subparagraphs for the year, as if "for the taxation year in which the research and development was undertaken" were replaced by "for the taxation year in which work relating to such research and development was undertaken".

In this section, "wages" means the income computed under Chapters I and II of Title II of Book III.

1983, c. 44, s. 43; 1987, c. 67, s. 183; 1988, c. 4, s. 123; 1988, c. 18, s. 113; 1989, c. 5, s. 200; 1990, c. 7, s. 148; 1991, c. 8, s. 76; 1992, c. 1, s. 162; 1993, c. 19, s. 92; 1993, c. 64, s. 138; 1995, c. 1, s. 119; 1995, c. 63, s. 120; 1997, c. 3, s. 71; 1997, c. 14, s. 184; 1997, c. 31, s. 143; 1999, c. 83, s. 168; 2000, c. 39, s. 123; 2001, c. 53, s. 217; 2002, c. 40, s. 103; 2003, c. 9, s. 176; 2004, c. 21, s. 259; 2005, c. 1, s. 217; 2006, c. 13, s. 94; 2007, c. 12, s. 111; 2009, c. 5, s. 430; 2011, c. 1, s. 56; 2012, c. 8, s. 183; 2015, c. 21, s. 372; 2017, c. 1, s. 270; 2021, c. 18, s. 102.

1029.7.0.1. Where the taxpayer referred to in section 1029.7 is a biopharmaceutical corporation that holds, for the taxation year referred to in that section, a certificate issued in accordance with Chapter XV of Schedule A to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) and the taxpayer encloses, with the fiscal return the taxpayer is required to file for the year under section 1000, a copy of that certificate, the percentage of 14% mentioned in section 1029.7 is to be replaced by a percentage of 22%, to the extent that the percentage is applied to the aggregate determined under the second paragraph.

The aggregate to which the first paragraph refers is equal to the aggregate referred to in the first paragraph of section 1029.7 for the year, to the extent that the aggregate includes only the amount of the wages or of a portion of a consideration paid after 20 November 2012 and before 4 June 2015 for scientific research and experimental development work carried on in that period.

2015, c. 21, s. 373.

1029.7.1. *(Repealed).*

1989, c. 5, s. 201; 1995, c. 63, s. 121.

1029.7.2. Subject to section 1029.7.2.1, where the taxpayer referred to in section 1029.7 is a corporation that has been, throughout the taxation year referred to in that section, a corporation that is not controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada and the assets shown in its financial statements submitted to the shareholders or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, for its preceding taxation year or, where the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than $75,000,000, the percentage of 14% mentioned in the first paragraph of that section is to be replaced by the percentage determined by the following formula, to the extent that the percentage is applied to the aggregate referred to in the first paragraph of section 1029.7 which does not exceed the expenditure limit of the corporation for the year:

30% - {[(A - $50,000,000) × 16%]/$25,000,000}.

In the formula provided for in the first paragraph, A is the greater of $50,000,000 and the assets of the corporation determined as provided in this division.

Where the corporation referred to in the first paragraph is a cooperative, the first paragraph shall be read as if the reference therein to "submitted to the shareholders" were a reference to "submitted to the members".

1989, c. 5, s. 201; 1990, c. 7, s. 149; 1995, c. 1, s. 120; 1995, c. 63, s. 122; 1997, c. 3, s. 71; 1997, c. 14, s. 185; 1997, c. 31, s. 100; 1997, c. 31, s. 151; 1997, c. 31, s. 152; 2000, c. 39, s. 124; 2004, c. 21, s. 260; 2006, c. 13, s. 95; 2007, c. 12, s. 112; 2015, c. 21, s. 374.

1029.7.2.1. Where the taxpayer referred to in section 1029.7 is a corporation referred to in section 1029.7.0.1 that has been, throughout the taxation year referred to in section 1029.7, a corporation that is not controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada and the assets shown in its financial statements submitted to the shareholders or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, for its preceding taxation year or, where the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than $75,000,000, the percentage of 22% mentioned in the first paragraph of section 1029.7.0.1 is to be replaced by the percentage determined by the following formula, to the extent that the percentage is applied to the aggregate determined under the second paragraph of section 1029.7.0.1 which does not exceed the expenditure limit of the corporation for the year:

30% – {[(A – $50,000,000) × 8%]/$25,000,000}.

In the formula in the first paragraph, A is the greater of $50,000,000 and the assets of the corporation determined as provided in this division.

Where the corporation referred to in the first paragraph is a cooperative, the first paragraph is to be read as if "submitted to the shareholders" were replaced by "submitted to the members".

2015, c. 21, s. 375.

1029.7.3. For the purposes of sections 1029.7.2 and 1029.7.2.1, in computing the assets of a corporation at the time referred to therein, the amount representing the surplus reassessment of its property and the

amount of its incorporeal assets shall be subtracted, to the extent that the amount indicated in their respect exceeds the expenditure made in their respect.

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

1989, c. 5, s. 201; 1995, c. 63, s. 123; 1997, c. 3, s. 71; 1997, c. 14, s. 186; 2005, c. 1, s. 218; 2015, c. 21, s. 376.

1029.7.4. For the purposes of sections 1029.7.2 and 1029.7.2.1, the assets of a corporation that is associated in a taxation year with one or more other corporations is equal to the amount by which the aggregate of the assets of the corporation and of each corporation associated with it, as determined under sections 1029.7.2 to 1029.7.3, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

1989, c. 5, s. 201; 1997, c. 3, s. 55; 2015, c. 21, s. 377.

1029.7.5. *(Repealed).*

1989, c. 5, s. 201; 1997, c. 3, s. 71; 1997, c. 14, s. 187.

1029.7.5.1. *(Repealed).*

1995, c. 63, s. 124; 1997, c. 3, s. 71; 1997, c. 14, s. 188.

1029.7.6. For the purposes of sections 1029.7.2 to 1029.7.4, where a corporation or a corporation associated with it reduces its assets by any transaction in a taxation year and, but for that reduction, the corporation would not be referred to in section 1029.7.2 or 1029.7.2.1, the assets are deemed not to have been so reduced unless the Minister decides otherwise.

1989, c. 5, s. 201; 1995, c. 63, s. 125; 1997, c. 3, s. 71; 1997, c. 14, s. 189; 2015, c. 21, s. 378.

1029.7.7. For the purposes of sections 1029.7.2 and 1029.7.2.1, the expenditure limit of a particular corporation for a taxation year equals $3,000,000, unless the particular corporation is associated in the year with one or more other corporations that are not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada, in which case, subject to sections 1029.7.8 to 1029.7.10, its expenditure limit for the year is nil.

1989, c. 5, s. 201; 1990, c. 7, s. 150; 1997, c. 3, s. 71; 2004, c. 21, s. 261; 2009, c. 15, s. 201; 2015, c. 21, s. 379.

1029.7.8. Notwithstanding section 1029.7.7, where all of the corporations that are not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada and that are associated with each other in a taxation year have filed with the Minister, in prescribed form, an agreement whereby, for the purposes of sections 1029.7.2 and 1029.7.2.1, they allocate an amount to one or more of them for the taxation year and the amount or the aggregate of the amounts so allocated, as the case may be, equals $3,000,000, the expenditure limit for the year of each of the corporations is equal to the amount so allocated to it.

1989, c. 5, s. 201; 1990, c. 7, s. 150; 1997, c. 3, s. 71; 2004, c. 21, s. 262; 2009, c. 15, s. 202; 2015, c. 21, s. 380.

1029.7.9. If any of the corporations that are not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada and that are associated with each other in a taxation year fails to file with the Minister the agreement referred to in section 1029.7.8 within 30 days after notice in writing by the Minister is forwarded to any of them that such an agreement is required in determining the amount deemed to have been paid to the Minister on account of the corporation's tax payable for the year under this Part, the Minister shall, for the purposes of sections 1029.7.2 and 1029.7.2.1, allocate an amount to one or more of them for the year, which amount or the aggregate of which amounts, as the case may be, shall equal

$3,000,000, and in any such case, despite section 1029.7.7, the expenditure limit for the year of each of the corporations equals the amount so allocated to it.

1989, c. 5, s. 201; 1990, c. 7, s. 150; 1997, c. 3, s. 71; 2004, c. 21, s. 263; 2006, c. 36, s. 106; 2009, c. 15, s. 203; 2015, c. 21, s. 381.

1029.7.9.1. For the purposes of sections 1029.7.7 to 1029.7.9, if the taxation year of the particular corporation referred to in section 1029.7.7 includes 13 March 2008, the amount of $3,000,000 mentioned in each of those sections is to be replaced by an amount equal to the aggregate of

(a) the amount obtained by multiplying $2,000,000 by the proportion that the number of days in the taxation year that precede 14 March 2008 is of the number of days in the taxation year; and

(b) the amount obtained by multiplying $3,000,000 by the proportion that the number of days in the taxation year that follow 13 March 2008 is of the number of days in the taxation year.

2009, c. 15, s. 204.

1029.7.9.2. For the purpose of determining the amount deemed to have been paid to the Minister by a biopharmaceutical corporation referred to in section 1029.7.0.1 under the first paragraph of section 1029.7, in respect of the amount of wages or a portion of a consideration referred to in that first paragraph (in this section referred to as the "particular remuneration") that is paid by the corporation in a taxation year,

(a) the corporation's expenditure limit for its taxation year that includes 20 November 2012 is deemed to be equal,

i. in respect of the portion of the particular remuneration paid by the corporation in the taxation year but after that date, to the amount obtained by multiplying the corporation's expenditure limit, determined without reference to this section, by the proportion that the portion of the particular remuneration paid by the corporation in the taxation year but after 20 November 2012 is of the particular remuneration paid by the corporation in the taxation year, and

ii. in respect of the portion of the particular remuneration paid by the corporation in the taxation year but before 21 November 2012, to the amount by which the corporation's expenditure limit, determined without reference to this section, exceeds the amount determined under subparagraph i; and

(b) the corporation's expenditure limit for its taxation year that includes 4 June 2014 is deemed to be equal, in respect of the portion of the particular remuneration paid by the corporation in the taxation year but after that date, to the amount by which the corporation's expenditure limit, determined without reference to this section, exceeds the portion of the particular remuneration paid by the corporation in the taxation year but before 5 June 2014 and that, for the purpose of determining the portion of the amount deemed to have been paid to the Minister under the first paragraph of section 1029.7 in its respect, is referred to in that first paragraph.

2015, c. 21, s. 382.

1029.7.10. Notwithstanding any other provision of this division

(a) where a corporation that is not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada, called "the first corporation" in this section, has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another such corporation that has a taxation year ending in that calendar year, the expenditure limit of the first corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to paragraph *b*, an amount equal to its expenditure limit for the first such taxation year determined without reference to paragraph *b*; and

(b) where a corporation that is not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada has a taxation year that is less than 51 weeks, its expenditure limit for the

year is that proportion of its expenditure limit for the year determined without reference to this paragraph that the number of days in the year is of 365.

1989, c. 5, s. 201; 1990, c. 7, s. 151; 1997, c. 3, s. 71.

1029.8. Where a partnership carries on a business in Canada and undertakes scientific research and experimental development related to a business of the partnership, in Québec, or causes such research and development to be undertaken in Québec on its behalf as part of a contract, every taxpayer, other than a tax-exempt taxpayer, who is a member of the partnership at the end of a fiscal period of the partnership in which the research and development was undertaken, who is not a specified member of the partnership in that fiscal period and who encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file under section 1000, or would be required to file if tax were payable under this Part by the taxpayer, for the taxpayer's taxation year in which the fiscal period ends, is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer's balance-due day for that year, on account of the taxpayer's tax payable for that year under this Part, 14% of the taxpayer's share of an amount equal to the aggregate of

(a) the wages paid by the partnership in respect of the research and development undertaken in that fiscal period to its employees of an establishment situated in Québec;

(b) where the partnership has not made an election under subparagraph *c* of the first paragraph of section 230 for the fiscal period, that portion of the consideration paid under the contract by the partnership in respect of the research and development undertaken on its behalf in that fiscal period to a person or another partnership with whom a member of the partnership was not dealing at arm's length at the time the contract was entered into and who has undertaken all or part of the research and development, that may reasonably be attributed to wages paid to employees of an establishment of that person or other partnership situated in Québec, or that could be so attributed if the person or the other partnership had such employees;

(b.1) where the partnership has made an election under subparagraph *c* of the first paragraph of section 230 for the fiscal period, that portion of the consideration paid under the contract by the partnership in respect of the research and development undertaken on its behalf in that fiscal period to a person or another partnership with whom a member of the partnership was not dealing at arm's length at the time the contract was entered into and who has undertaken all or part of the research and development, that may reasonably be attributed to that portion of an expenditure incurred for salary or wages of employees of an establishment of that person or other partnership situated in Québec who are directly engaged in scientific research and experimental development in Canada that can reasonably be considered to relate to such work having regard to the time spent by the employees thereon, and, for this purpose, where the employees spend all or substantially all of their working time on such scientific research and experimental development, that portion of the expenditure is deemed to be equal to the amount of the expenditure, or that could be so attributed if the person or the other partnership had such employees;

(c) one-half of that portion of the consideration paid under the contract by the partnership to a person or another partnership who has an establishment situated in Québec and with whom all the members of the partnership were dealing at arm's length at the time the contract was entered into,

i. that may reasonably be attributed to such research and development undertaken on its behalf in that fiscal period by the employees of an establishment of that person or other partnership situated in Québec or that could be so attributed if that person or other partnership had such employees, or

ii. that may reasonably be attributed to such research and development undertaken on its behalf in Québec in that fiscal period by an individual, other than a trust, who is, if that person is a corporation, a shareholder of that person or who is a member of that other partnership;

(d) where the partnership has not made an election under subparagraph *c* of the first paragraph of section 230 for the fiscal period, that portion of the consideration paid by the partnership under a particular contract, other than a contract by which the partnership causes scientific research and experimental development to be undertaken on its behalf, for work undertaken in the fiscal period, relating to the research and development

undertaken in any fiscal period, to a person or another partnership with whom a member of the partnership was not dealing at arm's length at the time the particular contract was entered into and who has undertaken all or part of the work, that may reasonably be attributed to wages paid to employees of an establishment of that person or other partnership situated in Québec, or that could be so attributed if the person or the other partnership had such employees;

*(d.*1*)* where the partnership has made an election under subparagraph *c* of the first paragraph of section 230 for the fiscal period, that portion of the consideration paid by the partnership under a particular contract, other than a contract by which the partnership causes scientific research and experimental development to be undertaken on its behalf, for work undertaken in the fiscal period, relating to the research and development undertaken in any fiscal period, to a person or another partnership with whom a member of the partnership was not dealing at arm's length at the time the particular contract was entered into and who has undertaken all or part of the work, that may reasonably be attributed to wages paid to employees of an establishment of that person or other partnership situated in Québec, or that could be so attributed if the person or the other partnership had such employees;

(e) one-half of that portion of the consideration paid by the partnership under a particular contract, other than a contract by which the partnership causes scientific research and experimental development to be undertaken on its behalf, for work relating to such research and development undertaken in any fiscal period, to a person or another partnership who has an establishment situated in Québec and with whom all the members of the partnership were dealing at arm's length at the time the particular contract was entered into,

i. that may reasonably be attributed to work undertaken in that fiscal period by the employees of an establishment of that person or other partnership situated in Québec or that could be so attributed if that person or other partnership had such employees, or

ii. that may reasonably be attributed to work undertaken in Québec in that fiscal period by an individual, other than a trust, who is, if that person is a corporation, a shareholder of that person or who is a member of that other partnership;

(f) where the partnership has not made an election under subparagraph *c* of the first paragraph of section 230 for the fiscal period, that portion of the consideration paid under the contract by the partnership in respect of the research and development undertaken on its behalf in that fiscal period to a person or another partnership with whom a member of the partnership was not dealing at arm's length at the time the contract was entered into, and paid again by that person or that other partnership, under a particular contract, in respect of that research and development, to another person or partnership with whom a member of the partnership was not dealing at arm's length at the time the particular contract was entered into and who has undertaken all or part of the research and development, that may reasonably be attributed to wages paid to employees of an establishment of that other person or partnership situated in Québec, or that could be so attributed if the other person or partnership had such employees;

*(f.*1*)* where the partnership has made an election under subparagraph *c* of the first paragraph of section 230 for the fiscal period, that portion of the consideration paid under the contract by the partnership in respect of the research and development undertaken on its behalf in the fiscal period to a person or partnership with whom a member of the partnership was not dealing at arm's length at the time the contract was entered into, and paid again by that person or that other partnership, under a particular contract, in respect of that research and development, to another person or partnership with whom a member of the partnership was not dealing at arm's length at the time the particular contract was entered into and who has undertaken all or part of the research and development, that may reasonably be attributed to that portion of an expenditure incurred for salary or wages of employees of an establishment of that other person or partnership situated in Québec who are directly engaged in scientific research and experimental development in Canada that can reasonably be considered to relate to such work having regard to the time spent by the employees thereon, and, for this purpose, where the employees spend all or substantially all their working time on such scientific research and experimental development, that portion of the expenditure is deemed to be equal to the amount of the expenditure, or that could be so attributed if the other person or partnership had such employees;

(g) one-half of that portion of the consideration paid under the contract by the partnership to a person or another partnership with whom a member of the partnership was not dealing at arm's length at the time the contract was entered into, and paid again by that person or that other partnership, under a particular contract, to another person or partnership who has an establishment situated in Québec and with whom all the members of the partnership were dealing at arm's length at the time the particular contract was entered into,

i. that may reasonably be attributed to such research and development undertaken on its behalf in that fiscal period by the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees, or

ii. that may reasonably be attributed to such research and development undertaken on its behalf in Québec in the year by an individual, other than a trust, who is, if that other person is a corporation, a shareholder of that other person or who is a member of that other partnership;

(h) where the partnership has not made an election under subparagraph *c* of the first paragraph of section 230 for the fiscal period, that portion of the consideration paid by the partnership under a particular contract, other than a contract by which the partnership causes scientific research and experimental development to be undertaken on its behalf, for work undertaken in the fiscal period, relating to the research and development undertaken in any fiscal period, to a person or another partnership with whom a member of the partnership was not dealing at arm's length at the time the particular contract was entered into, and paid again by that person or that other partnership, under another particular contract, to another person or partnership with whom a member of the partnership was not dealing at arm's length at the time the other particular contract was entered into and who has undertaken all or part of the work, that may reasonably be attributed to wages paid to employees of an establishment of that other person or partnership situated in Québec, or that could be so attributed if the other person or partnership had such employees;

(h.1) where the partnership has made an election under subparagraph *c* of the first paragraph of section 230 for the fiscal period, that portion of the consideration paid by the partnership under a particular contract, other than a contract by which the partnership causes scientific research and experimental development to be undertaken on its behalf, for work undertaken in the fiscal period, relating to the research and development undertaken in any fiscal period, to a person or another partnership with whom a member of the partnership was not dealing at arm's length at the time the particular contract was entered into, and paid again by that person or that other partnership, under another particular contract, to another person or partnership with whom a member of the partnership was not dealing at arm's length at the time the other particular contract was entered into and who has undertaken all or part of the work, that may reasonably be attributed to wages paid to employees of an establishment of that other person or partnership situated in Québec, or that could be so attributed if the other person or partnership had such employees; and

(i) one-half of that portion of the consideration paid by the partnership under a particular contract, other than a contract by which the partnership causes scientific research and experimental development to be undertaken on its behalf, for work relating to such research and development undertaken in any fiscal period, to a person or another partnership with whom a member of the partnership was not dealing at arm's length at the time the particular contract was entered into, and paid again by that person or that other partnership, under another particular contract, to another person or partnership who has an establishment situated in Québec and with whom all the members of the partnership were dealing at arm's length at the time the other particular contract was entered into,

i. that may reasonably be attributed to the work undertaken in that fiscal period by the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees, or

ii. that may reasonably be attributed to the work undertaken in Québec in that fiscal period by an individual, other than a trust, who is, if that other person is a corporation, a shareholder of that other person or who is a member of that other partnership.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19

where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of the amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, the wages and consideration paid by a partnership include only the wages and consideration that

(a) constitute, for the partnership, an expenditure referred to in subsection 1 of section 222, determined, in the case of subparagraphs *c*, *e*, *g* and *i* of that first paragraph, without reference to section 230.0.0.5.1; and

(b) do not constitute

i. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of a university research contract within the meaning of paragraph *b* of section 1029.8.1 or of an eligible research contract within the meaning of paragraph *a*.2 of the said section, in respect of which section 1029.8.7 applies,

ii. all or part of an amount that can reasonably be considered to be an expenditure in respect of scientific research and experimental development made in Québec by virtue of an agreement in respect of which section 1029.8.16.1.5 applies,

iii. *(subparagraph repealed),*

iv. *(subparagraph repealed),*

v. an expenditure described in section 230.0.0.2;

vi. an expenditure of a current nature incurred by or on behalf of a partnership in respect of the general administration or management of a business, including

(1) the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented toward the prosecution of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure,

(2) a legal or accounting fee,

(3) an amount referred to in any of sections 147, 148, 160, 161, 163, 176, 176.4 and 179,

(4) an entertainment expense,

(5) an advertising or selling expense,

(6) a conference or convention expense,

(7) a due or fee in respect of membership in a scientific or technical organization, and

(8) a fine or penalty;

vii. an expenditure of a current nature incurred by or on behalf of a partnership for the maintenance and upkeep of premises, facilities or equipment to the extent that the expenditure is not attributable to the prosecution of scientific research and experimental development;

viii. *(subparagraph repealed);*

ix. *(subparagraph repealed);*

x. an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

xi. an expenditure related to scientific research and experimental development in respect of which an amount is deductible under sections 710 to 716.0.11 or 752.0.10.1 to 752.0.10.26 in computing taxable income or tax payable under this Part, as the case may be;

xii. an expenditure, to the extent that the partnership having incurred it or, where applicable, the person or another partnership having incurred it on the partnership's behalf has received or is entitled to receive a reimbursement in respect of the expenditure from a person resident in Canada, other than

(1) the State or Her Majesty in right of Canada or a province, other than Québec,

(2) a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec,

(3) a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or a province, other than Québec, or by a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec, or

(4) a municipality in Canada or a municipal or public body performing a function of government in Canada; or

xiii. an expenditure, to the extent that the partnership having incurred it or, where applicable, the person or another partnership having incurred it on the partnership's behalf has received or is entitled to receive a reimbursement in respect of the expenditure from a person not resident in Canada and to the extent that the reimbursement is deductible by the person in computing taxable income earned in Canada for a taxation year.

For the purposes of the first paragraph, that portion of the consideration paid by the partnership under a particular contract referred to in any of subparagraphs *d*, *e*, *h* and *i* of that paragraph shall be reduced by the amount of the consideration for the disposition of property to it, other than a property resulting from scientific research and experimental development.

For the purposes of the first paragraph, a taxpayer's share of an amount is equal to the agreed proportion of the amount in respect of the taxpayer for the partnership's fiscal period that ends in the taxpayer's taxation year.

Where a partnership paid a consideration under a particular contract referred to in any of subparagraphs *d*, *d*.1, *e*, *h*, *h*.1 and *i* of the first paragraph for work undertaken in a fiscal period, the portion of that paragraph before subparagraph *a* is to be read, for the purposes of any of those subparagraphs for the fiscal period, as if "at the end of a fiscal period of the partnership in which the research and development was undertaken" were replaced by "at the end of a fiscal period of the partnership in which work relating to such research and development was undertaken".

For the purposes of this section, "wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

1984, c. 35, s. 29; 1987, c. 67, s. 184; 1988, c. 4, s. 124; 1988, c. 18, s. 114; 1989, c. 5, s. 202; 1990, c. 7, s. 152; 1992, c. 1, s. 163; 1993, c. 19, s. 93; 1993, c. 64, s. 139; 1995, c. 1, s. 121; 1995, c. 63, s. 126; 1997, c. 3, s. 71; 1997, c. 14, s. 190; 1997, c. 31, s. 143; 1999, c. 83, s. 169; 2000, c. 39, s. 125; 2001, c. 53, s. 218; 2002, c. 40, s. 104; 2003, c. 9, s. 177; 2004, c. 21, s. 264; 2005, c. 1, s. 219; 2006, c. 13, s. 96; 2007, c. 12, s. 113; 2009, c. 5, s. 431; 2009, c. 15, s. 205; 2011, c. 1, s. 57; 2012, c. 8, s. 184; 2015, c. 21, s. 383; 2017, c. 1, s. 271; 2021, c. 18, s. 103.

1029.8.0.0.1. A taxpayer may be deemed to have paid to the Minister an amount on account of the taxpayer's tax payable for a taxation year under section 1029.7 or 1029.8 in respect of an expenditure that is a portion of a consideration referred to in any of subparagraphs *c*, *e*, *g* and *i* of the first paragraph of that section, only if, within the time limit provided for in that paragraph that applies to the taxpayer for the year, the taxpayer files with the Minister the prescribed form referred to in the first paragraph of section 1029.6.0.1.2 and containing the following information:

(a) in the case of an expenditure that is a portion of a consideration referred to in subparagraph *c* or *e* of the first paragraph of section 1029.7 or 1029.8, as the case may be,

i. the name of the person or partnership referred to in that subparagraph with whom the taxpayer or the partnership of which the taxpayer is a member has entered into the contract or particular contract, as the case may be, referred to in that subparagraph, the registration number assigned to that person or partnership in accordance with the Act respecting the Québec sales tax (chapter T-0.1) and, where that person is an individual, that person's Social Insurance Number,

ii. the total amount of the consideration provided for in the contract or particular contract, as the case may be, referred to in that subparagraph in respect of the scientific research and experimental development or the work relating to that scientific research and experimental development, as the case may be, referred to in that section, and

iii. the amount of the portion of the consideration provided for in the contract or particular contract, as the case may be, referred to in that subparagraph that is paid in the year or, where the taxpayer is a member of a partnership, in the fiscal period of the partnership ending in the year, in respect of the scientific research and experimental development or the work relating to that scientific research and experimental development, as the case may be, referred to in that section;

(b) in the case of an expenditure that is a portion of a consideration referred to in subparagraph *g* of the first paragraph of section 1029.7 or 1029.8, as the case may be,

i. the name of the other person or partnership referred to in that subparagraph with whom the person or partnership with whom a contract has been entered into by the taxpayer or the partnership of which the taxpayer is a member has entered into the particular contract referred to in that subparagraph, the registration number assigned to that other person or partnership in accordance with the Act respecting the Québec sales tax and, where that other person is an individual, that other person's Social Insurance Number,

ii. the total amount of the consideration provided for in the particular contract referred to in that subparagraph that is required to be paid to the other person or partnership and that relates to the scientific research and experimental development referred to in that section that the taxpayer or the partnership of which the taxpayer is a member causes to be undertaken on behalf of the taxpayer or the partnership of which the taxpayer is a member under the contract referred to in that subparagraph that the taxpayer or the partnership of which the taxpayer is a member has entered into with the person or partnership referred to in that subparagraph, and

iii. the amount of the portion of the consideration provided for in the particular contract referred to in that subparagraph that is paid in the year or, where the taxpayer is a member of a partnership, in the fiscal period of the partnership ending in the year, to the other person or partnership and that relates to the scientific research and experimental development referred to in that section that the taxpayer or the partnership of

which the taxpayer is a member causes to be undertaken on behalf of the taxpayer or the partnership of which the taxpayer is a member under the contract referred to in that subparagraph that the taxpayer or the partnership of which the taxpayer is a member has entered into with the person or partnership referred to in that subparagraph; and

(c) in the case of an expenditure that is a portion of a consideration referred to in subparagraph *i* of the first paragraph of section 1029.7 or 1029.8, as the case may be,

i. the name of the other person or partnership referred to in that subparagraph with whom the person or partnership with whom a particular contract has been entered into by the taxpayer or the partnership of which the taxpayer is a member has entered into the other particular contract referred to in that subparagraph, the registration number assigned to that other person or partnership in accordance with the Act respecting the Québec sales tax and, where that other person is an individual, that other person's Social Insurance Number,

ii. the total amount of the consideration provided for in the other particular contract referred to in that subparagraph that is required to be paid to the other person or partnership and that relates to the work relating to the scientific research and experimental development referred to in that section that the taxpayer or the partnership of which the taxpayer is a member causes to be undertaken under the particular contract referred to in that subparagraph that the taxpayer or the partnership of which the taxpayer is a member has entered into with the person or partnership referred to in that subparagraph, and

iii. the amount of the portion of the consideration provided for in the other particular contract referred to in that subparagraph that is paid in the year or, where the taxpayer is a member of a partnership, in the fiscal period of the partnership ending in the year, to the other person or partnership and that relates to the work relating to the scientific research and experimental development referred to in that section that the taxpayer or the partnership of which the taxpayer is a member causes to be undertaken under the particular contract referred to in that subparagraph that the taxpayer or the partnership of which the taxpayer is a member has entered into with the person or partnership referred to in that subparagraph.

In addition, where the first paragraph applies to a taxpayer in respect of an expenditure that is a portion of a consideration referred to in any of subparagraphs *c*, *e*, *g* and *i* of the first paragraph of section 1029.7 or 1029.8 and that is an indemnity referred to in the second paragraph of section 1029.8.0.0.2 and attributable to that portion of consideration, it is to be read as if "person's Social Insurance Number" was replaced by "person's date of birth" in any of the following provisions:

(a) in the case of an expenditure that is a portion of a consideration referred to in subparagraph *c* or *e* of the first paragraph of section 1029.7 or 1029.8, as the case may be, subparagraph i of subparagraph *a* of the first paragraph;

(b) in the case of an expenditure that is a portion of a consideration referred to in subparagraph *g* of the first paragraph of section 1029.7 or 1029.8, as the case may be, subparagraph i of subparagraph *b* of the first paragraph; or

(c) in the case of an expenditure that is a portion of a consideration referred to in subparagraph i of the first paragraph of section 1029.7 or 1029.8, as the case may be, subparagraph i of subparagraph *c* of the first paragraph.

1995, c. 63, s. 127; 1997, c. 3, s. 71; 1997, c. 14, s. 191; 1997, c. 31, s. 101; 1999, c. 83, s. 170; 2002, c. 9, s. 48; 2007, c. 12, s. 114; 2012, c. 8, s. 185; 2015, c. 36, s. 82; 2019, c. 14, s. 305.

1029.8.0.0.2. For the purposes of this division, the following rules apply:

(a) an individual who participates as a clinical trial subject in such a trial carried on by another person or partnership, in accordance with the standards set by the Food and Drug Regulations (C.R.C., c. 870) made under the Food and Drugs Act (R.S.C. 1985, c. F-27), is deemed to be carrying on work relating to scientific research and experimental development; and

(b) the portion of a consideration paid under a contract, that is referred to in any of subparagraphs *c*, *e*, *g* and *i* of the first paragraph of section 1029.7 or 1029.8, must not be reduced by the amount of an indemnity described in the second paragraph that is attributable to the portion of the consideration.

The indemnity to which subparagraph *b* of the first paragraph refers means an indemnity paid to an individual who participates as a clinical trial subject in such a trial carried on by another person or partnership, in accordance with the standards set by the Food and Drug Regulations made under the Food and Drugs Act, and who is not an employee of

(a) in the case of a portion of a consideration paid under a contract or particular contract referred to in subparagraph *c* or *e* of the first paragraph of section 1029.7 or 1029.8 to a person or partnership with whom the taxpayer was dealing at arm's length at the time the contract or particular contract was entered into, that person or partnership; and

(b) in the case of a portion of a consideration that has been paid again under a particular contract referred to in subparagraph *g* or *i* of the first paragraph of section 1029.7 or 1029.8 to another person or partnership with whom the taxpayer was dealing at arm's length at the time the particular contract was entered into, that other person or partnership.

2011, c. 1, s. 58.

1029.8.0.1. *(Repealed).*

1989, c. 5, s. 203; 1995, c. 63, s. 128.

1029.8.0.2. *(Repealed).*

1989, c. 5, s. 203; 1990, c. 7, s. 153; 1993, c. 19, s. 94; 1993, c. 64, s. 140; 1995, c. 63, s. 128.

DIVISION II.1

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

1988, c. 4, s. 125; 1992, c. 1, s. 164; 1993, c. 19, s. 95.

§ 1. — *Interpretation*

1988, c. 4, s. 125.

1029.8.1. In this division,

(a) (paragraph repealed);

*(a.*1*)* "eligible public research centre" means a public research centre recognized as an eligible public research centre for the purposes of this division or a college centre for the transfer of technology within the meaning of section 1029.8.21.17;

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

*(a.*2*)* "eligible research contract" means a contract entered into after 2 May 1991 between a taxpayer or partnership carrying on a business in Canada or a prescribed linkage agency acting for the benefit of such a taxpayer or partnership in accordance with an agreement entered into between the taxpayer or partnership, as the case may be, and the linkage agency, and an eligible public research centre, or after 14 May 1992 between such a taxpayer, partnership or agency and an eligible research consortium under which the eligible public

research centre or the eligible research consortium, as the case may be, binds itself to undertake directly, in Québec, within the scope of its activities, scientific research and experimental development related to a business of the taxpayer or partnership, as the case may be, where the latter are entitled to exploit the results thereof;

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

(b.1) "tax-exempt taxpayer" means a tax-exempt corporation or a trust one of the capital or income beneficiaries of which is a tax-exempt corporation or a person exempt from tax by virtue of Book VIII of this Part;

(c) (paragraph repealed);

(d) (paragraph repealed);

(d.1) "qualified expenditure" means an expenditure made in respect of scientific research and experimental development by a taxpayer or partnership that is an expenditure referred to in subsection 1 of section 222, other than such an expenditure referred to in section 1029.8.5.1;

(e) (paragraph repealed);

(f) "eligible university entity" means a Québec university, a prescribed university hospital medical research centre, a subsidiary wholly-owned corporation of such a centre that is constituted exclusively for the prosecution or promotion of scientific research and experimental development, a non-profit corporation under the authority of such a centre constituted principally for the prosecution or promotion of scientific research and experimental development, one of whose members is such a centre and one of whose applicants for articles of association is a member of the board of directors of the centre, or any other prescribed body;

(f.1) "university foundation" means a non-profit corporation constituted for the purpose of promoting and providing financial support to the teaching and research activities of an eligible university entity;

(g) (paragraph repealed);

(g.1) "overhead expenditure" in respect of an eligible research contract or a university research contract entered into by a taxpayer or a partnership means an expenditure made, in respect of scientific research and experimental development, by an eligible public research centre, an eligible research consortium or an eligible university entity under such contract, other than

i. *(subparagraph repealed);*

ii. an expenditure of a current nature in respect of the prosecution of scientific research and experimental development in Canada directly undertaken on behalf of the taxpayer or partnership, as the case may be,

iii. *(subparagraph repealed);*

iv. that portion of an expenditure made in respect of the salary or wages of an employee who is directly engaged in scientific research and experimental development in Canada that can reasonably be considered to relate to such work having regard to the time spent by the employee thereon and, for this purpose, if all or substantially all of the employee's working time is spent on such scientific research and experimental development, that portion of the expenditure is deemed equal to the amount of the expenditure,

v. an expenditure incurred in relation to the cost of materials consumed in the prosecution of scientific research and experimental development undertaken in Canada, and

vi. *(subparagraph repealed);*

(h) (paragraph repealed);

(i) "wages incurred" by an eligible public research centre, an eligible research consortium or an eligible university entity in respect of scientific research and experimental development undertaken in Québec under an eligible research contract or a university research contract means that portion of an expenditure incurred as salaries, wages or other remuneration, including bonuses, in respect of an employee who is directly engaged in scientific research and experimental development that can reasonably be considered to relate to such scientific research and experimental development, having regard to the time spent by the employee thereon;

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

(k) "tax-exempt corporation" means a corporation which is

i. exempt from tax under Book VIII,

ii. a corporation that would be exempt from tax under section 985 but for section 192, or

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

1988, c. 4, s. 125; 1989, c. 5, s. 204; 1990, c. 7, s. 154; 1990, c. 59, s. 344; 1992, c. 1, s. 165; 1993, c. 19, s. 96; 1993, c. 64, s. 141; 1994, c. 16, s. 51; 1995, c. 1, s. 122; 1995, c. 49, s. 236; 1995, c. 63, s. 129; 1997, c. 3, s. 56; 1997, c. 14, s. 192; 1997, c. 31, s. 102; 1997, c. 85, s. 330; 1999, c. 8, s. 19; 2000, c. 5, s. 247; 2001, c. 53, s. 260; 2002, c. 40, s. 105; 2003, c. 9, s. 178; 2003, c. 29, s. 137; 2005, c. 1, s. 220; 2006, c. 8, s. 31; 2013, c. 28, s. 141; 2015, c. 21, s. 384; 2017, c. 1, s. 272; 2019, c. 14, s. 306; 2019, c. 29, s. 87; 2021, c. 36, s. 102.

§ 2. — *General*

1988, c. 4, s. 125.

1029.8.1.1. For the purposes of paragraph *b* of section 1029.8.1, the following rules apply:

(a) where a particular eligible university entity that is a subsidiary wholly-owned corporation of another eligible university entity that is a prescribed university hospital medical research centre, or a non-profit corporation under the authority of such a centre binds itself to undertake directly, in Québec, scientific research and experimental development, as part of a university research contract, the scientific research and experimental development undertaken by the prescribed university hospital medical research centre, whose particular eligible university entity is either a subsidiary wholly-owned corporation or a non-profit corporation under the authority of the centre, on behalf of the particular eligible university entity as part of the contract are deemed to be undertaken by the latter;

(b) where a particular eligible university entity that is a prescribed university hospital medical research centre binds itself to undertake directly, in Québec, scientific research and experimental development, as part of a university research contract, the scientific research and experimental development undertaken on behalf of the particular eligible university entity as part of the contract by another eligible university entity that is a subsidiary wholly-owned corporation of the particular eligible university entity or a non-profit corporation under the authority of the particular eligible university entity, are deemed to be undertaken by the particular eligible university entity; and

(c) where a university research contract has been entered into by an eligible university entity that is a prescribed university hospital medical research centre, and another eligible university entity that is either a subsidiary wholly-owned corporation of the centre or a non-profit corporation under the authority of the centre is substituted for the eligible university entity to continue performing the contract, the subsidiary

wholly-owned corporation or the non-profit corporation, as the case may be, is deemed not to be a separate person from the centre.

1993, c. 64, s. 142; 1995, c. 1, s. 123; 1997, c. 3, s. 71; 2021, c. 36, s. 103.

1029.8.1.1.1. For the purposes of paragraph *b* of section 1029.8.1, where a corporation, in this section referred to as a "predecessor corporation", has been amalgamated and, before the amalgamation, the corporation was an eligible university entity by reason of its being a prescribed university hospital medical research centre and had entered into a university research contract, the new corporation resulting from the amalgamation is, in respect of the contract, deemed to be the same corporation as, and a continuation of, the predecessor corporation, if

(a) the new corporation is an eligible university entity by reason of its being a prescribed university hospital medical research centre; and

(b) the new corporation carries on the performance of the contract.

1997, c. 14, s. 193.

1029.8.1.1.2. For the purposes of paragraphs *a*.2 and *b* of section 1029.8.1, where, in relation to an eligible research contract or a university research contract, part of the scientific research and experimental development provided for in the contract is undertaken by a particular person, other than the eligible public research centre, the eligible research consortium or the eligible university entity, that is a party to the contract (in this section referred to as the "contractor"), the scientific research and experimental development undertaken by the particular person is deemed to be undertaken directly by the contractor if the contractor is directly undertaking substantially all of the scientific research and experimental development and retains general control over the performance of the contract.

2021, c. 36, s. 104.

1029.8.1.2. Subject to Division II.4, for the purposes of subparagraph *a* of the first paragraph of sections 1029.8.6 and 1029.8.7, all or any part of the amount of a qualified expenditure paid by a taxpayer or a partnership under an eligible research contract or university research contract that can reasonably be considered to be attributable to expenditures for scientific research and experimental development that an eligible public research centre, eligible research consortium or eligible university entity, as the case may be, has made in Québec under the contract in a taxation year of the taxpayer or a fiscal period of the partnership, is deemed not to exceed the amount that would represent the amount of a qualified expenditure of the taxpayer or partnership in respect of the scientific research and experimental development, if each expenditure (in this section referred to as a "particular expenditure"), for the scientific research and experimental development, that is made in Québec in that year or period as part of the contract by the eligible public research centre, eligible research consortium or eligible university entity, as the case may be, were made by the taxpayer or partnership, in the same circumstances and under the same conditions and were referred to in subsection 1 of section 222 and if the aggregate of the amount of each particular expenditure, which constitutes an overhead expenditure, were limited to 55% of the aggregate of the amount of each particular expenditure which constitutes incurred wages.

1993, c. 64, s. 142; 1995, c. 1, s. 123; 1997, c. 3, s. 71; 2015, c. 21, s. 385.

1029.8.1.3. Subject to Division II.4, for the purposes of the first paragraph of section 1029.8.6, where a corporation has paid an amount that is a qualified expenditure under a university research contract and a university foundation has become surety for that corporation in respect of the payment of amounts used for the financing of scientific research and experimental development provided for in the contract, all or any part of the amount of the qualified expenditure that may reasonably be attributed to expenditures for the scientific research and experimental development that an eligible university entity has made in Québec under that contract in a taxation year of the corporation is deemed not to exceed $1,500,000.

Notwithstanding the first paragraph and section 1029.8.1.2, where the amount of a qualified expenditure would, but for this paragraph, be reduced because of the first paragraph and of that section 1029.8.1.2, all or any part of the amount of a qualified expenditure paid by a corporation under a university research contract that may reasonably be attributed to expenditures for scientific research and experimental development that an eligible university entity has made in Québec under that contract in a taxation year of the corporation, is deemed, subject to Division II.4 and for the purposes of subparagraph *a* of the first paragraph of section 1029.8.6, not to exceed the proportion of $1,500,000 that the amount of the qualified expenditure determined in accordance with section 1029.8.1.2 for the year is of the amount that the amount of that qualified expenditure would be for the year but for that section 1029.8.1.2 and this section.

1997, c. 14, s. 194.

1029.8.2. For the purposes of paragraphs *a*.2 and *b* of section 1029.8.1, where a research contract was entered into before 1 May 1987 with an entity which, after 30 April 1987, is an eligible university entity, before 2 May 1991 with an entity which, after 1 May 1991, is an eligible public research centre or before 15 May 1992 with an entity which, after 14 May 1992, is an eligible research consortium, where expenditures on scientific research and experimental development were to be made under the research contract and where, subsequently to that research contract, another research contract which, but for this section, would be a university research contract or an eligible research contract, as the case may be, is entered into, that other research contract is deemed, if the Minister so decides, not to be a university research contract or an eligible research contract, as the case may be, if it may reasonably be considered to relate to expenditures on scientific research and experimental development covered by the earlier research contract entered into, as the case may be, before 1 May 1987 by an entity which, after 30 April 1987, is an eligible university entity, before 2 May 1991 by an entity which, after 1 May 1991, is an eligible public research centre or before 15 May 1992 by an entity which, after 14 May 1992, is an eligible research consortium, and if the other research contract is entered into with

(a) the taxpayer or partnership having entered into the earlier research contract; or

(b) a person or partnership related to the taxpayer or partnership contemplated in paragraph *a*.

1988, c. 4, s. 125; 1989, c. 5, s. 205; 1992, c. 1, s. 166; 1993, c. 19, s. 97; 1997, c. 3, s. 71; 2004, c. 21, s. 265.

1029.8.3. *(Repealed).*

1988, c. 4, s. 125; 1989, c. 5, s. 206; 1990, c. 7, s. 155.

1029.8.4. *(Repealed).*

1988, c. 4, s. 125; 1989, c. 5, s. 207; 1990, c. 7, s. 155.

1029.8.5. *(Repealed).*

1988, c. 4, s. 125; 1989, c. 5, s. 207; 1990, c. 7, s. 155.

1029.8.5.1. The expenditure to which paragraph *d*.1 of section 1029.8.1 refers is

(a) an expenditure of a current nature incurred by an eligible public research centre, an eligible research consortium or an eligible university entity in respect of the general administration or management of a business, including

i. the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented toward the prosecution of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure;

ii. a legal or accounting fee;

iii. an amount referred to in any of sections 147, 148, 160, 161, 163, 176, 176.4 and 179;

iv. an entertainment expense;

v. an advertising or selling expense;

vi. a conference or convention expense;

vii. a due or fee in respect of membership in a scientific or technical organization;

viii. a fine or penalty;

(b) an expenditure of a current nature incurred by an eligible public research centre, an eligible research consortium or an eligible university entity for the maintenance and upkeep of premises, facilities or equipment to the extent that such expenditure is not attributable to the prosecution of scientific research and experimental development;

(c) (paragraph repealed);

(d) an expenditure incurred by an eligible public research centre, an eligible research consortium or an eligible university entity to acquire property if such property has been used, or acquired for use or lease, for any purpose whatever before it was acquired;

(e) an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

(f) an expenditure related to scientific research and experimental development in respect of which an amount is deductible under sections 710 to 716.0.11 or 752.0.10.1 to 752.0.10.26 in computing taxable income or tax payable under this Part, as the case may be;

(g) an expenditure, to the extent that the eligible public research centre, the eligible research consortium or the eligible university entity having incurred it has received or is entitled to receive a reimbursement in respect of the expenditure from a person resident in Canada, other than

i. the State or Her Majesty in right of Canada or a province, other than Québec,

ii. a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec,

iii. a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or a province, other than Québec, or by a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec, or

iv. a municipality in Canada or a municipal or public body performing a function of government in Canada;

(h) an expenditure, to the extent that the eligible public research centre, the eligible research consortium or the eligible university entity having incurred it has received or is entitled to receive a reimbursement in respect of the expenditure from a person not resident in Canada and to the extent that the reimbursement is deductible by the person in computing taxable income earned in Canada for a taxation year;

(i) an expenditure contemplated in section 230.0.0.2;

(j) an expenditure specified by a corporation for the purposes of clause A of subparagraph ii of paragraph *a* of subsection 2 of section 194 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

1990, c. 7, s. 156; 1991, c. 8, s. 77; 1993, c. 16, s. 332; 1993, c. 64, s. 143; 1995, c. 1, s. 124; 1995, c. 49, s. 236; 1995, c. 63, s. 130; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 1998, c. 16, s. 224; 1999, c. 83, s. 273; 2001, c. 7, s. 142; 2007, c. 12, s. 115; 2012, c. 8, s. 186; 2015, c. 21, s. 386.

1029.8.5.2. *(Repealed).*

1990, c. 7, s. 156; 1995, c. 1, s. 125.

1029.8.5.3. A corporation to which paragraph *j* of section 1029.8.1 refers is a corporation which, in the 24 months preceding the date on which a contract referred to in section 1029.8.6 or 1029.8.7 is entered into or at a later time determined by the Minister, is controlled, directly or indirectly in any manner whatever, by

(a) an eligible university entity;

(b) an eligible public research centre;

(c) an eligible research consortium;

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

(e) a corporation carrying on a personal services business; or

(f) a combination of entities or persons each of which is referred to in any of paragraphs *a* to *e*.

1993, c. 19, s. 98; 1997, c. 3, s. 57; 2004, c. 21, s. 266; 2007, c. 12, s. 116.

§ 3. — *Credit*

1988, c. 4, s. 125.

1029.8.6. A taxpayer, other than a tax-exempt taxpayer, who carries on a business in Canada, who has entered into a university research contract with an eligible university entity or into an eligible research contract with an eligible public research centre or an eligible research consortium, or for the benefit of whom a prescribed linkage agency has entered into such a contract in accordance with an agreement entered into between the taxpayer and the prescribed linkage agency, and who encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file under section 1000, or would be required to file if tax were payable under this Part by the taxpayer, for the taxation year in which scientific research and experimental development related to a business of the taxpayer was undertaken under the contract by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer's balance-due day for that year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to 14%

(a) where, at the time the contract was entered into, the taxpayer was related to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, of the total or partial amount of a qualified expenditure he has paid to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, that may reasonably be attributed to expenditures made for scientific research and experimental development by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, in Québec under the contract during the year; or

(b) where, at the time the contract was entered into, the taxpayer was not related to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, of 80% of an amount representing the total or partial amount of a qualified expenditure he has paid to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, that may reasonably be attributable to expenditures made for scientific research and experimental development by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, in Québec under the contract during the year.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of the amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

1988, c. 4, s. 125; 1989, c. 5, s. 208; 1990, c. 7, s. 157; 1992, c. 1, s. 167; 1993, c. 19, s. 99; 1993, c. 64, s. 144; 1995, c. 1, s. 126; 1995, c. 63, s. 131; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 31, s. 143; 2003, c. 9, s. 179; 2004, c. 21, s. 267; 2006, c. 13, s. 97; 2009, c. 5, s. 432; 2015, c. 21, s. 387; 2015, c. 36, s. 83; 2021, c. 18, s. 104.

1029.8.6.1. *(Repealed).*

1989, c. 5, s. 209; 1995, c. 63, s. 132.

1029.8.6.2. Where the taxpayer to which section 1029.8.6 applies is a corporation that has been, throughout the taxation year referred to in that section, a corporation that is not controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada and the assets shown in its financial statements submitted to the shareholders or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown had such financial statements been prepared in accordance with generally accepted accounting principles, for its preceding taxation year or, if the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than $75,000,000, the percentage of 14% mentioned in the first paragraph of that section is to be replaced by the percentage determined by the following formula, to the extent that it is applied to any of the amounts described in the first paragraph of section 1029.8.6 which does not exceed the expenditure limit of the corporation for the year:

30% - {[(A - $50,000,000) × 16%]/$25,000,000}.

In the formula in the first paragraph, A is the greater of $50,000,000 and the assets of the corporation determined as provided in this division.

Where the corporation referred to in the first paragraph is a cooperative, the first paragraph is to be read as if "submitted to the shareholders" were replaced by "submitted to the members".

2015, c. 36, s. 84.

1029.8.6.3. For the purposes of section 1029.8.6.2, in computing the assets of a corporation, the amount representing the surplus reassessment of its property and the amount of its incorporeal assets are to be subtracted, to the extent that the amount shown in their respect exceeds the expenditure made in their respect.

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

2015, c. 36, s. 84.

1029.8.6.4. For the purposes of section 1029.8.6.2, the assets of a corporation that is associated in a taxation year with one or more other corporations are equal to the amount by which the aggregate of the assets of the corporation and those of each corporation associated with it, determined in accordance with sections 1029.8.6.2 and 1029.8.6.3, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

2015, c. 36, s. 84.

1029.8.6.5. For the purposes of sections 1029.8.6.2 to 1029.8.6.4, where a corporation or a corporation with which it is associated reduces its assets by any transaction in a taxation year and, but for that reduction, section 1029.8.6.2 would not apply to the corporation, the assets are deemed not to have been so reduced unless the Minister decides otherwise.

2015, c. 36, s. 84.

1029.8.6.6. For the purposes of section 1029.8.6.2, the expenditure limit of a particular corporation for a taxation year equals $3,000,000, unless the particular corporation is associated in the year with one or more other corporations that are not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada, in which case, subject to sections 1029.8.6.7 to 1029.8.6.9, its expenditure limit for the year is nil.

2015, c. 36, s. 84.

1029.8.6.7. Where all of the corporations that are associated with each other in a taxation year and to which section 1029.8.6.6 applies have filed with the Minister, in the prescribed form, an agreement whereby, for the purposes of section 1029.8.6.2, they allocate an amount to one or more of them for the taxation year and the amount or the aggregate of the amounts so allocated, as the case may be, equals $3,000,000, the expenditure limit for the year of each of the corporations is equal to the amount so allocated to it.

2015, c. 36, s. 84.

1029.8.6.8. Where any of the corporations that are associated with each other in a taxation year and to which section 1029.8.6.6 applies fails to file with the Minister the agreement referred to in section 1029.8.6.7 within 30 days after notice in writing by the Minister is forwarded to any of them that such an agreement is required in determining the amount deemed to have been paid to the Minister on account of the corporation's tax payable for the year under this Part, the Minister shall, for the purposes of section 1029.8.6.2, allocate an amount to one or more of them for the year, which amount or the aggregate of which amounts, as the case may be, must be equal to $3,000,000, and in any such case the expenditure limit for the year of each of the corporations equals the amount so allocated to it.

2015, c. 36, s. 84.

1029.8.6.9. Despite any other provision of this division, the following rules apply:

(a) where a corporation that is not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada (in this section referred to as "the first corporation") has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another such corporation that has a taxation year ending in that calendar year, the expenditure limit of the first corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to paragraph *b*, an amount equal to its expenditure limit for the first such taxation year determined without reference to paragraph *b*; and

(b) where a corporation that is not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada has a taxation year that is less than 51 weeks, its expenditure limit for the year is equal to that proportion of its expenditure limit for the year determined without reference to this paragraph that the number of days in the year is of 365.

2015, c. 36, s. 84.

1029.8.7. Where a partnership carries on a business in Canada and has entered into a university research contract with an eligible university entity or into an eligible research contract with an eligible public research centre or eligible research consortium, or where such a contract has been entered into by a prescribed linkage agency for the benefit of the partnership in accordance with an agreement entered into between the partnership and the prescribed linkage agency, each taxpayer, other than a tax-exempt taxpayer, who is a member of the partnership at the end of a fiscal period of the partnership in which scientific research and experimental development related to a business of the partnership was undertaken under the contract by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, who is not a specified member of the partnership in that fiscal period and who encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file under section 1000, or would be required to file if tax were payable under this Part by the taxpayer, for the taxpayer's taxation year in which the fiscal period ends, is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer's balance-due day for that year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to 14% of the taxpayer's share

(a) where, at the time the contract was entered into, a member of the partnership was related to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, of the total or partial amount of a qualified expenditure the partnership has paid to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, that can reasonably be attributed to expenditures in respect of scientific research and experimental development made in Québec by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, under the contract during the fiscal period; or

(b) where, at the time the contract was entered into, no member of the partnership was related to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, of 80% of an amount representing the total or partial amount of a qualified expenditure the partnership has paid to the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, that can reasonably be attributed to expenditures in respect of scientific research and experimental development made in Québec by the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, under the contract during the fiscal period.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of the amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, a taxpayer's share of an amount is equal to the agreed proportion of the amount in respect of the taxpayer for the partnership's fiscal period that ends in the taxpayer's taxation year.

1988, c. 4, s. 125; 1989, c. 5, s. 210; 1990, c. 7, s. 158; 1992, c. 1, s. 168; 1993, c. 19, s. 100; 1993, c. 64, s. 145; 1995, c. 1, s. 127; 1995, c. 63, s. 133; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 31, s. 143; 2003, c. 9, s. 180; 2004, c. 21, s. 268; 2006, c. 13, s. 98; 2009, c. 5, s. 433; 2009, c. 15, s. 206; 2015, c. 21, s. 388; 2015, c. 36, s. 85; 2021, c. 18, s. 105.

1029.8.7.1. *(Repealed).*

1989, c. 5, s. 211; 1995, c. 63, s. 134.

1029.8.7.2. *(Repealed).*

1989, c. 5, s. 211; 1990, c. 7, s. 159; 1992, c. 1, s. 169; 1993, c. 19, s. 101; 1993, c. 64, s. 146; 1995, c. 1, s. 128; 1995, c. 49, s. 236; 1995, c. 63, s. 134.

DIVISION II.2

Repealed, 2021, c. 36, s. 105

1988, c. 4, s. 125; 1992, c. 1, s. 170; 2021, c. 36, s. 105.

1029.8.8. *(Repealed).*

1988, c. 4, s. 125; 1989, c. 5, s. 212; 1995, c. 63, s. 134.

1029.8.9. *(Repealed).*

1989, c. 5, s. 213; 1990, c. 7, s. 160; 1992, c. 1, s. 171; 1993, c. 19, s. 102; 1995, c. 63, s. 135; 1997, c. 14, s. 195; 1997, c. 85, s. 248; 2000, c. 5, s. 248; 2002, c. 40, s. 106; 2004, c. 21, s. 269; 2007, c. 12, s. 117; 2011, c. 1, s. 59; 2010, c. 31, s. 89; 2011, c. 6, s. 185; 2015, c. 36, s. 86; 2021, c. 36, s. 105.

1029.8.9.0.1. *(Repealed).*

1992, c. 1, s. 172; 1995, c. 1, s. 129; 1997, c. 3, s. 71; 2010, c. 31, s. 89; 2021, c. 36, s. 105.

1029.8.9.0.1.1. *(Repealed).*

1993, c. 64, s. 147; 1997, c. 3, s. 71; 2010, c. 31, s. 89; 2021, c. 36, s. 105.

1029.8.9.0.1.2. *(Repealed).*

2000, c. 39, s. 126; 2001, c. 53, s. 219; 2021, c. 36, s. 105.

1029.8.9.0.1.3. *(Repealed).*

2002, c. 40, s. 107; 2004, c. 21, s. 270; 2005, c. 1, s. 221; 2007, c. 12, s. 118.

DIVISION II.2.1

CREDIT FOR FEES AND DUES PAID TO A RESEARCH CONSORTIUM

1993, c. 19, s. 103.

§ 1. — *Interpretation*

1993, c. 19, s. 103.

1029.8.9.0.2. In this division,

"eligible fee" of a taxpayer or partnership, for a taxation year or fiscal period, as the case may be, relating to an eligible research consortium, means the amount obtained by multiplying the amount of expenditures made by the eligible research consortium in respect of scientific research and experimental development related to a business of the taxpayer or partnership undertaken by the eligible research consortium in Québec, after 14 May 1992, in its fiscal period ending in the taxation year of the taxpayer or fiscal period of the partnership, that may reasonably be considered to be attributable to fees or dues paid, during that fiscal period of the eligible research consortium, by all the taxpayers and all the partnerships that are members thereof by such proportion as the fee or dues paid by the taxpayer or partnership, as the case may be, to the eligible research consortium, during the fiscal period of the eligible research consortium ending in the taxation year of the taxpayer or the fiscal period of the partnership, to be a member thereof is or are of the aggregate of the fees or dues paid, during that fiscal period of the eligible research consortium, by all the taxpayers and all the partnerships that are members thereof;

"eligible fee balance" of a taxpayer or partnership, for a taxation year or fiscal period, as the case may be, relating to an eligible research consortium, means the aggregate of all amounts each of which is the amount obtained by multiplying the amount of expenditures made by the eligible research consortium in respect of scientific research and experimental development related to a business of the taxpayer or partnership undertaken by the eligible research consortium in Québec in its fiscal period ending in the taxation year of the taxpayer or fiscal period of the partnership, that may reasonably be considered to be attributable to fees or dues paid, during the particular fiscal period of the eligible research consortium, by all the taxpayers and all the partnerships that were members thereof by such proportion as the fee or dues paid by the taxpayer or the partnership, as the case may be, to the eligible research consortium, during the particular fiscal period of the eligible research consortium ending in a preceding taxation year of the taxpayer or a preceding fiscal period of the partnership, to be a member of the eligible research consortium is or are of the aggregate of the fees or dues paid, during the particular fiscal period of the eligible research consortium, by all the taxpayers and all the partnerships that were members thereof;

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

"tax-exempt taxpayer" has the meaning assigned by paragraph *b*.1 of section 1029.8.1.

For the purposes of this section, the expenditures made by an eligible research consortium are attributable to fees or dues paid during a fiscal period only if the expenditures may reasonably be considered not to be attributable to fees or dues paid to the eligible research consortium during a preceding fiscal period, and for the purposes of this paragraph, the expenditures made by an eligible research consortium are attributable to fees or dues paid to it in the order in which they have been received.

1993, c. 19, s. 103; 1993, c. 64, s. 148; 1995, c. 1, s. 130; 1997, c. 3, s. 58; 1997, c. 14, s. 196; 2001, c. 51, s. 91; 2006, c. 13, s. 99.

1029.8.9.0.2.1. For the purposes of this division,

(a) the expenditures made by an eligible research consortium for scientific research and experimental development mean the expenditures referred to in subsection 1 of section 222, other than those described in

section 1029.8.9.0.2.2, and must be determined as if section 230 were read without reference to subparagraph *c* of its first paragraph; and

(b) scientific research and experimental development related to a business of a taxpayer, or of a partnership, who or which is a member of an eligible research consortium that is made by that consortium must be considered to be related to a business of the eligible research consortium.

2005, c. 23, s. 145; 2015, c. 21, s. 389.

1029.8.9.0.2.2. The expenditures to which paragraph *a* of section 1029.8.9.0.2.1 refers are

(a) an expenditure of a current nature incurred by an eligible research consortium in respect of the general administration or management of a business, including

i. the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented toward the prosecution of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure,

ii. a legal or accounting fee,

iii. an amount referred to in any of sections 147, 148, 160, 161, 163, 176, 176.4 and 179,

iv. an entertainment expense,

v. an advertising or selling expense,

vi. a conference or convention expense,

vii. a due or fee in respect of membership in a scientific or technical organization, and

viii. a fine or penalty;

(b) an expenditure of a current nature incurred by an eligible research consortium for the maintenance and upkeep of premises, facilities or equipment to the extent that such expenditure is not attributable to the prosecution of scientific research and experimental development;

(c) (paragraph repealed);

(d) an expenditure incurred by an eligible research consortium to acquire property if such property has been used, or acquired for use or lease, for any purpose whatsoever before it was acquired;

(e) an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

(f) an expenditure related to scientific research and experimental development in respect of which an amount is deductible under sections 710 to 716.0.11 or 752.0.10.1 to 752.0.10.26 in computing taxable income or tax payable under this Part, as the case may be;

(g) an expenditure, to the extent that the eligible research consortium having incurred it has received or is entitled to receive a reimbursement in respect of the expenditure from a person resident in Canada, other than

i. the State or Her Majesty in right of Canada or a province, other than Québec,

ii. a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec,

iii. a corporation, commission or association that is controlled, directly or indirectly in any manner whatsoever, by the State or Her Majesty in right of Canada or a province, other than Québec, or by a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec, or

iv. a municipality in Canada or a municipal or public body performing a function of government in Canada;

(h) an expenditure, to the extent that the eligible research consortium having incurred it has received or is entitled to receive a reimbursement in respect of the expenditure from a person not resident in Canada and to the extent that the reimbursement is deductible by the person in computing taxable income earned in Canada for a taxation year;

(i) an expenditure referred to in section 230.0.0.2; and

(j) an expenditure specified by a corporation for the purposes of clause A of subparagraph ii of paragraph *a* of subsection 2 of section 194 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2005, c. 23, s. 145; 2007, c. 12, s. 119; 2012, c. 8, s. 187; 2015, c. 21, s. 390.

1029.8.9.0.2.3. If an expenditure made by an eligible research consortium for scientific research and experimental development consists in acquiring property from a member of that consortium or obtaining a service rendered by a member of that consortium, the amount of that expenditure must not exceed the lesser of the fair market value of the property or service the cost or capital cost of the property or service to the member.

2005, c. 23, s. 145.

§ 2. — *Credit*

1993, c. 19, s. 103.

1029.8.9.0.3. A taxpayer, other than a tax-exempt taxpayer, who carries on a business in Canada and who encloses with the fiscal return the taxpayer is required to file for a taxation year under section 1000, or would be required to file if tax were payable under this Part by the taxpayer, the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer's balance-due day for the year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to 14% of the total of the aggregate of all amounts each of which is the taxpayer's eligible fee for the year relating to an eligible research consortium and the aggregate of all amounts each of which is, where the taxpayer is a member of an eligible research consortium at the end of the fiscal period of the eligible research consortium ending in the year, the taxpayer's eligible fee balance for the year relating to that consortium.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of the amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

1993, c. 19, s. 103; 1995, c. 63, s. 136; 1997, c. 3, s. 71; 1997, c. 14, s. 197; 1997, c. 31, s. 143; 2001, c. 51, s. 92; 2003, c. 9, s. 181; 2004, c. 21, s. 271; 2015, c. 21, s. 391; 2015, c. 36, s. 87.

1029.8.9.0.3.1. Where the taxpayer to which section 1029.8.9.0.3 applies is a corporation that has been, throughout the taxation year referred to in that section, a corporation that is not controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada and the assets shown in its financial statements submitted to the shareholders or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown had such financial statements been prepared in accordance with generally accepted accounting principles, for its preceding taxation year or, if the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than $75,000,000, the percentage of 14% mentioned in the first paragraph of that section is to be replaced by the percentage determined by the following formula, to the extent that it is applied to the total of the amounts described in the first paragraph of section 1029.8.9.0.3 which does not exceed the expenditure limit of the corporation for the year:

30% - {[(A - $50,000,000) × 16%]/$25,000,000}.

In the formula in the first paragraph, A is the greater of $50,000,000 and the assets of the corporation determined as provided in this division.

Where the corporation referred to in the first paragraph is a cooperative, the first paragraph is to be read as if "submitted to the shareholders" were replaced by "submitted to the members".

2015, c. 36, s. 88.

1029.8.9.0.3.2. For the purposes of section 1029.8.9.0.3.1, in computing the assets of a corporation, the amount representing the surplus reassessment of its property and the amount of its incorporeal assets are to be subtracted, to the extent that the amount shown in their respect exceeds the expenditure made in their respect.

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

2015, c. 36, s. 88.

1029.8.9.0.3.3. For the purposes of section 1029.8.9.0.3.1, the assets of a corporation that is associated in a taxation year with one or more other corporations are equal to the amount by which the aggregate of the assets of the corporation and those of each corporation associated with it, determined in accordance with sections 1029.8.9.0.3.1 and 1029.8.9.0.3.2, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

2015, c. 36, s. 88.

1029.8.9.0.3.4. For the purposes of sections 1029.8.9.0.3.1 to 1029.8.9.0.3.3, where a corporation or a corporation with which it is associated reduces its assets by any transaction in a taxation year and, but for that reduction, section 1029.8.9.0.3.1 would not apply to the corporation, the assets are deemed not to have been so reduced unless the Minister decides otherwise.

2015, c. 36, s. 88.

1029.8.9.0.3.5. For the purposes of section 1029.8.9.0.3.1, the expenditure limit of a particular corporation for a taxation year equals $3,000,000, unless the particular corporation is associated in the year with one or more other corporations that are not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada, in which case, subject to sections 1029.8.9.0.3.6 to 1029.8.9.0.3.8, its expenditure limit for the year is nil.

2015, c. 36, s. 88.

1029.8.9.0.3.6. Where all of the corporations that are associated with each other in a taxation year and to which section 1029.8.9.0.3.5 applies have filed with the Minister, in the prescribed form, an agreement whereby, for the purposes of section 1029.8.9.0.3.1, they allocate an amount to one or more of them for the taxation year and the amount or the aggregate of the amounts so allocated, as the case may be, equals $3,000,000, the expenditure limit for the year of each of the corporations is equal to the amount so allocated to it.

2015, c. 36, s. 88.

1029.8.9.0.3.7. Where any of the corporations that are associated with each other in a taxation year and to which section 1029.8.9.0.3.5 applies fails to file with the Minister the agreement referred to in section 1029.8.9.0.3.6 within 30 days after notice in writing by the Minister is forwarded to any of them that such an agreement is required in determining the amount deemed to have been paid to the Minister on account of the corporation's tax payable for the year under this Part, the Minister shall, for the purposes of section 1029.8.9.0.3.1, allocate an amount to one or more of them for the year, which amount or the aggregate of which amounts, as the case may be, must be equal to $3,000,000, and in any such case the expenditure limit for the year of each of the corporations equals the amount so allocated to it.

2015, c. 36, s. 88.

1029.8.9.0.3.8. Despite any other provision of this division, the following rules apply:

(a) where a corporation that is not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada (in this section referred to as "the first corporation") has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another such corporation that has a taxation year ending in that calendar year, the expenditure limit of the first corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to paragraph *b*, an amount equal to its expenditure limit for the first such taxation year determined without reference to paragraph *b*; and

(b) where a corporation that is not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada has a taxation year that is less than 51 weeks, its expenditure limit for the year is equal to that proportion of its expenditure limit for the year determined without reference to this paragraph that the number of days in the year is of 365.

2015, c. 36, s. 88.

1029.8.9.0.4. Where a partnership carries on a business in Canada, every taxpayer, other than a tax-exempt taxpayer, who is a member of the partnership at the end of a fiscal period of the partnership in which the partnership paid an eligible fee to an eligible research consortium, who is not a specified member of the partnership in that fiscal period and who encloses with the fiscal return the taxpayer is required to file under section 1000, or would be required to file if tax were payable under this Part by the taxpayer, for the taxpayer's taxation year in which the fiscal period ends, the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer's balance-due day for that year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to 14% of the taxpayer's share of the total of the aggregate of all amounts each of which is, for the fiscal period of the partnership ending in the year, an eligible fee of the partnership relating to an eligible research consortium and the aggregate of all amounts each of which is, where the partnership is a member of an eligible research consortium at the end of the fiscal period of the eligible research consortium ending in the fiscal period of the partnership, the partnership's eligible fee balance for the fiscal period relating to the eligible research consortium.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the

year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of the amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, a taxpayer's share of an amount is equal to the agreed proportion of the amount in respect of the taxpayer for the partnership's fiscal period that ends in the taxpayer's taxation year.

1997, c. 14, s. 198; 1997, c. 31, s. 143; 2001, c. 51, s. 92; 2003, c. 9, s. 181; 2004, c. 21, s. 272; 2009, c. 15, s. 207; 2015, c. 21, s. 392; 2015, c. 36, s. 89.

DIVISION II.3

(Repealed).

1989, c. 5, s. 213; 2021, c. 18, s. 106.

1029.8.9.1. *(Repealed).*

1990, c. 7, s. 161; 1993, c. 64, s. 149; 1995, c. 1, s. 131; 1995, c. 49, s. 236; 1995, c. 63, s. 137; 1997, c. 3, s. 71; 1997, c. 31, s. 103; 1997, c. 85, s. 330; 2002, c. 40, s. 108; 2006, c. 13, s. 100; 2015, c. 21, s. 393; 2021, c. 18, s. 106.

1029.8.9.1.1. *(Repealed).*

1993, c. 64, s. 150; 1997, c. 85, s. 330; 2006, c. 13, s. 101; 2021, c. 18, s. 106.

1029.8.9.1.2. *(Repealed).*

1993, c. 64, s. 150; 1994, c. 22, s. 316; 1995, c. 1, s. 132; 1995, c. 63, s. 545; 1997, c. 3, s. 71; 2006, c. 13, s. 102; 2015, c. 21, s. 394; 2021, c. 18, s. 106.

1029.8.10. *(Repealed).*

1989, c. 5, s. 213; 1990, c. 7, s. 162; 1991, c. 8, s. 78; 1991, c. 8, s. 117; 1993, c. 19, s. 104; 1993, c. 64, s. 151; 1994, c. 16, s. 51; 1995, c. 1, s. 133; 1995, c. 63, s. 138; 1995, c. 63, s. 545; 1997, c. 3, s. 71; 1997, c. 14, s. 199; 1997, c. 31, s. 143; 1999, c. 8, s. 19; 2003, c. 9, s. 182; 2004, c. 21, s. 273; 2006, c. 13, s. 103; 2009, c. 5, s. 434; 2013, c. 28, s. 141; 2021, c. 18, s. 106.

1029.8.11. *(Repealed).*

1989, c. 5, s. 213; 1990, c. 7, s. 162; 1991, c. 8, s. 79; 1991, c. 8, s. 117; 1993, c. 19, s. 105; 1993, c. 64, s. 152; 1994, c. 16, s. 51; 1995, c. 1, s. 134; 1995, c. 63, s. 139; 1995, c. 63, s. 545; 1997, c. 3, s. 71; 1997, c. 14, s. 200; 1997, c. 31, s. 143; 1997, c. 85, s. 249; 1999, c. 8, s. 19; 2003, c. 9, s. 183; 2004, c. 21, s. 274; 2006, c. 13, s. 104; 2009, c. 5, s. 435; 2009, c. 15, s. 208; 2013, c. 28, s. 141; 2021, c. 18, s. 106.

1029.8.12. *(Repealed).*

1989, c. 5, s. 213; 1990, c. 7, s. 163; 2021, c. 18, s. 106.

1029.8.13. *(Repealed).*

1989, c. 5, s. 213; 1990, c. 7, s. 163; 2021, c. 18, s. 106.

1029.8.14. *(Repealed).*

1989, c. 5, s. 213; 1990, c. 7, s. 163; 2021, c. 18, s. 106.

1029.8.15. *(Repealed).*

1989, c. 5, s. 213; 1990, c. 7, s. 163; 2021, c. 18, s. 106.

1029.8.15.1. *(Repealed).*

1990, c. 7, s. 164; 1991, c. 8, s. 80; 1993, c. 16, s. 333; 1993, c. 64, s. 153; 1995, c. 1, s. 135; 1995, c. 49, s. 236; 1995, c. 63, s. 140; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 1998, c. 16, s. 225; 1999, c. 83, s. 273; 2001, c. 7, s. 143; 2007, c. 12, s. 120; 2012, c. 8, s. 188; 2015, c. 21, s. 395; 2021, c. 18, s. 106.

1029.8.15.2. *(Repealed).*

1990, c. 7, s. 164; 1995, c. 1, s. 136; 2021, c. 18, s. 106.

1029.8.16. *(Repealed).*

1989, c. 5, s. 213; 1990, c. 7, s. 165; 1991, c. 8, s. 81; 1994, c. 16, s. 51; 1995, c. 63, s. 141; 1997, c. 31, s. 104; 1999, c. 8, s. 19; 2000, c. 39, s. 127; 2003, c. 9, s. 184; 2004, c. 21, s. 275; 2006, c. 13, s. 105; 2007, c. 12, s. 121; 2013, c. 28, s. 141; 2021, c. 18, s. 106.

1029.8.16.1. *(Repealed).*

1993, c. 64, s. 154; 1997, c. 3, s. 71; 2010, c. 31, s. 89; 2021, c. 18, s. 106.

DIVISION II.3.0.1

CREDIT FOR PRIVATE PARTNERSHIP PRE-COMPETITIVE RESEARCH

2007, c. 12, s. 122.

1029.8.16.1.1. In this division,

"excluded contract" means an eligible research contract within the meaning of paragraph *a*.2 of section 1029.8.1 or a university research contract within the meaning of paragraph *b* of that section;

"overhead expenditure" means an expenditure made by or on behalf of a taxpayer or partnership for scientific research and experimental development undertaken under an agreement referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5, other than

(a) (paragraph repealed);

(b) an expenditure of a current nature for the prosecution of scientific research and experimental development in Canada directly undertaken on behalf of the taxpayer or partnership, as the case may be;

(c) (paragraph repealed);

(d) that portion of an expenditure incurred for the salary or wages of an employee who is directly engaged in scientific research and experimental development in Canada that may reasonably be considered to be attributable to such work having regard to the time spent by the employee on that work and, for that purpose, if all or substantially all of the employee's working time is spent on such scientific research and experimental development, that portion of the expenditure is deemed equal to the amount of the expenditure;

(e) an expenditure incurred in relation to the cost of materials consumed in the prosecution of scientific research and experimental development undertaken in Canada; and

(f) (paragraph repealed);

"public body" means

(a) a government, a municipality or another public authority;

(b) a body a majority of whose members come from the Québec or federal public sector, that is, are appointed by a minister, a government, a municipality, another public authority or another public body;

(c) a body whose personnel is appointed in accordance with the Public Service Act (chapter F-3.1.1) or the Public Service Employment Act (Statutes of Canada, 2003, chapter 22);

(d) a body more than 50% of whose financing is derived from Québec or federal public funds, that is from the Consolidated Revenue Fund or the federal treasury, a government, a municipality, another public authority or another public body;

(e) an entity designated by the Minister as a public body; and

(f) a combination of entities or bodies referred to in any of paragraphs *a* to *e*;

"public partner" at a particular time means

(a) an eligible public research centre within the meaning of paragraph *a*.1 of section 1029.8.1;

(b) an eligible research consortium within the meaning of paragraph *a*.1.1 of section 1029.8.1;

(c) an eligible university entity within the meaning of paragraph *f* of section 1029.8.1;

(d) a public body;

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

(f) a partnership if, in the 24 months preceding the particular time, or at a later time determined by the Minister, the members of the partnership that are referred to in any of paragraphs *a* to *e* and *g* have, directly or indirectly in any manner whatever, interests in the partnership having a fair market value, at that time, of more than 50% of the fair market value of all the members' interests in the partnership; and

(g) a corporation that, in the 24 months preceding the particular time, or at a later time determined by the Minister, is controlled, directly or indirectly in any manner whatever, by an entity, a person or a combination of entities or persons referred to in any of paragraphs *a* to *f*;

"qualified expenditure" means an expenditure made in respect of scientific research and experimental development by a taxpayer or partnership that is an expenditure referred to in subsection 1 of section 222, other than such an expenditure referred to in section 1029.8.16.1.6, and includes a prescribed proxy amount;

"wages incurred" for scientific research and experimental development undertaken in Québec under an agreement referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5, means that portion of an expenditure incurred as salaries, wages or other remuneration, including bonuses, in respect of an individual, other than a trust, who is directly engaged in that research and development, that can reasonably be considered to relate to that research and development, having regard to the time spent by the individual on that research and development.

For the purposes of this division, the share of a member of a partnership of an amount for a fiscal period is equal to the agreed proportion of the amount in respect of the member for the fiscal period.

2007, c. 12, s. 122; 2009, c. 15, s. 209; 2015, c. 21, s. 396.

1029.8.16.1.2. In the definition of "wages incurred" in the first paragraph of section 1029.8.16.1.1 and for the purposes of section 1029.8.16.1.3, if scientific research and experimental development is undertaken under an agreement referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5 and if no expenditure is incurred as salaries, wages or other remuneration, including bonuses, to remunerate the work of an individual, other than a trust, who is directly engaged in that research and development, an amount not exceeding an amount, reasonable in the circumstances, as wages that can reasonably be considered to relate to

that work having regard to the time spent by the individual on that work, is deemed to constitute an expenditure incurred as wages under the agreement.

2007, c. 12, s. 122.

1029.8.16.1.3. Subject to Division II.4, for the purposes of subparagraphs *a* and *b* of the first paragraph of sections 1029.8.16.1.4 and 1029.8.16.1.5, all or part of the amount of a qualified expenditure made in Québec by a taxpayer or partnership under an agreement referred to in the first paragraph of either of those sections that can reasonably be considered to be attributable to scientific research and experimental development undertaken in Québec under such an agreement in a taxation year of the taxpayer or a fiscal period of the partnership, is deemed not to exceed the amount that would represent the aggregate of the qualified expenditures of the taxpayer or partnership that are made in Québec in that year or period under the agreement if each expenditure (in this section referred to as a "particular expenditure") that is made in Québec either by the taxpayer or partnership for scientific research and experimental development directly undertaken by the taxpayer or partnership, or by another person for scientific research and experimental development directly undertaken by that other person on behalf of the taxpayer or partnership, in that year or period under the agreement, were made by the taxpayer or partnership in the same circumstances and under the same conditions and were referred to in subsection 1 of section 222 and if the aggregate of the amount of each particular expenditure, which constitutes an overhead expenditure, were limited to 55% of the aggregate of the amount of each particular expenditure which constitutes incurred wages.

2007, c. 12, s. 122; 2015, c. 21, s. 397.

1029.8.16.1.4. A taxpayer, other than a public partner or a tax-exempt taxpayer within the meaning of paragraph *b*.1 of section 1029.8.1, who carries on a business in Canada and has entered into an agreement with a person or partnership under which the parties agree to undertake scientific research and experimental development related to a business of the taxpayer, in Québec, or cause such research and development to be undertaken in Québec on their behalf as part of a contract, other than an excluded contract, is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer's balance-due day for a taxation year in which the research and development was undertaken, on account of the taxpayer's tax payable for that year under this Part, if the conditions set out in the third paragraph are satisfied in respect of the parties to the agreement and if the taxpayer encloses the documents described in the fourth paragraph with the fiscal return the taxpayer is required to file under section 1000 for that year, or would be required to file if tax were payable under this Part by the taxpayer, an amount equal to 14% of the aggregate of

(a) all or part of a qualified expenditure that the taxpayer has made in Québec, that can reasonably be attributed to such research and development directly undertaken by the taxpayer in that year and that the taxpayer has paid;

(b) all or part of a qualified expenditure that the taxpayer has made in Québec under a contract entered into with a person or partnership with which the taxpayer was not dealing at arm's length at the time the contract was entered into, that can reasonably be attributed to such research and development directly undertaken by the person or partnership on behalf of the taxpayer in that year and that the taxpayer has paid; and

(c) 80% of an amount representing all or part of a qualified expenditure that the taxpayer has made in Québec under a contract entered into with a person or partnership with which the taxpayer was dealing at arm's length at the time the contract was entered into, that can reasonably be attributed to such research and development directly undertaken by the person or partnership on behalf of the taxpayer in that year and that the taxpayer has paid.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that can reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The conditions to which the first paragraph refers in respect of the parties to the agreement referred to in that paragraph are as follows:

(a) the agreement must include at least two parties who are not public partners;

(b) at least two parties who are not public partners were dealing with each other at arm's length throughout a year referred to in the first paragraph that ended after 13 March 2008; and

(c) no party who is not a public partner is related to a public partner throughout a year referred to in the first paragraph that ended after 13 March 2008.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the valid qualification certificate issued to the taxpayer by the Minister of Economy and Innovation for the purposes of this division.

2007, c. 12, s. 122; 2009, c. 15, s. 210; 2013, c. 28, s. 141; 2015, c. 21, s. 398; 2015, c. 36, s. 90; 2019, c. 14, s. 307; 2019, c. 29, s. 88.

1029.8.16.1.4.1. Where the taxpayer to which section 1029.8.16.1.4 applies is a corporation that has been, throughout the taxation year referred to in that section, a corporation that is not controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada and the assets shown in its financial statements submitted to the shareholders or, if such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown had such financial statements been prepared in accordance with generally accepted accounting principles, for its preceding taxation year or, if the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than $75,000,000, the percentage of 14% mentioned in the first paragraph of that section is to be replaced by the percentage determined by the following formula, to the extent that it is applied to the aggregate determined under the first paragraph of section 1029.8.16.1.4 which does not exceed the expenditure limit of the corporation for the year:

30% - {[(A - $50,000,000) × 16%]/$25,000,000}.

In the formula in the first paragraph, A is the greater of $50,000,000 and the assets of the corporation determined as provided in this division.

Where the corporation referred to in the first paragraph is a cooperative, the first paragraph is to be read as if "submitted to the shareholders" were replaced by "submitted to the members".

2015, c. 36, s. 91.

1029.8.16.1.4.2. For the purposes of section 1029.8.16.1.4.1, in computing the assets of a corporation, the amount representing the surplus reassessment of its property and the amount of its incorporeal assets are

to be subtracted, to the extent that the amount shown in their respect exceeds the expenditure made in their respect.

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

2015, c. 36, s. 91.

1029.8.16.1.4.3. For the purposes of section 1029.8.16.1.4.1, the assets of a corporation that is associated in a taxation year with one or more other corporations are equal to the amount by which the aggregate of the assets of the corporation and those of each corporation associated with it, determined in accordance with sections 1029.8.16.1.4.1 and 1029.8.16.1.4.2, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

2015, c. 36, s. 91.

1029.8.16.1.4.4. For the purposes of sections 1029.8.16.1.4.1 to 1029.8.16.1.4.3, where a corporation or a corporation with which it is associated reduces its assets by any transaction in a taxation year and, but for that reduction, section 1029.8.16.1.4.1 would not apply to the corporation, the assets are deemed not to have been so reduced unless the Minister decides otherwise.

2015, c. 36, s. 91.

1029.8.16.1.4.5. For the purposes of section 1029.8.16.1.4.1, the expenditure limit of a particular corporation for a taxation year equals $3,000,000, unless the particular corporation is associated in the year with one or more other corporations that are not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada, in which case, subject to sections 1029.8.16.1.4.6 to 1029.8.16.1.4.8, its expenditure limit for the year is nil.

2015, c. 36, s. 91.

1029.8.16.1.4.6. Where all of the corporations that are associated with each other in a taxation year and to which section 1029.8.16.1.4.5 applies have filed with the Minister, in the prescribed form, an agreement whereby, for the purposes of section 1029.8.16.1.4.1, they allocate an amount to one or more of them for the taxation year and the amount or the aggregate of the amounts so allocated, as the case may be, equals $3,000,000, the expenditure limit for the year of each of the corporations is equal to the amount so allocated to it.

2015, c. 36, s. 91.

1029.8.16.1.4.7. Where any of the corporations that are associated with each other in a taxation year and to which section 1029.8.16.1.4.5 applies fails to file with the Minister the agreement referred to in section 1029.8.16.1.4.6 within 30 days after notice in writing by the Minister is forwarded to any of them that such an agreement is required in determining the amount deemed to have been paid to the Minister on account of the corporation's tax payable for the year under this Part, the Minister shall, for the purposes of section 1029.8.16.1.4.1, allocate an amount to one or more of them for the year, which amount or the aggregate of which amounts, as the case may be, must be equal to $3,000,000, and in any such case the expenditure limit for the year of each of the corporations equals the amount so allocated to it.

2015, c. 36, s. 91.

1029.8.16.1.4.8. Despite any other provision of this division, the following rules apply:

(a) where a corporation that is not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada (in this section referred to as "the first corporation") has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another such corporation that has a taxation year ending in that calendar year, the expenditure limit of the first

corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to paragraph *b*, an amount equal to its expenditure limit for the first such taxation year determined without reference to paragraph *b*; and

(b) where a corporation that is not controlled, directly or indirectly, in any manner whatever by one or more persons not resident in Canada has a taxation year that is less than 51 weeks, its expenditure limit for the year is equal to that proportion of its expenditure limit for the year determined without reference to this paragraph that the number of days in the year is of 365.

2015, c. 36, s. 91.

1029.8.16.1.5. If a particular partnership carries on a business in Canada and has entered into an agreement under which the parties agree to undertake scientific research and experimental development related to a business of the particular partnership, in Québec, or cause such research and development to be undertaken in Québec on their behalf as part of a contract, other than an excluded contract, each taxpayer who is a member of the particular partnership at the end of a fiscal period of the particular partnership in which the research and development was undertaken and who is not a public partner, a tax-exempt taxpayer within the meaning of paragraph *b*.1 of section 1029.8.1 or a specified member of the particular partnership in that fiscal period, is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer's balance-due day for the taxpayer's taxation year in which that fiscal period ends, on account of the taxpayer's tax payable for that year under this Part, if the conditions set out in the third paragraph are satisfied in respect of the parties to the agreement and if the taxpayer encloses the documents described in the fourth paragraph with the fiscal return the taxpayer is required to file under section 1000 for that year, or would be required to file if tax were payable under this Part by the taxpayer, 14% of the taxpayer's share of an amount equal to the aggregate of

(a) all or part of a qualified expenditure that the particular partnership has made in Québec, that can reasonably be attributed to such research and development directly undertaken by the particular partnership in that fiscal period and that the particular partnership has paid;

(b) all or part of a qualified expenditure that the particular partnership has made in Québec under a contract entered into with a person or another partnership with which a member of the particular partnership was not dealing at arm's length at the time the contract was entered into, that can reasonably be attributed to such research and development directly undertaken by the person or the other partnership on behalf of the particular partnership in that fiscal period and that the particular partnership has paid; and

(c) 80% of an amount representing all or part of a qualified expenditure that the particular partnership has made in Québec under a contract entered into with a person or another partnership with which all the members of the particular partnership were dealing at arm's length at the time the contract was entered into, that can reasonably be attributed to such research and development directly undertaken by the person or the other partnership on behalf of the particular partnership in that fiscal period and that the particular partnership has paid.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that can reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but

otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The conditions to which the first paragraph refers in respect of the parties to the agreement referred to in that paragraph are as follows:

(a) the agreement must include at least two parties who are not public partners;

(b) at least two parties who are not public partners were dealing with each other at arm's length throughout a fiscal period referred to in the first paragraph that ended after 13 March 2008; and

(c) no party who is not a public partner is related to a public partner throughout a fiscal period referred to in the first paragraph that ended after 13 March 2008.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the valid qualification certificate issued by the Minister of Economy and Innovation for the purposes of this division.

2007, c. 12, s. 122; 2009, c. 15, s. 211; 2013, c. 28, s. 141; 2015, c. 21, s. 399; 2015, c. 36, s. 92; 2019, c. 14, s. 308; 2019, c. 29, s. 88.

1029.8.16.1.6. The expenditure to which the definition of "qualified expenditure" in the first paragraph of section 1029.8.16.1.1 refers is

(a) an expenditure of a current nature incurred by or on behalf of a taxpayer or partnership in respect of the general administration or management of a business, including

i. the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented toward the prosecution of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure,

ii. a legal or accounting fee,

iii. an amount referred to in any of sections 147, 148, 160, 161, 163, 176, 176.4 and 179,

iv. an entertainment expense,

v. an advertising or selling expense,

vi. a conference or convention expense,

vii. a due or fee in respect of membership in a scientific or technical organization, and

viii. a fine or penalty;

(b) an expenditure of a current nature incurred by or on behalf of a taxpayer or partnership for the maintenance and upkeep of premises, facilities or equipment to the extent that the expenditure is not attributable to the prosecution of scientific research and experimental development;

(c) (paragraph repealed);

(d) an expenditure incurred by or on behalf of a taxpayer or partnership to acquire property if the property has been used, or acquired for use or lease, for any purpose whatever before it was acquired;

(e) an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

(f) an expenditure related to scientific research and experimental development in respect of which an amount is deductible under sections 710 to 716.0.11 or 752.0.10.1 to 752.0.10.26 in computing taxable income or tax payable under this Part, as the case may be;

(g) an expenditure, to the extent that the taxpayer or partnership having incurred it or, where applicable, the person or another partnership having incurred it on behalf of the taxpayer or partnership has received or is entitled to receive a reimbursement in respect of the expenditure from a person resident in Canada, other than

i. the State or Her Majesty in right of Canada or a province, other than Québec,

ii. a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec,

iii. a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or a province, other than Québec, or by a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec, or

iv. a municipality in Canada or a municipal or public body performing a function of government in Canada;

(h) an expenditure, to the extent that the taxpayer or partnership having incurred it or, where applicable, the person or another partnership having incurred it on behalf of the taxpayer or partnership has received or is entitled to receive a reimbursement in respect of the expenditure from a person not resident in Canada and to the extent that the reimbursement is deductible by the person in computing taxable income earned in Canada for a taxation year; and

(i) an expenditure described in section 230.0.0.2.

2007, c. 12, s. 122; 2012, c. 8, s. 189; 2015, c. 21, s. 400.

1029.8.16.1.7. *(Repealed).*

2007, c. 12, s. 122; 2009, c. 15, s. 212.

1029.8.16.1.8. *(Repealed).*

2007, c. 12, s. 122; 2009, c. 15, s. 212.

1029.8.16.1.9. No taxpayer may be deemed to have paid to the Minister an amount or the taxpayer's share of an amount referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5 in respect of an agreement referred to in that first paragraph, to which that amount or that share of an amount, as the case may be, is related, for scientific research and experimental development that is undertaken under the agreement after the expiration of the three-year period that begins on the day on which the Minister of Economy and Innovation issued its last qualification certificate in respect of the agreement.

2007, c. 12, s. 122; 2009, c. 15, s. 213; 2013, c. 28, s. 141; 2019, c. 29, s. 89.

DIVISION II.3.1

Repealed, 2010, c. 25, s. 122.

2010, c. 25, s. 122.

§ 1. —

Repealed, 2010, c. 25, s. 122.

2000, c. 39, s. 128; 2010, c. 25, s. 122.

1029.8.16.2. *(Repealed).*

2005, c. 1, s. 267; 2010, c. 25, s. 122.

1029.8.16.3. *(Repealed).*

2006, c. 36, s. 206; 2010, c. 25, s. 122.

1029.8.16.4. *(Repealed).*

2005, c. 1, s. 267; 2010, c. 25, s. 122.

1029.8.16.5. *(Repealed).*

2005, c. 1, s. 267; 2006, c. 13, s. 193; 2009, c. 15, s. 343; 2010, c. 25, s. 122.

§ 2. —

Repealed, 2010, c. 25, s. 122.

2000, c. 39, s. 128; 2010, c. 25, s. 122.

1029.8.16.6. *(Repealed).*

2000, c. 39, s. 128; 2003, c. 9, s. 185; 2004, c. 21, s. 276; 2010, c. 25, s. 122.

DIVISION II.4

GOVERNMENT ASSISTANCE, NON-GOVERNMENT ASSISTANCE, CONTRACT PAYMENT AND OTHER RULES RELATING TO TAX CREDITS FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

1989, c. 5, s. 213; 1990, c. 7, s. 166; 2015, c. 36, s. 93.

§ 1. — *Interpretation*

2015, c. 36, s. 94.

1029.8.17. In this division,

(a) (paragraph repealed);

(b) (paragraph repealed);

(b.0.1*) (paragraph repealed);*

(b.0.2*) (paragraph repealed);*

(b.1*)* "taxable supplier" in respect of an amount means

i. a person resident in Canada,

ii. a Canadian partnership, or

iii. a person not resident in Canada, or a partnership that is not a Canadian partnership, where the amount is paid or payable by such person or partnership in the course of carrying on a business through an establishment in Canada;

(c) "contract payment" means

i. an amount paid or payable by a taxable supplier in respect of the amount, for scientific research and experimental development to the extent that the research and development has been undertaken for, or on behalf of, a person or partnership entitled to a deduction or a person or partnership that is carrying on a business in Canada and that would be entitled to a deduction if the person or partnership had an establishment in Québec, in respect of the amount under paragraph *b* or *c* of subsection 1 of section 222, or

ii. an amount in respect of an expenditure of a current nature (within the meaning of section 230.0.0.1.1) of a taxpayer, other than a prescribed amount, payable by the Government of Canada or a provincial government, a municipality or other Canadian public authority or by a person exempt from tax under this Part by virtue of sections 980 to 985 and 985.23 to 999.1 for scientific research and experimental development to be performed for the authority or person, or on behalf of the authority or person,

iii. *(subparagraph repealed).*

1989, c. 5, s. 213; 1990, c. 7, s. 167; 1994, c. 22, s. 317; 1995, c. 1, s. 137; 1997, c. 31, s. 105; 2001, c. 51, s. 94; 2001, c. 53, s. 220; 2004, c. 21, s. 277; 2007, c. 12, s. 123; 2015, c. 21, s. 401.

1029.8.17.0.1. Where there is an arrangement under which an amount is paid or payable by a particular person or partnership to another person or partnership and a particular amount is received or receivable in respect of scientific research and experimental development by a person or partnership, other than the particular person or partnership or the other person or partnership, from a person or partnership that is not a taxable supplier in respect of the particular amount, and one of the main purposes of the arrangement can reasonably be considered to be to cause the particular amount not to be a contract payment, the particular amount is deemed to be a contract payment in respect of scientific research and experimental development.

1997, c. 31, s. 106.

1029.8.17.0.2. *(Repealed).*

2004, c. 21, s. 278; 2007, c. 12, s. 124.

1029.8.17.1. *(Repealed).*

1995, c. 63, s. 142; 1997, c. 3, s. 71; 1997, c. 14, s. 201.

§ 2. — *Reduction attributable to a contract payment, government assistance or non-government assistance*

2015, c. 36, s. 95.

1029.8.18. For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a taxpayer pursuant to any of sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.9.0.3, 1029.8.9.0.4, 1029.8.16.1.4 and 1029.8.16.1.5, the following rules apply:

(a) the amount of the wages or of part of the consideration paid, of a qualified expenditure, except a prescribed proxy amount, of an eligible fee or of an eligible fee balance, referred to in any of sections 1029.7, 1029.8.6, 1029.8.9.0.3 and 1029.8.16.1.4, as the case may be, shall be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance attributable to the wages or to part of the consideration paid, to the qualified expenditure, to the eligible fee or to the eligible fee balance, as the case may be, that the taxpayer has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for that taxation year;

(b) the share of a taxpayer who is a member of a partnership of the amount of the wages or of part of a consideration paid, of a qualified expenditure, except a prescribed proxy amount, of an eligible fee or of an eligible fee balance, referred to in any of sections 1029.8, 1029.8.7, 1029.8.9.0.4 and 1029.8.16.1.5, as the case may be, shall be reduced, where applicable,

i. by his share of the amount of any contract payment, government assistance or non-government assistance, attributable to the wages or to part of the consideration paid, to the qualified expenditure, to the eligible fee or to the eligible fee balance, as the case may be, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the wages, part of the consideration, the eligible fee or the eligible fee balance were paid or the qualified expenditure was made, as the case may be, or

ii. by the amount of any government assistance or non-government assistance, attributable to the wages or part of the consideration paid, to the qualified expenditure, to the eligible fee or to the eligible fee balance, as the case may be, that the taxpayer has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the wages, part of the consideration, the eligible fee or the eligible fee balance were paid or the qualified expenditure was made, as the case may be; and

(c) if the taxpayer or a particular partnership of which the taxpayer is a member has entered into a contract with a person, another partnership, an eligible university entity, an eligible public research centre or an eligible research consortium, within the meaning of paragraph *f*, *a*.1 or *a*.1.1 of section 1029.8.1, as the case may be, with whom or with which the taxpayer, or a member of the particular partnership, was not dealing at arm's length at the time the contract was entered into,

i. the amount of a portion of the consideration paid referred to in any of subparagraphs *b*, *b*.1, *d* and *d*.1 of the first paragraph of section 1029.7 or 1029.8 is to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance attributable to the wages paid to the employees of an establishment of the person or of the other partnership situated in Québec that are referred to in that subparagraph or to the portion of an expenditure incurred in respect of the salary or wages of the employees of an establishment of the person or of the other partnership situated in Québec referred to in that subparagraph, or that would be so attributable if the person or other partnership had such employees, and if the person or other partnership has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be,

ii. the amount of a portion of the consideration paid referred to in any of subparagraphs *f*, *f*.1, *h* and *h*.1 of the first paragraph of section 1029.7 or 1029.8 is to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance that is

(1) attributable to that portion of the consideration and that the person or other partnership has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be, or

(2) attributable to the wages paid to the employees of an establishment of another person or partnership situated in Québec that are referred to in that subparagraph or to the portion of an expenditure incurred in respect of the salary or wages of the employees of an establishment of another person or partnership situated in Québec referred to in that subparagraph, or that would be so attributable if the other person or partnership

had such employees, and if the other person or partnership referred to in that subparagraph has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be,

iii. all or a portion of the amount of a qualified expenditure referred to in subparagraph *a* of the first paragraph of section 1029.8.6 or 1029.8.7 is to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance attributable to expenditures in respect of scientific research and experimental development referred to in that subparagraph, which the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be, and

iv. all or a portion of a qualified expenditure referred to in subparagraph *b* of the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5 is to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance attributable to scientific research and experimental development referred to in that subparagraph, which the person or other partnership has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, a taxpayer's share of the amount of a contract payment, government assistance or non-government assistance that the partnership has received, is entitled to receive or can reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the taxpayer for the partnership's fiscal period that ends in the taxpayer's taxation year.

1989, c. 5, s. 213; 1990, c. 7, s. 168; 1993, c. 19, s. 106; 1995, c. 1, s. 138; 1995, c. 63, s. 143; 1997, c. 3, s. 71; 1997, c. 14, s. 202; 1997, c. 31, s. 143; 2001, c. 51, s. 95; 2007, c. 12, s. 125; 2009, c. 15, s. 214; 2021, c. 18, s. 107.

1029.8.18.0.1. For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a taxpayer pursuant to section 1029.8.16.1.4 or 1029.8.16.1.5, the following rules apply:

(a) the prescribed proxy amount included in the amount of the qualified expenditure referred to in section 1029.8.16.1.4 must be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance that may reasonably be considered to be in respect of an expenditure, other than an expenditure referred to in subparagraph *c* of the first paragraph of section 230, that the taxpayer has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for that taxation year; and

(b) the share of a taxpayer who is a member of a partnership of the prescribed proxy amount included in the amount of the qualified expenditure referred to in section 1029.8.16.1.5 must be reduced, where applicable,

i. by his share of the amount of any contract payment, government assistance or non-government assistance that may reasonably be considered to be in respect of an expenditure, other than an expenditure referred to in subparagraph *c* of the first paragraph of section 230, that the partnership has received, is entitled to receive or can reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the qualified expenditure was made, or

ii. by the amount of any government assistance or non-government assistance that may reasonably be considered to be in respect of an expenditure, other than an expenditure referred to in subparagraph *c* of the first paragraph of section 230, that the taxpayer has received, is entitled to receive or can reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the qualified expenditure was made.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, a taxpayer's share of the amount of a contract payment, government assistance or non-government assistance that the partnership has received, is entitled to receive or can reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the taxpayer for the partnership's fiscal period that ends in the taxpayer's taxation year.

1995, c. 1, s. 139; 1995, c. 63, s. 144; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2007, c. 12, s. 126; 2009, c. 15, s. 215; 2021, c. 18, s. 108.

§ 3. — *Repayment of government assistance or non-government assistance*

2015, c. 36, s. 96.

1029.8.18.1. Where, at any particular time, a taxpayer pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be the repayment of government assistance or non-government assistance that reduced, by reason of subparagraph *a* of the first paragraph of section 1029.8.18 or 1029.8.18.0.1, a particular expenditure, a particular eligible fee or a particular eligible fee balance for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by the taxpayer under any of Divisions II to II.3.0.1, the following rules apply:

(a) the particular amount is deemed, for the purposes of that division,

i. where the assistance reduced a particular expenditure, to be an expenditure for scientific research and experimental development made at the particular time by the taxpayer on the same basis as was the particular expenditure, and

ii. where the assistance reduced a particular eligible fee or a particular eligible fee balance, to be an eligible fee or an eligible fee balance, as the case may be, for the taxation year in which the taxpayer paid the particular amount;

(b) the amount that the taxpayer is deemed to have paid to the Minister under that division in respect of the particular amount is deemed

i. to be equal to the amount that, but for the assistance, would have been deemed to have been paid to the Minister by the taxpayer under that division in respect of that portion of the particular expenditure, particular eligible fee or particular eligible fee balance corresponding to the assistance so repaid, and

ii. to have been paid to the Minister under the same provision of that division as the provision under which, but for the assistance, the taxpayer would have been deemed to have paid an amount to the Minister in respect of that portion of the particular expenditure, particular eligible fee or particular eligible fee balance corresponding to the assistance so repaid.

1992, c. 1, s. 173; 1995, c. 63, s. 145; 1997, c. 14, s. 203; 2001, c. 51, s. 96; 2006, c. 36, s. 107; 2007, c. 12, s. 127; 2009, c. 5, s. 436.

1029.8.18.1.1. Where, at any particular time, a partnership pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be the repayment of government assistance or non-government assistance that reduced, by reason of subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.18 or 1029.8.18.0.1, the share of a taxpayer who is a member of the partnership of a particular expenditure made by the partnership, of a particular eligible fee or of a particular eligible fee balance of the partnership, for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by the taxpayer under any of Divisions II to II.3.0.1, the following rules apply:

(a) the particular amount is deemed, for the purposes of that division,

i. where the assistance reduced a particular expenditure, to be an expenditure for scientific research and experimental development made at the particular time by the partnership on the same basis as was the particular expenditure, and

ii. where the assistance reduced a particular eligible fee or a particular eligible fee balance, to be an eligible fee or an eligible fee balance, as the case may be, for the fiscal period of the partnership in which the partnership paid the particular amount;

(b) the amount that the taxpayer is deemed to have paid to the Minister under that division in respect of the particular amount is deemed

i. to be equal to the amount that, but for the assistance and if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ended in the taxation year were the same as that for the partnership's fiscal period that includes the particular time, would have been deemed to have been paid to the Minister by the taxpayer under that division in respect of that portion of the particular expenditure, particular eligible fee or particular eligible fee balance corresponding to the assistance so repaid, and

ii. to have been paid to the Minister under the same provision of that division as the provision under which, but for the assistance, the taxpayer would have been deemed to have paid an amount to the Minister in respect of that portion of the particular expenditure, particular eligible fee or particular eligible fee balance corresponding to the assistance so repaid.

1995, c. 63, s. 146; 1997, c. 3, s. 71; 1997, c. 14, s. 204; 2001, c. 51, s. 97; 2006, c. 36, s. 108; 2007, c. 12, s. 128; 2009, c. 5, s. 437; 2009, c. 15, s. 216.

1029.8.18.1.2. Where, at any particular time, a taxpayer who is a member of a partnership pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be the repayment of government assistance or non-government assistance that reduced, by reason of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.18 or 1029.8.18.0.1, the taxpayer's share of a particular expenditure made by the partnership, of a particular eligible fee or of a particular eligible fee balance of the partnership, for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by the taxpayer under any of Divisions II to II.3.0.1, the following rules apply:

(a) the particular amount is deemed, for the purposes of that division,

i. where the assistance reduced the taxpayer's share of a particular expenditure, to be the taxpayer's share of an expenditure for scientific research and experimental development made at the particular time by the partnership on the same basis as was the particular expenditure, and

ii. where the assistance reduced the taxpayer's share of a particular eligible fee or a particular eligible fee balance, to be an eligible fee or eligible fee balance, as the case may be, of the partnership for the fiscal period of the partnership ending in the taxation year of the taxpayer in which the taxpayer pays the particular amount;

(b) the amount that the taxpayer is deemed to have paid to the Minister under that division in respect of the particular amount is deemed

i. to be equal to the amount that, but for the assistance, would have been deemed to have been paid to the Minister by the taxpayer under that division in respect of that portion of the taxpayer's share of the particular expenditure, particular eligible fee or particular eligible fee balance corresponding to the assistance so repaid, and

ii. to have been paid to the Minister under the same provision of that division as the provision under which, but for the assistance, the taxpayer would have been deemed to have paid an amount to the Minister in respect of that portion of the taxpayer's share of the particular expenditure, particular eligible fee or particular eligible fee balance corresponding to the assistance so repaid.

1995, c. 63, s. 146; 1997, c. 3, s. 71; 1997, c. 14, s. 205; 2001, c. 51, s. 98; 2006, c. 36, s. 109; 2007, c. 12, s. 129; 2009, c. 5, s. 438.

1029.8.18.1.3. If, at a particular time, a person, a partnership, an eligible university entity within the meaning of paragraph *f* of section 1029.8.1, an eligible public research centre within the meaning of

paragraph *a*.1 of that section, or an eligible research consortium within the meaning of paragraph *a*.1.1 of that section, as the case may be, pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be the repayment of government assistance or non-government assistance that the person, partnership, entity, centre or consortium received and that reduced, because of subparagraph *c* of the first paragraph of section 1029.8.18, a particular expenditure made by a taxpayer or a particular partnership, for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by the taxpayer, or by a taxpayer who is a member of the particular partnership, under any of Divisions II, II.1 and II.3.0.1, the following rules apply:

(a) the particular amount is deemed, for the purposes of that division, to be an expenditure for scientific research and experimental development made at the particular time by the taxpayer or the particular partnership on the same basis as was the particular expenditure; and

(b) the amount that the taxpayer is deemed to have paid to the Minister under that division in respect of the particular amount is deemed

i. to be equal to the amount that, but for the assistance and, when the taxpayer is a member of the particular partnership, if the agreed proportion in respect of the taxpayer for the particular partnership's fiscal period that ended in the taxation year were the same as that for the particular partnership's fiscal period that includes the particular time, would have been deemed to have been paid to the Minister by the taxpayer under that division in respect of that portion of the particular expenditure corresponding to the assistance so repaid, and

ii. to have been paid to the Minister under the same provision of that division as the provision under which, but for the assistance, the taxpayer would have been deemed to have paid an amount to the Minister in respect of that portion of the particular expenditure corresponding to the assistance so repaid.

2007, c. 12, s. 130; 2009, c. 15, s. 217; 2021, c. 18, s. 109.

1029.8.18.2. For the purposes of sections 1029.8.18.1 to 1029.8.18.1.2, an amount of assistance is deemed to be repaid, at a particular time, by a taxpayer or a partnership, as the case may be, pursuant to a legal obligation, where that amount

(a) reduced, because of section 1029.8.18, the amount of the wages or of part of the consideration paid, of a qualified expenditure, of an eligible fee or of an eligible fee balance, as the case may be, the taxpayer's share of such an amount or, because of section 1029.8.18.0.1, the prescribed proxy amount included in the amount of a qualified expenditure, or the taxpayer's share of such a prescribed proxy amount, for the purpose of computing the amount that is deemed to have been paid by the taxpayer to the Minister for a taxation year under Divisions II to II.3.0.1;

(b) was not received by the taxpayer or the partnership, and

(c) ceased, at the particular time, to be an amount that the taxpayer or the partnership can reasonably expect to receive.

1994, c. 22, s. 318; 1995, c. 1, s. 140; 1995, c. 63, s. 147; 1997, c. 3, s. 71; 2001, c. 51, s. 99; 2006, c. 36, s. 110; 2007, c. 12, s. 131.

1029.8.18.3. For the purposes of section 1029.8.18.1.3, an amount of assistance received by a person, a partnership, an eligible university entity within the meaning of paragraph *f* of section 1029.8.1, an eligible public research centre within the meaning of paragraph *a*.1 of that section, or an eligible research consortium within the meaning of paragraph *a*.1.1 of that section, as the case may be, is deemed to be repaid by the person, partnership, entity, centre or consortium at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of paragraph *c* of section 1029.8.18, the amount of a portion of the consideration paid, or all or a portion of a qualified expenditure, for the purpose of computing the amount that is deemed to have been paid by a taxpayer to the Minister for a taxation year under any of Divisions II, II.1 and II.3.0.1;

(b) was not received by the person, partnership, eligible university entity, eligible public research centre or eligible research consortium; and

(c) ceased, at the particular time, to be an amount that the person, partnership, eligible university entity, eligible public research centre or eligible research consortium can reasonably expect to receive.

2007, c. 12, s. 132; 2021, c. 18, s. 110.

§ 4. — *Rules relating to contributions and other similar reduction rules*

2015, c. 36, s. 97.

1029.8.19. Where, in respect of a scientific research and experimental development project contemplated in any of sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.9.0.3, 1029.8.9.0.4, 1029.8.16.1.4 and 1029.8.16.1.5, or in respect of the carrying out thereof, a person or a partnership has obtained, is entitled to obtain or can reasonably be expected to obtain a benefit or advantage, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of that property or in any other form or manner, and it may reasonably be considered that the direct or indirect effect of such benefit or advantage is to compensate or indemnify a party to the project or to otherwise benefit such a party, in any manner whatsoever, for the purpose of computing the amount that is deemed to have been paid to the Minister, for a taxation year, by the taxpayer pursuant to any of the said sections, the amount of the wages, of the part of the consideration, of the qualified expenditure, of the eligible fee or of the eligible fee balance, as the case may be, shall be reduced by the amount of the benefit or advantage which the person or the partnership has obtained, is entitled to obtain or can reasonably be expected to obtain on or before the taxpayer's filing-due date for that taxation year.

1990, c. 7, s. 169; 1993, c. 19, s. 107; 1995, c. 1, s. 141; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 31, s. 107; 2001, c. 51, s. 100; 2007, c. 12, s. 133; 2021, c. 18, s. 111.

1029.8.19.1. Notwithstanding sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.16.1.4 and 1029.8.16.1.5, where a taxpayer or a partnership causes scientific research and experimental development to be undertaken by an eligible public research centre, an eligible research consortium or an eligible university entity, within the meaning of paragraph *a*.1, *a*.1.1 or *f* of section 1029.8.1, as the case may be, and the consideration payable or paid by the taxpayer or the partnership for such scientific research and experimental development does not consist in whole of currency, the taxpayer or a taxpayer who is a member of the partnership, as the case may be, is deemed not to be deemed to have paid to the Minister an amount under any of the said sections in respect of all or any part of the consideration that cannot reasonably be considered to be payable or paid in currency.

1993, c. 19, s. 108; 1997, c. 3, s. 71; 2007, c. 12, s. 134; 2021, c. 18, s. 112.

1029.8.19.2. Notwithstanding sections 1029.7 and 1029.8, in respect of the portion of a consideration referred to in subparagraphs *c* and *g* of the first paragraph of each of those sections, and notwithstanding sections 1029.8.6, 1029.8.7, 1029.8.16.1.4 and 1029.8.16.1.5, where, in respect of a scientific research and experimental development project referred to in any of those sections or in respect of the carrying out of such a project, a taxpayer, a partnership, a member of that partnership, a person not dealing at arm's length with the taxpayer, the partnership or any member thereof, or any other person designated by the Minister, has obtained, is entitled to obtain or may reasonably expect to obtain a contribution or, upon a determination by the Minister to that effect, is deemed to have obtained or to be entitled to obtain a contribution, from a person or a partnership who or that is a party to the project, from a person or a partnership not dealing at arm's length with that person or partnership, or from any other person or partnership designated by the Minister, a taxpayer or any taxpayer who is a member of a partnership, as the case may be, who, but for this section, would have been deemed to have paid to the Minister an amount under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraphs *c* and *g* of the first paragraph of that section, or under any of sections 1029.8.6, 1029.8.7, 1029.8.16.1.4 and 1029.8.16.1.5 in respect of the project, is deemed not to be deemed to have paid to the Minister an amount under section 1029.7 or 1029.8, in respect of the portion of a

consideration referred to in subparagraphs *c* and *g* of the first paragraph of that section, or under any of sections 1029.8.6, 1029.8.7, 1029.8.16.1.4 and 1029.8.16.1.5, in respect of the project.

Notwithstanding sections 1029.7 and 1029.8, in respect of the portion of a consideration referred to in subparagraphs *e* and *i* of the first paragraph of each of those sections, where, in respect of a contract for work relating to scientific research and experimental development referred to in those sections or in respect of the performance of the contract, a taxpayer, a partnership, a member of that partnership, a person not dealing at arm's length with the taxpayer, the partnership or any member thereof, or any other person designated by the Minister, has obtained, is entitled to obtain or may reasonably expect to obtain a contribution or, upon a determination by the Minister to that effect, is deemed to have obtained or to be entitled to obtain a contribution, from a person or a partnership who or that is a party to the work, from a person or a partnership not dealing at arm's length with that person or partnership, or from any other person or partnership designated by the Minister, a taxpayer or any taxpayer who is a member of a partnership, as the case may be, who, but for this section, would have been deemed to have paid to the Minister an amount under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraphs *e* and *i* of the first paragraph of that section, in respect of that contract, is deemed not to be deemed to have paid to the Minister an amount under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraphs *e* and *i* of the first paragraph of that section, in respect of that contract.

A contribution to which the first paragraph refers in respect of a scientific research and experimental development project or in respect of the carrying out of such a project, or to which the second paragraph refers in respect of a contract for work relating to scientific research and experimental development or in respect of the performance of the contract, means

(a) except for the purpose of determining the amount that a taxpayer is deemed to have paid to the Minister, on account of the taxpayer's tax payable for a taxation year under section 1029.7 or 1029.8 in respect of a portion of a consideration referred to in any of subparagraphs *c*, *e*, *g* and *i* of the first paragraph of those sections, a contribution whether in the form of a payment in currency, a transfer of ownership of a property, an assignment of the use or of a right to use a property or in any other form or manner, other than a property resulting from scientific research and experimental development undertaken as part of the project or arising from the work relating to scientific research and experimental development carried out as part of the contract, as the case may be;

(b) a former, present or future right in the proceeds of disposition of part or all of the intellectual property arising from the project or contract, as the case may be;

(c) property designated by the Minister as being a contribution.

Notwithstanding the third paragraph, where a university foundation, within the meaning of paragraph *f*.1 of section 1029.8.1, becomes surety for a corporation in respect of the payment of amounts used for the financing of scientific research and experimental development provided for in a university research contract, within the meaning of paragraph *b* of section 1029.8.1, entered into before 1 January 1998 between the corporation and an eligible university entity, within the meaning of paragraph *f* of section 1029.8.1, the amount furnished under the suretyship is deemed not to be a contribution referred to in that third paragraph if

(a) the corporation carries on an eligible business throughout its taxation year in which the contract is entered into and the three preceding taxation years;

(b) the assets of the corporation shown in its financial statements submitted to the shareholders or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, for its taxation year that precedes the taxation year in which the contract is entered into, were less than $5,000,000;

(c) the amount under the suretyship does not exceed 40% of the portion of the cost of the contract that is attributable to such scientific research and experimental development; and

(d) the term of the contract does not exceed 36 months and its cost does not exceed the proportion of $4,500,000 that the number of months in the term of the contract is of 36.

For the purposes of subparagraph *b* of the fourth paragraph, sections 1029.7.3 to 1029.7.6 apply, with the necessary modifications, for the purpose of determining the assets of a corporation.

For the purposes of subparagraphs *c* and *d* of the fourth paragraph, the cost of the contract referred to in that paragraph is equal to the portion of the consideration that the corporation undertakes to pay in accordance with the contract and that is attributable to scientific research and experimental development described in the contract, less the amount of any government assistance and non-government assistance that is attributable to the portion of that consideration, that the corporation has received, is entitled to receive or may reasonably expect to receive in respect of the scientific research and experimental development project or in respect of the carrying out of the project.

Despite the third paragraph, if an expenditure for scientific research and experimental development is incurred or borne by an eligible public research centre, an eligible research consortium or an eligible university entity, within the meaning of any of paragraphs *a*.1, *a*.1.1 and *f* of section 1029.8.1, in respect of scientific research and experimental development work undertaken by the centre, consortium or entity as part of a contract referred to in any of sections 1029.8.6, 1029.8.7, 1029.8.16.1.4 and 1029.8.16.1.5 entered into between a taxpayer or partnership and the centre, consortium or entity, the expenditure is deemed not to be a contribution referred to in the third paragraph.

Notwithstanding the third paragraph, where, in relation to a university research contract or an eligible research contract, part of the scientific research and experimental development provided for in the contract is carried out by a person other than the eligible university entity, eligible public research centre or eligible research consortium, that is a party to the contract, in this paragraph referred to as the "recognized body", the part of the scientific research and experimental development is not deemed to be carried out by the recognized body, in accordance with section 1029.8.1.1.2, and the recognized body does not directly take part in the financing of the scientific research and experimental development project by making or bearing expenditures to carry out the part of the scientific research and experimental development, the amount of that part of the scientific research and experimental development, to the extent that it would have been a contribution referred to in that third paragraph, but for this paragraph, is deemed not to be a contribution referred to in that third paragraph.

1993, c. 19, s. 108; 1993, c. 64, s. 155; 1995, c. 1, s. 142; 1995, c. 63, s. 148; 1995, c. 63, s. 535; 1997, c. 3, s. 71; 1997, c. 14, s. 206; 1999, c. 83, s. 171; 2000, c. 39, s. 129; 2002, c. 40, s. 109; 2007, c. 12, s. 135; 2009, c. 15, s. 218; 2015, c. 36, s. 98; 2021, c. 18, s. 113; 2021, c. 36, s. 106.

1029.8.19.3. Notwithstanding section 1029.8.19.2, a taxpayer may be deemed to have paid an amount to the Minister under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraph *c* or *g* of the first paragraph of each of those sections, or under any of sections 1029.8.6, 1029.8.7, 1029.8.16.1.4 and 1029.8.16.1.5, in respect of a project referred to in the first paragraph of that section 1029.8.19.2 in which the scientific research and experimental development is undertaken, in whole or in part, on behalf of the taxpayer or the partnership of which the taxpayer is a member, by another person or partnership if, were it not for section 1029.8.19.2, an amount would have been deemed to have been paid to the Minister under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraph *c* or *g* of the first paragraph of that section, or under any of sections 1029.8.6, 1029.8.7, 1029.8.16.1.4 and 1029.8.16.1.5 and if each contribution referred to in the first paragraph of that section 1029.8.19.2, in respect of the project or the carrying out thereof, constitutes an expenditure made by the other person or partnership or, where subparagraph *g* of the first paragraph of section 1029.7 or 1029.8 applies, by the other person or partnership referred to in that subparagraph, to undertake, in whole or in part, the scientific research and experimental development.

Notwithstanding section 1029.8.19.2, a taxpayer may be deemed to have paid an amount to the Minister under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraph *e* or *i* of the first paragraph of each of those sections, under a contract referred to in the second paragraph of that

section 1029.8.19.2 in which the work relating to scientific research and experimental development is undertaken, in whole or in part, on behalf of the taxpayer or the partnership of which the taxpayer is a member, by another person or partnership if, were it not for section 1029.8.19.2, an amount would have been deemed to have been paid to the Minister under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraph *e* or *i* of the first paragraph of that section and if each contribution referred to in the second paragraph of that section 1029.8.19.2, in respect of the contract or the performance of the contract, constitutes an expenditure made by the other person or partnership or, where subparagraph i of the first paragraph of section 1029.7 or 1029.8 applies, by the other person or partnership referred to in that subparagraph, to undertake, in whole or in part, that work.

Where the first or second paragraph applies to a taxpayer, the amount deemed to have been paid to the Minister, under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraph *c*, *e*, *g* or *i* of the first paragraph of that section, or under any of sections 1029.8.6, 1029.8.7, 1029.8.16.1.4 and 1029.8.16.1.5, shall be determined only on the portion of the qualified expenditure in respect of which an amount was otherwise deemed to have been paid to the Minister under that section 1029.7 or 1029.8 in respect of the portion of the consideration referred to in subparagraph *c*, *e*, *g* or *i* of the first paragraph of that section, or under any of sections 1029.8.6, 1029.8.7, 1029.8.16.1.4 and 1029.8.16.1.5, reduced by the amount of a contribution referred to in the first paragraph of section 1029.8.19.2 in respect of the project or the carrying out thereof or in the second paragraph of that section in respect of the contract or the performance thereof, as the case may be.

1993, c. 19, s. 108; 1993, c. 64, s. 155; 1995, c. 1, s. 143; 1995, c. 63, s. 149; 1995, c. 63, s. 535; 1997, c. 14, s. 207; 1999, c. 83, s. 172; 2007, c. 12, s. 136; 2021, c. 18, s. 114.

1029.8.19.3.1. *(Repealed).*

2002, c. 40, s. 110; 2003, c. 9, s. 186; 2004, c. 21, s. 279; 2007, c. 12, s. 137.

1029.8.19.4. *(Repealed).*

1993, c. 19, s. 108; 1993, c. 64, s. 156.

1029.8.19.5. Notwithstanding sections 1029.7 and 1029.8, in respect of wages or the portion of a consideration referred to in any of subparagraphs *a*, *b*, *b*.1, *f* and *f*.1 of the first paragraph of those sections, where, in respect of a scientific research and experimental development project contemplated in either of those sections or in respect of the carrying out of such a project, a taxpayer, a partnership, a member of that partnership, a person not dealing at arm's length with the taxpayer, the partnership or any member thereof, or any other person designated by the Minister, has obtained, is entitled to obtain or can reasonably be expected to obtain, or, upon a determination by the Minister to that effect, is deemed to have obtained or to be entitled to obtain, from a person or a partnership who or that is a party to the project, from a person or a partnership not dealing at arm's length with that person or partnership, or from any other person or partnership designated by the Minister, a contribution, the taxpayer or any taxpayer who is a member of the partnership, as the case may be, is deemed not to be deemed to have paid to the Minister an amount under either of those sections, in respect of wages or the portion of a consideration referred to in any of subparagraphs *a*, *b*, *b*.1, *f* and *f*.1 of the first paragraph of those sections, in respect of such a project.

Notwithstanding sections 1029.7 and 1029.8, in respect of the portion of a consideration referred to in any of subparagraphs *d*, *d*.1, *h* and *h*.1 of the first paragraph of each of those sections, where, in respect of a contract for work relating to scientific research and experimental development referred to in either of those subparagraphs or in respect of the performance of the contract, a taxpayer, a partnership, a member of that partnership, a person not dealing at arm's length with the taxpayer, the partnership or any member thereof, or any other person designated by the Minister, has obtained, is entitled to obtain or may reasonably expect to obtain a contribution or, upon a determination by the Minister to that effect, is deemed to have obtained or to be entitled to obtain a contribution, from a person or a partnership who or that is a party to the work, from a person or a partnership not dealing at arm's length with that person or partnership, or from any other person or partnership designated by the Minister, the taxpayer or any taxpayer who is a member of the partnership, as the case may be, is deemed not to be deemed to have paid to the Minister an amount under either of those

sections, in respect of the portion of a consideration referred to in any of subparagraphs *d*, *d*.1, *h* and *h*.1 of the first paragraph of each of those sections, in respect of that contract.

A contribution to which the first paragraph refers in respect of a scientific research and experimental development project or in respect of the carrying out of such a project, or to which the second paragraph refers in respect of a contract for work relating to scientific research and experimental development or in respect of the performance of the contract, means

(a) a former, present or future right in the proceeds of disposition of part or all of the intellectual property arising from the project or contract, as the case may be;

(b) property designated by the Minister as being a contribution;

(c) *(subparagraph repealed)*.

1993, c. 64, s. 157; 1995, c. 1, s. 144; 1995, c. 63, s. 150; 1995, c. 63, s. 537; 1995, c. 63, s. 546; 1997, c. 3, s. 71; 1997, c. 14, s. 208; 1999, c. 83, s. 173; 2000, c. 39, s. 130; 2002, c. 40, s. 111; 2005, c. 1, s. 222; 2007, c. 12, s. 138.

1029.8.19.5.1. *(Repealed)*.

2002, c. 40, s. 112; 2003, c. 9, s. 187; 2004, c. 21, s. 280; 2005, c. 1, s. 223; 2007, c. 12, s. 139.

1029.8.19.6. For the purposes of section 1029.8.19.2, where, in respect of a scientific research and experimental development project or in respect of the carrying out of such project, a taxpayer or a partnership causes scientific research and experimental development to be undertaken for his or its benefit pursuant to an agreement referred to in section 1029.8.16.1.4 or 1029.8.16.1.5 to which the taxpayer or the partnership is a party, an expenditure made to undertake such scientific research and experimental development does not constitute, for the taxpayer or partnership, a contribution in respect of the project or the carrying out thereof, subject to a determination to the contrary by the Minister as provided for in section 1029.8.19.2, insofar as the expenditure constitutes for the taxpayer or partnership a transaction occurring in the ordinary course of a business carried on by the taxpayer or partnership, as the case may be, and would have constituted a qualified expenditure for the taxpayer or partnership if the expenditure had been made by the taxpayer or the partnership.

1993, c. 64, s. 157; 1997, c. 3, s. 71; 2007, c. 12, s. 140; 2021, c. 18, s. 115.

1029.8.19.7. For the purposes of the first paragraph of section 1029.8.19.2, in respect of a scientific research and experimental development project referred to in that paragraph or in respect of the carrying out of such a project, and for the purposes of the second paragraph of that section, in respect of a contract for work relating to scientific research and experimental development referred to in that paragraph, or in respect of the performance of the contract, a contribution whether in the form of a payment in currency, a transfer of ownership of a property, an assignment of the use or of the right to use a property, referred to in subparagraph *a* of the third paragraph of section 1029.8.19.2, is deemed, subject to a determination to the contrary by the Minister, not to be a contribution in respect of the project or its carrying out, or in respect of the contract or its performance, as the case may be, if

(a) the contribution results from the acquisition of a property or the provision of a service following a transaction occurring in the ordinary course of a business carried on by the taxpayer, the partnership, the member or a person referred to in the first or second paragraph of section 1029.8.19.2;

(b) the property or the provision of the service that is the subject of the transaction is acquired or supplied for an amount not exceeding its fair market value if the person or the partnership making the contribution is the purchaser of the property or of the provision of the service and for an amount that is not less than its fair market value if the person or the partnership making the contribution is the person or partnership disposing of the property or supplying the provision of the service; and

(c) the contribution is not in the form of an expenditure made to undertake the scientific research and experimental development referred to in the first paragraph of section 1029.8.19.3 or the work relating to scientific research and experimental development referred to in the second paragraph of section 1029.8.19.3, or to cause such scientific research and experimental development or such work relating to scientific research and experimental development to be undertaken.

1995, c. 63, s. 151; 1997, c. 3, s. 71; 1997, c. 14, s. 209; 2002, c. 40, s. 113; 2003, c. 9, s. 188; 2004, c. 21, s. 281; 2007, c. 12, s. 141.

§ 5. — *Expenditure exclusion threshold*

2015, c. 36, s. 99.

1029.8.19.8. In this subdivision,

"exclusion threshold" applicable to a taxpayer for a taxation year or to a partnership for a fiscal period means the amount determined under section 1029.8.19.9 in respect of the taxpayer for the year or of the partnership for the fiscal period, as the case may be;

"reducible expenditures" of a taxpayer for a taxation year that begins after 2 December 2014 or of a partnership for a fiscal period that begins after that date means the aggregate of all amounts each of which is an expenditure incurred by the taxpayer or the partnership that is attributable to the year or the fiscal period, as the case may be, and that is

(a) wages referred to in subparagraph *a* of the first paragraph of section 1029.7 or 1029.8 or a portion of a consideration referred to in any of subparagraphs *b* to *i* of the first paragraph of either of those sections;

(b) an expenditure referred to in paragraph *d*.1 of section 1029.8.1;

(c) an eligible fee or an eligible fee balance within the meaning assigned to those expressions by section 1029.8.9.0.2; or

(d) a qualified expenditure within the meaning assigned to that expression by the first paragraph of section 1029.8.16.1.1.

For the purposes of the definition of "reducible expenditures" in the first paragraph, an expenditure incurred after 2 December 2014 under a contract or agreement entered into on or before that date in respect of scientific research and experimental development does not constitute an expenditure described in the definition of that expression.

2015, c. 36, s. 99.

1029.8.19.9. The amount to which the definition of "exclusion threshold" in the first paragraph of section 1029.8.19.8 refers in respect of a taxpayer for a taxation year or of a partnership for a fiscal period is equal to the amount determined by the formula

$$\$50{,}000 + [\$175{,}000 \times (A - \$50{,}000{,}000)/\$25{,}000{,}000].$$

In the formula in the first paragraph, A is the lesser of $75,000,000 and the taxpayer's or the partnership's assets, as the case may be, shown in the taxpayer's or partnership's financial statements submitted, if the taxpayer is a corporation, to the shareholders or, if the taxpayer is a partnership, to the partnership's members, or, if such financial statements have not been prepared or have not been prepared in accordance with generally accepted accounting principles, that would be shown had such financial statements been prepared in accordance with generally accepted accounting principles, for the taxpayer's preceding taxation year or the partnership's preceding fiscal period, as the case may be, or, if the taxpayer or the partnership is in its first fiscal period, at the beginning of its fiscal period.

Where the taxpayer referred to in the second paragraph is a cooperative, the second paragraph is to be read as if "to the shareholders" were replaced by "to the members".

For the purposes of the second paragraph, if the assets of a taxpayer for a taxation year or of a partnership for a fiscal period is less than $50,000,000, they are deemed to be equal to $50,000,000.

2015, c. 36, s. 99.

1029.8.19.10. In computing a taxpayer's or a partnership's assets, for the purposes of section 1029.8.19.9, the amount of the surplus reassessment of its property and the amount of its incorporeal assets are to be subtracted, to the extent that the amount designated in their respect exceeds the expenditure made in their respect.

For the purposes of the first paragraph, all or part of an expenditure made in respect of a taxpayer's or a partnership's incorporeal assets is deemed to be nil if all or part of that expenditure consists

(a) in the case of a taxpayer that is a corporation or a cooperative, as applicable, of a share of the taxpayer's capital stock; or

(b) in the case of a partnership, of an interest in the partnership.

2015, c. 36, s. 99.

1029.8.19.11. For the purposes of section 1029.8.19.9, where a taxpayer or a partnership reduces its assets by any transaction and, but for that reduction, the exclusion threshold applicable to the taxpayer for a taxation year or to the partnership for a fiscal period would be greater, the assets are deemed not to have been so reduced unless the Minister decides otherwise.

2015, c. 36, s. 99.

1029.8.19.12. If a taxation year of a taxpayer or a fiscal period of a partnership has fewer than 51 weeks, the amount determined under section 1029.8.19.9 in respect of the taxpayer for the year or of the partnership for the fiscal period, as the case may be, is to be replaced by the proportion of that amount that the number of days in the year or the fiscal period, as the case may be, is of 365.

2015, c. 36, s. 99.

1029.8.19.13. For the purpose of computing the amount that a taxpayer is deemed to have paid to the Minister for a taxation year that begins after 2 December 2014 but before 11 March 2020, under any of sections 1029.7, 1029.8.6, 1029.8.9.0.3 and 1029.8.16.1.4 (in this section referred to as a "particular provision"), the following rules apply:

(a) the aggregate of all amounts each of which is the amount of wages that are, or of a portion of a consideration that is, referred to in any of subparagraphs *a* to *i* of the first paragraph of section 1029.7 and that is included in the taxpayer's reducible expenditures for the year, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the exclusion threshold applicable to the taxpayer for the year and the aggregate of those amounts for the year;

(b) the aggregate of all amounts each of which is the amount of an expenditure that is referred to in subparagraph *a* or *b* of the first paragraph of section 1029.8.6 and that is included in the taxpayer's reducible expenditures for the year, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the exclusion threshold applicable to the taxpayer for the year and the aggregate of those amounts for the year;

(c) the aggregate of all amounts each of which is the amount of an eligible fee or eligible fee balance, within the meaning assigned to those expressions by section 1029.8.9.0.2, that is included in the taxpayer's reducible expenditures for the year, determined with reference to subdivisions 2, 4 and 6, is to be reduced by

the lesser of the exclusion threshold applicable to the taxpayer for the year and the aggregate of those amounts for the year;

(d) the aggregate of all amounts each of which is the amount of an expenditure that is referred to in any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.16.1.4 and that is included in the taxpayer's reducible expenditures for the year, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the exclusion threshold applicable to the taxpayer for the year and the aggregate of those amounts for the year; and

(e) where the taxpayer is a corporation, the taxpayer's expenditure limit for the year, determined for the purposes of any of sections 1029.7.2, 1029.8.6.2, 1029.8.9.0.3.1 and 1029.8.16.1.4.1, is to be reduced by the amount of the reduction, determined for the year in respect of the taxpayer under any of subparagraphs *a* to *d*, that relates to that expenditure limit.

For the purposes of the first paragraph, where the amount of a taxpayer's reducible expenditures for a taxation year is greater than the exclusion threshold applicable to the taxpayer for the year and the taxpayer may be deemed, but for this subdivision, to have paid an amount to the Minister for the year under more than one particular provision, the exclusion threshold applicable to the taxpayer for the year is deemed to be equal, in relation to each particular provision, to the amount determined by the formula

$$A \times B/C.$$

In the formula in the second paragraph,

(a) A is the exclusion threshold that would otherwise be applicable to the taxpayer for the year;

(b) B is the aggregate of all amounts each of which is an expenditure–referred to in any of paragraphs *a* to *d* of the definition of "reducible expenditures" in the first paragraph of section 1029.8.19.8–of the taxpayer for the year in relation to the particular provision; and

(c) C is the taxpayer's reducible expenditures for the year.

2015, c. 36, s. 99; 2021, c. 14, s. 126.

1029.8.19.13.1. For the purpose of computing the amount that a taxpayer is deemed to have paid to the Minister for a taxation year that begins after 10 March 2020, under section 1029.7 or 1029.8.9.0.3 (each of which is referred to in this section as the "particular provision"), the following rules apply:

(a) the aggregate of all amounts each of which is the amount of wages that are, or of a portion of a consideration that is, referred to in any of subparagraphs *a* to *i* of the first paragraph of section 1029.7 and that is included in the taxpayer's reducible expenditures for the year, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the exclusion threshold applicable to the taxpayer for the year and the aggregate of those amounts for the year;

(b) the aggregate of all amounts each of which is the amount of an eligible fee or eligible fee balance, within the meaning assigned to those expressions by section 1029.8.9.0.2, that may reasonably be considered to be attributable to expenditures made by an eligible research consortium for scientific research and experimental development related to a business of the taxpayer that are undertaken by the eligible research consortium in Québec, before 11 March 2020, in its fiscal period ending in the taxpayer's taxation year and that is included in the taxpayer's reducible expenditures for the year, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the exclusion threshold applicable to the taxpayer for the year and the aggregate of those amounts for the year; and

(c) where the taxpayer is a corporation, the taxpayer's expenditure limit for the year, determined for the purposes of section 1029.7.2 or 1029.8.9.0.3.1, is to be reduced by the amount of the reduction, determined for the year in respect of the taxpayer under subparagraph *a* or *b*, that relates to that expenditure limit.

Where the amount of a taxpayer's reducible expenditures for a taxation year is greater than the exclusion threshold applicable to the taxpayer for the year and the taxpayer may be deemed, but for this subdivision, to have paid two or more amounts to the Minister for the year under sections 1029.7, 1029.8.6, 1029.8.9.0.3 and 1029.8.16.1.4, the exclusion threshold applicable to the taxpayer for the year is deemed, for the purposes of subparagraphs *a* and *b* of the first paragraph, to be equal to the amount determined, in relation to each particular provision, by the formula

$$A \times B/C.$$

In the formula in the second paragraph,

(a) A is the exclusion threshold that would otherwise be applicable to the taxpayer for the year;

(b) B is the aggregate of all amounts each of which is an amount included in the taxpayer's reducible expenditures for the year under paragraph *a* of the definition of "reducible expenditures" in the first paragraph of section 1029.8.19.8, where the particular provision is section 1029.7, or under paragraph *c* of that definition, where the particular provision is section 1029.8.9.0.3; and

(c) C is the taxpayer's reducible expenditures for the year.

2021, c. 14, s. 127; 2021, c. 36, s. 107.

1029.8.19.14. For the purpose of computing the amount that a taxpayer that is a member of a partnership is deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership that begins after 2 December 2014 but before 11 March 2020 ends, under any of sections 1029.8, 1029.8.7, 1029.8.9.0.4 and 1029.8.16.1.5 (in this section referred to as a "particular provision"), the following rules apply:

(a) the aggregate of all amounts each of which is the amount of the taxpayer's share of wages that are, or of a portion of a consideration that is, referred to in any of subparagraphs *a* to *i* of the first paragraph of section 1029.8 and that is included in the partnership's reducible expenditures for the fiscal period, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the taxpayer's share of the exclusion threshold applicable to the partnership for the fiscal period and the aggregate of those amounts for the fiscal period;

(b) the aggregate of all amounts each of which is the amount of the taxpayer's share of an expenditure that is referred to in subparagraph *a* or *b* of the first paragraph of section 1029.8.7 and that is included in the partnership's reducible expenditures for the fiscal period, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the taxpayer's share of the exclusion threshold applicable to the partnership for the fiscal period and the aggregate of those amounts for the fiscal period;

(c) the aggregate of all amounts each of which is the amount of the taxpayer's share of an eligible fee or eligible fee balance, within the meaning assigned to those expressions by section 1029.8.9.0.2, that is included in the partnership's reducible expenditures for the fiscal period, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the taxpayer's share of the exclusion threshold applicable to the partnership for the fiscal period and the aggregate of those amounts for the fiscal period; and

(d) the aggregate of all amounts each of which is the amount of the taxpayer's share of an expenditure that is referred to in any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.16.1.5 and that is

included in the partnership's reducible expenditures for the fiscal period, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the taxpayer's share of the exclusion threshold applicable to the partnership for the fiscal period and the aggregate of those amounts for the fiscal period.

For the purposes of the first paragraph, where the amount of a partnership's reducible expenditures for a fiscal period is greater than the exclusion threshold applicable to the partnership for the fiscal period and a taxpayer that is a member of the partnership may be deemed, but for this subdivision, to have paid an amount to the Minister for the taxation year in which that fiscal period ends under more than one particular provision in relation to the partnership, the taxpayer's share of the exclusion threshold applicable to the partnership for the fiscal period that ends in the year is deemed to be equal, in relation to each particular provision, to the amount determined by the formula

$$A \times B/C.$$

In the formula in the second paragraph,

(a) A is the exclusion threshold applicable to the partnership for the fiscal period that ends in the year;

(b) B is the aggregate of all amounts each of which is the taxpayer's share of an expenditure–referred to in any of paragraphs *a* to *d* of the definition of "reducible expenditures" in the first paragraph of section 1029.8.19.8–of the partnership for the fiscal period that ends in the year in relation to the particular provision; and

(c) C is the partnership's reducible expenditures for the fiscal period that ends in the year.

For the purposes of this section, the taxpayer's share of an amount is equal to the agreed proportion of the amount in respect of the taxpayer for the partnership's fiscal period that ends in the taxpayer's taxation year.

2015, c. 36, s. 99; 2021, c. 14, s. 128.

1029.8.19.14.1. For the purpose of computing the amount that a taxpayer who is a member of a partnership is deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership that begins after 10 March 2020 ends, under section 1029.8 or 1029.8.9.0.4 (each of which is referred to in this section as the "particular provision"), the following rules apply:

(a) the aggregate of all amounts each of which is the amount of the taxpayer's share of wages that are, or of a portion of a consideration that is, referred to in any of subparagraphs *a* to *i* of the first paragraph of section 1029.8 and that is included in the partnership's reducible expenditures for the fiscal period, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the taxpayer's share of the exclusion threshold applicable to the partnership for the fiscal period and the aggregate of those amounts for the fiscal period; and

(b) the aggregate of all amounts each of which is the amount of the taxpayer's share of an eligible fee or eligible fee balance, within the meaning assigned to those expressions by section 1029.8.9.0.2, that may reasonably be considered to be attributable to expenditures made by an eligible research consortium for scientific research and experimental development related to a business of the partnership that are undertaken by the eligible research consortium in Québec, before 11 March 2020, in its fiscal period ending in the partnership's fiscal period and that is included in the partnership's reducible expenditures for the fiscal period, determined with reference to subdivisions 2, 4 and 6, is to be reduced by the lesser of the taxpayer's share of the exclusion threshold applicable to the partnership for the fiscal period and the aggregate of those amounts for the fiscal period.

Where the amount of a partnership's reducible expenditures for a fiscal period is greater than the exclusion threshold applicable to the partnership for the fiscal period and a taxpayer who is a member of the partnership may be deemed, but for this subdivision, to have paid two or more amounts to the Minister for the taxation year in which that fiscal period ends under sections 1029.8, 1029.8.7, 1029.8.9.0.4 and 1029.8.16.1.5 in relation to the partnership, the taxpayer's share of the exclusion threshold applicable to the partnership for the fiscal period that ends in the year is deemed, for the purposes of subparagraphs *a* and *b* of the first paragraph, to be equal to the amount determined, in relation to each particular provision, by the formula

A × B/C.

In the formula in the second paragraph,

(a) A is the exclusion threshold applicable to the partnership for the fiscal period that ends in the year;

(b) B is the aggregate of all amounts each of which is the taxpayer's share of an amount included in the partnership's reducible expenditures for the fiscal period that ends in the year under paragraph *a* of the definition of "reducible expenditures" in the first paragraph of section 1029.8.19.8, where the particular provision is section 1029.8, or under paragraph *c* of that definition, where the particular provision is section 1029.8.9.0.4; and

(c) C is the partnership's reducible expenditures for the fiscal period that ends in the year.

For the purposes of this section, the taxpayer's share of an amount is equal to the agreed proportion of the amount in respect of the taxpayer for the partnership's fiscal period that ends in the taxpayer's taxation year.

2021, c. 14, s. 129; 2021, c. 36, s. 108.

1029.8.19.15. For the purposes of sections 1029.8.19.13 to 1029.8.19.14.1, where the amount that reduces an aggregate described in any of subparagraphs *a* to *d* of the first paragraph of section 1029.8.19.13 or 1029.8.19.14 or in subparagraph *a* or *b* of the first paragraph of section 1029.8.19.13.1 or 1029.8.19.14.1 is equal to the exclusion threshold applicable to the taxpayer for a taxation year or to the taxpayer's share of a partnership's exclusion threshold for a fiscal period that ends in a taxation year, as the case may be, the taxpayer may designate which of the taxpayer's expenditures or of the taxpayer's share of the expenditures included in that aggregate is to be reduced by all or part of the taxpayer's exclusion threshold for the year or of the taxpayer's share of the exclusion threshold applicable to the partnership for the fiscal period that ends in the year, as the case may be.

2015, c. 36, s. 99; 2021, c. 14, s. 130; 2021, c. 36, s. 109.

§ 6. — *Various rules*

2015, c. 36, s. 99.

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

series of arrangements, transactions or events, a member of a partnership other than a specified member of that partnership.

1990, c. 7, s. 169; 1993, c. 19, s. 109; 2000, c. 39, s. 131; 2006, c. 13, s. 106; 2009, c. 5, s. 439; 2021, c. 18, s. 116.

1029.8.20.1. *(Repealed).*

2000, c. 39, s. 132; 2010, c. 25, s. 123.

1029.8.21. For the purposes of Divisions II to II.4, where a taxpayer is a corporation, scientific research and experimental development related to a business carried on by another corporation to which the taxpayer is related, otherwise than by reason of a right referred to in paragraph *b* of section 20, and in which that other corporation is actively engaged at the time at which an expenditure or payment in respect of scientific research and experimental development is made by the taxpayer, shall be considered to be related to a business of the taxpayer at that time.

1990, c. 59, s. 345; 1997, c. 3, s. 71; 2004, c. 21, s. 282.

1029.8.21.0.1. In determining, for the purposes of Divisions II to II.4, whether work undertaken by or on behalf of a partnership constitutes scientific research and experimental development, the references in subsection 3 of section 222 to "taxpayer" shall be read as references to "partnership".

2000, c. 5, s. 249.

1029.8.21.1. For the purposes of Divisions II, II.1 and II.3.0.1, expenditures made by a taxpayer or a partnership to acquire property described in paragraph *a* of section 223 is deemed not to have been made before the property is considered to have become available for use by the taxpayer or the partnership, without reference to subparagraph *c* of the first paragraph of section 93.7 and subparagraph *d* of the first paragraph of section 93.8.

1993, c. 16, s. 334; 1997, c. 3, s. 71; 2004, c. 21, s. 283; 2007, c. 12, s. 142; 2021, c. 18, s. 117.

1029.8.21.2. *(Repealed).*

1993, c. 19, s. 110; 1995, c. 63, s. 152; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 2000, c. 39, s. 133; 2007, c. 12, s. 143; 2010, c. 25, s. 124; 2015, c. 21, s. 402.

1029.8.21.3. *(Repealed).*

1995, c. 1, s. 145; 1995, c. 63, s. 153; 1997, c. 14, s. 210; 1997, c. 31, s. 108; 2000, c. 5, s. 250; 2000, c. 39, s. 134; 2001, c. 51, s. 101; 2002, c. 9, s. 50.

1029.8.21.3.1. A taxpayer may not be deemed to have paid an amount to the Minister on account of the taxpayer's tax payable for a particular taxation year under any of sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.9.0.3, 1029.8.9.0.4, 1029.8.16.1.4 and 1029.8.16.1.5 in respect of an expenditure that is wages or part of a consideration, a qualified expenditure, an eligible fee or an eligible fee balance, as the case may be, if that expenditure is deemed not to be an expenditure on or in respect of scientific research and experimental development because of the application of section 230.0.0.5.

2000, c. 5, s. 251; 2001, c. 51, s. 102; 2007, c. 12, s. 144; 2021, c. 18, s. 118.

1029.8.21.3.1.1. A taxpayer may not be deemed to have paid an amount to the Minister on account of the taxpayer's tax payable for a particular taxation year under any of sections 1029.7, 1029.8, 1029.8.6, 1029.8.7, 1029.8.9.0.3, 1029.8.9.0.4, 1029.8.16.1.4 and 1029.8.16.1.5 in respect of all or part of an expenditure that is wages or part of a consideration, a qualified expenditure, an eligible fee or an eligible fee balance, as the case may be, and that may reasonably be considered to be incurred in respect of

(a) a digital platform that hosts content comprising explicit sex scenes or graphic representations of such scenes or enables the sharing of such content, or that is intended to host or enable the sharing of such content, unless, for the taxation year, all or substantially all of the content that is hosted or shared, or that is intended to be hosted or shared, does not constitute such content or it is established to the Minister's satisfaction that reasonable measures have been taken to ensure that such an expenditure is not incurred in respect of such a platform; or

(b) a multimedia title comprising explicit sex scenes or graphic representations of such scenes.

2021, c. 36, s. 110.

1029.8.21.3.2. *(Repealed).*

2006, c. 13, s. 107; 2009, c. 5, s. 440.

DIVISION II.4.1

Repealed, 2003, c. 9, s. 189.

1997, c. 85, s. 250; 2003, c. 9, s. 189.

1029.8.21.4. *(Repealed).*

1997, c. 85, s. 250; 1999, c. 36, s. 160; 1999, c. 83, s. 174; 2000, c. 5, s. 252; 2001, c. 51, s. 228; 2003, c. 9, s. 189.

1029.8.21.5. *(Repealed).*

1997, c. 85, s. 250; 1999, c. 36, s. 160; 2003, c. 9, s. 189.

1029.8.21.6. *(Repealed).*

1997, c. 85, s. 250; 1999, c. 36, s. 160; 2003, c. 9, s. 189.

1029.8.21.7. *(Repealed).*

1997, c. 85, s. 250; 1999, c. 36, s. 160; 1999, c. 83, s. 175; 2003, c. 9, s. 189.

1029.8.21.8. *(Repealed).*

1997, c. 85, s. 250; 2003, c. 9, s. 189.

1029.8.21.9. *(Repealed).*

1997, c. 85, s. 250; 2003, c. 9, s. 189.

1029.8.21.10. *(Repealed).*

1997, c. 85, s. 250; 2003, c. 9, s. 189.

1029.8.21.11. *(Repealed).*

1997, c. 85, s. 250; 1999, c. 83, s. 176; 2001, c. 7, s. 169; 2003, c. 9, s. 189.

1029.8.21.12. *(Repealed).*

1997, c. 85, s. 250; 1999, c. 83, s. 177; 2001, c. 7, s. 169; 2003, c. 9, s. 189.

1029.8.21.13. *(Repealed).*

1997, c. 85, s. 250; 1999, c. 83, s. 178; 2001, c. 7, s. 169; 2003, c. 9, s. 189.

1029.8.21.14. *(Repealed).*

1997, c. 85, s. 250; 2003, c. 9, s. 189.

1029.8.21.15. *(Repealed).*

1997, c. 85, s. 250; 2003, c. 9, s. 189.

1029.8.21.16. *(Repealed).*

1997, c. 85, s. 250; 2003, c. 9, s. 189.

DIVISION II.4.2

CREDIT FOR TECHNOLOGICAL ADAPTATION SERVICES

§ 1. — *Interpretation and general*

2000, c. 39, s. 135.

1029.8.21.17. In this division,

"eligible college centre for the transfer of technology" means a college centre for the transfer of technology that is authorized under the General and Vocational Colleges Act (chapter C-29);

"eligible liaison and transfer centre" means a prescribed liaison and transfer centre;

"eligible liaison and transfer service" means a prescribed liaison and transfer product or service offered as part of a technology or knowledge transfer;

"qualified corporation" for a taxation year means a corporation that, in the year, has an establishment in Québec and carries on a qualified business in Québec, but does not include;

(a) a corporation that is exempt from tax for the year under Book VIII; or

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

"qualified expenditure" of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period means an amount incurred by the qualified corporation in the year or by the qualified partnership in the fiscal period, as the case may be, under a contract entered into with an eligible liaison and transfer centre or an eligible college centre for the transfer of technology, that is, to the extent that that amount is paid, the aggregate of

(a) 80% of the fees relating to an eligible liaison and transfer service provided in Québec by the eligible liaison and transfer centre or the eligible college centre for the transfer of technology, as the case may be; and

(b) attendance fees for training and information activities undertaken in Québec in relation to an eligible liaison and transfer service offered by the eligible liaison and transfer centre or the eligible college centre for the transfer of technology, as the case may be;

"qualified partnership" for a fiscal period means a partnership that, if it were a corporation, would be a qualified corporation for that fiscal period.

For the purposes of the definition of "qualified expenditure" in the first paragraph, the following rules apply:

(a) only the fees for occasional appreciation training activities, otherwise than as part of a regular training program, may be taken into account as fees for training activities referred to in paragraph *b* of that definition;

(b) the aggregate of the expenditures referred to in paragraph *a* or *b* of that definition is to be reduced by the aggregate of all amounts each of which is the amount of government assistance or non-government assistance, to the extent that the amount of that assistance is attributable to the expenditure to which it relates, that the corporation or partnership has received, is entitled to receive or may reasonably expect to receive, on or before, in the case of the corporation, the corporation's filing-due date for the year and, in the case of the partnership, the day that is six months after the end of the fiscal period; and

(c) no expenditure may be taken into account if it is

i. a consideration described in the third paragraph of section 1029.7 or 1029.8,

ii. an expenditure described in paragraph *d*.1 of section 1029.8.1, or

iii. a qualified expenditure, within the meaning of the first paragraph of section 1029.8.16.1.1.

For the purposes of the definition of "eligible college centre for the transfer of technology" in the first paragraph, a college centre for the transfer of technology or a research centre affiliated with such a centre that, on 30 June 2016, was an eligible college centre for the transfer of technology under that definition, as it read on that date, is deemed to be, on 1 July 2016, a college centre for the transfer of technology that is authorized under the General and Vocational Colleges Act.

2000, c. 39, s. 135; 2001, c. 51, s. 228; 2001, c. 53, s. 260; 2002, c. 9, s. 51; 2002, c. 40, s. 114; 2003, c. 29, s. 149; 2005, c. 1, s. 224; 2005, c. 23, s. 146; 2011, c. 1, s. 60; 2015, c. 21, s. 403; 2017, c. 1, s. 273; 2019, c. 14, s. 309; 2022, c. 23, s. 97.

1029.8.21.17.1. *(Repealed).*

2002, c. 40, s. 115; 2005, c. 23, s. 147.

1029.8.21.17.2. *(Repealed).*

2002, c. 40, s. 115; 2005, c. 23, s. 147.

1029.8.21.17.3. *(Repealed).*

2002, c. 40, s. 115; 2005, c. 23, s. 147.

1029.8.21.18. *(Repealed).*

2000, c. 39, s. 135; 2002, c. 40, s. 116; 2005, c. 23, s. 147.

1029.8.21.19. *(Repealed).*

2000, c. 39, s. 135; 2002, c. 40, s. 116; 2005, c. 1, s. 225; 2005, c. 23, s. 147.

1029.8.21.20. *(Repealed).*

2000, c. 39, s. 135; 2002, c. 40, s. 116; 2005, c. 23, s. 147.

1029.8.21.21. *(Repealed).*

2000, c. 39, s. 135; 2002, c. 40, s. 116; 2005, c. 23, s. 147.

§ 2. — *Credits*

2000, c. 39, s. 135.

1029.8.21.22. A qualified corporation that, in a taxation year, incurs a qualified expenditure is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 40% of the qualified

expenditure, if it encloses, with its fiscal return it is required to file for the year under section 1000, the prescribed form containing the prescribed information and a copy of the receipt issued by the eligible college centre for the transfer of technology or the eligible liaison and transfer centre, as the case may be, in respect of the expenditure.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2000, c. 39, s. 135; 2001, c. 53, s. 260; 2003, c. 9, s. 190; 2004, c. 21, s. 284; 2005, c. 23, s. 148; 2015, c. 21, s. 404.

1029.8.21.23. Where a qualified partnership incurs a qualified expenditure in a fiscal period, each qualified corporation that is a member of the partnership at the end of that fiscal period is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for the corporation's taxation year in which that fiscal period ends, on account of the corporation's tax payable for that year under this Part, an amount equal to 40% of the corporation's share, for that fiscal period, of the expenditure, if it encloses, with its fiscal return it is required to file for the taxation year under section 1000, the prescribed form containing the prescribed information and a copy of the receipt issued by the eligible college centre for the transfer of technology or the eligible liaison and transfer centre, as the case may be, in respect of the expenditure.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for its taxation year in which the fiscal period of the qualified partnership ends, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2000, c. 39, s. 135; 2001, c. 53, s. 260; 2003, c. 9, s. 191; 2004, c. 21, s. 285; 2005, c. 23, s. 149; 2015, c. 21, s. 405.

1029.8.21.24. For the purposes of section 1029.8.21.23, a qualified corporation's share of a qualified expenditure incurred in a fiscal period by a qualified partnership of which the qualified corporation is a member is equal to the agreed proportion of the expenditure in respect of the qualified corporation for the fiscal period.

2000, c. 39, s. 135; 2009, c. 15, s. 219.

1029.8.21.25. Where a corporation referred to in section 1029.8.21.23 has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period referred to in that section, government assistance or non-government assistance in respect of an expenditure included in computing the qualified expenditure incurred by the partnership in that fiscal period, the qualified expenditure shall, for the purpose of computing the amount deemed to have been paid to the Minister by the corporation under that section 1029.8.21.23 for the taxation year referred to therein in relation to the qualified expenditure, be determined as if

(a) the amount of the assistance had been received by the partnership during the fiscal period; and

(b) the amount of the assistance were equal to the product obtained by multiplying the amount of assistance otherwise determined by the reciprocal of the agreed proportion in respect of the corporation for the partnership's fiscal period.

2000, c. 39, s. 135; 2009, c. 15, s. 220.

1029.8.21.26. Where a corporation pays, in a taxation year, in this section referred to as the "repayment year", pursuant to a legal obligation, an amount that may reasonably be considered to be repayment of government assistance or non-government assistance referred to in subparagraph *b* of the second paragraph of section 1029.8.21.17 that was taken into account for the purpose of computing a qualified expenditure incurred by the corporation in a particular taxation year and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.21.22 for the particular taxation year, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year, in respect of the qualified expenditure, under section 1029.8.21.22, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the aggregate determined under that subparagraph *b*, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.21.22 for the particular year, in respect of the qualified expenditure; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year, in respect of an amount of repayment of that assistance.

2000, c. 39, s. 135; 2002, c. 40, s. 117.

1029.8.21.27. Where a partnership pays, in a fiscal period, in this section referred to as the "fiscal period of repayment", pursuant to a legal obligation, an amount that may reasonably be considered to be repayment of government assistance or non-government assistance referred to in subparagraph *b* of the second paragraph of section 1029.8.21.17 that was taken into account for the purpose of computing a qualified expenditure incurred by the partnership in a particular fiscal period ending in a particular taxation year and in respect of which a corporation that is a member of the partnership at the end of the particular fiscal period is deemed to have paid an amount to the Minister under section 1029.8.21.23 for the particular taxation year, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form with the fiscal return it is required to file for that year under section 1000 and is a member of the partnership at the end of the fiscal period of repayment, an amount equal to the amount by which

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.21.23 for the particular year, in respect of the qualified expenditure, if

i. any amount of such assistance so repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the aggregate determined under subparagraph *b* of the second paragraph of section 1029.8.21.17, and

ii. the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; exceeds

(b) the aggregate of

i. the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.21.23 for the particular year, in respect of the qualified expenditure, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2000, c. 39, s. 135; 2002, c. 40, s. 118; 2006, c. 36, s. 111; 2009, c. 15, s. 221.

1029.8.21.28. Where a corporation that is a member of a partnership pays, in a fiscal period of the partnership, in this section referred to as the "fiscal period of repayment", pursuant to a legal obligation, an amount that may reasonably be considered to be repayment of government assistance or non-government assistance, in respect of an expenditure included in computing a qualified expenditure incurred by the partnership in a particular fiscal period, that is referred to in the portion of section 1029.8.21.25 before paragraph *a* and that, pursuant to that section, reduced the qualified expenditure pursuant to subparagraph *b* of the second paragraph of section 1029.8.21.17, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.21.23, in respect of the qualified expenditure, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form with the fiscal return it is required to file for that year under section 1000 and is a member of the partnership at the end of the fiscal period of repayment, an amount equal to the amount by which

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.21.23 for its taxation year in which the particular fiscal period ends, in respect of the qualified expenditure, if

i. the aggregate determined under subparagraph *b* of the second paragraph of section 1029.8.21.17 were reduced, for the particular fiscal period, by the product obtained by multiplying any amount of such assistance so repaid at or before the end of the fiscal period of repayment by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment, and

ii. except for the purposes of section 1029.8.21.25, the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; exceeds

(b) the aggregate of

i. the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.21.23 for its taxation year in which the particular fiscal period ends, in respect of the qualified expenditure, if, except for the purposes of section 1029.8.21.25, the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if, except for the purposes of section 1029.8.21.25, the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2000, c. 39, s. 135; 2002, c. 40, s. 119; 2006, c. 36, s. 112; 2009, c. 15, s. 222.

1029.8.21.29. For the purposes of sections 1029.8.21.26 to 1029.8.21.28, an amount of assistance is deemed to be repaid, at a particular time, by a corporation or a partnership, as the case may be, pursuant to a legal obligation, where that amount

(a) reduced, because of subparagraph *b* of the second paragraph of section 1029.8.21.17 or because of section 1029.8.21.25, the qualified expenditure referred to in the first paragraph of section 1029.8.21.17, for the purpose of computing the amount that the corporation or a corporation that is a member of the partnership is deemed to have paid to the Minister under section 1029.8.21.22 or 1029.8.21.23;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership may reasonably expect to receive.

2000, c. 39, s. 135.

1029.8.21.30. Where, in respect of a qualified expenditure, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that a qualified corporation is deemed to have paid to the Minister under section 1029.8.21.22 for a particular taxation year, any amount of assistance referred to in subparagraph *b* of the second paragraph of section 1029.8.21.17 in respect of the qualified corporation for the particular year, in relation to the qualified expenditure, shall be increased by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the particular year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.21.23 by a qualified corporation that is a member of a qualified partnership at the end of a particular fiscal period of the qualified partnership ending in the year, any amount of assistance referred to in subparagraph *b* of the second paragraph of section 1029.8.21.17 in respect of the partnership for that fiscal period, in relation to the qualified expenditure, shall be increased by

i. the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the particular fiscal period, and

ii. the product obtained by multiplying the amount of the benefit or advantage that the qualified corporation or a person with whom the qualified corporation is not dealing at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the particular fiscal period, by the reciprocal of the agreed proportion in respect of the qualified corporation for the particular fiscal period.

2000, c. 39, s. 135; 2004, c. 21, s. 286; 2009, c. 15, s. 223.

1029.8.21.31. *(Repealed).*

2000, c. 39, s. 135; 2001, c. 53, s. 260; 2002, c. 9, s. 52.

DIVISION II.4.3

Repealed, 2009, c. 15, s. 224.

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.32. *(Repealed).*

2001, c. 51, s. 103; 2002, c. 9, s. 53; 2002, c. 40, s. 120; 2005, c. 1, s. 226; 2009, c. 15, s. 224.

1029.8.21.33. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.34. *(Repealed).*

2001, c. 51, s. 103; 2002, c. 40, s. 121; 2009, c. 15, s. 224.

1029.8.21.35. *(Repealed).*

2001, c. 51, s. 103; 2005, c. 23, s. 150; 2009, c. 15, s. 224.

1029.8.21.36. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.37. *(Repealed).*

2001, c. 51, s. 103; 2002, c. 40, s. 122; 2009, c. 15, s. 224.

1029.8.21.38. *(Repealed).*

2001, c. 51, s. 103; 2002, c. 40, s. 123; 2005, c. 1, s. 227; 2009, c. 15, s. 224.

1029.8.21.39. *(Repealed).*

2001, c. 51, s. 103; 2002, c. 40, s. 124; 2009, c. 15, s. 224.

1029.8.21.40. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.41. *(Repealed).*

2001, c. 51, s. 103; 2002, c. 40, s. 125; 2009, c. 15, s. 224.

1029.8.21.42. *(Repealed).*

2001, c. 51, s. 103; 2003, c. 9, s. 192; 2009, c. 15, s. 224.

1029.8.21.43. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.44. *(Repealed).*

2001, c. 51, s. 103; 2003, c. 9, s. 193; 2009, c. 15, s. 224.

1029.8.21.45. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.46. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.47. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.48. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.49. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.50. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

1029.8.21.51. *(Repealed).*

2001, c. 51, s. 103; 2009, c. 15, s. 224.

DIVISION II.5

Repealed, 2005, c. 23, s. 151.

1991, c. 8, s. 82; 2005, c. 23, s. 151.

§ 1. —

Repealed, 2005, c. 23, s. 151.

1991, c. 8, s. 82; 2005, c. 23, s. 151.

1029.8.22. *(Repealed).*

1991, c. 8, s. 82; 1992, c. 1, s. 174; 1992, c. 44, s. 64; 1992, c. 68, s. 142; 1993, c. 19, s. 111; 1993, c. 51, s. 35; 1993, c. 64, s. 158; 1994, c. 16, s. 50; 1994, c. 22, s. 319; 1994, c. 40, s. 457; 1995, c. 1, s. 146; 1995, c. 63, s. 154; 1995, c. 63, s. 261; 1997, c. 3, s. 59; 1997, c. 14, s. 211; 1997, c. 31, s. 109; 1997, c. 63, s. 111; 1997, c. 90, s. 14; 1998, c. 16, s. 226; 1999, c. 83, s. 179; 2000, c. 5, s. 253; 2001, c. 51, s. 228; 2004, c. 21, s. 287; 2005, c. 23, s. 151.

1029.8.22.1. *(Repealed).*

1995, c. 1, s. 147; 1995, c. 63, s. 155; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 1997, c. 14, s. 212; 1997, c. 63, s. 112; 2005, c. 23, s. 151.

1029.8.22.2. *(Repealed).*

1995, c. 1, s. 147; 1997, c. 3, s. 71; 2005, c. 23, s. 151.

1029.8.23. *(Repealed).*

1991, c. 8, s. 82; 1991, c. 25, s. 167; 1992, c. 44, s. 65; 1993, c. 19, s. 112; 1993, c. 64, s. 159; 1995, c. 1, s. 148; 1995, c. 63, s. 156; 1997, c. 3, s. 71; 1997, c. 14, s. 213; 1997, c. 63, s. 113; 2004, c. 21, s. 288; 2005, c. 23, s. 151.

1029.8.23.1. *(Repealed).*

1993, c. 64, s. 160; 1995, c. 1, s. 149; 1997, c. 3, s. 71; 2004, c. 21, s. 289; 2005, c. 23, s. 151.

1029.8.23.2. *(Repealed).*

1993, c. 64, s. 160; 1995, c. 1, s. 150; 1997, c. 3, s. 71; 2004, c. 21, s. 290; 2005, c. 23, s. 151.

1029.8.23.3. *(Repealed).*

1993, c. 64, s. 160; 1995, c. 1, s. 151; 1997, c. 3, s. 71; 2004, c. 21, s. 291; 2005, c. 23, s. 151.

1029.8.23.4. *(Repealed).*

1995, c. 1, s. 152; 1997, c. 3, s. 71; 2004, c. 21, s. 292; 2005, c. 23, s. 151.

1029.8.24. *(Repealed).*

1991, c. 8, s. 82; 1992, c. 44, s. 66; 1993, c. 19, s. 113; 1993, c. 64, s. 161; 1995, c. 1, s. 153; 1997, c. 3, s. 71; 2005, c. 23, s. 151.

§ 2. —

Repealed, 2005, c. 23, s. 151.

1991, c. 8, s. 82; 2005, c. 23, s. 151.

1029.8.25. *(Repealed).*

1991, c. 8, s. 82; 1993, c. 19, s. 114; 1993, c. 64, s. 162; 1995, c. 1, s. 154; 1995, c. 63, s. 157; 1997, c. 3, s. 71; 1997, c. 14, s. 214; 1997, c. 31, s. 143; 1997, c. 63, s. 114; 2005, c. 23, s. 151.

1029.8.25.1. *(Repealed).*

1993, c. 19, s. 115; 1993, c. 64, s. 163; 1994, c. 22, s. 320; 1995, c. 1, s. 155; 1995, c. 63, s. 158; 1997, c. 3, s. 71; 1997, c. 14, s. 215; 1997, c. 31, s. 143; 1997, c. 63, s. 115; 2005, c. 23, s. 151.

1029.8.26. *(Repealed).*

1991, c. 8, s. 82; 1992, c. 1, s. 175; 1993, c. 19, s. 116; 1993, c. 64, s. 164; 1995, c. 63, s. 159; 1997, c. 3, s. 71; 2005, c. 23, s. 151.

1029.8.27. *(Repealed).*

1991, c. 8, s. 82; 1993, c. 19, s. 117; 1997, c. 3, s. 71; 2005, c. 1, s. 228; 2005, c. 23, s. 151.

1029.8.28. *(Repealed).*

1991, c. 8, s. 82; 1997, c. 3, s. 71; 2005, c. 23, s. 151.

1029.8.29. *(Repealed).*

1991, c. 8, s. 82; 1997, c. 3, s. 71; 2005, c. 23, s. 151.

1029.8.29.1. *(Repealed).*

1993, c. 19, s. 118; 1997, c. 3, s. 71; 2005, c. 23, s. 151.

1029.8.30. *(Repealed).*

1991, c. 8, s. 82; 1993, c. 19, s. 119; 1997, c. 3, s. 71; 2005, c. 23, s. 151.

1029.8.31. *(Repealed).*

1991, c. 8, s. 82; 1993, c. 19, s. 119; 1995, c. 63, s. 160; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2005, c. 23, s. 151.

1029.8.32. *(Repealed).*

1991, c. 8, s. 82; 1993, c. 19, s. 119; 1993, c. 64, s. 165; 1995, c. 63, s. 161; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2005, c. 23, s. 151.

1029.8.32.1. *(Repealed).*

1993, c. 19, s. 120; 1997, c. 3, s. 71; 2005, c. 23, s. 151.

§ 3. —

Repealed, 2005, c. 23, s. 151.

1991, c. 8, s. 82; 2005, c. 23, s. 151.

1029.8.33. *(Repealed).*

1991, c. 8, s. 82; 1992, c. 1, s. 176; 1993, c. 19, s. 121; 1997, c. 3, s. 71; 2005, c. 23, s. 151.

1029.8.33.1. *(Repealed).*

1993, c. 64, s. 166; 1997, c. 3, s. 71; 1997, c. 63, s. 116; 2005, c. 23, s. 151.

1029.8.33.1.1. *(Repealed).*

1995, c. 63, s. 162; 1997, c. 3, s. 71; 1997, c. 31, s. 110; 2005, c. 23, s. 151.

DIVISION II.5.1

CREDIT FOR ON-THE-JOB TRAINING PERIODS

1995, c. 1, s. 156.

§ 1. — *Definitions and general provisions*

1995, c. 1, s. 156.

1029.8.33.2. In this division,

"disabled person", at a particular time during a qualified training period, means a person in respect of whom subparagraphs a to b.1 of the first paragraph of section 752.0.14 apply at that time;

"eligible region" means

(a) one of the following administrative regions described in the Décret concernant la révision des limites des régions administratives du Québec (chapter D-11, r. 1):

i. administrative region 01 Bas-Saint-Laurent,

ii. administrative region 02 Saguenay–Lac-Saint-Jean,

iii. administrative region 08 Abitibi-Témiscamingue,

iv. administrative region 09 Côte-Nord,

v. administrative region 10 Nord-du-Québec, or

vi. administrative region 11 Gaspésie–Îles-de-la-Madeleine; or

(b) one of the following regional county municipalities:

i. *(subparagraph repealed),*

ii. Municipalité régionale de comté de Mékinac,

iii. Municipalité régionale de comté d'Antoine-Labelle,

iv. Municipalité régionale de comté de La Vallée-de-la-Gatineau, or

v. Municipalité régionale de comté de Pontiac;

(c) the urban agglomeration of La Tuque, as described in section 8 of the Act respecting the exercise of certain municipal powers in certain urban agglomerations (chapter E-20.001);

"eligible supervisor" of an eligible taxpayer or qualified partnership, at any particular time in a taxation year or fiscal period, as the case may be, means an individual who, at that time, is an employee of an establishment located in Québec of the eligible taxpayer or qualified partnership, whose contract of employment provides for at least 15 hours of work per week and who, at that particular time, is not

(a) an employee in respect of whom it may reasonably be considered that one of the purposes for which the employee works for the eligible taxpayer or the qualified partnership would be to allow, but for this paragraph, the eligible taxpayer or an eligible taxpayer who is a member of the qualified partnership to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.33.6 or 1029.8.33.7; or

(b) an employee in respect of whom it may reasonably be considered that the conditions of employment with the eligible taxpayer or qualified partnership have been changed mainly to allow, but for this paragraph, the eligible taxpayer or an eligible taxpayer who is a member of the qualified partnership to be deemed to have paid an amount to the Minister under section 1029.8.33.6 or 1029.8.33.7, as the case may be, in respect of the employee, or to increase an amount that the eligible taxpayer or an eligible taxpayer who is a member of the qualified partnership would be deemed, but for this paragraph, to have paid to the Minister under either of those sections in respect of the employee;

"eligible taxpayer", for a taxation year, means a taxpayer who carries on business in Québec and has an establishment in Québec in the year and who is an individual, other than a tax-exempt individual, or a qualified corporation;

"eligible trainee" of an eligible taxpayer or qualified partnership at any particular time in a taxation year or fiscal period, as the case may be, means an individual who, at that time, is serving a training period in an establishment located in Québec of the eligible taxpayer or qualified partnership and who is

(a) a person enrolled in the workplace apprenticeship program established under section 25.6 of the Act to promote workforce skills development and recognition (chapter D-8.3) and administered by the Minister of Employment and Social Solidarity or, as the case may be, by the Kativik Regional Government established by the Act respecting Northern villages and the Kativik Regional Government (chapter V-6.1);

(a.1) (paragraph replaced);

(b) an individual who is enrolled as a full-time student in an education program at the secondary level offered by a recognized educational institution, which provides for one or more training periods totalling at least 140 hours during the course of the program;

(b.1) an individual who is enrolled as a full-time student in an education program at the college level, or at the university level if the individual is enrolled in an undergraduate, Master's or Doctoral program, offered by a recognized educational institution, which provides for one or more training periods totalling at least 140 hours during the course of the program; or

(c) an individual who is enrolled as a full-time student in a prescribed program which is offered by a recognized educational institution and which provides for one or more training periods totalling at least 140 hours during the course of the program;

"immigrant", at a particular time during a qualified training period, means a person who at that time is

(a) a permanent resident within the meaning of subsection 1 of section 2 of the Immigration and Refugee Protection Act (S.C., 2001, c. 27);

(b) a temporary resident or a holder of a temporary resident permit within the meaning of the Immigration and Refugee Protection Act, who was resident in Canada during the 18-month period preceding that time; or

(c) a protected person within the meaning of the Immigration and Refugee Protection Act;

"Native person", at a particular time in a qualified training period, means a person who, at that time, is

(a) an Indian registered under the Indian Act (R.S.C. 1985, c. I-5); or

(b) an Inuit beneficiary under the Act respecting Cree, Inuit and Naskapi Native persons (chapter A-33.1);

"qualified corporation", for a taxation year, means a corporation that, in the year, has an establishment in Québec and carries on a qualified business in Québec, but does not include

(a) a corporation that is exempt from tax for the year under Book VIII; or

(b) a corporation that would be exempt from tax for the year under section 985 but for section 192;

(c) (paragraph repealed);

(d) (paragraph repealed);

"qualified expenditure" made by an eligible taxpayer in a taxation year or by a qualified partnership in a fiscal period means an expenditure incurred by the taxpayer in the taxation year or by the partnership in the fiscal period, as the case may be, in respect of an eligible trainee, within the framework of a qualified training period, that is related to a business carried on by the taxpayer or partnership in Québec, and that corresponds to the amount determined in accordance with section 1029.8.33.3 in respect of the eligible trainee for a week completed in the taxation year or fiscal period, as the case may be;

"qualified partnership", for a fiscal period, means a partnership that carries on business in Québec and has an establishment in Québec in the fiscal period and that, if it were a corporation, would be a qualified corporation for that fiscal period;

"qualified training period" means, subject to the third paragraph, a period of practical training served by an eligible trainee of an eligible taxpayer or qualified partnership under the supervision

(a) if the training period is served with an eligible taxpayer who is an individual other than a trust, of the individual or of an eligible supervisor of the individual;

(b) if the training period is served with a qualified partnership, of an individual, other than a trust, who is a member of the partnership, or of an eligible supervisor of the partnership; or

(c) if the training period is served with an eligible taxpayer other than an eligible taxpayer referred to in paragraph *a*, of an eligible supervisor of the taxpayer;

"recognized educational institution", at any particular time, means an educational institution which, at that time, is

(a) a secondary-level or college-level educational institution under the authority of the Ministère de l'Éducation, du Loisir et du Sport or the Ministère de l'Enseignement supérieur, de la Recherche, de la Science et de la Technologie;

(b) an educational institution accredited for purposes of subsidies pursuant to section 77 of the Act respecting private education (chapter E-9.1);

(c) an educational institution appearing on the list established by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology under any of

subparagraphs 1 to 3 of the first and second paragraphs of section 56 of the Act respecting financial assistance for education expenses (chapter A-13.3); or

(d) an educational institution operated by a person holding a permit issued, for that educational institution, by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology pursuant to section 12 of the Act respecting private education, provided that it offers a vocational education or vocational training program referred to in Chapter I of that Act;

"tax-exempt individual" means a trust one of the capital or income beneficiaries of which is a corporation described in any of paragraphs *a* to *d* of the definition of "qualified corporation" in this paragraph, or a person exempt from tax by virtue of Book VIII of this Part.

For the purposes of the definition of "qualified training period" in the first paragraph, job shadowing, introductory training, orientation and professional integration sessions taken by an eligible trainee referred to in subparagraph *c* of the definition of that expression are deemed to be periods of practical training.

Where the eligible trainee is an individual referred to in paragraph *b*.1 of the definition of "eligible trainee" in the first paragraph, the following requirements must also be met for the training period served by the eligible trainee to be a qualified training period:

(a) the training period must, under the education program, be followed by an evaluation prepared by the person responsible for such a program with the recognized educational institution;

(b) the trainee must be remunerated under conditions that would be at least equivalent to those established under the Act respecting labour standards (chapter N-1.1) if that Act were applicable to the determination of the remuneration paid to the trainee.

1995, c. 1, s. 156; 1995, c. 63, s. 163; 1997, c. 3, s. 60; 1997, c. 14, s. 216; 1997, c. 63, s. 117; 1997, c. 85, s. 251; 1997, c. 90, s. 14; 1998, c. 16, s. 227; 1999, c. 83, s. 180; 2000, c. 5, s. 254; 2001, c. 44, s. 30; 2001, c. 51, s. 228; 2002, c. 9, s. 54; 2002, c. 40, s. 126; 2004, c. 21, s. 293; 2005, c. 1, s. 229; 2005, c. 28, s. 195; 2006, c. 13, s. 108; 2007, c. 3, s. 60; 2009, c. 15, s. 225; 2013, c. 28, s. 142; 2019, c. 14, s. 310.

1029.8.33.2.1. Where, in a taxation year or fiscal period, as the case may be, an eligible taxpayer or qualified partnership, as the case may be, pays, pursuant to a legal obligation, an amount that may reasonably be regarded as repayment of an amount of assistance referred to in subparagraph *c* of the first paragraph of section 1029.8.33.3 or in subparagraph *c* or *f* of the second paragraph of that section that was applied, for the purpose of computing an amount that the taxpayer or member of the partnership, as the case may be, is deemed to have paid to the Minister under section 1029.8.33.6 or 1029.8.33.7 for a particular taxation year, in reduction of a qualified expenditure in respect of an eligible trainee for a particular week completed in the particular year or in a fiscal period ended in the particular year, the taxpayer or partnership, as the case may be, is deemed to have made a qualified expenditure in the taxation year or fiscal period, as the case may be, equal to the lesser of

(a) the aggregate of all amounts each of which is an amount paid in the taxation year or fiscal period, as the case may be, by the taxpayer or partnership, as the case may be, as repayment of an amount of assistance referred to in subparagraph *c* of the first paragraph of section 1029.8.33.3 or in subparagraph *c* or *f* of the second paragraph of that section in respect of an eligible trainee in respect of the particular week; and

(b) the amount by which the amount that would be computed under section 1029.8.33.3 in respect of the eligible trainee for the particular week if each of the amounts of assistance referred to in subparagraph *c* of the first paragraph of that section or in subparagraph *c* or *f* of the second paragraph of that section in respect of that week were applied in reduction of any amount paid in respect of the eligible trainee as repayment in the taxation year or fiscal period, or in a previous taxation year or fiscal period, by the taxpayer or partnership, as the case may be, exceeds the aggregate of

i. the amount determined under section 1029.8.33.3, without reference to this section, in respect of the eligible trainee for the particular week, and

ii. any amount determined under this section in respect of that eligible trainee and in respect of that particular week, for a previous taxation year or fiscal period.

1995, c. 63, s. 164; 1997, c. 3, s. 71; 2006, c. 36, s. 113.

1029.8.33.2.2. Where, in a particular taxation year, an eligible taxpayer who is a member of a qualified partnership pays, pursuant to a legal obligation, an amount that may reasonably be regarded as repayment of an amount of assistance referred to in the first paragraph of section 1029.8.33.7.1 paid in respect of an eligible trainee for a week completed in a particular fiscal period of the partnership and that was applied in reduction of the taxpayer's share of the amount of a particular qualified expenditure of the partnership for the purpose of computing an amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.33.7 for the taxation year in which the particular fiscal period of the partnership ended, the taxpayer is deemed to have made a qualified expenditure in the particular taxation year equal to the lesser of

(a) the aggregate of all amounts each of which is an amount paid in the particular taxation year by the taxpayer as repayment of an amount of assistance referred to in the first paragraph of section 1029.8.33.7.1 in respect of the particular qualified expenditure; and

(b) the amount by which the eligible taxpayer's share, determined in accordance with section 1029.8.33.7 and without reference to section 1029.8.33.7.1, of the particular qualified expenditure exceeds the aggregate of the eligible taxpayer's share, determined in accordance with section 1029.8.33.7.1, of the particular qualified expenditure and of the amounts determined under this section, in respect of the taxpayer and in respect of the particular qualified expenditure, for a taxation year previous to the particular taxation year.

1995, c. 63, s. 164; 1997, c. 3, s. 71; 2006, c. 36, s. 114.

1029.8.33.2.3. For the purposes of sections 1029.8.33.2.1 and 1029.8.33.2.2, an amount is deemed to be paid, pursuant to a legal obligation, as a repayment of an amount of assistance referred to in subparagraph *c* of the first paragraph of section 1029.8.33.3, in subparagraph *c* or *f* of the second paragraph of that section or in the first paragraph of section 1029.8.33.7.1, as the case may be, by an eligible taxpayer in a taxation year, by a qualified partnership in a fiscal period or by an eligible taxpayer who is a member of a qualified partnership in a taxation year in which a fiscal period of the partnership ends, as the case may be, so long as the amount

(a) in the case of assistance referred to in subparagraph *c* of the first paragraph of section 1029.8.33.3, was applied, because of subparagraph *c*, in reduction of a qualified expenditure or of a share of a qualified expenditure for the purpose of computing the amount that the eligible taxpayer or an eligible taxpayer who is a member of the qualified partnership, as the case may be, is deemed to have paid to the Minister for a taxation year under section 1029.8.33.6 or 1029.8.33.7;

(b) in the case of assistance referred to in subparagraph *c* of the second paragraph of section 1029.8.33.3, was applied, because of subparagraph *a* of the first paragraph of that section, in reduction of a qualified expenditure or of a share of a qualified expenditure for the purpose of computing the amount that the eligible taxpayer or an eligible taxpayer who is a member of the qualified partnership, as the case may be, is deemed to have paid to the Minister for a taxation year under section 1029.8.33.6 or 1029.8.33.7;

(c) in the case of assistance referred to in subparagraph *f* of the second paragraph of section 1029.8.33.3, was applied, because of subparagraph *b* of the first paragraph of that section, in reduction of a qualified expenditure or of a share of a qualified expenditure for the purpose of computing the amount that the eligible taxpayer or an eligible taxpayer who is a member of the qualified partnership, as the case may be, is deemed to have paid to the Minister for a taxation year under section 1029.8.33.6 or 1029.8.33.7;

(d) in the case of assistance referred to in the first paragraph of section 1029.8.33.7.1, was applied, in accordance with that section, in reduction of the eligible taxpayer's share, determined in accordance with section 1029.8.33.7, of a qualified expenditure of a qualified partnership of which the eligible taxpayer is a member for the purpose of computing the amount that the eligible taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.33.7;

(e) was not received by the eligible taxpayer, the qualified partnership or the eligible taxpayer who is a member of the qualified partnership; and

(f) ceased, in the taxation year, the fiscal period or the taxation year in which the fiscal period of the partnership ends, to be an amount that the eligible taxpayer, the qualified partnership or the eligible taxpayer who is a member of the qualified partnership, as the case may be, can reasonably expect to receive.

1995, c. 63, s. 164; 1997, c. 3, s. 71; 2006, c. 36, s. 115.

1029.8.33.3. The amount referred to in the definition of "qualified expenditure" in the first paragraph of section 1029.8.33.2 is equal, in respect of an eligible trainee, to the lesser of the weekly limit specified in the fifth paragraph and the aggregate of

(a) the lesser of

i. the amount determined by the formula

(A × B) − C, and

ii. the amount obtained by multiplying the number of hours done by the eligible trainee within the framework of the qualified training period during the week by the hourly rate specified in the sixth paragraph;

(b) the total of all amounts each of which represents, in respect of an eligible supervisor of the eligible taxpayer or qualified partnership, as the case may be, having supervised the eligible trainee during the week within the framework of the qualified training period, the lesser of

i. the amount determined by the formula

(D × E) − F, and

ii. the amount obtained by multiplying the number of hours, determined under section 1029.8.33.4, devoted by an eligible supervisor to the supervision of an eligible trainee during the week within the framework of the qualified training period by $35 if the qualified training period begins after 27 March 2018, and $30 in any other case; and

(c) where the trainee is a trainee referred to in paragraph *c* of the definition of "eligible trainee" in the first paragraph of section 1029.8.33.2, the aggregate of all amounts each of which is equal to the amount by which the travel expenses of a person who is an employee of the eligible taxpayer or qualified partnership, other than the eligible trainee, the taxpayer, where the eligible taxpayer is an individual other than a trust, or an individual other than a trust who is a member of the qualified partnership, hired for the week within the framework of the qualified training period, if the establishment of the taxpayer or partnership, as the case may be, where that person usually reports and the destination of the person are at least 40 kilometres apart and if that destination is situated outside the local municipal territory or, where applicable, outside the metropolitan region in which the establishment is situated, exceeds the amount of any government assistance or non-government assistance that the eligible taxpayer or qualified partnership, as the case may be, has received, is entitled to receive or can reasonably expect to receive in respect of those expenses

i. in the case of the eligible taxpayer, on or before the eligible taxpayer's filing-due date for the taxation year, and

ii. where an eligible taxpayer is a member of the qualified partnership, on or before the day that is six months after the end of the fiscal period of the qualified partnership.

For the purposes of the formulas in the first paragraph,

(a) A is the wages or salary, paid in currency and computed on an hourly basis, received by the eligible trainee in respect of the week within the framework of the qualified training period;

(b) B is the number of hours done by the eligible trainee during the week within the framework of the qualified training period;

(c) C is the amount of any government assistance or non-government assistance that the eligible taxpayer or qualified partnership, as the case may be, has received, is entitled to receive or can reasonably expect to receive in respect of the eligible trainee's wages or salary referred to in subparagraph *a*

i. in the case of the eligible taxpayer, on or before the eligible taxpayer's filing-due date for the taxation year, and

ii. where an eligible taxpayer is a member of the qualified partnership, on or before the day that is six months after the end of the fiscal period of the qualified partnership;

(d) D is the wages or salary, paid in currency and computed on an hourly basis, received by the eligible supervisor in respect of the week for the hours of supervision referred to in paragraph *e*;

(e) E is the number of hours, determined under section 1029.8.33.4, devoted by the eligible supervisor to the supervision of the eligible trainee during the week within the framework of the qualified training period; and

(f) F is the amount of any government assistance or non-government assistance that the eligible taxpayer or qualified partnership, as the case may be, has received, is entitled to receive or can reasonably expect to receive in respect of the eligible supervisor's wages or salary referred to in subparagraph *d*

i. in the case of the eligible taxpayer, on or before the eligible taxpayer's filing-due date for the taxation year, and

ii. where an eligible taxpayer is a member of the qualified partnership, on or before the day that is six months after the end of the fiscal period of the qualified partnership.

For the purposes of this section,

(a) the number of hours during which an eligible trainee participated, during a week, in a qualified training period includes only the hours done by the eligible trainee, during the week, either for the eligible taxpayer or qualified partnership, that may reasonably be considered necessary to complete the qualified training period;

(b) the wages or salary is the income computed under Chapters I and II of Title II of Book III but does not include directors' fees, premiums, incentive bonuses, overtime compensation, other than remuneration related to a qualified training period, for hours done in addition to normal working hours, commissions or benefits referred to in Division II of Chapter II of Title II of Book III;

(c) where the conditions of the contract of employment of an eligible trainee or eligible supervisor do not allow his wages or salary to be computed on an hourly basis, the amount thereof is deemed to be equal to the quotient obtained by dividing his wages or salary computed on an annual basis by 2,080;

(d) an amount paid or payable in respect of the consumption by a person of food or beverages is deemed to be equal to the amount deemed to be paid or payable in that respect under Division I of Chapter I.1 of Title VII of Book III; and

(e) an amount paid or payable by a taxpayer or partnership in respect of an allowance for the use by a person of an automobile is deemed to be equal to the amount deductible in that respect in computing the taxpayer's or partnership's income to the extent provided for in section 133.2.1.

Notwithstanding the first paragraph, the amount referred to in the definition of "qualified expenditure" in the first paragraph of section 1029.8.33.2, in respect of an eligible trainee who is an individual referred to in paragraph *b*.1 of the definition of "eligible trainee" in that paragraph, is equal to zero where the week in respect of which the amount is computed is included in a period of more than 32 consecutive weeks of training with the same eligible taxpayer or the same qualified partnership and that week follows the thirty-second week of training.

The weekly limit referred to in the first paragraph is $700 if the qualified training period begins after 27 March 2018, $600 if the qualified training period begins after 31 December 2006 and before 28 March 2018, and $500 in any other case.

The hourly rate referred to in the first paragraph is $21 if the qualified training period begins after 27 March 2018, $18 if the qualified training period begins after 31 December 2006 and before 28 March 2018, and $15 in any other case.

1995, c. 1, s. 156; 1995, c. 63, s. 165; 1997, c. 3, s. 71; 1997, c. 31, s. 111; 1999, c. 83, s. 181; 2002, c. 40, s. 127; 2006, c. 36, s. 116; 2019, c. 14, s. 311.

1029.8.33.4. The number of hours referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.33.3 and in subparagraph *e* of the second paragraph of that section is the least of

(a) the number of hours devoted by the eligible supervisor to the supervision of the eligible trainee during that week,

(b) the number of hours obtained by multiplying such proportion as the number of hours devoted by the eligible supervisor to the supervision of the eligible trainee during that week is of the total number of hours devoted to the supervision of the eligible trainee by any eligible supervisor during that week by 10, and

(c) where the qualified training period is served within the framework of an education program offered by a recognized educational institution, the number of hours corresponding to such proportion of the number of hours of supervision of the eligible trainee by an eligible supervisor that are required by the recognized educational institution for that week as the number of hours devoted to the supervision of the eligible trainee by the eligible supervisor during that week is of the total number of hours devoted to the supervision of the eligible trainee by any eligible supervisor during that week.

For the purposes of subparagraphs *a* to *c* of the first paragraph, where within the framework of one or more qualified training periods, an eligible supervisor devotes an hour or part of an hour to supervising several eligible trainees simultaneously, the time the eligible supervisor devotes to each such eligible trainee is deemed to be such proportion of that hour or part of an hour as 1 is of the number of such eligible trainees.

1995, c. 1, s. 156.

1029.8.33.4.1. If the eligible trainee in respect of whom an amount must be determined in accordance with section 1029.8.33.3 is an individual referred to in paragraph *c* of the definition of "eligible trainee" in the first paragraph of section 1029.8.33.2, the following rules apply:

(a) the amounts of "$700", "$600" and "$500" in the fifth paragraph of section 1029.8.33.3 are to be replaced by the amounts of "$875", "$750" and "$625", respectively; and

(b) the figure "10" in subparagraph *b* of the first paragraph of section 1029.8.33.4 is to be replaced by the figure "20".

1995, c. 63, s. 166; 1999, c. 83, s. 182; 2006, c. 36, s. 117; 2007, c. 3, s. 61; 2019, c. 14, s. 312.

1029.8.33.4.2. If the eligible trainee in respect of whom an amount must be determined in accordance with section 1029.8.33.3 serves, in an eligible region, a qualified training period that begins after 11 March 2003 but before 13 June 2003 or a qualified training period that begins after 30 March 2004 but before 1 January 2007, the following rules apply:

(a) the amount of "$500" in the fifth paragraph of section 1029.8.33.3 is to be replaced by an amount of "$1,000" or, if section 1029.8.33.4.1 applies, the amount of "$625" that, because of section 1029.8.33.4.1, replaces that amount of "$500" is itself to be replaced by an amount of "$1,250"; and

(b) the amount of "$15" in the sixth paragraph of section 1029.8.33.3 is to be replaced by an amount of "$25".

2004, c. 21, s. 294; 2005, c. 23, s. 152; 2006, c. 36, s. 118.

1029.8.33.4.3. If the eligible trainee in respect of whom an amount is to be determined in accordance with section 1029.8.33.3 is a disabled person, the following rules apply:

(a) the amount of "$600" in the fifth paragraph of section 1029.8.33.3 is to be replaced by an amount of "$750" or, if section 1029.8.33.4.1 applies, the amount of "$750" that, because of section 1029.8.33.4.1, replaces that amount of "$600" is itself to be replaced by an amount of "$1,050";

(a.1) the amount of "$700" in the fifth paragraph of section 1029.8.33.3 is to be replaced by an amount of "$875" or, if section 1029.8.33.4.1 applies, the amount of "$875" that, because of section 1029.8.33.4.1, replaces that amount of "$700" is itself to be replaced by an amount of "$1,225"; and

(b) the figure "10" in subparagraph *b* of the first paragraph of section 1029.8.33.4 is to be replaced by the figure "20" or, if section 1029.8.33.4.1 applies, the figure "20" that, because of section 1029.8.33.4.1, replaces that figure "10" is itself to be replaced by the figure "40".

2009, c. 15, s. 226; 2019, c. 14, s. 313.

1029.8.33.5. *(Repealed).*

1995, c. 1, s. 156; 1995, c. 63, s. 167.

1029.8.33.5.1. *(Repealed).*

1995, c. 63, s. 168; 1997, c. 3, s. 71; 1997, c. 14, s. 217.

§ 2. — *Credit*

1995, c. 1, s. 156.

1029.8.33.6. An eligible taxpayer who makes a qualified expenditure in a taxation year and encloses, with his fiscal return he is required to file for the year under section 1000, the prescribed form containing the prescribed information is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer's balance-due day for that year, as partial payment of his tax payable for that year pursuant to this Part, an amount equal to 12% of the amount of the expenditure.

For the purpose of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

1995, c. 1, s. 156; 1995, c. 63, s. 169; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 31, s. 143; 1999, c. 83, s. 183; 2002, c. 40, s. 128; 2003, c. 9, s. 194; 2004, c. 21, s. 295; 2006, c. 13, s. 109; 2006, c. 36, s. 119; 2015, c. 21, s. 406.

1029.8.33.7. Where a qualified partnership makes a qualified expenditure at any particular time, each eligible taxpayer who is a member of that partnership throughout the period commencing at that particular time and ending at the end of the fiscal period of the qualified partnership in which the expenditure is made and encloses, with his fiscal return he is required to file under section 1000 for his taxation year in which the fiscal period of the partnership ends, the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer's balance-due day for that year, as partial payment of his tax payable for that year pursuant to this Part, an amount equal to 12% of his share of the expenditure.

For the purpose of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for the taxpayer's taxation year in which the fiscal period of the qualified partnership ends, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, an eligible taxpayer's share of a qualified expenditure made by a qualified partnership of which the eligible taxpayer is a member is equal to the agreed proportion of the expenditure in respect of the eligible taxpayer for the partnership's fiscal period that ends in the eligible taxpayer's taxation year.

1995, c. 1, s. 156; 1995, c. 63, s. 169; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1997, c. 31, s. 143; 1999, c. 83, s. 184; 2002, c. 40, s. 129; 2003, c. 9, s. 195; 2004, c. 21, s. 296; 2006, c. 13, s. 110; 2006, c. 36, s. 120; 2009, c. 15, s. 227; 2015, c. 21, s. 407.

1029.8.33.7.1. Where an eligible taxpayer referred to in section 1029.8.33.7 has received, is entitled to receive or can reasonably expect to receive, on or before the day that is six months after the end of the fiscal period referred to in that section, in this section referred to as the "particular fiscal period", an amount of government assistance or non-government assistance, in respect of a particular qualified expenditure made by a qualified partnership referred to in section 1029.8.33.7 for a week completed in the particular fiscal period, that may reasonably be attributed to the wages or salary for that week for an eligible trainee or for an eligible supervisor having supervised the eligible trainee during the week within the framework of a qualified training period served by the eligible trainee during the particular fiscal period, or to the travel expenses incurred during the week by the qualified partnership within the framework of the qualified training period, the eligible taxpayer's share of the particular qualified expenditure, for the purpose of computing an amount deemed to

have been paid under section 1029.8.33.7 by the eligible taxpayer to the Minister, for the taxation year referred to in that section, shall not exceed the amount determined by the formula

A × B.

For the purposes of the formula in the first paragraph,

(a) A is the amount that would have been determined in respect of the particular qualified expenditure if, for the purposes of section 1029.8.33.3, the qualified partnership had in the particular fiscal period received the amount of assistance referred to in the first paragraph and the latter amount were multiplied by the reciprocal of the agreed proportion in respect of the eligible taxpayer for the qualified partnership's particular fiscal period; and

(b) B is the agreed proportion in respect of the eligible taxpayer for the qualified partnership's particular fiscal period;

(c) (subparagraph repealed).

1995, c. 63, s. 170; 1997, c. 3, s. 71; 1997, c. 31, s. 112; 2007, c. 12, s. 145; 2009, c. 15, s. 228.

1029.8.33.7.2. For the purposes of sections 1029.8.33.6 and 1029.8.33.7, the following rules apply:

(a) where the eligible taxpayer referred to in either of those sections is a qualified corporation, the percentage of 12% mentioned in the first paragraph of that section is to be replaced,

i. where the qualified expenditure is made in respect of an eligible trainee who is an immigrant, a Native person or a disabled person, or who is serving a qualified training period in an establishment of the trainee's employer that is situated in an eligible region, by a percentage of 32% in respect of that expenditure, and

ii. in any other case, by a percentage of 24%; and

(b) where the eligible taxpayer referred to in either of those sections is an individual (other than a tax-exempt individual) and the qualified expenditure is made in respect of an eligible trainee who is an immigrant, a Native person or a disabled person, or who is serving a qualified training period in an establishment of the trainee's employer that is situated in an eligible region, the percentage of 12% mentioned in the first paragraph of that section is to be replaced, in respect of that expenditure, by a percentage of 16%.

Despite the first paragraph, for the purposes of sections 1029.8.33.6 and 1029.8.33.7 in relation to a qualified expenditure incurred after 25 March 2021 and before 1 May 2022 in respect of a qualified training period that begins after 25 March 2021, the following rules apply:

(a) where the eligible taxpayer referred to in either of those sections is a qualified corporation, the percentage of 12% mentioned in the first paragraph of that section is to be replaced,

i. where the qualified expenditure is referred to in subparagraph i of subparagraph *a* of the first paragraph of this section, by a percentage of 40% in respect of that expenditure, and

ii. in any other case, by a percentage of 30%; and

(b) where the eligible taxpayer referred to in either of those sections is an individual (other than a tax-exempt individual), the percentage of 12% mentioned in the first paragraph of that section is to be replaced,

i. where the qualified expenditure is referred to in subparagraph *b* of the first paragraph of this section, by a percentage of 20% in respect of that expenditure, and

ii. in any other case, by a percentage of 15%.

1995, c. 63, s. 170; 1997, c. 3, s. 71; 2004, c. 21, s. 297; 2009, c. 15, s. 229; 2015, c. 21, s. 408; 2019, c. 14, s. 314; 2021, c. 36, s. 111.

1029.8.33.7.3. For the purposes of sections 1029.8.33.6 and 1029.8.33.7 and despite section 1029.8.33.7.2, where the qualified expenditure is made in respect of an eligible trainee described in any of paragraphs *b* to *c* of the definition of "eligible trainee" in the first paragraph of section 1029.8.33.2 (in this section referred to as a "student trainee") and the conditions of the second paragraph are met, the following rules apply:

(a) if the eligible taxpayer referred to in section 1029.8.33.6 or 1029.8.33.7 is a qualified corporation, the percentage of 12% mentioned in the first paragraph of that section is to be replaced, in respect of that expenditure,

i. where the student trainee is an immigrant, a Native person or a disabled person, or is serving a qualified training period in an establishment of the trainee's employer that is situated in an eligible region, by a percentage of 50%, and

ii. in any other case, by a percentage of 40%; and

(b) if the eligible taxpayer referred to in section 1029.8.33.6 or 1029.8.33.7 is an individual (other than a tax-exempt individual), the percentage of 12% mentioned in the first paragraph of that section is to be replaced, in respect of that expenditure,

i. where the student trainee is an immigrant, a Native person or a disabled person, or is serving a qualified training period in an establishment of the trainee's employer that is situated in an eligible region, by a percentage of 25%, and

ii. in any other case, by a percentage of 20%.

The conditions to which the first paragraph refers are as follows:

(a) in the case of section 1029.8.33.6, the taxation year referred to in that section is at least the third consecutive taxation year in which the eligible taxpayer makes a qualified expenditure in respect of a student trainee and the qualified expenditure made in each of those consecutive taxation years is at least $2,500; and

(b) in the case of section 1029.8.33.7, the fiscal period referred to in that section is at least the third consecutive fiscal period in which the qualified partnership makes a qualified expenditure in respect of a student trainee and the qualified expenditure made in each of those consecutive fiscal periods is at least $2,500.

2015, c. 36, s. 100; 2017, c. 29, s. 176; 2019, c. 14, s. 315.

1029.8.33.8. If, in respect of a qualified expenditure made by an eligible taxpayer in a taxation year or by a qualified partnership in a fiscal period in respect of a qualified training period, a person or partnership has obtained, is entitled to obtain or can reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the qualified training period, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that is deemed to have been paid to the Minister, for the taxation year, by the eligible taxpayer under section 1029.8.33.6, the amount of the qualified expenditure shall be reduced by the amount of the benefit or advantage the person or partnership has obtained, is entitled to

obtain or can reasonably expect to obtain on or before the eligible taxpayer's filing-due date for that taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister under section 1029.8.33.7 by an eligible taxpayer who is a member of the qualified partnership for his taxation year in which that fiscal period ends, the eligible taxpayer's share of the amount of the qualified expenditure shall be reduced, where applicable,

i. by his share of the amount of the benefit or advantage that a qualified partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or can reasonably expect to obtain on or before the day that is six months after the end of the fiscal period of the qualified partnership in which the expenditure was made, and

ii. by the amount of the benefit or advantage that the eligible taxpayer or a person with whom he does not deal at arm's length has obtained, is entitled to obtain or can reasonably expect to obtain on or before the day that is six months after the end of the fiscal period of the qualified partnership in which the expenditure was made.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the eligible taxpayer's share of the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii of that subparagraph *b* has obtained, is entitled to obtain or can reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the eligible taxpayer for the qualified partnership's fiscal period that ends in the eligible taxpayer's taxation year.

1995, c. 1, s. 156; 1995, c. 63, s. 171; 1997, c. 3, s. 71; 1997, c. 31, s. 113; 2006, c. 36, s. 121; 2009, c. 15, s. 230.

1029.8.33.9. *(Repealed).*

1995, c. 1, 156; 1995, c. 63, s. 171; 2015, c. 21, s. 409.

§ 3. — *Administration*

1995, c. 1, s. 156.

1029.8.33.10. An eligible taxpayer may be deemed to have paid to the Minister, for a taxation year, an amount under section 1029.8.33.6 or 1029.8.33.7 relating to a qualified expenditure or to his share of the amount of such an expenditure incurred in respect of a qualified training period of the eligible taxpayer or qualified partnership of which he is a member, only if not later than six months after the end of the qualified training period or within a longer period considered by the Minister to be reasonable,

(a) where the qualified training period is served by one or more eligible trainees referred to in paragraph *a* of the definition of "eligible trainee" in the first paragraph of section 1029.8.33.2, the Minister of Employment and Social Solidarity or, as the case may be, the Kativik Regional Government established by the Act respecting Northern villages and the Kativik Regional Government (chapter V-6.1), issues to the eligible taxpayer or qualified partnership, as the case may be, a certificate certifying that the qualified training period is within the framework of the workplace apprenticeship program referred to in that paragraph *a*;

(b) where the qualified training period is served by one or more eligible trainees referred to in any of paragraphs *b* to *c* of the definition of "eligible trainee" in the first paragraph of section 1029.8.33.2, the recognized educational institution offering the education program within the framework of which the qualified training period is served issues to the eligible taxpayer or qualified partnership, as the case may be, a certificate in prescribed form containing the prescribed information;

*(b.*1*) (subparagraph repealed)*;

(c) (subparagraph repealed).

1995, c. 1, s. 156; 1995, c. 63, s. 172; 1997, c. 3, s. 71; 1997, c. 14, s. 218; 1997, c. 63, s. 118; 1997, c. 85, s. 252; 1999, c. 83, s. 185; 2000, c. 39, s. 136; 2002, c. 40, s. 130; 2006, c. 13, s. 111; 2006, c. 36, s. 122; 2007, c. 3, s. 62.

1029.8.33.11. *(Repealed).*

1995, c. 63, s. 173; 1997, c. 31, s. 114; 2002, c. 9, s. 55.

DIVISION II.5.1.1

CREDIT FOR LABOUR TRAINING IN THE MANUFACTURING, FORESTRY AND MINING SECTORS

2009, c. 15, s. 231; 2010, c. 5, s. 139.

§ 1. — *Interpretation and general*

2009, c. 15, s. 231.

1029.8.33.11.1. In this division,

"accredited instructor" means a training body or an instructor accredited by the Minister of Employment and Social Solidarity under the Act to promote workforce skills development and recognition (chapter D-8.3) or a regulation made under that Act;

"apparent payment" means an amount paid or payable by an eligible instructor for the use of premises, facilities or equipment, or for the supply of services, that may reasonably be considered to be included in an eligible training expenditure;

"eligibility period" means

(a) if the eligible training expenditure relates to an activity described in paragraph *a* of the definition of "eligible activity", the period beginning on 24 November 2007 and ending on 31 December 2015; and

(b) if the eligible training expenditure relates to an activity described in paragraph *b* of the definition of "eligible activity", the period beginning on 20 March 2009 and ending on 31 December 2015;

"eligible activity" of an eligible employer means an activity of the employer

(a) that relates to the manufacturing sector and is described under code 31, 32 or 33 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada; or

(b) that relates to the forestry or mining sector and is described under code 113, 211 or 212 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada;

"eligible employee" of an eligible employer for a taxation year or fiscal period means an employee of an establishment of the employer situated in Québec, other than an excluded employee at any time in that year or period, whose duties, for the year or period, consist primarily in carrying out or supervising duties attributable to an eligible activity;

"eligible employer" means a qualified corporation or a qualified partnership;

"eligible instructor" in respect of an eligible employer at any time means a recognized educational institution or accredited instructor, but does not include a person or partnership that is, at that time,

(a) an employee of the eligible employer;

(b) a specified shareholder, a specified member or a member, as the case may be, of the eligible employer;

(c) an employee, a specified shareholder or a specified member of a person with whom the eligible employer is not dealing at arm's length;

(d) an employee or a member of a partnership with which the eligible employer is not dealing at arm's length;

(e) an employee, a specified shareholder or a specified member of a person who is a specified shareholder, a specified member or a member, as the case may be, of the eligible employer;

(f) an employee, a specified shareholder or a specified member of a person who is a specified shareholder, a specified member or a member, as the case may be, of a person with whom the eligible employer is not dealing at arm's length;

(g) a member of a partnership that is a specified shareholder, a specified member or a member, as the case may be, of the eligible employer or of a person with whom the eligible employer is not dealing at arm's length; or

(h) an employee, a specified shareholder or a specified member of a corporation that carries on a personal services business, or an employee or a member of a partnership that carries on such a business, if a shareholder or a specified member of the corporation or a member of the partnership is both a specified shareholder or a specified member of the corporation or a member of the partnership, as the case may be, and

i. an employee, a specified shareholder or a specified member of the eligible employer or of a person with whom the eligible employer is not dealing at arm's length, or

ii. an employee, a specified shareholder or a specified member of a person or a member of a partnership that is a specified shareholder, a specified member or a member, as the case may be, of the eligible employer or of a person with whom the eligible employer is not dealing at arm's length;

"eligible training" in respect of an eligible employer means a course that relates to an eligible activity of the eligible employer and that is given by an eligible instructor, in respect of the employer, under a contract entered into between the instructor and the employer after 23 November 2007, in the case of an activity described in paragraph *a* of the definition of "eligible activity", or after 19 March 2009, in the case of an activity described in paragraph *b* of that definition, but does not include

(a) a seminar, convention, conference or other similar activity; or

(b) a course in respect of which any of the following conditions is met:

i. the course is required by a professional order governed by the Professional Code (chapter C-26) and is intended for a member of such an order or a person who is in the process of becoming such a member,

ii. the course is required by an employers' association or a union association, or a similar association, and is intended for a member of such an association or a person who is in the process of becoming such a member,

iii. the course is taken because the eligible employer is required to comply with a law or regulation,

iv. the main objective of the course is to increase an employee's skills regarding the negotiation or conclusion of contracts that concern the sale of a property or the provision of a service, and

v. the course is described in the definition of "eligible training" in the first paragraph of section 1029.8.33.11.11;

"eligible training expenditure" of an eligible employer for a taxation year or fiscal period means, subject to section 1029.8.33.11.2, the aggregate of all amounts each of which is an amount, incurred in the part of the eligibility period that is included in the year or period and determined in respect of an eligible employee of the eligible employer who participates in eligible training that begins in the eligibility period, equal to the total of

(a) the cost of the eligible training to the eligible employer or, if more than one person participates in the eligible training, the portion of that cost that may reasonably be attributed to the eligible employee's participation in that training; and

(b) the lesser of

i. the portion of the eligible employee's salary or wages that may reasonably be attributed to the period during which the eligible employee attends the eligible training, and

ii. 200% of the amount determined under paragraph *a*;

"excluded corporation" means a corporation that

(a) is exempt from tax for the year under Book VIII; or

(b) would be exempt from tax for the year under section 985, but for section 192;

"excluded employee" of an eligible employer at a particular time means,

(a) if the employer is a corporation, an employee who is, at that time, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation;

(b) if the employer is a partnership, an employee who

i. is, at that time, a member of the partnership, or a specified shareholder or specified member of that member, or

ii. is not, at that time, dealing at arm's length with a member of the partnership, or with a specified shareholder or specified member of that member;

(c) an employee in respect of whom it may reasonably be considered that one of the purposes for which the employee works for the eligible employer would be to allow, but for this paragraph, the employer or a corporation that is a member of the employer to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.33.11.3 or 1029.8.33.11.4; and

(d) an employee in respect of whom it may reasonably be considered that the conditions of employment with the eligible employer have been changed mainly to allow, but for this paragraph, the employer or a corporation that is a member of the employer to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.33.11.3 or 1029.8.33.11.4, or to increase an amount that the employer or a corporation that is a member of the employer would be deemed, but for this paragraph, to have paid to the Minister under either of those sections in respect of the employee;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation, that, in the year, has an establishment in Québec where it carries on an eligible activity;

"qualified partnership" for a fiscal period means a partnership that, in that period, has an establishment in Québec where it carries on an eligible activity;

"recognized educational institution" means an educational institution that is

(a) a secondary-level or college-level educational institution under the authority of the Ministère de l'Éducation, du Loisir et du Sport or the Ministère de l'Enseignement supérieur, de la Recherche, de la Science et de la Technologie;

(b) an educational institution accredited for purposes of subsidies under section 77 of the Act respecting private education (chapter E-9.1);

(c) an educational institution mentioned in the list established by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology under any of subparagraphs 1 to 3 of the first and second paragraphs of section 56 of the Act respecting financial assistance for education expenses (chapter A-13.3); or

(d) an educational institution operated by a person holding a permit issued, for that educational institution, by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology under section 12 of the Act respecting private education, provided that it offers a vocational education or vocational training program referred to in Chapter I of that Act;

"salary or wages" means the income computed under Chapters I and II of Title II of Book III;

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

For the purposes of paragraph *a* of the definition of "eligible training expenditure" in the first paragraph, the cost of eligible training does not include the travel, meal or accommodation expenses incurred in respect of an eligible employee in order to allow that employee to attend the eligible training.

2009, c. 15, s. 231; 2010, c. 5, s. 140; 2013, c. 10, s. 100; 2013, c. 28, s. 142; 2019, c. 14, s. 316.

1029.8.33.11.2. The eligible training expenditure of an eligible employer, for a taxation year or fiscal period, who is required to participate in workforce skills development in accordance with section 3 of the Act to promote workforce skills development and recognition (chapter D-8.3) for a calendar year that ends in the taxation year or fiscal period may not exceed an amount equal to the excess amount for the eligible employer that corresponds to the amount by which the amount that is, for the purposes of that Act, the total of the eligible employer's eligible training expenditures for that calendar year, exceeds the total of

(a) the amount of the eligible employer's minimum participation set for that calendar year under section 3 of that Act; and

(b) the amount of the eligible employer's eligible training expenditure, within the meaning assigned by the first paragraph of section 1029.8.33.11.11, determined for the taxation year or fiscal period.

For the purposes of the first paragraph, an eligible employer who is an employer exempted from the application of Chapter II of the Act to promote workforce skills development and recognition, for a calendar year, under a regulation made under subparagraph 3 of the first paragraph of section 20 of that Act is deemed, for that calendar year, to be an employer who is required to participate in workforce skills development in accordance with section 3 of that Act.

2009, c. 15, s. 231.

§ 2. — *Credits*

2009, c. 15, s. 231.

1029.8.33.11.3. A qualified corporation that, in a taxation year, incurs an eligible training expenditure and encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the second paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to 24% of the amount of that expenditure, to the extent that that expenditure has been paid.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2009, c. 15, s. 231; 2015, c. 21, s. 410.

1029.8.33.11.4. If, in a fiscal period, a qualified partnership incurs an eligible training expenditure, each corporation, other than an excluded corporation, that is a member of that partnership at the end of the fiscal period and that encloses the prescribed form containing prescribed information with the fiscal return the corporation is required to file under section 1000 for the corporation's taxation year in which the fiscal period ends is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 24% of the corporation's share of that expenditure, to the extent that that expenditure has been paid.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, for the corporation's taxation year in which the fiscal period of the qualified partnership ends, the corporation is deemed to have paid to the Minister, on account of the aggregate of the corporation's tax payable for the year under this Part and of the corporation's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, the corporation's share of an eligible training expenditure incurred by a qualified partnership in a fiscal period is equal to the agreed proportion of the expenditure in respect of the corporation for the fiscal period.

2009, c. 15, s. 231; 2015, c. 21, s. 411.

1029.8.33.11.5. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.33.11.3 or 1029.8.33.11.4, the following rules apply:

(a) the amount of the corporation's expenditure referred to in the first paragraph of section 1029.8.33.11.3 is to be reduced, if applicable, by the amount of any government assistance, non-government assistance or apparent payment, attributable to the expenditure, that the corporation or, in the case of an apparent payment, a person with whom the corporation does not deal at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of the eligible training expenditure referred to in the first paragraph of section 1029.8.33.11.4 of a qualified partnership of which the corporation is a member, for a fiscal period of the partnership that ends in the corporation's taxation year is to be reduced, if applicable,

i. by the corporation's share of the amount of any government assistance, non-government assistance or apparent payment, attributable to the expenditure, that the qualified partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance, non-government assistance or apparent payment, attributable to the expenditure, that the corporation or, in the case of an apparent payment, a person with whom the corporation does not deal at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the qualified partnership's fiscal period, of the amount of any government assistance, non-government assistance or apparent payment that the qualified partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2009, c. 15, s. 231.

1029.8.33.11.6. If, in respect of an eligible training expenditure incurred by a qualified corporation in a taxation year or by a qualified partnership in a fiscal period, in relation to eligible training, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the eligible training, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that is deemed to have been paid to the Minister, for the taxation year, by the qualified corporation under section 1029.8.33.11.3, the amount of the eligible training expenditure is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister under section 1029.8.33.11.4 by a corporation that is a member of the qualified partnership for the corporation's taxation year in which the fiscal period ends, the corporation's share of the eligible training expenditure is to be reduced, if applicable,

i. by the corporation's share of the amount of the benefit or advantage that a partnership or a person, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage that the corporation or a person with whom it is not dealing at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the qualified partnership's fiscal period, of the amount of the benefit or advantage that a partnership or a person has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2009, c. 15, s. 231.

1029.8.33.11.7. If, before 1 January 2018, a corporation pays, in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *a* of the first paragraph of section 1029.8.33.11.5, an eligible training expenditure of the corporation for a particular taxation year for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular taxation year under section 1029.8.33.11.3, the corporation is deemed, if the corporation encloses the prescribed form containing prescribed information with the fiscal return the corporation is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that the corporation would be deemed to have paid to the Minister for the particular taxation year under section 1029.8.33.11.3, in respect of the eligible training expenditure, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular taxation year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.33.11.5, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.33.11.3 for the particular taxation year in respect of the eligible training expenditure; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

2009, c. 15, s. 231; 2013, c. 10, s. 101.

1029.8.33.11.8. If, before 1 January 2018, a partnership pays, in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.33.11.5, a corporation's share of an eligible training expenditure of the partnership for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.33.11.4, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.33.11.4 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.33.11.4, for its taxation year in which the particular fiscal period ends, in respect of the eligible training expenditure of the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.33.11.5; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2009, c. 15, s. 231; 2013, c. 10, s. 102.

1029.8.33.11.9. If, before 1 January 2018, a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.33.11.5, its share of an eligible training expenditure of the partnership for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.33.11.4, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in

the second paragraph were taken into account, to have paid to the Minister under section 1029.8.33.11.4 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.33.11.4 for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.33.11.5; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2009, c. 15, s. 231; 2013, c. 10, s. 103.

1029.8.33.11.10. For the purposes of sections 1029.8.33.11.7 to 1029.8.33.11.9, an amount of assistance is deemed to be repaid by a corporation or partnership at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.33.11.5, an eligible training expenditure or the share of a corporation that is a member of the partnership in such an expenditure, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.33.11.3 or 1029.8.33.11.4;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership could reasonably expect to receive.

2009, c. 15, s. 231.

DIVISION II.5.1.2

CREDIT FOR FRANCIZATION IN THE WORKPLACE

2009, c. 15, s. 231.

§ 1. — *Interpretation and general*

2009, c. 15, s. 231.

1029.8.33.11.11. In this division,

"accredited instructor" means a training body or an instructor accredited by the Minister of Employment and Social Solidarity under the Act to promote workforce skills development and recognition (chapter D-8.3) or a regulation made under that Act;

"apparent payment" means an amount paid or payable by an eligible instructor for the use of premises, facilities or equipment, or for the supply of services, that may reasonably be considered to be included in an eligible training expenditure;

"eligibility period" means the period beginning on 14 March 2008 and ending on 31 December 2011;

"eligible employee" of an eligible employer at a particular time in a taxation year or fiscal period means an individual who is, at that time, an employee, other than an excluded employee, of an establishment of the employer situated in Québec and an immigrant;

"eligible employer" means a qualified corporation or a qualified partnership;

"eligible instructor" in respect of an eligible employer at any time means a recognized educational institution or accredited instructor, but does not include a person or partnership that is, at that time,

(a) an employee of the eligible employer;

(b) a specified shareholder, a specified member or a member, as the case may be, of the eligible employer;

(c) an employee, a specified shareholder or a specified member of a person with whom the eligible employer is not dealing at arm's length;

(d) an employee or a member of a partnership with which the eligible employer is not dealing at arm's length;

(e) an employee, a specified shareholder or a specified member of a person who is a specified shareholder, a specified member or a member, as the case may be, of the eligible employer;

(f) an employee, a specified shareholder or a specified member of a person who is a specified shareholder, a specified member or a member, as the case may be, of a person with whom the eligible employer is not dealing at arm's length;

(g) a member of a partnership that is a specified shareholder, a specified member or a member, as the case may be, of the eligible employer or of a person with whom the eligible employer is not dealing at arm's length; or

(h) an employee, a specified shareholder or a specified member of a corporation that carries on a personal services business, or an employee or a member of a partnership that carries on such a business, if a shareholder or a specified member of the corporation or a member of the partnership is both a specified shareholder or a specified member of the corporation or a member of the partnership, as the case may be, and

i. an employee, a specified shareholder or a specified member of the eligible employer or of a person with whom the eligible employer is not dealing at arm's length, or

ii. an employee, a specified shareholder or a specified member of a person or a member of a partnership that is a specified shareholder, a specified member or a member, as the case may be, of the eligible employer or of a person with whom the eligible employer is not dealing at arm's length;

"eligible training" in respect of an eligible employer means a course designed to foster the francization of immigrants that is given by an eligible instructor, in respect of the employer, under a contract entered into after 13 March 2008 between the instructor and the employer, but does not include a course taken because the eligible employer is required to comply with a law or regulation;

"eligible training expenditure" of an eligible employer for a taxation year or fiscal period means, subject to section 1029.8.33.11.12, the aggregate of all amounts each of which is an amount, incurred in the part of the eligibility period that is included in the year or period and determined in respect of an eligible employee of the eligible employer who participates in eligible training that begins in the eligibility period, equal to the total of

(a) the cost of the eligible training to the eligible employer or, if more than one person participates in the eligible training, the portion of that cost that may reasonably be attributed to the eligible employee's participation in that training; and

(b) the lesser of

i. the portion of the eligible employee's salary or wages that may reasonably be attributed to the period during which the eligible employee attends the eligible training, and

ii. 200% of the amount determined under paragraph *a*;

"excluded corporation" means a corporation that

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

(b) would be exempt from tax for the year under section 985, but for section 192;

"excluded employee" of an eligible employer at a particular time means,

(a) if the employer is a corporation, an employee who is, at that time, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation;

(b) if the employer is a partnership, an employee who

i. is, at that time, a member of the partnership, or a specified shareholder or specified member of that member, or

ii. is not, at that time, dealing at arm's length with a member of the partnership, or with a specified shareholder or specified member of that member;

(c) an employee in respect of whom it may reasonably be considered that one of the purposes for which the employee works for the eligible employer would be to allow, but for this paragraph, the employer or a corporation that is a member of the employer to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.33.11.13 or 1029.8.33.11.14; and

(d) an employee in respect of whom it may reasonably be considered that the conditions of employment with the eligible employer have been changed mainly to allow, but for this paragraph, the employer or a corporation that is a member of the employer to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.33.11.13 or 1029.8.33.11.14, or to increase an amount that the employer or a corporation that is a member of the employer would be deemed, but for this paragraph, to have paid to the Minister under either of those sections in respect of the employee;

"immigrant", at any time of a taxation year or fiscal period, means a person who, at that time, is, within the meaning of the Immigration and Refugee Protection Act (S.C, 2001, chapter 27),

(a) a permanent resident;

(b) a temporary resident or a holder of a temporary resident permit who was resident in Canada during the 18-month period preceding that time; or

(c) a protected person;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation, that, in the year, has an establishment in Québec;

"qualified partnership" for a fiscal period means a partnership that, in that period, has an establishment in Québec;

"recognized educational institution" means an educational institution that is

(a) a secondary-level or college-level educational institution under the authority of the Ministère de l'Éducation, du Loisir et du Sport or the Ministère de l'Enseignement supérieur, de la Recherche, de la Science et de la Technologie;

(b) an educational institution accredited for purposes of subsidies under section 77 of the Act respecting private education (chapter E-9.1);

(c) an educational institution mentioned in the list established by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology under any of

subparagraphs 1 to 3 of the first and second paragraphs of section 56 of the Act respecting financial assistance for education expenses (chapter A-13.3); or

(d) an educational institution operated by a person holding a permit issued, for that educational institution, by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology under section 12 of the Act respecting private education, provided that it offers a vocational education or vocational training program referred to in Chapter I of that Act;

"salary or wages" means the income computed under Chapters I and II of Title II of Book III;

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

For the purposes of the definition of "eligible training expenditure" in the first paragraph,

(a) the cost of eligible training does not include the travel, meal or accommodation expenses incurred in respect of an eligible employee in order to allow that employee to attend the eligible training; and

(b) if the eligible training is part of the Programme d'intégration linguistique des immigrants administered by the Ministère de l'Immigration, de la Francisation et de l'Intégration, subparagraph ii of paragraph *b* of the definition of "eligible training expenditure" is to be read as follows, in respect of the eligible training:

"ii. 200% of the product obtained by multiplying $90 by the number of hours the eligible training lasts or, if the eligible training is offered to more than one eligible employer, of the proportion of that product that the number of eligible employees of the eligible employer who participate in the eligible training is of the number of eligible employees who participate in the eligible training;".

2009, c. 15, s. 231; 2010, c. 5, s. 141; 2013, c. 28, s. 142; 2022, c. 14, s. 215.

1029.8.33.11.12. The eligible training expenditure of an eligible employer, for a taxation year or fiscal period, who is required to participate in workforce skills development in accordance with section 3 of the Act to promote workforce skills development and recognition (chapter D-8.3) for a calendar year that ends in the taxation year or fiscal period may not exceed an amount equal to the excess amount for the eligible employer that corresponds to the amount by which the amount that is, for the purposes of that Act, the total of the eligible employer's eligible training expenditures for that calendar year, exceeds the amount of the eligible employer's minimum participation set for that calendar year under section 3 of that Act.

For the purposes of the first paragraph, an eligible employer who is an employer exempted from the application of Chapter II of the Act to promote workforce skills development and recognition, for a calendar year, under a regulation made under subparagraph 3 of the first paragraph of section 20 of that Act is deemed, for that calendar year, to be an employer who is required to participate in workforce skills development in accordance with section 3 of that Act.

2009, c. 15, s. 231.

§ 2. — *Credits*

2009, c. 15, s. 231.

1029.8.33.11.13. A qualified corporation that, in a taxation year, incurs an eligible training expenditure and encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the second paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to 30% of the amount of that expenditure, to the extent that that expenditure has been paid.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175

and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2009, c. 15, s. 231.

1029.8.33.11.14. If, in a fiscal period, a qualified partnership incurs an eligible training expenditure, each corporation, other than an excluded corporation, that is a member of that partnership at the end of the fiscal period and that encloses the prescribed form containing prescribed information with the fiscal return the corporation is required to file under section 1000 for the corporation's taxation year in which the fiscal period ends is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 30% of the corporation's share of that expenditure, to the extent that that expenditure has been paid.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, for the corporation's taxation year in which the fiscal period of the qualified partnership ends, the corporation is deemed to have paid to the Minister, on account of the aggregate of the corporation's tax payable for the year under this Part and of the corporation's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, the corporation's share of an eligible training expenditure incurred by a qualified partnership in a fiscal period is equal to the agreed proportion of the expenditure in respect of the corporation for the fiscal period.

2009, c. 15, s. 231.

1029.8.33.11.15. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.33.11.13 or 1029.8.33.11.14, the following rules apply:

(a) the amount of the corporation's expenditure referred to in the first paragraph of section 1029.8.33.11.13 is to be reduced, if applicable, by the amount of any government assistance, non-government assistance or apparent payment, attributable to the expenditure, that the corporation or, in the case of an apparent payment, a person with whom the corporation does not deal at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of the eligible training expenditure referred to in the first paragraph of section 1029.8.33.11.14 of a qualified partnership of which the corporation is a member, for a fiscal period of the partnership that ends in the corporation's taxation year is to be reduced, if applicable,

i. by the corporation's share of the amount of any government assistance, non-government assistance or apparent payment, attributable to the expenditure, that the qualified partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance, non-government assistance or apparent payment, attributable to the expenditure, that the corporation or, in the case of an apparent payment, a person with whom the corporation does not deal at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the qualified partnership's fiscal period, of the amount of any government assistance, non-government assistance or apparent payment that the qualified partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2009, c. 15, s. 231.

1029.8.33.11.16. If, in respect of an eligible training expenditure incurred by a qualified corporation in a taxation year or by a qualified partnership in a fiscal period in relation to eligible training, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the eligible training, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that is deemed to have been paid to the Minister, for the taxation year, by the qualified corporation under section 1029.8.33.11.13, the amount of the eligible training expenditure is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister under section 1029.8.33.11.14 by a corporation that is a member of the qualified partnership for the corporation's taxation year in which the fiscal period ends, the corporation's share of the eligible training expenditure is to be reduced, if applicable,

i. by the corporation's share of the amount of the benefit or advantage that a partnership or a person, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage that the corporation or a person with whom it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the qualified partnership's fiscal period, of the amount of the benefit or advantage that a partnership or a person has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2009, c. 15, s. 231.

1029.8.33.11.17. If, before 1 January 2014, a corporation pays, in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be

a repayment of government assistance or non-government assistance that reduced, because of subparagraph *a* of the first paragraph of section 1029.8.33.11.15, an eligible training expenditure of the corporation for a particular taxation year for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular taxation year under section 1029.8.33.11.13, the corporation is deemed, if the corporation encloses the prescribed form containing prescribed information with the fiscal return the corporation is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that the corporation would be deemed to have paid to the Minister for the particular taxation year under section 1029.8.33.11.13, in respect of the eligible training expenditure, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular taxation year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.33.11.15, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.33.11.13 for the particular taxation year in respect of the eligible training expenditure; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

2009, c. 15, s. 231.

1029.8.33.11.18. If, before 1 January 2014, a partnership pays, in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.33.11.15, a corporation's share of an eligible training expenditure of the partnership for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.33.11.14, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.33.11.14 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.33.11.14, for its taxation year in which the particular fiscal period ends, in respect of the eligible training expenditure of the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.33.11.15; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2009, c. 15, s. 231.

1029.8.33.11.19. If, before 1 January 2014, a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.33.11.15, its share of an eligible training expenditure of the partnership for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.33.11.14, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.33.11.14 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.33.11.14 for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.33.11.15; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2009, c. 15, s. 231.

1029.8.33.11.20. For the purposes of sections 1029.8.33.11.17 to 1029.8.33.11.19, an amount of assistance is deemed to be repaid by a corporation or partnership at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.33.11.15, an eligible training expenditure or the share of a corporation that is a member of the partnership in such an expenditure, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.33.11.13 or 1029.8.33.11.14;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership could reasonably expect to receive.

2009, c. 15, s. 231.

DIVISION II.5.1.3

CREDIT FOR THE TRAINING OF WORKERS EMPLOYED BY SMALL AND MEDIUM-SIZED BUSINESSES

2019, c. 14, s. 317.

§ 1. — *Interpretation and general rules*

2019, c. 14, s. 317.

1029.8.33.11.21. In this division,

"eligible employee" of an eligible employer for a taxation year or a fiscal period, as the case may be, means an employee of an establishment of the employer situated in Québec, other than an excluded employee at a particular time in that year or fiscal period, who meets the following conditions:

(a) the employee holds, in the year or fiscal period, a full-time employment requiring at least 26 hours of work per week, for an expected minimum period of 40 weeks; and

(b) the employee's duties, for the year or fiscal period, consist in undertaking or directly supervising activities of the eligible employer in an establishment of that employer situated in Québec;

"eligible employer" means a qualified corporation for a taxation year or a qualified partnership for a fiscal period the total payroll of which is, for the taxation year or fiscal period, less than $7,000,000;

"eligible training" means training taken by an eligible employee with a recognized educational institution but does not include a course taken because the eligible employer is required to comply with a law or regulation;

"eligible training fees" of an eligible employer for a taxation year or a fiscal period, as the case may be, means, subject to the second paragraph, the aggregate of all amounts each of which is the salary or wages, computed on an hourly basis, incurred after 27 March 2018 and before 1 January 2023 by the eligible employer in respect of an eligible employee for that year or fiscal period, to the extent that the salary or wages are payable in currency and are attributable to an eligible training period of the eligible employee;

"eligible training period" of an eligible employee means, subject to the third paragraph, all of the hours included in a standard workweek of the eligible employee during which the employee is released from his or her regular duties to attend eligible training;

"excluded corporation" for a taxation year means a corporation that

(a) is exempt from tax for the year under Book VIII; or

(b) would be exempt from tax for the year under section 985, but for section 192;

"excluded employee" of an eligible employer at a particular time means,

(a) where the employer is a corporation, an employee who is, at that time, a specified shareholder of the corporation or, where the corporation is a cooperative, a specified member of the corporation;

(b) where the employer is a partnership, an employee who

i. is, at that time, a specified shareholder or specified member, as the case may be, of a member of that partnership, or

ii. is not, at that time, dealing at arm's length with a member of the partnership, or with a specified shareholder or specified member, as the case may be, of that member;

(c) an employee in respect of whom it may reasonably be considered that one of the purposes for which the employee works for the eligible employer would be to allow, but for this paragraph, the employer or a corporation that is a member of the employer to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.33.11.22 or 1029.8.33.11.23, as the case may be; or

(d) an employee in respect of whom it may reasonably be considered that the conditions of employment with the eligible employer have been changed mainly to allow, but for this paragraph, the employer or a corporation that is a member of the employer to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.33.11.22 or 1029.8.33.11.23, as the case may be, or to increase an amount that the employer or a corporation that is a member of the employer would be deemed, but for this paragraph, to have paid to the Minister under either of those sections in respect of the employee;

"qualified corporation" for a taxation year means a corporation (other than an excluded corporation for the year) that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified partnership" for a fiscal period means a partnership that, in the fiscal period, carries on a business in Québec and has an establishment in Québec;

"recognized educational institution" means an educational institution that is

(a) a secondary-level or college-level educational institution under the authority of the Ministère de l'Éducation, du Loisir et du Sport or of the Ministère de l'Enseignement supérieur, de la Recherche, de la Science et de la Technologie;

(b) an educational institution accredited for purposes of subsidies under section 77 of the Act respecting private education (chapter E-9.1);

(c) an educational institution mentioned in the list established by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology under any of subparagraphs 1 to 3 of the first and second paragraphs of section 56 of the Act respecting financial assistance for education expenses (chapter A-13.3); or

(d) an educational institution operated by a person holding a permit issued, for that educational institution, by the Minister of Education, Recreation and Sports or by the Minister of Higher Education, Research, Science and Technology under section 12 of the Act respecting private education, provided that it offers a vocational education or vocational training program referred to in Chapter I of that Act;

"salary or wages" means the income computed under Chapters I and II of Title II of Book III, but does not include directors' fees, premiums, incentive bonuses, overtime compensation, other than remuneration related to eligible training, for hours done in addition to normal working hours, commissions or benefits referred to in Division II of Chapter II of Title II of Book III;

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

"total payroll" of an eligible employer for a taxation year or a fiscal period, as the case may be, means the total payroll of the eligible employer for that year or fiscal period, determined in accordance with Division I of Chapter IV of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5).

For the purposes of the definition of "eligible training fees" in the first paragraph, the following rules apply:

(a) the salary or wages incurred by an eligible employer in respect of an eligible employee for an hour included in an eligible training period are deemed to be equal to the lesser of the salary or wages otherwise determined and $35; and

(b) where the conditions of an eligible employee's contract of employment do not allow the employee's salary or wages to be computed on an hourly basis, the salary or wages are deemed to be equal to the quotient obtained by dividing the employee's salary or wages computed on an annual basis by 2,080.

For the purposes of the definition of "eligible training period" in the first paragraph, the following rules apply:

(a) the number of hours during which an employee is released from the employee's regular duties to attend eligible training that are included in a standard workweek of the employee is deemed to be equal to the lesser of that number of hours otherwise determined and 40; and

(b) the number of hours determined in accordance with subparagraph *a*, in relation to an eligible employee of an eligible employer, for all of the eligible employee's standard workweeks that are included in a taxation year or fiscal period of the eligible employer, as the case may be, is deemed to be equal to the lesser of that number of hours otherwise determined and 520.

2019, c. 14, s. 317; 2021, c. 36, s. 112.

§ 2. — *Credits*

2019, c. 14, s. 317.

1029.8.33.11.22. An eligible employer that is a qualified corporation for a taxation year, incurs eligible training fees in the year and encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the fourth paragraph, to have paid to the Minister on the eligible employer's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the product obtained by multiplying the amount of the eligible training fees, to the extent that those fees have been paid, by the rate determined in respect of the eligible employer for the year in accordance with the second paragraph.

The rate to which the first paragraph refers for a taxation year of the eligible employer is

(a) where the eligible employer's total payroll for the year does not exceed $5,000,000, 30%; and

(b) where the eligible employer's total payroll for the year exceeds $5,000,000 and is less than $7,000,000, the amount by which 30% exceeds the rate determined by the formula

30% [(A – $5,000,000)/$2,000,000].

In the formula in the second paragraph, A is the eligible employer's total payroll for the year.

For the purpose of computing the payments that an eligible employer referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the employer is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2019, c. 14, s. 317.

1029.8.33.11.23. Where, in a fiscal period, an eligible employer that is a qualified partnership incurs eligible training fees, each corporation, other than an excluded corporation, that is a member of that partnership at the end of the fiscal period and encloses the prescribed form containing prescribed information with the fiscal return the corporation is required to file under section 1000 for the corporation's taxation year in which the fiscal period ends is deemed, subject to the fourth paragraph, to have paid to the Minister on the

corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the product obtained by multiplying the corporation's share of the eligible training fees, to the extent that those fees have been paid, by the rate determined in respect of the eligible employer for the fiscal period in accordance with the second paragraph.

The rate to which the first paragraph refers for a fiscal period of the eligible employer is

(a) where the eligible employer's total payroll for the fiscal period does not exceed $5,000,000, 30%; and

(b) where the eligible employer's total payroll for the fiscal period exceeds $5,000,000 and is less than $7,000,000, the amount by which 30% exceeds the rate determined by the formula

30% [(A – $5,000,000)/$2,000,000].

In the formula in the second paragraph, A is the eligible employer's total payroll for the fiscal period.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of the corporation's tax payable for the year under this Part and of the corporation's tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, the corporation's share of eligible training fees incurred by an eligible employer that is a qualified partnership in a fiscal period is equal to the agreed proportion of the fees in respect of the corporation for the fiscal period.

2019, c. 14, s. 317.

1029.8.33.11.24. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.33.11.22 or 1029.8.33.11.23, the following rules apply:

(a) the amount of the salary or wages considered in the corporation's eligible training fees referred to in the first paragraph of section 1029.8.33.11.22 is to be reduced, if applicable, by the amount of any government assistance or non-government assistance, attributable to the salary or wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of the salary or wages considered in the eligible training fees referred to in the first paragraph of section 1029.8.33.11.23 of a qualified partnership of which the corporation is a member, for a fiscal period of the partnership that ends in the corporation's taxation year, is to be reduced, if applicable,

i. by the corporation's share of the amount of any government assistance or non-government assistance, attributable to the salary or wages, that the qualified partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance, attributable to the salary or wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the qualified partnership's fiscal period, of the amount of any government assistance or non-government assistance that the qualified partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2019, c. 14, s. 317.

1029.8.33.11.25. Where, in respect of salary or wages considered in the eligible training fees incurred by a qualified corporation in a taxation year or by a qualified partnership in a fiscal period in relation to eligible training, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the eligible training, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that is deemed to have been paid to the Minister, for the taxation year, by the qualified corporation under section 1029.8.33.11.22, the amount of the salary or wages is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister under section 1029.8.33.11.23 by a corporation that is a member of the qualified partnership for the corporation's taxation year in which the fiscal period ends, the corporation's share of the salary or wages is to be reduced, if applicable,

i. by the corporation's share of the amount of the benefit or advantage that a partnership or a person, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage that the corporation or a person with whom it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the qualified partnership's fiscal period, of the amount of the benefit or advantage that a partnership or a person has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2019, c. 14, s. 317.

1029.8.33.11.26. Where, before 1 January 2025, a corporation pays, in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *a* of the first paragraph of section 1029.8.33.11.24, salary or wages considered in the eligible training fees of the corporation for a particular taxation year for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular taxation year under section 1029.8.33.11.22, the corporation is deemed, if the corporation encloses the prescribed form containing prescribed information with the fiscal return the corporation is required to file for the repayment year under

section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that the corporation would be deemed to have paid to the Minister for the particular taxation year under section 1029.8.33.11.22, in respect of the eligible training fees, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular taxation year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.33.11.24, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.33.11.22 for the particular taxation year in respect of the eligible training fees; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

2019, c. 14, s. 317.

1029.8.33.11.27. Where, before 1 January 2025, a partnership pays, in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.33.11.24, a corporation's share of the salary or wages considered in the partnership's eligible training fees for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.33.11.23, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.33.11.23 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.33.11.23, for its taxation year in which the particular fiscal period ends, in respect of the partnership's eligible training fees, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.33.11.24; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2019, c. 14, s. 317.

1029.8.33.11.28. Where, before 1 January 2025, a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of

subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.33.11.24, its share of the salary or wages considered in the partnership's eligible training fees for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.33.11.23, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.33.11.23 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.33.11.23 for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.33.11.24; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2019, c. 14, s. 317.

1029.8.33.11.29. For the purposes of sections 1029.8.33.11.26 to 1029.8.33.11.28, an amount of assistance is deemed to be repaid by a corporation or a partnership, as the case may be, at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.33.11.24, salary or wages considered in eligible training fees or the share of a corporation that is a member of the partnership of the salary or wages considered in such fees, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.33.11.22 or 1029.8.33.11.23;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership could reasonably expect to receive.

2019, c. 14, s. 317.

DIVISION II.5.2

CREDIT IN RESPECT OF TIP REPORTING

1997, c. 85, s. 253.

1029.8.33.12. In this division,

"eligible employee", in respect of an eligible taxpayer or a qualified partnership, at any time, means an individual to whom section 1019.4 applies and an individual to whom the first paragraph of section 42.12 applies;

"eligible taxpayer", for a taxation year, means a taxpayer who, during that year, is the employer of an individual who performs employment duties for a regulated establishment;

"qualified expenditure" that an eligible taxpayer is required to pay in respect of a taxation year or that a qualified partnership is required to pay in respect of a fiscal period means,

(a) unless provided for in paragraph *b*, an amount paid by the eligible taxpayer or the qualified partnership in respect of an eligible employee in relation to the taxation year or fiscal period, as the case may be, under any of the following provisions:

i. section 59 of the Act respecting parental insurance (chapter A-29.011),

ii. section 39.0.2 of the Act respecting labour standards (chapter N-1.1),

iii. section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5),

iv. section 52 of the Act respecting the Québec Pension Plan (chapter R-9), and

v. section 68 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23);

(a.1) the amount paid, as an assessment, by the eligible taxpayer or the qualified partnership in respect of an eligible employee in relation to the taxation year or fiscal period, as the case may be, pursuant to the Act respecting industrial accidents and occupational diseases (chapter A-3.001); and

(b) an indemnity pertaining to the annual leave as prescribed by the Act respecting labour standards or the compensation in lieu thereof provided for in a contract of employment and earned by an eligible employee of the eligible taxpayer in respect of the taxation year or of the qualified partnership in respect of the fiscal period, as the case may be, and any amount payable by the eligible taxpayer or by the qualified partnership under the provisions mentioned in subparagraphs i and iii to v of paragraph *a* in respect of that indemnity or compensation;

(c) an indemnity pertaining to a statutory holiday as prescribed by the Act respecting labour standards or by the National Holiday Act (chapter F-1.1) or the compensation, in lieu of that indemnity, provided for in a contract of employment and paid to an eligible employee of the eligible taxpayer in respect of the taxation year or of the qualified partnership in respect of the fiscal period, as the case may be;

(d) an indemnity in respect of a family event described in any of sections 80, 81 and 81.1 of the Act respecting labour standards or the compensation, in lieu of that indemnity, provided for in a contract of employment and paid to an eligible employee of the eligible taxpayer in respect of the taxation year or of the qualified partnership in respect of the fiscal period, as the case may be;

(e) an indemnity in respect of the fulfilment of family obligations mentioned in section 79.7 of the Act respecting labour standards or the compensation, in lieu of that indemnity, provided for in a contract of employment and paid to an eligible employee of the eligible taxpayer in respect of the taxation year or of the qualified partnership in respect of the fiscal period, as the case may be; and

(f) an indemnity in respect of health reasons mentioned in section 79.1 of the Act respecting labour standards or the compensation, in lieu of that indemnity, provided for in a contract of employment and paid to an eligible employee of the eligible taxpayer in respect of the taxation year or of the qualified partnership in respect of the fiscal period, as the case may be;

"qualified partnership", for a fiscal period, means a partnership that, during the fiscal period, is the employer of an individual who performs employment duties for a regulated establishment;

"regulated establishment" had the meaning assigned by section 42.6;

"statutory holiday" means one of the following days:

(a) 1 January;

(b) Good Friday or Easter Monday, at the option of the employer;

(c) the Monday preceding 25 May;

(d) 24 June, or 25 June when the 24th falls on a Sunday;

(e) 1 July, or 2 July when the 1st falls on a Sunday;

(f) the first Monday in September;

(g) the second Monday in October; or

(h) 25 December;

"wages" means the income computed pursuant to the provisions of Chapters I and II of Title II of Book III, except for section 43.3.

1997, c. 85, s. 253; 1999, c. 83, s. 186; 1999, c. 89, s. 53; 2000, c. 39, s. 137; 2001, c. 51, s. 104; 2005, c. 38, s. 237; 2006, c. 36, s. 123; 2007, c. 12, s. 146; 2020, c. 16, s. 144.

1029.8.33.13. An eligible taxpayer who, in respect of a taxation year, is required to pay qualified expenditures and who encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file for the year under section 1000, or would be required to file for the year under section 1000 if the taxpayer were not a registered charity and if tax were payable under this Part by the taxpayer, is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer's balance-due day for the taxation year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to 75% of the aggregate of the qualified expenditures determined in respect of the taxpayer for the taxation year in accordance with the third paragraph.

For the purpose of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The qualified expenditure, for a taxation year, to which the first paragraph refers in respect of an eligible taxpayer consists of

(a) the aggregate of all amounts paid under the provisions mentioned in subparagraphs iii and iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed in that calendar year by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or

benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees;

(b) the aggregate of all amounts paid under the provisions mentioned in subparagraphs i and v of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded in that calendar year by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer and to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill;

(c) the amount paid under the provision mentioned in subparagraph ii of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees;

(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for the taxation year by the eligible employees of the eligible taxpayer in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees, and of any amount paid or payable in respect of the taxation year, under the provisions mentioned in subparagraphs i and iii to v of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the taxation year;

(e) the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph *a*.1 of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees;

(f) the aggregate of the indemnities pertaining to a statutory holiday as prescribed by the Act respecting labour standards or by the National Holiday Act (chapter F-1.1) or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the taxation year by the eligible employees of the eligible taxpayer in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees;

(g) the aggregate of the indemnities pertaining to an absence from work for family or parental matters described in any of sections 80, 81 and 81.1 of the Act respecting labour standards or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the taxation year by the eligible employees of the eligible taxpayer in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees

received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees;

(h) the aggregate of the indemnities pertaining to an absence from work to fulfil family obligations referred to in section 79.7 of the Act respecting labour standards and in the second paragraph of section 79.16 of that Act or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the taxation year by the eligible employees of the eligible taxpayer in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees; and

(i) the aggregate of the indemnities pertaining to an absence from work for health reasons referred to in section 79.1 of the Act respecting labour standards and in the second paragraph of section 79.16 of that Act or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the taxation year by the eligible employees of the eligible taxpayer in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees.

For the purposes of subparagraphs *a* to *c* and *e* of the third paragraph, if no calendar year ends in a particular taxation year of a particular eligible taxpayer, no calendar year end coincides with the end of that taxation year and no amount may, but for this paragraph, be deemed to have been paid to the Minister under this division by an eligible taxpayer for a taxation year in relation to the amounts described in those subparagraphs *a* to *c* and *e* that the particular eligible taxpayer has paid in the part of the calendar year that is included in the particular taxation year, that part of a calendar year is deemed to be a calendar year the end of which coincides with the end of that particular taxation year.

1997, c. 85, s. 253; 1999, c. 83, s. 187; 2000, c. 39, s. 138; 2002, c. 40, s. 131; 2003, c. 9, s. 196; 2004, c. 21, s. 298; 2005, c. 38, s. 238; 2006, c. 36, s. 124; 2020, c. 16, s. 145.

1029.8.33.14. Where a qualified partnership is required to pay, in respect of a fiscal period, qualified expenditures, each taxpayer who is a member of the partnership at the end of that fiscal period and who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000, or would be required to file under section 1000 if the taxpayer were not a registered charity and if tax were payable under this Part by the taxpayer for the taxpayer's taxation year in which the partnership's fiscal period ends, is deemed, subject to the third paragraph, to have paid to the Minister on the taxpayer's balance-due day for the taxation year, on account of the taxpayer's tax payable for that year under this Part, the taxpayer's share of an amount equal to 75% of the aggregate of the qualified expenditures determined in respect of the qualified partnership for the fiscal period in accordance with the fourth paragraph.

For the purposes of the first paragraph, a taxpayer's share of an amount is equal to the agreed proportion of the amount in respect of the taxpayer for the qualified partnership's fiscal period that ends in the taxpayer's taxation year.

For the purpose of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for the taxpayer's taxation year in which the fiscal period of the qualified partnership ends, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The qualified expenditure, for a fiscal period, to which the first paragraph refers in respect of a qualified partnership consists of

(a) the aggregate of all amounts paid under the provisions mentioned in subparagraphs iii and iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed in that calendar year by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees;

(b) the aggregate of all amounts paid under the provisions mentioned in subparagraphs i and v of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded in that calendar year by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership and to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill;

(c) the amount paid under the provision mentioned in subparagraph ii of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees;

(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for the fiscal period by the eligible employees of the qualified partnership in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees, and of any amount paid or payable in respect of the fiscal period, under the provisions mentioned in subparagraphs i and iii to v of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the fiscal period;

(e) the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph *a*.1 of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial

accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees;

(f) the aggregate of the indemnities pertaining to a statutory holiday as prescribed by the Act respecting labour standards or by the National Holiday Act (chapter F-1.1) or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the fiscal period by the eligible employees of the qualified partnership in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees;

(g) the aggregate of the indemnities pertaining to an absence from work for family or parental matters described in any of sections 80, 81 and 81.1 of the Act respecting labour standards or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the fiscal period by the eligible employees of the qualified partnership in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees;

(h) the aggregate of the indemnities pertaining to an absence from work to fulfil family obligations referred to in section 79.7 of the Act respecting labour standards and in the second paragraph of section 79.16 of that Act or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the fiscal period by the eligible employees of the qualified partnership in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees; and

(i) the aggregate of the indemnities pertaining to an absence from work for health reasons referred to in section 79.1 of the Act respecting labour standards and in the second paragraph of section 79.16 of that Act or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the fiscal period by the eligible employees of the qualified partnership in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees.

For the purposes of subparagraphs *a* to *c* and *e* of the fourth paragraph, if no calendar year ends in a fiscal period of a qualified partnership, no calendar year end coincides with the end of that fiscal period and no amount may, but for this paragraph, be deemed to have been paid to the Minister under this division by a taxpayer for a taxation year in relation to the amounts described in those subparagraphs *a* to *c* and *e* that the partnership has paid in the part of the calendar year that is included in that fiscal period, that part of a calendar year is deemed to be a calendar year whose end coincides with the end of that fiscal period.

1997, c. 85, s. 253; 1999, c. 83, s. 188; 2000, c. 39, s. 139; 2002, c. 40, s. 132; 2003, c. 9, s. 197; 2004, c. 21, s. 299; 2005, c. 38, s. 239; 2006, c. 36, s. 125; 2009, c. 15, s. 232; 2020, c. 16, s. 146.

1029.8.33.15. *(Repealed).*

1997, c. 85, s. 253; 1998, c. 16, s. 228; 2000, c. 39, s. 140.

1029.8.33.16. For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a taxpayer under section 1029.8.33.13 or 1029.8.33.14, the following rules apply:

(a) the amount of a qualified expenditure determined under any of subparagraphs *a* to *c* of the third paragraph of section 1029.8.33.13 shall be reduced, where applicable, by the amount of any government assistance attributable to the qualified expenditure, that the eligible taxpayer has received, is entitled to receive or may reasonably expect to receive, on or before the eligible taxpayer's filing-due date for that year;

(b) the amount of a qualified expenditure determined under any of subparagraphs *a* to *c* of the fourth paragraph of section 1029.8.33.14 shall be reduced, where applicable, by the amount of any government assistance attributable to the qualified expenditure, that the qualified partnership has received, is entitled to receive or may reasonably expect to receive, on or before a date that is six months after the end of its fiscal period that ends in that year; and

(c) the share of a taxpayer who is a member of a qualified partnership of the aggregate of the qualified expenditure determined in respect of the qualified partnership for its fiscal period ended in that year shall be reduced, where applicable, by the amount of any government assistance attributable to a qualified expenditure of the qualified partnership forming part of that aggregate, that the taxpayer has received, is entitled to receive or may reasonably expect to receive, on or before a date that is six months after the end of that fiscal period of the partnership.

1997, c. 85, s. 253.

1029.8.33.17. Where, at a particular time, an eligible taxpayer or a qualified partnership pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be repayment of government assistance that reduced, pursuant to paragraph *a* or *b* of section 1029.8.33.16, a particular qualified expenditure of the taxpayer or partnership, as the case may be, for the purpose of computing an amount deemed to have been paid to the Minister for a taxation year under section 1029.8.33.13 or 1029.8.33.14, the following rules apply:

(a) the particular amount is deemed, for the purposes of those sections 1029.8.33.13 and 1029.8.33.14, to be a qualified expenditure of the taxpayer or partnership, as the case may be, determined at that particular time; and

(b) the amount that the eligible taxpayer or a taxpayer who is a member of the qualified partnership, as the case may be, is deemed to have paid to the Minister under those sections is deemed

i. to be

(1) where the particular qualified expenditure has been determined in respect of the taxpayer, equal to the amount that, were it not for that assistance, would have been deemed to have been paid to the Minister by the taxpayer under section 1029.8.33.13 in respect of the portion of that qualified expenditure corresponding to the assistance so repaid, or

(2) where the particular qualified expenditure has been determined in respect of the qualified partnership, equal to the amount that, were it not for that assistance and if the taxpayer's share of the income or loss of the partnership were the same as that determined at the end of the fiscal period of the partnership that includes the particular time, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000, would have been deemed to have been paid to the Minister by the taxpayer under section 1029.8.33.14 in respect of the portion of the taxpayer's share of that particular qualified expenditure corresponding to the assistance so repaid, and

ii. paid to the Minister under the same section as the section under which, but for that assistance, the taxpayer would have been deemed to have paid an amount to the Minister in respect of the portion, corresponding to the assistance so repaid, of the particular qualified expenditure determined in the taxpayer's

respect or of the taxpayer's share of the particular qualified expenditure determined in respect of the partnership, as the case may be.

1997, c. 85, s. 253; 2000, c. 39, s. 141; 2001, c. 7, s. 169; 2002, c. 40, s. 133.

1029.8.33.18. Where, at a particular time, a taxpayer who is a member of a qualified partnership pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be repayment of government assistance that reduced, pursuant to paragraph *c* of section 1029.8.33.16, the taxpayer's share of an aggregate of qualified expenditure determined in respect of the partnership for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.33.14, the following rules apply:

(a) the particular amount is deemed, for the purposes of that section 1029.8.33.14, to be the taxpayer's share of a qualified expenditure of the partnership determined at that particular time; and

(b) the amount that the taxpayer is deemed to have paid to the Minister under that section is deemed

i. to be equal to the amount that, were it not for that assistance, would have been deemed to have been paid to the Minister by the taxpayer under section 1029.8.33.14 in respect of the portion of the taxpayer's share of the particular qualified expenditure corresponding to the assistance so repaid, and

ii. to be paid to the Minister under that section 1029.8.33.14.

1997, c. 85, s. 253; 2000, c. 39, s. 142; 2001, c. 7, s. 169; 2002, c. 40, s. 134.

1029.8.33.19. For the purposes of sections 1029.8.33.17 and 1029.8.33.18, an amount of assistance is deemed to be repaid, at a particular time, by an eligible taxpayer or a qualified partnership, as the case may be, pursuant to a legal obligation, where that amount

(a) reduced, because of section 1029.8.33.16, the amount of a qualified expenditure referred to in section 1029.8.33.13 or the share of a taxpayer who is a member of the qualified partnership of an aggregate of qualified expenditure referred to in section 1029.8.33.14, for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under sections 1029.8.33.13 and 1029.8.33.14;

(b) was not received by the eligible taxpayer or qualified partnership; and

(c) ceased, at that particular time, to be an amount that the eligible taxpayer or qualified partnership, as the case may be, may reasonably expect to receive.

1997, c. 85, s. 253; 2001, c. 7, s. 169; 2002, c. 40, s. 135.

DIVISION II.6

CREDIT FOR QUÉBEC FILM PRODUCTIONS

1992, c. 1, s. 177.

§ 1. — *Interpretation and generalities*

1992, c. 1, s. 177.

1029.8.34. In this division,

"computer-aided special effects and animation expenditure" of a corporation for a taxation year in respect of a property that is a Québec film production means

(a) where the corporation is not a qualified corporation for the year, an amount equal to zero; and

(b) in any other case, an amount equal to the amount by which the portion of a labour expenditure of the corporation for the year that is directly attributable to an amount paid for activities connected with computer-aided special effects and animation and carried on in Québec as part of the production of the property and that is indicated, by budgetary item, on a document that the Société de développement des entreprises culturelles encloses with the advance ruling given or the certificate issued to the corporation in relation to the property, exceeds the aggregate of all amounts each of which is the lesser of the particular portion of either the amount described in paragraph *a* of the definition of "labour expenditure" or an amount described in any of subparagraphs i to v of paragraph *b* and i to iv of paragraphs *b*.1 and *b*.2 of that definition, that is included in that portion of the corporation's labour expenditure for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular portion that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular portion that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular portion is the portion of an amount described in any of subparagraphs i to v of paragraph *b* and i to iv of paragraph *b*.1 of the definition of "labour expenditure", the amount of any government assistance and non-government assistance that a person or partnership with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, and that is attributable to services rendered by an individual or to the wages of the person's or partnership's eligible employees that are referred to in that subparagraph and that relate to the particular portion;

"eligible employee" of an individual, a corporation or a partnership means, in respect of a property that is a Québec film production, an individual resident in Québec at any time in the calendar year during which the individual renders services as part of the production of the property;

"eligible online video service" means an online video service that carries other pre-screened or pre-qualified content, is accessible in Québec, has Québec as part of its target audience and is considered to be an acceptable online service for the purposes of Public Notice 2017-01 of the Canadian Audio-Visual Certification Office;

"expenditure for services rendered outside the Montréal area" of a corporation for a taxation year in respect of a property that is a Québec film production means

(a) where the corporation is not a qualified corporation for the year, an amount equal to zero; and

(b) in any other case, an amount equal to the amount by which the portion of a labour expenditure of the corporation for the year that is directly attributable to services rendered in the year in Québec, outside the Montréal area, in relation to a regional production and that is indicated, by budgetary item, on a document that the Société de développement des entreprises culturelles encloses with the advance ruling given or the certificate issued to the corporation in relation to the property, exceeds the aggregate of all amounts each of which is the lesser of the particular portion of either the amount described in paragraph *a* of the definition of "labour expenditure" or an amount described in any of subparagraphs i to v of paragraph *b* and i to iv of paragraphs *b*.1 and *b*.2 of that definition, that is included in that portion of the corporation's labour expenditure for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular portion that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular portion that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of

proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular portion is the portion of an amount described in any of subparagraphs i to v of paragraph *b* and i to iv of paragraph *b*.1 of the definition of "labour expenditure", the amount of any government assistance and non-government assistance that a person or partnership with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, and that is attributable to services rendered by an individual or to the wages of the person's or partnership's eligible employees that are referred to in that subparagraph and that relate to the particular portion;

"labour expenditure" of a corporation for a taxation year in respect of a property that is a Québec film production means, subject to the second paragraph, the aggregate of the following amounts included in the production cost, cost or capital cost, as the case may be, of the property to the corporation:

(a) the salaries or wages directly attributable to the property that are incurred in the year by the corporation and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services rendered in relation to the stages of production of the property, from the script stage to the post-production stage, or in relation to another stage of production of the property that is carried out after the post-production stage within a period that is reasonable to the Minister but that must not extend beyond the date provided for in the fifth paragraph, and that are paid by the corporation to its eligible employees;

(b) the portion of the remuneration, other than salary or wages, that is incurred in the year by the corporation and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that was incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, in relation to the stages of production referred to in paragraph *a* of the property and that is paid by the corporation under a contract for services rendered as part of the production of the property to a person or partnership (in this section referred to as a "first-tier subcontractor") who is

i. an individual, to the extent that that portion of the remuneration is reasonably attributable either to services rendered by the individual personally as part of the production of the property or to the wages of the individual's eligible employees who rendered services as part of the production of the property,

ii. a particular corporation that has an establishment in Québec and that, at the time that portion of the remuneration is incurred, is not a corporation referred to in subparagraph iv, a corporation described in paragraph *a*.2 or *a*.4 of the definition of "qualified corporation" (in this definition referred to as an "excluded corporation"), or a corporation that is not dealing at arm's length with an excluded corporation, to the extent that that portion of the remuneration is reasonably attributable to the wages of the particular corporation's eligible employees who rendered services as part of the production of the property,

iii. despite subparagraph ii, a particular corporation that has an establishment in Québec and that, at the time that portion of the remuneration is incurred, is not dealing at arm's length with an excluded corporation, to the extent that that portion of the remuneration is reasonably attributable to the wages of the particular corporation's eligible employees who rendered services exclusively at the post-production stage of the property,

iv. a corporation that has an establishment in Québec all the issued capital stock of which, except directors' qualifying shares, belongs to an individual and whose activities consist mainly in providing the services of that individual, to the extent that that portion of the remuneration is reasonably attributable to services rendered by the individual as part of the production of the property, or

v. a partnership carrying on a business in Québec, to the extent that that portion of the remuneration is reasonably attributable either to services rendered, as part of the production of the property, by an individual who is a member of the partnership or to the wages of the partnership's eligible employees who rendered services as part of the production of the property;

(b.1*)* 65% of the portion of the remuneration, other than salary or wages, that is incurred in the year by the first-tier subcontractor and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, 65% of the portion of the remuneration that was incurred by the first-tier subcontractor in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, in relation to the stages of production referred to in paragraph *a* of the property and that is paid by the first-tier subcontractor under a contract for services rendered as part of the production of the property to a person or partnership with whom the first-tier subcontractor is dealing at arm's length at the time the contract is entered into (in this section referred to as a "second-tier subcontractor") and who is

i. an individual, to the extent that that portion of the remuneration is reasonably attributable to services rendered as part of the production of the property,

ii. a corporation that has an establishment in Québec and that, at the time that portion of the remuneration is incurred, is not an excluded corporation, or a corporation that is not dealing at arm's length with an excluded corporation, to the extent that that portion of the remuneration is reasonably attributable to services rendered as part of the production of the property,

iii. despite subparagraph ii, a corporation that has an establishment in Québec and that, at the time that portion of the remuneration is incurred, is not dealing at arm's length with an excluded corporation, to the extent that that portion of the remuneration is reasonably attributable to services rendered exclusively at the post-production stage of the property, or

iv. a partnership carrying on a business in Québec, to the extent that that portion of the remuneration is reasonably attributable to services rendered as part of the production of the property;

(b.2*)* 65% of the portion of the remuneration, other than salary or wages, that is incurred in the year by the corporation and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, 65% of the portion of the remuneration that was incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, in relation to the stages of production referred to in paragraph *a* of the property, and that is paid by the corporation under a contract for services rendered as part of the production of the property to a first-tier subcontractor with which the corporation is dealing at arm's length at the time the contract is entered into and who is

i. an individual, to the extent that that portion of the remuneration is reasonably attributable to services rendered as part of the production of the property,

ii. a corporation that has an establishment in Québec and that, at the time that portion of the remuneration is incurred, is not an excluded corporation, or a corporation that is not dealing at arm's length with an excluded corporation, to the extent that that portion of the remuneration is reasonably attributable to services rendered as part of the production of the property,

iii. despite subparagraph ii, a corporation that has an establishment in Québec and that, at the time that portion of the remuneration is incurred, is not dealing at arm's length with an excluded corporation, to the extent that that portion of the remuneration is reasonably attributable to services rendered exclusively at the post-production stage of the property, or

iv. a partnership carrying on a business in Québec, to the extent that that portion of the remuneration is reasonably attributable to services rendered as part of the production of the property; and

(c) where the corporation is a subsidiary wholly-owned corporation of a particular corporation, the reimbursement made by the corporation of an expenditure that was incurred in a particular taxation year by the particular corporation in respect of the property and that would be included in the labour expenditure of the corporation in respect of the property for the particular year because of any of paragraphs *a* to *b*.2 if, where such is the case, the corporation had had such a particular taxation year and if the expenditure had been incurred by the corporation for the same purposes as it was by the particular corporation and had been paid at the same time and to the same person or partnership as it was paid by the particular corporation;

"post-production" of a property means the stage of production of the property that includes all the activities that follow the shooting of the property, in particular transcoding and duplication of the property, digitization, compression and duplication of DVDs and CD-ROMs, video-on-demand encoding, subtitling of films, captioning for persons with a hearing impairment and video description for persons with a visual impairment;

"qualified computer-aided special effects and animation expenditure" of a corporation for a taxation year in respect of a property that is a Québec film production means the lesser of

(a) the amount by which

i. the aggregate of

(1) the computer-aided special effects and animation expenditure of the corporation for the year in respect of the property,

(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in paragraph *b* of the definition of "computer-aided special effects and animation expenditure" in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, up to the product obtained by multiplying the conversion factor determined in respect of the property under the tenth paragraph by the amount of the tax under Part III.1 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i in relation to that assistance, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the corporation's computer-aided special effects and animation expenditure or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is the corporation's qualified computer-aided special effects and animation expenditure in respect of the property, for a taxation year before the end of which an application for an advance ruling or, in the absence of such an application, an application for a certificate was filed in respect of that property with the Société de développement des entreprises culturelles and which precedes the year, exceeds the product obtained by multiplying the conversion factor determined in respect of the property under the tenth paragraph by the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 for a year preceding the year because of subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, in relation to assistance referred to in subparagraph ii, exceeds

ii. the aggregate of

(1) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that that amount has not, pursuant to subparagraph i of paragraph *b* of the definition of "computer-aided special effects and animation expenditure", reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year,

(2) the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is

attributable to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, pursuant to subparagraph ii of paragraph *b* of the definition of "computer-aided special effects and animation expenditure", reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year, and

(3) the amount of any government assistance and non-government assistance that a person or partnership described in paragraph *b* or *b*.1 of the definition of "labour expenditure" and with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that is attributable to services rendered by an individual or to the wages of the person's or partnership's eligible employees that relate to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of that property, to the extent that the amount has not, under subparagraph iii of paragraph *b* of the definition of "computer-aided special effects and animation expenditure", reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year; and

(b) the amount by which

i. 50% of the amount by which the production costs directly attributable to the production of the property, other than an amount included in the production cost, cost or capital cost of the property to another corporation that is a qualified corporation, incurred by the corporation before the end of the year in respect of the property until the post-production stage or within a longer period that is reasonable to the Minister but that may not exceed the date provided for in the fifth paragraph, and paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, exceeds

ii. the amount by which the aggregate of all amounts each of which is the corporation's qualified computer-aided special effects and animation expenditure in respect of the property, for a taxation year before the end of which an application for an advance ruling or, in the absence of such an application, an application for a certificate was filed in respect of that property with the Société de développement des entreprises culturelles and which precedes the year, exceeds the product obtained by multiplying the conversion factor determined in respect of the property under the tenth paragraph by the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 in respect of the property for a taxation year preceding the year;

"qualified corporation", in respect of a taxation year, means a corporation that, in the year, has an establishment in Québec and carries on there a Québec film or television production business that is a qualified business, but does not include

(a) a corporation that, at any time in the year or during the 24 months preceding the year, is controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Québec;

(a.1*)* a corporation that, at any time in the year or during the 24 months preceding the year, would be controlled by a particular person, if each share of the capital stock of a corporation owned by a person not resident in Québec were owned by that particular person;

(a.2) a corporation that is the holder of a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission;

(a.3) a corporation that, at any time in the year or during the 24 months preceding the year, is not dealing at arm's length with another corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission unless the corporation holds, for that year, a qualification certificate issued by the Société de développement des entreprises culturelles for the purposes of this division;

(a.4) a corporation that, at any time in the year or during the 24 months preceding the year, is an eligible online video service provider;

(a.5) a corporation that, at any time in the year or during the 24 months preceding the year, is not dealing at arm's length with another corporation that is an eligible online video service provider, unless the corporation holds, for that year, a qualification certificate issued by the Société de développement des entreprises culturelles for the purposes of this division; or

(b) (paragraph repealed);

(c) a corporation that, in accordance with Book VIII, is exempt from tax for the year under this Part or that would be but for section 192;

(d) (paragraph repealed);

(e) (paragraph repealed);

"qualified expenditure for services rendered outside the Montréal area" of a corporation for a taxation year in respect of a property that is a Québec film production means the lesser of

(a) the amount by which

i. the aggregate of

(1) the corporation's expenditure for services rendered outside the Montréal area for the year in respect of the property,

(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in paragraph *b* of the definition of "expenditure for services rendered outside the Montréal area" in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, up to the product obtained by multiplying the conversion factor determined in respect of the property under the ninth paragraph by the amount of the tax under Part III.1 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i in relation to that assistance, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the corporation's expenditure for services rendered outside the Montréal area or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is the corporation's qualified expenditure for services rendered outside the Montréal area in respect of the property, for a taxation year before the end of which an application for an advance ruling or, in the absence of such an application, an application for a certificate was filed in respect of that property with the Société de développement des entreprises culturelles and which precedes the year, exceeds the product obtained by multiplying the conversion factor determined in respect of the property under the ninth paragraph by the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 for a year preceding the year because of subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, in relation to assistance referred to in subparagraph ii, exceeds

ii. the aggregate of

(1) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to an expenditure for services rendered outside the Montréal area of the corporation for a taxation year preceding the year in respect of the property, to the extent that that amount has not, pursuant to subparagraph i of paragraph *b* of the definition of "expenditure for services rendered outside the Montréal area", reduced the amount of that expenditure for services rendered outside the Montréal area of the corporation for that preceding year,

(2) the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to an expenditure for services rendered outside the Montréal area of the corporation for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, pursuant to subparagraph ii of paragraph *b* of the definition of "expenditure for services rendered outside the Montréal area", reduced the amount of that expenditure for services rendered outside the Montréal area of the corporation for that preceding year, and

(3) the amount of any government assistance and non-government assistance that a person or partnership described in paragraph *b* or *b*.1 of the definition of "labour expenditure" and with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that is attributable to services rendered by an individual or to the wages of the person's or partnership's eligible employees that relate to an expenditure for services rendered outside the Montréal area of the corporation for a taxation year preceding the year in respect of that property, to the extent that the amount has not, under subparagraph iii of paragraph *b* of the definition of "expenditure for services rendered outside the Montréal area", reduced the amount of that expenditure for services rendered outside the Montréal area of the corporation for that preceding year; and

(b) the amount by which

i. 50% of the amount by which the production costs directly attributable to the production of the property, other than an amount included in the production cost, cost or capital cost of the property to another corporation that is a qualified corporation, incurred by the corporation before the end of the year in respect of the property until the post-production stage or within a longer period that is reasonable to the Minister but that may not exceed the date provided for in the fifth paragraph, and paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, exceeds

ii. the amount by which the aggregate of all amounts each of which is the corporation's qualified expenditure for services rendered outside the Montréal area in respect of the property, for a taxation year before the end of which an application for an advance ruling or, in the absence of such an application, an application for a certificate was filed in respect of that property with the Société de développement des entreprises culturelles and which precedes the year, exceeds the product obtained by multiplying the conversion factor determined in respect of the property under the ninth paragraph by the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 in respect of the property for a taxation year preceding the year;

"qualified labour expenditure" of a corporation for a taxation year in respect of a property that is a Québec film production means the lesser of the following amounts:

(a) the amount by which

i. the aggregate of

(1) the labour expenditure of the corporation for the year in respect of the property,

(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in subparagraph *e* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, up to the product obtained by multiplying the conversion factor determined in respect of the property under the twelfth paragraph by the tax under Part III.1 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i in relation to that assistance, and

(2.1) *(subparagraph repealed),*

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the labour expenditure of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is a qualified labour expenditure of the corporation in respect of the property, for a taxation year that precedes the year, exceeds the product obtained by multiplying the conversion factor determined in respect of the property under the twelfth paragraph by the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 for a taxation year preceding the year by reason of subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, in relation to assistance referred to in subparagraph ii, exceeds

ii. the aggregate of

(1) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that that amount has not, by virtue of subparagraph i of subparagraph *e* of the second paragraph, reduced the amount of that labour expenditure of the corporation for that preceding year,

(2) the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, by virtue of subparagraph ii of subparagraph *e* of the second paragraph, reduced the amount of that labour expenditure for that preceding year, and

(3) the amount of any government assistance and non-government assistance that a person or partnership described in paragraph *b* or *b*.1 of the definition of "labour expenditure" and with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an individual or to the wages of the person's or partnership's eligible employees, to the extent that the amount has not, under subparagraph iii of subparagraph *e* of the second paragraph, reduced the amount of the labour expenditure of the corporation for that preceding year in respect of the property; and

(b) the amount by which

i. 50% of the amount by which the production costs directly attributable to the production of the property, other than an amount included in the production cost, cost or capital cost of the property to another corporation that is a qualified corporation, incurred by the corporation before the end of the year in respect of the property until the post-production stage or within a longer period that is reasonable to the Minister but that may not exceed the date provided for in the fifth paragraph, and paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, exceeds

ii. the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the property, for a taxation year before the end of which an application for an advance ruling or, in the absence of such an application, an application for a certificate was filed in respect of that property with the Société de développement des entreprises culturelles and which precedes the year, exceeds the product obtained by multiplying the conversion factor determined in respect of the property under the twelfth paragraph by the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 in respect of the property for a taxation year preceding the year;

"Québec film production" means a motion picture film, a video tape or a set of episodes or broadcasts that are part of a series in respect of which the Société de développement des entreprises culturelles gave a favourable advance ruling or issued a certificate for the purposes of this division;

"regional corporation", in relation to a taxation year, means a qualified corporation in respect of which the Société de développement des entreprises culturelle issues, for the year, a certificate certifying that the corporation is a regional corporation for the purposes of subparagraph *a*.1 of the first paragraph of section 1029.8.35;

"regional production" means a Québec film production in respect of which the Société de développement des entreprises culturelles certifies, on the favourable advance ruling given or the certificate issued to a corporation in respect of the production, that the production qualifies for the purposes of subparagraph *a*.1 of the first paragraph of section 1029.8.35;

"salary or wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

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

(a) for the purposes of paragraph *a* of the said definition, the salaries or wages directly attributable to a property are, where an employee directly undertakes, supervises or supports the production of the property, that portion of the salaries or wages, paid to or on behalf of that employee, that may reasonably be considered to be related to the production of the property;

(b) remuneration, including a salary or wages, includes neither an expenditure included in the production cost of a property to a corporation and consisting of an amount otherwise included in the cost or capital cost of the property to another corporation that is a qualified corporation nor, for greater certainty, remuneration based on the profits or revenues derived from the operation of a property or an expenditure as remuneration that is, or may reasonably be considered to be, incurred by a corporation, as a mandatary, on behalf of another person;

(b.1*)* remuneration, including a salary or wages, does not include remuneration paid for services rendered by a person who, in the opinion of the Société de développement des entreprises culturelles as indicated in the advance ruling given or the certificate issued in relation to property, assumes the role of the main character in the production of the property that is a docu-soap;

(c) an amount may be included in the amount established under paragraph *b* of that definition in respect of an employee referred to in any of subparagraphs i, ii and v of that paragraph *b* or an individual referred to in subparagraph iv or v of that paragraph *b* only if that employee or individual is a party to the contract entered into between the employee's or the individual's employer, the corporation referred to in that subparagraph iv of which the employee or the individual is a shareholder or the partnership of which the employee or the individual is a member, as the case may be, and the corporation in respect of which that definition applies, under which the employee or the individual, as the case may be, undertakes to personally render services as part of the production of the property referred to in that definition;

(c.1*)* the amount included by a particular corporation in computing its labour expenditure for a taxation year under paragraph *b*.1 or *b*.2 of that definition, in relation to the portion of the remuneration incurred in respect of a property under a particular contract referred to in that paragraph, must be reduced by the aggregate of

i. the aggregate of all amounts each of which is the salaries or wages paid by a person or partnership who is a subcontractor party to the particular contract or a subcontract that arises from it, to the person's or partnership's employee who is not an eligible employee, unless the salaries or wages are paid

(1) to an employee of the first-tier subcontractor, where the particular contract is referred to in paragraph *b*.1 of that definition,

(2) by a corporation or partnership that does not have an establishment in Québec or does not carry on a business in Québec, for services rendered as part of the production of the property,

(3) by a corporation that has an establishment in Québec and that, at the time that portion of the remuneration is incurred, is described in paragraph *a*.2 or *a*.4 of the definition of "qualified corporation" (in this subparagraph *c*.1 referred to as an "excluded corporation"), for services rendered as part of the production of the property, or

(4) by a corporation that has an establishment in Québec and that, at the time that portion of the remuneration is incurred, is not dealing at arm's length with an excluded corporation for services rendered at a stage of production of the property that is not the post-production stage,

ii. the aggregate of all amounts each of which is equal to 65% of the portion of the remuneration paid to a corporation that is a party to a subcontract arising from the particular contract and that does not have an establishment in Québec for services rendered as part of the production of the property,

iii. the aggregate of all amounts each of which is equal to 65% of the portion of the remuneration paid to a partnership that is a party to a subcontract arising from the particular contract and that does not carry on a business in Québec for services rendered as part of the production of the property,

iv. the aggregate of all amounts each of which is equal to 65% of the portion of the remuneration paid to a corporation that has an establishment in Québec, that is a party to a subcontract arising from the particular contract and that, at the time that portion of the remuneration is incurred, is an excluded corporation, for services rendered as part of the production of the property, and

v. the aggregate of all amounts each of which is equal to 65% of the portion of the remuneration paid to a corporation that has an establishment in Québec, that is a party to a subcontract arising from the particular contract and that, at the time that portion of the remuneration is incurred, is not dealing at arm's length with a corporation that is an excluded corporation, for services rendered at a stage of production of the property that is not the post-production stage;

(c.2) a corporation that has entered into a contract (in this subparagraph referred to as an "initial contract") with a first-tier subcontractor for the provision of services as part of the production of a property may not, in computing its labour expenditure for a taxation year in respect of the property under paragraph *b* or *b*.1 of that definition, include an amount in relation to the portion of the remuneration that the corporation pays under the initial contract to the first-tier subcontractor and to the portion of any remuneration the first-tier subcontractor pays to a second-tier subcontractor for services rendered as part of the production of the property if, in relation to the portion of the remuneration the corporation pays under the initial contract to the first-tier subcontractor, it includes an amount in computing its labour expenditure for any taxation year in respect of the property under paragraph *b*.2 of that definition;

(d) (subparagraph repealed);

(d.1) (subparagraph repealed);

(d.2) (subparagraph repealed);

(e) the amount of the labour expenditure of a corporation for a taxation year in respect of a property is to be reduced, if applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds to the salaries or wages described in paragraph *a* of that definition, or to the amount referred to in any of subparagraphs i to v of paragraph *b* and i to iv of paragraphs *b*.1 and *b*.2 of that definition, that are included in that labour expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular amount that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the amount referred to in any of subparagraphs i to v of paragraph *b* and i to iv of paragraphs *b*.1 and *b*.2 of that definition, the amount of any government assistance and non-government assistance that a person or partnership with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an individual or to the wages of the eligible employees of the person or partnership referred to in that subparagraph; and

(f) where, for a taxation year, a corporation is not a qualified corporation, its labour expenditure for the year in respect of a property is deemed nil.

For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definitions of "qualified computer-aided special effects and animation expenditure", "qualified expenditure for services rendered outside the Montréal area" and "qualified labour expenditure" in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing an amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.35,

i. a qualified computer-aided special effects and animation expenditure of the corporation, because of subparagraph ii of paragraph *a* of the definition of "qualified computer-aided special effects and animation expenditure" in the first paragraph,

i.1. a qualified expenditure for services rendered outside the Montréal area of the corporation, because of subparagraph ii of paragraph *a* of the definition of "qualified expenditure for services rendered outside the Montréal area" in the first paragraph,

i.2. an expenditure for services rendered outside the Montréal area of the corporation, because of paragraph *b* of the definition of "expenditure for services rendered outside the Montréal area" in the first paragraph,

ii. a labour expenditure of the corporation, because of subparagraph *e* of the second paragraph,

iii. a qualified labour expenditure of the corporation, because of subparagraph ii of paragraph *a* of the definition of "qualified labour expenditure" in the first paragraph, or

iv. a computer-aided special effects and animation expenditure of the corporation, because of paragraph *b* of the definition of "computer-aided special effects and animation expenditure" in the first paragraph;

(b) was not received by the corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.

For the purposes of paragraph *b* of the definitions of "qualified computer-aided special effects and animation expenditure", "qualified expenditure for services rendered outside the Montréal area" and "qualified labour expenditure" in the first paragraph, the following rules apply:

(a) (paragraph repealed);

(b) production costs directly attributable to the production of property that is a Québec film production include the portion of the cost of acquisition of a particular property, owned by the corporation and used by it as part of the production of the property, that is the portion of the depreciation of that particular property, for a taxation year, determined in accordance with the generally accepted accounting principles, relating to the use of that particular property by the corporation in the year, as part of the production of the property; and

(c) the amount of an advantage attributable to production costs includes the portion of the proceeds of disposition for a corporation of a particular property used by it as part of the production of property that is a Québec film production that relates to the portion of the cost of acquisition of that particular property that is already included in the production costs of the property up to the amount of the portion of the cost of acquisition of the particular property that is already included in the production costs of the property.

For the purposes of the definitions of "labour expenditure", "qualified computer-aided special effects and animation expenditure", "qualified expenditure for services rendered outside the Montréal area" and "qualified labour expenditure" in the first paragraph, the following rules apply:

(a) the date to which those definitions refer is the date that is 18 months after the end of the corporation's fiscal period that includes the date of recording of the first trial composite of the property or, in the case of a series, the date of recording of the last first trial composite of an episode or broadcast that is part of the series; and

(b) an expenditure that would, but for this subparagraph, be a labour expenditure of a corporation for a particular taxation year in respect of a property that is a Québec film production or would constitute production costs directly attributable to the production of such a property, such expenditure being otherwise incurred in the particular year, and that is outstanding at the particular time the corporation first files with the Minister the prescribed form containing prescribed information provided for in the first paragraph of section 1029.8.35 for that particular year, in respect of the property, or, in the absence of such filing with the Minister, on the corporation's filing-due date for that particular year, is deemed not to be incurred in the particular year and to be incurred in a subsequent taxation year if that expenditure is paid in that subsequent year and after the particular time or after that filing-due date, as the case may be, or in the taxation year that immediately

follows that subsequent year and before the time the corporation first files with the Minister that prescribed form for that subsequent year, in respect of the property.

For the purposes of the definitions of "qualified expenditure for services rendered outside the Montréal area" and "expenditure for services rendered outside the Montréal area" in the first paragraph, the Montréal area means the portion of the territory of Québec that is situated within 25 kilometres, by the shortest normally used road suitable for motor vehicles, from any point of the circumference of a circle having a radius of 25 kilometres the centre of which is the Papineau subway station.

For the purposes of paragraph *b* of the definition of "computer-aided special effects and animation expenditure" in the first paragraph, subparagraph i of paragraph *b* of the definition of "labour expenditure" in that first paragraph is to be read as if "if the individual is resident in Québec at any time in the calendar year in which the individual rendered those services" was inserted after "individual personally".

For the purposes of subparagraph *b* of the second paragraph, remuneration based on the profits and revenues derived from the operation of a property that is a Québec film production does not include remuneration included in the production cost, cost or capital cost, as the case may be, of the property to a corporation if that remuneration

(a) is determined in particular on the basis of the area contemplated for the distribution or broadcasting of the property; and

(b) (subparagraph repealed);

(c) may not be reimbursed if the property is not operated as first anticipated.

For the purpose of determining the qualified expenditure for services rendered outside the Montréal area of a corporation in respect of a property for a taxation year, the conversion factor applicable to the property is the factor determined by the formula

1 / A.

For the purpose of determining the qualified computer-aided special effects and animation expenditure of a corporation in respect of a property for a taxation year, the conversion factor applicable to the property is the factor determined by the formula

1 / B.

For the purpose of determining the qualified labour expenditure of a corporation for a taxation year that ends after 31 December 2008 in respect of a property for which an application for an advance ruling or, in the absence of such an application, an application for a qualification certificate is filed with the Société de développement des entreprises culturelles on or before 4 June 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was sufficiently advanced on that date, on or before 31 August 2014, the amount of a labour expenditure incurred by the corporation in respect of the property before 1 January 2009 is to be multiplied by

(a) 39.375/45, if subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.35 applies in respect of the property; and

(b) 29.1667/35, if subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.35 applies in respect of the property.

For the purpose of determining the qualified labour expenditure of a corporation in respect of a property for a taxation year, the conversion factor applicable to the property is the factor determined by the formula

1 / (C + D).

In the formulas in the ninth, tenth and twelfth paragraphs,

(a) A is the percentage applicable to the amount of the qualified expenditure for services rendered outside the Montréal area for a taxation year in respect of the property that was used to determine the amount deemed to be paid in respect of the property for that year under subparagraph *a*.1 of the first paragraph of section 1029.8.35;

(b) B is the percentage applicable to the amount of the qualified computer-aided special effects and animation expenditure for a taxation year in respect of the property that was used to determine the amount deemed to be paid in respect of the property for that year under subparagraph *b* of the first paragraph of section 1029.8.35;

(c) C is the percentage applicable to the amount of the qualified labour expenditure for a taxation year in respect of the property that was used to determine the amount deemed to be paid in respect of the property for that year under subparagraph *a* of the first paragraph of section 1029.8.35; and

(d) D is the percentage applicable to the amount of the qualified labour expenditure for a taxation year in respect of the property that was used to determine the amount deemed to be paid in respect of the property for that year under subparagraph *c* of the first paragraph of section 1029.8.35.

1992, c. 1, s. 177; 1993, c. 19, s. 122; 1993, c. 64, s. 167; 1994, c. 22, s. 321; 1995, c. 63, s. 174; 1996, c. 39, s. 273; 1997, c. 3, s. 61; 1997, c. 14, s. 219; 1997, c. 31, s. 143; 1997, c. 85, s. 254; 1999, c. 83, s. 189; 2000, c. 5, s. 255; 2000, c. 39, s. 143; 2001, c. 7, s. 144; 2001, c. 51, s. 105; 2002, c. 9, s. 56; 2003, c. 9, s. 198; 2004, c. 21, s. 300; 2005, c. 1, s. 230; 2005, c. 23, s. 153; 2005, c. 38, s. 240; 2006, c. 13, s. 112; 2006, c. 36, s. 126; 2007, c. 12, s. 147; 2009, c. 15, s. 233; 2010, c. 5, s. 142; 2010, c. 25, s. 125; 2011, c. 1, s. 61; 2011, c. 6, s. 186; 2011, c. 34, s. 73; 2013, c. 10, s. 104; 2015, c. 21, s. 412; 2015, c. 24, s. 135; 2015, c. 36, s. 101; 2019, c. 14, s. 318.

1029.8.34.1. Despite Chapter IV of Title II of Book I, where, at any time in a taxation year that ends before 1 March 2014 or begins after 26 March 2015, a particular corporation would, but for this paragraph, be related to another corporation that is described in paragraph *a*.2 or *a*.4 of the definition of "qualified corporation" in the first paragraph of section 1029.8.34 (in this section and section 1029.8.34.2 referred to as the "excluded corporation") as a consequence of the particular corporation and the excluded corporation being controlled at that time by a specified entity, within the meaning of section 1029.8.34.3, no right referred to in paragraph *b* of section 20 that is held by the specified entity in relation to shares of the capital stock of the particular corporation and the excluded corporation is to be taken into account at that time, for the purpose of determining whether the particular corporation is, at that time, not dealing at arm's length with the excluded corporation for the purposes of the following provisions:

(a) subparagraphs ii and iii of paragraphs *b* to *b*.2 of the definition of "labour expenditure" in the first paragraph of section 1029.8.34;

(b) paragraphs *a*.3 and *a*.5 of the definition of "qualified corporation" in the first paragraph of section 1029.8.34; and

(c) subparagraph 4 of subparagraph i of subparagraph *c*.1 of the second paragraph of section 1029.8.34.

Despite Chapter IV of Title II of Book I, where, at any time, a particular corporation would, but for this paragraph, be deemed to be related to an excluded corporation under subsection 2 of section 19 as a consequence of the particular corporation and the excluded corporation being related at that time to the same corporation (in this paragraph referred to as the "third corporation"), no right referred to in paragraph *b* of section 20 that is held by a specified entity in relation to shares of the capital stock of the particular corporation, the excluded corporation and the third corporation is to be taken into account at that time, for the purpose of determining whether the particular corporation is, at that time, not dealing at arm's length with the excluded corporation for the purposes of the provisions referred to in subparagraphs *a* to *c* of the first paragraph.

2015, c. 21, s. 413; 2015, c. 36, s. 102; 2019, c. 14, s. 319.

1029.8.34.2. Despite Chapter IV of Title II of Book I, where, at any time in a taxation year that ends before 1 March 2014 or begins after 26 March 2015, a particular corporation would, but for this paragraph, be related to an excluded corporation as a consequence of the particular corporation and the excluded corporation being controlled at that time by the same group of persons that includes one or more specified entities, within the meaning of section 1029.8.34.3, neither the shares of the capital stock of the particular corporation and the excluded corporation owned by any specified entity that is a member of that group, nor any right referred to in paragraph *b* of section 20 that is held by any specified entity that is a member of that group in relation to shares of the capital stock of the particular corporation and the excluded corporation is to be taken into account at that time, for the purpose of determining whether the particular corporation is, at that time, not dealing at arm's length with the excluded corporation for the purposes of the following provisions:

(a) subparagraphs ii and iii of paragraphs *b* to *b*.2 of the definition of "labour expenditure" in the first paragraph of section 1029.8.34;

(b) paragraphs *a*.3 and *a*.5 of the definition of "qualified corporation" in the first paragraph of section 1029.8.34; and

(c) subparagraph 4 of subparagraph i of subparagraph *c*.1 of the second paragraph of section 1029.8.34.

However, the first paragraph does not apply where a specified entity is a member at a particular time of a group of persons that controls several corporations, including the particular corporation and the excluded corporation, and where, at that time, the specified entity acts in concert with one or more members of that group to control those corporations.

2015, c. 21, s. 413; 2015, c. 36, s. 103; 2019, c. 14, s. 320.

1029.8.34.3. In sections 1029.8.34.1 and 1029.8.34.2, "specified entity" means

(a) the Caisse de dépôt et placement du Québec;

(b) Capital régional et coopératif Desjardins;

(c) the Financière des entreprises culturelles;

(d) Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi;

(e) the Fonds Capital Culture Québec;

(f) the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ);

(g) the Fonds d'investissement de la culture et des communications;

(h) Investissement Québec;

(i) the Société de développement des entreprises culturelles; or

(j) a corporation all the issued capital stock of which, except directors' qualifying shares, belongs to one or more entities described in any of paragraphs *a* to *i* or in this paragraph.

2015, c. 21, s. 413; 2024, c. 11, s. 103.

§ 2. — *Credit*

1992, c. 1, s. 177.

1029.8.35. A corporation that encloses with the fiscal return it is required to file for a taxation year under section 1000 the prescribed form containing prescribed information, a copy of the favourable advance ruling given or certificate issued by the Société de développement des entreprises culturelles in respect of a property that is a Québec film production and a copy of the qualification certificate referred to in paragraph *a*.3 of the definition of "qualified corporation" in the first paragraph of section 1029.8.34, if applicable, is deemed, subject to the second paragraph and sections 1029.8.35.1 to 1029.8.35.3, where the application for an advance ruling has been filed or, in the absence of such an application, where the application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of

(a) the amount obtained by multiplying,

i. where the property is a property in respect of which the Société de développement des entreprises culturelles has issued a certificate for the purposes of this division to the effect that the property qualifies for the increase applicable to certain French-language productions or to giant-screen films, the amount of the corporation's qualified labour expenditure for the year in respect of the property by,

(1) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 31 August 2014 and before 27 March 2015 or, if the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 4 June 2014, after that date and before 27 March 2015, or where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 26 March 2015, if the favourable advance ruling given and the certificate issued in relation to the property specify that the property is a film adapted from a foreign format, 36%,

(1.1) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 26 March 2015, if the favourable advance ruling given and the certificate issued in relation to the property do not specify that the property is a film adapted from a foreign format, 40%, or

(2) in other cases, 39.375% if the taxation year ends before 1 January 2009, or 45% if it ends after 31 December 2008, or

ii. where the property is a property in respect of which the Société de développement des entreprises culturelles has not issued the certificate referred to in subparagraph i, the amount of the corporation's qualified labour expenditure for the year in respect of the property by,

(1) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 31 August 2014 and before 27 March 2015 or, if the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 4 June 2014, after that date and before 27 March 2015, or where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises

culturelles in respect of the property after 26 March 2015, if the favourable advance ruling given and the certificate issued in relation to the property specify that the property is a film adapted from a foreign format, 28%,

(1.1) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 26 March 2015, if the favourable advance ruling given and the certificate issued in relation to the property do not specify that the property is a film adapted from a foreign format, 32%, or

(2) in other cases, 29.1667% if the taxation year ends before 1 January 2009, or 35% if it ends after 31 December 2008;

*(a.*1*)* where the corporation encloses with the fiscal return it is required to file for the year a copy of the valid certificate issued to it for the year by the Société de développement des entreprises culturelles certifying that it qualifies for the year as a regional corporation, and a copy of the document enclosed with the advance ruling given or the certificate issued in relation to the property and respecting the amount of the corporation's expenditure for services rendered outside the Montréal area in respect of the property, the amount obtained by multiplying,

i. where subparagraph i of subparagraph *a* applies in respect of the property, the amount of the corporation's qualified expenditure for services rendered outside the Montréal area for the year in respect of the property by,

(1) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 28 March 2017, 10%,

(2) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property before 29 March 2017 and after 31 August 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 4 June 2014, after that date, 8%, or

(3) in any other case, 9.1875% if the taxation year ends before 1 January 2009, or 10% if it ends after 31 December 2008, or

ii. where subparagraph ii of subparagraph *a* applies in respect of the property, the amount of the corporation's qualified expenditure for services rendered outside the Montréal area for the year in respect of the property by,

(1) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 28 March 2017, 20%,

(2) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property before 29 March 2017 and after 31 August 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 4 June 2014, after that date, 16%, or

(3) in any other case, 19.3958% if the taxation year ends before 1 January 2009, or 20% if it ends after 31 December 2008;

(b) where the corporation encloses with the fiscal return it is required to file for the year a copy of the document that is enclosed with the advance ruling given or the certificate issued in relation to the property concerning the amount of the corporation's computer-aided special effects and animation expenditure in respect of the property, and the property is a property referred to in subparagraph ii of subparagraph *a*, the

amount obtained by multiplying the corporation's computer-aided special effects and animation expenditure for the year in respect of the property by,

i. where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 28 March 2017, 10%,

ii. where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property before 29 March 2017 and after 31 August 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 4 June 2014, after that date, 8%, or

iii. in any other case,

(1) if an amount included in computing the corporation's qualified computer-aided special effects and animation expenditure for the year in respect of the property was incurred before 1 January 2009, 10.2083%, or

(2) if subparagraph 1 does not apply, 10%; and

(c) one of the following amounts:

i. where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 28 March 2017, and where the corporation encloses with the fiscal return it is required to file for the year a copy of the valid certificate issued to it by the Société de développement des entreprises culturelles in respect of the property certifying that the property qualifies for the tax credit enhancement determined by reference to public financial assistance, the amount obtained by multiplying its qualified labour expenditure by the rate determined by the formula

$16\% \times [(32\% - A)/32\%]$, or

ii. where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property before 29 March 2017, and where the corporation encloses with the fiscal return it is required to file for the year a copy of the valid certificate issued to it by the Société de développement des entreprises culturelles in respect of the property certifying that the property qualifies for the tax credit enhancement applicable to certain productions that do not receive an amount of financial assistance granted by a public body and that none of the amounts of assistance referred to in subparagraphs ii to viii.8 of subparagraph *c* of the second paragraph of section 1029.6.0.0.1 is granted for the production of the property,

(1) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 31 August 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 4 June 2014, after that date, 8% of the corporation's qualified labour expenditure for the year in respect of the property, or

(2) in any other case, 10% of the portion of its qualified labour expenditure for the year in respect of the property that may reasonably be considered to be attributable to a labour expenditure incurred after 31 December 2008 in respect of the property.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

However, this section does not apply

(a) in respect of a property, where, as a consequence of agreements entered into as part of the financing of the production of the property or as a consequence of a series of transactions or events related to such financing, an individual resident in Québec at the end of a taxation year or a partnership any member of which, at the end of its fiscal period ending in a taxation year, is such an individual at the end of that year or such a partnership, may deduct, under section 130 or 130.1, an amount in respect of the property or any part thereof in computing his or its income from a business or property for such a taxation year or fiscal period, as the case may be; or

(b) in respect of a qualified expenditure for services rendered outside the Montréal area, a qualified computer-aided special effects and animation expenditure or a qualified labour expenditure of a corporation for a particular taxation year or a subsequent taxation year in respect of a property all or any part of which, in circumstances other than those described in subparagraph *a* and on or before the earlier of the first day on which the property is used for commercial purposes and the first anniversary of the day on which the main filming or taping was completed, was acquired by an individual resident in Québec at the end of any taxation year of that individual or by a partnership any member of which, at the end of any of the partnership's fiscal periods, is such an individual at the end of the individual's taxation year in which the fiscal period ends or such a partnership, where,

i. in the case where the particular year and, where such is the case, the fiscal period of the partnership end in the individual's taxation year, the individual, or the partnership, may deduct, under section 130 or 130.1, an amount in respect of the property or that part thereof in computing his or its income from a business or property for that taxation year or that fiscal period, as the case may be, and

ii. in other cases, it may reasonably be expected, on or before the person's or the partnership's filing-due date for the particular year, that the individual, or the partnership, is entitled to deduct, under section 130 or 130.1, an amount in respect of the property or that part thereof in computing his or its income from a business or property for a taxation year subsequent to that in which the particular year ends or for a fiscal period following that in which the particular year ends, as the case may be.

In the formula in subparagraph i of subparagraph *c* of the first paragraph, A is the proportion that the aggregate of all amounts each of which is the amount of financial assistance granted for the production of the property and referred to in any of subparagraphs ii to viii.8 of subparagraph *c* of the second paragraph of section 1029.6.0.0.1 is of the aggregate of the production costs attributable to the production of the property that would be referred to in subparagraph i of paragraph *b* of the definition of "qualified labour expenditure"

in the first paragraph of section 1029.8.34 if that subparagraph i were read as if "incurred by the corporation before the end of the year" were replaced by "incurred by the corporation".

1992, c. 1, s. 177; 1993, c. 19, s. 123; 1993, c. 64, s. 168; 1994, c. 21, s. 50; 1995, c. 63, s. 175; 1997, c. 3, s. 71; 1997, c. 14, s. 220; 1997, c. 14, s. 375; 1997, c. 31, s. 115; 1997, c. 85, s. 255; 1999, c. 83, s. 190; 2000, c. 39, s. 144; 2001, c. 51, s. 106; 2002, c. 9, s. 57; 2002, c. 40, s. 136; 2003, c. 9, s. 199; 2004, c. 21, s. 301; 2005, c. 23, s. 154; 2005, c. 38, s. 241; 2007, c. 12, s. 148; 2010, c. 5, s. 143; 2010, c. 25, s. 126; 2011, c. 1, s. 62; 2012, c. 8, s. 190; 2015, c. 21, s. 414; 2015, c. 24, s. 136; 2015, c. 36, s. 104; 2017, c. 1, s. 274; 2019, c. 14, s. 321; 2021, c. 14, s. 131; 2024, c. 11, s. 104.

1029.8.35.0.1. *(Repealed).*

1999, c. 83, s. 191; 2000, c. 39, s. 145; 2001, c. 51, s. 107; 2002, c. 9, s. 58; 2012, c. 8, s. 191.

1029.8.35.1. The amount that a corporation is deemed to have paid to the Minister, under section 1029.8.35, on account of its tax payable under this Part for a taxation year that ends before 1 January 2009 in respect of a property must not exceed the amount by which $2,187,500 exceeds the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under that section in respect of the property for a preceding taxation year exceeds the aggregate of all amounts each of which is an amount that the corporation is required to pay under section 1129.2 in respect of the property for a preceding taxation year.

For the purposes of the first paragraph, where the property is co-produced by the corporation and one or more other qualified corporations, the amount of $2,187,500 is replaced by the amount obtained by applying to $2,187,500 the corporation's share, expressed as a percentage, of the production costs in relation to the production of the property that is specified in the favourable advance ruling given or the certificate issued, as the case may be, by the Société de développement des entreprises culturelles in respect of the property.

1997, c. 85, s. 256; 1999, c. 83, s. 192; 2001, c. 51, s. 108; 2002, c. 9, s. 59; 2004, c. 21, s. 302; 2005, c. 23, s. 155; 2010, c. 5, s. 144; 2010, c. 25, s. 127.

1029.8.35.1.1. For the purposes of subparagraph *a* of the first paragraph of section 1029.8.35 in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 2 December 2014, but before 1 January 2017, the qualified labour expenditure of a corporation for a particular taxation year in respect of the property is deemed to be equal to 102/100 of the qualified labour expenditure otherwise determined.

2015, c. 24, s. 137.

1029.8.35.2. *(Repealed).*

1997, c. 85, s. 256; 1999, c. 83, s. 193; 2001, c. 51, s. 109; 2003, c. 9, s. 200; 2004, c. 21, s. 303; 2005, c. 23, s. 156; 2009, c. 15, s. 234; 2010, c. 5, s. 145; 2010, c. 25, s. 128.

1029.8.35.3. The amount that a corporation is deemed to have paid to the Minister, under section 1029.8.35, on account of its tax payable for a taxation year under this Part in respect of property, must not exceed the amount obtained by multiplying the amount of the qualified labour expenditure for the year in respect of the property by

(a) where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 28 March 2017,

i. if the favourable advance ruling given and the certificate issued in relation to the property specify that the property is a film adapted from a foreign format, 62%, or

ii. if the favourable advance ruling given and the certificate issued in relation to the property do not specify that the property is a film adapted from a foreign format, 66%;

(a.0.1*)* where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 31 August 2014 and before 27 March 2015 or, if the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 4 June 2014, after that date and before 27 March 2015, or where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 26 March 2015 and before 29 March 2017, if the favourable advance ruling given and the certificate issued in relation to the property specify that the property is a film adapted from a foreign format, 52%;

(a.1*)* where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 26 March 2015 and before 29 March 2017, if the favourable advance ruling given and the certificate issued in relation to the property do not specify that the property is a film adapted from a foreign format, 56%; or

(b) in other cases,

i. 48.5625%, if the taxation year ends before 1 January 2009, or

ii. 65%, if the taxation year ends after 31 December 2008.

2001, c. 51, s. 110; 2004, c. 21, s. 304; 2010, c. 5, s. 146; 2010, c. 25, s. 129; 2015, c. 21, s. 415; 2015, c. 24, s. 138; 2015, c. 36, s. 105; 2019, c. 14, s. 322; 2024, c. 11, s. 105.

1029.8.36. For the purposes of this Part, the amount that a corporation is deemed, under section 1029.8.35, to have paid to the Minister for a taxation year in respect of a property that is a Québec film production, shall reduce for that year the production cost, cost or capital cost, as the case may be, of the property to it, to the extent that the amount can reasonably be attributable to such production cost, cost or capital cost, as the case may be.

1992, c. 1, s. 177; 1993, c. 19, s. 124; 1995, c. 63, s. 176; 1997, c. 3, s. 71.

DIVISION II.6.0.0.1

CREDIT FOR FILM DUBBING

1999, c. 83, s. 194.

1029.8.36.0.0.1. In this division,

"eligible dubbing service" in relation to the production of a property that is a qualified production means

(a) where the property is a feature film for theatres, any of the following services:

i. the performance of actors,

ii. adaptation, that is, translation of dialogue,

iii. detection, that is, writing of synchronized dialogue, using conventional signs, of all the dialogue and mouth movements of all the characters of the original version,

iv. calligraphy/grid/typing, that is, recopying the adapted text, taking into account the synchronization indications from detection, to be read by the actors during the recording of the dubbed version,

v. stage management, that is, directing the actors during the recording,

v.1. the audition, that is, the test session intended to establish the dubbing cast,

v.2. the preparation of texts, that is, the work relating to computer-assisted detection including the preparation and formatting of the original text according to the standards of the detection software used, preparation of markers, verification and correction of adapted texts,

vi. the production of film titles, that is, the photography on neutral backgrounds of opening and closing credits and, as the case may be, of subtitles, to produce the negative of the titles for the dubbed version, to be used for the production of distribution copies, and

vii. optical transfer, that is, recording of the sound on a negative to be matched with the negative of the picture to produce distribution copies for theatres; and

(b) in any other case, any of the following services:

i. a service referred to in any of subparagraphs i to v.2 of paragraph *a*, or

ii. the production of video titles for a version in a language other than the original language, that is, the marking and adaptation of the text for subtitles, preparation of the electronic title files, their computer graphic production and their incorporation in the video montage and, in that respect, titles include subtitles, inter-titles, supers and credits and video includes any medium other than celluloid film;

"film dubbing expenditure" of a corporation for a taxation year in respect of the production of a property that is a qualified production means, subject to the second paragraph, the aggregate of

(a) the salaries or wages directly attributable to the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for the certificate, to the extent that they relate to eligible dubbing services rendered in Québec before the completion date of the dubbed master copy of the property or after that date within a period that is reasonable to the Minister but that must not extend beyond the date that is 18 months after the end of the corporation's fiscal period that includes the completion date of the dubbed master copy, and that are paid by the corporation to its employees resident in Québec at any time in the calendar year in which they rendered the eligible dubbing services; and

(b) the consideration that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the consideration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for the certificate, to the extent that they relate to eligible dubbing services rendered in Québec before the completion date of the dubbed master copy of the property or after that date within a period that is reasonable to the Minister but that must not extend beyond the date that is 18 months after the end of the corporation's fiscal period that includes the completion date of the dubbed master copy, by an individual resident in Québec at any time in the calendar year in which the individual renders the eligible dubbing services or by a corporation or partnership having an establishment in Québec, other than an employee of the corporation, as part of the production of the property and that is paid by the corporation;

"qualified corporation" for a taxation year means a corporation that, in the year, has an establishment in Québec and carries on therein a business that consists in the rendering of dubbing services and that is a qualified business, but does not include

(a) (subparagraph repealed);

(b) a corporation that is exempt from tax for the year under Book VIII; or

(c) a corporation that would be exempt from tax for the year under section 985 but for section 192;

(d) (subparagraph repealed);

"qualified film dubbing expenditure" of a corporation for a taxation year in respect of the production of a property that is a qualified production means, where the taxation year begins after 27 March 2018, the amount referred to in paragraph a and, in any other case, the lesser of

(a) the amount by which

i. the aggregate of

(1) the film dubbing expenditure of the corporation for the year in respect of the production of the property,

(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the production of the property, in subparagraph ii or in subparagraph *d* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the production of the property, the film dubbing expenditure of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is the qualified film dubbing expenditure of the corporation in respect of the production of the property, for a taxation year preceding the year, exceeds 20/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.1 for a year preceding the year by reason of subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.2, in relation to assistance referred to in subparagraph ii, exceeds

ii. the aggregate of

(1) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a film dubbing expenditure of the corporation for a taxation year preceding the year in respect of the production of the property, to the extent that the amount has not, under subparagraph i of subparagraph *d* of the second paragraph, reduced the film dubbing expenditure of the corporation for that preceding year, and

(2) the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to a film dubbing expenditure of the corporation for a taxation year preceding the year in respect of the production of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, under subparagraph ii of subparagraph *d* of the second paragraph, reduced the amount of the film dubbing expenditure of the corporation for that preceding year; and

(3) the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that, for a taxation year preceding the year in respect of the production of the property, is attributable to eligible dubbing services rendered by the person or partnership that are referred to in paragraph *b* of the definition of "film dubbing expenditure", to the extent that the amount has not, under subparagraph iii of subparagraph *d* of the second paragraph, reduced the film dubbing expenditure of the corporation for that preceding year in respect of the property; and

(b) the amount by which

i. 45% of the consideration paid to the qualified corporation in the year or a preceding taxation year for the performance of the dubbing contract in relation to the production of the property, exceeds

ii. the amount by which the aggregate of all amounts each of which is the qualified film dubbing expenditure of the corporation in respect of the production of the property, for a taxation year preceding the

year, exceeds 20/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.1 for a taxation year preceding the year in respect of the production of the property;

"qualified production" for a taxation year of a corporation means the dubbed version of a production in respect of which the Société de développement des entreprises culturelles certifies, on the certificate it issues to the corporation in respect of the dubbed version, that the dubbed version qualifies for the purposes of this division;

"salary or wages" means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of "film dubbing expenditure" in the first paragraph, the following rules apply:

(a) for the purposes of paragraph *b* of that definition, the portion of the consideration paid by the corporation to a person or partnership with whom or with which the corporation was not dealing at arm's length at the time the person or partnership undertook to provide eligible dubbing services as part of the production of the property shall not exceed the fair market value of the eligible dubbing services rendered in Québec by the person or partnership as part of the production of the property;

(b) for the purposes of paragraph *b* of that definition, the portion of the consideration paid by the corporation for the provision of a service referred to in subparagraph vi of paragraph *a* of the definition of "eligible dubbing service" in the first paragraph is deemed to be equal to 30% of that portion of the consideration, and that portion of the consideration paid by the corporation for the provision of a service referred to in subparagraph vii of that paragraph *a* is deemed to be equal to 20% of that portion of the consideration;

(c) for the purposes of paragraph *b* of that definition, the consideration paid by the corporation for the provision of eligible dubbing services shall not include the portion of that consideration that is the Québec sales tax or the goods and services tax in respect of those services;

(c.1) (subparagraph repealed);

(d) the amount of the film dubbing expenditure of a corporation for a taxation year in respect of the production of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds either to the salaries or wages described in paragraph *a* of that definition or to the consideration or the portion of the consideration described in paragraph *b* of that definition, that are included in that film dubbing expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular amount that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the consideration or the portion of the consideration described in paragraph *b* of that definition, the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to eligible dubbing services rendered in Québec by that person or partnership referred to in that paragraph; and

(e) where, for a taxation year, a corporation is not a qualified corporation, its film dubbing expenditure for the year in respect of the production of a property is deemed to be nil.

For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of "qualified film dubbing expenditure" in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of the production of a property that is a qualified production, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.2, in respect of the production of the property,

i. because of subparagraph *d* of the second paragraph, a film dubbing expenditure of the corporation in respect of the production of the property, or

ii. because of subparagraph ii of paragraph *a* of the definition of "qualified film dubbing expenditure" in the first paragraph, a qualified film dubbing expenditure of the corporation in respect of the production of the property;

(b) was not received by the corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.

For the purposes of subparagraph i of paragraph *b* of the definition of "qualified film dubbing expenditure" in the first paragraph, the following rules apply:

(a) the consideration paid for the performance of a dubbing contract to the qualified corporation by a taxpayer with whom the corporation was not dealing at arm's length at the time the contract was entered into shall not exceed the fair market value of the services rendered by the qualified corporation for the performance of the dubbing contract; and

(b) the consideration paid for the performance of a dubbing contract to the qualified corporation shall not include the portion of that consideration that is the Québec sales tax or the goods and services tax in respect of that contract.

For the purposes of the definition of "qualified film dubbing expenditure" in the first paragraph, the following rules apply:

(a) the definition is to be read as if

i. "20/7" were replaced wherever it appears by "25/7", in the case of a production referred to in subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.0.0.2,

ii. "20/7" were replaced wherever it appears by "10/3", in the case of a production referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.0.0.2, and

iii. "20/7" were replaced wherever it appears by "100/29.1667", in the case of a production referred to in subparagraph *b* of the first paragraph of section 1029.8.36.0.0.2; and

(b) an expenditure that would, but for this subparagraph, be a film dubbing expenditure of a corporation for a particular taxation year in respect of the production of a property, such expenditure being otherwise incurred in the particular year, and that is outstanding at the particular time the corporation first files with the Minister the prescribed form containing prescribed information provided for in the first paragraph of section 1029.8.36.0.0.2 for that particular year, in respect of the production of the property, or, in the absence of such filing with the Minister, on the corporation's filing-due date for that particular year, is deemed not to be incurred in that particular year and to be incurred in a subsequent taxation year if that expenditure is paid in that subsequent year and after the particular time or after that filing-due date, as the case may be, or in the

taxation year that immediately follows that subsequent year and before the time the corporation first files with the Minister that prescribed form for that subsequent year, in respect of the production of the property.

1999, c. 83, s. 194; 2000, c. 5, s. 256; 2001, c. 7, s. 169; 2001, c. 51, s. 228; 2002, c. 9, s. 60; 2003, c. 9, s. 201; 2004, c. 21, s. 305; 2005, c. 1, s. 231; 2006, c. 13, s. 113; 2006, c. 36, s. 127; 2007, c. 12, s. 149; 2010, c. 5, s. 147; 2011, c. 1, s. 63; 2013, c. 10, s. 105; 2015, c. 21, s. 416; 2015, c. 36, s. 106; 2019, c. 14, s. 323.

1029.8.36.0.0.2. A corporation that encloses with the fiscal return it is required to file for a taxation year under section 1000 a copy of the valid certificate issued to it by the Société de développement des entreprises culturelles specifying that the dubbed version of a production is a qualified production for the purposes of this division and the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, if the application for a certificate has been filed in respect of the production with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to

(a) in the case of a production for which an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 March 2010,

i. 35% of its qualified film dubbing expenditure for the year in respect of the production of that qualified production, if the dubbing is completed either before 1 September 2014 or after 26 March 2015, or

ii. 28% of its qualified film dubbing expenditure for the year in respect of the production of that qualified production, if the dubbing is completed after 31 August 2014 and before 27 March 2015;

(a.1) in the case of a production for which an application for a certificate is filed with the Société de développement des entreprises culturelles after 19 March 2009 and before 31 March 2010, 30% of its qualified film dubbing expenditure for the year in respect of the production of that qualified production; and

(b) in any other case, 29.1667% of its qualified film dubbing expenditure for the year in respect of the production of that qualified production.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

1999, c. 83, s. 194; 2003, c. 9, s. 202; 2004, c. 21, s. 306; 2007, c. 12, s. 150; 2010, c. 5, s. 148; 2011, c. 1, s. 64; 2015, c. 21, s. 417; 2015, c. 36, s. 107.

1029.8.36.0.0.3. *(Repealed).*

1999, c. 83, s. 194; 2004, c. 21, s. 307; 2012, c. 8, s. 192.

DIVISION II.6.0.0.2

FILM PRODUCTION SERVICES CREDIT

1999, c. 83, s. 194.

1029.8.36.0.0.4. In this division,

"computer-aided special effects and animation expenditure" of a corporation for a taxation year in respect of a property that is a qualified production or a qualified low-budget production means

(a) where the corporation is not a qualified corporation for the year, an amount equal to zero; and

(b) in any other case, an amount equal to the amount by which the portion of a labour expenditure of the corporation for the year that is directly attributable to an amount paid for activities connected with computer-aided special effects and animation and carried on as part of the production of the property and that is specified, by budgetary item, on a document that the Société de développement des entreprises culturelles encloses with the favourable advance ruling given to the corporation in relation to the property, exceeds the aggregate of all amounts each of which is the lesser of the particular portion of either the amount described in paragraph *a* of the definition of "labour expenditure" or an amount described in any of subparagraphs i to iv of paragraph *b* of that definition, that is included in that portion of the corporation's labour expenditure for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular portion that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular portion that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular portion is the portion of an amount described in any of subparagraphs i to iv of paragraph *b* of the definition of "labour expenditure", the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in that subparagraph and that relate to the particular portion;

"eligible employee" of an individual, a corporation or a partnership means, in respect of a property that is a qualified production or a qualified low-budget production, an employee resident in Québec at any time in the calendar year in which the employee renders, as part of the production of the property, services referred to in paragraph *a* of the definition of "labour expenditure" or in any of subparagraphs i, ii and iv of paragraph *b* of that definition;

"eligible individual" means, in respect of a property that is a qualified production, an individual resident in Québec at any time in the calendar year in which the individual renders, as part of the production of the property, services referred to in paragraph *a* of the definition of "labour expenditure" or in any of subparagraphs i, ii and iv of paragraph *b* of that definition;

"eligible production costs" to a corporation for a taxation year, in respect of a property that is a qualified production, means the amount by which the amount determined in the fifth paragraph in respect of the property for the year is exceeded by the aggregate of

(a) the production costs to the corporation for the year in respect of the property;

(b) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph *c* of the third paragraph or in the fifth paragraph in respect of a taxation year for which the corporation is a qualified corporation; and

(c) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the production costs to the corporation or an amount determined under paragraph *b*, exceeds the amount by which the aggregate of all amounts each of which is the eligible production costs to the corporation in respect of the property, for a taxation year before the end of which an application for an advance ruling has been filed in respect of the property with the Société de développement des entreprises culturelles and that precedes the year, exceeds 500% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.2 for a taxation year preceding the year by reason of subparagraph i.1 of subparagraph *b* of the first paragraph of section 1129.4.0.6, in relation to assistance referred to in the fifth paragraph;

"excluded corporation" for a taxation year means a corporation that

(a) (subparagraph repealed);

(b) is exempt from tax for the year under Book VIII;

(c) is controlled, directly or indirectly in any manner whatever, by one or more corporations exempt from tax under Book VIII at any time in the year and whose mission is cultural;

(d) (subparagraph repealed);

(e) is holding a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission; or

(f) is not, at any time in the year or during the 24 months preceding the year, dealing at arm's length with another corporation holding a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission unless the corporation holds, for that year, a qualification certificate issued by the Société de développement des entreprises culturelles for the purposes of this division;

"excluded production" means a Québec film production, within the meaning of the first paragraph of section 1029.8.34, in respect of which an amount is deemed to have been paid to the Minister under Division II.6;

"labour cost attributable to computer-aided special effects and animation" of a corporation for a taxation year, in respect of a property that is a qualified production, means

(a) where the corporation is not a qualified corporation for the year, an amount equal to zero; and

(b) in any other case, an amount equal to the amount by which the aggregate of all amounts each of which is the portion (in this paragraph referred to as the "particular portion") of an amount described in any of paragraphs *a* to *c* of the definition of "production costs" that is included in the corporation's production costs for the year in respect of the property, that is directly attributable to an amount paid for activities connected with computer-aided special effects and animation and carried on as part of the production of the property and that is specified, by budgetary item, on a document that the Société de développement des entreprises culturelles encloses with the favourable advance ruling given to the corporation in relation to the property, exceeds the aggregate of all amounts each of which is the lesser of the particular portion and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular portion that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular portion that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular portion relates to the portion of the cost of a contract or to other costs described in paragraph *c* of the definition of "production costs", the amount of any government assistance and non-government assistance that another person or a partnership with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered in Québec as part of the production of the property by the other person or the partnership under the contract;

"labour expenditure" of a corporation for a taxation year in respect of a property that is a qualified production means, subject to the second paragraph, the aggregate of

(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling, to the extent that they relate to services rendered in Québec in relation to the stages of production of the property, from the script stage to the post-production stage, or in relation to another stage of production of the property that is carried out after the post-production stage within a period that is reasonable to the Minister but that must not extend beyond the date that is 18 months after the end of the corporation's fiscal period that includes the taping date of the first trial composite of the property, and that are paid by the corporation to its eligible employees at the time when the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.5 for that taxation year;

(b) the portion of the remuneration, other than salary or wages, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that was incurred by the corporation in a year preceding the year in which the corporation filed the application for the advance ruling, that is directly attributable to the production of the property and that relates to services rendered in Québec during the year to the corporation, in relation to the stages of production of the property referred to in paragraph *a*, and that is paid by the corporation at the time when the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.5 for that taxation year,

i. to an eligible individual, to the extent that that portion of the remuneration is reasonably attributable either to services personally rendered in Québec by the eligible individual as part of the production of the property or to the wages of the individual's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property,

ii. to a particular corporation having an establishment in Québec, other than a corporation referred to in subparagraph iii, a corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission or a corporation that is not dealing at arm's length with a corporation holding such a licence, to the extent that that portion of the remuneration is reasonably attributable to the wages of the particular corporation's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property,

iii. to a corporation having an establishment in Québec all the issued capital stock of which, except directors' qualifying shares, belongs to an eligible individual and the activities of which consist principally in the provision of the eligible individual's services, to the extent that that portion of the remuneration is reasonably attributable to services rendered in Québec by the eligible individual as part of the production of the property, or

iv. to a partnership carrying on a business in Québec and having an establishment in Québec, to the extent that that portion of the remuneration is reasonably attributable either to services rendered in Québec, as part of the production of the property, by an eligible individual who is a member of the partnership, or to the wages of the partnership's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property; and

(c) where the corporation is a subsidiary wholly-owned corporation of a particular corporation, the reimbursement made by the corporation of an expenditure that was incurred in a particular taxation year by

the particular corporation in respect of the property and that would be included in the labour expenditure of the corporation in respect of the property for the particular year because of paragraph *a* or *b* if, where such is the case, the corporation had had such a particular taxation year and if the expenditure had been incurred by the corporation for the same purposes as it was by the particular corporation and had been paid to the same person or partnership as it was paid by the particular corporation;

"post-production" of a property means the stage of production of the property that includes all the activities that follow the shooting of the property, in particular transcoding and duplication of the property, digitization, compression and duplication of DVDs and CD-ROMs, video-on-demand encoding, subtitling of films, captioning for persons with a hearing impairment and video description for persons with a visual impairment;

"production costs" to a corporation for a taxation year, in respect of a property that is a qualified production, means, subject to the third paragraph, the aggregate of

(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling, that are incurred by the corporation in a year preceding that year, to the extent that they relate to services rendered in Québec in relation to the stages of production of the property, from the script stage to the post-production stage, or in relation to another stage of production of the property that is carried out after the post-production stage within a period that is reasonable to the Minister but that must not extend beyond the date that is 18 months after the end of the corporation's fiscal period that includes the taping date of the first trial composite of the property;

(b) the employer's contributions and other employment-related costs established under an Act of Québec or of Canada that the corporation is required to pay for the year and, if applicable, a year preceding that year, in respect of salaries or wages referred to in paragraph *a*, except the contribution provided for in section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5);

(c) the portion of the cost of a contract and the other costs related to the contract that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling, that are incurred by the corporation in a year preceding that year, that are directly attributable to the production of the property, to the extent that that portion and the other costs relate to services rendered in Québec to the corporation in relation to the stages of production of the property that are referred to in paragraph *a*, except the costs related to the financing of the property;

(d) the cost that is incurred by the corporation in the year in respect of the acquisition, rental or leasing, in Québec, of a particular property that is a corporeal property, including software, and, where the year is the taxation year in which the corporation files an application for an advance ruling, that is incurred by the corporation in that respect in a year preceding that year, that is directly attributable to the production of the property, to the extent that

i. the cost relates to the use of the particular property in Québec in relation to the stages of production of the property that are referred to in paragraph *a*, and

ii. the cost is incurred with

(1) an individual who is resident in Québec at the time the particular property is acquired, rented or leased as part of the production of the property, or

(2) a corporation or partnership that is carrying on a business in Québec and has an establishment in Québec at the time the particular property is acquired, rented or leased as part of the production of the property;

(d.1) the travel expenses that are incurred by the corporation in the year in relation to the stages of production of the property that are referred to in paragraph *a* and, where the year is the taxation year in which the corporation files an application for an advance ruling, that are incurred by the corporation in that respect in a year preceding that year, that are directly attributable to the production of the property, if any of the following conditions is met in respect of those expenses:

i. the point of departure and the point of arrival are situated in Québec, and

ii. if either the point of departure or the point of arrival is situated in Québec, the expenses are incurred with a travel agent who is an individual resident in Québec at the time the travel agent services are rendered, or who is a corporation or partnership that carries on a business in Québec and has an establishment in Québec at that time;

(d.2) the expenses that are incurred by the corporation in the year with the Société de développement des entreprises culturelles in relation to the issue of a certificate by the Société de développement des entreprises culturelles in respect of the property for the purposes of this division;

(d.3) the cost that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling, that is incurred by the corporation in a year preceding that year, in respect of an insurance contract or a performance bond contract, that is directly attributable to the production of the property, to the extent that

i. the contract is entered into in relation to the stages of production of the property that are referred to in paragraph *a*, and

ii. the issuer of the contract carries on a business in Québec and has an establishment in Québec at the time the contract is entered into; and

(e) where the corporation is a subsidiary wholly-owned corporation of a particular corporation, the reimbursement made by the corporation of an expenditure that was incurred in a particular taxation year by the particular corporation in respect of the property and that would be included in the production costs to the corporation in respect of the property for the particular year because of any of paragraphs *a* to *d.3* if, where such is the case, the corporation had had such a particular taxation year and if the expenditure had been incurred by the corporation for the same purposes as it was by the particular corporation and had been paid to the same person or partnership as it was paid by the particular corporation;

"qualified computer-aided special effects and animation expenditure" of a corporation for a taxation year in respect of a property that is a qualified production or a qualified low-budget production means the amount by which

(a) the aggregate of

i. the computer-aided special effects and animation expenditure of the corporation for the year in respect of the property,

ii. any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in paragraph *b* or in paragraph *b* of the definition of "computer-aided special effects and animation expenditure" in respect of a taxation year for which the corporation is a qualified corporation, and

iii. the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the computer-aided special effects and animation expenditure of the corporation or an amount determined under subparagraph ii, exceeds the amount by which the aggregate of all amounts each of which is the qualified computer-aided special effects and animation expenditure of the corporation in respect of the property, for a taxation year before the end of which an application for an advance ruling has been filed in respect of the property with the Société de développement des entreprises culturelles and which precedes the year, exceeds 625% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.2 for a year preceding the year by reason of subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.6, in relation to assistance referred to in paragraph *b*; exceeds

(b) the aggregate of

i. the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that that amount has

not, pursuant to subparagraph i of paragraph *b* of the definition of "computer-aided special effects and animation expenditure", reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year,

ii. the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, pursuant to subparagraph ii of paragraph *b* of the definition of "computer-aided special effects and animation expenditure", reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year, and

iii. the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of "labour expenditure" and that relate to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of that property, to the extent that the amount has not, under subparagraph iii of paragraph *b* of the definition of "computer-aided special effects and animation expenditure", reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year;

"qualified corporation" for a taxation year in respect of a property that is a qualified production or a qualified low-budget production means a corporation, other than an excluded corporation, that, in the year, has an establishment in Québec and the activities of which consist principally in the carrying on in Québec of a film or television production business, or a film or television production services business, that is a qualified business, and in respect of which the Société de développement des entreprises culturelles issues a certificate for the purposes of this definition as part of the favourable advance ruling it gives in respect of the property;

"qualified labour cost attributable to computer-aided special effects and animation" of a corporation for a taxation year, in respect of a property that is a qualified production, means the amount by which the amount described in the fourth paragraph in respect of the property for the year is exceeded by the aggregate of

(a) the corporation's labour cost attributable to computer-aided special effects and animation for the year in respect of the property;

(b) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in paragraph *b* of the definition of "labour cost attributable to computer-aided special effects and animation" or in the fourth paragraph in respect of a taxation year for which the corporation is a qualified corporation; and

(c) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the corporation's labour cost attributable to computer-aided special effects and animation or an amount determined under paragraph *b*, exceeds the amount by which the aggregate of all amounts each of which is the corporation's qualified labour cost attributable to computer-aided special effects and animation in respect of the property, for a taxation year before the end of which an application for an advance ruling has been filed in respect of the property with the Société de développement des entreprises culturelles and which precedes the year, exceeds 625% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.2 for a year preceding the year by reason of subparagraph i.1 of subparagraph *b* of the first paragraph of section 1129.4.0.6, in relation to assistance referred to in the fourth paragraph;

"qualified labour expenditure" of a corporation for a taxation year in respect of a property that is a qualified production means the amount by which

(a) the aggregate of

i. the labour expenditure of the corporation for the year in respect of the property,

ii. any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in paragraph *b* or in subparagraph *d* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, and

iii. the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the labour expenditure of the corporation or an amount determined under subparagraph ii, exceeds the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the property, for a taxation year before the end of which an application for an advance ruling has been filed in respect of the property with the Société de développement des entreprises culturelles and which precedes the year, exceeds 100/11, 500% or 400%, as the case may be, of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.2 for a taxation year preceding the year by reason of subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.6, in relation to assistance referred to in paragraph *b*; exceeds

(b) the aggregate of

i. the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, by virtue of subparagraph i of subparagraph *d* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year,

ii. the amount of any reimbursement of an expenditure made to the corporation by a subsidiary wholly-owned corporation of the corporation where that subsidiary includes, by virtue of paragraph *c* of the definition of "labour expenditure", that amount in its labour expenditure for a taxation year in respect of a property that is a qualified production,

iii. the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, by virtue of subparagraph ii of paragraph *d* of the second paragraph, reduced the amount of that labour expenditure of the corporation for that preceding year, and

iv. the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of "labour expenditure", to the extent that the amount has not, under subparagraph iii of subparagraph *d* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year in respect of the property;

"qualified low-budget production" for a taxation year means a property that is a production, other than a qualified production or an excluded production, in respect of which an application for an approval certificate was filed with the Société de développement des entreprises culturelles before 29 March 2017 and in respect of which the Société de développement des entreprises culturelles certifies, on the approval certificate it issues to a corporation in respect of the production, that the production is recognized as a qualified low-budget production for the purposes of this division;

"qualified production" for a taxation year means a property that is a production, other than a qualified low-budget production or an excluded production, in respect of which the Société de développement des entreprises culturelles certifies, on the approval certificate it issues to a corporation in respect of the production, that the production is recognized as a qualified production for the purposes of this division;

"salary or wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of "labour expenditure" in the first paragraph, the following rules apply:

(a) for the purposes of paragraph *a* of that definition, the salaries or wages directly attributable to a property that is a qualified production are, where an eligible employee directly undertakes, supervises or supports the production of the property, the portion of the salaries or wages paid to or on behalf of the employee that may reasonably be considered to relate to the production of the property;

(b) remuneration, including a salary or wages, does not include remuneration determined by reference to profits or revenues derived from the operation of a property or an expenditure as remuneration that is, or may reasonably be considered to be, incurred by a corporation, as a mandatary, on behalf of another person;

(c) (subparagraph repealed);

(d) the amount of the labour expenditure of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds either to the salaries or wages described in paragraph *a* of that definition or to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, that are included in that labour expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular amount that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in that subparagraph;

(e) the labour expenditure of a corporation for a taxation year in respect of a property shall not include an amount that is not included in the production cost to the corporation of the property or that relates to advertising, marketing, promotion or market research, or an amount related in any way to another property;

(f) where, for a taxation year, a corporation is not a qualified corporation, its labour expenditure for the year in respect of a property is deemed nil; and

(g) the labour expenditure of a corporation for a taxation year in respect of a property is deemed to be nil, where the Société de développement des entreprises culturelles specifies in the favourable advance ruling it gives in respect of the property that the main filming or taping in Québec in respect of the property is carried out after 12 June 2009.

For the purposes of the definition of "production costs" in the first paragraph, the following rules apply:

(a) for the purposes of paragraph *a* of that definition, the salaries or wages directly attributable to a property that is a qualified production are, where an employee directly undertakes, supervises or supports the production of the property, the portion of the salaries or wages that may reasonably be considered to relate to the production of the property;

(b) an amount may not be included in the production costs to a corporation in respect of a property if the amount is remuneration determined by reference to profits or revenues derived from the operation of the property or an expenditure as remuneration that is, or may reasonably be considered to be, incurred by a corporation, as a mandatary, on behalf of another person;

(c) the amount of the production costs to a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of a particular amount that is included in those production costs, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular amount that a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount relates to the portion of the cost of a contract and to other costs described in paragraph *c* of that definition, the amount of any government assistance and non-government assistance that another person or a partnership with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered in Québec as part of the production of the property by the other person or the partnership under the contract;

(d) an amount described in any of paragraphs *a* to *c* of that definition that may reasonably be considered to be attributable to services rendered as part of the production of a property by a person as a producer, author, scriptwriter, director, art director, director of photography, musical director, composer, orchestra conductor, editor, visual effects supervisor, actor in a speaking role or performer, may be included in the production costs to the corporation for a taxation year in respect of the property only if that person is resident in Québec at the time the person renders such services as part of the production of the property;

(e) (subparagraph repealed);

(f) the cost incurred by a corporation in a taxation year in respect of the acquisition of a particular property that is a corporeal property, including software, that is used in Québec by the corporation as part of the production of a property and that is, for the corporation, a depreciable property of a prescribed class is an amount equal to the portion of the depreciation of the particular property for the year, determined in accordance with the generally accepted accounting principles, relating to the use of the particular property by the corporation in that year, as part of the production of the property;

(g) the cost incurred by a corporation in a taxation year in respect of the rental or leasing of a particular property that is a corporeal property, including software, as part of the production of a property corresponds to the portion of that cost that may reasonably be attributed to the use in Québec of the particular property by the corporation in that year as part of the production of the property;

(h) (subparagraph repealed);

(i) the production costs to a corporation for a taxation year in respect of a property must not include an amount that is not included in the production cost of the property or that relates to advertising, marketing, promotion or market research, or an amount related in any way to another property; and

(j) where, for a taxation year, a corporation is not a qualified corporation, its production costs for the year in respect of a property are deemed to be nil.

The amount to which the definition of "qualified labour cost attributable to computer-aided special effects and animation" in the first paragraph refers for the purpose of determining a corporation's qualified labour cost attributable to computer-aided special effects and animation for a taxation year, in respect of a property that is a qualified production, is equal to the aggregate of

(a) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to the corporation's labour cost attributable to computer-aided special effects and animation for a taxation year preceding the year in respect of the property, to the extent that that amount has not, pursuant to subparagraph i of paragraph *b* of the definition of "labour cost attributable to computer-aided special effects and animation" in the first paragraph, reduced the amount of the cost for that preceding year;

(b) the amount of any benefit or advantage that a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to the labour cost attributable to computer-aided special effects and animation for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, pursuant to subparagraph ii of paragraph *b* of the definition of "labour cost attributable to computer-aided special effects and animation" in the first paragraph, reduced the amount of the cost for that preceding year; and

(c) the amount of any government assistance and non-government assistance that another person or a partnership with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to services rendered in Québec by the other person or the partnership as part of the production of the property under a contract referred to in paragraph *c* of the definition of "production costs" in the first paragraph and relating to the corporation's labour cost attributable to computer-aided special effects and animation for a taxation year preceding the year in respect of the property, to the extent that that amount has not, pursuant to subparagraph iii of paragraph *b* of the definition of "labour cost attributable to computer-aided special effects and animation" in the first paragraph, reduced the amount of the cost for that preceding year.

The amount to which the definition of "eligible production costs" in the first paragraph refers for the purpose of determining the amount of those costs to a corporation for a taxation year, in respect of a property that is a qualified production, is equal to the aggregate of

(a) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to production costs to the corporation for a taxation year preceding the year in respect of the property, to the extent that that amount has not, pursuant to subparagraph i of paragraph *b* of the definition of "production costs" in the first paragraph, reduced the amount of those costs for that preceding year;

(b) the amount of any benefit or advantage that a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to the corporation's production costs for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, pursuant to subparagraph ii of paragraph *b* of the definition of "production costs" in the first paragraph, reduced the amount of those costs for that preceding year; and

(c) the amount of any government assistance and non-government assistance that another person or a partnership with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable

to services rendered in Québec as part of the production of the property by the other person or the partnership under a contract referred to in paragraph *c* of the definition of "production costs" in the first paragraph and relating to the corporation's production costs for a taxation year preceding the year in respect of the property, to the extent that that amount has not, pursuant to subparagraph iii of paragraph *b* of that definition, reduced the amount of those costs for that preceding year.

For the purposes of this division, an expenditure that would, but for this paragraph, qualify as a corporation's "production costs" for a particular taxation year in respect of the production of a property, such expenditure being otherwise incurred in the particular year, and that is outstanding at the particular time the corporation first files with the Minister the prescribed form containing prescribed information provided for in the first paragraph of section 1029.8.36.0.0.5 for that particular year, in respect of the property, or, in the absence of such filing with the Minister, on the corporation's filing-due date for that particular year, is deemed not to be incurred in the particular year and to be incurred in a subsequent taxation year if that expenditure is paid in that subsequent year and after the particular time or after that filing-due date, as the case may be, or in the taxation year that immediately follows that subsequent year and before the time the corporation first files with the Minister that prescribed form for that subsequent year, in respect of the property.

For the purposes of subparagraph ii of paragraph *a* of the definitions of "qualified computer-aided special effects and animation expenditure" and "qualified labour expenditure" in the first paragraph and for the purposes of paragraph *b* of the definitions of "eligible production costs" and "qualified labour cost attributable to computer-aided special effects and animation" in that paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is a qualified production or a qualified low-budget production, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.5, in respect of the property,

i. because of paragraph *b* of the definition of "qualified computer-aided special effects and animation expenditure" in the first paragraph, a qualified computer-aided special effects and animation expenditure of the corporation,

ii. because of subparagraph *d* of the second paragraph, a labour expenditure of the corporation in respect of the production of the property,

iii. because of paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph, a qualified labour expenditure of the corporation in respect of the property,

iv. because of paragraph *b* of the definition of "computer-aided special effects and animation expenditure" in the first paragraph, a computer-aided special effects and animation expenditure of the corporation,

v. because of paragraph *b* of the definition of "qualified labour cost attributable to computer-aided special effects and animation" in the first paragraph, the corporation's qualified labour cost attributable to computer-aided special effects and animation in respect of the property,

vi. because of paragraph *b* of the definition of "labour cost attributable to computer-aided special effects and animation" in the first paragraph, the corporation's labour cost attributable to computer-aided special effects and animation in respect of the property,

vii. because of paragraph *b* of the definition of "eligible production costs" in the first paragraph, eligible production costs to the corporation in respect of the property, or

viii. because of subparagraph *c* of the third paragraph, production costs to the corporation in respect of the property;

(b) was not received by the corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.

For the purposes of paragraph *c* of the definition of "excluded corporation" in the first paragraph, a corporation whose mission is cultural does not include a corporation whose mandate consists in making investments.

For the purposes of subparagraph *b* of the second and third paragraphs, remuneration based on the profits and revenues derived from the operation of a property that is a qualified production does not include remuneration that

(a) is determined in particular on the basis of the area contemplated for the distribution or broadcasting of the property;

(b) is incurred totally in connection with the stages of production of the property referred to in paragraph *a* of the definition of "labour expenditure" in the first paragraph; and

(c) may not be reimbursed if the property is not operated as first anticipated.

For the purposes of subparagraph ii of subparagraph *c* of the third paragraph and the fifth paragraph, the amount of an advantage attributable to production costs includes the portion of the proceeds of disposition for a corporation of a particular property used by it as part of the production of a property that is a qualified production that relates to the portion of the cost of acquisition of the particular property that is already included in the production costs of the property up to the portion of the cost of acquisition of the particular property that is already included in the production costs of the property.

For the purpose of determining, for a taxation year, the qualified labour cost attributable to computer-aided special effects and animation, the qualified computer-aided special effects and animation expenditure and the eligible production costs of a corporation in respect of a property for which an application for an approval certificate is filed with the Société de développement des entreprises culturelles on or before 4 June 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was sufficiently advanced on or before 31 August 2014, the following rules apply:

(a) the definitions of "qualified labour cost attributable to computer-aided special effects and animation" and "qualified computer-aided special effects and animation expenditure" in the first paragraph are to be read, in respect of the property, as if "625%" were replaced by "500%"; and

(b) the definition of "eligible production costs" in the first paragraph is to be read, in respect of the property, as if "500%" were replaced by "400%".

1999, c. 83, s. 194; 2000, c. 5, s. 257; 2001, c. 7, s. 145; 2001, c. 51, s. 111; 2002, c. 9, s. 61; 2003, c. 9, s. 203; 2004, c. 21, s. 308; 2005, c. 1, s. 232; 2005, c. 23, s. 157; 2005, c. 38, s. 242; 2006, c. 13, s. 114; 2006, c. 36, s. 128; 2007, c. 12, s. 151; 2009, c. 15, s. 236; 2010, c. 5, s. 149; 2010, c. 25, s. 130; 2011, c. 1, s. 65; 2011, c. 34, s. 74; 2012, c. 8, s. 193; 2013, c. 10, s. 106; 2015, c. 21, s. 418; 2015, c. 36, s. 108; 2019, c. 14, s. 324.

1029.8.36.0.0.4.1. Despite Chapter IV of Title II of Book I, if, at any time in a taxation year that ends before 1 March 2014 or begins after 26 March 2015, a particular corporation would, but for this paragraph, be related to another corporation holding a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission (in this section and section 1029.8.36.0.0.4.2 referred to as the "television broadcaster") as a consequence of the particular corporation and the television broadcaster being controlled at that time by a specified entity, within the meaning of section 1029.8.36.0.0.4.3, no right referred to in paragraph *b* of section 20 that is held by the specified entity in relation to shares of the capital stock of the particular corporation and the television broadcaster is to be taken into account at that time, for the purpose of determining whether the particular corporation

(a) is, at that time, not dealing at arm's length with the television broadcaster for the purposes of subparagraph ii of paragraph *b* of the definition of "labour expenditure" in the first paragraph of section 1029.8.36.0.0.4 and subparagraphs i and ii of subparagraph *e* of the third paragraph of that section; or

(b) is, at that time, related to the television broadcaster for the purposes of paragraph *f* of the definition of "excluded corporation" in the first paragraph of section 1029.8.36.0.0.4.

Despite Chapter IV of Title II of Book I, if, at any time, a particular corporation would, but for this paragraph, be deemed to be related to a television broadcaster under subsection 2 of section 19 as a consequence of the particular corporation and the television broadcaster being related at that time to the same corporation (in this paragraph referred to as the "third corporation"), no right referred to in paragraph *b* of section 20 that is held by a specified entity in relation to shares of the capital stock of the particular corporation, the television broadcaster and the third corporation is to be taken into account at that time, for the purpose of determining whether the particular corporation is, at that time, not dealing at arm's length with the television broadcaster for the purposes of the provisions referred to in subparagraph *a* of the first paragraph, or is, at that time, related to the television broadcaster for the purposes of the provision referred to in subparagraph *b* of the first paragraph.

2015, c. 21, s. 419; 2015, c. 36, s. 109.

1029.8.36.0.0.4.2. Despite Chapter IV of Title II of Book I, if, at any time in a taxation year that ends before 1 March 2014 or begins after 26 March 2015, a particular corporation would, but for this paragraph, be related to a television broadcaster as a consequence of the particular corporation and the television broadcaster being controlled at that time by the same group of persons that includes one or more specified entities, within the meaning of section 1029.8.36.0.0.4.3, neither the shares of the capital stock of the particular corporation and the television broadcaster owned by any specified entity that is a member of that group, nor any right referred to in paragraph *b* of section 20 that is held by any specified entity that is a member of that group in relation to shares of the capital stock of the particular corporation and the television broadcaster is to be taken into account at that time, for the purpose of determining whether the particular corporation

(a) is, at that time, not dealing at arm's length with the television broadcaster for the purposes of subparagraph ii of paragraph *b* of the definition of "labour expenditure" in the first paragraph of section 1029.8.36.0.0.4 and subparagraphs i and ii of subparagraph *e* of the third paragraph of section 1029.8.36.0.0.4; or

(b) is, at that time, related to the television broadcaster for the purposes of paragraph *f* of the definition of "excluded corporation" in the first paragraph of section 1029.8.36.0.0.4.

However, the first paragraph does not apply if a specified entity is a member at a particular time of a group of persons that controls several corporations, including the particular corporation and the television broadcaster, and if, at that time, the specified entity acts in concert with one or more members of that group to control those corporations.

2015, c. 21, s. 419; 2015, c. 36, s. 110.

1029.8.36.0.0.4.3. In sections 1029.8.36.0.0.4.1 and 1029.8.36.0.0.4.2, "specified entity" means

(a) the Caisse de dépôt et placement du Québec;

(b) Capital régional et coopératif Desjardins;

(c) the Financière des entreprises culturelles;

(d) Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi;

(e) the Fonds Capital Culture Québec;

(f) the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ);

(g) the Fonds d'investissement de la culture et des communications;

(h) Investissement Québec;

(i) the Société de développement des entreprises culturelles; or

(j) a corporation all the issued capital stock of which, except directors' qualifying shares, belongs to one or more entities described in any of paragraphs *a* to *i* or in this paragraph.

2015, c. 21, s. 419; 2024, c. 11, s. 106.

1029.8.36.0.0.5. A corporation that encloses with the fiscal return it is required to file for a taxation year under section 1000 the prescribed form containing prescribed information, a copy of the valid favourable advance ruling given by the Société de développement des entreprises culturelles in respect of a property that is a qualified production or a qualified low-budget production and a copy of the qualification certificate referred to in paragraph *f* of the definition of "excluded corporation" in the first paragraph of section 1029.8.36.0.0.4, where applicable, is deemed, subject to the second paragraph, where the application for an advance ruling has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to

(a) where the property is a qualified production that is not described in subparagraph *a*.1, the aggregate of

i. 20% of its qualified computer-aided special effects and animation expenditure for the year in respect of the property, and

ii. 11% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property before 31 December 2004, 20% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property after 30 December 2004 and before 21 December 2007, and 25% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property after 20 December 2007;

*(a.*1*)* where the property is a qualified production in respect of which the Société de développement des entreprises culturelles specifies in the favourable advance ruling given in respect of the property that the main filming or taping in Québec in respect of the property is carried out after 12 June 2009,

i. if an application for an approval certificate is filed with the Société de développement des entreprises culturelles in respect of the property on or before 4 June 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was sufficiently advanced on that date, on or before 31 August 2014, the aggregate of

(1) 20% of the corporation's qualified labour cost attributable to computer-aided special effects and animation for the year in respect of the property, and

(2) 25% of its eligible production costs for the year in respect of the property, or

ii. in other cases, the aggregate of

(1) 16% of the corporation's qualified labour cost attributable to computer-aided special effects and animation for the year in respect of the property, and

(2) 20% of its eligible production costs for the year in respect of the property; and

(b) where the property is a qualified low-budget production,

i. if an application for an approval certificate is filed with the Société de développement des entreprises culturelles in respect of the property on or before 4 June 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was sufficiently advanced on that date, on or before 31 August 2014, 20% of its qualified computer-aided special effects and animation expenditure for the year in respect of the property, or

ii. in other cases, 16% of its qualified computer-aided special effects and animation expenditure for the year in respect of the property.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

1999, c. 83, s. 194; 2000, c. 39, s. 146; 2001, c. 51, s. 112; 2003, c. 9, s. 204; 2004, c. 21, s. 309; 2005, c. 38, s. 243; 2007, c. 12, s. 152; 2009, c. 15, s. 237; 2010, c. 5, s. 150; 2010, c. 25, s. 131; 2015, c. 21, s. 420.

1029.8.36.0.0.5.1. If, at a particular time, a corporation enters into a contract with a person or partnership with whom it is not, at that time, dealing at arm's length, under which the corporation incurs production costs as part of the production of a property that is a qualified production and if, in the opinion of the Minister, one of the purposes of the existence of the contract is to increase the particular amount that the corporation would be deemed to have paid to the Minister, in respect of the property, on account of its tax payable for a taxation year under subparagraph *a*.1 of the first paragraph of section 1029.8.36.0.0.5 if such a contract had been entered into with a person or partnership with whom it is dealing at arm's length, the Minister may determine that the particular amount is the amount that the corporation is deemed to have paid to the Minister, in respect of the property, on account of its tax payable for that year under that subparagraph *a*.1.

For the purposes of the first paragraph, in determining whether a corporation and a partnership are not dealing at arm's length at the particular time, the partnership's fiscal period is deemed to end at the particular time and the partnership is deemed, at the particular time, to be a corporation all the voting shares of which are owned by each member of the partnership in a proportion equal to the agreed proportion in respect of the member for that fiscal period.

2010, c. 25, s. 132; 2017, c. 29, s. 177.

1029.8.36.0.0.6. *(Repealed).*

1999, c. 83, s. 194; 2004, c. 21, s. 310; 2012, c. 8, s. 194.

DIVISION II.6.0.0.3

CREDIT FOR THE PRODUCTION OF SOUND RECORDINGS

2000, c. 39, s. 147.

1029.8.36.0.0.7. In this division,

"eligible employee" of an individual, a corporation or a partnership means, in respect of a property that is a qualified property, an individual resident in Québec at any time in the calendar year in which the individual carries out eligible production work relating to the property;

"eligible individual" means, in respect of a property that is a qualified property, an individual resident in Québec at any time in the calendar year in which the individual carries out eligible production work relating to the property;

"eligible production work" relating to a property that is a qualified property means

(a) if the property is a qualified sound recording, the work to carry out the stages of production of the property from the initial design to the production of the master and the pressing stage to the extent that the work is attributable to the pressing of the first 20,000 copies of the property, including the design of the cover, mastering and media duplication, but does not include activities relating to promotion, distribution or dissemination;

(b) if the property is a qualified digital audiovisual recording, the work to carry out the stages of production of the property from the initial design to the production of the master and the pressing stage to the extent that the work is attributable to the pressing of the first 20,000 copies of the property, including the authoring stage, that is, the encoding, assembly and addition of interactivity to the image, sound and other components to be digitized, ambiophonic sound production, design of the cover, mastering and media duplication, but does not include activities relating to promotion, distribution or dissemination; and

(c) if the property is a qualified clip, the work to carry out the stages of production of the video material of the property from the initial design to the production of the master, but does not include activities relating to promotion, distribution or dissemination;

"excluded corporation" for a taxation year means a corporation that is

(a) at any time in the year or during the 24 months preceding the year, controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Québec;

(a.1) a corporation that would, at any time in the year or during the 24 months preceding the year, be controlled by a particular person, if each share of the capital stock of a corporation owned by a person not resident in Québec were owned by the particular person;

(b) exempt from tax for the year under Book VIII; or

(c) controlled, directly or indirectly in any manner whatever, by one or more corporations that are exempt from tax under Book VIII at any time in the year and whose mission is cultural;

(d) (subparagraph repealed);

"labour expenditure" of a corporation for a taxation year in respect of a property that is a qualified property means, subject to the second paragraph, the aggregate of

(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate and that are paid by the corporation to its eligible employees, to the extent that they relate to services rendered in Québec for eligible production work relating to the property carried out

i. in the case of work carried out in the stage of pressing the property, before the date that is 18 months after the release of the property, and

ii. in the case of work carried out in the stages of production of the property, other than the stage referred to in subparagraph i, before the completion date of the master of the property or after that date, within a period that is reasonable to the Minister, but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph; and

(b) the portion of the remuneration, other than a salary or wages, that is incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, that relates to services rendered in Québec to the corporation for eligible production work relating to the property and referred to in paragraph *a*, and that is paid by the corporation

i. to an eligible individual, to the extent that that portion of the remuneration is reasonably attributable to services personally rendered in Québec by the eligible individual as part of the production of the property, to the wages of the eligible individual's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property, or to services rendered in Québec, as part of the production of the property, by another eligible individual who is an artist subject to the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts (chapter S-32.1) and to whom that portion of the remuneration is paid again by the eligible individual,

ii. to a particular corporation having an establishment in Québec, other than a corporation referred to in subparagraph iii, to the extent that that portion of the remuneration is reasonably attributable either to the wages of the particular corporation's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property or to services rendered in Québec, as part of the production of the property, by an eligible individual who is an artist subject to the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts and to whom that portion of the remuneration is paid again by the particular corporation,

iii. to a corporation having an establishment in Québec all the issued capital stock of which, except directors' qualifying shares, belongs to an eligible individual and the activities of which consist principally in the provision of the eligible individual's services, to the extent that that portion of the remuneration is reasonably attributable to services rendered in Québec by the eligible individual as part of the production of the property, or

iv. to a partnership carrying on a business in Québec and having an establishment therein, to the extent that that portion of the remuneration is reasonably attributable to services rendered in Québec, as part of the production of the property, by an eligible individual who is a member of the partnership, to the wages of the partnership's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property, or to services rendered in Québec, as part of the production of the property, by an eligible individual who is an artist subject to the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts and to whom that portion of the remuneration is paid again by the partnership;

"qualified clip" of a corporation for a taxation year means a clip in respect of which the corporation holds for the year a favourable advance ruling given or a certificate issued by the Société de développement des entreprises culturelles for the purposes of this division;

"qualified corporation" for a taxation year in respect of a property that is a qualified property means a corporation, other than an excluded corporation, that, in the year, has an establishment in Québec and carries on therein a sound recording production business that is a qualified business, and that, for the year, is a record company recognized by the Société de développement des entreprises culturelles or a corporation that has entered into an agreement with such a record company with a view to operate the property;

"qualified digital audiovisual recording" of a corporation for a taxation year means a digital audiovisual recording in respect of which the corporation holds for the year a favourable advance ruling given or a certificate issued by the Société de développement des entreprises culturelles for the purposes of this division;

"qualified labour expenditure" of a corporation for a taxation year in respect of a property that is a qualified property means the lesser of

(a) the amount by which

i. the aggregate of

(1) the labour expenditure of the corporation for the year in respect of the property,

(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in subparagraph *c* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the production of the property, in subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.10, up to 20/7 of the tax under Part III.1.0.3 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i in relation to that assistance, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the labour expenditure of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the property, for a taxation year preceding the year, exceeds 20/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.3 for a year preceding the year by reason of subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.10, in relation to assistance referred to in subparagraph ii, exceeds

ii. the aggregate of

(1) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, under subparagraph i of subparagraph *c* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year,

(2) the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, under subparagraph ii of subparagraph *c* of the second paragraph, reduced the amount of that labour expenditure of the corporation for that preceding year, and

(3) the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of "labour expenditure", to the extent that the amount has not, under subparagraph iii of subparagraph *c* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year in respect of the property; and

(b) the amount by which

i. 65% of the amount by which the production costs directly attributable to the production of the property that are incurred by the corporation before the end of the year in respect of the property until the completion date of the master of the property or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph or, in the case of production costs directly attributable to the stage of pressing the property, until the date that is 18 months after the release of the property, and that are paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, exceeds

ii. the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the production of the property for a taxation year preceding the year exceeds 20/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.3 for a taxation year preceding the year in respect of the production of the property;

"qualified property" means a qualified sound recording, a qualified digital audiovisual recording or a qualified clip;

"qualified sound recording" of a corporation for a taxation year means a property that is a sound recording in respect of which the corporation holds for the year a favourable advance ruling given or a certificate issued, as the case may be, by the Société de développement des entreprises culturelles for the purposes of this division;

"salary or wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of "labour expenditure" in the first paragraph, the following rules apply:

(a) for the purposes of paragraph *a* of that definition, the salaries or wages directly attributable to the production of a property that is a qualified property are, where an eligible employee directly undertakes, supervises or supports the production of the property, the portion of the salaries or wages paid to or on behalf of the employee that may reasonably be considered to relate to the production of the property;

(b) remuneration, including a salary or wages, does not include remuneration by reference to the profits or revenues derived from the operation of a property or an expenditure as remuneration that is, or may reasonably be considered to be, incurred by a corporation, as a mandatary, on behalf of another person;

(c) the amount of the labour expenditure of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds either to the salaries or wages described in paragraph *a* of that definition or to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, that are included in that labour expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular amount that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or

guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in that subparagraph; and

(d) where, for a taxation year, a corporation is not a qualified corporation, its labour expenditure for the year in respect of a property is deemed to be nil;

(e) (subparagraph repealed).

For the purposes of the definitions of "labour expenditure" and "qualified labour expenditure" in the first paragraph, the following rules apply:

(a) the date to which those definitions refer is the date that is 18 months after the end of the corporation's fiscal period that includes the completion date of the master of the property;

(b) an expenditure that would, but for this subparagraph, be a labour expenditure of a corporation for a particular taxation year in respect of a property that is a qualified property or would constitute production costs directly attributable to the production of such a property, such expenditure being otherwise incurred in the particular year, and that is outstanding at the particular time the corporation first files with the Minister the prescribed form containing prescribed information provided for in the first paragraph of section 1029.8.36.0.0.8 for that particular year, in respect of the property, or, in the absence of such filing with the Minister, on the corporation's filing-due date for that particular year, is deemed not to be incurred in the particular year and to be incurred in a subsequent taxation year if that expenditure is paid in that subsequent year and after the particular time or after that filing-due date, as the case may be, or in the taxation year that immediately follows that subsequent year and before the time the corporation first files with the Minister that prescribed form for that subsequent year, in respect of the property; and

(c) no expenditure may be taken into consideration in computing a labour expenditure of a corporation for a taxation year in respect of a property that is a qualified property, or production costs directly attributable to the production of such a property incurred before the end of the year, if the expenditure has been taken into consideration in computing such a labour expenditure or such costs in respect of another property that is a qualified property.

For the purposes of subparagraph i of paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph, the following rules apply:

(a) the production costs directly attributable to the production of a property that is a qualified property are

i. the portion of the production costs, other than the production fees and administration costs, to the extent that they are included in the production cost, cost or capital cost, as the case may be, of the property to the corporation, and

ii. the production fees and administration costs;

(b) the production costs directly attributable to the production of a property that is a qualified property include the portion of the cost of acquisition of a particular property, owned by the corporation and used by it as part of the production of the property, which corresponds to the portion of the depreciation of the particular property, for a taxation year, determined in accordance with the generally accepted accounting principles, relating to the use of the particular property by the corporation in the year, as part of the production of the property;

(c) the amount of a benefit attributable to production costs includes the portion of the proceeds of disposition by a corporation of a particular property used by it as part of the production of a property that is a qualified property that relates to the portion of the cost of acquisition of the particular property that has already been included in the production costs of the property up to the amount of the portion of the acquisition cost of the particular property that has already been so included in the production costs of the property; and

(d) where that subparagraph i applies in respect of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles before 11 March 2020, the portion of that subparagraph before subparagraph 1 is to be read as if "65%" were replaced by "50%".

For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of "qualified labour expenditure" in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is a qualified property, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.8, in respect of the property,

i. because of subparagraph *c* of the second paragraph, a labour expenditure of the corporation in respect of the property,

ii. because of subparagraph ii of paragraph *a* of the definition of "qualified labour expenditure" in the first paragraph, a qualified labour expenditure of the corporation in respect of the property, or

iii. *(subparagraph repealed)*;

(b) was not received by the corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.

For the purposes of paragraph *c* of the definition of "excluded corporation" in the first paragraph, a corporation whose mission is cultural does not include a corporation whose mandate consists in making investments.

Where the definition of "qualified labour expenditure" in the first paragraph applies in respect of a property (other than a property described in subparagraph ii of any of subparagraphs *a* to *a*.2 of the first paragraph of section 1029.8.36.0.0.8), it is to be read in respect of the property as if "20/7" were replaced wherever it appears by

(a) "100/29.1667", if the property is a property to which subparagraph i of any of subparagraphs *a* to *a*.2 of the first paragraph of section 1029.8.36.0.0.8 applies;

(b) "25/7", if the property is a property to which subparagraph iii of any of subparagraphs *a* to *a*.2 of the first paragraph of section 1029.8.36.0.0.8 applies; or

(c) "300%", if the property is a property to which subparagraph b of the first paragraph of section 1029.8.36.0.0.8 applies.

2000, c. 39, s. 147; 2001, c. 51, s. 113; 2003, c. 9, s. 205; 2004, c. 21, s. 311; 2005, c. 1, s. 233; 2005, c. 23, s. 158; 2005, c. 38, s. 244; 2006, c. 13, s. 115; 2006, c. 36, s. 129; 2007, c. 12, s. 153; 2009, c. 5, s. 441; 2010, c. 5, s. 151; 2011, c. 1, s. 66; 2013, c. 10, s. 107; 2015, c. 21, s. 421; 2015, c. 36, s. 111; 2017, c. 1, s. 275; 2019, c. 14, s. 325; 2021, c. 14, s. 132; 2022, c. 20, s. 38.

1029.8.36.0.0.8. A corporation that encloses with the fiscal return it is required to file for a taxation year under section 1000 a copy of the valid favourable advance ruling given or valid certificate issued by the Société de développement des entreprises culturelles in respect of a property that is a qualified property and the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, where the application for an advance ruling has been filed or, in the absence of such an application, where the application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to

(a) if the property is a qualified sound recording,

i. 29.1667% of its qualified labour expenditure for the year in respect of the property, where the property is a qualified sound recording for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 31 August 2003 and before 20 March 2009 or for which, despite the filing of an application for an advance ruling with the Société de développement des entreprises culturelles before 1 September 2003, the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 12 June 2003,

ii. 35% of its qualified labour expenditure for the year in respect of the property, where the property is a qualified sound recording for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles

(1) after 19 March 2009 and on or before 4 June 2014 or, if the Société de développement des entreprises culturelles considered that the work on the property was sufficiently advanced on that date, 31 August 2014, or

(2) after 26 March 2015, and

iii. 28% of its qualified labour expenditure for the year in respect of the property, where the property is a qualified sound recording for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 4 June 2014 or, if the Société de développement des entreprises culturelles considered that the work on the property was sufficiently advanced on that date, 31 August 2014, and before 27 March 2015;

(a.1) if the property is a qualified digital audiovisual recording,

i. 29.1667% of its qualified labour expenditure for the year in respect of the property, where the property is a qualified digital audiovisual recording for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 23 March 2006 and before 20 March 2009,

ii. 35% of its qualified labour expenditure for the year in respect of the property, where the property is a qualified digital audiovisual recording for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles

(1) after 19 March 2009 and on or before 4 June 2014 or, if the Société de développement des entreprises culturelles considered that the work on the property was sufficiently advanced on that date, 31 August 2014, or

(2) after 26 March 2015, and

iii. 28% of its qualified labour expenditure for the year in respect of the property, where the property is a qualified digital audiovisual recording for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises

culturelles after 4 June 2014 or, if the Société de développement des entreprises culturelles considered that the work on the property was sufficiently advanced on that date, 31 August 2014, and before 27 March 2015;

(a.2) if the property is a qualified clip,

i. 29.1667% of its qualified labour expenditure for the year in respect of the property, where the property is a qualified clip for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 23 March 2006 and before 20 March 2009,

ii. 35% of its qualified labour expenditure for the year in respect of the property, where the property is a qualified clip for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles

(1) after 19 March 2009 and on or before 4 June 2014 or, if the Société de développement des entreprises culturelles considered that the work on the property was sufficiently advanced on that date, 31 August 2014, or

(2) after 26 March 2015, and

iii. 28% of its qualified labour expenditure for the year in respect of the property, where the property is a qualified clip for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 4 June 2014 or, if the Société de développement des entreprises culturelles considered that the work on the property was sufficiently advanced on that date, 31 August 2014, and before 27 March 2015; and

(b) in any other case, 33 1/3% of its qualified labour expenditure for the year in respect of that property.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

Subject to the sixth paragraph, the amount that a corporation is deemed to have paid to the Minister, under the first paragraph, on account of its tax payable for a taxation year under this Part in respect of a property that is a qualified property must not exceed the amount by which, where the property is co-produced by the corporation and one or more other qualified corporations, the amount obtained by applying to $50,000 the corporation's share, expressed as a percentage, of the production costs in relation to the production of the property that is specified in the favourable advance ruling given or the certificate issued, as the case may be, by the Société de développement des entreprises culturelles in respect of the property or, in any other case, $50,000, exceeds the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under that paragraph in respect of the property for a preceding taxation year exceeds the aggregate of all amounts each of which is an amount that the corporation is required to pay under section 1129.4.0.10 in respect of the property for a preceding taxation year.

In the case of a property referred to in subparagraph i of subparagraph *a* or *a*.1 of the first paragraph, the third paragraph shall be read, in respect of that property, with "$50,000", wherever it appears, replaced by "$43,750".

In the case of a property referred to in subparagraph i of subparagraph *a*.2 of the first paragraph, the third paragraph is to be read as if, in respect of that property, "$50,000" was replaced wherever it appears by "$21,875".

The third paragraph does not apply for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under the first paragraph on account of its tax payable for a taxation year in respect of a qualified property, if the property is referred to in subparagraph ii or iii of any of subparagraphs *a* to *a*.2 of the first paragraph.

2000, c. 39, s. 147; 2001, c. 51, s. 114; 2002, c. 9, s. 62; 2003, c. 9, s. 206; 2004, c. 21, s. 312; 2007, c. 12, s. 154; 2010, c. 5, s. 152; 2015, c. 21, s. 422; 2015, c. 36, s. 112.

1029.8.36.0.0.9. *(Repealed).*

2000, c. 39, s. 147; 2004, c. 21, s. 313; 2007, c. 12, s. 155; 2012, c. 8, s. 195.

DIVISION II.6.0.0.4

CREDIT FOR THE PRODUCTION OF PERFORMANCES

2000, c. 39, s. 147; 2003, c. 9, s. 207.

1029.8.36.0.0.10. In this division,

"eligible employee" of an individual, a corporation or a partnership means, in respect of a property that is a qualified performance, an individual resident in Québec at any time in the calendar year in which the individual renders services as part of the production of the property;

"eligible individual" means, in respect of a property that is a qualified performance, an individual resident in Québec at any time in the calendar year in which the individual renders services as part of the production of the property;

"labour expenditure" of a corporation for a taxation year in respect of a property that is a qualified performance means, subject to the second paragraph, the aggregate of the following amounts, but does not include any amount relating to the broadcasting or promotion of the property:

(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services rendered in relation to the stages of production of the property, from the preproduction stage to the performance before an audience, or in relation to another stage of production of the property carried out after the performance before an audience within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that are paid by the corporation to its eligible employees; and

(b) the portion of the remuneration, other than salary or wages, that relates to services rendered to the corporation in relation to the production of the property and that is related to the stages of production of the property provided for in paragraph *a*, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, and that is paid by the corporation

i. to an eligible individual, to the extent that that portion of the remuneration is reasonably attributable to services personally rendered by the eligible individual as part of the production of the property, to the wages of the eligible individual's eligible employees that relate to services rendered by the eligible employees as part of the production of the property, or to services rendered, as part of the production of the property, by another eligible individual who is an artist subject to the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts (chapter S-32.1) and to whom that portion of the remuneration is paid again by the eligible individual,

ii. to a particular corporation having an establishment in Québec, other than a corporation referred to in subparagraph iii, to the extent that that portion of the remuneration is reasonably attributable either to the wages of the particular corporation's eligible employees that relate to services rendered by the eligible employees as part of the production of the property or to services rendered, as part of the production of the property, by an eligible individual who is an artist subject to the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts and to whom that portion of the remuneration is paid again by the particular corporation,

iii. to a corporation having an establishment in Québec all the issued capital stock of which, except directors' qualifying shares, belongs to an eligible individual and the activities of which consist principally in the provision of the eligible individual's services, to the extent that that portion of the remuneration is reasonably attributable to services rendered by the eligible individual as part of the production of the property, or

iv. to a partnership carrying on a business in Québec and having an establishment therein, to the extent that that portion of the remuneration is reasonably attributable to services rendered, as part of the production of the property, by an eligible individual who is a member of the partnership, to the wages of the partnership's eligible employees that relate to services rendered by the eligible employees as part of the production of the property, or to services rendered, as part of the production of the property, by an eligible individual who is an artist subject to the Act respecting the professional status of artists in the visual arts, film, the recording arts, literature, arts and crafts and the performing arts and to whom that portion of the remuneration is paid again by the partnership;

"qualified corporation" for a taxation year means a corporation that, in the year, has an establishment in Québec and carries on therein a performance production business that is a qualified business, but does not include

(a) a corporation that, at any time in the year or during the 24 months preceding the year, is controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Québec;

(a.1) a corporation that, at any time in the year or during the 24 months preceding the year, would be controlled by a particular person, if each share of the capital stock of a corporation owned by a person not resident in Québec were owned by the particular person;

(b) a corporation that is exempt from tax for the year under Book VIII; or

(c) a corporation that is controlled, directly or indirectly in any manner whatever, by one or more corporations that are exempt from tax under Book VIII at any time in the year and whose mission is cultural;

(d) (subparagraph repealed);

"qualified labour expenditure" of a corporation for a taxation year in respect of a property that is a qualified performance means the lesser of

(a) the amount by which

i. the aggregate of

(1) the labour expenditure of the corporation for the year in respect of the property,

(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in subparagraph *d* of

the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the production of the property, in subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.14, up to 20/7 of the tax under Part III.1.0.4 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i in relation to that assistance, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the labour expenditure of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the property, for a taxation year preceding the year, exceeds 20/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.4 for a year preceding the year by reason of subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.14, in relation to assistance referred to in subparagraph ii, exceeds

ii. the aggregate of

(1) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, under subparagraph i of subparagraph *d* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year,

(2) the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, under subparagraph ii of subparagraph *d* of the second paragraph, reduced the amount of that labour expenditure of the corporation for that preceding year, and

(3) the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of "labour expenditure", to the extent that the amount has not, under subparagraph iii of subparagraph *d* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year in respect of the property; and

(b) the amount by which

i. 65% of the amount by which the production costs directly attributable to the production of the property that are incurred by the corporation before the end of the year in respect of the property until the performance of the property before an audience or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that are paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of

disposition of a property which exceed the fair market value of the property or in any other form or manner, exceeds

ii. the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the production of the property for a taxation year preceding the year exceeds 20/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.4 for a taxation year preceding the year in respect of the production of the property;

"qualified performance" of a corporation means a property that is a performance in respect of which the corporation holds, for one of the following periods, a favourable advance ruling given or a certificate issued, as the case may be, by the Société de développement des entreprises culturelles for the purposes of this division:

(a) the period covering the stage of pre-production of the property through the end of the first full year after the first performance of the property before an audience;

(b) the period covering the second full year after the first performance of the property before an audience; or

(c) the period covering the third full year after the first performance of the property before an audience;

"salary or wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of "labour expenditure" in the first paragraph, the following rules apply:

(a) for the purposes of paragraph *a* of that definition, the salaries or wages directly attributable to the production of a property that is a qualified performance are, where an eligible employee directly undertakes, supervises or supports the production of the property, the portion of the salaries or wages paid to or on behalf of the employee that may reasonably be considered to relate to the production of the property;

(b) remuneration, including a salary or wages, does not include remuneration by reference to the profits or revenues derived from the operation of the property, except such remuneration paid to a performing artist, or an expenditure as remuneration that is, or may reasonably be considered to be, incurred by a corporation, as a mandatary, on behalf of another person;

(b.1) despite subparagraph *a*, in relation to a property that is a circus show, an aquatic show or an ice show in respect of which any of the periods specified in paragraphs *a* to *c* of the definition of "qualified performance" in the first paragraph began before 14 March 2008 and had not ended on 13 March 2008, a salary or wages or another remuneration does not include an expenditure that the corporation incurs in respect of the property before

i. 14 March 2008, or

ii. if it is later, the date included in a period for which a favourable advance ruling has been given or a certificate has been issued by the Société de développement des entreprises culturelles in respect of the property, that is the date from which the Société de développement des entreprises culturelles recognizes the performance as qualifying for the purposes of this division;

(c) the amount referred to in paragraph *a* or b of that definition shall be determined by considering, where the salary or wages, or remuneration, as the case may be, relates to the performance of the property before an audience, only the performances that occur in the three years after the first performance of the property before an audience;

(d) the amount of the labour expenditure of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds either to the salaries or wages described in paragraph *a* of that definition or to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, that are included in that labour expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular amount that a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in that subparagraph; and

(e) where, for a taxation year, a corporation is not a qualified corporation, its labour expenditure for the year in respect of a property is deemed to be nil.

For the purposes of the definitions of "labour expenditure" and "qualified labour expenditure" in the first paragraph, the following rules apply:

(a) the date to which those definitions refer is the date that is 18 months after the end of the corporation's fiscal period that includes the date on which any of the three periods in respect of which an amount is deemed to have been paid by the corporation under section 1029.8.36.0.0.11 is completed; and

(b) an expenditure that would, but for this subparagraph, be a labour expenditure of a corporation for a particular taxation year in respect of a property that is a qualified performance or would constitute production costs directly attributable to the production of such a property, such expenditure being otherwise incurred in the particular year, and that is outstanding at the particular time the corporation first files with the Minister the prescribed form containing prescribed information provided for in the first paragraph of section 1029.8.36.0.0.11 for that particular year, in respect of the property, or, in the absence of such filing with the Minister, on the corporation's filing-due date for that particular year, is deemed not to be incurred in the particular year and to be incurred in a subsequent taxation year if that expenditure is paid in that subsequent year and after the particular time or after that filing-due date, as the case may be, or in the taxation year that immediately follows that subsequent year and before the time the corporation first files with the Minister that prescribed form for that subsequent year, in respect of the property.

For the purposes of subparagraph i of paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph, the following rules apply:

(a) the production costs directly attributable to the production of a property that is a qualified performance are the following amounts, but do not include however the costs incurred for the broadcasting or promotion of the property:

i. the portion of the production costs, other than the production fees and administration costs, to the extent that they are included in the production cost, cost or capital cost, as the case may be, of the property to the corporation, and

ii. the production fees and administration costs;

(b) the production costs directly attributable to the production of a property that is a qualified performance include the portion of the cost of acquisition of a particular property, owned by the corporation and used by it as part of the production of the property, which corresponds to the portion of the depreciation of the particular property, for a taxation year, determined in accordance with the generally accepted

accounting principles, relating to the use of the particular property by the corporation in the year, as part of the production of the property;

(b.1) despite subparagraphs *a* and *b*, the production costs directly attributable to the production of a property that is a circus show, an aquatic show or an ice show referred to in subparagraph *b*.1 of the second paragraph do not include an expenditure that the corporation incurred in respect of the property before the date determined in accordance with that subparagraph *b*.1 and the portion of the cost of acquisition of a particular property referred to in subparagraph *b* is determined without taking into account the use of the particular property by the corporation before that date;

(c) the amount of a benefit attributable to production costs includes the portion of the proceeds of disposition by a corporation of a particular property used by it as part of the production of a property that is a qualified performance that relates to the portion of the cost of acquisition of the particular property that has already been included in the production costs of the property up to the amount of the portion of the cost of acquisition of the particular property that has already been so included in the production costs of the property; and

(d) where that subparagraph i applies in respect of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles before 11 March 2020, the portion of that subparagraph before subparagraph 1 is to be read as if "65%" were replaced by "50%".

For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of "qualified labour expenditure" in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is a qualified performance, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.11, in respect of the property,

i. because of subparagraph *d* of the second paragraph, a labour expenditure of the corporation in respect of the property,

ii. because of subparagraph ii of paragraph *a* of the definition of "qualified labour expenditure" in the first paragraph, a qualified labour expenditure of the corporation in respect of the property, or

iii. *(subparagraph repealed)*;

(b) was not received by the corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.

For the purposes of paragraph *c* of the definition of "qualified corporation" in the first paragraph, a corporation whose mission is cultural does not include a corporation whose mandate consists in making investments.

Where the amount deemed to have been paid to the Minister by a corporation on account of its tax payable for a taxation year under section 1029.8.36.0.0.11 is determined,

(a) in relation to the portion of a qualified labour expenditure referred to in subparagraph i of subparagraph *a* of the first paragraph of that section, the definition of "qualified labour expenditure" in the first paragraph is to be read as if "20/7" were replaced wherever it appears by "100/29.1667"; and

(b) in relation to the portion of a qualified labour expenditure referred to in subparagraph *b* of the first paragraph of that section, the definition of "qualified labour expenditure" in the first paragraph is to be read as if "20/7" were replaced wherever it appears by "25/7".

For the purposes of this division, the Minister may extend, by not more than one year, the period described in paragraph *c* of the definition of "qualified performance" in the first paragraph in respect of a property of a corporation, where the corporation establishes, to the Minister's satisfaction, that it reduced the number of performances of the property before an audience or ceased the performance of the property and that the reduction or cessation, as the case may be, is directly attributable to the measures put in place to mitigate the effects of the COVID-19 pandemic. In such a case, the period for which the favourable advance ruling was given or for which the certificate was issued in respect of the corporation is deemed to correspond to the period so extended.

2000, c. 39, s. 147; 2001, c. 51, s. 115; 2002, c. 9, s. 63; 2003, c. 9, s. 208; 2004, c. 21, s. 314; 2005, c. 1, s. 234; 2005, c. 23, s. 159; 2005, c. 38, s. 245; 2006, c. 13, s. 116; 2006, c. 36, s. 130; 2007, c. 12, s. 156; 2010, c. 5, s. 153; 2011, c. 1, s. 67; 2013, c. 10, s. 108; 2015, c. 21, s. 423; 2017, c. 1, s. 276; 2019, c. 14, s. 326; 2021, c. 14, s. 133; 2021, c. 36, s. 113; 2022, c. 20, s. 39.

1029.8.36.0.0.11. A corporation that encloses with the fiscal return it is required to file for a taxation year under section 1000 the prescribed form containing the prescribed information and a copy of the valid favourable advance ruling given or valid certificate issued by the Société de développement des entreprises culturelles in respect of a property that is a qualified performance for any of the periods provided for in the definition of "qualified performance" in the first paragraph of section 1029.8.36.0.0.10 that is in whole or in part within the year, is deemed, subject to the second paragraph, where an application for an advance ruling has been filed or, in the absence of such an application, where an application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for that year under this Part, an amount corresponding to,

(a) where the application for an advance ruling or, in the absence of such an application, the application for a certificate, in respect of the property for the period described in paragraph *a* of the definition of "qualified performance" in the first paragraph of section 1029.8.36.0.0.10, has been filed with the Société de développement des entreprises culturelles on or before 4 June 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was sufficiently advanced on that date, on or before 31 August 2014, an amount equal to

i. 29.1667% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property and to which subparagraph ii does not apply, or

ii. 35% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property that relates to

(1) a period described in any of paragraphs *a* to *c* of the definition of "qualified performance" in the first paragraph of section 1029.8.36.0.0.10 that begins after 19 March 2009, or

(2) the period described in paragraph *a* of the definition of "qualified performance" in the first paragraph of section 1029.8.36.0.0.10 that begins before 20 March 2009, if the first performance before an audience, in relation to that period, occurs after 19 March 2009;

(b) 28% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property that relates to a period described in any of paragraphs *a* to *c* of the definition of "qualified performance" in the first paragraph of section 1029.8.36.0.0.10 that began before 27 March 2015 and that is not described in subparagraph *a*; or

(c) where the application for an advance ruling or, in the absence of such an application, the application for a certificate, in respect of the property for a period described in any of paragraphs *a* to *c* of the definition of "qualified performance" in the first paragraph of section 1029.8.36.0.0.10 that begins after 26 March 2015

is filed with the Société de développement des entreprises culturelles after that date, 35% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property that relates to that period and to which subparagraph ii of subparagraph *a* does not apply.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The amount that a corporation is deemed to have paid to the Minister, under the first paragraph, on account of its tax payable for a taxation year under this Part in respect of a property that is a qualified performance must not exceed,

(a) if the Société de développement des entreprises culturelles specifies, in the favourable advance ruling given or the certificate issued, as the case may be, to the corporation, that the property is a musical comedy for which any of the periods referred to in the definition of "qualified performance" in the first paragraph of section 1029.8.36.0.0.10 has not ended on 20 March 2012, the amount by which $1,250,000 exceeds the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under the first paragraph in respect of the property for a preceding taxation year exceeds the aggregate of all amounts each of which is an amount that the corporation is required to pay under section 1129.4.0.14 in respect of the property for a preceding taxation year;

(a.1) where the Société de développement des entreprises culturelles specifies in the favourable advance ruling given or the certificate issued, as the case may be, to the corporation that the property is a comedy show for which the application for an advance ruling or, in the absence of such an application, the application for a certificate for the period described in paragraph *a* of the definition of "qualified performance" in the first paragraph of section 1029.8.36.0.0.10 is filed with the Société de développement des entreprises culturelles after 30 June 2015 or, if the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 26 March 2015, after that date, the amount by which $350,000 exceeds the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under the first paragraph in respect of the property for a preceding taxation year exceeds the aggregate of all amounts each of which is an amount that the corporation is required to pay under section 1129.4.0.14 in respect of the property for a preceding taxation year; or

(b) in all other cases, the amount by which $750,000 exceeds the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under the first paragraph in respect of the property for a preceding taxation year exceeds the aggregate of all amounts each of which is an amount that the corporation is required to pay under section 1129.4.0.14 in respect of the property for a preceding taxation year.

If a property is a qualified performance that is co-produced by the corporation and one or more other qualified corporations, the following rules apply:

(a) in the case of a property referred to in subparagraph *a* of the third paragraph, that subparagraph *a* is to be read as if "$1,250,000" were replaced by the amount obtained by applying to $1,250,000 the corporation's share, expressed as a percentage, of the production costs in relation to the property that is specified in the favourable advance ruling given or the certificate issued, as the case may be, by the Société de développement des entreprises culturelles in respect of the property;

(a.1) in the case of a property referred to in subparagraph *a*.1 of the third paragraph, that subparagraph *a*.1 is to be read as if "$350,000" were replaced by the amount obtained by applying to $350,000 the corporation's share, expressed as a percentage, of the production costs in relation to the property that is specified in the favourable advance ruling given or the certificate issued, as the case may be, by the Société de développement des entreprises culturelles in respect of the property; and

(b) in the case of a property referred to in subparagraph *b* of the third paragraph, that subparagraph *b* is to be read as if "$750,000" were replaced by the amount obtained by applying to $750,000 the corporation's share, expressed as a percentage, of the production costs in relation to the property that is specified in the favourable advance ruling given or the certificate issued, as the case may be, by the Société de développement des entreprises culturelles in respect of the property.

For the purposes of subparagraph *c* of the first paragraph, the portion of a labour expenditure of a corporation for a taxation year in respect of a property that relates to a period described in paragraph *a* or *b* of the definition of "qualified performance" in the first paragraph of section 1029.8.36.0.0.10 that began before 27 March 2015 is deemed to relate to a subsequent period described in that definition if

(a) it cannot be included in the qualified labour expenditure of the corporation for the year in respect of the property because of the application of paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.0.10; and

(b) it is included in the qualified labour expenditure of the corporation for a subsequent taxation year included in the subsequent period.

2000, c. 39, s. 147; 2001, c. 51, s. 116; 2002, c. 9, s. 64; 2003, c. 9, s. 209; 2004, c. 21, s. 315; 2007, c. 12, s. 157; 2010, c. 5, s. 154; 2013, c. 10, s. 109; 2015, c. 21, s. 424; 2017, c. 1, s. 277.

1029.8.36.0.0.12. *(Repealed).*

2000, c. 39, s. 147; 2004, c. 21, s. 316; 2012, c. 8, s. 196.

DIVISION II.6.0.0.4.1

CREDIT FOR THE PRODUCTION OF MULTIMEDIA EVENTS OR ENVIRONMENTS PRESENTED OUTSIDE QUÉBEC

2013, c. 10, s. 110.

1029.8.36.0.0.12.1. In this division,

"eligible employee" of an individual, a corporation or a partnership means an individual resident in Québec at any time in the calendar year in which the individual renders services as part of a qualified production;

"eligible individual" means an individual resident in Québec at any time in the calendar year in which the individual renders services as part of a qualified production;

"excluded corporation" for a taxation year means a corporation that is

(a) controlled, directly or indirectly in any manner whatever, at any time in the year or during the 24 months preceding the year, by one or more persons not resident in Québec;

(b) a corporation that would, at any time in the year or during the 24 months preceding the year, be controlled by a particular person, if each share of the capital stock of a corporation owned by a person not resident in Québec were owned by the particular person;

(c) exempt from tax for the year under Book VIII; or

(d) controlled, directly or indirectly in any manner whatever, by one or more corporations that are exempt from tax under Book VIII at any time in the year;

"labour expenditure" of a corporation for a taxation year in respect of a property that is a qualified production means, subject to the second and third paragraphs, the aggregate of the following amounts, but does not include any amount relating to the promotion of the property:

(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a qualification certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a qualification certificate, as the case may be, and that are paid by the corporation to its eligible employees, to the extent that they relate to services rendered in Québec as part of the production of the property until its first presentation outside Québec or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph; and

(b) the portion of the remuneration, other than salary or wages, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a qualification certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a qualification certificate, as the case may be, that relates to services rendered in Québec to the corporation as part of the production of the property, and that is paid by the corporation

i. to an eligible individual, to the extent that that portion of the remuneration is reasonably attributable to services personally rendered in Québec by the eligible individual as part of the production of the property, or to the wages of the eligible individual's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property,

ii. to a particular corporation having an establishment in Québec, other than a corporation referred to in subparagraph iii, to the extent that that portion of the remuneration is reasonably attributable to the wages of the particular corporation's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property,

iii. to a corporation having an establishment in Québec all the issued capital stock of which, except directors' qualifying shares, belongs to an eligible individual and the activities of which consist principally in the provision of the eligible individual's services, to the extent that that portion of the remuneration is reasonably attributable to services rendered in Québec by the eligible individual as part of the production of the property, or

iv. to a partnership carrying on a business in Québec and having an establishment in Québec, to the extent that that portion of the remuneration is reasonably attributable to services rendered in Québec, as part of the production of the property, by an eligible individual who is a member of the partnership, or to the wages of the partnership's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation, that, in the year, has an establishment in Québec and carries on a business in Québec that consists in particular in producing a qualified production;

"qualified labour expenditure" of a corporation for a taxation year in respect of a property that is a qualified production means, subject to the third and fifth paragraphs, the lesser of

(a) the amount by which

i. the aggregate of

(1) the labour expenditure of the corporation for the year in respect of the property,

(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in subparagraph *d* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the production of the property, in subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.16.2, up to 20/7 of the tax under Part III.1.0.4.1 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i in relation to that assistance, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the labour expenditure of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the property, for a taxation year before the end of which an application for an advance ruling has been filed in respect of the property with the Société de développement des entreprises culturelles and which precedes the year, exceeds 20/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.4.1 for a taxation year preceding the year because of subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.16.2, in relation to assistance referred to in subparagraph ii, exceeds

ii. the aggregate of

(1) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, under subparagraph i of subparagraph *d* of the second paragraph, reduced the amount of the labour expenditure of the corporation for that preceding year,

(2) the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, to the extent that that amount has not, under subparagraph ii of subparagraph *d* of the second paragraph, reduced the amount of that labour expenditure of the corporation for that preceding year, and

(3) the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of "labour expenditure", to the extent that the amount has not, under subparagraph iii of subparagraph *d* of the second paragraph, reduced the amount of the labour expenditure of the corporation for that preceding year in respect of the property; and

(b) the amount by which

i. 60% of the amount by which the production costs directly attributable to the production of the property that are incurred by the corporation before the end of the year in respect of the property until the first presentation of the property outside Québec or within a period that is reasonable to the Minister, but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that are paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner, exceeds

ii. the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the production of the property for a taxation year preceding the year exceeds 20/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III. 1.0.4.1 for a taxation year preceding the year in respect of the production of the property;

"qualified production" of a corporation means any of the following properties in respect of which the corporation holds a favourable advance ruling given or a qualification certificate issued, as the case may be, by the Société de développement des entreprises culturelles for the purposes of this division:

(a) a multimedia event presented in a place of amusement situated outside Québec; or

(b) a multimedia environment for presentation outside Québec;

"salary or wages" means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of "labour expenditure" in the first paragraph, the following rules apply:

(a) a salary or wages or a remuneration does not include an expenditure incurred by a corporation in respect of the production of a qualified production before 21 March 2012;

(b) for the purposes of paragraph *a* of that definition, the salaries or wages directly attributable to the production of a property that is a qualified production are, where an eligible employee directly undertakes, supervises or supports the production of the property, the portion of the salaries or wages paid to or on behalf of the employee that may reasonably be considered to relate to the production of the property;

(c) remuneration, including a salary or wages, does not include remuneration by reference to the profits or revenues derived from the operation of the property, or an expenditure as remuneration that is, or may reasonably be considered to be, incurred by a corporation, as a mandatary, on behalf of another person;

(d) the amount of the labour expenditure of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds either to the salaries or wages described in paragraph *a* of that definition or to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, that are included in that labour expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular amount that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, the amount of any government assistance and non-

government assistance that an eligible individual, another corporation or a partnership with whom the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in that subparagraph; and

(e) where, for a taxation year, a corporation is not a qualified corporation, its labour expenditure for the year in respect of a property that is a qualified production is deemed to be nil.

For the purposes of the definitions of "labour expenditure" and "qualified labour expenditure" in the first paragraph, the following rules apply:

(a) the date to which those definitions refer is the date that is 18 months after the end of the corporation's fiscal period that includes the date of the first presentation outside Québec of a property that is a qualified production;

(b) an expenditure that would, but for this subparagraph, be a labour expenditure of a corporation for a particular taxation year in respect of a property that is a qualified production or would constitute production costs directly attributable to the production of such a property, such expenditure being otherwise incurred in the particular year, and that is outstanding at the particular time the corporation first files with the Minister the prescribed form containing prescribed information provided for in the first paragraph of section 1029.8.36.0.0.12.2 for that particular year, in respect of the property, or, in the absence of such filing with the Minister, on the corporation's filing-due date for that particular year, is deemed not to be incurred in the particular year and to be incurred in a subsequent taxation year if that expenditure is paid in that subsequent year and after the particular time or after that filing-due date, as the case may be, or in the taxation year that immediately follows that subsequent year and before the time the corporation first files with the Minister that prescribed form for that subsequent year, in respect of the property; and

(c) an expenditure may not be taken into consideration in computing a qualified labour expenditure of a corporation for a taxation year in respect of a property that is a qualified production, or production costs directly attributable to the production of such a property incurred before the end of the year if it has been taken into consideration in computing such a labour expenditure or such costs in respect of another property that is a qualified production.

For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of "qualified labour expenditure" in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is a qualified production, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.12.2, in respect of the property,

i. because of subparagraph *d* of the second paragraph, a labour expenditure of the corporation in respect of the property, or

ii. because of subparagraph ii of paragraph *a* of the definition of "qualified labour expenditure" in the first paragraph, a qualified labour expenditure of the corporation in respect of the property;

(b) was not received by the corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.

For the purposes of subparagraph i of paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph, the following rules apply:

(a) the production costs directly attributable to the production of a property that is described in paragraph *a* of the definition of"qualified production" in the first paragraph are the following amounts, but do not include however the costs incurred for the promotion of the property:

i. the portion of the production costs, other than the production fees and administration costs, to the extent that they are included in the production cost, cost or capital cost, as the case may be, of the property to the corporation, and

ii. the production fees and administration costs;

(b) the production costs directly attributable to the production of a property that is described in paragraph *a* of the definition of "qualified production" in the first paragraph include the portion of the cost of acquisition of a particular property, owned by a corporation and used by it as part of the production of the property, which corresponds to the portion of the depreciation of the particular property, for a taxation year, determined in accordance with the generally accepted accounting principles, relating to the use of the particular property by the corporation in the year, as part of the production of the property;

(c) the amount of a benefit attributable to production costs of a property that is described in paragraph *a* of the definition of "qualified production" in the first paragraph includes the portion of the proceeds of disposition for a corporation of a particular property used by it as part of the production of the property that relates to the portion of the cost of acquisition of the particular property that has already been included in the production costs of the property up to the amount of the portion of the cost of acquisition of the particular property that has already been so included in the production costs of the property; and

(d) the production costs directly attributable to the production of a property that is described in paragraph *b* of the definition of "qualified production" in the first paragraph only include an amount equal to 75% of the consideration received by a corporation as part of the performance of the contract for the design and production of the property.

Where the definition of "qualified labour expenditure" in the first paragraph applies in respect of a property referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.0.12.2, it is to be read as if "20/7" were replaced wherever it appears by "25/7".

2013, c. 10, s. 110; 2015, c. 21, s. 425; 2015, c. 36, s. 113; 2017, c. 1, s. 278; 2019, c. 14, s. 327; 2024, c. 11, s. 107.

1029.8.36.0.0.12.2. A corporation that encloses with the fiscal return it is required to file for a taxation year under section 1000 the prescribed form containing prescribed information and a copy of the favourable advance ruling given or qualification certificate issued by the Société de développement des entreprises culturelles in respect of a property that is a qualified production, is deemed, subject to the second paragraph, where an application for an advance ruling or, in the absence of such an application, an application for a qualification certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount obtained by multiplying the amount of its qualified labour expenditure for the year in respect of the property by

(a) 28%, where an application for an advance ruling or, in the absence of such an application, an application for a qualification certificate in respect of the property is filed with the Société de développement des entreprises culturelles

i. after 4 June 2014 or, if the Société de développement des entreprises culturelles considered that the work on the property was sufficiently advanced on that date, after 31 August 2014, and

ii. before 27 March 2015; or

(b) 35%, in any other case.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The amount that a corporation is deemed to have paid to the Minister, under the first paragraph, on account of its tax payable for a taxation year under this Part in respect of a property that is a qualified production for which an application for an advance ruling or, in the absence of such an application, an application for a qualification certificate is filed with the Société de développement des entreprises culturelles before 28 March 2018, must not exceed the amount by which, where the property is co-produced by the corporation and one or more other qualified corporations, the amount obtained by applying to $350,000 the corporation's share, expressed as a percentage, of the production costs in relation to the production of the property that is specified in the favourable advance ruling given or the qualification certificate issued, as the case may be, by the Société de développement des entreprises culturelles in respect of the property or, in any other case, $350,000, exceeds the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under that paragraph in respect of the property for a preceding taxation year exceeds the aggregate of all amounts each of which is an amount that the corporation is required to pay under section 1129.4.0.16.2 in respect of the property for a preceding taxation year.

In the case of a property referred to in subparagraph *a* of the first paragraph, the third paragraph is to be read as if "$350,000" were replaced wherever it appears by "$280,000".

2013, c. 10, s. 110; 2015, c. 21, s. 426; 2015, c. 36, s. 114; 2019, c. 14, s. 328.

DIVISION II.6.0.0.5

CREDIT FOR BOOK PUBLISHING

2001, c. 51, s. 117.

1029.8.36.0.0.13. In this division,

"eligible digital version" of an eligible work or a work that is part of an eligible group of works published by a corporation means a digital version of that work in respect of which the Société de développement des entreprises culturelles specifies in the favourable advance ruling given or the certificate issued to the corporation in respect of the eligible work or eligible group of works, for the purposes of this division, that the digital version is an eligible digital version of the work or of the work that is part of the group of works;

"eligible employee" of an individual, a corporation or a partnership, for a taxation year, means, in respect of a property that is an eligible work or an eligible group of works, an individual resident in Québec at any time in the calendar year in which the individual carries out work relating to the property that is eligible preparation work, eligible printing work, eligible reprinting work or eligible publishing work concerning an eligible digital version;

"eligible group of works" for a taxation year means property that is a group of works in respect of which the corporation holds, for the year, a favourable advance ruling given or a certificate issued by the Société de développement des entreprises culturelles for the purposes of this division;

"eligible individual", for a taxation year, means, in respect of a property that is an eligible work or an eligible group of works, an individual resident in Québec at any time in the calendar year in which the individual carries out work relating to the property that is eligible preparation work, eligible printing work, eligible reprinting work or eligible publishing work concerning an eligible digital version;

"eligible preparation work" in relation to a property that is an eligible work or an eligible group of works means the work to carry out the various stages related to publishing the property, from the initial stage to the stage preceding the production in print form of the eligible work or works that are part of the eligible group of works, including editing, design, research, art work, mock-up production, layout, typesetting and pre-press work;

"eligible printing work" in relation to a property that is an eligible work or an eligible group of works means the work to carry out the various stages related to printing the property, which include the first printing of the eligible work or works that are part of the eligible group of works, first assembly and first binding;

"eligible publishing work concerning an eligible digital version" relating to a property that is an eligible work or an eligible group of works means the work performed to carry out the publishing stages of the eligible digital version of the work or of a work that is part of the group of works, including the conversion, production of metadata, indexing, previewing, stocking, destocking, quality control and filing of the work in a digital warehouse;

"eligible reprinting work" in relation to an eligible work or a work that is part of an eligible group of works means the work to carry out the various stages related to reprinting the work;

"eligible work" for a taxation year means property that is a work published by a corporation, in respect of which the corporation holds, for the year, a favourable advance ruling or a certificate given or issued, as the case may be, by the Société de développement des entreprises culturelles for the purposes of this division;

"excluded corporation" for a taxation year means a corporation that is

(a) at any time in the year or in the 24 months preceding the year, controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Québec;

(a.1) a corporation that would, at any time in the year or during the 24 months preceding the year, be controlled by a particular person, if each share of the capital stock of a corporation owned by a person not resident in Québec were owned by the particular person;

(b) exempt from tax for the year under Book VIII; or

(c) a corporation that would be exempt from tax for the year under section 985, but for section 192;

"labour expenditure attributable to preparation costs and digital version publishing costs" of a corporation for a taxation year, in respect of property that is an eligible work or an eligible group of works, means, subject to the fourth and fifth paragraphs, the aggregate of

(a) the salaries or wages directly attributable to the preparation of the property or the publishing of an eligible digital version relating to the property that are incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services rendered in Québec for eligible preparation work relating to the property or for eligible publishing work concerning an eligible digital version and relating to the property before the date on which the first printing of the eligible work or the last work that is part of the eligible group of works is completed or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the fourth paragraph, and that are paid by the corporation to its eligible employees;

(b) the non-refundable advances directly attributable to the preparation of the property or the publishing of an eligible digital version relating to the property that are incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the non-refundable advances that are incurred by the corporation in

a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, pursuant to a contract entered into in respect of the eligible work or a work that is part of the eligible group of works, and that are paid by the corporation to a Québec author or a holder of the rights of a Québec author, except such advances paid to a Québec author or a holder of the rights of a Québec author for the acquisition of rights on the existing material;

(c) the portion of the remuneration, other than a salary or wages or a non-repayable advance, that is incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate for services rendered in Québec to the corporation for eligible preparation work relating to the property or for eligible publishing work concerning an eligible digital version and relating to the property pursuant to a contract entered into in respect of the eligible work or a work that is part of the eligible group of works, and that is paid by the corporation,

i. to an eligible individual who carries on a business in Québec, has an establishment in Québec and is not dealing at arm's length with the corporation at the time the contract is entered into, to the extent that that portion of remuneration is reasonably attributable to services personally rendered in Québec by the eligible individual in connection with the preparation of the eligible work or a work that is part of the eligible group of works or with the publishing of the eligible digital version of that work, or to the wages of the individual's eligible employees that relate to services rendered in Québec by the individual's eligible employees in connection with the preparation of the work or the publishing of its eligible digital version,

ii. to a particular corporation that has an establishment in Québec and is not dealing at arm's length with the corporation at the time the contract is entered into, other than a particular corporation referred to in subparagraph iii, to the extent that that portion of remuneration is reasonably attributable to the wages paid to the particular corporation's eligible employees that relate to services rendered in Québec by the particular corporation's eligible employees in connection with the preparation of the eligible work or a work that is part of the eligible group of works or with the publishing of its eligible digital version,

iii. to a particular corporation that has an establishment in Québec and is not dealing at arm's length with the corporation at the time the contract is entered into, all the issued capital stock of which, other than directors' qualifying shares, belongs to an eligible individual, and whose activities consist principally in providing the eligible individual's services, to the extent that that portion of remuneration is reasonably attributable to services rendered in Québec by the eligible individual in connection with the preparation of the eligible work or a work that is part of the eligible group of works or with the publishing of its eligible digital version, or

iv. to a partnership that carries on a business in Québec, has an establishment in Québec and is not dealing at arm's length with the corporation at the time the contract is entered into, to the extent that that portion of remuneration is reasonably attributable to services rendered in Québec in connection with the preparation of the eligible work or a work that is part of the eligible group of works or with the publishing of the eligible digital version of that work, by an eligible individual who is a member of the partnership, or to the wages paid to the partnership's eligible employees that relate to services rendered in Québec by the partnership's eligible employees in connection with the preparation of the work or with the publishing of its eligible digital version; and

(d) half of the consideration, other than a salary or wages or a non-repayable advance, that is incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, half of the portion of the consideration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate pursuant to a contract entered into in respect of the eligible work or a work that is part of the eligible group of works, and that is paid by the corporation, for services rendered in Québec to the corporation for eligible preparation work or for eligible publishing work concerning an eligible digital version by an eligible individual or by a corporation or partnership having an establishment in Québec,

other than an employee of the corporation, with which the corporation is dealing at arm's length at the time the contract is entered into;

"labour expenditure attributable to printing and reprinting costs" of a corporation for a taxation year, in respect of property that is an eligible work or an eligible group of works, means, subject to the third and fourth paragraphs, the aggregate of

(a) the salaries or wages directly attributable to the printing of the property that are incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services rendered in Québec for eligible printing work relating to the property before the date on which the first printing of the eligible work or the last work that is part of the eligible group of works is completed or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the fourth paragraph, and that are paid by the corporation to its eligible employees;

(a.1) the salaries or wages directly attributable to the reprinting of the eligible work or of a work that is part of the eligible group of works that are incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they are incurred within the time specified in subparagraph i of subparagraph *c* of the fourth paragraph and relate to services rendered in Québec for eligible reprinting work referred to in subparagraph ii of that subparagraph *c* in relation to the work, and that are paid by the corporation to its eligible employees;

(b) the portion of the remuneration, other than a salary or wages or a non-repayable advance, that is incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate for services rendered in Québec to the corporation for eligible printing work or eligible reprinting work relating to the property pursuant to a contract entered into in respect of the eligible work or a work that is part of the eligible group of works, and that is paid by the corporation,

i. to an eligible individual who carries on a business in Québec, has an establishment in Québec and is not dealing at arm's length with the corporation at the time the contract is entered into, to the extent that that portion of remuneration is reasonably attributable to services personally rendered in Québec by the eligible individual as part of the printing or reprinting of the eligible work or a work that is part of the eligible group of works, or to the wages of the individual's eligible employees that relate to services rendered in Québec by the individual's eligible employees as part of the printing or reprinting of the work,

ii. to a particular corporation that has an establishment in Québec and is not dealing at arm's length with the corporation at the time the contract is entered into, other than a particular corporation referred to in subparagraph iii, to the extent that that portion of remuneration is reasonably attributable to the wages paid to the particular corporation's eligible employees that relate to services rendered in Québec by the particular corporation's eligible employees as part of the printing or reprinting of the eligible work or a work that is part of the eligible group of works,

iii. to a particular corporation that has an establishment in Québec and is not dealing at arm's length with the corporation at the time the contract is entered into, all the issued capital stock of which, other than directors' qualifying shares, belongs to an eligible individual, and whose activities consist principally in providing the eligible individual's services, to the extent that that portion of remuneration is reasonably attributable to services rendered in Québec by the eligible individual as part of the printing or reprinting of the eligible work or a work that is part of the eligible group of works, or

iv. to a partnership that carries on a business in Québec, has an establishment in Québec and is not dealing at arm's length with the corporation at the time the contract is entered into, to the extent that that portion of remuneration is reasonably attributable to services rendered in Québec as part of the printing or reprinting of the eligible work or a work that is part of the eligible group of works, by an eligible individual who is a member of the partnership, or to the wages paid to the partnership's eligible employees that relate to services rendered in Québec by the partnership's eligible employees as part of the printing or reprinting of the work; and

(c) one-third of the consideration, other than a salary or wages or a non-repayable advance, that is incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, one-third of the portion of the consideration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate pursuant to a contract entered into in respect of the eligible work or a work that is part of the eligible group of works, and that is paid by the corporation, for services rendered in Québec to the corporation for eligible printing work or eligible reprinting work by an eligible individual or by a corporation or partnership having an establishment in Québec, other than an employee of the corporation, with which the corporation is dealing at arm's length at the time the contract is entered into;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation, that, in the year, has an establishment in Québec and carries on a book publishing business, that is a qualified business, and that, for the year, is a publishing house recognized by the Société de développement des entreprises culturelles;

"qualified labour expenditure attributable to preparation costs and digital version publishing costs" of a corporation for a taxation year, in respect of property that is an eligible work or an eligible group of works, means, subject to the fourth paragraph, the lesser of

(a) the amount by which

i. the aggregate of

(1) the labour expenditure attributable to preparation costs and digital version publishing costs of the corporation for the year in respect of the property,

(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in subparagraph *c* of the fifth paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.18 in relation to the preparation of the property or to the publishing of a digital version of the property, up to 20/7 of the tax under Part III. 1.0.5 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i, in relation to that assistance, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the labour expenditure attributable to preparation costs and digital version publishing costs of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is the qualified labour expenditure attributable to preparation costs and digital version publishing costs of the corporation in respect of the property for a taxation year preceding the year, exceeds 20/7 of the aggregate of all amounts each of which is a tax that the corporation is required to pay under Part III.1.0.5 for a year preceding the year, because of subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.18, in relation to assistance referred to in subparagraph ii, exceeds

ii. the aggregate of

(1) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, in connection with a labour expenditure attributable to preparation costs and digital version publishing costs of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, under subparagraph i of subparagraph *c* of the fifth paragraph, reduced that labour expenditure attributable to preparation costs and digital version publishing costs for that preceding year,

(2) the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, on or before the corporation's filing-due date for the year, in connection with a labour expenditure attributable to preparation costs and digital version publishing costs of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, under subparagraph ii of subparagraph *c* of the fifth paragraph, reduced that labour expenditure attributable to preparation costs and digital version publishing costs for that preceding year, and

(3) the amount of any government assistance and non-government assistance that an eligible individual, a particular corporation or a partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the particular corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *c* of the definition of "labour expenditure attributable to preparation costs and digital version publishing costs", to the extent that the amount has not, under subparagraph iii of subparagraph *c* of the fifth paragraph, reduced the labour expenditure attributable to preparation costs and digital version publishing costs of the corporation for that preceding year in respect of the property; and

(b) the amount by which

i. 65% of the amount by which the aggregate of the preparation costs directly attributable to the preparation of the property and the digital version publishing costs directly attributable to the publishing of an eligible digital version relating to the property that the corporation incurred before the end of the year in respect of the property to the extent that they relate to services rendered before the date on which the first printing of the eligible work or the last work that is part of the eligible group of works is completed or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the fourth paragraph, and that are paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, on or before the corporation's filing-due date for the year, exceeds

ii. the amount by which the aggregate of all amounts each of which is the qualified labour expenditure attributable to preparation costs and digital version publishing costs of the corporation in respect of the preparation of the property or the publishing of a digital version of the property for a taxation year preceding the year exceeds 20/7 of the aggregate of all amounts each of which is a tax that the corporation is required to pay under Part III.1.0.5, in respect of the preparation of the property or the publishing of a digital version of the property, for a taxation year preceding the year;

"qualified labour expenditure attributable to printing and reprinting costs" of a corporation for a taxation year, in respect of property that is an eligible work or an eligible group of works, means, subject to the fourth paragraph, the lesser of

(a) the amount by which

i. the aggregate of

(1) the labour expenditure attributable to the printing and reprinting costs of the corporation for the year in respect of the property,

(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in subparagraph *c* of the third paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.18 in relation to the printing and reprinting of the property, up to 20/7 of the tax under Part III.1.0.5 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i, in relation to that assistance, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the labour expenditure attributable to the printing and reprinting costs of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is the qualified labour expenditure attributable to the printing and reprinting costs of the corporation in respect of the property for a taxation year preceding the year, exceeds 20/7 of the aggregate of all amounts each of which is a tax that the corporation is required to pay under Part III.1.0.5 for a year preceding the year, by reason of subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.18, in relation to assistance referred to in subparagraph ii, exceeds

ii. the aggregate of

(1) the amount of any government assistance or non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, in relation to a labour expenditure attributable to the printing and reprinting costs of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, under subparagraph i of subparagraph *c* of the third paragraph, reduced that labour expenditure attributable to printing and reprinting costs for that preceding year,

(2) the amount of any benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, on or before the corporation's filing-due date for the year, in connection with a labour expenditure attributable to the printing and reprinting costs of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, under subparagraph ii of subparagraph *c* of the third paragraph, reduced that labour expenditure attributable to printing and reprinting costs for that preceding year, and

(3) the amount of any government assistance and non-government assistance that an eligible individual, a particular corporation or a partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the particular corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of "labour expenditure attributable to printing and reprinting costs", to the extent that the amount has not, under subparagraph iii of subparagraph *c* of the third paragraph, reduced the labour expenditure attributable to printing and reprinting costs of the corporation for that preceding year in respect of the property; and

(b) the amount by which

i. 33 1/3% of the amount by which the aggregate of the printing costs directly attributable to the printing of the property that the corporation incurred before the end of the year in respect of the property to the extent that they relate to services rendered before the date on which the first printing of the eligible work or of the last work that is part of the eligible group of works is completed or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the fourth paragraph and the reprinting costs directly attributable to the reprinting of the eligible work or of a work that is part of the eligible group of works that the corporation incurred before the end of the year and within the time specified in subparagraph i of subparagraph *c* of the fourth paragraph to the extent that they relate to eligible reprinting work referred to in subparagraph ii of that subparagraph *c* in relation to the work, and that are paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, on or before the corporation's filing-due date for the year, exceeds

ii. the amount by which the aggregate of all amounts each of which is the qualified labour expenditure attributable to the printing and reprinting costs of the corporation in respect of the printing and reprinting of the property for a taxation year preceding the year exceeds 20/7 of the aggregate of all amounts each of which is a tax that the corporation is required to pay under Part III.1.0.5, in respect of the printing and reprinting of the property, for a taxation year preceding the year;

"Québec author" means an individual who is an author or an individual who is the editor of an eligible work or a work that is part of an eligible group of works written by a team of contributors, and who was resident in Québec at the end of the calendar year preceding the calendar year in which the publishing work began, or was resident in Québec for at least five consecutive years prior to the beginning of the publishing work;

"salary or wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of this section, the initial stage of publishing, in relation to an eligible work or an eligible group of works, means the date specified for that purpose in the favourable advance ruling given or the certificate issued by the Société de développement des entreprises culturelles, in relation to that work or group of works, for the purposes of this division.

For the purposes of the definition of "labour expenditure attributable to printing and reprinting costs" in the first paragraph, the following rules apply:

(a) for the purposes of paragraph *a* of the definition, the salaries or wages directly attributable to the printing of a property that is an eligible work or an eligible group of works are, where an employee directly undertakes, supervises or supports the printing of the property, the portion of the salaries or wages paid to or on behalf of the employee that may reasonably be considered to relate to the printing of the property;

*(a.*1*)* for the purposes of paragraph *a*.1 of the definition, the salaries or wages directly attributable to the reprinting of an eligible work or of a work that is part of an eligible group of works are, where an employee directly undertakes, supervises or supports the reprinting of the work, the portion of the salaries or wages paid to or on behalf of the employee that may reasonably be considered to relate to the reprinting of the work;

(b) remuneration, including a salary or wages, does not include remuneration determined by reference to the profits or revenues derived from the operation of a property or an expenditure as remuneration that is, or may reasonably be considered to be, incurred by a corporation, as a mandatary, on behalf of another person;

(c) the amount of the labour expenditure attributable to printing and reprinting costs of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds to the salaries or wages described in paragraph *a* or *a*.1 of that definition, to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition or to the consideration or the portion of the consideration described in paragraph *c* of that definition, that are included in that labour expenditure attributable to printing and reprinting costs of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular amount that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, a particular corporation or a partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the particular corporation or the partnership, as the case may be, that are referred to in that subparagraph;

(d) (subparagraph repealed);

(e) where, for a taxation year, a corporation is not a qualified corporation, its labour expenditure attributable to printing and reprinting costs for the year in respect of a property is deemed to be null.

For the purposes of the definitions of "labour expenditure attributable to preparation costs and digital version publishing costs", "labour expenditure attributable to printing and reprinting costs", "qualified labour expenditure attributable to preparation costs and digital version publishing costs" and "qualified labour expenditure attributable to printing and reprinting costs" in the first paragraph, the following rules apply:

(a) the date to which those definitions refer is the date that is 18 months after the end of the corporation's fiscal period that includes the date on which the first printing of the eligible work or the last work that is part of the eligible group of works is completed;

(b) an expenditure that would, but for this subparagraph, be a labour expenditure attributable to printing and reprinting costs of a corporation for a particular taxation year in respect of a property that is an eligible work or an eligible group of works or a labour expenditure attributable to preparation costs and digital version publishing costs for the particular year in respect of the property or would constitute printing and reprinting costs directly attributable to the printing and reprinting of the property, preparation costs directly attributable to the preparation of the property or digital version publishing costs directly attributable to the publishing of an eligible digital version relating to the property, such expenditure being otherwise incurred in the particular year, and that is outstanding at the particular time the corporation first files with the Minister the prescribed form containing prescribed information provided for in the first paragraph of section 1029.8.36.0.0.14 for that particular year, in respect of the property, or, in the absence of such filing with the Minister, on the corporation's filing-due date for that particular year, is deemed not to be incurred in the particular year and to be incurred in a subsequent taxation year if that expenditure is paid in that subsequent year and after the particular time or after that filing-due date, as the case may be, or in the taxation year that immediately

follows that subsequent year and before the time the corporation first files with the Minister that prescribed form for that subsequent year, in respect of the property; and

(c) no expenditure that relates to eligible reprinting work in relation to an eligible work or a work that is part of an eligible group of works may be taken into consideration in computing a labour expenditure attributable to printing and reprinting costs for a taxation year in respect of the eligible work or the eligible group of works, or printing and reprinting costs directly attributable to the printing and reprinting of the eligible work or the eligible group of works incurred before the end of the year, unless

i. the expenditure is incurred, in respect of the eligible work or of the work that is part of the eligible group of works, on or before the day that is 36 months after the day on which the first printing of the work is completed, and

ii. the Société de développement des entreprises culturelles notifies the Minister that the eligible reprinting work relating to the work began after 22 June 2009.

For the purposes of the definition of "labour expenditure attributable to preparation costs and digital version publishing costs" in the first paragraph, the following rules apply:

(a) for the purposes of paragraph *a* of the definition, the salaries or wages directly attributable to the preparation of a property that is an eligible work or an eligible group of works or to the publishing of an eligible digital version relating to the property are, where an employee undertakes, supervises or directly supports the preparation of the property or the publishing of the eligible digital version, the portion of the salaries or wages paid to or on behalf of the employee that may reasonably be considered to relate to the preparation of the property or to the publishing of the eligible digital version relating to the property;

(b) remuneration, including a salary or wages, does not include remuneration determined by reference to the profits or revenues derived from the operation of a property or an expenditure as remuneration that is, or may reasonably be considered to be, incurred by a corporation, as a mandatary, on behalf of another person;

(c) the amount of the labour expenditure attributable to preparation costs and digital version publishing costs of a corporation for a taxation year in respect of a property is to be reduced, if applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds to the salaries or wages described in paragraph *a* of that definition, to the advances described in paragraph *b* of that definition, to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *c* of that definition or to the consideration or the portion of the consideration described in paragraph *d* of that definition, that are included in that labour expenditure attributable to preparation costs and digital version publishing costs of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year,

ii. the amount of any benefit or advantage attributable to the particular amount that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *c* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, a particular corporation or a partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the particular corporation or the partnership, as the case may be, that are referred to in that subparagraph;

(d) (subparagraph repealed);

(e) where, for a taxation year, a corporation is not a qualified corporation, its labour expenditure attributable to preparation costs and digital version publishing costs for the year in respect of a property is deemed to be null.

For the purposes of this division, the printing and reprinting costs directly attributable to the printing and reprinting of a property that is an eligible work or an eligible group of works incurred by a corporation before the end of a taxation year are

(a) the printing costs, other than publishing fees and administration costs, incurred by the corporation for the first printing of the eligible work or of works that are part of the eligible group of works, the first assembly and the first binding;

(a.1) the reprinting costs, other than publishing fees and administration costs, incurred by the corporation as part of the reprinting of the eligible work or of a work that is part of the eligible group of works; and

(b) the portion of the cost of acquisition of a particular property, owned by the corporation and used by it as part of the printing or reprinting of the property, that is the portion of the depreciation of that particular property, for the year, determined in accordance with the generally accepted accounting principles, relating to the use of that particular property by the corporation in the year, as part of the printing or reprinting of the property.

For the purposes of this division, the preparation costs directly attributable to the preparation of a property that is an eligible work or an eligible group of works incurred by a corporation before the end of a taxation year are

(a) the preparation costs, other than publishing fees and administration costs, including non-refundable advances paid to the author or authors, editing, design, research, art work, mock-up production, layout, typesetting and pre-press costs;

(b) the publishing fees and administration costs pertaining to the property; and

(c) the portion of the cost of acquisition of a particular property, owned by the corporation and used by it as part of the preparation of the property, that is the portion of the depreciation of that particular property, for the year, determined in accordance with the generally accepted accounting principles, relating to the use of that particular property by the corporation in the year, as part of the preparation of the property.

For the purposes of this division, the digital version publishing costs directly attributable to the publishing of an eligible digital version relating to a property that is an eligible work or an eligible group of works incurred by a corporation before the end of a taxation year are

(a) the digital version publishing costs, other than publishing fees and administration costs, incurred by the corporation to carry out the publishing stages of the eligible digital version of the work or of a work that is part of the group of works, including the conversion, production of metadata, indexing, previewing, stocking, destocking, quality control and filing of the work in a digital warehouse; and

(b) the portion of the cost of acquisition of a particular property, owned by the corporation and used by it as part of the publishing of the eligible digital version of the eligible work or of a work that is part of the eligible group of works, that is the portion of the depreciation of that particular property, for the year, determined in accordance with the generally accepted accounting principles, relating to the use of that particular property by the corporation in the year, as part of the publishing of the eligible digital version of the work.

For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of "qualified labour expenditure attributable to printing and reprinting costs" in the first paragraph, an amount of assistance

received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is an eligible work or an eligible group of works, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.14, in respect of the property,

i. because of subparagraph *c* of the third paragraph, a labour expenditure attributable to the printing and reprinting costs of the corporation in respect of the property, or

ii. because of subparagraph ii of paragraph *a* of the definition of "qualified labour expenditure attributable to printing and reprinting costs" in the first paragraph, a qualified labour expenditure attributable to the printing and reprinting costs of the corporation in respect of the property;

iii. *(subparagraph repealed);*

(b) was not received by the corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.

For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of "qualified labour expenditure attributable to preparation costs and digital version publishing costs" in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is an eligible work or an eligible group of works, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.14, in respect of the property,

i. because of subparagraph *c* of the fifth paragraph, a labour expenditure attributable to preparation costs and digital version publishing costs of the corporation in respect of the property, or

ii. because of subparagraph ii of paragraph *a* of the definition of "qualified labour expenditure attributable to preparation costs and digital version publishing costs" in the first paragraph, a qualified labour expenditure attributable to preparation costs and digital version publishing costs of the corporation in respect of the property;

iii. *(subparagraph repealed);*

(b) was not received by the corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.

Where the definition of "qualified labour expenditure attributable to printing and reprinting costs" in the first paragraph applies in respect of a property (other than a property described in subparagraph *a*.3 of the first paragraph of section 1029.8.36.0.0.14), it is to be read, in respect of the property, as if "20/7" were replaced wherever it appears by

(a) "100/26.25", if the property is referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.0.14;

(a.1*)* "100/27", if the property is referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.0.0.14;

(b) "100/21.6", if the property is referred to in subparagraph *a*.2 of the first paragraph of section 1029.8.36.0.0.14; or

(c) "10/3", if the property is referred to in subparagraph *b* of the first paragraph of section 1029.8.36.0.0.14.

Where the definition of "qualified labour expenditure attributable to preparation costs and digital version publishing costs" in the first paragraph applies in respect of a property (other than a property described in subparagraph *a*.3 of the first paragraph of section 1029.8.36.0.0.14), it is to be read, in respect of the property,

(a) as if "20/7" were replaced wherever it appears by

i. "20/7", if the property is referred to in subparagraph *a* or *a*.1 of the first paragraph of section 1029.8.36.0.0.14,

ii. "25/7", if the property is referred to in subparagraph *a*.2 of the first paragraph of section 1029.8.36.0.0.14, or

iii. "5/2", if the property is referred to in subparagraph *b* of the first paragraph of section 1029.8.36.0.0.14; and

(b) as if "65%" in the portion of subparagraph i of paragraph *b* before subparagraph 1 were replaced by "50%".

2001, c. 51, s. 117; 2002, c. 9, s. 65; 2003, c. 9, s. 210; 2004, c. 21, s. 317; 2005, c. 23, s. 160; 2005, c. 38, s. 246; 2006, c. 13, s. 117; 2006, c. 36, s. 131; 2007, c. 12, s. 158; 2010, c. 5, s. 155; 2010, c. 25, s. 133; 2011, c. 1, s. 68; 2011, c. 34, s. 75; 2013, c. 10, s. 111; 2015, c. 21, s. 427; 2015, c. 36, s. 115; 2019, c. 14, s. 329; 2024, c. 11, s. 108.

1029.8.36.0.0.14. A corporation that encloses with the fiscal return it is required to file for a taxation year under section 1000 the prescribed form containing prescribed information and a copy of the favourable advance ruling given or certificate issued by the Société de développement des entreprises culturelles, in respect of a property that is an eligible work or an eligible group of works, is deemed, subject to the second paragraph, if the application for an advance ruling has been filed or, in the absence of such an application, an application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to

(a) in the case of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 31 August 2003 and before 20 March 2009 or for which, despite the filing of an application for an advance ruling with the Société de développement des entreprises culturelles before 1 September 2003, the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 12 June 2003, the aggregate of

i. an amount equal to 35% of its qualified labour expenditure attributable to preparation costs and digital version publishing costs for the year in respect of that property, and

ii. an amount equal to 26.25% of its qualified labour expenditure attributable to printing and reprinting costs for the year in respect of that property;

(a.1) in the case of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 19 March 2009 and on or before 4 June 2014 or, if the Société de développement des entreprises culturelles considers that the work on the property was sufficiently advanced on that date, 31 August 2014, or where an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 26 March 2015 and before 22 March 2023, the aggregate of

i. an amount equal to 35% of its qualified labour expenditure attributable to preparation costs and digital version publishing costs for the year in respect of that property, and

ii. an amount equal to 27% of its qualified labour expenditure attributable to printing and reprinting costs for the year in respect of that property; and

(a.2) in the case of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 31 August 2014 and before 27 March 2015 or, if the Société de développement des entreprises culturelles considers that the work on the property was not sufficiently advanced on 4 June 2014, after that date and before 27 March 2015, the aggregate of

i. an amount equal to 28% of its qualified labour expenditure attributable to preparation costs and digital version publishing costs for the year in respect of the property, and

ii. an amount equal to 21.6% of its qualified labour expenditure attributable to printing and reprinting costs for the year in respect of the property;

(a.3) in the case of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles in respect of the property after 21 March 2023, the aggregate of

i. an amount equal to 35% of its qualified labour expenditure attributable to preparation costs and digital version publishing costs for the year in respect of the property, and

ii. an amount equal to 35% of its qualified labour expenditure attributable to printing and reprinting costs for the year in respect of the property; and

(b) in any other case, the aggregate of

i. an amount equal to 40% of its qualified labour expenditure attributable to preparation costs and digital version publishing costs for the year in respect of that property, and

ii. an amount equal to 30% of its qualified labour expenditure attributable to printing and reprinting costs for the year in respect of that property.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The amount that a corporation is deemed to have paid to the Minister, under the first paragraph, on account of its tax payable for a taxation year under this Part in respect of a property that is an eligible work or an eligible group of works must not exceed the amount by which, if the property is coedited by the corporation and one or more other eligible corporations, the amount obtained by applying to the amount determined under the fourth paragraph the corporation's share, expressed as a percentage, of the publishing costs in relation to

the preparation and printing of the property that is specified in the favourable advance ruling given or certificate issued by the Société de développement des entreprises culturelles in respect of the property or, in any other case, the amount determined under the fourth paragraph, exceeds the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under that paragraph in respect of the property for a preceding taxation year exceeds the aggregate of all amounts each of which is an amount that the corporation is required to pay under section 1129.4.0.18 in respect of the property for a preceding taxation year.

The amount to which the third paragraph refers is equal to,

(a) in the case of an eligible work, $437,500; and

(b) in the case of an eligible group of works, the amount obtained by multiplying $437,500 by the number of works that form that group.

However, where the fourth paragraph applies in respect of a property (other than a property described in any of subparagraphs *a*, *a*.1 and *a*.3 of the first paragraph), it is to be read, in respect of the property, as if "$437,500" were replaced wherever it appears by

(a) "$350,000", if the property is referred to in subparagraph *a*.2 of the first paragraph; and

(b) "$500,000", if the property is referred to in subparagraph *b* of the first paragraph.

2001, c. 51, s. 117; 2002, c. 9, s. 66; 2003, c. 9, s. 211; 2004, c. 21, s. 318; 2005, c. 23, s. 161; 2007, c. 12, s. 159; 2010, c. 5, s. 156; 2010, c. 25, s. 134; 2011, c. 34, s. 76; 2012, c. 8, s. 197; 2015, c. 21, s. 428; 2015, c. 36, s. 116; 2024, c. 11, s. 109.

1029.8.36.0.0.15. *(Repealed).*

2001, c. 51, s. 117; 2004, c. 21, s. 319; 2005, c. 23, s. 162; 2012, c. 8, s. 198.

DIVISION II.6.0.0.6

Repealed, 2010, c. 25, s. 135.

2002, c. 40, s. 137; 2010, c. 25, s. 135.

§ 1. —

Repealed, 2010, c. 25, s. 135.

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.16. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.17. *(Repealed).*

2002, c. 40, s. 137; 2005, c. 23, s. 163; 2010, c. 25, s. 135.

1029.8.36.0.0.18. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

§ 2. —

Repealed, 2010, c. 25, s. 135.

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.19. *(Repealed).*

2002, c. 40, s. 137; 2003, c. 9, s. 212; 2010, c. 25, s. 135.

1029.8.36.0.0.20. *(Repealed).*

2002, c. 40, s. 137; 2003, c. 9, s. 213; 2010, c. 25, s. 135.

1029.8.36.0.0.21. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.22. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.23. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

§ 3. —

Repealed, 2010, c. 25, s. 135.

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.24. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.25. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.26. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.27. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.28. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.29. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.30. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.31. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

1029.8.36.0.0.32. *(Repealed).*

2002, c. 40, s. 137; 2010, c. 25, s. 135.

DIVISION II.6.0.1

Repealed, 2007, c. 12, s. 160.

1997, c. 14, s. 221; 1999, c. 83, s. 195; 2007, c. 12, s. 160.

1029.8.36.0.1. *(Repealed).*

1997, c. 14, s. 221; 1997, c. 31, s. 143; 1999, c. 83, s. 196; 2000, c. 39, s. 148; 2001, c. 7, s. 169; 2001, c. 51, s. 228; 2007, c. 12, s. 160.

1029.8.36.0.2. *(Repealed).*

1997, c. 14, s. 221; 1997, c. 31, s. 143; 1999, c. 83, s. 197; 2000, c. 39, s. 149; 2007, c. 12, s. 160.

1029.8.36.0.3. *(Repealed).*

1997, c. 14, s. 221; 2007, c. 12, s. 160.

1029.8.36.0.3.1. *(Repealed).*

1999, c. 83, s. 198; 2001, c. 51, s. 118; 2007, c. 12, s. 160.

1029.8.36.0.3.2. *(Repealed).*

1999, c. 83, s. 198; 2007, c. 12, s. 160.

DIVISION II.6.0.1.1

Repealed, 2007, c. 12, s. 160.

1999, PL n° 3, s. 193; 2007, c. 12, s. 160.

1029.8.36.0.3.3. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 5, s. 258; 2000, c. 39, s. 150; 2001, c. 7, s. 146; 2001, c. 51, s. 119; 2001, c. 69, s. 12; 2005, c. 1, s. 235; 2007, c. 12, s. 160.

1029.8.36.0.3.4. *(Repealed).*

1999, c. 83, s. 198; 2001, c. 51, s. 120; 2001, c. 69, s. 12; 2007, c. 12, s. 160.

1029.8.36.0.3.5. *(Repealed).*

1999, c. 83, s. 198; 2001, c. 51, s. 121; 2001, c. 69, s. 12; 2007, c. 12, s. 160.

1029.8.36.0.3.6. *(Repealed).*

1999, c. 83, s. 198; 2001, c. 51, s. 122; 2007, c. 12, s. 160.

1029.8.36.0.3.7. *(Repealed).*

1999, c. 83, s. 198; 2007, c. 12, s. 160.

DIVISION II.6.0.1.2

CREDIT FOR MULTIMEDIA TITLES (GENERAL)

1999, c. 83, s. 198.

1029.8.36.0.3.8. In this division,

"eligible employee", for a taxation year, means an individual in respect of whom the following conditions are met:

(a) the individual's name is specified in the qualification certificate issued by Investissement Québec, for the year and for the purposes of this division, to a corporation in respect of a property that is a multimedia title; and

(b) throughout the period in the year during which the individual carries out eligible production work relating to that property, the individual is an employee who reports for work at an establishment of the employer situated in Québec;

"eligible production work", for a taxation year, relating to a property that is a multimedia title, means the work specified in the qualification certificate issued by Investissement Québec, for the year and for the purposes of this division, to a corporation in respect of the property and that is carried out, in whole or in part, by an eligible employee of the corporation or, as part of a contract, by a person or partnership whose name is specified in the qualification certificate;

"multimedia title" of a corporation, for a taxation year, means a title in respect of which a qualification certificate is issued to the corporation for the year by Investissement Québec for the purposes of this division;

"qualified corporation" for a taxation year means a corporation that, in the year, has an establishment in Québec, carries on therein a qualified business and holds a qualification certificate issued for the year by Investissement Québec in respect of property that is a multimedia title for the purposes of this division, but does not include

(a) a corporation that holds, for the year, a qualification certificate referred to in the first paragraph of section 1029.8.36.0.3.19;

(b) a corporation that is exempt from tax for the year under Book VIII;

(c) a corporation that would be exempt from tax for the year under section 985, but for section 192; or

(d) (subparagraph repealed);

(e) a corporation that holds a qualification certificate in respect of a large investment project, within the meaning of the first paragraph of section 737.18.17.14, or a corporation that is a member of a partnership that holds such a qualification certificate, where the year is included in whole or in part in the period that begins on the date of issue of the qualification certificate and ends on the last day of the tax-free period, within the meaning of that first paragraph, in relation to the large investment project;

"qualified labour expenditure" of a corporation for a taxation year in respect of a property that is a multimedia title means, subject to the second paragraph,the aggregate of

(a) the salaries or wages attributable to the property that are incurred and paid by the corporation, in respect of its eligible employees, for eligible production work relating to the property carried out in the year;

(b) the aggregate of all amounts each of which is the portion of the consideration paid by the corporation, under the terms of a contract, for eligible production work relating to the property that was carried out on its behalf in the year to a person or partnership who or which carried out all or a part of the eligible production work and with whom or with which the corporation is not dealing at arm's length at the time the contract is entered into, that may reasonably be attributed to the salaries or wages attributable to the property that the

person or partnership incurred and paid in respect of the person's or partnership's eligible employees, or that could be so attributed if that person or partnership had such employees; and

(c) the aggregate of all amounts each of which is one-half of the portion of the consideration paid by the corporation, under the terms of a contract, for eligible production work relating to the property, to a person or partnership with whom or which the corporation is dealing at arm's length at the time the contract is entered into, that may reasonably be attributed to the eligible production work carried out in Québec, in the year and on its behalf, by the employees of that person or partnership, or that could be so attributed if that person or partnership had employees;

"salary or wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of "eligible employee" in the first paragraph, the following rules apply:

(a) where, during a period of a taxation year, an employee reports for work at an establishment of an employer situated in Québec and at an establishment of the employer situated outside Québec, the employee is deemed, for that period,

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the employer situated outside Québec; and

(b) where, during a period of a taxation year, an employee is not required to report for work at an establishment of an employer and the employee's wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

1999, c. 83, s. 198; 2000, c. 5, s. 259; 2000, c. 39, s. 151; 2001, c. 7, s. 147; 2001, c. 51, s. 123; 2001, c. 69, s. 12; 2004, c. 21, s. 320; 2005, c. 1, s. 236; 2005, c. 38, s. 247; 2006, c. 13, s. 118; 2007, c. 12, s. 161; 2011, c. 1, s. 69; 2013, c. 10, s. 112; 2015, c. 21, s. 429; 2019, c. 14, s. 330; 2021, c. 14, s. 134; 2023, c. 2, s. 35; 2024, c. 11, s. 110.

1029.8.36.0.3.9. A corporation that, for a taxation year, is a qualified corporation and encloses with the fiscal return it is required to file for the year under section 1000 the documents described in the fourth paragraph, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount obtained by applying the appropriate percentage, determined in the third paragraph in relation to a property that is a multimedia title for the year, to the corporation's qualified labour expenditure for the year in respect of the property.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The percentage to which the first paragraph refers in relation to a property that is a multimedia title for a taxation year is, as the case may be,

(a) if an application for a qualification certificate in respect of the property is filed before 21 March 2012, or after 20 March 2012 but in respect of a taxation year that ended before 21 March 2012, the percentage that corresponds to

i. 37.5%, where it is certified that the property is produced without having been ordered, is to be commercialized and is available in a French version,

ii. 30%, where it is certified that the property is produced without having been ordered, is to be commercialized and is not available in a French version, and

iii. 26.25%, in any other case; or

(b) if an application for a qualification certificate in respect of the property is filed after 20 March 2012 in respect of a taxation year that ends after that date, the percentage that corresponds, subject to the fifth paragraph, to

i. 37.5%, where it is certified that the property is to be commercialized and is available in a French version, and is not a vocational training title,

ii. 30%, where it is certified that the property is to be commercialized and is not available in a French version, and is not a vocational training title, and

iii. 26.25%, in any other case.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information; and

(b) a copy of the qualification certificate issued to the corporation by Investissement Québec, for the year and for the purposes of this division, in respect of a property that is a multimedia title.

Where this section applies in respect of all or part of a qualified labour expenditure that consists of salaries or wages incurred after 4 June 2014 and before 27 March 2015 or of amounts each of which is a portion of the consideration or one-half of a portion of the consideration that is paid under a contract entered into after 3 June 2014 and before 27 March 2015, the percentages of 37.5%, 30% and 26.25% in subparagraph *b* of the third paragraph are to be replaced by the percentages of 30%, 24% and 21%, respectively, in respect of all or part of the qualified labour expenditure.

For the purposes of the first paragraph, the amount, determined after the application of sections 1029.8.36.0.3.10.1 and 1029.8.36.0.3.13, of a salary or wages referred to in paragraph *a* or *b* of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.3.8, incurred and paid in respect of an eligible employee, may not exceed the amount obtained by multiplying $100,000 by the proportion that the number of days in the corporation's taxation year during which the employee is an eligible employee is of 365.

The sixth paragraph does not apply in respect of a salary or wages paid in consideration of services rendered by an eligible employee as part of the production of a property if

(a) the corporation makes an election in the prescribed form containing prescribed information in respect of a group of employees to which the employee belongs and the number of employees concerned by the election does not exceed 20% of the total number of eligible employees whose salaries or wages are taken into consideration in computing the corporation's qualified labour expenditure for the year in respect of the property; or

(b) where subparagraph *a* does not apply, the employee belongs to the group consisting of 20% of the total number of eligible employees whose salaries or wages taken into consideration in computing the corporation's qualified labour expenditure for the year in respect of the property are the highest.

For the purposes of the seventh paragraph, if the result obtained after having applied the percentage of 20% to the total number of eligible employees is not a whole number, it must be rounded to the nearest whole number and, if it is equidistant from two consecutive whole numbers, it must be rounded to the higher of those two numbers.

1999, c. 83, s. 198; 2001, c. 51, s. 124; 2001, c. 69, s. 12; 2003, c. 9, s. 214; 2004, c. 21, s. 321; 2005, c. 38, s. 248; 2007, c. 12, s. 162; 2011, c. 34, s. 77; 2013, c. 10, s. 113; 2015, c. 21, s. 430; 2017, c. 1, s. 279; 2017, c. 29, s. 178; 2023, c. 2, s. 36.

1029.8.36.0.3.10. *(Repealed).*

1999, c. 83, s. 198; 2001, c. 51, s. 125; 2001, c. 69, s. 12; 2004, c. 21, s. 322; 2005, c. 38, s. 249; 2007, c. 12, s. 163; 2012, c. 8, s. 199.

1029.8.36.0.3.10.1. For the purpose of computing the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.9, the following rules apply:

(a) the amount of the salaries or wages incurred or of a portion of the consideration paid, included in the qualified labour expenditure of the corporation for the year, in respect of a property that is a multimedia title, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance attributable to the salaries or wages or to the portion of the consideration, as the case may be, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year; and

(b) the amount of a portion of the consideration paid that is referred to in paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.3.8 and included in the qualified labour expenditure referred to in paragraph *a*, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance that is attributable to the salaries or wages incurred and paid in respect of the eligible employees of an establishment of a person or partnership situated in Québec that are referred to in that paragraph *b*, or that would be so attributable if the person or partnership had such employees, and that the person or partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year.

2006, c. 13, s. 119; 2007, c. 12, s. 164.

1029.8.36.0.3.11. If, in a taxation year, in this section referred to as the "repayment year", a person or partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that the person or partnership received and that reduced, in accordance with section 1029.8.36.0.3.10.1, the qualified labour expenditure of a corporation, for a particular taxation year, in respect of a property that is a multimedia title for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.0.3.9, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for that particular year under section 1029.8.36.0.3.9, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.0.3.10.1, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.9 for that particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister for a year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

1999, c. 83, s. 198; 2001, c. 7, s. 169; 2002, c. 40, s. 138; 2006, c. 13, s. 120; 2007, c. 12, s. 165.

1029.8.36.0.3.12. For the purposes of section 1029.8.36.0.3.11, an amount of assistance received by a person or partnership is deemed, in respect of a property that is a multimedia title, to be repaid by the person or partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.0.3.10.1, a qualified labour expenditure of a qualified corporation for the purpose of computing the amount it is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.9;

(b) was not received by the person or partnership; and

(c) ceased in the taxation year to be an amount that the person or partnership may reasonably expect to receive.

1999, c. 83, s. 198; 2001, c. 7, s. 169; 2006, c. 13, s. 121; 2007, c. 12, s. 166.

1029.8.36.0.3.13. If, in respect of eligible production work in relation to a property that is a multimedia title, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the carrying out of the eligible production work, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, or a person or partnership is deemed to have obtained or to be entitled to obtain such a benefit or advantage on a determination of the Minister to that effect, the amount of the salaries or wages incurred or of a portion of a consideration paid, included in the qualified labour expenditure of a qualified corporation, for a taxation year, in respect of the property, is, for the purpose of computing the amount that is deemed to have been paid to the Minister for the year by the corporation under section 1029.8.36.0.3.9, to be reduced, where applicable, by the amount of the benefit or advantage attributable to the salaries or wages or to the portion of a consideration, as the case may be, that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, or is deemed to have obtained or to be entitled to obtain, on or before the corporation's filing-due date for that year.

1999, c. 83, s. 198; 2006, c. 13, s. 122; 2006, c. 36, s. 132; 2007, c. 12, s. 167.

1029.8.36.0.3.14. Notwithstanding section 1029.8.36.0.3.9, where a corporation, under the terms of a contract, causes eligible production work to be carried out on its behalf in relation to a property that is a multimedia title, and the consideration payable or paid by the corporation for such work does not consist in whole of currency, the corporation shall not be deemed to have paid to the Minister an amount under that section in respect of all or any part of the consideration that may reasonably be considered to be payable or paid in currency.

1999, c. 83, s. 198.

1029.8.36.0.3.15. For the purposes of this division, the qualified labour expenditure of a qualified corporation in respect of a property that is a multimedia title shall be reduced by the amount of the consideration payable or paid, under the terms of a contract entered into for the carrying out of eligible production work, in relation to the disposition of property or the providing of a service to the corporation or to a person with whom the corporation is not dealing at arm's length, except to the extent that the consideration may reasonably be considered to relate to property resulting from the eligible production work or to services relating to the property, or to property or part of a property consumed in connection with the work or the services.

1999, c. 83, s. 198.

1029.8.36.0.3.16. *(Repealed).*

1999, c. 83, s. 198; 2001, c. 51, s. 126; 2002, c. 9, s. 67.

1029.8.36.0.3.17. This division applies in respect of a property that is a multimedia title of a qualified corporation the main production work of which began after 31 March 1998, or in respect of a property that is a multimedia title of a qualified corporation, the main production work of which began after 9 May 1996 and before 1 April 1998 where, in the latter case, the corporation makes the election in prescribed form containing

the prescribed information and sends it to the Minister on or before the corporation's filing-due date for its taxation year that includes 20 December 1999.

1999, c. 83, s. 198.

DIVISION II.6.0.1.3

CREDIT FOR CORPORATIONS SPECIALIZED IN THE PRODUCTION OF MULTIMEDIA TITLES

1999, c. 83, s. 198.

1029.8.36.0.3.18. In this division,

"eligible employee", for a taxation year, means an individual in respect of whom the following conditions are met:

(a) the individual's name is specified in the qualification certificate issued by Investissement Québec, for the year and for the purposes of this division, to a corporation in respect of eligible multimedia titles; and

(b) throughout the period in the year during which the individual carries out eligible production work, relating to those titles, the individual is an employee who reports for work at an establishment of the employer situated in Québec;

"eligible multimedia title" of a corporation means a title that is not identified as being an excluded title on the qualification certificate issued to the corporation by Investissement Québec, for the year and for the purposes of this division, in respect of its activities;

"eligible production work", for a taxation year, relating to eligible multimedia titles, means the work specified in the qualification certificate issued by Investissement Québec, for the year and for the purposes of this division, to a corporation in respect of those titles and that is carried out, in whole or in part, by an eligible employee of the corporation or, as part of a contract, by a person or partnership whose name is specified in the qualification certificate;

"qualified corporation", for a taxation year, means a corporation that, in the year, has an establishment in Québec, carries on a qualified business in Québec and holds a qualification certificate issued to it by Investissement Québec, for the year and for the purposes of this division, in respect of its activities, but does not include

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192; or

(c) (subparagraph repealed);

(d) a corporation that holds a qualification certificate in respect of a large investment project, within the meaning of the first paragraph of section 737.18.17.14, or a corporation that is a member of a partnership that holds such a qualification certificate, where the year is included in whole or in part in the period that begins on the date of issue of the initial qualification certificate and ends on the last day of the tax-free period, within the meaning of that first paragraph, in relation to the large investment project;

"qualified labour expenditure" of a corporation for a taxation year means, subject to the second paragraph, the aggregate of

(a) the salaries or wages attributable to eligible multimedia titles that were incurred by the corporation in the year and paid, in respect of its eligible employees, for eligible production work relating to such titles;

(b) the aggregate of all amounts each of which is the portion of the consideration paid by the corporation, under the terms of a contract, for eligible production work that was carried out on its behalf in the year in relation to eligible multimedia titles, to a person or partnership who or which carried out all or a part of the eligible production work and with whom or with which the corporation is not dealing at arm's length at the time the contract is entered into, that may reasonably be attributed to the salaries or wages attributable to the titles that the person or partnership incurred or paid in respect of its eligible employees, or that could be so attributed if that person or partnership had such employees; and

(c) the aggregate of all amounts each of which is one-half of the portion of the consideration paid by the corporation, under the terms of a contract, for eligible production work relating to eligible multimedia titles, to a person or partnership with whom or which the corporation is dealing at arm's length at the time the contract is entered into, that may reasonably be attributed to the eligible production work carried out in Québec, in the year and on its behalf by the employees of that person or partnership, or that could be so attributed if that person or partnership had such employees;

"salary or wages" means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of "qualified labour expenditure" in the first paragraph, an amount incurred in a taxation year that relates to work to be carried out in a subsequent taxation year is deemed not to have been incurred in that year, but to have been incurred in the subsequent year during which the work to which the amount refers is carried out.

For the purposes of the definition of "eligible employee" in the first paragraph, the following rules apply:

(a) where, during a period of a taxation year, an employee reports for work at an establishment of an employer situated in Québec and at an establishment of the employer situated outside Québec, the employee is deemed, for that period,

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the employer situated outside Québec; and

(b) where, during a period of a taxation year, an employee is not required to report for work at an establishment of an employer and the employee's wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

1999, c. 83, s. 198; 2000, c. 5, s. 260; 2000, c. 39, s. 152; 2001, c. 51, s. 127; 2001, c. 69, s. 12; 2002, c. 9, s. 68; 2004, c. 21, s. 323; 2005, c. 1, s. 237; 2005, c. 38, s. 250; 2007, c. 12, s. 168; 2011, c. 1, s. 70; 2013, c. 10, s. 114; 2015, c. 21, s. 431; 2019, c. 14, s. 331; 2021, c. 14, s. 135; 2023, c. 2, s. 37; 2024, c. 11, s. 111.

1029.8.36.0.3.19. A corporation that, for a taxation year, is a qualified corporation and encloses with the fiscal return it is required to file for the year under section 1000 the documents described in the fourth paragraph is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for the year under this Part, an amount equal to the amount obtained by applying the appropriate percentage determined in the third paragraph in its respect for the year to its qualified labour expenditure for the year.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The percentage to which the first paragraph refers for a taxation year is, as the case may be,

(a) if an application for a qualification certificate is filed for the year before 21 March 2012, or after 20 March 2012 but in respect of a taxation year that ended before 21 March 2012, the percentage that corresponds to

i. 37.5%, where the valid qualification certificate issued to the corporation for the year certifies that at least 75% of the eligible multimedia titles produced by the corporation in the year are produced without having been ordered, are to be commercialized and are available in a French version, or that at least 75% of its gross revenue for the year is derived from such eligible multimedia titles,

ii. 30%, where subparagraph i does not apply and the valid qualification certificate issued to the corporation for the year certifies that at least 75% of the eligible multimedia titles produced by the corporation in the year are produced without having been ordered and are to be commercialized, or that at least 75% of its gross revenue for the year is derived from such eligible multimedia titles, and

iii. 26.25%, in any other case; or

(b) if an application for a qualification certificate in respect of the corporation's activities is filed after 20 March 2012 in respect of a taxation year that ends after that date, the percentage that corresponds, subject to the fifth paragraph, to

i. 37.5%, where the qualification certificate issued to the corporation for the year in respect of its activities certifies that at least 75% of the eligible multimedia titles produced by the corporation in the year are to be commercialized, are available in a French version and are not vocational training titles, or that at least 75% of its gross revenue for the year is derived from such eligible multimedia titles,

ii. 30%, where subparagraph i does not apply and the qualification certificate issued to the corporation for the year in respect of its activities certifies that at least 75% of the eligible multimedia titles produced by the corporation in the year are to be commercialized and are not vocational training titles, or that at least 75% of its gross revenue for the year is derived from such eligible multimedia titles, and

iii. 26.25%, in any other case.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information;

(b) a copy of the qualification certificate issued to the corporation by Investissement Québec, for the year and for the purposes of this division, in respect of its activities; and

(c) a copy of the qualification certificate issued to the corporation by Investissement Québec, for the year and for the purposes of this division, in respect of eligible multimedia titles.

Where this section applies in respect of all or part of a qualified labour expenditure that consists of salaries or wages incurred after 4 June 2014 and before 27 March 2015 or of amounts each of which is a portion of the consideration or one-half of a portion of the consideration that is paid under a contract entered into after 3 June 2014 and before 27 March 2015, the percentages of 37.5%, 30% and 26.25% in subparagraph *b* of the third paragraph are to be replaced by the percentages of 30%, 24% and 21%, respectively, in respect of all or part of the qualified labour expenditure.

For the purposes of the first paragraph, the amount, determined after the application of sections 1029.8.36.0.3.21 and 1029.8.36.0.3.24, of a salary or wages referred to in paragraph *a* or *b* of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.3.18, incurred and paid in respect of an eligible employee, may not exceed the amount obtained by multiplying $100,000 by the proportion that the number of days in the corporation's taxation year during which the employee is an eligible employee is of 365.

The sixth paragraph does not apply in respect of a salary or wages paid in consideration of services rendered by an eligible employee if

(a) the corporation makes an election in the prescribed form containing prescribed information in respect of a group of employees to which the employee belongs and the number of employees concerned by the election does not exceed 20% of the total number of eligible employees whose salaries or wages are taken into consideration in computing the corporation's qualified labour expenditure for the year; or

(b) where subparagraph *a* does not apply, the employee belongs to the group consisting of 20% of the total number of eligible employees whose salaries or wages taken into consideration in computing the corporation's qualified labour expenditure for the year are the highest.

For the purposes of the seventh paragraph, if the result obtained after having applied the percentage of 20% to the total number of eligible employees is not a whole number, it must be rounded to the nearest whole number and, if it is equidistant from two consecutive whole numbers, it must be rounded to the higher of those two numbers.

1999, c. 83, s. 198; 2001, c. 51, s. 128; 2001, c. 69, s. 12; 2003, c. 9, s. 215; 2004, c. 21, s. 324; 2005, c. 38, s. 251; 2007, c. 12, s. 169; 2011, c. 34, s. 78; 2013, c. 10, s. 115; 2015, c. 21, s. 432; 2017, c. 1, s. 280; 2017, c. 29, s. 179; 2023, c. 2, s. 38.

1029.8.36.0.3.20. *(Repealed).*

1999, c. 83, s. 198; 2001, c. 51, s. 129; 2001, c. 69, s. 12; 2005, c. 38, s. 252; 2007, c. 12, s. 170; 2012, c. 8, s. 200.

1029.8.36.0.3.21. For the purpose of computing the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.19, the following rules apply:

(a) the amount of the salaries or wages incurred or of a portion of the consideration paid, included in the qualified labour expenditure of the corporation for the year, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance that is attributable to the salaries or wages or to the portion of the consideration, as the case may be, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year; and

(b) the amount of a portion of the consideration paid that is referred to in paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.3.18 and included in the qualified labour expenditure referred to in paragraph *a*, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance that is attributable to the salaries or wages incurred and paid in respect of the eligible employees of an establishment of a person or partnership situated in Québec that are referred to in that paragraph *b*, or that would be so attributable if the person or partnership had such employees, and that the person or partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year.

1999, c. 83, s. 198; 2007, c. 12, s. 171.

1029.8.36.0.3.22. If, in a taxation year, in this section referred to as the "repayment year", a person or partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that the person or partnership received and that reduced, in accordance with section 1029.8.36.0.3.21, the qualified labour expenditure of a corporation for a particular taxation year for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.0.3.19, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for that particular year under section 1029.8.36.0.3.19, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.0.3.21, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.19 for that particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister for a year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

1999, c. 83, s. 198; 2001, c. 7, s. 169; 2002, c. 40, s. 139; 2007, c. 12, s. 172.

1029.8.36.0.3.23. For the purposes of section 1029.8.36.0.3.22, an amount of assistance received by a person or partnership is deemed to be repaid by the person or partnership in a particular taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.0.3.21, the qualified labour expenditure of a corporation for a taxation year for the purpose of computing the amount it is deemed to have paid to the Minister under section 1029.8.36.0.3.19;

(b) was not received by the person or partnership; and

(c) ceased in the particular taxation year to be an amount that the person or partnership may reasonably expect to receive.

1999, c. 83, s. 198; 2001, c. 7, s. 169; 2007, c. 12, s. 173.

1029.8.36.0.3.24. If, in respect of eligible production work relating to eligible multimedia titles, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the carrying out of the eligible production work, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, or a person or partnership is deemed to have obtained or to be entitled to obtain such a benefit or advantage on a determination by the Minister to that effect, the amount of the salaries or wages incurred or of a portion of a consideration paid, included in the qualified labour expenditure of a qualified corporation for a taxation year, is, for the purpose of computing the amount that is deemed to have been paid to the Minister for the year by the corporation under section 1029.8.36.0.3.19, to be reduced, where applicable, by the amount of the benefit or advantage attributable to the salaries or wages or to the portion of a consideration, as the case may be, that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, or is deemed to have obtained or to be entitled to obtain, on or before the corporation's filing-due date for that year.

1999, c. 83, s. 198; 2006, c. 13, s. 124; 2006, c. 36, s. 133; 2007, c. 12, s. 174.

1029.8.36.0.3.25. Notwithstanding section 1029.8.36.0.3.19, where a qualified corporation, under the terms of a contract, causes eligible production work to be carried out on its behalf in relation to eligible multimedia titles, and the consideration payable or paid by the corporation for such work does not consist in whole of currency, the corporation shall not be deemed to have paid to the Minister an amount under that section in respect of all or any part of the consideration that cannot reasonably be considered to be payable or paid in currency.

1999, c. 83, s. 198.

1029.8.36.0.3.26. For the purposes of this division, a qualified labour expenditure of a qualified corporation shall be reduced by the amount of the consideration payable or paid, under the terms of a contract entered into for the carrying out of eligible production work, in relation to the disposition of property or the providing of a service to the corporation or to a person with whom the corporation is not dealing at arm's length, except to the extent that the consideration may reasonably be considered to relate to property resulting from the eligible production work or to services relating to the property, or to property or part of a property consumed in connection with the work or the services.

1999, c. 83, s. 198.

1029.8.36.0.3.27. *(Repealed).*

1999, c. 83, s. 198; 2001, c. 51, s. 130; 2002, c. 9, s. 69.

DIVISION II.6.0.1.4

Repealed, 2003, c. 9, s. 216.

1999, c. 83, s. 198; 2003, c. 9, s. 216.

§ 1. —

Repealed, 2003, c. 9, s. 216.

1999, c. 83, s. 198; 2003, c. 9, s. 216.

1029.8.36.0.3.28. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 5, s. 261; 2000, c. 39, s. 153; 2001, c. 51, s. 131; 2001, c. 69, s. 12; 2002, c. 9, s. 70; 2003, c. 9, s. 216.

1029.8.36.0.3.29. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 39, s. 154; 2003, c. 9, s. 216.

§ 2. —

Repealed, 2003, c. 9, s. 216.

1999, c. 83, s. 198; 2003, c. 9, s. 216.

1029.8.36.0.3.30. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 39, s. 155; 2001, c. 51, s. 132; 2001, c. 69, s. 12; 2003, c. 9, s. 216.

1029.8.36.0.3.31. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 39, s. 156.

1029.8.36.0.3.32. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 39, s. 157; 2001, c. 51, s. 133; 2003, c. 9, s. 216.

1029.8.36.0.3.33. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 39, s. 158; 2001, c. 51, s. 134; 2003, c. 9, s. 216.

1029.8.36.0.3.34. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 39, s. 159; 2001, c. 51, s. 135; 2001, c. 69, s. 12; 2003, c. 9, s. 216.

1029.8.36.0.3.35. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 39, s. 160; 2002, c. 40, s. 140; 2003, c. 9, s. 216.

1029.8.36.0.3.36. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 39, s. 161; 2001, c. 7, s. 169; 2003, c. 9, s. 216.

1029.8.36.0.3.37. *(Repealed).*

1999, c. 83, s. 198; 2000, c. 39, s. 162; 2002, c. 9, s. 71.

DIVISION II.6.0.1.5

Repealed, 2003, c. 9, s. 216.

2000, c. 39, s. 163; 2003, c. 9, s. 216.

§ 1. —

Repealed, 2003, c. 9, s. 216.

2000, c. 39, s. 163; 2003, c. 9, s. 216.

1029.8.36.0.3.38. *(Repealed).*

2000, c. 39, s. 163; 2001, c. 7, s. 169; 2001, c. 51, s. 136; 2001, c. 69, s. 12; 2002, c. 9, s. 72; 2003, c. 9, s. 216.

1029.8.36.0.3.39. *(Repealed).*

2000, c. 39, s. 163; 2003, c. 9, s. 216.

§ 2. —

Repealed, 2003, c. 9, s. 216.

2000, c. 39, s. 163; 2003, c. 9, s. 216.

1029.8.36.0.3.40. *(Repealed).*

2000, c. 39, s. 163; 2001, c. 51, s. 137; 2001, c. 69, s. 12; 2003, c. 9, s. 216.

1029.8.36.0.3.41. *(Repealed).*

2000, c. 39, s. 163; 2001, c. 7, s. 169; 2001, c. 51, s. 138; 2003, c. 9, s. 216.

1029.8.36.0.3.42. *(Repealed).*

2000, c. 39, s. 163; 2001, c. 51, s. 139; 2001, c. 69, s. 12; 2003, c. 9, s. 216.

1029.8.36.0.3.43. *(Repealed).*

2000, c. 39, s. 163; 2002, c. 40, s. 141; 2003, c. 9, s. 216.

1029.8.36.0.3.44. *(Repealed).*

2000, c. 39, s. 163; 2003, c. 9, s. 216.

1029.8.36.0.3.45. *(Repealed).*

2000, c. 39, s. 163; 2002, c. 9, s. 73.

DIVISION II.6.0.1.6

(Repealed).

2002, c. 9, s. 74; 2021, c. 18, s. 119.

§ 1. —

(Repealed).

2002, c. 9, s. 74; 2021, c. 18, s. 119.

1029.8.36.0.3.46. *(Repealed).*

2002, c. 9, s. 74; 2004, c. 21, s. 325; 2005, c. 1, s. 238; 2006, c. 13, s. 125; 2009, c. 15, s. 238; 2021, c. 18, s. 119.

1029.8.36.0.3.47. *(Repealed).*

2002, c. 9, s. 74; 2004, c. 21, s. 326; 2021, c. 18, s. 119.

§ 2. —

Repealed, 2021,c. 18,s.119

2002, c. 9, s. 74; 2021, c. 18, s. 119.

1029.8.36.0.3.48. *(Repealed).*

2002, c. 9, s. 74; 2003, c. 9, s. 217; 2004, c. 21, s. 327; 2021, c. 18, s. 119.

§ 3. —

(Repealed).

2002, c. 9, s. 74; 2021, c. 18, s. 119.

1029.8.36.0.3.49. *(Repealed).*

2002, c. 9, s. 74; 2021, c. 18, s. 119.

1029.8.36.0.3.50. *(Repealed).*

2002, c. 9, s. 74; 2021, c. 18, s. 119.

1029.8.36.0.3.51. *(Repealed).*

2002, c. 9, s. 74; 2021, c. 18, s. 119.

1029.8.36.0.3.52. *(Repealed).*

2002, c. 9, s. 74; 2021, c. 18, s. 119.

1029.8.36.0.3.53. *(Repealed).*

2002, c. 9, s. 74; 2002, c. 40, s. 142; 2004, c. 21, s. 328; 2021, c. 18, s. 119.

1029.8.36.0.3.54. *(Repealed).*

2002, c. 9, s. 74; 2002, c. 40, s. 143; 2021, c. 18, s. 119.

1029.8.36.0.3.55. *(Repealed).*

2002, c. 9, s. 74; 2002, c. 40, s. 144; 2021, c. 18, s. 119.

1029.8.36.0.3.56. *(Repealed).*

2002, c. 9, s. 74; 2004, c. 21, s. 329; 2012, c. 8, s. 201; 2021, c. 18, s. 119.

§ 4. —

(Repealed).

2002, c. 9, s. 74; 2021, c. 18, s. 119.

1029.8.36.0.3.57. *(Repealed).*

2002, c. 9, s. 74; 2003, c. 9, s. 218; 2015, c. 24, s. 139; 2021, c. 18, s. 119.

1029.8.36.0.3.58. *(Repealed).*

2002, c. 9, s. 74; 2021, c. 18, s. 119.

1029.8.36.0.3.59. *(Repealed).*

2002, c. 9, s. 74; 2021, c. 18, s. 119.

DIVISION II.6.0.1.7

(Repealed).

2003, c. 9, s. 219; 2021, c. 18, s. 119.

§ 1. —

(Repealed).

2003, c. 9, s. 219; 2021, c. 18, s. 119.

1029.8.36.0.3.60. *(Repealed).*

2003, c. 9, s. 219; 2004, c. 21, s. 330; 2005, c. 23, s. 164; 2006, c. 13, s. 126; 2021, c. 18, s. 119.

§ 2. —

(Repealed).

2003, c. 9, s. 219; 2021, c. 18, s. 119.

1029.8.36.0.3.61. *(Repealed).*

2003, c. 9, s. 219; 2004, c. 21, s. 331; 2005, c. 38, s. 253; 2021, c. 18, s. 119.

1029.8.36.0.3.62. *(Repealed).*

2003, c. 9, s. 219; 2004, c. 21, s. 332; 2005, c. 38, s. 254; 2021, c. 18, s. 119.

1029.8.36.0.3.63. *(Repealed).*

2003, c. 9, s. 219; 2004, c. 21, s. 333; 2009, c. 5, s. 442; 2021, c. 18, s. 119.

1029.8.36.0.3.64. *(Repealed).*

2003, c. 9, s. 219; 2004, c. 21, s. 334; 2021, c. 18, s. 119.

§ 3. —

(Repealed).

2003, c. 9, s. 219; 2006, c. 13, s. 127; 2021, c. 18, s. 119.

1029.8.36.0.3.65. *(Repealed).*

2003, c. 9, s. 219; 2004, c. 21, s. 335; 2006, c. 13, s. 128; 2021, c. 18, s. 119.

1029.8.36.0.3.66. *(Repealed).*

2003, c. 9, s. 219; 2004, c. 21, s. 336; 2021, c. 18, s. 119.

1029.8.36.0.3.67. *(Repealed).*

2003, c. 9, s. 219; 2021, c. 18, s. 119.

1029.8.36.0.3.68. *(Repealed).*

2003, c. 9, s. 219; 2005, c. 23, s. 165; 2021, c. 18, s. 119.

1029.8.36.0.3.69. *(Repealed).*

2003, c. 9, s. 219; 2004, c. 21, s. 337; 2005, c. 23, s. 166; 2009, c. 5, s. 443; 2021, c. 18, s. 119.

1029.8.36.0.3.69.1. *(Repealed).*

2009, c. 5, s. 444; 2021, c. 18, s. 119.

1029.8.36.0.3.69.2. *(Repealed).*

2009, c. 5, s. 444; 2009, c. 15, s. 239; 2021, c. 18, s. 119.

1029.8.36.0.3.70. *(Repealed).*

2003, c. 9, s. 219; 2021, c. 18, s. 119.

1029.8.36.0.3.71. *(Repealed).*

2003, c. 9, s. 219; 2021, c. 18, s. 119.

DIVISION II.6.0.1.8

CREDIT FOR MAJOR EMPLOYMENT-GENERATING PROJECTS

2006, c. 13, s. 129.

§ 1. — *Interpretation and general*

2006, c. 13, s. 129.

1029.8.36.0.3.72. In this division,

"eligible contract" of a corporation means a contract in respect of which a qualification certificate is issued to the corporation by Investissement Québec, for the purposes of this division;

"eligible employee" of a corporation for all or part of a taxation year, in relation to an eligible contract, means an employee of the corporation, other than an excluded employee at any time in that year, who, in that year or part of the year, reports at an establishment of the corporation situated in Québec and in respect of whom a qualification certificate is issued to the corporation by Investissement Québec for the purposes of this division, in respect of all or part of the year, in relation to the eligible contract;

"excluded corporation" for a taxation year means a corporation that

(a) is exempt from tax under Book VIII for the year;

(b) would be exempt from tax under section 985 for the year, but for section 192; or

(c) has made an election under the fourth or fifth paragraph of section 1029.8.36.0.3.80 for the year or a preceding taxation year;

"excluded employee" of a corporation at a particular time means an employee who, at that time, is a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of that corporation;

"qualified corporation" for a taxation year means a corporation in respect of which a qualification certificate valid for the year is issued by Investissement Québec for the purposes of this division;

"qualified wages" incurred by a qualified corporation in a taxation year in respect of an eligible employee for all or part of the taxation year means the lesser of

(a) the amount obtained by multiplying $60,000 by the proportion that the number of days in the corporation's taxation year during which the employee qualifies as an eligible employee of the corporation is of 365; and

(b) the amount by which the amount of the wages incurred by the qualified corporation in respect of the employee in the year, while the employee qualified as an eligible employee of the qualified corporation, to the extent that that amount is paid, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such wages, that the qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before the qualified corporation's filing-due date for that taxation year, and

ii. the aggregate of all amounts each of which is the amount of a benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to the work carried out by the eligible employee under an eligible contract of the qualified corporation for the taxation year, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the qualified corporation's filing-due date for that taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner;

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

"wages" means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of "eligible employee" in the first paragraph,

(a) if, during all or part of a taxation year, an employee reports for work at an establishment of a qualified corporation situated in Québec and at an establishment of the qualified corporation situated outside Québec, the employee is, for that period, deemed

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside Québec; and

(b) if, during all or part of a taxation year, an employee is not required to report for work at an establishment of a qualified corporation and the employee's salary or wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

2006, c. 13, s. 129; 2006, c. 36, s. 134; 2009, c. 15, s. 240.

§ 2. — *Credit*

2006, c. 13, s. 129.

1029.8.36.0.3.73. A qualified corporation for a taxation year that, in the year, has an establishment in Québec and carries on an eligible business in Québec, other than an excluded corporation for the year, and that encloses the documents referred to in the fifth paragraph with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the fourth paragraph, to have paid to the Minister on the qualified corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 20% of the aggregate of all amounts each of which is the qualified wages incurred by the qualified corporation after 31 December 2004 and in the year, but before 1 January 2017, in respect of an eligible employee, in relation to an eligible contract, for all or part of that year.

Despite the first paragraph and subject to the third paragraph, no corporation may be deemed to have paid an amount to the Minister for a taxation year, for the purposes of this division, in respect of more than 2,000 eligible employees.

If the corporation referred to in the first paragraph is associated in a taxation year with at least one other qualified corporation for the year, the reference to "2,000" in the second paragraph is to be replaced by the number of employees attributed to the corporation, in respect of the taxation year, in accordance with the agreement described in section 1029.8.36.0.3.74.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under this division, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are

(a) the prescribed form containing the prescribed information;

(b) a copy of the following documents:

i. the valid qualification certificate issued in respect of the corporation by Investissement Québec for the purposes of this division,

ii. any valid qualification certificate issued to the corporation, for the purposes of this division, in respect of an eligible contract, and

iii. any valid qualification certificate issued to the corporation for the year in relation to an eligible employee in respect of whom the corporation is deemed to have paid an amount for the year to the Minister under the first paragraph; and

(c) if the third paragraph applies, the agreement described in section 1029.8.36.0.3.74 filed in prescribed form.

2006, c. 13, s. 129; 2006, c. 36, s. 135; 2015, c. 21, s. 433.

1029.8.36.0.3.74. The agreement to which the third paragraph of section 1029.8.36.0.3.73 refers in respect of a taxation year means an agreement under which all of the qualified corporations for the year that are associated with each other in the year, hereinafter called the "group of associated corporations", attribute to each corporation, for the purposes of that third paragraph, a maximum number of eligible employees in respect of whom a qualified corporation is deemed to have paid an amount to the Minister for the purposes of this division; the total of the numbers so attributed to corporations that are members of the group of associated corporations for the taxation year is not to exceed 2,000.

If the total of the numbers attributed in the agreement described in the first paragraph, in respect of a taxation year, exceeds 2,000, the maximum number of eligible employees attributed to each corporation that is a member of the group of associated corporations for the year is deemed, for the purposes of the first paragraph, to be equal to the proportion of 2,000 that the number attributed for the year in the agreement to that corporation is of the total of the numbers attributed for the year in the agreement.

2006, c. 13, s. 129; 2006, c. 36, s. 136.

1029.8.36.0.3.75. *(Repealed).*

2006, c. 13, s. 129; 2012, c. 8, s. 202.

§ 3. — *Government assistance, non-government assistance and other particulars*

2006, c. 13, s. 129.

1029.8.36.0.3.76. If, before 1 January 2018, a corporation pays in a taxation year, in this section referred to as the "repayment year", pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that has been taken into account for the purpose of computing qualified wages incurred in a particular taxation year by the corporation in respect of an eligible employee in respect of whom the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.73 for the particular taxation year, the corporation is deemed, if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the

repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year under section 1029.8.36.0.3.73 in respect of the qualified wages, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount determined under subparagraph i of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.72, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.0.3.73 in respect of the qualified wages; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

2006, c. 13, s. 129; 2006, c. 36, s. 137.

1029.8.36.0.3.77. For the purposes of section 1029.8.36.0.3.76, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of subparagraph i of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.72, the amount of the wages referred to in that paragraph *b*, for the purpose of computing qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.73;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

2006, c. 13, s. 129; 2006, c. 36, s. 138.

1029.8.36.0.3.78. If it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a taxation year is to cause the maximum number of eligible employees set out in the second paragraph of section 1029.8.36.0.3.73, in respect of whom a corporation is deemed to have paid an amount to the Minister for a taxation year, not to be replaced by a smaller number in accordance with the third paragraph of section 1029.8.36.0.3.73 and section 1029.8.36.0.3.74, those corporations are deemed, for the purposes of this division, to be associated with each other at the end of the year.

2006, c. 13, s. 129.

DIVISION II.6.0.1.9

CREDIT FOR THE DEVELOPMENT OF E-BUSINESS

2009, c. 15, s. 241.

§ 1. — *Interpretation and general*

2009, c. 15, s. 241.

1029.8.36.0.3.79. In this division,

"biotechnology development centre" has the meaning assigned by the first paragraph of section 771.1;

"eligible activity" of a corporation for a taxation year means an activity that the corporation carries on in the year and that is covered by the qualification certificate referred to in the first paragraph of section 1029.8.36.0.3.80 that Investissement Québec issues to the corporation for the year;

"eligible employee" of a corporation for all or part of a taxation year means an employee of the corporation, other than an excluded employee at any time in the year, who, in the year or part of the year,

reports for work at an establishment of the corporation situated in Québec and in respect of whom a qualification certificate to the effect that the employee is an eligible employee for all or part of the year is issued to the corporation for the year by Investissement Québec for the purposes of this division;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192; or

(c) a corporation that holds a qualification certificate in respect of a large investment project, within the meaning of the first paragraph of section 737.18.17.14, or a corporation that is a member of a partnership that holds such a qualification certificate, where the year is included in whole or in part in the period that begins on the date of issue of the initial qualification certificate and ends on the last day of the tax-free period, within the meaning of that first paragraph, in relation to the large investment project;

"excluded employee" of a corporation at a particular time means an employee who, at that time, is a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of that corporation;

"government entity" means a government department or an entity referred to in section 2 of the Financial Administration Act (chapter A-6.001);

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation, that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified wages" incurred by a qualified corporation in a taxation year in respect of an eligible employee for all or part of the taxation year means the lesser of

(a) the amount obtained by multiplying $83,333 by the proportion that the number of days in the year during which the employee qualifies as an eligible employee of the qualified corporation is of 365; and

(b) the amount by which the amount of the wages incurred in the year by the qualified corporation in respect of the employee while the employee qualifies as an eligible employee of the qualified corporation, to the extent that that amount is paid and is in respect of duties the employee performs for the employer in carrying out work other than work in respect of which the ultimate beneficiary is a government entity, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such wages that the qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before the qualified corporation's filing-due date for the taxation year, and

ii. the aggregate of all amounts each of which is the amount of a benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to work carried out by the eligible employee in connection with an eligible activity of the qualified corporation for the taxation year that a person or partnership has received, is entitled to receive or may reasonably expect to receive, on or before the qualified corporation's filing-due date for that taxation year, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner;

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

"wages" means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of "eligible employee" in the first paragraph,

(a) if, during all or part of a taxation year, an employee reports for work at an establishment of a qualified corporation situated in Québec and at an establishment of the qualified corporation situated outside Québec, the employee is, for that period, deemed

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside Québec; and

(b) if, during all or part of a taxation year, an employee is not required to report for work at an establishment of a qualified corporation and the employee's wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

2009, c. 15, s. 241; 2015, c. 21, s. 434; 2015, c. 36, s. 117; 2024, c. 11, s. 112.

§ 2. — *Credit*

2009, c. 15, s. 241.

1029.8.36.0.3.80. A qualified corporation that holds, for a taxation year, a valid qualification certificate issued by Investissement Québec for the purposes of this division and that encloses with the fiscal return it is required to file for the year under section 1000 a copy of the certificate as well as the documents described in the third paragraph is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 24% of the aggregate of all amounts each of which is the qualified wages incurred by the corporation in the year in respect of an eligible employee for all or part of that year.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the valid qualification certificate issued to the corporation for the year by Investissement Québec in respect of an eligible employee for the purposes of this division.

2009, c. 15, s. 241; 2012, c. 8, s. 203; 2015, c. 21, s. 435; 2015, c. 36, s. 118; 2021, c. 18, s. 120; 2021, c. 36, s. 114.

1029.8.36.0.3.81. *(Repealed).*

2009, c. 15, s. 241; 2012, c. 8, s. 204.

§ 3. — *Government assistance and non-government assistance*

2009, c. 15, s. 241.

1029.8.36.0.3.82. If a corporation pays in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that was taken into account for the purpose of computing qualified wages incurred in a particular taxation year by the corporation in respect of an eligible employee and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.80 for the particular taxation year, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on its balance due-day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year in respect of the qualified wages under section 1029.8.36.0.3.80 if any amount of assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount determined under subparagraph i of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.79, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.80 for the particular year in respect of the qualified wages; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

2009, c. 15, s. 241; 2015, c. 21, s. 436; 2015, c. 36, s. 119.

1029.8.36.0.3.83. For the purposes of section 1029.8.36.0.3.82, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of subparagraph i of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.79, the amount of the wages referred to in that paragraph *b*, for the purpose of computing qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.80;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

2009, c. 15, s. 241.

DIVISION II.6.0.1.10

CREDIT FOR MAJOR DIGITAL TRANSFORMATION PROJECTS

2017, c. 29, s. 180.

§ 1. — *Interpretation and general rules*

2017, c. 29, s. 180.

1029.8.36.0.3.84. In this division,

"eligibility period" of a corporation in relation to an eligible digitization contract means, subject to the third paragraph, the 24-month period that begins on the day the eligible digitization activities provided for in the eligible digitization contract began to be carried out;

"eligible digitization activity" of a corporation means an activity covered by the certificate referred to in subparagraph *b* of the third paragraph of section 1029.8.36.0.3.85 that is issued to the corporation for the purposes of this division;

"eligible digitization contract" of a corporation means a contract entered into by the corporation in respect of which a certificate has been issued for the purposes of this division;

"eligible employee" of a corporation for all or part of a taxation year means an employee of the corporation, other than an excluded employee at any time in the year, who, in the year or part of the year, reports for work at an establishment of the corporation situated in Québec and in respect of whom a certificate to the effect that the employee is an eligible employee for all or part of the year is issued to the corporation for the year for the purposes of this division;

"excluded employee" of a corporation at a particular time means an employee who, at that time, is a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of that corporation;

"qualified corporation" for a taxation year means a corporation that, in the year, carries on a business in Québec and has an establishment in Québec, and that is not

(a) a corporation that is exempt from tax for the year under Book VIII; or

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

"qualified wages" incurred by a qualified corporation in a taxation year in respect of an eligible employee for all or part of the taxation year in connection with an eligible digitization contract means the lesser of

(a) the amount obtained by multiplying $83,333 by the proportion that the number of days in the year during which the employee qualifies as an eligible employee of the qualified corporation is of 365; and

(b) the amount by which the amount of the wages incurred by the qualified corporation in the eligibility period relating to the eligible digitization contract that is included in the year, in respect of the employee while the employee qualifies as an eligible employee of the qualified corporation, to the extent that that amount is paid, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such wages that the qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before the qualified corporation's filing-due date for the taxation year, and

ii. the aggregate of all amounts each of which is the amount of a benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to work carried out by the eligible employee in connection with the qualified corporation's eligible digitization contract for the taxation year that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the qualified corporation's filing-due date for that taxation year, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner;

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

"wages" means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of "eligible employee" in the first paragraph,

(a) if, during all or part of a taxation year, an employee reports for work at an establishment of a corporation situated in Québec and at an establishment of the corporation situated outside Québec, the employee is, for that period, deemed

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the corporation situated outside Québec; and

(b) if, during all or part of a taxation year, an employee is not required to report for work at an establishment of a corporation and the employee's wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

A corporation does not have an eligibility period in relation to an eligible digitization contract if the eligible digitization activities provided for in the contract did not begin within a reasonable time after the contract was entered into.

2017, c. 29, s. 180.

§ 2. — *Credit*

2017, c. 29, s. 180.

1029.8.36.0.3.85. A qualified corporation for a taxation year that encloses with the fiscal return it is required to file for the year under section 1000 the documents described in the third paragraph is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 24% of the aggregate of all amounts each of which is the qualified wages incurred by the corporation in the year in respect of an eligible employee for all or part of that year in connection with an eligible digitization contract.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of the valid certificate issued to the corporation in respect of the eligible digitization contract for the purposes of this division; and

(c) a copy of any valid certificate issued to the corporation for the year in respect of an eligible employee for the purposes of this division.

2017, c. 29, s. 180.

§ 3. — *Government assistance and non-government assistance*

2017, c. 29, s. 180.

1029.8.36.0.3.86. If a corporation pays in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that was taken into account for the purpose of computing qualified wages incurred in a particular taxation year by the corporation in respect of an eligible employee and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.85 for the particular taxation year, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on its balance due-day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year in respect of the qualified wages under section 1029.8.36.0.3.85 if any amount of assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount determined under subparagraph i of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.84, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.85 for the particular year in respect of the qualified wages; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

2017, c. 29, s. 180.

1029.8.36.0.3.87. For the purposes of section 1029.8.36.0.3.86, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of subparagraph i of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.84, the amount of the wages referred to in that paragraph *b*, for the purpose of computing qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.85;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

2017, c. 29, s. 180.

DIVISION II.6.0.1.11

CREDIT FOR THE DIGITAL TRANSFORMATION OF PRINT MEDIA

2019, c. 14, s. 332.

§ 1. — *Interpretation and general rules*

2019, c. 14, s. 332.

1029.8.36.0.3.88. In this division,

"eligibility period" means the period that begins on 28 March 2018 and ends on 31 December 2024;

"eligible digital conversion activity" that relates to an eligible media means an activity (other than an excluded activity) that

(a) is an information system development activity, a technological infrastructure integration activity, or an activity relating to the maintenance or upgrade of such a system or infrastructure that is incidental to such a development or integration activity, as the case may be, including an interactive decision aid development activity or a tool providing an image of the current state of the eligible media publishing business for data analysis purposes, but excluding any activity using such an aid or tool on a day-to-day basis; and

(b) is directly related to the start or continuation of the digital conversion of the eligible media;

"eligible digital conversion contract" to which a corporation or a partnership is a party means a contract in respect of which a certificate has been issued to the corporation or partnership for the purposes of this division;

"eligible digital conversion costs" of a corporation or a partnership for a taxation year or a fiscal period, as the case may be, means the total of

(a) the aggregate of all amounts each of which is the qualified wages incurred by the corporation in the year, or by the partnership in the fiscal period, in respect of an eligible employee of the corporation or partnership for all or part of the year or fiscal period, to the extent that such wages are paid; and

(b) the aggregate of all amounts each of which is a qualified expenditure of the corporation for the year, or of the partnership for the fiscal period, in respect of an eligible digital conversion contract to which it is a party, to the extent that the amount of the costs composing such an expenditure are paid;

"eligible employee" of a corporation or a partnership for all or part of a taxation year or fiscal period, as the case may be, means an individual in respect of whom the following conditions are met:

(a) in all or part of the year or fiscal period, the individual is an employee of the corporation or partnership (other than an excluded employee) who reports for work at an establishment of the corporation or partnership situated in Québec; and

(b) a certificate has been issued, for the purposes of this division, to the corporation or partnership, for the year or fiscal period, according to which the individual is recognized as an eligible employee for all or part of the year or fiscal period;

"eligible media" of a corporation or a partnership, for a taxation year or a fiscal period, as the case may be, means a media whose name is specified in a certificate that has been issued, for the purposes of this division, to the corporation or partnership for the year or fiscal period;

"eligible right of use" attributed to a corporation or a partnership, in relation to a property of another person or partnership, means a right of use or licence that is granted to the corporation or partnership in relation to the property, under an eligible digital conversion contract, and that is attributable, in whole or in part, to the carrying out of eligible digital conversion activities relating to an eligible media of the corporation or partnership and relates to an establishment of the corporation or partnership situated in Québec in which the eligible media is produced or from which it is disseminated;

"eligible services" supplied to a corporation or a partnership means the services that another person or partnership renders to the corporation or partnership, under an eligible digital conversion contract, and in respect of which the following conditions are met:

(a) the services consist in eligible digital conversion activities that relate, in whole or in part, to an eligible media of the corporation or partnership and to an establishment of the corporation or partnership situated in Québec in which the eligible media is produced or from which it is disseminated; and

(b) the services may reasonably be attributed to the wages that the other person or partnership has incurred and paid in respect of its employees of an establishment situated in Québec or could be so attributed if the other person or partnership had such employees;

"excluded activity" means

(a) the management or operation of a computer system, an application or a technological infrastructure;

(b) the operation of a customer relations management service;

(c) the management or operation of a marketing information system designed to raise the visibility of the eligible media and promote it to an existing or potential clientele; and

(d) any other management or operation activity carried on to produce or disseminate the eligible media;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII, other than a corporation exempt from tax under section 985.26.3; or

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

"excluded employee" in all or part of a taxation year of a corporation, or of a fiscal period of a partnership, means

(a) where the employer is a corporation, an employee who is a specified shareholder of the corporation in the year; or

(b) where the employer is a partnership, an employee who is a specified shareholder of a member of the partnership in the member's taxation year in which the fiscal period ends, or an employee who does not deal at arm's length with a member of the partnership or with such a specified shareholder at any time in the fiscal period;

"qualified corporation" for a taxation year means a corporation (other than an excluded corporation) that, in the year

(a) carries on a business in Québec and has an establishment in Québec; and

(b) produces and disseminates one or more eligible media;

"qualified expenditure" of a corporation or a partnership, for a taxation year or a fiscal period, in respect of an eligible digital conversion contract to which it is a party, means 80% of the aggregate of all amounts each of which is the costs provided for in the contract and incurred by the corporation or partnership, in all or part of the year or fiscal period, as the case may be, that is included in the eligibility period for the acquisition or lease of a qualified property, the supply of eligible services or the attribution of an eligible right of use, to the extent that those costs are reasonably attributable to eligible digital conversion activities that relate to an eligible media of the corporation or partnership for the year or fiscal period;

"qualified partnership" for a fiscal period means a partnership that, in the fiscal period

(a) carries on a business in Québec and has an establishment in Québec; and

(b) produces and disseminates one or more eligible media;

"qualified property" acquired or leased by a corporation or a partnership means a property in respect of which the following conditions are met:

(a) the property is acquired or leased by the corporation or partnership under an eligible digital conversion contract;

(b) before being acquired or leased by the corporation or partnership, the property has not been used for any purpose whatsoever nor acquired for use or lease for a purpose other than its lease to the corporation or partnership;

(c) the corporation or partnership begins to use the property within a reasonable time after its acquisition or the beginning of its lease; and

(d) the property is used exclusively or almost exclusively by the corporation or partnership, on the one hand, to carry out eligible digital conversion activities that relate, in whole or in part, to an eligible media of the corporation or partnership and, on the other hand, in an establishment of the corporation or partnership situated in Québec in which the eligible media is produced or from which it is disseminated;

"qualified wages" incurred by a corporation in a taxation year, or by a partnership in a fiscal period, in respect of an eligible employee, means the wages incurred by the corporation or partnership, in all or part of the year or fiscal period, as the case may be, that is included in the eligibility period, in respect of the individual where the individual is recognized as an eligible employee of the corporation or partnership, to the extent that the wages may reasonably be attributed to eligible digital conversion activities relating to an eligible media of the corporation or partnership for the year or fiscal period;

"wages" means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of "qualified expenditure" in the first paragraph, the following rules are taken into account:

(a) costs provided for in an eligible digital conversion contract that are incurred for the acquisition of a qualified property may be included in the aggregate of the amounts described in that definition only if the property is acquired before 1 January 2024 and if they are costs included in computing the capital cost of the property, otherwise than under section 180 or 182; and

(b) costs provided for in an eligible digital conversion contract that are incurred for the lease of a qualified property may be included in the aggregate of the amounts described in that definition only to the extent that they are deductible in computing the income of the corporation or partnership under this Part.

For the purposes of the definition of "eligible employee" in the first paragraph, the following rules are taken into account:

(a) where, during all or part of a taxation year or fiscal period, an employee reports for work at an establishment of a corporation or partnership situated in Québec and at an establishment of the corporation or partnership situated outside Québec, the employee is deemed, for that period,

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the corporation or partnership situated outside Québec; and

(b) where, during all or part of a taxation year or fiscal period, an employee is not required to report for work at an establishment of a corporation or partnership and the employee's wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

2019, c. 14, s. 332; 2021, c. 14, s. 136; 2021, c. 36, s. 115; 2024, c. 11, s. 113.

1029.8.36.0.3.89. For the purposes of this division, the digital conversion costs limit of a qualified corporation or of a qualified partnership for a taxation year or a fiscal period, as the case may be, is equal to

(a) where the qualified corporation or qualified partnership is not a member of an associated group in the year or fiscal period, $20,000,000; or

(b) in any other case,

i. the amount attributed for the year to the qualified corporation, or for the fiscal period to the qualified partnership, pursuant to the agreement described in section 1029.8.36.0.3.90 that is enclosed with the fiscal return that is required to be filed under section 1000 by the qualified corporation for the year or by a corporation that is a member of the qualified partnership for the corporation's taxation year in which the fiscal period ends, or

ii. if no amount is attributed under the agreement to which subparagraph i refers or in the absence of such an agreement, zero.

2019, c. 14, s. 332.

1029.8.36.0.3.90. The agreement to which subparagraph i of paragraph *b* of section 1029.8.36.0.3.89 refers is the agreement under which all the qualified corporations and qualified partnerships that are members of the associated group in the year or fiscal period attribute for the year or fiscal period, in the prescribed

form, to one or more of their number, for the purposes of this division, one or more amounts the total of which does not exceed $20,000,000.

Where the aggregate of the amounts attributed, in respect of a taxation year or fiscal period, pursuant to an agreement described in the first paragraph and entered into by the qualified corporations and qualified partnerships that are members of an associated group in the year or fiscal period exceeds $20,000,000, the amount determined under subparagraph i of paragraph *b* of section 1029.8.36.0.3.89 in respect of each of those corporations or partnerships for the taxation year or fiscal period, as the case may be, is deemed, for the purposes of this division, to be equal to the amount obtained by multiplying $20,000,000 by the proportion that the amount that was attributed to the corporation or partnership in the agreement, in respect of the year or fiscal period, is of the aggregate of the amounts that were so attributed.

2019, c. 14, s. 332.

1029.8.36.0.3.91. Where qualified corporations or qualified partnerships are part, in a taxation year or fiscal period, of an associated group and where a corporation (other than an excluded corporation) that is a member of that group or of any of those qualified partnerships fails to file with the Minister the agreement to which subparagraph i of paragraph *b* of section 1029.8.36.0.3.89 refers within 30 days after notice in writing by the Minister has been sent to such a corporation that such an agreement is required for the purposes of any assessment of tax under this Part or for the determination of another amount, the Minister shall, for the purposes of this division, attribute an amount to one or more of those qualified corporations or qualified partnerships for the taxation year or fiscal period, which amount or the aggregate of which amounts, as the case may be, must be equal to $20,000,000, and in such a case, despite subparagraph ii of that paragraph *b*, the digital conversion costs limit of each of those qualified corporations or qualified partnerships that are members of that group, for the year or fiscal period, is equal to the amount so attributed to it.

2019, c. 14, s. 332.

1029.8.36.0.3.92. Despite sections 1029.8.36.0.3.89 to 1029.8.36.0.3.91, the following rules apply:

(a) where a corporation or partnership that is a member of an associated group (in this paragraph referred to as the "first entity") has more than one taxation year or fiscal period, as the case may be, ending in the same calendar year and is associated in at least two of those taxation years or fiscal periods with another corporation or partnership that is a member of the group and that has a taxation year or fiscal period, as the case may be, ending in that calendar year, the digital conversion costs limit of the first entity for each particular taxation year or particular fiscal period that ends in the calendar year in which it is associated with the other corporation or partnership and after the first taxation year or fiscal period ending in that calendar year and after 27 March 2018 is, subject to paragraph *b*, an amount equal to the lesser of

i. its digital conversion costs limit for that first taxation year or fiscal period, determined without reference to this section, and

ii. its digital conversion costs limit for the particular taxation year or particular fiscal period, determined without reference to this section;

(b) where the taxation year of a corporation or the fiscal period of a partnership has fewer than 51 weeks and paragraph *c* does not apply, the digital conversion costs limit of the corporation or partnership for the year or fiscal period, as the case may be, is equal to the amount obtained by multiplying its digital conversion costs limit for the year or fiscal period, determined without reference to this paragraph, by the proportion that the number of days in the year or fiscal period is of 365; and

(c) where only a part of the taxation year of a corporation or of the fiscal period of a partnership is included in the eligibility period, the digital conversion costs limit of the corporation for the year, or of the partnership for the fiscal period, is equal to the amount obtained by multiplying its digital conversion costs

limit for the year or fiscal period, determined without reference to this paragraph, by the proportion that the number of days in the part of the year or fiscal period is of the number of days in the year or fiscal period.

2019, c. 14, s. 332.

1029.8.36.0.3.93. Where it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations or partnerships in a taxation year or fiscal period, as the case may be, is to cause a qualified corporation or a corporation that is a member of a qualified partnership to be deemed to have paid an amount to the Minister under this division for that year or for the taxation year in which the fiscal period ends or to increase an amount that such a corporation is deemed to have paid to the Minister under this division for such a year, those corporations or partnerships are deemed, for the purposes of this division, to be associated with each other in the year or fiscal period, as the case may be.

2019, c. 14, s. 332.

1029.8.36.0.3.94. For the purposes of sections 1029.8.36.0.3.89 to 1029.8.36.0.3.92, "associated group" in a taxation year or a fiscal period means all the qualified corporations and qualified partnerships that are associated with each other in the year or fiscal period, as the case may be.

2019, c. 14, s. 332.

1029.8.36.0.3.95. For the purposes of this division, a corporation's share of an amount, in relation to a partnership of which the corporation is a member at the end of a fiscal period, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2019, c. 14, s. 332.

§ 2. — *Credits*

2019, c. 14, s. 332.

1029.8.36.0.3.96. A qualified corporation for a taxation year that encloses the documents described in the third paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the second paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to 35% of the lesser of

(a) its eligible digital conversion costs for the year; and

(b) its digital conversion costs limit for the year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1159.7, 1175 and 1175.19 where those sections refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of

i. any certificate issued to the corporation for the year in respect of a media business for the purposes of this division,

ii. any certificate issued to the corporation, for the purposes of this division, in respect of a contract,

iii. any contract referred to in subparagraph ii,

iv. any certificate issued to the corporation for the year in respect of an individual for the purposes of this division, and

v. the agreement referred to in section 1029.8.36.0.3.90, if applicable.

2019, c. 14, s. 332.

1029.8.36.0.3.97. A corporation (other than an excluded corporation) that is a member of a qualified partnership at the end of a fiscal period of the qualified partnership that ends in a taxation year and that encloses the documents described in the third paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to 35% of the lesser of

(a) its share of the partnership's eligible digital conversion costs for the fiscal period; and

(b) its share of the partnership's digital conversion costs limit for the fiscal period.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1159.7, 1175 and 1175.19 where those sections refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of

i. any certificate issued to the partnership for the fiscal period in respect of a media business for the purposes of this division,

ii. any certificate issued to the partnership, for the purposes of this division, in respect of a contract,

iii. any contract referred to in subparagraph ii,

iv. any certificate issued to the partnership for the fiscal period in respect of an individual for the purposes of this division, and

v. the agreement referred to in section 1029.8.36.0.3.90, if applicable.

2019, c. 14, s. 332.

1029.8.36.0.3.98. Despite section 1029.8.36.0.3.96, no amount may be deemed to have been paid to the Minister by a qualified corporation for a taxation year in respect of the portion of its eligible digital conversion costs for the year that corresponds to the portion of a qualified expenditure of the corporation that relates to the acquisition costs of a qualified property that the corporation incurred, where, at any time on or before the date described in the second paragraph, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used exclusively or almost exclusively by the corporation, on the one hand, to carry out eligible digital conversion activities that relate, in whole or in part, to an eligible media of the corporation and, on the other hand, in an establishment of the corporation situated in Québec in which the eligible media is produced or from which it is disseminated.

The date to which the first paragraph refers is the earlier of

(a) the 730th day of the period that begins on the date of the acquisition of the property by the corporation; and

(b) the corporation's filing-due date for the year.

For the purposes of the first paragraph, where, at any time, a corporation disposes of a qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have ceased to use, at that time, the property by reason of its obsolescence.

In this section, a print media is deemed to be an eligible media for a particular period that follows the last day of the eligibility period, if the conditions of section 18.4 of Schedule A to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) are met in its respect for that period.

2019, c. 14, s. 332.

1029.8.36.0.3.99. Despite section 1029.8.36.0.3.97, no amount may be deemed to have been paid to the Minister by a corporation for the taxation year in which a fiscal period of a partnership of which the corporation is a member ends, in respect of the portion of the partnership's eligible digital conversion costs for the fiscal period that corresponds to the portion of a qualified expenditure of the partnership that relates to the acquisition costs of a qualified property that the partnership incurred, where, at any time on or before the date described in the second paragraph, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used exclusively or almost exclusively by the partnership, on the one hand, to carry out eligible digital conversion activities that relate, in whole or in part, to an eligible media of the partnership and, on the other hand, in an establishment of the partnership situated in Québec in which the eligible media is produced or from which it is disseminated.

The date to which the first paragraph refers is the earlier of

(a) the 730th day of the period that begins on the date of the acquisition of the property by the partnership; and

(b) the corporation's filing-due date for the year.

For the purposes of the first paragraph, where, at any time, a partnership disposes of a qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the partnership is deemed not to have ceased to use, at that time, the property by reason of its obsolescence.

In this section, a print media is deemed to be an eligible media for a particular period that follows the last day of the eligibility period, if the conditions of section 18.4 of Schedule A to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) are met in its respect for that period.

2019, c. 14, s. 332.

§ 3. — *Government assistance, non-government assistance and other particulars*

2019, c. 14, s. 332.

1029.8.36.0.3.100. For the purpose of computing the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.96, in respect of its eligible digital conversion costs for the year, the following rules apply:

(a) the amount of the qualified wages incurred by the corporation in the year in respect of an eligible employee, included in those eligible digital conversion costs, is to be reduced, where applicable, by the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to those wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year; and

(b) the amount of the corporation's qualified expenditure for the year, in respect of an eligible digital conversion contract, included in those eligible digital conversion costs, is to be determined by reducing, where applicable, the costs that were taken into consideration in computing the qualified expenditure and that were incurred by the corporation for the acquisition or lease of a qualified property, the supply of eligible services or the attribution of an eligible right of use, as the case may be, by the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to those costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year.

2019, c. 14, s. 332.

1029.8.36.0.3.101. For the purpose of computing the amount that a corporation that is a member of a qualified partnership is deemed to have paid to the Minister under section 1029.8.36.0.3.97 for the taxation year in which a fiscal period of the partnership ends, in respect of the partnership's eligible digital conversion costs for that fiscal period, the following rules apply:

(a) the amount of the qualified wages incurred by the partnership in the fiscal period in respect of an eligible employee, included in those eligible digital conversion costs, is to be reduced, where applicable, by the total of

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to those wages, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that fiscal period, and

ii. the aggregate of all amounts each of which is the product obtained by multiplying an amount of government assistance or non-government assistance, attributable to those wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the partnership's fiscal period, by the reciprocal of the agreed proportion in respect of the corporation for that fiscal period; and

(b) the amount of the partnership's qualified expenditure for the fiscal period, in respect of an eligible digital conversion contract, included in those eligible digital conversion costs, is to be determined by reducing, where applicable, the costs that were taken into consideration in computing the qualified

expenditure and that were incurred by the partnership for the acquisition or lease of a qualified property, the supply of eligible services or the attribution of an eligible right of use, as the case may be, by the total of

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to those costs, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that fiscal period, and

ii. the aggregate of all amounts each of which is the product obtained by multiplying an amount of government assistance or non-government assistance, attributable to those costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the partnership's fiscal period, by the reciprocal of the agreed proportion in respect of the corporation for that fiscal period.

2019, c. 14, s. 332.

1029.8.36.0.3.102. Where, before 1 January 2027, a corporation pays in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of section 1029.8.36.0.3.100, the corporation's eligible digital conversion costs for a particular taxation year, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.96 for the particular year, the corporation is deemed, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on its balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister under section 1029.8.36.0.3.96 for the particular year if any amount of assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the aggregate of the amounts of assistance described in paragraph *a* or *b* of section 1029.8.36.0.3.100 to which it relates, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.96 for the particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year, in respect of an amount of repayment of such assistance.

2019, c. 14, s. 332; 2021, c. 14, s. 137; 2024, c. 11, s. 114.

1029.8.36.0.3.103. Where, before 1 January 2027, a partnership pays in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of paragraph *a* or *b* of section 1029.8.36.0.3.101, the partnership's eligible digital conversion costs for a particular fiscal period, for the purpose of computing the amount that a corporation that is a member of the partnership is deemed to have paid to the Minister under section 1029.8.36.0.3.97, in respect of its share of those costs, for its taxation year in which the particular fiscal period ended (in this section referred to as the "particular year"), the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.0.3.97 for the particular year, in respect of its share of those costs, exceeds the total of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.97 for the particular year, in respect of its share of the partnership's eligible digital conversion costs for the particular fiscal period, if the agreed proportion in respect of the corporation for that fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of such assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of such assistance repaid by the partnership at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the aggregate of the amounts of assistance described in subparagraph i of paragraph *a* or *b* of section 1029.8.36.0.3.101 to which it relates; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2019, c. 14, s. 332; 2021, c. 14, s. 138; 2024, c. 11, s. 115.

1029.8.36.0.3.104. Where, before 1 January 2027, a corporation that is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") pays, in that fiscal period, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, in the manner described in subparagraph ii of paragraph *a* or *b* of section 1029.8.36.0.3.101, the partnership's eligible digital conversion costs for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.97, in respect of its share of those costs, for its taxation year in which the particular fiscal period ended (in this section referred to as the "particular year"), the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.0.3.97 for the particular year, in respect of its share of those costs, exceeds the total of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.97 for the particular year, in respect of its share of the partnership's eligible digital conversion costs for the particular fiscal period, if the agreed proportion in respect of the corporation for that fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of such assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount obtained by multiplying the reciprocal of the agreed proportion, in respect of the corporation for the fiscal period of repayment, by an amount of such assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the aggregate described in subparagraph ii of paragraph *a* or *b* of section 1029.8.36.0.3.101 to which it relates; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2019, c. 14, s. 332; 2021, c. 14, s. 139; 2024, c. 11, s. 116.

1029.8.36.0.3.105. For the purposes of sections 1029.8.36.0.3.102 to 1029.8.36.0.3.104, an amount of assistance is deemed to be repaid at a particular time by a corporation or a partnership, as the case may be, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.0.3.100 or 1029.8.36.0.3.101, the amount of qualified wages included in the eligible digital conversion costs in respect of which the corporation or a corporation that is a member of the partnership is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.96 or 1029.8.36.0.3.97, as the case may be, or costs that are used to determine the amount of a qualified expenditure included in those eligible digital conversion costs;

(b) was not received by the corporation or the partnership; and

(c) ceased at the particular time to be an amount that the corporation or the partnership may reasonably expect to receive.

2019, c. 14, s. 332.

1029.8.36.0.3.106. In determining, for the purposes of sections 1029.8.36.0.3.96 and 1029.8.36.0.3.97, the amount of a qualified expenditure of a corporation or a partnership for a taxation year or a fiscal period, as the case may be, that is included in the eligible digital conversion costs of the corporation or partnership for that year or fiscal period, the costs that were taken into consideration in computing the expenditure must be reduced by the amount of the consideration for the disposition or lease of a property, or for the supply of services, to the corporation or a person with whom the corporation does not deal at arm's length, or to the partnership, one of its members or a person with whom one of its members does not deal at arm's length, except to the extent that the consideration may reasonably be considered to relate to the acquisition, lease or installation of a qualified property, the acquisition of a property resulting from eligible digital conversion activities or of a property consumed in connection with the carrying out of such activities, the supply of eligible services or the attribution of an eligible right of use.

2019, c. 14, s. 332.

1029.8.36.0.3.107. Where, in respect of the employment of an individual with a qualified corporation or a qualified partnership as an eligible employee, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the employment, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for a particular taxation year under section 1029.8.36.0.3.96 in respect of its eligible digital conversion costs for that year, the amount of the qualified wages incurred by the corporation in the particular year in respect of the individual that is included in those eligible digital conversion costs is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the particular year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.0.3.97, by a corporation that is a member of the qualified partnership at the end of the partnership's particular fiscal period ending in the year, in respect of the partnership's eligible digital conversion costs for that fiscal period, the amount of the qualified wages incurred by the partnership in that fiscal period in respect of the individual that is included in those eligible digital conversion costs is to be reduced by

i. the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the particular fiscal period, or

ii. the product obtained by multiplying the amount of the benefit or advantage that the corporation or a person with whom the corporation is not dealing at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the particular fiscal period, by the reciprocal of the agreed proportion in respect of the corporation for that fiscal period.

2019, c. 14, s. 332.

1029.8.36.0.3.108. Where, in respect of an eligible digital conversion contract to which a qualified corporation or a qualified partnership is a party, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the acquisition or lease of a qualified property, the supply of eligible services or the attribution of an eligible right of use, carried out under the contract, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for a particular taxation year under section 1029.8.36.0.3.96 in respect of its eligible digital conversion costs for that year, the amount of the corporation's qualified expenditure for the particular year in relation to the contract that is included in those eligible digital conversion costs is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the particular year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.0.3.97, by a corporation that is a member of the qualified partnership at the end of the partnership's particular fiscal period ending in the year, in respect of the partnership's eligible digital conversion costs for that fiscal period, the amount of the partnership's qualified expenditure for that fiscal period in relation to the contract that is included in those eligible digital conversion costs is to be reduced by

i. the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the particular fiscal period, or

ii. the product obtained by multiplying the amount of the benefit or advantage that the corporation or a person with whom the corporation is not dealing at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the particular fiscal period, by the reciprocal of the agreed proportion in respect of the corporation for that fiscal period.

2019, c. 14, s. 332.

DIVISION II.6.0.1.12

CREDIT TO SUPPORT PRINT MEDIA

2021, c. 14, s. 140.

§ 1. — *Interpretation and general rules*

2021, c. 14, s. 140.

1029.8.36.0.3.109. In this division,

"eligible employee" of a corporation or a partnership for all or part of a taxation year or fiscal period, as the case may be, means, subject to the fourth paragraph, an individual in respect of whom the following conditions are met:

(a) in all or part of the year or fiscal period, the individual is an employee of the corporation or partnership (other than an excluded employee) who reports for work at an establishment of the corporation or

partnership situated either in Québec or, where the condition in the fifth paragraph is met, elsewhere in Canada; and

(b) a certificate has been issued, for the purposes of this division, to the corporation or partnership, for the year or fiscal period, according to which the individual is recognized as an eligible employee of the corporation or partnership for all or part of the year or fiscal period;

"eligible media" of a corporation or a partnership, for a taxation year or a fiscal period, as the case may be, means a media whose name is specified in a certificate that has been issued, for the purposes of this division, to the corporation or partnership for the year or fiscal period;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII, other than a corporation exempt from tax under section 985.26.3;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192; or

(c) a corporation that, in the year, holds a licence to carry on a broadcasting undertaking;

"excluded employee" in all or part of a taxation year of a corporation, or of a fiscal period of a partnership, means, subject to the fourth paragraph,

(a) where the employer is a corporation, an employee who, in the year, is a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the cooperative; or

(b) where the employer is a partnership, either an employee who, in the taxation year of a member of the partnership in which the fiscal period ends, is a specified shareholder of the member or, if the latter is a cooperative, a specified member of the cooperative, or an employee who, at any time in the fiscal period, does not deal at arm's length with a member of the partnership;

"excluded subsidiary" for a particular taxation year of a particular corporation or a particular fiscal period of a particular partnership means

(a) a corporation that is exempt from tax under Book VIII for a taxation year that includes all or part of the particular taxation year or particular fiscal period, as the case may be;

(b) a corporation that, in the particular taxation year or particular fiscal period, as the case may be, holds a licence to carry on a broadcasting undertaking; or

(c) a corporation that, in the particular taxation year or particular fiscal period, as the case may be, provides services or sells property to persons or partnerships other than the particular corporation or particular partnership;

"information technology activity" has the meaning assigned by section 19.11 of Schedule A to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1);

"licence to carry on a broadcasting undertaking" means a licence within the meaning of subsection 1 of section 2 of the Broadcasting Act (S.C. 1991, c. 11);

"original information content" has the meaning assigned by section 19.6 of Schedule A to the Act respecting the sectoral parameters of certain fiscal measures;

"qualified corporation" for a taxation year means a corporation (other than an excluded corporation) that, in the year,

(a) carries on a business in Québec and has an establishment in Québec; and

(b) produces and disseminates one or more eligible media;

"qualified expenditure" of a corporation or a partnership for a taxation year or a fiscal period, as the case may be, that includes all or part of the transitional period means the portion of the consideration, paid by the corporation or partnership to its wholly-owned subsidiary for work carried out on its behalf during that period or part of the period in relation to recognized activities, that may reasonably be attributed to the wages the subsidiary incurred and paid in respect of its eligible employees;

"qualified partnership" for a fiscal period means a partnership that, in the fiscal period,

(a) carries on a business in Québec and has an establishment in Québec;

(b) produces and disseminates one or more eligible media; and

(c) does not hold a licence to carry on a broadcasting undertaking;

"qualified wages" incurred by a corporation in a taxation year, or by a partnership in a fiscal period, in respect of an eligible employee of the corporation or partnership, means the lesser of

(a) the amount obtained by multiplying $75,000 by the proportion that the number of days in the taxation year or fiscal period that follow 31 December 2018 and during which the individual is recognized as an eligible employee of the corporation or partnership, as the case may be, is of 365; and

(b) the amount by which the amount of the wages incurred by the corporation or partnership in respect of the individual, after 31 December 2018 and in the part of the taxation year or fiscal period during which the individual is recognized as an eligible employee of the corporation or partnership, to the extent that that amount is paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such wages that the corporation or partnership has received, is entitled to receive or may reasonably expect to receive on or before, in the case of the corporation, the corporation's filing-due date for the taxation year or, in the case of the partnership, the last day of the six-month period following the end of the fiscal period;

"recognized activity" means an information technology activity that is related to the production or dissemination of original information content intended for publication in an eligible media;

"specified member" of a corporation that is a cooperative in a taxation year means either a member of the cooperative that has, directly or indirectly, at any time in the year, at least 10% of the votes that could be cast at a meeting of the members of the cooperative or a person that does not deal at arm's length with such a member;

"transitional period" means the calendar year 2019;

"wages" means the income computed under Chapters I and II of Title II of Book III;

"wholly-owned subsidiary" of a corporation or a partnership, for a taxation year of the corporation or a fiscal period of the partnership, means another corporation (other than an excluded subsidiary for that year or fiscal period) all of whose issued shares of each class of shares of its capital stock are owned by the corporation or partnership throughout that year or fiscal period.

In computing, for the purposes of the definition of "qualified expenditure" of a corporation or partnership for a taxation year or fiscal period of the corporation or partnership, the portion of the consideration referred to in that definition that is paid by the corporation or partnership to its wholly-owned subsidiary, the following rules apply:

(a) the wages of an eligible employee of the wholly-owned subsidiary that are taken into account in that computation may not exceed the amount obtained by multiplying $75,000 by the proportion that the number of days in the taxation year or fiscal period that follow 31 December 2018 but precede 1 January 2020, and during which the individual is recognized as an eligible employee of the wholly-owned subsidiary is of 365; and

(b) the portion of the consideration is to be reduced by the aggregate of all amounts each of which is an amount of government assistance or non-government assistance that is attributable to the portion of the wages, incurred and paid by the wholly-owned subsidiary in respect of its eligible employees, which is taken into account in computing that portion of the consideration and that the corporation or partnership has received, is entitled to receive or may reasonably expect to receive on or before, in the case of the corporation, the corporation's filing-due date for the year or, in the case of the partnership, the last day of the six-month period following the end of the fiscal period.

For the purposes of subparagraph *b* of the second paragraph, an amount of government assistance or non-government assistance that is, at a particular time, received or receivable by the wholly-owned subsidiary of a

corporation or partnership and that is attributable to the wages of its eligible employees is deemed to be received at that time by the corporation or partnership, as the case may be.

In determining, for the purposes of this division, whether an individual is an eligible employee of a corporation that is a wholly-owned subsidiary of another corporation or of a partnership for, as the case may be, a taxation year or a fiscal period of the corporation or partnership that includes all or part of the transitional period, the following rules apply:

(a) the definition of "eligible employee" in the first paragraph is to be read

i. as if "of a corporation or a partnership for all or part of a taxation year or fiscal period, as the case may be," in the portion before paragraph *a* were replaced by "of a wholly-owned subsidiary of a corporation or partnership for all or part of a taxation year or fiscal period, as the case may be, of the corporation or partnership" and without reference to ", subject to the fourth paragraph,",

ii. as if "employee of the corporation or partnership" and "of the corporation or partnership situated either in Québec or, where the condition in the fifth paragraph is met, elsewhere in Canada" in paragraph *a* were replaced by "employee of the wholly-owned subsidiary" and "of the wholly-owned subsidiary situated in Québec", respectively, and

iii. as if "of the corporation or partnership" in paragraph *b* were replaced by "of the wholly-owned subsidiary"; and

(b) the definition of "excluded employee" in the first paragraph is to be read

i. without reference to ", subject to the fourth paragraph," in the portion before paragraph *a*,

ii. as if "where the employer is a corporation" in paragraph *a* were replaced by "where the employer is a wholly-owned subsidiary of the corporation", and

iii. as if "where the employer is a partnership" in paragraph *b* were replaced by "where the employer is a wholly-owned subsidiary of the partnership".

An individual who reports for work at an establishment of a qualified corporation or qualified partnership situated in Canada outside Québec is an eligible employee of the corporation or partnership only if all of the corporation's or partnership's eligible employees who report for work at one of the corporation's or partnership's establishments situated in Québec represent at least 75% of all the individuals who are or would be, but for this paragraph, the corporation's or partnership's eligible employees.

For the purposes of the definition of "eligible employee" in the first paragraph, the following rules are taken into account:

(a) where, during all or part of a taxation year or fiscal period, an employee reports for work at an establishment of a corporation or partnership situated in Québec and at an establishment of the corporation or partnership situated outside Québec, the employee is deemed, for that period,

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the corporation or partnership situated outside Québec; and

(b) where, during all or part of a taxation year or fiscal period, an employee is not required to report for work at an establishment of a corporation or partnership and the employee's wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

To determine whether, during all or part of a taxation year or fiscal period, an employee reports for work at an establishment of a corporation or partnership situated in Canada outside Québec, the sixth paragraph applies, subject to the following rules:

(a) where, during that period, the employee reports for work at an establishment of the corporation or partnership situated in Canada outside Québec and at an establishment of the corporation or partnership situated outside Canada, subparagraph *a* of the sixth paragraph is to be read as if all occurrences of "in Québec" and "outside Québec" were replaced by "in Canada outside Québec" and "outside Canada", respectively; and

(b) where, during that period, the employee is not required to report for work at an establishment of the corporation or partnership and the employee's wages in relation to that period are paid from such an establishment situated in Canada outside Québec, subparagraph *b* of the sixth paragraph is to be read as if "situated in Québec" and "mainly in Québec" were replaced by "situated in Canada outside Québec" and "mainly in the province where it is situated", respectively.

2021, c. 14, s. 140; 2021, c. 36, s. 116.

1029.8.36.0.3.110. For the purposes of this division, a corporation's share of an amount, in relation to a partnership of which the corporation is a member at the end of a fiscal period, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2021, c. 14, s. 140.

§ 2. — *Credits*

2021, c. 14, s. 140.

1029.8.36.0.3.111. A qualified corporation for a taxation year that encloses the documents described in the third paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the second paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to 35% of the aggregate of all amounts each of which is the qualified wages incurred by the qualified corporation in the year in respect of an eligible employee for all or part of the year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1159.7, 1175 and 1175.19 where those sections refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of

i. any certificate issued to the corporation for the year in respect of a media business for the purposes of this division, and

ii. any certificate issued to the corporation for the year in respect of an individual for the purposes of this division.

Where the qualified corporation's taxation year includes all or part of the transitional period and where, in the transitional period or part of that period, the corporation's wholly-owned subsidiary carries out work on its behalf in relation to recognized activities, the amount that the corporation is deemed to have paid to the Minister for the year under the first paragraph is determined by adding the corporation's qualified expenditure for the year to the aggregate described in that first paragraph.

2021, c. 14, s. 140.

1029.8.36.0.3.112. A corporation (other than an excluded corporation) that is a member of a qualified partnership at the end of a fiscal period of the qualified partnership that ends in a taxation year and that encloses the documents described in the third paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to 35% of its share of the aggregate of all amounts each of which is the qualified wages incurred by the qualified partnership in the fiscal period in respect of an eligible employee for all or part of the fiscal period.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1159.7, 1175 and 1175.19 where those sections refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of

i. any certificate issued to the partnership for the fiscal period in respect of a media business for the purposes of this division, and

ii. any certificate issued to the partnership for the fiscal period in respect of an individual for the purposes of this division.

Where the qualified partnership's fiscal period includes all or part of the transitional period and where, in the transitional period or part of that period, the partnership's wholly-owned subsidiary carries out work on its behalf in relation to recognized activities, the amount that a corporation that is a member of the partnership is deemed to have paid to the Minister under the first paragraph for a taxation year that ends in the fiscal period

is determined by adding the partnership's qualified expenditure for the fiscal period to the aggregate described in that first paragraph.

2021, c. 14, s. 140.

1029.8.36.0.3.113. Despite the expiry of the time limit provided for in the first paragraph of section 1029.6.0.1.2 for filing the documents described in the third paragraph of section 1029.8.36.0.3.111 or 1029.8.36.0.3.112, a corporation may be deemed to have paid an amount to the Minister on account of the corporation's tax payable for a taxation year under that section, if it files such documents in accordance with that third paragraph before 17 December 2020.

2021, c. 14, s. 140.

§ 3. — *Assistance, repayment of assistance and other particulars*

2021, c. 14, s. 140.

1029.8.36.0.3.114. Where a corporation (other than an excluded corporation) that is a member of a qualified partnership at the end of a fiscal period of the qualified partnership has received, is entitled to receive or may reasonably expect to receive, on or before the last day of the six-month period following the end of the fiscal period, an amount of government assistance or non-government assistance in respect of wages included in computing the qualified wages incurred by the partnership in that fiscal period, in respect of an eligible employee for all or part of that fiscal period, such qualified wages are, for the purpose of computing the amount deemed to have been paid to the Minister by the corporation under section 1029.8.36.0.3.112 for the taxation year in which the fiscal period ends, to be determined as if

(a) the amount of assistance had been received by the partnership in the fiscal period; and

(b) the amount of assistance were equal to the product obtained by multiplying the amount of assistance otherwise determined by the reciprocal of the agreed proportion in respect of the corporation for that fiscal period.

Where a qualified partnership's fiscal period includes all or part of the transitional period and where, in the transitional period or part of that period, the qualified partnership's wholly-owned subsidiary carried out work on the qualified partnership's behalf in relation to recognized activities, the first paragraph applies in respect of an amount of government assistance or non-government assistance that is received or receivable by a corporation referred to in that paragraph and that is attributable to the wages that were incurred and paid by the wholly-owned subsidiary, in respect of the wholly-owned subsidiary's eligible employees, for the carrying out of the work, but the portion of the first paragraph before subparagraph *a* is to be read as follows:

"Where a corporation (other than an excluded corporation) that is a member of a qualified partnership at the end of a fiscal period of the qualified partnership has received, is entitled to receive or may reasonably expect to receive, on or before the last day of the six-month period following the end of the fiscal period, an amount of government assistance or non-government assistance that is attributable to the wages that were incurred and paid in respect of the eligible employees of the partnership's wholly-owned subsidiary and that were taken into account in computing the partnership's qualified expenditure for that fiscal period, such qualified expenditure is, for the purpose of computing the amount deemed to have been paid to the Minister by the corporation under section 1029.8.36.0.3.112 for the taxation year in which the fiscal period ends, to be determined as if".

2021, c. 14, s. 140.

1029.8.36.0.3.115. Where a corporation pays in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance, referred to in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.109, that was taken into account for the purpose of computing the qualified wages incurred by the corporation in a particular taxation year, in relation

to an eligible employee, and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.111 for the particular year, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the repayment year under section 1000, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister under section 1029.8.36.0.3.111 for the particular year, in respect of the qualified wages, if any amount of assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the aggregate determined under that paragraph *b*, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.111 for the particular year, in respect of the qualified wages; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year, in respect of an amount of repayment of such assistance.

Where a corporation's particular taxation year includes all or part of the transitional period and where, in the transitional period or part of that period, the corporation's wholly-owned subsidiary for the particular year carried out work on the corporation's behalf in relation to recognized activities, the first paragraph applies in respect of an amount that may reasonably be considered to be a repayment by the corporation of government assistance or non-government assistance attributable to the wages of that subsidiary's eligible employees, but is to be read

(a) as if ", referred to in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.109, that was taken into account for the purpose of computing the qualified wages incurred by the corporation in a particular taxation year, in relation to an eligible employee, and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.111" in the portion before subparagraph *a* were replaced by "that reduced, because of subparagraph *b* of the second paragraph of section 1029.8.36.0.3.109, the corporation's qualified expenditure for a particular taxation year, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.111, in respect of such expenditure,"; and

(b) as if "in respect of the qualified wages" wherever it appears in the portion before subparagraph *b* were replaced by "in respect of the qualified expenditure".

For the purposes of this section, an amount of government assistance or non-government assistance referred to in the third paragraph of section 1029.8.36.0.3.109 is deemed to be repaid by the corporation, pursuant to a legal obligation, at the time it is so repaid by another corporation that was the corporation's wholly-owned subsidiary for the particular taxation year.

2021, c. 14, s. 140.

1029.8.36.0.3.116. Where a partnership pays in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance, referred to in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.109, that was taken into account for the purpose of computing the qualified wages incurred by the partnership, in relation to an eligible employee, in a particular fiscal period ending in a particular taxation year and in respect of which a corporation that is a member of the partnership at the end of the particular fiscal period is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.112 for the particular taxation year, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.0.3.112 for the particular year, in respect of the qualified wages, exceeds the total of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.112 for the particular year, in respect of the qualified wages, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of such assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of such assistance repaid by the partnership at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the aggregate determined under paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.109; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

Where a partnership's particular fiscal period includes all or part of the transitional period and where, in the transitional period or part of that period, the partnership's wholly-owned subsidiary for the fiscal period carried out work on the partnership's behalf in relation to recognized activities, the first and second paragraphs apply in respect of an amount that may reasonably be considered to be a repayment by the partnership of government assistance or non-government assistance attributable to the wages of that subsidiary's eligible employees, but are to be read

(a) as if ", referred to in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.109, that was taken into account for the purpose of computing the qualified wages incurred by the partnership, in relation to an eligible employee, in a particular fiscal period ending in a particular taxation year and in respect of which a corporation that is a member of the partnership at the end of the particular fiscal period is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.112" in the portion before subparagraph *a* of the first paragraph were replaced by "that reduced, because of subparagraph *b* of the second paragraph of section 1029.8.36.0.3.109, the partnership's qualified expenditure for a particular fiscal period ending in a particular taxation year, for the purpose of computing the amount that a corporation that is a member of the partnership at the end of the particular fiscal period is deemed to have paid to the Minister under section 1029.8.36.0.3.112, in respect of such expenditure,";

(b) as if "in respect of the qualified wages" wherever it appears in the portion before subparagraph *b* of the first paragraph were replaced by "in respect of the qualified expenditure"; and

(c) as if "paragraph *b* of the definition of "qualified wages" in the first paragraph" in subparagraph *a* of the second paragraph were replaced by "subparagraph *b* of the second paragraph".

For the purposes of this section, an amount of government assistance or non-government assistance referred to in the third paragraph of section 1029.8.36.0.3.109 is deemed to be repaid by the partnership, pursuant to a legal obligation, at the time it is so repaid by a corporation that was the partnership's wholly-owned subsidiary for the particular fiscal period.

2021, c. 14, s. 140.

1029.8.36.0.3.117. Where a corporation that is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") pays, in that fiscal period, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance, in respect of wages included in computing the qualified wages incurred by the partnership in relation to an eligible employee, in a particular fiscal period, that is referred to in the portion of the first paragraph of section 1029.8.36.0.3.114 before subparagraph *a* and that reduced, in the manner provided for in that section, the qualified wages for the purpose of computing the amount that the

corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.112, in respect of the qualified wages, for its taxation year in which the particular fiscal period ends (in this section referred to as the "particular year"), the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.0.3.112 for the particular year, in respect of the qualified wages, exceeds the total of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.112 for the particular year, in respect of the qualified wages, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of such assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) the aggregate described in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.109 were reduced, for the particular fiscal period, by the amount obtained by multiplying the reciprocal of the agreed proportion, in respect of the corporation for the fiscal period of repayment, by an amount of such assistance repaid at or before the end of the fiscal period of repayment; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

Where a partnership's particular fiscal period includes all or part of the transitional period and where, in the transitional period or part of that period, the partnership's wholly-owned subsidiary for the fiscal period carried out work on the partnership's behalf in relation to recognized activities, the first and second paragraphs apply in respect of an amount that may reasonably be considered to be a repayment, by a corporation that is a member of the partnership at the end of the fiscal period of repayment, of government assistance or non-government assistance attributable to the wages of that subsidiary's eligible employees, but are to be read

(a) as if ", in respect of wages included in computing the qualified wages incurred by the partnership in relation to an eligible employee, in a particular fiscal period, that is referred to in the portion of the first paragraph of section 1029.8.36.0.3.114 before subparagraph *a* and that reduced, in the manner provided for in that section, the qualified wages" in the portion before subparagraph *a* of the first paragraph were replaced by "attributable to the wages taken into account in computing the qualified expenditure of the partnership for a particular fiscal period that is referred to in the portion of the first paragraph of section 1029.8.36.0.3.114 before subparagraph *a* and that reduced, in the manner provided for in that section, because of subparagraph *b* of the second paragraph of section 1029.8.36.0.3.109, the qualified expenditure";

(b) as if "in respect of the qualified wages" wherever it appears in the portion before subparagraph *b* of the first paragraph were replaced by "in respect of the qualified expenditure"; and

(c) as if "paragraph *b* of the definition of "qualified wages" in the first paragraph" in subparagraph *a* of the second paragraph were replaced by "subparagraph *b* of the second paragraph".

2021, c. 14, s. 140.

1029.8.36.0.3.118. For the purposes of sections 1029.8.36.0.3.115 to 1029.8.36.0.3.117, an amount of assistance is deemed to be repaid at a particular time by a corporation or a partnership, as the case may be, pursuant to a legal obligation, if that amount

(a) reduced, because of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.109 or because of section 1029.8.36.0.3.114, the amount of the wages referred to in that paragraph *b*, for the purpose of computing qualified wages in respect of which the corporation or a corporation that is a member of the partnership is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.111 or 1029.8.36.0.3.112, as the case may be;

(b) was not received by the corporation or the partnership; and

(c) ceased at the particular time to be an amount that the corporation or the partnership may reasonably expect to receive.

Where the repayment of assistance is in respect of assistance attributable to the wages of the eligible employees of the corporation's or partnership's wholly-owned subsidiary, the first paragraph applies in its respect, but subject to the following rules:

(a) subparagraph *a* is to be read as if "paragraph *b* of the definition of "qualified wages" in the first paragraph" and "of the wages referred to in that paragraph *b*, for the purpose of computing qualified wages in respect of which" were replaced by "subparagraph *b* of the second paragraph" and "of the corporation's or partnership's qualified expenditure in respect of which", respectively; and

(b) where the amount was receivable by the corporation's or partnership's wholly-owned subsidiary,

i. the portion before subparagraph *a* is to be read as if "1029.8.36.0.3.115 to 1029.8.36.0.3.117" and "a corporation or a partnership" were replaced by "1029.8.36.0.3.115 and 1029.8.36.0.3.116" and "the wholly-owned subsidiary of a corporation or a partnership", and

ii. both subparagraphs *b* and *c* are to be read as if "the corporation or the partnership" were replaced by "the wholly-owned subsidiary".

2021, c. 14, s. 140.

1029.8.36.0.3.119. Where, in respect of the employment of an individual with a qualified corporation or a qualified partnership as an eligible employee, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the employment, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for a particular taxation year under section 1029.8.36.0.3.111, the qualified wages incurred by the corporation, in relation to the individual's employment, in the particular year are to be determined by increasing the aggregate described in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.109 by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the particular year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.0.3.112, by a corporation that is a member of the qualified partnership at the end of the partnership's particular fiscal period ending in the year, the qualified wages incurred by the partnership, in relation to the individual's employment, in the particular fiscal period are to be determined by increasing the aggregate described in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.109 by

i. the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or may reasonably expect to obtain on or before the last day of the six-month period following the end of the particular fiscal period, or

ii. the product obtained by multiplying the amount of the benefit or advantage that the corporation or a person with whom the corporation is not dealing at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the last day of the six-month period following the end of the particular fiscal period, by the reciprocal of the agreed proportion in respect of the corporation for that fiscal period.

Where the qualified corporation's particular taxation year, or the qualified partnership's particular fiscal period, includes all or part of the transitional period and where, in the transitional period or part of that period, the qualified corporation's or qualified partnership's wholly-owned subsidiary for the particular year or particular fiscal period carried out work on the qualified corporation's or qualified partnership's behalf in relation to recognized activities, the first paragraph applies in respect of a benefit or advantage obtained or to be obtained in relation to the work, but is to be read

(a) as if "the employment of an individual with a qualified corporation or a qualified partnership as an eligible employee" and "to the employment" in the portion before subparagraph *a* were replaced by "the work carried out on behalf of a qualified corporation or a qualified partnership by the qualified corporation's or qualified partnership's wholly-owned subsidiary in relation to recognized activities" and "to the work", respectively;

(b) as if "the qualified wages incurred by the corporation, in relation to the individual's employment, in the particular year are to be determined" and "paragraph *b* of the definition of "qualified wages" in the first paragraph" in subparagraph *a* were replaced by " the corporation's qualified expenditure for the particular year is to be determined" and "subparagraph *b* of the second paragraph", respectively; and

(c) as if "the qualified wages incurred by the partnership, in relation to the individual's employment, in the particular fiscal period are to be determined" and "paragraph *b* of the definition of "qualified wages" in the first paragraph" in the portion of subparagraph *b* before subparagraph i were replaced by "the partnership's qualified expenditure for the particular fiscal period is to be determined" and "subparagraph *b* of the second paragraph", respectively.

2021, c. 14, s. 140.

DIVISION II.6.0.2

Repealed, 2003, c. 9, s. 220.

1997, c. 85, s. 257; 2003, c. 9, s. 220.

§ 1. —

Repealed, 2003, c. 9, s. 220.

1997, c. 85, s. 257; 2003, c. 9, s. 220.

1029.8.36.0.4. *(Repealed).*

1997, c. 85, s. 257; 1999, c. 83, s. 199; 2000, c. 39, s. 164; 2001, c. 51, s. 140; 2001, c. 53, s. 260; 2001, c. 69, s. 12; 2003, c. 9, s. 220.

§ 2. —

Repealed, 2003, c. 9, s. 220.

1997, c. 85, s. 257; 2003, c. 9, s. 220.

1029.8.36.0.5. *(Repealed).*

1997, c. 85, s. 257; 1998, c. 17, s. 64; 1999, c. 83, s. 200; 2000, c. 39, s. 165; 2001, c. 51, s. 141; 2001, c. 69, s. 12; 2003, c. 9, s. 220.

1029.8.36.0.5.1. *(Repealed).*

1999, c. 83, s. 201; 2000, c. 39, s. 166; 2001, c. 51, s. 142; 2001, c. 69, s. 12; 2003, c. 9, s. 220.

1029.8.36.0.5.2. *(Repealed).*

1999, c. 83, s. 201; 2000, c. 39, s. 167; 2003, c. 9, s. 220.

1029.8.36.0.5.3. *(Repealed).*

1999, c. 83, s. 201; 2000, c. 39, s. 168; 2001, c. 51, s. 143; 2003, c. 9, s. 220.

1029.8.36.0.6. *(Repealed).*

1997, c. 85, s. 257; 1998, c. 17, s. 64; 1999, c. 83, s. 202; 2000, c. 39, s. 169; 2001, c. 51, s. 144; 2001, c. 69, s. 12; 2003, c. 9, s. 220.

1029.8.36.0.7. *(Repealed).*

1997, c. 85, s. 257; 1998, c. 17, s. 64; 1999, c. 83, s. 202; 2001, c. 51, s. 145; 2001, c. 69, s. 12; 2003, c. 9, s. 220.

1029.8.36.0.8. *(Repealed).*

1997, c. 85, s. 257; 1999, c. 83, s. 202; 2000, c. 39, s. 170; 2001, c. 51, s. 146; 2003, c. 9, s. 220.

§ 3. —

Repealed, 2003, c. 9, s. 220.

1997, c. 85, s. 257; 2003, c. 9, s. 220.

1029.8.36.0.9. *(Repealed).*

1997, c. 85, s. 257; 1999, c. 83, s. 202; 2003, c. 9, s. 220.

1029.8.36.0.10. *(Repealed).*

1997, c. 85, s. 257; 1998, c. 16, s. 229; 1999, c. 83, s. 203; 2000, c. 39, s. 171; 2002, c. 40, s. 145; 2003, c. 9, s. 220.

1029.8.36.0.11. *(Repealed).*

1997, c. 85, s. 257; 1999, c. 83, s. 204; 2000, c. 39, s. 172; 2002, c. 40, s. 146; 2003, c. 9, s. 220.

1029.8.36.0.12. *(Repealed).*

1997, c. 85, s. 257; 1999, c. 83, s. 205; 2000, c. 39, s. 173; 2001, c. 7, s. 169; 2003, c. 9, s. 220.

1029.8.36.0.13. *(Repealed).*

1997, c. 85, s. 257; 1999, c. 83, s. 206; 2001, c. 7, s. 169; 2003, c. 9, s. 220.

1029.8.36.0.14. *(Repealed).*

1997, c. 85, s. 257; 1999, c. 83, s. 207; 2000, c. 39, s. 174; 2003, c. 9, s. 220.

1029.8.36.0.15. *(Repealed).*

1997, c. 85, s. 257; 1999, c. 83, s. 207; 2003, c. 9, s. 220.

1029.8.36.0.16. *(Repealed).*

1997, c. 85, s. 257; 1999, c. 83, s. 207; 2000, c. 39, s. 175; 2002, c. 9, s. 75.

DIVISION II.6.0.3

CREDITS TO FOSTER THE DEVELOPMENT OF THE NEW ECONOMY

§ 1. — *Interpretation and general*

2000, c. 39, s. 176.

1029.8.36.0.17. In this division,

"acquisition costs" incurred by a corporation in respect of qualified property means the aggregate of the costs incurred by the corporation to acquire the property and that are included in the capital cost of the property, other than the costs so included under section 180 or 182;

"associated group" in a taxation year means the group formed by all of the corporations that are associated with each other in the year;

"biotechnology development centre" has the meaning assigned by the first paragraph of section 771.1;

"Centre national des nouvelles technologies de Québec" means all the premises designated as such by Investissement Québec;

"Cité du multimédia" means all the buildings designated as such by the Minister of Finance;

"contract payment" means an amount payable under a contract by the Government of Canada or of a province, by a municipality or other public authority in Canada or by a person exempt from tax under this Part by reason of Book VIII, to the extent that it may reasonably be considered that the amount payable relates to the acquisition or lease of qualified property, to the lease of an eligible facility, or to the payment of qualified wages by a corporation up to the amount incurred in respect of that property, that facility or those wages by that corporation;

"designated site" means

(a) a biotechnology development centre;

(b) a new economy centre;

(c) the Centre national des nouvelles technologies de Québec; or

(d) the Cité du multimédia;

"eligibility period" of a corporation means, subject to subparagraphs *c* and *d* of the first paragraph of section 1029.8.36.0.18.2

(a) for the purpose of determining the amount of qualified wages paid by the corporation in a taxation year, the period that begins on the particular day that is the later of the day of coming into force of the certificate referred to in paragraph *a* of section 771.12 that was issued in respect of the corporation and the

corporation's reference date, if the certificate was issued after 10 March 2003, or the latest of the day on which the corporation's first taxation year begins, the day of coming into force of that certificate and the corporation's reference date, in any other case, and that ends on the earlier of the day that precedes the day on which the corporation ceases to be an exempt corporation and

i. 31 December 2010, if any of the following days is before 1 January 2001:

(1) the day of coming into force of the certificate, where it is issued after 10 March 2003, or

(2) the later of the day on which the corporation's first taxation year begins and the day of coming into force of the certificate, in any other case,

ii. the last day of the ten-year period that begins on the particular day, if any of the following days is after 31 December 2000 and before 1 January 2004:

(1) the day of coming into force of the certificate, where it is issued after 10 March 2003, or

(2) the later of the day on which the corporation's first taxation year begins and the day of coming into force of the certificate, in any other case, or

iii. 31 December 2013, if the day of coming into force of the certificate is after 31 December 2003;

(b) for the purpose of determining the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.25 in relation to rental expenses paid in respect of qualified property, or under section 1029.8.36.0.25.1, the five-year period that begins,

i. where the corporation is an exempt corporation or a specified corporation in respect of a biotechnology development centre that was an exempt corporation for a preceding taxation year, on the later of the day of coming into force of the certificate referred to in paragraph *a* of section 771.12 that was issued in respect of the corporation and the corporation's reference date, if that certificate was issued after 10 March 2003, or on the latest of the day on which the corporation's first taxation year begins, the day of coming into force of that certificate and the corporation's reference date, in any other case, or

ii. where the corporation is a specified corporation in respect of a biotechnology development centre other than a corporation referred to in subparagraph i, on the date indicated for that purpose on the certificate that was issued to the corporation for the year in respect of a specified activity, in relation to that centre; or

(c) for the purpose of determining the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.25 in relation to acquisition costs incurred in respect of qualified property, the three-year period that begins,

i. where the corporation is an exempt corporation or a specified corporation in respect of a biotechnology development centre that was an exempt corporation for a preceding taxation year, on the later of the day of coming into force of the certificate referred to in paragraph *a* of section 771.12 that was issued in respect of the corporation and the corporation's reference date, if that certificate was issued after 10 March 2003, or on the latest of the day on which the corporation's first taxation year begins, the day of coming into force of that certificate and the corporation's reference date, in any other case, or

ii. where the corporation is a specified corporation in respect of a biotechnology development centre other than a corporation referred to in subparagraph i, on the date indicated for that purpose on the certificate that was issued to the corporation for the year in respect of a specified activity, in relation to that centre;

"eligible employee" of a corporation for part or all of a taxation year means an individual in respect of whom a certificate is issued to the corporation for the year by Investissement Québec for the purposes of this division, certifying that the individual is an eligible employee of the corporation for part or all of the year;

"eligible facility" of a person in relation to a biotechnology development centre means a facility in respect of which a certificate was issued to the person by Investissement Québec for the purposes of this division;

"eligible rental expenses" incurred by a corporation in respect of an eligible facility means the aggregate of all expenses incurred by the corporation for the lease of the facility, including expenses attributable to property that is necessary for the use of the facility and that is consumed in connection with that use and to a person's wages or compensation for services rendered in connection with that use, to the extent that, where the corporation is a specified corporation in respect of a biotechnology development centre, the facility is leased for the carrying out of a specified activity of the corporation in relation to that centre;

"exempt corporation" for a taxation year means a corporation referred to in paragraph *a* of section 771.12 that, as the case may be,

(a) for the purposes of the definition of "specified corporation" and section 1029.8.36.0.19, would be an exempt corporation for the year within the meaning of sections 771.12 and 771.13 if section 771.12 were read without reference to paragraph *d* thereof; and

(b) in any other case, is an exempt corporation for the year within the meaning of sections 771.12 and 771.13;

"information technology development centre" has the meaning assigned by section 771.1;

"new economy centre" has the meaning assigned by section 771.1;

"qualified centre" means

(a) a biotechnology development centre;

(b) an information technology development centre; or

(c) a new economy centre;

"qualified property" of a corporation means depreciable property that the corporation acquires or property that is leased by the corporation, and

(a) that, before being acquired or leased by the corporation, has not been used for any purpose whatsoever nor acquired for use for a purpose other than lease to an exempt corporation or, where it was acquired after 30 March 2004, to a specified corporation in respect of a biotechnology development centre;

(b) where the property is leased by the corporation, the lease began during one of the first three years of the eligibility period of the corporation that applies for the purpose of establishing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.25 in relation to rental expenses paid in respect of the qualified property;

(c) that the corporation begins to use within a reasonable time after its acquisition or lease;

(d) that the corporation uses principally in a qualified centre and, exclusively or almost exclusively, to earn income from,

i. where the corporation is an exempt corporation, a business it carries on in that centre, or

ii. where the corporation is a specified corporation and the qualified centre is a biotechnology development centre, the part of a business it carries on in that centre that may reasonably be attributed to the carrying out of a specified activity; and

(e) in respect of which Investissement Québec has issued a certificate for the purposes of this division or Division II.6.0.2, as it read before being repealed;

"qualified wages" paid in a taxation year by a corporation to an eligible employee means the lesser of

(a) the amount established for the year pursuant to the first paragraph of section 1029.8.36.0.18 in relation to the eligible employee; and

(b) the aggregate of all amounts each of which is the amount by which the wages paid by the corporation to the employee, while the employee qualified as an eligible employee of the corporation, for a pay period

ending at a time in the taxation year that is within the corporation's eligibility period and that may reasonably be considered to be paid by the corporation in the course of carrying on a business in a qualified centre, exceeds the aggregate of

i. the amount of any contract payment, government assistance and non-government assistance, attributable to the wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, and

ii. the aggregate of all amounts each of which is the amount of a benefit or advantage in respect of the wages, other than wages that may reasonably be attributed to work done by the eligible employee in the course of the eligible employee's employment with the corporation for the year, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain after 21 April 2005 and on or before the corporation's filing-due date for that taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner;

"reference date" of a corporation means

(a) if the corporation carries on or may carry on its business in an information technology development centre, 26 March 1997;

(b) if the corporation carries on or may carry on its business in the Cité du multimédia, 16 June 1998;

(c) if the corporation carries on or may carry on its business in a new economy centre or the Centre national des nouvelles technologies de Québec, 10 March 1999; and

(d) if the corporation carries on or may carry on its business in a biotechnology development centre, 30 March 2001;

"rental expenses" paid by a corporation in respect of qualified property means the aggregate of the expenses paid by the corporation for the lease of the property to the extent that they are deductible in computing the income of the corporation under this Part;

"specified activity" of a corporation in relation to a designated site for a taxation year means an activity that the corporation carries out in the site in the year and in respect of which Investissement Québec issues a certificate to the corporation for the year and for the purposes of this division, certifying that the activity is,

(a) if the designated site is a biotechnology development centre, an activity related to biotechnologies;

(b) if the designated site is a new economy centre, an activity related to the new economy; and

(c) if the designated site is the Centre national des nouvelles technologies de Québec or the Cité du multimédia, an activity related to information technologies or multimedia;

"specified corporation" in respect of a designated site for a taxation year means, subject to subparagraph *b* of the first paragraph of section 1029.8.36.0.18.2, a corporation that

(a) in the year, has an establishment in Québec and carries on a qualified business in Québec;

(b) does not include

i. a corporation that is exempt from tax for the year under Book VIII,

ii. a corporation that would be exempt from tax for the year under section 985, but for section 192,

iii. an exempt corporation for the year,

iv. a corporation control of which is acquired by a person or group of persons at the beginning of the year or of a preceding taxation year, but between 11 June 2003 and 31 March 2004, where the corporation carries on or may carry on its business in a biotechnology development centre, or after 11 June 2003, in any other case, unless acquiring control of the corporation

(1) occurs before 1 July 2004 and Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

(2) is by a specified corporation, by a person or group of persons that controls a specified corporation, or by a group of persons each member of which is a specified corporation or a person who, alone or together with other members of the group, controls such a corporation,

(3) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003, or

(4) derives from the performance after 11 June 2003 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 12 June 2003; or

v. a corporation that has made an election under the fourth or fifth paragraph of section 1029.8.36.0.3.80 for the year or a preceding taxation year; and

(c) obtains for the year a certificate issued to the corporation by Investissement Québec for the purposes of this division, certifying that the corporation carries out or may carry out in the year in the designated site a specified activity in relation to that site;

"specified employee" of a corporation for part or all of a taxation year means an individual in respect of whom a certificate is issued to the corporation for the year by Investissement Québec for the purposes of this division, certifying that the individual is a specified employee of the corporation for part or all of the year;

"specified period" of a corporation for a taxation year in respect of a designated site means the portion of the year in the period that begins on the reference date of the corporation in respect of the site and that ends, as the case may be,

(a) where the corporation is, throughout the year, a specified corporation in respect of the designated site, on

i. 31 December 2010, if the effective date of the certificate referred to in paragraph *c* of the definition of "specified corporation" that was issued to the corporation for its first taxation year in which the corporation carried on or could carry on its business in any designated site is before 1 January 2001, or the last day of the 10-year period that begins on that effective date if that date is before 1 January 2004 but after 31 December 2000, or

ii. 31 December 2013, in any other case; and

(b) where the corporation ceases in the year to be a specified corporation in respect of the designated site, the earlier of the day preceding the day on which the corporation so ceases and the date that would be determined pursuant to paragraph *a* if that paragraph applied to the corporation for that year;

"specified wages" incurred by a corporation in a taxation year in respect of a specified employee of a designated site means the lesser of

(a) the proportion of the amount established for the year pursuant to the second paragraph of section 1029.8.36.0.18 in relation to the specified employee that the working time spent by that employee on a specified activity of the corporation in relation to the designated site in the year is of the aggregate of the employee's working time for the year as a specified employee of the corporation; and

(b) the amount by which the amount of the wages incurred by the corporation in respect of the employee in the specified period of the corporation for the year in respect of the designated site, while the employee qualified as a specified employee of the corporation, to the extent that that amount is paid and that it may reasonably be considered to relate to the carrying out in the year of a specified activity in relation to the designated site having regard to the time spent thereon by the employee, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such wages, that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the taxation year, and

ii. the aggregate of all amounts each of which is the amount of a benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to work carried out by the specified employee in connection with the carrying out of the specified activity of the corporation for the year, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the corporation's filing-due date for that taxation year, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner;

"wages" means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of "specified activity" in the first paragraph, a corporation is deemed to carry out a specified activity in a designated site in the part of a taxation year for which it is authorized by Investissement Québec to carry on its business outside that site, if the activity is carried out in Québec in that part of the year.

For the purposes of paragraph *a* of the definition of "qualified property" in the first paragraph, where a corporation acquires depreciable property from a person, the property acquired by the corporation is deemed not to have been used for any purpose whatever before its acquisition by the corporation nor to have been acquired, before that acquisition, for use for a purpose other than lease to an exempt corporation, if the corporation continues the carrying out of a project of the person and

(a) the person did not acquire the property before the reference date of the corporation;

(b) the property has not been used, or acquired for use or lease, for any purpose whatever before being acquired by the person; and

(c) the person used the property only in connection with the project the carrying out of which is continued by the corporation.

For the purposes of paragraph *d* of the definition of "qualified property" in the first paragraph, where, at any time that is not before the corporation's reference date, a corporation has acquired or leased property that is used by the corporation in the course of carrying on a business and that would be qualified property of the corporation if the definition of "qualified property" were read without reference to paragraph *d* thereof, the corporation is deemed to use the property principally in a qualified centre and, exclusively or almost exclusively, to earn income from a business it carries on in that centre, throughout the period that begins at that time and that ends on the day on which Investissement Québec issues a certificate referred to in paragraph *a* of section 771.12 to the corporation.

Despite paragraphs *b* and *c* of the definition of "eligibility period" in the first paragraph, the eligibility period of a corporation that is a specified corporation in respect of a biotechnology development centre for a taxation year does not include the part of any taxation year that begins at the time the corporation ceases to be a specified corporation in respect of that centre for that year.

Despite the definition of "eligibility period" in the first paragraph, the eligibility period of a corporation that is an exempt corporation does not include the part of a taxation year that is described in the fourth paragraph of section 771.1.

For the purpose of applying the definition of "specified period" in the first paragraph to a corporation that is a member of an associated group in its first taxation year in which the corporation carries on or may carry on its business in a particular designated site, the effective date of the certificate that was issued to the corporation for its first taxation year in which the corporation carried on or could carry on its business in any designated site to which subparagraph i of paragraph *a* of that definition refers is deemed to be the earliest of

all the dates each of which is the effective date of the certificate that was issued to a member of that associated group for the member's first taxation year in which the member carried on or could carry on business in such a site.

If any corporation that has been an exempt corporation for a taxation year subsequently becomes a specified corporation, the date of coming into force of the certificate, referred to in paragraph *a* of section 771.12, that was issued in respect of that corporation is deemed, for the purposes of the definition of "specified period" in the first paragraph and of the seventh paragraph, to be the date of coming into force of the certificate referred to in paragraph *c* of the definition of "specified corporation" in the first paragraph that was issued to that corporation for its first taxation year in which it carried on or could carry on its business in any designated site.

For the purposes of the definition of "specified wages" in the first paragraph, a specified employee who spends 90% or more of working time on a specified activity is deemed to spend all working time thereon.

Subparagraph iv of paragraph *b* of the definition of "specified corporation" in the first paragraph does not apply for a taxation year to a corporation that carries on or may carry on its business in a biotechnology development centre if, after 30 March 2004, Investissement Québec has issued to the corporation a certificate, referred to in paragraph *c* of that definition, for the year.

2000, c. 39, s. 176; 2001, c. 7, s. 169; 2001, c. 51, s. 147; 2001, c. 53, s. 260; 2001, c. 69, s. 12; 2002, c. 9, s. 76; 2003, c. 9, s. 221; 2004, c. 21, s. 338; 2005, c. 23, s. 167; 2005, c. 38, s. 255; 2006, c. 13, s. 130; 2006, c. 36, s. 139; 2007, c. 12, s. 175; 2009, c. 15, s. 242.

1029.8.36.0.18. The amount to which paragraph *a* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.17 refers for a taxation year of a corporation in relation to an eligible employee is equal,

(a) where the corporation carries on or may carry on its business in a new economy centre and its taxation year ends before 16 June 1999, to the amount obtained by multiplying $41,667 by the proportion that the number of days in the taxation year that are within the eligibility period of the corporation during which the employee qualifies as an eligible employee of the corporation is of 365;

(b) where the corporation carries on or may carry on its business in a new economy centre and its taxation year includes 16 June 1999, to the aggregate of

i. the amount obtained by multiplying $41,667 by the proportion that the number of days in the taxation year before 16 June 1999 that are within the eligibility period of the corporation during which the employee qualifies as an eligible employee of the corporation is of 365, and

ii. the amount obtained by multiplying $37,500 by the proportion that the number of days in the taxation year after 15 June 1999 that are within the eligibility period of the corporation during which the employee qualifies as an eligible employee of the corporation is of 365; and

(c) in any other case, to the amount obtained by multiplying $37,500 by the proportion that the number of days in the taxation year that are within the eligibility period of the corporation during which the employee qualifies as an eligible employee of the corporation is of 365.

The amount to which paragraph *a* of the definition of "specified wages" in the first paragraph of section 1029.8.36.0.17 refers for a taxation year of a corporation in relation to a specified employee of a designated site is equal to the amount obtained by multiplying $37,500 by the proportion that the number of days in the specified period of the corporation for the year in respect of the designated site during which the employee qualifies as a specified employee of the corporation is of 365.

2000, c. 39, s. 176; 2003, c. 9, s. 222.

1029.8.36.0.18.1. For the purposes of sections 1029.8.36.0.19 and 1029.8.36.0.20, a corporation is deemed to be an exempt corporation for the taxation year in which it ceases to be an exempt corporation.

2003, c. 9, s. 223.

1029.8.36.0.18.2. If, following an acquisition of control referred to in subparagraph *f* of the first paragraph of section 771.13 or an election made under subparagraph *g* of that paragraph, a corporation ceases to be an exempt corporation at the beginning of the taxation year that follows the taxation year in which the acquisition of control occurs or the election becomes effective, the following rules apply, as the case may be:

(a) for the purposes of subparagraph iv of paragraph *b* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17, the corporation is deemed to be a specified corporation at the time of the acquisition of control;

(b) if the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17 applies to the corporation for the taxation year in which the acquisition of control occurs or the election becomes effective, it is to be read without reference to its subparagraph iii of paragraph *b*;

(c) for the purposes of paragraph *a* of the definition of "eligibility period" in the first paragraph of section 1029.8.36.0.17, the day on which the acquisition of control occurs or the election becomes effective is deemed to be the day on which the corporation ceases to be an exempt corporation; and

(d) if the acquisition of control occurs or the election becomes effective before the end of the five-year period described in paragraph *b* of the definition of "eligibility period" in the first paragraph of section 1029.8.36.0.17, or before the end of the three-year period described in paragraph *c* of that definition, the eligibility period ends immediately before the acquisition of control occurs or on the day before that on which the election becomes effective, as the case may be.

If, after 30 March 2004, Investissement Québec issues a certificate, referred to in paragraph *c* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17, for a taxation year, to a corporation that carries on or may carry on its business in a biotechnology development centre, no reference is to be made to subparagraph *d* of the first paragraph in computing the amount that the corporation is deemed to have paid to the Minister for that taxation year under section 1029.8.36.0.25 or 1029.8.36.0.25.1.

2007, c. 12, s. 176.

§ 2. — *Credits*

2000, c. 39, s. 176.

1029.8.36.0.19. A corporation that is an exempt corporation for a taxation year and that encloses the documents referred to in the second paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the third paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount by which 40% of the qualified wages paid by the corporation in the year to an eligible employee exceeds the amount established for the year under section 1029.8.36.0.23 in relation to the qualified wages.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information; and

(b) a copy of the certificate issued by Investissement Québec to the corporation for the year in respect of the eligible employee for the purposes of this division.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister,

on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2000, c. 39, s. 176; 2001, c. 51, s. 148; 2001, c. 69, s. 12; 2003, c. 9, s. 224; 2012, c. 8, s. 205.

1029.8.36.0.20. A corporation that is an exempt corporation for a taxation year is deemed, subject to the fourth paragraph, where that year is the first year during which the corporation so qualifies and the corporation encloses the documents referred to in the second paragraph with the fiscal return it is required to file for the year under section 1000, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of all amounts each of which is the amount by which 40% of the qualified wages paid by the corporation in a preceding taxation year to an eligible employee exceeds the amount established under section 1029.8.36.0.23 in relation to the qualified wages.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information; and

(b) a copy of the certificate issued by Investissement Québec to the corporation in respect of the eligible employee for a preceding taxation year and for the purposes of this division or Division II.6.0.2, as it read before being repealed.

For the purposes of the first paragraph and section 1029.8.36.0.23, and notwithstanding the first paragraph of section 1029.8.36.0.17, "eligible employee" and "qualified wages" have the meaning assigned by section 1029.8.36.0.4, as it read for the preceding taxation year in which the wages were paid, where

(a) the corporation carries on or may carry on its business in an information technology development centre; and

(b) the preceding taxation year began before 21 December 2001.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but

otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2000, c. 39, s. 176; 2001, c. 51, s. 149; 2001, c. 69, s. 12; 2003, c. 9, s. 225; 2012, c. 8, s. 206.

1029.8.36.0.21. Where a corporation carries on or may carry on its business in a new economy centre and a taxation year of the corporation is, in whole or in part, within a particular period that is between 9 March 1999 and 16 June 1999, for the purpose of determining the amount that the corporation is deemed to have paid to the Minister, in accordance with section 1029.8.36.0.19 or 1029.8.36.0.20, in respect of the qualified wages paid by the corporation to an eligible employee in that taxation year, each of the rates of 40% referred to in the first paragraph of section 1029.8.36.0.19 or 1029.8.36.0.20, as the case may be, and in subparagraph *a* of the first paragraph of section 1029.8.36.0.23, shall be replaced by a rate of 60% in respect of the portion of the qualified wages that may reasonably be considered to be attributable to wages paid to the eligible employee in the portion of that taxation year within the particular period.

Notwithstanding the first paragraph, where the qualified wages paid by the corporation to an eligible employee, in a taxation year of the corporation all or part of which is within the particular period, are an amount established in accordance with subparagraph *a* or *b* of the first paragraph of section 1029.8.36.0.18, the following rules apply for the purpose of determining the amount that the corporation is deemed to have paid to the Minister, in accordance with section 1029.8.36.0.19 or 1029.8.36.0.20, in respect of the qualified wages:

(a) each of the rates of 40% referred to in the first paragraph of section 1029.8.36.0.19 or 1029.8.36.0.20, as the case may be, and in subparagraph *a* of the first paragraph of section 1029.8.36.0.23, is replaced by a rate of 60% in respect of the lesser of the qualified wages paid by the corporation to the eligible employee in the taxation year and the portion of the qualified wages that could reasonably be considered to be attributable to wages paid to the eligible employee in the portion of that taxation year within the particular period, if the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.17 were read without reference to "the lesser of" in the portion before paragraph *a* and to paragraph *a*; and

(b) each of the rates of 40% referred to in the first paragraph of section 1029.8.36.0.19 or 1029.8.36.0.20, as the case may be, and in subparagraph *a* of the first paragraph of section 1029.8.36.0.23, applies only in respect of the amount by which the qualified wages paid by the corporation to the eligible employee in the taxation year exceed the amount established in accordance with subparagraph *a* in respect of the qualified wages.

2000, c. 39, s. 176; 2003, c. 9, s. 226.

1029.8.36.0.21.1. Where a corporation carries on or may carry on its business in an information technology development centre and a taxation year of the corporation is, in whole or in part, within a particular period that is between 15 June 1998 and 16 June 1999, for the purpose of determining the amount that the corporation is deemed to have paid to the Minister, in accordance with section 1029.8.36.0.20, in respect of the qualified wages paid by the corporation to an eligible employee in that taxation year, each of the rates of 40% referred to in the first paragraph of section 1029.8.36.0.20 and in subparagraph *a* of the first paragraph of section 1029.8.36.0.23 shall be replaced by a rate of 60% in respect of the portion of the qualified wages that may reasonably be considered to be attributable to wages paid to the eligible employee in the portion of that taxation year within the particular period.

Notwithstanding the first paragraph, where the qualified wages paid by the corporation to an eligible employee, in a taxation year of the corporation all or part of which is within the particular period, are an amount established in accordance with any of subparagraphs *a* to *d* of the second paragraph of section 1029.8.36.0.4, as it read for that taxation year, the following rules apply for the purpose of determining the amount that the corporation is deemed to have paid to the Minister, in accordance with section 1029.8.36.0.20, in respect of the qualified wages:

(a) each of the rates of 40% referred to in the first paragraph of section 1029.8.36.0.20 and in subparagraph *a* of the first paragraph of section 1029.8.36.0.23 is replaced by a rate of 60% in respect of the

lesser of the qualified wages paid by the corporation to the eligible employee in the taxation year and the portion of the qualified wages that could reasonably be considered to be attributable to wages paid to the eligible employee in the portion of that taxation year within the particular period, if the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.4 were read for that taxation year without reference to "the lesser of" in the portion before paragraph *a* and to paragraph *a*; and

(b) each of the rates of 40% referred to in the first paragraph of section 1029.8.36.0.20 and in subparagraph *a* of the first paragraph of section 1029.8.36.0.23 applies only in respect of the amount by which the qualified wages paid by the corporation to the eligible employee in the taxation year exceed the amount determined in accordance with subparagraph *a* in respect of the qualified wages.

For the purposes of this section and notwithstanding the first paragraph of section 1029.8.36.0.17, "eligible employee" and "qualified wages" have the meaning assigned by section 1029.8.36.0.4, as it read for the taxation year.

2003, c. 9, s. 227.

1029.8.36.0.21.2. For the purpose of determining the amount that a corporation that carries on or may carry on its business in a biotechnology development centre is deemed to have paid to the Minister, on account of its tax payable for a taxation year, in accordance with section 1029.8.36.0.19 or 1029.8.36.0.20, each of the rates of 40% referred to in the first paragraph of that section and in subparagraph *a* of the first paragraph of section 1029.8.36.0.23 is replaced by a rate of 30% if

(a) the certificate referred to in paragraph *a* of section 771.12 that is held by the corporation provides for the application of that reduced rate; or

(b) control of the corporation was acquired at the beginning of the year or of a preceding taxation year, but after 11 June 2003, by a person or a group of persons.

However, the condition set out in subparagraph *b* of the first paragraph is deemed not to be met if the acquisition of control

(a) occurs before 1 July 2004 and Investissement Québec certifies that it results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date;

(b) is by an exempt corporation, by a person or group of persons that controls an exempt corporation, or by a group of persons each member of which is an exempt corporation or a person who, alone or together with other members of the group, controls such a corporation;

(c) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003; or

(d) derives from the performance after 11 June 2003 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 12 June 2003.

2005, c. 23, s. 168; 2006, c. 13, s. 131.

1029.8.36.0.22. A corporation that is a specified corporation in respect of a designated site for a taxation year and that encloses the documents referred to in the third paragraph with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for the year under this Part, an amount equal to the amount by which 40% of the specified wages incurred by the corporation in the year in respect of a specified employee of the site exceeds the amount established for the year under section 1029.8.36.0.24 in relation to the specified wages.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175

and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information;

(a.1) a copy of the certificate referred to in paragraph *c* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17 issued to the corporation for the year by Investissement Québec for the purposes of this division;

(b) a copy of the certificate issued to the corporation for the year by Investissement Québec for the purposes of this division in respect of a specified activity, in relation to the designated site, on which the specified employee spends all or part of the employee's working time; and

(c) a copy of the certificate issued to the corporation for the year by Investissement Québec in respect of the specified employee for the purposes of this division.

2000, c. 39, s. 176; 2001, c. 51, s. 150; 2001, c. 69, s. 12; 2003, c. 9, s. 228; 2012, c. 8, s. 207.

1029.8.36.0.22.1. For the purpose of determining the amount that a corporation that carries on or may carry on its business in a biotechnology development centre is deemed to have paid to the Minister, on account of its tax payable for a taxation year, in accordance with section 1029.8.36.0.22, each of the rates of 40% referred to in the first paragraph of that section and in subparagraph *a* of the first paragraph of section 1029.8.36.0.24 is replaced by a rate of 30% if

(a) the certificate referred to in paragraph *c* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17, that is issued to the corporation for the year provides for the application of that reduced rate;

(b) subject to the second paragraph, control of the corporation was acquired at the beginning of the year or of a preceding taxation year, but after 30 March 2004, by a person or a group of persons;

(c) section 1029.8.36.0.21.2 applied to the corporation for a preceding taxation year for the purpose of determining the amount that the corporation is deemed to have paid to the Minister, on account of its tax payable for that taxation year, in accordance with section 1029.8.36.0.19 or 1029.8.36.0.20; or

(d) the corporation ceased to be a specified corporation at the beginning of a preceding taxation year by reason of the application of subparagraph iv of paragraph *b* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17.

The condition set out in subparagraph *b* of the first paragraph is deemed not to be met if the acquisition of control

(a) occurs before 1 July 2005 and Investissement Québec certifies that it results from a transaction that was sufficiently advanced on 30 March 2004 and was binding on the parties on that date;

(b) is by an exempt corporation or a specified corporation, by a person or group of persons that controls such a corporation, or by a group of persons each member of which is such a corporation or a person who, alone or together with other members of the group, controls such a corporation;

(c) derives from the exercise after 30 March 2004 of one or more rights described in paragraph *b* of section 20 that were acquired before 31 March 2004; or

(d) derives from the performance after 30 March 2004 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 31 March 2004.

2005, c. 23, s. 169; 2006, c. 13, s. 132.

1029.8.36.0.23. The amount to which the first paragraph of section 1029.8.36.0.19 and of section 1029.8.36.0.20 refers in relation to qualified wages paid in a taxation year by a corporation to an eligible employee, is equal to the amount by which the aggregate of the following amounts exceeds the amount established pursuant to the second paragraph in respect of the wages:

(a) 40% of the qualified wages paid by the corporation in the year to the eligible employee; and

(b) the aggregate of all amounts that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year, each of which is an amount of government assistance relating to the wages paid by the corporation to the employee, while the employee qualified as an eligible employee of the corporation, for a pay period ending at a time in the taxation year that is within the eligibility period of the corporation.

The amount to which the first paragraph refers in relation to the qualified wages paid in the taxation year by the corporation to the eligible employee is equal to the lesser of

(a) 60% of the aggregate of all amounts each of which is the amount paid as wages by the corporation to the employee, while the employee qualified as an eligible employee of the corporation, for a pay period ending at a time in the taxation year that is within the eligibility period of the corporation; and

(b) the amount obtained by multiplying $25,000 by the proportion that the number of days in the taxation year that are in the eligibility period of the corporation during which the employee qualifies as an eligible employee of the corporation is of 365.

2000, c. 39, s. 176; 2001, c. 51, s. 151; 2003, c. 9, s. 229; 2005, c. 23, s. 170; 2015, c. 21, s. 437.

1029.8.36.0.24. The amount to which the first paragraph of section 1029.8.36.0.22 refers in relation to specified wages incurred in a taxation year by a corporation in respect of a specified employee in a designated site, is equal to the amount by which the aggregate of the following amounts exceeds the amount established pursuant to the second paragraph in respect of the wages:

(a) 40% of the specified wages incurred by the corporation in the year in respect of the specified employee; and

(b) the aggregate of all amounts that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year, each of which is an amount of government assistance relating to the wages incurred by the corporation in respect of the employee, in the specified period of the corporation for the year in respect of the designated site, while the employee qualified as a specified employee of the corporation, to the extent that the wages are paid and that they may reasonably be considered to relate to the carrying on in the year of a specified activity in relation to that site having regard to the time spent on that activity by the employee.

The amount to which the first paragraph refers in relation to the specified wages incurred in the taxation year by the corporation in respect of the specified employee is equal to the lesser of

(a) 60% of the amount of the wages incurred by the corporation in respect of the employee in the specified period of the corporation for the year in respect of the designated site, while the employee qualified as a specified employee of the corporation, to the extent that that amount is paid and that it may reasonably be considered to relate to the carrying on in the year of a specified activity in relation to that site having regard to the time spent thereon by the employee; and

(b) the amount obtained by multiplying $25,000 by the proportion that the number of days in the specified period of the corporation for the year in respect of the designated site during which the employee qualifies as a specified employee of the corporation is of 365.

For the purposes of subparagraph *b* of the first paragraph and of subparagraph *a* of the second paragraph, a specified employee who spends 90% or more of working time on a specified activity is deemed to spend all working time on that activity.

2000, c. 39, s. 176; 2001, c. 7, s. 169; 2003, c. 9, s. 229; 2005, c. 23, s. 171; 2015, c. 21, s. 438.

1029.8.36.0.25. A corporation that is an exempt corporation, or a specified corporation in respect of a biotechnology development centre, for a taxation year is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the aggregate of all amounts each of which is equal to 40% of the acquisition costs incurred by the corporation in the year or a preceding taxation year in respect of the acquisition of qualified property during the year or a preceding taxation year and during its eligibility period, or of the rental expenses paid by the corporation in the year or a preceding taxation year and during its eligibility period, in respect of qualified property of the corporation, exceeds the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister in respect of the qualified property for a preceding taxation year under this section or section 1029.8.36.0.6, as it read for that preceding taxation year, if the corporation encloses with the fiscal return it is required to file for the year under section 1000,

(a) the prescribed form containing the prescribed information;

(b) a copy of the certificate issued to it by Investissement Québec in respect of the qualified property for the purposes of this division or Division II.6.0.2, as it read before being repealed; and

(c) if the corporation is a specified corporation in respect of a biotechnology development centre,

i. a copy of the certificate referred to in paragraph *c* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17 that Investissement Québec issued to the corporation for the year and for the purposes of this division, and

ii. a copy of the certificate that Investissement Québec issued to the corporation for the year and for the purposes of this division in respect of a specified activity, in relation to the biotechnology development centre, that is an activity for the carrying out of which the corporation uses the qualified property.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but

otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2000, c. 39, s. 176; 2001, c. 51, s. 152; 2001, c. 69, s. 12; 2003, c. 9, s. 229; 2005, c. 23, s. 172; 2012, c. 8, s. 208.

1029.8.36.0.25.0.1. Despite section 1029.8.36.0.25, no amount may, in relation to a qualified property, be deemed to have been paid to the Minister by a corporation for a particular taxation year, in respect of acquisition costs incurred by the corporation in that year in respect of the property if, at any given time before the corporation's filing-due date for the particular year, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, of a major breakdown of the property or of its obsolescence, to be used by the corporation, mainly in a qualified centre or exclusively or almost exclusively to earn income from,

(a) if the corporation is an exempt corporation and the particular year is not the particular year referred to in subparagraph *c*, a business carried on by the corporation in that centre;

(b) if the corporation is a specified corporation, the qualified centre is a biotechnology development centre and the particular year is not the particular year referred to in subparagraph *c*, the part of a business carried on by the corporation in that centre that may reasonably be attributed to the carrying out of a specified activity; or

(c) if, following an acquisition of control referred to in subparagraph *f* of the first paragraph of section 771.13 that occurs in the particular year or an election made under subparagraph *g* of that paragraph to become a specified corporation from a particular day in that year, the corporation ceases to be an exempt corporation at the beginning of the taxation year that follows the particular year and, as the case may be,

i. the qualified centre is a biotechnology development centre,

(1) a business carried on by the corporation in that centre, if the given time occurs before the acquisition of control or the particular day, or

(2) the part of a business carried on by the corporation in that centre that may reasonably be attributed to the carrying out of a specified activity, in any other case, or

ii. the qualified centre is not a biotechnology development centre and the given time occurs before the acquisition of control or the particular day, a business carried on by the corporation in that centre.

For the purposes of the first paragraph, where, at any time, a corporation disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have ceased to use, at that time, the property by reason of its obsolescence; in that respect, where the parties to the sale are not dealing with each other at arm's length, the proceeds of disposition of the property are deemed to be equal to its fair market value.

2004, c. 21, s. 339; 2005, c. 23, s. 173; 2007, c. 12, s. 177.

1029.8.36.0.25.1. A corporation that is, for a taxation year, an exempt corporation that carries on or may carry on its business in a biotechnology development centre, or a specified corporation in respect of such a centre, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the aggregate of all amounts each of which is equal to 40% of the eligible rental expenses incurred by the corporation in the year or a preceding taxation year and during its eligibility period, in respect of an eligible facility of a person in relation to the biotechnology development centre, to the extent that those expenses are paid, exceeds the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under this section in respect of the eligible facility for a preceding taxation year, if the corporation encloses, with the fiscal return it is required to file for the year under section 1000, the following documents:

(a) the prescribed form containing the prescribed information;

(b) a copy of the certificate issued to the person by Investissement Québec in respect of the eligible facility for the purposes of this division;

(c) a copy of the last lease rate schedule for the eligible facility that the person submitted to Investissement Québec; and

(d) if the corporation is a specified corporation,

i. a copy of the certificate referred to in paragraph *c* of the definition of "specified corporation" in the first paragraph of section 1029.8.36.0.17 that Investissement Québec issued to the corporation for the year and for the purposes of this division, and

ii. a copy of the certificate that Investissement Québec issued to the corporation for the year and for the purposes of this division in respect of a specified activity, in relation to the biotechnology development centre, that is an activity for the carrying out of which the corporation rented the eligible facility.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2003, c. 9, s. 230; 2005, c. 23, s. 174; 2012, c. 8, s. 209.

1029.8.36.0.25.2. For the purpose of determining the amount that a corporation that carries on or may carry on its business in a biotechnology development centre is deemed to have paid to the Minister, on account of its tax payable for a particular taxation year, in accordance with section 1029.8.36.0.25 or 1029.8.36.0.25.1, the rate of 40% that is applied to acquisition costs or rental expenses that are incurred or paid in any given taxation year, or to eligible rental expenses that are incurred in any given taxation year is replaced by a rate of 30% if

(a) the certificate referred to in paragraph *a* of section 771.12 that is held by the corporation provides for the application of that reduced rate;

(b) subject to the second paragraph, the corporation is an exempt corporation for the given taxation year the control of which was acquired at the beginning of the given year or of a preceding taxation year, but after 11 June 2003, by a person or a group of persons; or

(c) the corporation is a specified corporation for the given taxation year.

The condition set out in subparagraph *b* of the first paragraph is deemed not to be met if the acquisition of control

(a) occurs before 1 July 2004 and Investissement Québec certifies that it results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date;

(b) is by an exempt corporation, by a person or group of persons that controls an exempt corporation, or by a group of persons each member of which is an exempt corporation or a person who, alone or together with other members of the group, controls such a corporation;

(c) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003; or

(d) derives from the performance after 11 June 2003 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 12 June 2003.

2005, c. 23, s. 175; 2006, c. 13, s. 133.

1029.8.36.0.26. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 153; 2001, c. 69, s. 12; 2003, c. 9, s. 231; 2012, c. 8, s. 210.

1029.8.36.0.27. Notwithstanding any other provision of this chapter, a corporation that is an exempt corporation for a taxation year shall not be deemed to have paid an amount to the Minister for the year under a provision of this chapter, other than a provision of this division and Divisions II and II.1, where that year is in whole or in part within its eligibility period.

In addition, the corporation shall not be deemed to have paid an amount to the Minister for a taxation year that is in whole or in part within the corporation's eligibility period, in respect of a particular amount, under

(a) a provision of Division II, if the particular amount is included in the wages that are taken into account in computing the qualified wages paid in the year by the corporation to an eligible employee and in respect of which an amount is deemed to have been paid by the corporation, for the year, under section 1029.8.36.0.19; or

(b) section 1029.8.36.0.20, if the particular amount is qualified wages paid in a preceding taxation year by the corporation to an eligible employee and an amount is deemed to have been paid by the corporation for that preceding year under a provision of Division II, in respect of an amount included in the wages that are taken into account in computing the particular amount.

For the purposes of the first and second paragraphs and notwithstanding the first paragraph of section 1029.8.36.0.17, "eligibility period" of a corporation means the period of three years that begins on the later of the day of coming into force of the certificate referred to in paragraph *a* of section 771.12 that was issued in its respect and the corporation's reference date.

2000, c. 39, s. 176; 2001, c. 51, s. 154; 2003, c. 9, s. 232; 2005, c. 23, s. 176; 2010, c. 25, s. 136.

1029.8.36.0.28. No amount shall be deemed to have been paid to the Minister by a corporation for any taxation year under any of sections 1029.8.36.0.19, 1029.8.36.0.20 and 1029.8.36.0.22 in respect of all or any part of particular wages, if an amount is deemed to have been paid to the Minister by the corporation for a taxation year under another of those sections in respect of the particular wages.

2000, c. 39, s. 176; 2003, c. 9, s. 233.

§ 3. — *Government assistance, non-government assistance, contract payments and other particulars*

2000, c. 39, s. 176.

1029.8.36.0.29. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.25, the amount of the acquisition costs or rental expenses that the corporation incurred or paid in respect of a qualified property shall be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance,

attributable to those costs or expenses, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year.

2000, c. 39, s. 176; 2003, c. 9, s. 233; 2007, c. 12, s. 178.

1029.8.36.0.29.1. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.25.1, the amount of the eligible rental expenses that the corporation incurred in respect of an eligible facility shall be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance, attributable to those expenses, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year.

2003, c. 9, s. 234; 2007, c. 12, s. 179.

1029.8.36.0.30. Where, in a taxation year, in this section referred to as the "repayment year", a corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be repayment of government assistance or non-government assistance that was taken into account for the purpose of computing qualified wages paid by the corporation to an eligible employee in a taxation year, in this section referred to as the "payment year", and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.19 or 1029.8.36.0.20 for a particular taxation year, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year, in respect of the qualified wages, under section 1029.8.36.0.19 or 1029.8.36.0.20, as the case may be, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the payment year, the amount of any government assistance or non-government assistance referred to in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.17, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.0.19 or 1029.8.36.0.20, as the case may be, in respect of the qualified wages; and

(b) any amount that the corporation is deemed to have paid to the Minister for a year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

However, if the payment year begins before 21 December 2001 and the corporation carried on or could carry on its business in an information technology development centre in the particular taxation year, the reference to section 1029.8.36.0.17 in the portion of the first paragraph before subparagraph *a* shall be read as a reference to section 1029.8.36.0.4, as it read for the payment year.

In addition, if a corporation carried on or could carry on its business in an information technology development centre in a particular taxation year that begins before 21 December 2001 for which the corporation is deemed to have paid an amount to the Minister in respect of qualified wages under section 1029.8.36.0.5 or 1029.8.36.0.5.1, as it read for the particular year, the first paragraph applies, in respect of an amount that may reasonably be considered to be repayment of assistance that was taken into account for the purpose of computing the qualified wages, having regard to the following rules:

(a) the references to sections 1029.8.36.0.17, 1029.8.36.0.19 and 1029.8.36.0.20, wherever they appear in the portion of the first paragraph before subparagraph *b*, shall be read respectively as references to sections 1029.8.36.0.4, 1029.8.36.0.5 and 1029.8.36.0.5.1, as they formerly read for the particular year; and

(b) subparagraph *b* of the first paragraph shall be read as follows:

"(*b*) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance, under this section or section 1029.8.36.0.10, as it read for that preceding taxation year."

Where the second or third paragraph applies, "eligible employee" and "qualified wages" have, in this section and notwithstanding the first paragraph of section 1029.8.36.0.17, the meaning assigned by section 1029.8.36.0.4, as it read for the payment year.

2000, c. 39, s. 176; 2002, c. 40, s. 147; 2003, c. 9, s. 235.

1029.8.36.0.31. Where, before 1 January 2015, a corporation pays, in a taxation year, in this section referred to as the "repayment year", pursuant to a legal obligation, an amount that may reasonably be considered to be repayment of government assistance or non-government assistance that was taken into account for the purpose of computing specified wages incurred by the corporation in respect of a specified employee in a particular taxation year and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.22 for the particular taxation year, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year, in respect of the specified wages, under section 1029.8.36.0.22, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the aggregate established under subparagraph i of paragraph *b* of the definition of "specified wages" in the first paragraph of section 1029.8.36.0.17, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.0.22 in respect of the specified wages; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

In addition, if a corporation carried on or could carry on its business in the Cité du multimédia or the Centre national des nouvelles technologies de Québec in a particular taxation year that begins before 21 December 2001 for which the corporation is deemed to have paid an amount to the Minister in respect of qualified wages under section 1029.8.36.0.3.30 or 1029.8.36.0.3.40, as the case may be, as it read for the particular year, the first paragraph applies, in respect of an amount that may reasonably be considered to be repayment of assistance that was taken into account for the purpose of computing the qualified wages, having regard to the following rules:

(a) the references to sections 1029.8.36.0.17 and 1029.8.36.0.22, wherever they appear in the portion of the first paragraph before subparagraph *b*, shall be read respectively as references to

i. sections 1029.8.36.0.3.28 and 1029.8.36.0.3.30, as they formerly read for the particular year, where the corporation carried on or could carry on its business in the Cité du multimédia in the particular year, or

ii. sections 1029.8.36.0.3.38 and 1029.8.36.0.3.40, as they formerly read for the particular year, where the corporation carried on or could carry on its business in the Centre national des nouvelles technologies de Québec in the particular year;

(b) the expressions "specified wages" and "specified employee", wherever they appear in the portion of the first paragraph before subparagraph *b*, shall be read respectively as "qualified wages" and "eligible employee", having the meaning assigned by

i. section 1029.8.36.0.3.28, as it read for the particular year, where the corporation carried on or could carry on its business in the Cité du multimédia in the particular year, or

ii. section 1029.8.36.0.3.38, as it read for the particular year, where the corporation carried on or could carry on its business in the Centre national des nouvelles technologies de Québec in the particular year; and

(c) subparagraph *b* of the first paragraph shall be read as follows:

"(*b*) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance, under this section or under section 1029.8.36.0.3.35 or 1029.8.36.0.3.43, as it read for that preceding taxation year."

Notwithstanding the first paragraph of section 1029.8.36.0.17, the expression "qualified wages" in the portion of the second paragraph before subparagraph *a* has the meaning assigned by section 1029.8.36.0.3.28 or 1029.8.36.0.3.38, as it read for the particular year, according to whether the corporation carried on or could carry on its business in the particular year in the Cité du multimédia or in the Centre national des nouvelles technologies de Québec.

2000, c. 39, s. 176; 2002, c. 40, s. 148; 2003, c. 9, s. 236.

1029.8.36.0.32. Where, in a taxation year, in this section referred to as the "repayment year", a corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be repayment of government assistance or non-government assistance that reduced, pursuant to section 1029.8.36.0.29, acquisition costs to, or rental expenses of, the corporation for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a particular taxation year under section 1029.8.36.0.25, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year under section 1029.8.36.0.25, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.0.29, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.25 for the particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

In addition, if a corporation carried on or could carry on its business in an information technology development centre in a particular taxation year that begins before 21 December 2001 for which the corporation is deemed to have paid an amount to the Minister in respect of acquisition costs or rental expenses under section 1029.8.36.0.6, as it read for the particular year, the first paragraph applies, in respect of an amount that may reasonably be considered to be repayment of assistance that reduced those costs or expenses for the purpose of computing that amount deemed to be paid, having regard to the following rules:

(a) the references to sections 1029.8.36.0.25 and 1029.8.36.0.29, wherever they appear in the portion of the first paragraph before subparagraph *b*, shall be read respectively as references to sections 1029.8.36.0.6 and 1029.8.36.0.9, as they formerly read for the particular year; and

(b) subparagraph *b* of the first paragraph shall be read as follows:

"(*b*) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance, under this section or section 1029.8.36.0.11, as it read for that preceding taxation year."

2000, c. 39, s. 176; 2002, c. 40, s. 149; 2003, c. 9, s. 237.

1029.8.36.0.32.1. Where, in a taxation year, in this section referred to as the "repayment year", a corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, pursuant to section 1029.8.36.0.29.1, eligible rental expenses of the corporation for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a particular taxation year under section 1029.8.36.0.25.1, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's

balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year under section 1029.8.36.0.25.1, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.0.29.1, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.25.1 for the particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

2003, c. 9, s. 238.

1029.8.36.0.33. For the purposes of section 1029.8.36.0.30 or 1029.8.36.0.31, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, where that amount

(a) reduced, because of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.17 or because of subparagraph i of paragraph *b* of the definition of "specified wages" in that first paragraph, the amount of the wages referred to in that paragraph *b* for the purpose of computing qualified wages or specified wages, as the case may be, in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.19 or 1029.8.36.0.20, or under section 1029.8.36.0.22;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

In addition, if wages were paid or incurred in a particular taxation year that begins before 21 December 2001 by a corporation that, in the particular year, carried on or could carry on its business in an eligible facility, or in a designated site, other than a new economy centre or a biotechnology development centre, the first paragraph applies, in respect of an amount that reduced the wages, taking into account that,

(a) where the corporation carried on or could carry on its business in the Cité du multimédia in the particular year, the portion of the first paragraph before subparagraph *b* shall be read as follows:

"**1029.8.36.0.33.** For the purposes of section 1029.8.36.0.31, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, where that amount

(*a*) reduced the amount of the wages referred to in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.28, as it read for the particular taxation year in which the wages were incurred, because of subparagraph i of that paragraph *b*, for the purpose of computing qualified wages, within the meaning of section 1029.8.36.0.3.28, in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.30, as it read for the particular year;";

(b) where the corporation carried on or could carry on its business in the Centre national des nouvelles technologies de Québec in the particular year, the portion of the first paragraph before subparagraph *b* shall be read as follows:

"**1029.8.36.0.33.** For the purposes of section 1029.8.36.0.31, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, where that amount

(*a*) reduced the amount of the wages referred to in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.38, as it read for the particular taxation year in which the wages were incurred, because of subparagraph i of that paragraph *b*, for the purpose of computing qualified wages, within the meaning of section 1029.8.36.0.3.38, in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.40, as it read for the particular year;"; and

(c) where the corporation carried on or could carry on its business in an information technology development centre in the particular year, the portion of the first paragraph before subparagraph *b* shall be read as follows:

"**1029.8.36.0.33.** For the purposes of section 1029.8.36.0.30, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, where that amount

(*a*) reduced the amount of the wages referred to in paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.4, as it read for the particular taxation year in which the wages were paid, because of that paragraph *b*, for the purpose of computing qualified wages, within the meaning of section 1029.8.36.0.4, in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.5, as it read for the particular year, or under section 1029.8.36.0.5.1, as it read for the taxation year following the particular year in which the corporation is deemed to have paid that amount, or 1029.8.36.0.20;".

2000, c. 39, s. 176; 2003, c. 9, s. 239.

1029.8.36.0.34. For the purposes of section 1029.8.36.0.32 or 1029.8.36.0.32.1, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, where that amount

(a) reduced, as the case may be, acquisition costs or rental expenses of the corporation, because of section 1029.8.36.0.29, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.25, or eligible rental expenses of the corporation, because of section 1029.8.36.0.29.1, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.25.1;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

In addition, if a corporation carried on or could carry on its business in an information technology development centre in a particular taxation year that begins before 21 December 2001 for which the corporation is deemed to have paid an amount to the Minister in respect of acquisition costs or rental expenses under section 1029.8.36.0.6, as it read for the particular year, the first paragraph applies, in respect of an amount that reduced those costs or expenses for the purpose of computing the amount deemed to have been paid, by replacing the portion of the first paragraph before subparagraph *b* by the following:

"**1029.8.36.0.34.** For the purposes of section 1029.8.36.0.32, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, where that amount

(*a*) reduced acquisition costs or rental expenses of the corporation for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a particular taxation year under section 1029.8.36.0.6, as it read for the particular year, because of section 1029.8.36.0.9, as it read for the particular year;".

2000, c. 39, s. 176; 2003, c. 9, s. 240.

1029.8.36.0.35. For the purposes of this division, the acquisition costs to, or rental expenses of, a corporation in respect of a qualified property shall be reduced by the amount of the consideration for the provision of services to the corporation or to a person with whom the corporation does not deal at arm's length, or the amount of the consideration for the disposition or lease of other property either to the corporation or to such a person, except if the consideration may reasonably be considered to relate to the acquisition, the lease or the installation of the qualified property or the acquisition of property resulting from work related to the installation of the qualified property or of property consumed in connection with such work.

2000, c. 39, s. 176.

1029.8.36.0.35.1. For the purposes of this division, the eligible rental expenses of a corporation in respect of an eligible facility shall be reduced by the amount of the consideration for the provision of services to the corporation or to a person with whom the corporation does not deal at arm's length, or by the amount of the consideration for the disposition or lease of other property either to the corporation or to such a person, except if the consideration may reasonably be considered to relate to the lease of the eligible facility.

2003, c. 9, s. 241.

1029.8.36.0.36. If, in respect of the acquisition or lease of a qualified property, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the supply or installation of the qualified property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the amount of the acquisition costs or rental expenses that a corporation has incurred or paid in respect of the qualified property is, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister, for a taxation year, under section 1029.8.36.0.25, to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year.

2000, c. 39, s. 176; 2007, c. 12, s. 180.

1029.8.36.0.36.1. If, in respect of the lease of an eligible facility, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the supply or setting up of the eligible facility, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the amount of the eligible rental expenses that a corporation has incurred in respect of the eligible facility is, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister, for a taxation year, under section 1029.8.36.0.25.1, to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year.

2003, c. 9, s. 242; 2007, c. 12, s. 180.

1029.8.36.0.37. *(Repealed).*

2000, c. 39, s. 176; 2002, c. 9, s. 77.

DIVISION II.6.0.3.1

Repealed, 2003, c. 9, s. 243.

2002, c. 9, s. 78; 2003, c. 9, s. 243.

§ 1. —

Repealed, 2003, c. 9, s. 243.

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.1. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.2. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

§ 2. —

Repealed, 2003, c. 9, s. 243.

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.3. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.4. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.5. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.6. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.7. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.8. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.9. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.10. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.11. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.12. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

§ 3. —

Repealed, 2003, c. 9, s. 243.

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.13. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.14. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.15. *(Repealed).*

2002, c. 9, s. 78; 2002, c. 40, s. 150; 2003, c. 9, s. 243.

1029.8.36.0.37.16. *(Repealed).*

2002, c. 9, s. 78; 2002, c. 40, s. 151; 2003, c. 9, s. 243.

1029.8.36.0.37.17. *(Repealed).*

2002, c. 9, s. 78; 2002, c. 40, s. 152; 2003, c. 9, s. 243.

1029.8.36.0.37.18. *(Repealed).*

2002, c. 9, s. 78; 2002, c. 40, s. 153; 2003, c. 9, s. 243.

1029.8.36.0.37.19. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.20. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.21. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.22. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.23. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

1029.8.36.0.37.24. *(Repealed).*

2002, c. 9, s. 78; 2003, c. 9, s. 243.

DIVISION II.6.0.4

(Repealed).

2000, c. 39, s. 176; 2021, c. 18, s. 121.

§ 1. —

(Repealed).

2000, c. 39, s. 176; 2021, c. 18, s. 121.

1029.8.36.0.38. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 155; 2003, c. 9, s. 244; 2004, c. 21, s. 340; 2005, c. 1, s. 239; 2005, c. 23, s. 177; 2006, c. 13, s. 134; 2021, c. 18, s. 121.

1029.8.36.0.38.1. *(Repealed).*

2001, c. 51, s. 156; 2005, c. 23, s. 178; 2021, c. 18, s. 121.

1029.8.36.0.38.2. *(Repealed).*

2001, c. 51, s. 156; 2021, c. 18, s. 121.

1029.8.36.0.39. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 157; 2003, c. 9, s. 245; 2021, c. 18, s. 121.

§ 2. —

(Repealed).

2000, c. 39, s. 163; 2021, c. 18, s. 121.

1029.8.36.0.40. *(Repealed).*

2000, c. 39, s. 176; 2003, c. 9, s. 246; 2021, c. 18, s. 121.

1029.8.36.0.41. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 158; 2003, c. 9, s. 247; 2021, c. 18, s. 121.

1029.8.36.0.42. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 159; 2003, c. 9, s. 248; 2021, c. 18, s. 121.

1029.8.36.0.43. *(Repealed).*

2000, c. 39, s. 176; 2003, c. 9, s. 249; 2021, c. 18, s. 121.

1029.8.36.0.44. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 160; 2003, c. 9, s. 250; 2021, c. 18, s. 121.

1029.8.36.0.45. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 161; 2003, c. 9, s. 251; 2021, c. 18, s. 121.

1029.8.36.0.46. *(Repealed).*

2000, c. 39, s. 176; 2009, c. 15, s. 243; 2021, c. 18, s. 121.

1029.8.36.0.47. *(Repealed).*

2000, c. 39, s. 176; 2009, c. 15, s. 244; 2021, c. 18, s. 121.

1029.8.36.0.48. *(Repealed).*

2000, c. 39, s. 176; 2005, c. 23, s. 179; 2012, c. 8, s. 211; 2021, c. 18, s. 121.

1029.8.36.0.49. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2002, c. 40, s. 154; 2003, c. 9, s. 252; 2021, c. 18, s. 121.

1029.8.36.0.50. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2002, c. 40, s. 155; 2003, c. 9, s. 253; 2006, c. 36, s. 140; 2009, c. 15, s. 245; 2021, c. 18, s. 121.

1029.8.36.0.51. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2002, c. 40, s. 156; 2003, c. 9, s. 254; 2006, c. 36, s. 141; 2009, c. 15, s. 246; 2021, c. 18, s. 121.

1029.8.36.0.52. *(Repealed).*

2000, c. 39, s. 176; 2021, c. 18, s. 121.

1029.8.36.0.53. *(Repealed).*

2000, c. 39, s. 176; 2004, c. 21, s. 341; 2009, c. 15, s. 247; 2021, c. 18, s. 121.

1029.8.36.0.54. *(Repealed).*

2000, c. 39, s. 176; 2002, c. 9, s. 79; 2021, c. 18, s. 121.

DIVISION II.6.0.5

(Repealed).

2000, c. 39, s. 176; 2021, c. 18, s. 121.

§ 1. —

(Repealed).

2000, c. 39, s. 176; 2021, c. 18, s. 121.

1029.8.36.0.55. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 162; 2003, c. 9, s. 255; 2004, c. 21, s. 342; 2005, c. 23, s. 180; 2021, c. 18, s. 121.

1029.8.36.0.56. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 163; 2003, c. 9, s. 256; 2021, c. 18, s. 121.

§ 2. —

(Repealed).

2000, c. 39, s. 176; 2021, c. 18, s. 121.

1029.8.36.0.57. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2003, c. 9, s. 257; 2021, c. 18, s. 121.

1029.8.36.0.58. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 164; 2003, c. 9, s. 258; 2021, c. 18, s. 121.

1029.8.36.0.59. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 165; 2003, c. 9, s. 259; 2021, c. 18, s. 121.

1029.8.36.0.60. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2003, c. 9, s. 260; 2021, c. 18, s. 121.

1029.8.36.0.61. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 166; 2003, c. 9, s. 261; 2021, c. 18, s. 121.

1029.8.36.0.62. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 167; 2003, c. 9, s. 262; 2021, c. 18, s. 121.

1029.8.36.0.63. *(Repealed).*

2000, c. 39, s. 176; 2009, c. 15, s. 248; 2021, c. 18, s. 121.

1029.8.36.0.64. *(Repealed).*

2000, c. 39, s. 176; 2009, c. 15, s. 249; 2021, c. 18, s. 121.

1029.8.36.0.65. *(Repealed).*

2000, c. 39, s. 176; 2005, c. 23, s. 181; 2012, c. 8, s. 212; 2021, c. 18, s. 121.

1029.8.36.0.66. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2002, c. 40, s. 157; 2003, c. 9, s. 263; 2021, c. 18, s. 121.

1029.8.36.0.67. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2002, c. 40, s. 158; 2003, c. 9, s. 264; 2006, c. 36, s. 142; 2009, c. 15, s. 250; 2021, c. 18, s. 121.

1029.8.36.0.68. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2002, c. 40, s. 159; 2003, c. 9, s. 265; 2006, c. 36, s. 143; 2009, c. 15, s. 251; 2021, c. 18, s. 121.

1029.8.36.0.69. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2003, c. 9, s. 266; 2021, c. 18, s. 121.

1029.8.36.0.70. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2003, c. 9, s. 267; 2004, c. 21, s. 343; 2009, c. 15, s. 252; 2021, c. 18, s. 121.

1029.8.36.0.71. *(Repealed).*

2000, c. 39, s. 176; 2002, c. 9, s. 80; 2021, c. 18, s. 121.

DIVISION II.6.0.6

(Repealed).

2000, c. 39, s. 176; 2021, c. 18, s. 121.

§ 1. —

(Repealed).

2000, c. 39, s. 176; 2021, c. 18, s. 121.

1029.8.36.0.72. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 168; 2003, c. 9, s. 268; 2004, c. 21, s. 344; 2005, c. 23, s. 182; 2007, c. 12, s. 181; 2021, c. 18, s. 121.

§ 2. —

(Repealed).

2000, c. 39, s. 176; 2021, c. 18, s. 121.

1029.8.36.0.73. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2003, c. 9, s. 269; 2021, c. 18, s. 121.

1029.8.36.0.74. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2003, c. 9, s. 270; 2009, c. 15, s. 253; 2021, c. 18, s. 121.

1029.8.36.0.74.1. *(Repealed).*

2002, c. 9, s. 81; 2021, c. 18, s. 121.

1029.8.36.0.74.2. *(Repealed).*

2004, c. 21, s. 345; 2021, c. 18, s. 121.

1029.8.36.0.74.3. *(Repealed).*

2004, c. 21, s. 345; 2021, c. 18, s. 121.

1029.8.36.0.75. *(Repealed).*

2000, c. 39, s. 176; 2009, c. 15, s. 254; 2021, c. 18, s. 121.

1029.8.36.0.76. *(Repealed).*

2000, c. 39, s. 176; 2005, c. 23, s. 183; 2012, c. 8, s. 213; 2021, c. 18, s. 121.

1029.8.36.0.77. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2002, c. 40, s. 160; 2003, c. 9, s. 271; 2021, c. 18, s. 121.

1029.8.36.0.78. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2002, c. 40, s. 161; 2003, c. 9, s. 272; 2006, c. 36, s. 144; 2009, c. 15, s. 255; 2021, c. 18, s. 121.

1029.8.36.0.79. *(Repealed).*

2000, c. 39, s. 176; 2001, c. 51, s. 228; 2002, c. 40, s. 162; 2003, c. 9, s. 273; 2006, c. 36, s. 145; 2009, c. 15, s. 256; 2021, c. 18, s. 121.

1029.8.36.0.80. *(Repealed).*

2000, c. 39, s. 176; 2021, c. 18, s. 121.

1029.8.36.0.81. *(Repealed).*

2000, c. 39, s. 176; 2021, c. 18, s. 121.

1029.8.36.0.82. *(Repealed).*

2000, c. 39, s. 176; 2004, c. 21, s. 346; 2006, c. 36, s. 146; 2009, c. 15, s. 257; 2021, c. 18, s. 121.

1029.8.36.0.83. *(Repealed).*

2000, c. 39, s. 176; 2002, c. 9, s. 82; 2021, c. 18, s. 121.

DIVISION II.6.0.7

(Repealed).

2002, c. 9, s. 83; 2021, c. 18, s. 121.

§ 1. —

(Repealed).

2002, c. 9, s. 83; 2021, c. 18, s. 121.

1029.8.36.0.84. *(Repealed).*

2002, c. 9, s. 83; 2003, c. 9, s. 274; 2004, c. 21, s. 347; 2005, c. 1, s. 240; 2005, c. 23, s. 184; 2021, c. 18, s. 121.

§ 2. —

(Repealed).

2002, c. 9, s. 83; 2021, c. 18, s. 121.

1029.8.36.0.85. *(Repealed).*

2002, c. 9, s. 83; 2002, c. 40, s. 163; 2003, c. 9, s. 275; 2005, c. 23, s. 185; 2021, c. 18, s. 121.

1029.8.36.0.86. *(Repealed).*

2002, c. 9, s. 83; 2021, c. 18, s. 121.

§ 3. —

(Repealed).

2002, c. 9, s. 83; 2021, c. 18, s. 121.

1029.8.36.0.87. *(Repealed).*

2002, c. 9, s. 83; 2005, c. 23, s. 186; 2021, c. 18, s. 121.

§ 4. —

(Repealed).

2002, c. 9, s. 83; 2021, c. 18, s. 121.

1029.8.36.0.88. *(Repealed).*

2002, c. 9, s. 83; 2021, c. 18, s. 121.

1029.8.36.0.89. *(Repealed).*

2002, c. 9, s. 83; 2002, c. 40, s. 164; 2021, c. 18, s. 121.

1029.8.36.0.90. *(Repealed).*

2002, c. 9, s. 83; 2021, c. 18, s. 121.

1029.8.36.0.91. *(Repealed).*

2002, c. 9, s. 83; 2021, c. 18, s. 121.

1029.8.36.0.92. *(Repealed).*

2002, c. 9, s. 83; 2021, c. 18, s. 121.

1029.8.36.0.93. *(Repealed).*

2002, c. 9, s. 83; 2005, c. 23, s. 187; 2012, c. 8, s. 214; 2021, c. 18, s. 121.

DIVISION II.6.0.8

CREDIT FOR THE PRODUCTION OF ETHANOL IN QUÉBEC

2006, c. 36, s. 147.

§ 1. — *Interpretation*

2006, c. 36, s. 147.

1029.8.36.0.94. In this division,

"associated group" in a taxation year means all the corporations that meet the following conditions:

(a) the corporations are associated with each other in the taxation year; and

(b) each corporation is a qualified corporation for the taxation year;

"eligible cellulosic ethanol" has the meaning assigned by section 1029.8.36.0.103;

"eligible ethanol" means the ethyl alcohol with the chemical formula C_2H_5OH (other than eligible cellulosic ethanol) produced from renewable materials to be sold as a product to be blended directly with gasoline or for use as an input in the reformulation of gasoline or the production of ethyl tertiary-butyl ether;

"eligible production of ethanol" of a qualified corporation for a particular month means the total number of litres of ethanol that corresponds to all of the qualified corporation's shipments of eligible ethanol for the particular month;

"ethanol production unit" of a qualified corporation means all the property the qualified corporation uses in producing eligible ethanol or eligible cellulosic ethanol in Québec;

"month" means, in the case where a taxation year begins on a day in a calendar month other than the first day of that month, any period that begins on that day in a calendar month within the taxation year, other than the month in which the year ends, and that ends on the day immediately preceding that day in the calendar month that follows that month or, for the month in which the taxation year ends, on the day on which that year ends, and if there is no such immediately preceding day in the following month, on the last day of that month;

"qualified corporation" for a taxation year means a corporation that, in the year, has an establishment in Québec where it carries on a business engaged in the production of eligible ethanol, other than a corporation

(a) that is exempt from tax for the year under Book VIII; or

(b) that would be exempt from tax for the year under section 985, but for section 192;

"shipment of eligible ethanol" of a qualified corporation in respect of a particular month means a shipment consisting of a number of litres of eligible ethanol that the qualified corporation produces in Québec after 17 March 2011 and before 1 April 2023, that is sold in Québec, in that period, to the holder of a collection officer's permit issued under the Fuel Tax Act (chapter T-1) (in subparagraph *b* of the second paragraph referred to as the "purchaser") who takes possession of the ethanol in the particular month and before 1 April 2023, and that is intended for Québec.

For the purposes of the definition of "shipment of eligible ethanol" in the first paragraph, a shipment of ethanol is destined for Québec only if

(a) where the shipment is delivered by the qualified corporation, the shipment is delivered and possession is taken in Québec; or

(b) where subparagraph *a* does not apply, the manifest issued to the purchaser on taking possession of the shipment shows the shipment was delivered in Québec.

2006, c. 36, s. 147; 2011, c. 34, s. 79; 2017, c. 29, s. 181; 2019, c. 14, s. 333.

1029.8.36.0.94.1. If, after 17 March 2011, a qualified corporation produces eligible ethanol in Québec and stores it in a reservoir with another type of ethanol it produced or with ethanol that it acquired from a person or partnership and that constitutes another source of supply for the reservoir, each shipment of ethanol the qualified corporation draws from that reservoir for a particular month (in this section referred to as a "shipment of mixed ethanol") is deemed to consist of distinct shipments derived from each of the qualified corporation's ethanol production units or each of the other sources of supply, as the case may be, that feeds the reservoir and in respect of which the number of litres is equal to the amount obtained by multiplying the number of litres making up the shipment of mixed ethanol by the proportion determined in respect of each production unit or each of the other sources of supply by the formula

$(A + B)/(B + C + D)$.

In the formula in the first paragraph,

(a) A is the portion of the stock of mixed ethanol in the reservoir that is attributable to the qualified corporation's ethanol production unit or the other source of supply, as the case may be, at the beginning of the particular month;

(b) B is the number of litres of ethanol derived from the qualified corporation's ethanol production unit or the other source of supply, as the case may be, that is added to the reservoir during the particular month;

(c) C is the number of litres of ethanol that is added to the reservoir during the particular month and that is not derived from the qualified corporation's ethanol production unit or the other source of supply, as the case may be; and

(d) D is the number of litres of ethanol that corresponds to the total stock of mixed ethanol in the reservoir at the beginning of the particular month.

For the purposes of subparagraph *a* of the second paragraph, the portion of the stock of mixed ethanol in the reservoir that is attributable to the qualified corporation's ethanol production unit or the other source of supply, as the case may be, at the beginning of the particular month is equal to the number of litres of ethanol obtained by multiplying the number of litres of ethanol that corresponds to the total stock of mixed ethanol in the reservoir at the beginning of the particular month by the proportion referred to in the first paragraph that applied for the month that precedes the particular month in respect of the qualified corporation's ethanol production unit or the other source of supply, as the case may be.

For the purposes of this division, the portion of a shipment of mixed ethanol for a particular month that, under the first paragraph, is deemed to be a distinct shipment derived from an ethanol production unit of a qualified corporation is deemed to be a shipment of eligible ethanol of the qualified corporation for the particular month only if the qualified corporation's facilities allow for the precise measurement of the number of litres of ethanol derived from each of the qualified corporation's ethanol production units and from each of the other sources of supply that feeds the reservoir before the ethanol is added.

For the purposes of this division, if, after 17 March 2011, a qualified corporation produces eligible ethanol in Québec and stores it in a reservoir with ethanol that it produced before 18 March 2011 or that it acquired before that date (in this paragraph referred to as the "previous stock"), the following rules apply:

(a) despite the first paragraph, a particular shipment of ethanol drawn from the reservoir is deemed to be a shipment drawn from the previous stock up to the number of litres that corresponds to the previous stock immediately before the particular shipment; and

(b) the number of litres of ethanol that corresponds to the total stock of mixed ethanol in the reservoir at the beginning of the particular month must be determined without taking the previous stock into account.

2011, c. 34, s. 80.

§ 2. — *Credit*

2006, c. 36, s. 147.

1029.8.36.0.95. A corporation that, for a taxation year, is a qualified corporation and that encloses the documents referred to in the third paragraph with the fiscal return the corporation is required to file under section 1000 for the taxation year is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation's balance-due day for the taxation year, on account of its tax payable for the taxation year under this Part, an amount equal to the amount by which the amount determined under section 1029.8.36.0.99 is exceeded by the aggregate of all amounts each of which is an amount determined, for a particular month of the taxation year, by the formula

$A \times \$0.03$

In the formula in the first paragraph, A, expressed as a number of litres, is the lesser of

(a) the qualified corporation's eligible production of ethanol for the particular month; and

(b) the qualified corporation's monthly ceiling on the production of ethanol for the particular month.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information;

(b) a copy of a report specifying, in respect of each month of the taxation year, the qualified corporation's eligible production of ethanol; and

(c) if applicable, a copy of the agreement described in section 1029.8.36.0.96.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, that corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the taxation year under this Part and of its tax payable for the taxation year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the taxation year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2006, c. 36, s. 147; 2011, c. 34, s. 81; 2019, c. 14, s. 334.

1029.8.36.0.96. For the purposes of subparagraph *b* of the second paragraph of section 1029.8.36.0.95, the monthly ceiling on the production of ethanol of a qualified corporation, for a particular month of a taxation year, is,

(a) if the qualified corporation is a member of an associated group in the year, the number of litres attributed for the particular month to the qualified corporation pursuant to the agreement described in the second paragraph or, in the absence of such an agreement, zero or the number of litres, determined with reference to the rules set out in the second paragraph, attributed to the qualified corporation by the Minister, if applicable, for the particular month; or

(b) if subparagraph *a* does not apply, the number of litres obtained by multiplying 821,917 by the number of days in the particular month.

The agreement to which subparagraph *a* of the first paragraph refers is the agreement under which all of the qualified corporations that are members of the associated group in the year attribute to one or more of their number, for the purposes of this section, a number of litres; for that purpose, the total number of litres so attributed for the particular month must not exceed the number of litres determined under subparagraph *b* of the first paragraph for the particular month.

For the purposes of this section, where the particular month of a taxation year includes 31 March 2023 and does not end on that date, subparagraph *b* of the first paragraph is to be read as if "that precede 1 April 2023" were inserted at the end.

2006, c. 36, s. 147; 2011, c. 34, s. 82; 2019, c. 14, s. 335.

1029.8.36.0.96.1. No corporation may be deemed to have paid an amount to the Minister under section 1029.8.36.0.95 on account of its tax payable for a taxation year in relation to all or part of its eligible production of ethanol for a particular month of that year where the production results from eligible activities of the corporation, within the meaning of section 737.18.17.1, in relation to a large investment project, within the meaning of that section, in respect of which the corporation either filed, after 27 March 2018, an application for a qualification certificate referred to in the first paragraph of section 8.3 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) or obtained a qualification certificate that was issued to it in accordance with subparagraph 4 of the first paragraph of section 8.4 of Schedule E to that Act and that came into force after that date.

2019, c. 14, s. 336.

1029.8.36.0.97. *(Repealed).*

2006, c. 36, s. 147; 2011, c. 34, s. 83.

1029.8.36.0.98. *(Repealed).*

2006, c. 36, s. 147; 2011, c. 34, s. 83.

§ 3. — *Government assistance, non-government assistance and other particulars*

2006, c. 36, s. 147.

1029.8.36.0.99. The amount to which the first paragraph of section 1029.8.36.0.95 refers is equal to the aggregate of all amounts each of which is

(a) the amount of any government assistance or non-government assistance that may reasonably be attributed to the portion, determined under the second paragraph of that section, of a qualified corporation's eligible production of ethanol for a particular month of the taxation year and that the qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for the taxation year; or

(b) the amount of any benefit or advantage that may reasonably be attributed to the portion, determined under the second paragraph of that section, of a qualified corporation's eligible production of ethanol for a particular month of the taxation year, that is not a benefit or advantage that may reasonably be attributed to the carrying on of that activity, and that is a benefit or advantage that a person or partnership has obtained, is entitled to obtain, or may reasonably expect to obtain, on or before the qualified corporation's filing-due date for the taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner.

2006, c. 36, s. 147; 2011, c. 34, s. 84; 2019, c. 14, s. 337.

1029.8.36.0.100. *(Repealed).*

2006, c. 36, s. 147; 2011, c. 34, s. 85; 2019, c. 14, s. 338.

1029.8.36.0.101. A corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.95, on account of its tax payable for a particular taxation year under this Part in relation to its eligible production of ethanol for a particular month of that year is deemed, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for a

subsequent taxation year (in this section referred to as the "year concerned") in which any of the following events occurs, to have paid to the Minister on its balance-due day for the year concerned, on account of its tax payable for that year under this Part, an amount equal to the amount determined under the second paragraph:

(a) the corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be the repayment of an amount included, because of paragraph *a* of section 1029.8.36.0.99, in the aggregate determined in respect of the corporation for the particular taxation year under that section;

(b) a person or partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be the repayment of an amount included, because of paragraph *b* of section 1029.8.36.0.99, in the aggregate determined in respect of the corporation for the particular taxation year under that section; and

(c) a portion of the corporation's eligible production of ethanol, for a particular month of the particular taxation year, that was carried out before 18 March 2011, is sold to a person or partnership who is not the holder of a collection officer's permit issued under the Fuel Tax Act (chapter T-1) or ceases to be reasonably considered to be expected to be sold subsequently to such a holder.

The amount to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under this section or section 1029.8.36.0.95 for a taxation year preceding the year concerned in relation to its eligible production of ethanol for a particular month of the particular taxation year, is exceeded by the total of

(a) the amount that the corporation would be deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.0.95 if any of the events described in any of subparagraphs *a* to *c* of the first paragraph or in subparagraph *a* or *b* of the first paragraph of section 1129.45.3.37, that occurred in the year concerned or a preceding taxation year in relation to its eligible production of ethanol for a particular month of the particular taxation year, occurred in the particular taxation year; and

(b) the aggregate of all amounts each of which is an amount that the corporation is required to pay to the Minister under section 1129.45.3.37 for a taxation year preceding the year concerned in relation to its eligible production of ethanol for a particular month of the particular taxation year.

For the purposes of this section, the corporation is deemed to be selling its eligible production of ethanol in the order in which it carried out the production.

Section 1029.6.0.1.9 applies, with the necessary modifications, to the totality of the amount that the corporation is deemed, under this section, to have paid to the Minister on the corporation's balance-due day for the year concerned.

2006, c. 36, s. 147; 2011, c. 34, s. 86; 2023, c. 19, s. 106.

1029.8.36.0.102. For the purposes of section 1029.8.36.0.101, an amount is deemed to be an amount paid by a corporation, person or partnership, as the case may be, in a particular taxation year as a repayment of an amount included in the aggregate determined for a preceding taxation year in respect of the corporation under section 1029.8.36.0.99, pursuant to a legal obligation, if that amount

(a) has been included in that aggregate;

(b) in the case of an amount referred to in paragraph *a* of section 1029.8.36.0.99, has not been received by the corporation;

(c) in the case of an amount referred to in paragraph *b* of section 1029.8.36.0.99, has not been obtained by the person or partnership; and

(d) has ceased in the particular taxation year to be an amount that the corporation, person or partnership may reasonably expect to receive or obtain.

2006, c. 36, s. 147.

DIVISION II.6.0.9

CREDIT FOR CELLULOSIC ETHANOL PRODUCTION IN QUÉBEC

2011, c. 34, s. 87.

§ 1. — *Interpretation and general*

2011, c. 34, s. 87.

1029.8.36.0.103. In this division,

"associated group" in a taxation year means all the corporations that meet the following conditions:

(a) the corporations are associated with each other in the taxation year; and

(b) each corporation is a qualified corporation for the taxation year;

"eligible cellulosic ethanol" means the ethyl alcohol with the chemical formula C_2H_5OH that is produced, after 17 March 2011 and before 1 April 2023, by an ethanol production unit mainly from eligible renewable materials, exclusively by means of a thermochemical process, to be sold as a product to be blended directly with gasoline or for use as an input in the reformulation of gasoline or the production of ethyl tertiary-butyl ether;

"eligible production of cellulosic ethanol" of a qualified corporation for a particular month means the total number of litres that corresponds to all of the qualified corporation's shipments of eligible cellulosic ethanol for the particular month;

"eligible renewable materials" means the following inputs:

(a) residual materials derived from industries, commercial establishments or institutions, or from construction, renovation or demolition activities;

(b) treated wood residues;

(c) forestry and agricultural residues;

(d) urban household waste; and

(e) a combination of inputs referred to in paragraphs *a* to *d*;

"ethanol production unit" of a qualified corporation means all the property the qualified corporation uses in producing eligible cellulosic ethanol or another type of ethanol in Québec;

"month" means, in the case where a taxation year begins on a day in a calendar month other than the first day of that month, any period that begins on that day in a calendar month within the taxation year, other than the month in which the year ends, and that ends on the day immediately preceding that day in the calendar month that follows that month or, for the month in which the taxation year ends, on the day on which that year ends, and if there is no such immediately preceding day in the following month, on the last day of that month;

"qualified corporation" for a taxation year means a corporation that, in the year, has an establishment in Québec where it carries on a business engaged in the production of eligible cellulosic ethanol, other than a corporation

(a) that is exempt from tax for the year under Book VIII; or

(b) that would be exempt from tax for the year under section 985, but for section 192;

"shipment of eligible cellulosic ethanol" of a qualified corporation in respect of a particular month means a shipment consisting of a number of litres of eligible cellulosic ethanol that the qualified corporation produces

in Québec, that is sold in Québec to the holder of a collection officer's permit issued under the Fuel Tax Act (chapter T-1) (in the second paragraph referred to as the "purchaser") who takes possession of the cellulosic ethanol in the particular month and before 1 April 2023, and that is intended for Québec.

For the purposes of the definition of "shipment of eligible cellulosic ethanol" in the first paragraph, a shipment of cellulosic ethanol is destined for Québec only if

(a) where the shipment is delivered by the qualified corporation, the shipment is delivered and possession is taken in Québec; or

(b) where subparagraph *a* does not apply, the manifest issued to the purchaser on taking possession of the shipment shows the shipment was delivered in Québec.

For the purposes of the definition of "eligible cellulosic ethanol" in the first paragraph, the following rules apply:

(a) ethanol produced by means of a production process that includes a fermentation process is not eligible cellulosic ethanol;

(b) ethanol produced in whole or in part from grain corn is not eligible cellulosic ethanol; and

(c) ethanol is considered to be produced mainly from inputs referred to in paragraphs *a* to *e* of the definition of "eligible renewable materials" in the first paragraph if those inputs represent more than half the weight or volume of all the inputs used in producing the ethanol.

2011, c. 34, s. 87; 2019, c. 14, s. 339.

1029.8.36.0.104. If a qualified corporation produces eligible cellulosic ethanol in Québec and stores it in a reservoir with another type of ethanol it produced or with ethanol that it acquired from a person or partnership and that constitutes another source of supply for the reservoir, each shipment of ethanol the qualified corporation draws from that reservoir for a particular month (in this section referred to as a "shipment of mixed ethanol") is deemed to consist of distinct shipments derived from each of the qualified corporation's ethanol production units or each of the other sources of supply, as the case may be, that feeds the reservoir and in respect of which the number of litres is equal to the amount obtained by multiplying the number of litres making up the shipment of mixed ethanol by the proportion determined in respect of each production unit or each of the other sources of supply by the formula

$$(A + B)/(B + C + D).$$

In the formula in the first paragraph,

(a) A is the portion of the stock of mixed ethanol in the reservoir that is attributable to the qualified corporation's ethanol production unit or the other source of supply, as the case may be, at the beginning of the particular month;

(b) B is the number of litres of ethanol derived from the qualified corporation's ethanol production unit or the other source of supply, as the case may be, that is added to the reservoir during the particular month;

(c) C is the number of litres of ethanol that is added to the reservoir during the particular month and that is not derived from the qualified corporation's ethanol production unit or the other source of supply, as the case may be; and

(d) D is the number of litres of ethanol that corresponds to the total stock of mixed ethanol in the reservoir at the beginning of the particular month.

For the purposes of subparagraph *a* of the second paragraph, the portion of the stock of mixed ethanol in the reservoir that is attributable to the qualified corporation's ethanol production unit or the other source of supply, as the case may be, at the beginning of the particular month is equal to the number of litres of ethanol obtained by multiplying the number of litres of ethanol that corresponds to the total stock of mixed ethanol in the reservoir at the beginning of the particular month by the proportion referred to in the first paragraph that applied for the month that precedes the particular month in respect of the qualified corporation's ethanol production unit or the other source of supply, as the case may be.

For the purposes of this division, the portion of a shipment of mixed ethanol for a particular month that, under the first paragraph, is deemed to be a distinct shipment derived from a cellulosic ethanol production unit of a qualified corporation is deemed to be a shipment of eligible cellulosic ethanol of the qualified corporation for the particular month only if the qualified corporation's facilities allow for the precise measurement of the number of litres of ethanol derived from each of the qualified corporation's ethanol production units and from each of the other sources of supply that feeds the reservoir before the ethanol is added.

For the purposes of this division, if a qualified corporation produces eligible cellulosic ethanol in Québec and stores it in a reservoir with ethanol that it produced before 18 March 2011 or that it acquired before that date (in this paragraph referred to as the "previous stock"), the following rules apply:

(a) despite the first paragraph, a particular shipment of ethanol drawn from the reservoir is deemed to be a shipment drawn from the previous stock up to the number of litres that corresponds to the previous stock immediately before the particular shipment; and

(b) the number of litres of ethanol that corresponds to the total stock of mixed ethanol in the reservoir at the beginning of the particular month must be determined without taking the previous stock into account.

2011, c. 34, s. 87.

§ 2. — *Credit*

2011, c. 34, s. 87.

1029.8.36.0.105. A corporation that, for a taxation year, is a qualified corporation and that encloses the documents referred to in the third paragraph with the fiscal return the corporation is required to file under section 1000 for the year is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of all amounts each of which is an amount determined, for a particular month of the year, by the formula

A × $0.16

In the formula in the first paragraph, A, expressed as a number of litres, is the lesser of

(a) the qualified corporation's eligible production of cellulosic ethanol for the particular month; and

(b) the qualified corporation's monthly ceiling on the production of cellulosic ethanol for the particular month.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of a report specifying, in respect of each month included in the taxation year, the qualified corporation's eligible production of cellulosic ethanol; and

(c) if applicable, a copy of the agreement described in section 1029.8.36.0.106.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, that corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2011, c. 34, s. 87; 2019, c. 14, s. 340.

1029.8.36.0.106. For the purposes of subparagraph *b* of the second paragraph of section 1029.8.36.0.105, the monthly ceiling on the production of cellulosic ethanol of a qualified corporation, for a particular month included in a taxation year, is,

(a) if the qualified corporation is a member of an associated group in the year, the number of litres attributed for the particular month to the qualified corporation pursuant to the agreement described in the second paragraph or, in the absence of such an agreement, zero or the number of litres, determined with reference to the rules set out in the second paragraph, attributed to the qualified corporation by the Minister, if applicable, for the particular month; or

(b) if subparagraph *a* does not apply, the number of litres obtained by multiplying 821,917 by the number of days in the particular month.

The agreement to which subparagraph *a* of the first paragraph refers is the agreement under which all of the qualified corporations that are members of the associated group in the year attribute to one or more of their number, for the purposes of this section, a number of litres; for that purpose, the total number of litres so attributed for the particular month must not exceed the number of litres determined under subparagraph *b* of the first paragraph for the particular month.

For the purposes of this section, where the particular month of a taxation year includes 31 March 2023 and does not end on that date, subparagraph *b* of the first paragraph is to be read as if "that precede 1 April 2023" were inserted at the end.

2011, c. 34, s. 87; 2019, c. 14, s. 341.

1029.8.36.0.106.0.1. No corporation may be deemed to have paid an amount to the Minister under section 1029.8.36.0.105 on account of its tax payable for a taxation year in relation to all or part of its eligible production of cellulosic ethanol for a particular month of that year where the production results from eligible activities of the corporation, within the meaning of section 737.18.17.1, in relation to a large investment project, within the meaning of that section, in respect of which the corporation either filed, after 27 March 2018, an application for a qualification certificate referred to in the first paragraph of section 8.3 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) or obtained

a qualification certificate that was issued to it in accordance with subparagraph 4 of the first paragraph of section 8.4 of Schedule E to that Act and that came into force after that date.

2019, c. 14, s. 342.

DIVISION II.6.0.9.1

CREDIT FOR THE PRODUCTION OF BIODIESEL FUEL IN QUÉBEC

2017, c. 29, s. 182.

§ 1. — *Interpretation and general rules*

2017, c. 29, s. 182.

1029.8.36.0.106.1. In this division,

"associated group" in a taxation year means all the corporations that meet the following conditions:

(a) the corporations are associated with each other in the taxation year; and

(b) each corporation is a qualified corporation for the taxation year;

"biodiesel fuel" has the meaning assigned by subparagraph *a*.2 of the first paragraph of section 1 of the Fuel Tax Act (chapter T-1);

"eligible production of biodiesel fuel" of a qualified corporation for a particular month means the total number of litres of biodiesel fuel that corresponds to all of the qualified corporation's shipments of biodiesel fuel for the particular month;

"month" means, in the case where a taxation year begins on a day in a calendar month other than the first day of that month, any period that begins on that day in a calendar month within the taxation year, other than the month in which the year ends, and that ends on the day immediately preceding that day in the calendar month that follows that month or, for the month in which the taxation year ends, on the day on which that year ends, and if there is no such immediately preceding day in the following month, on the last day of that month;

"qualified corporation" for a taxation year means a corporation that, in the year, has an establishment in Québec where it carries on a business engaged in the production of biodiesel fuel, other than a corporation

(a) that is exempt from tax for the year under Book VIII; or

(b) that would be exempt from tax for the year under section 985, but for section 192;

"shipment of biodiesel fuel" of a qualified corporation in respect of a particular month means a shipment consisting of a number of litres of biodiesel fuel that the qualified corporation produces in Québec after 31 March 2017 and before 1 April 2023, that is sold in Québec in that period to the holder of a collection officer's permit issued under the Fuel Tax Act (in subparagraph ii of subparagraph *a* of the second paragraph referred to as the "purchaser") who takes possession of the biodiesel fuel in the particular month and before 1 April 2023, and that is intended for Québec.

For the purposes of the definition of "shipment of biodiesel fuel" in the first paragraph, the following rules apply:

(a) a shipment of biodiesel fuel is destined for Québec only if

i. where the shipment is delivered by the qualified corporation, the shipment is delivered and possession is taken in Québec, or

ii. where subparagraph i does not apply, the manifest issued to the purchaser on taking possession of the shipment shows the shipment was delivered in Québec; and

(b) if a qualified corporation produces biodiesel fuel in Québec after 31 March 2017 and stores it in a reservoir with biodiesel fuel it produced before 1 April 2017 or acquired before that date (in this subparagraph referred to as "previous stock"), a particular shipment drawn from the reservoir is deemed to be a shipment drawn from the previous stock up to the number of litres that corresponds to the previous stock immediately before the particular shipment.

2017, c. 29, s. 182; 2019, c. 14, s. 343.

§ 2. — *Credit*

2017, c. 29, s. 182.

1029.8.36.0.106.2. A corporation that is a qualified corporation for a taxation year and that encloses the documents referred to in the third paragraph with the fiscal return the corporation is required to file under section 1000 for the taxation year is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation's balance-due day for the taxation year, on account of its tax payable for the taxation year under this Part, an amount equal to the amount by which the amount determined under section 1029.8.36.0.106.4 is exceeded by the aggregate of all amounts each of which is an amount determined, for a particular month of the taxation year, by the formula

A × $0.14

In the formula in the first paragraph, A, expressed as a number of litres, is the lesser of

(a) the qualified corporation's eligible production of biodiesel fuel for the particular month; and

(b) the qualified corporation's monthly ceiling on the production of biodiesel fuel for the particular month.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of a report specifying, in respect of each month of the taxation year, the qualified corporation's eligible production of biodiesel fuel; and

(c) if applicable, a copy of the agreement described in section 1029.8.36.0.106.3.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, that corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the taxation year under this Part and of its tax payable for the taxation year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the taxation year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but

otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2017, c. 29, s. 182; 2019, c. 14, s. 344.

1029.8.36.0.106.3. For the purposes of subparagraph *b* of the second paragraph of section 1029.8.36.0.106.2, the monthly ceiling on the production of biodiesel fuel of a qualified corporation, for a particular month of a taxation year, is,

(a) if the qualified corporation is a member of an associated group in the year, the number of litres attributed for the particular month to the qualified corporation pursuant to the agreement described in the second paragraph or, in the absence of such an agreement, zero or the number of litres, determined with reference to the rules set out in the second paragraph, attributed to the qualified corporation by the Minister, if applicable, for the particular month; or

(b) if subparagraph *a* does not apply, the number of litres obtained by multiplying 821,917 by the number of days in the particular month.

The agreement to which subparagraph *a* of the first paragraph refers is the agreement under which all of the qualified corporations that are members of the associated group in the year attribute to one or more of their number, for the purposes of this section, a number of litres; for that purpose, the total number of litres so attributed for the particular month must not exceed the number of litres determined under subparagraph *b* of the first paragraph for the particular month.

For the purposes of this section, where the particular month of a taxation year includes 31 March 2023 and does not end on that date, subparagraph *b* of the first paragraph is to be read as if "that precede 1 April 2023" were inserted at the end.

2017, c. 29, s. 182; 2019, c. 14, s. 345.

1029.8.36.0.106.3.1. No corporation may be deemed to have paid an amount to the Minister under section 1029.8.36.0.106.2 on account of its tax payable for a taxation year in relation to all or part of its eligible production of biodiesel fuel for a particular month of that year where the production results from eligible activities of the corporation, within the meaning of section 737.18.17.1, in relation to a large investment project, within the meaning of that section, in respect of which the corporation either filed, after 27 March 2018, an application for a qualification certificate referred to in the first paragraph of section 8.3 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) or obtained a qualification certificate that was issued to it in accordance with subparagraph 4 of the first paragraph of section 8.4 of Schedule E to that Act and that came into force after that date.

2019, c. 14, s. 346.

§ 3. — *Government assistance, non-government assistance and other particulars*

2017, c. 29, s. 182.

1029.8.36.0.106.4. The amount to which the first paragraph of section 1029.8.36.0.106.2 refers is equal to the aggregate of all amounts each of which is

(a) the amount of any government assistance or non-government assistance that may reasonably be attributed to the portion, determined under the second paragraph of that section, of a qualified corporation's eligible production of biodiesel fuel for a particular month of the taxation year and that the qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for the taxation year; or

(b) the amount of any benefit or advantage that may reasonably be attributed to the portion, determined under the second paragraph of that section, of a qualified corporation's eligible production of biodiesel fuel

for a particular month of the taxation year, that is not a benefit or advantage that may reasonably be attributed to the carrying on of that activity, and that is a benefit or advantage that a person or partnership has obtained, is entitled to obtain, or may reasonably expect to obtain, on or before the qualified corporation's filing-due date for the taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner.

2017, c. 29, s. 182; 2019, c. 14, s. 347.

1029.8.36.0.106.5. A corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.106.2, on account of its tax payable for a particular taxation year under this Part in relation to its eligible production of biodiesel fuel for a particular month of that year is deemed, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for a subsequent taxation year (in this section referred to as the "year concerned") in which either of the following events occurs, to have paid to the Minister on its balance-due day for the year concerned, on account of its tax payable for that year under this Part, an amount equal to the amount determined under the second paragraph:

(a) the corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be the repayment of an amount included, because of paragraph *a* of section 1029.8.36.0.106.4, in the aggregate determined in respect of the corporation for the particular taxation year under that section; or

(b) a person or partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be the repayment of an amount included, because of paragraph *b* of section 1029.8.36.0.106.4, in the aggregate determined in respect of the corporation for the particular taxation year under that section.

The amount to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under this section or section 1029.8.36.0.106.2 for a taxation year preceding the year concerned in relation to its eligible production of biodiesel fuel for a particular month of the particular taxation year, is exceeded by the total of

(a) the amount that the corporation would have been deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.0.106.2 if any of the events described in subparagraph *a* or *b* of the first paragraph or in subparagraph *a* or *b* of the first paragraph of section 1129.45.3.39.2, that occurred in the year concerned or a preceding taxation year in relation to its eligible production of biodiesel fuel for a particular month of the particular taxation year, had occurred in the particular taxation year; and

(b) the aggregate of all amounts each of which is an amount that the corporation is required to pay to the Minister under section 1129.45.3.39.2 for a taxation year preceding the year concerned in relation to its eligible production of biodiesel fuel for a particular month of the particular taxation year.

Section 1029.6.0.1.9 applies, with the necessary modifications, to the totality of the amount that the corporation is deemed, under this section, to have paid to the Minister on the corporation's balance-due day for the year concerned.

2017, c. 29, s. 182; 2023, c. 19, s. 107.

1029.8.36.0.106.6. For the purposes of section 1029.8.36.0.106.5, an amount is deemed to be an amount paid by a corporation, person or partnership, as the case may be, in a particular taxation year as a repayment of an amount included in the aggregate determined for a preceding taxation year in respect of the corporation under section 1029.8.36.0.106.4, pursuant to a legal obligation, if that amount

(a) has been included in that aggregate;

(b) in the case of an amount referred to in paragraph *a* of section 1029.8.36.0.106.4, has not been received by the corporation;

(c) in the case of an amount referred to in paragraph *b* of section 1029.8.36.0.106.4, has not been obtained by the person or partnership; and

(d) ceased in the particular taxation year to be an amount that the corporation, person or partnership may reasonably expect to receive or obtain.

2017, c. 29, s. 182.

DIVISION II.6.0.9.2

CREDIT FOR THE PRODUCTION OF PYROLYSIS OIL IN QUÉBEC

2019, c. 14, s. 348.

§ 1. — *Interpretation and general rules*

2019, c. 14, s. 348.

1029.8.36.0.106.7. In this division,

"associated group" in a taxation year means all the corporations that meet the following conditions:

(a) the corporations are associated with each other in the taxation year; and

(b) each corporation is a qualified corporation for the taxation year;

"eligible production of pyrolysis oil" of a qualified corporation for a particular month means the total number of litres that corresponds to all of the qualified corporation's shipments of eligible pyrolysis oil for the particular month;

"eligible pyrolysis oil" means a pyrolysis oil that is produced by a corporation in a taxation year and in respect of which a certificate has been issued to the corporation for the year, for the purposes of this division;

"month" means, in the case where a taxation year begins on a day in a calendar month other than the first day of that month, any period that begins on that day in a calendar month within the taxation year, other than the month in which the year ends, and that ends on the day immediately preceding that day in the calendar month that follows that month or, for the month in which the taxation year ends, on the day on which that year ends, and if there is no such immediately preceding day in the following month, on the last day of that month;

"pyrolysis oil production unit" of a qualified corporation means a set of properties the qualified corporation uses in producing an eligible pyrolysis oil or another type of pyrolysis oil in Québec;

"qualified corporation" for a taxation year means a corporation that, in the year, has an establishment in Québec where it carries on a business engaged in the production of pyrolysis oil, that holds a certificate issued for the purposes of this division, for that year or a preceding taxation year, in respect of a pyrolysis oil included in its eligible production of pyrolysis oil for a particular month of the year, and that is not

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192; or

(c) a corporation that holds a qualification certificate in respect of a large investment project, within the meaning of the first paragraph of section 737.18.17.14, or a corporation that is a member of a partnership that holds such a qualification certificate, where the year is included in whole or in part in the period that begins on the date of issue of the qualification certificate and ends on the last day of the tax-free period, within the meaning of that first paragraph, in relation to the large investment project;

"shipment of eligible pyrolysis oil" of a qualified corporation in respect of a particular month means a shipment consisting of a number of litres of an eligible pyrolysis oil that the qualified corporation produces in Québec after 31 March 2018 and before 1 April 2033, that is sold in Québec in that period to a person or partnership that takes possession of the eligible pyrolysis oil in the particular month and before 1 April 2033, and that is intended for Québec.

For the purposes of the definition of "shipment of eligible pyrolysis oil" in the first paragraph, a shipment of pyrolysis oil is intended for Québec only if

(a) it is sold by the qualified corporation to a person or a partnership and it is reasonable to expect that that person or partnership, as the case may be, acquires it for its own use or consumption in Québec or for use or consumption in Québec by another person or partnership with which it is not dealing at arm's length; and

(b) it is delivered, by the qualified corporation or on its behalf, and possession is taken in Québec.

If the result obtained by applying a formula in this division has more than two decimal places, only the first two decimal digits are retained and the second is increased by one unit if the third is greater than 4.

2019, c. 14, s. 348; 2023, c. 2, s. 39; 2024, c. 11, s. 117.

1029.8.36.0.106.8. Where, after 31 March 2018, a qualified corporation produces an eligible pyrolysis oil in Québec and stores it in a reservoir with another eligible pyrolysis oil it produced, with another type of pyrolysis oil it produced or with pyrolysis oil that it acquired from a person or partnership and that constitutes another source of supply for the reservoir, each shipment of pyrolysis oil the qualified corporation draws from that reservoir for a particular month (in this section referred to as a "shipment of mixed pyrolysis oil") is deemed to consist of distinct shipments derived from each of the qualified corporation's pyrolysis oil production units or each of the other sources of supply, as the case may be, that feeds the reservoir and in respect of which the number of litres is equal to that obtained by multiplying the number of litres making up the shipment of mixed pyrolysis oil by the proportion determined, in respect of each production unit or each of the other sources of supply, by the formula

$$(A + B) / (B + C + D).$$

In the formula in the first paragraph,

(a) A is the portion of the stock of mixed pyrolysis oil in the reservoir that is attributable to the qualified corporation's pyrolysis oil production unit or the other source of supply, as the case may be, at the beginning of the particular month;

(b) B is the number of litres of pyrolysis oil derived from the qualified corporation's pyrolysis oil production unit or the other source of supply, as the case may be, that is added to the reservoir during the particular month;

(c) C is the number of litres of pyrolysis oil that is added to the reservoir during the particular month and that is not derived from the qualified corporation's pyrolysis oil production unit or the other source of supply, as the case may be; and

(d) D is the number of litres of pyrolysis oil that corresponds to the total stock of mixed pyrolysis oil in the reservoir at the beginning of the particular month.

For the purposes of subparagraph *a* of the second paragraph, the portion of the stock of mixed pyrolysis oil in the reservoir that is attributable to the qualified corporation's pyrolysis oil production unit or the other source of supply, as the case may be, at the beginning of the particular month is equal to the number of litres of pyrolysis oil obtained by multiplying the number of litres of pyrolysis oil that corresponds to the total stock of mixed pyrolysis oil in the reservoir at the beginning of the particular month by the proportion referred to in the first paragraph that applied for the month that precedes the particular month in respect of the qualified corporation's pyrolysis oil production unit or the other source of supply, as the case may be.

For the purposes of this division, the portion of a shipment of mixed pyrolysis oil for a particular month that, under the first paragraph, is deemed to be a distinct shipment derived from a pyrolysis oil production unit of a qualified corporation is deemed to be a shipment of eligible pyrolysis oil of the qualified corporation for the particular month only if the qualified corporation's facilities allow for the precise measurement of the number of litres of pyrolysis oil derived from each of the qualified corporation's pyrolysis oil production units and from each of the other sources of supply that feeds the reservoir before the pyrolysis oil is added.

For the purposes of this division, where, after 31 March 2018, a qualified corporation produces eligible pyrolysis oil in Québec and stores it in a reservoir with pyrolysis oil that it produced before 1 April 2018 or that it acquired before that date (in this paragraph referred to as the "previous stock"), the following rules apply:

(a) despite the first paragraph, a particular shipment of pyrolysis oil drawn from the reservoir is deemed to be a shipment drawn from the previous stock up to the number of litres that corresponds to the previous stock immediately before the particular shipment; and

(b) the number of litres of pyrolysis oil that corresponds to the total stock of mixed pyrolysis oil in the reservoir at the beginning of a particular month must be determined without taking the previous stock into account.

2019, c. 14, s. 348; 2023, c. 2, s. 40.

§ 2. — *Credit*

2019, c. 14, s. 348.

1029.8.36.0.106.9. A qualified corporation for a taxation year that encloses the documents described in the third paragraph with the fiscal return it is required to file under section 1000 for the year is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the amount by which the amount determined under section 1029.8.36.0.106.12 is exceeded by the aggregate of all amounts each of which is an amount determined, for a particular month of the year, in respect of an eligible pyrolysis oil, by either of the following formulas:

(a) where subparagraph *b* does not apply,

A × B; or

(b) where the particular month includes 31 March 2023 and ends after that date,

(C × $0.08) + (D × B).

In the formulas in the first paragraph,

(a) A, expressed as a number of litres, is the lesser of

i. the qualified corporation's eligible production of pyrolysis oil, in relation to the eligible pyrolysis oil, for the particular month, and

ii. the qualified corporation's monthly ceiling on the production of pyrolysis oil, in respect of the eligible pyrolysis oil, for the particular month;

(b) B is

i. where the particular month ends before 1 April 2023, $0.08, or

ii. in any other case, the amount determined in accordance with section 1029.8.36.0.106.10.1, in respect of a litre of eligible pyrolysis oil;

(c) C, expressed as a number of litres, is the lesser of

i. the qualified corporation's eligible production of pyrolysis oil, in relation to the eligible pyrolysis oil, for the part of the particular month that precedes 1 April 2023, and

ii. the qualified corporation's monthly ceiling on the production of pyrolysis oil, in respect of the eligible pyrolysis oil, for that part of the particular month; and

(d) D, expressed as a number of litres, is the lesser of

i. the qualified corporation's eligible production of pyrolysis oil, in relation to the eligible pyrolysis oil, for the part of the particular month that follows 31 March 2023, and

ii. the qualified corporation's monthly ceiling on the production of pyrolysis oil, in respect of the eligible pyrolysis oil, for that part of the particular month.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of a report specifying, in respect of the qualified corporation's eligible production of pyrolysis oil for each month of the taxation year, the name of the person or partnership that acquired the eligible pyrolysis oil, the number of litres acquired, the date of sale and the date on which and the address where possession is taken;

(c) if applicable, a copy of the agreement described in section 1029.8.36.0.106.10; and

(d) a copy of any certificate that has been issued to the corporation for the purposes of this division, for the taxation year or a preceding taxation year, in respect of an eligible pyrolysis oil included in its eligible production of pyrolysis oil for a particular month of the year.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, that corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the taxation year under this Part and of its tax payable for the taxation year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the taxation year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but

otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2019, c. 14, s. 348; 2023, c. 2, s. 41.

1029.8.36.0.106.10. For the purposes of subparagraph ii of subparagraphs *a*, *c* and *d* of the second paragraph of section 1029.8.36.0.106.9 and subject to the third paragraph, a qualified corporation's monthly ceiling on the production of pyrolysis oil, in respect of an eligible pyrolysis oil, for a particular month of a taxation year or a part of a particular month of a taxation year, is

(a) where the qualified corporation is a member of an associated group in the year, the number of litres attributed for the particular month or part of a particular month, as the case may be, to the qualified corporation pursuant to the agreement described in the second paragraph or, in the absence of such an agreement, zero or the number of litres, determined with reference to the rules set out in the second paragraph, that the Minister attributes to the qualified corporation, if applicable, for the particular month or part of a particular month; or

(b) where subparagraph *a* does not apply, the product obtained by multiplying, by the number of days in the particular month or part of a particular month, as the case may be, the following number of litres:

i. 273,972, where the particular month or part of a particular month ends before 1 April 2023, or

ii. 821,917, where the particular month or part of a particular month begins after 31 March 2023.

The agreement to which subparagraph *a* of the first paragraph refers is the agreement under which all of the qualified corporations that are members of the associated group in the year attribute to one or more of their number, for the purposes of this section, a number of litres; for that purpose, the total number of litres so attributed for the particular month or part of a particular month, as the case may be, must not exceed the number of litres determined under subparagraph *b* of the first paragraph for the particular month or part of a particular month.

Where a qualified corporation has, for a particular month or a part of a particular month, an eligible production of pyrolysis oil in respect of more than one eligible pyrolysis oil and the amount determined in respect of any of those pyrolysis oils under section 1029.8.36.0.106.10.1, for the taxation year that includes that month or part of a month, is not equal to the amount so determined in respect of another of those pyrolysis oils, the following rules apply:

(a) the qualified corporation shall attribute, for the particular month or part of a particular month, a number of litres in respect of each eligible pyrolysis oil and the number of litres so attributed in respect of a pyrolysis oil is deemed to be the corporation's monthly ceiling on the production of pyrolysis oil, in respect of that pyrolysis oil, for the particular month or part of a particular month;

(b) the total number of litres attributed in accordance with subparagraph *a* must not exceed the qualified corporation's monthly ceiling on the production of pyrolysis oil, in respect of an eligible pyrolysis oil, that would be determined for the particular month or part of a particular month, under the first paragraph, if no reference were made to this paragraph; and

(c) if the total number of litres attributed in accordance with subparagraph *a* exceeds the qualified corporation's monthly ceiling on the production of pyrolysis oil, in respect of an eligible pyrolysis oil, that would be determined for the particular month or part of a particular month, under the first paragraph, if no reference were made to this paragraph, the Minister shall attribute a number of litres in respect of each eligible pyrolysis oil of the corporation and the number of litres so attributed in respect of a pyrolysis oil is deemed to be the corporation's monthly ceiling on the production of pyrolysis oil, in respect of that eligible pyrolysis oil, for the particular month or part of a particular month.

For the purposes of this section, where the particular month of a taxation year includes

(a) 1 April 2018 and does not begin on that date, subparagraph *b* of the first paragraph is to be read as if "by the number of days in the particular month or part of a particular month, as the case may be," in the portion before subparagraph i were replaced by "by the number of days that follow 31 March 2018 and that are included in the particular month,"; and

(b) 31 March 2033 and does not end on that date, subparagraph *b* of the first paragraph is to be read as if "by the number of days in the particular month or part of a particular month, as the case may be," in the portion before subparagraph i were replaced by "by the number of days that precede 1 April 2033 and that are included in the particular month,"

2019, c. 14, s. 348; 2023, c. 2, s. 42.

1029.8.36.0.106.10.1. The amount to which subparagraph ii of subparagraph *b* of the second paragraph of section 1029.8.36.0.106.9 refers in respect of a litre of eligible pyrolysis oil is the amount determined by the formula

A × B × C/1,000,000.

In the formula in the first paragraph,

(a) A is the result obtained by applying the formula

86.5 – D;

(b) B is

i. where the percentage represented by E, in respect of the eligible pyrolysis oil, is less than or equal to 45%, the amount determined by the formula

$30/0.45 × E,

ii. where the percentage represented by E, in respect of the eligible pyrolysis oil, is greater than 45% but less than or equal to 70%, the amount determined by the formula

$30 + [$30/0.25 × (E - 0.45)], or

iii. where the percentage represented by E, in respect of the eligible pyrolysis oil, is greater than 70%, the amount determined by the formula

$60 + [$65/0.30 × (E - 0.70)]; and

(c) C is the higher heating value of the eligible pyrolysis oil that is specified in the certificate issued in respect of the pyrolysis oil for the purposes of this division.

For the purposes of subparagraphs *a* and *b* of the second paragraph,

(a) D is the carbon intensity of the eligible pyrolysis oil that is specified in the certificate issued in respect of the pyrolysis oil for the purposes of this division; and

(b) E is the lesser of 100% and the result, expressed as a percentage, obtained by applying the formula

1 - (D/86.5).

2023, c. 2, s. 43.

1029.8.36.0.106.11. No corporation may be deemed to have paid an amount to the Minister under section 1029.8.36.0.106.9 on account of its tax payable for a particular taxation year in relation to all or a portion of its eligible production of pyrolysis oil for a particular month of that year where the production results from eligible activities of the corporation, within the meaning of section 737.18.17.1, in relation to a large investment project, within the meaning of that section, in respect of which the corporation filed, after 27 March 2018, an application for a qualification certificate referred to in the first paragraph of section 8.3 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) or obtained a qualification certificate that was issued to it in accordance with subparagraph 4 of the first paragraph of section 8.4 of Schedule E to that Act and that came into force after that date.

2019, c. 14, s. 348.

§ 3. — *Government assistance, non-government assistance and other particulars*

2019, c. 14, s. 348.

1029.8.36.0.106.12. The amount to which the first paragraph of section 1029.8.36.0.106.9 refers is equal to the aggregate of all amounts each of which is

(a) the amount of any government assistance or non-government assistance that may reasonably be attributed to the portion, determined under the second paragraph of that section, of a qualified corporation's eligible production of pyrolysis oil for a particular month of the taxation year and that the qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for the taxation year; or

(b) the amount of any benefit or advantage that may reasonably be attributed to the portion, determined under the second paragraph of that section, of a qualified corporation's eligible production of pyrolysis oil for a particular month of the taxation year, that is not a benefit or advantage that may reasonably be attributed to the carrying on of that activity, and that is a benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the qualified corporation's filing-due date for the taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner.

2019, c. 14, s. 348.

1029.8.36.0.106.13. A corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.106.9, on account of its tax payable for a particular taxation year under this Part in relation to its eligible production of pyrolysis oil for a particular month of that year is deemed, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for a subsequent taxation year (in this section referred to as the "year concerned") in which either of the following events occurs, to have paid to the Minister on its balance-due day for the year concerned, on account of its tax payable for that year under this Part, an amount equal to the amount determined under the second paragraph:

(a) the corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be the repayment of an amount included, because of paragraph *a* of section 1029.8.36.0.106.12, in the aggregate determined in respect of the corporation for the particular taxation year under that section; or

(b) a person or a partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be the repayment of an amount included, because of paragraph *b* of section 1029.8.36.0.106.12, in the aggregate determined in respect of the corporation for the particular taxation year under that section.

The amount to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under this section or section 1029.8.36.0.106.9 for a taxation year preceding the year concerned in relation to its eligible production of pyrolysis oil for a particular month of the particular taxation year, is exceeded by the total of

(a) the amount that the corporation would have been deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.0.106.9 if any of the events described in subparagraph *a* or *b* of the first paragraph or in subparagraph *a* or *b* of the first paragraph of section 1129.45.3.39.6, that occurred in the year concerned or a preceding taxation year in relation to its eligible production of pyrolysis oil for a particular month of the particular taxation year, had occurred in the particular taxation year; and

(b) the aggregate of all amounts each of which is an amount that the corporation is required to pay to the Minister under section 1129.45.3.39.6 for a taxation year preceding the year concerned in relation to its eligible production of pyrolysis oil for a particular month of the particular taxation year.

Section 1029.6.0.1.9 applies, with the necessary modifications, to the totality of the amount that the corporation is deemed, under this section, to have paid to the Minister on the corporation's balance-due day for the year concerned.

2019, c. 14, s. 348; 2023, c. 19, s. 108.

1029.8.36.0.106.14. For the purposes of section 1029.8.36.0.106.13, an amount is deemed to be an amount paid by a corporation, a person or a partnership, as the case may be, in a particular taxation year as a repayment of an amount included in the aggregate determined for a preceding taxation year in respect of the corporation under section 1029.8.36.0.106.12, pursuant to a legal obligation, if that amount

(a) has been included in that aggregate;

(b) in the case of an amount referred to in paragraph *a* of section 1029.8.36.0.106.12, has not been received by the corporation;

(c) in the case of an amount referred to in paragraph *b* of section 1029.8.36.0.106.12, has not been obtained by the person or partnership; and

(d) ceased in the particular taxation year to be an amount that the corporation, person or partnership may reasonably expect to receive or obtain.

2019, c. 14, s. 348.

DIVISION II.6.0.9.3

CREDIT FOR THE PRODUCTION OF BIOFUEL IN QUÉBEC

2023, c. 2, s. 44.

§ 1. — *Interpretation and general rules*

2023, c. 2, s. 44.

1029.8.36.0.106.15. In this division,

"associated group" in a taxation year means all the corporations that meet the following conditions:

(a) the corporations are associated with each other in the taxation year; and

(b) each corporation is a qualified corporation for the taxation year;

"biofuel production unit" of a qualified corporation means a set of properties the qualified corporation uses in producing an eligible biofuel or another type of biofuel in Québec;

"eligible biofuel" means a biofuel that is produced by a corporation in a taxation year and in respect of which a certificate has been issued to the corporation for the year, for the purposes of this division;

"eligible production of biofuel" of a qualified corporation for a particular month means the total number of litres that corresponds to all of the qualified corporation's shipments of eligible biofuel for the particular month;

"month" means, in the case where a taxation year begins on a day in a calendar month other than the first day of that month, any period that begins on that day in a calendar month within the taxation year, other than the month in which the year ends, and that ends on the day immediately preceding that day in the calendar month that follows that month or, for the month in which the taxation year ends, on the day on which that year ends, and if there is no such immediately preceding day in the following month, on the last day of that month;

"qualified corporation" for a taxation year means a corporation that, in the year, has an establishment in Québec where it carries on a business engaged in the production of biofuel, that holds a certificate issued for the purposes of this division, for that year or a preceding taxation year, in respect of a biofuel included in its eligible production of biofuel for a particular month of the year, and that is not

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192; or

(c) a corporation that holds a qualification certificate in respect of a large investment project, within the meaning of the first paragraph of section 737.18.17.14, or a corporation that is a member of a partnership that holds such a qualification certificate, where the year is included in whole or in part in the period that begins on the date of issue of the qualification certificate and ends on the last day of the tax-free period, within the meaning of that first paragraph, in relation to the large investment project;

"shipment of eligible biofuel" of a qualified corporation in respect of a particular month means a shipment consisting of a number of litres of an eligible biofuel that the qualified corporation produces in Québec after 31 March 2023 and before 1 April 2033, that is sold in Québec in that period to the holder of a collection officer's permit issued under the Fuel Tax Act (chapter T-1) (in subparagraph ii of subparagraph *a* of the second paragraph referred to as the "purchaser"), who takes possession of the eligible biofuel in the particular month and before 1 April 2033, and that is intended for Québec.

For the purposes of the definition of "shipment of eligible biofuel" in the first paragraph, the following rules apply:

(a) a shipment of biofuel is intended for Québec only if

i. where the shipment is delivered by the qualified corporation, the shipment is delivered and possession is taken in Québec, or

ii. where subparagraph i does not apply, the manifest issued to the purchaser on taking possession of the shipment shows the shipment was delivered in Québec; and

(b) where, before 1 April 2023, a corporation has produced litres of biofuel in respect of which it could have been deemed to have paid an amount to the Minister under any of Divisions II.6.0.8 to II.6.0.9.1 if possession had been taken before that date, the litres of biofuel are deemed to be produced in Québec on 1 April 2023.

2023, c. 2, s. 44; 2024, c. 11, s. 118.

1029.8.36.0.106.16. Where, after 31 March 2023, a qualified corporation produces an eligible biofuel in Québec and stores it in a reservoir with another eligible biofuel it produced, with another type of biofuel it produced or with a biofuel that it acquired from a person or partnership and that constitutes another source of supply for the reservoir, each shipment of biofuel the qualified corporation draws from that reservoir for a particular month (in this section referred to as a "shipment of mixed biofuel") is deemed to consist of distinct shipments derived from each of the qualified corporation's biofuel production units or each of the other sources of supply, as the case may be, that feeds the reservoir and in respect of which the number of litres is equal to that obtained by multiplying the number of litres making up the shipment of mixed biofuel by the proportion determined, in respect of each production unit or each of the other sources of supply, by the formula

$$(A + B)/(B + C + D).$$

In the formula in the first paragraph,

(a) A is the portion of the stock of mixed biofuel in the reservoir that is attributable to the qualified corporation's biofuel production unit or the other source of supply, as the case may be, at the beginning of the particular month;

(b) B is the number of litres of biofuel derived from the qualified corporation's biofuel production unit or the other source of supply, as the case may be, that is added to the reservoir during the particular month;

(c) C is the number of litres of biofuel that is added to the reservoir during the particular month and that is not derived from the qualified corporation's biofuel production unit or the other source of supply, as the case may be; and

(d) D is the number of litres of biofuel that corresponds to the total stock of mixed biofuel in the reservoir at the beginning of the particular month.

For the purposes of subparagraph *a* of the second paragraph, the portion of the stock of mixed biofuel in the reservoir that is attributable to the qualified corporation's biofuel production unit or the other source of supply, as the case may be, at the beginning of the particular month is equal to the number of litres of biofuel obtained by multiplying the number of litres of biofuel that corresponds to the total stock of mixed biofuel in the reservoir at the beginning of the particular month by the proportion referred to in the first paragraph that applied for the month that precedes the particular month in respect of the qualified corporation's biofuel production unit or the other source of supply, as the case may be.

For the purposes of this division, the portion of a shipment of mixed biofuel for a particular month that, under the first paragraph, is deemed to be a distinct shipment derived from a biofuel production unit of a qualified corporation is deemed to be a shipment of eligible biofuel of the qualified corporation for the

particular month only if the qualified corporation's facilities allow for the precise measurement of the number of litres of biofuel derived from each of the qualified corporation's biofuel production units and from each of the other sources of supply that feeds the reservoir before the biofuel is added.

For the purposes of this division, where, after 31 March 2023, a qualified corporation produces eligible biofuel in Québec and stores it in a reservoir with biofuel that it produced before 1 April 2023 or that it acquired before that date (in this paragraph referred to as the "previous stock"), the following rules apply:

(a) despite the first paragraph, a particular shipment of biofuel drawn from the reservoir is deemed to be a shipment drawn from the previous stock up to the number of litres that corresponds to the previous stock immediately before the particular shipment; and

(b) the number of litres of biofuel that corresponds to the total stock of mixed biofuel in the reservoir at the beginning of a particular month must be determined without taking the previous stock into account.

2023, c. 2, s. 44.

§ 2. — *Credit*

2023, c. 2, s. 44.

1029.8.36.0.106.17. A qualified corporation for a taxation year that encloses the documents described in the third paragraph with the fiscal return it is required to file under section 1000 for the year is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the amount by which the amount determined under section 1029.8.36.0.106.21 is exceeded by the aggregate of all amounts each of which is an amount determined, for a particular month of the year, in respect of an eligible biofuel, by the formula

A × B.

In the formula in the first paragraph,

(a) A, expressed as a number of litres, is the lesser of

i. the qualified corporation's eligible production of biofuel, in relation to the eligible biofuel, for the particular month, and

ii. the qualified corporation's monthly ceiling on the production of biofuel, in respect of the eligible biofuel, for the particular month; and

(b) B is the amount determined in accordance with section 1029.8.36.0.106.19, in respect of a litre of the eligible biofuel.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of any certificate that has been issued to the corporation for the purposes of this division, for the taxation year or a preceding taxation year, in respect of an eligible biofuel that it produces and that is included in its eligible production of biofuel for a particular month of the year;

(c) a copy of a report specifying, in respect of each month of the taxation year, the qualified corporation's eligible production of biofuel; and

(d) if applicable, a copy of the agreement described in section 1029.8.36.0.106.18.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, that corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the taxation year under this Part and of its tax payable for the taxation year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2023, c. 2, s. 44.

1029.8.36.0.106.18. For the purposes of subparagraph ii of subparagraph *a* of the second paragraph of section 1029.8.36.0.106.17 and subject to the third paragraph, a qualified corporation's monthly ceiling on the production of biofuel, in respect of an eligible biofuel, for a particular month of a taxation year, is

(a) where the qualified corporation is a member of an associated group in the year, the number of litres attributed for the particular month to the qualified corporation pursuant to the agreement described in the second paragraph or, in the absence of such an agreement, zero or the number of litres, determined with reference to the rules set out in the second paragraph, that the Minister attributes to the qualified corporation, if applicable, for the particular month; or

(b) where subparagraph *a* does not apply, the number of litres obtained by multiplying 821,917 by the number of days in the particular month.

The agreement to which subparagraph *a* of the first paragraph refers is the agreement under which all of the qualified corporations that are members of the associated group in the year attribute to one or more of their number, for the purposes of this section, a number of litres; for that purpose, the total number of litres so attributed for the particular month must not exceed the number of litres determined under subparagraph *b* of the first paragraph for the particular month.

Where a qualified corporation has, for a particular month, an eligible production of biofuel in respect of more than one eligible biofuel and the amount determined in respect of any of those biofuels under section 1029.8.36.0.106.19, for the taxation year that includes that month, is not equal to the amount so determined in respect of another of those biofuels, the following rules apply:

(a) the qualified corporation shall attribute, for the particular month, a number of litres in respect of each eligible biofuel and the number of litres so attributed in respect of a biofuel is deemed to be the corporation's monthly ceiling on the production of biofuel, in respect of the biofuel, for the particular month;

(b) the total number of litres attributed in accordance with subparagraph *a* must not exceed the qualified corporation's monthly ceiling on the production of biofuel, in respect of an eligible biofuel, that would be determined for the particular month, under the first paragraph, if no reference were made to this paragraph; and

(c) if the total number of litres attributed in accordance with subparagraph *a* exceeds the qualified corporation's monthly ceiling on the production of biofuel, in respect of an eligible biofuel, that would be determined for the particular month, under the first paragraph, if no reference were made to this paragraph, the Minister shall attribute a number of litres in respect of each eligible biofuel of the corporation and the

number of litres so attributed in respect of a biofuel is deemed to be the corporation's monthly ceiling on the production of biofuel, in respect of that eligible biofuel, for the particular month.

For the purposes of this section, where the particular month of a taxation year includes

(a) 1 April 2023 and does not begin on that date, subparagraph *b* of the first paragraph is to be read as if "that follow 31 March 2023" were inserted at the end; and

(b) 31 March 2033 and does not end on that date, subparagraph *b* of the first paragraph is to be read as if "that precede 1 April 2033" were inserted at the end.

2023, c. 2, s. 44.

1029.8.36.0.106.19. The amount to which subparagraph *b* of the second paragraph of section 1029.8.36.0.106.17 refers in respect of a litre of eligible biofuel is the amount determined by the formula

$$A \times B \times C/1{,}000{,}000.$$

In the formula in the first paragraph,

(a) A is the result obtained by applying the formula

$$D - E;$$

(b) B is

i. where the percentage represented by F, in respect of the eligible biofuel, is less than or equal to 45%, the amount determined by the formula

$$\$30/0.45 \times F,$$

ii. where the percentage represented by F, in respect of the eligible biofuel, is greater than 45% but less than or equal to 70%, the amount determined by the formula

$$\$30 + [\$30/0.25 \times (F - 0.45)], \text{ or}$$

iii. where the percentage represented by F, in respect of the eligible biofuel, is greater than 70%, the amount determined by the formula

$60 + [$65/0.30 × (F – 0.70)]; and

(c) C is the higher heating value of the eligible biofuel that is specified in the certificate issued in respect of that biofuel for the purposes of this division.

For the purposes of subparagraphs *a* and *b* of the second paragraph,

(a) D is

i. 83.1, where the certificate issued in respect of the eligible biofuel for the purposes of this division specifies that the biofuel replaces gasoline, or

ii. 92.9, where the certificate issued in respect of the eligible biofuel for the purposes of this division specifies that the biofuel replaces diesel fuel;

(b) E is the carbon intensity of the eligible biofuel that is specified in the certificate issued in respect of that biofuel for the purposes of this division; and

(c) F is the lesser of 100% and the result, expressed as a percentage, obtained by applying the formula

1 – (E/D).

If the result obtained by applying any of the formulas in this section has more than two decimal places, only the first two decimal digits are retained and the second is increased by one unit if the third is greater than 4.

2023, c. 2, s. 44.

1029.8.36.0.106.20. No corporation may be deemed to have paid an amount to the Minister under section 1029.8.36.0.106.17 on account of its tax payable for a particular taxation year in relation to all or a portion of its eligible production of biofuel for a particular month of that year where the production results from eligible activities of the corporation, within the meaning of section 737.18.17.1, in relation to a large investment project, within the meaning of that section, in respect of which the corporation filed, after 27 March 2018, an application for a qualification certificate referred to in the first paragraph of section 8.3 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) or obtained a qualification certificate that was issued to it in accordance with subparagraph 4 of the first paragraph of section 8.4 of Schedule E to that Act and that came into force after that date.

2023, c. 2, s. 44.

§ 3. — *Government assistance, non-government assistance and other particulars*

2023, c. 2, s. 44.

1029.8.36.0.106.21. The amount to which the first paragraph of section 1029.8.36.0.106.17 refers is equal to the aggregate of all amounts each of which is

(a) the amount of any government assistance or non-government assistance that may reasonably be attributed to the portion, determined under the second paragraph of that section, of a qualified corporation's eligible production of biofuel for a particular month of the taxation year and that the qualified corporation has

received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for the taxation year; or

(b) the amount of any benefit or advantage that may reasonably be attributed to the portion, determined under the second paragraph of that section, of a qualified corporation's eligible production of biofuel for a particular month of the taxation year, that is not a benefit or advantage that may reasonably be attributed to the carrying on of that activity, and that is a benefit or advantage that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the qualified corporation's filing-due date for the taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner.

2023, c. 2, s. 44.

1029.8.36.0.106.22. A corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.106.17, on account of its tax payable for a particular taxation year under this Part in relation to its eligible production of biofuel for a particular month of that year is deemed, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for a subsequent taxation year (in this section referred to as the "year concerned") in which either of the following events occurs, to have paid to the Minister on its balance-due day for the year concerned, on account of its tax payable for that year under this Part, an amount equal to the amount determined under the second paragraph:

(a) the corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be the repayment of an amount included, because of paragraph *a* of section 1029.8.36.0.106.21, in the aggregate determined in respect of the corporation for the particular taxation year under that section; or

(b) a person or a partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be the repayment of an amount included, because of paragraph *b* of section 1029.8.36.0.106.21, in the aggregate determined in respect of the corporation for the particular taxation year under that section.

The amount to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under this section or section 1029.8.36.0.106.17 for a taxation year preceding the year concerned in relation to its eligible production of biofuel for a particular month of the particular taxation year, is exceeded by the total of

(a) the amount that the corporation would have been deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.0.106.17 if any of the events described in subparagraph *a* or *b* of the first paragraph or in subparagraph *a* or *b* of the first paragraph of section 1129.45.3.39.10, that occurred in the year concerned or a preceding taxation year in relation to its eligible production of biofuel for a particular month of the particular taxation year, had occurred in the particular taxation year; and

(b) the aggregate of all amounts each of which is an amount that the corporation is required to pay to the Minister under section 1129.45.3.39.10 for a taxation year preceding the year concerned in relation to its eligible production of biofuel for a particular month of the particular taxation year.

Section 1029.6.0.1.9 applies, with the necessary modifications, to the totality of the amount that the corporation is deemed, under this section, to have paid to the Minister on the corporation's balance-due day for the year concerned.

2023, c. 2, s. 44.

1029.8.36.0.106.23. For the purposes of section 1029.8.36.0.106.22, an amount is deemed to be an amount paid by a corporation, a person or a partnership, as the case may be, in a particular taxation year as a repayment of an amount included in the aggregate determined for a preceding taxation year in respect of the corporation under section 1029.8.36.0.106.21, pursuant to a legal obligation, if that amount

(a) has been included in that aggregate;

(b) in the case of an amount referred to in paragraph *a* of section 1029.8.36.0.106.21, has not been received by the corporation;

(c) in the case of an amount referred to in paragraph *b* of section 1029.8.36.0.106.21, has not been obtained by the person or partnership; and

(d) ceased in the particular taxation year to be an amount that the corporation, person or partnership may reasonably expect to receive or obtain.

2023, c. 2, s. 44.

DIVISION II.6.0.10

CREDIT TO FOSTER THE MODERNIZATION OF THE TOURIST ACCOMMODATION OFFERING

2013, c. 10, s. 116.

§ 1. — *Interpretation and general*

2013, c. 10, s. 116.

1029.8.36.0.107. In this division,

"balance of the threshold of the qualified expenditures" of a corporation for a taxation year means an amount equal to the amount by which $50,000 exceeds the amount determined in its respect for the year under section 1029.8.36.0.107.1;

"eligible components" of a qualified tourist accommodation establishment means

(a) the rooms, including bathrooms;

(b) the dining rooms;

(c) the foyer, reception, rest areas, public lavatories, bar, shops, meeting rooms and other interior facilities that constitute public areas, except a fitness room, a health centre, a room equipped with a pool, spa or sauna, a games room or a parking lot; and

(d) the exterior structure of the building, in particular the facing, roofing, doors and windows;

"eligible contract" means a contract entered into after 20 March 2012 and before 1 January 2016 between a corporation or a partnership and a qualified contractor under which the qualified contractor undertakes to carry out eligible work in respect of a qualified tourist accommodation establishment of the corporation or partnership;

"eligible work" in respect of a qualified tourist accommodation establishment of a qualified corporation or a qualified partnership means the following particular work carried out while the tourist accommodation establishment qualifies as a qualified tourist accommodation establishment and relating to eligible components of the tourist accommodation establishment (other than work consisting exclusively of repair or maintenance work on the tourist accommodation establishment), and work required to restore the land on which the tourist accommodation establishment is situated to the condition it was in before the particular work was carried out:

(a) refurbishment work done to improve the appearance and functional nature of the tourist accommodation establishment;

(b) reorganization work that consists in altering the interior distribution of the rooms, openings and divisions of the tourist accommodation establishment without increasing the floor space or volume; and

(c) improvement, conversion or expansion work on the tourist accommodation establishment;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII; or

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

"excluded region" means the Montréal census metropolitan area and the Québec census metropolitan area, as described in the *Standard Geographical Classification* (SGC) 2011 published by Statistics Canada;

"excluded tourist accommodation establishment" means a tourist accommodation establishment of a corporation or a partnership that, prior to the beginning of eligible work in respect of the tourist accommodation establishment, is the object of

(a) a notice of expropriation;

(b) a reserve for public purposes; or

(c) a prior notice of the exercise of a hypothecary right registered in the registry office or any other procedure calling the corporation's or partnership's right of ownership of the tourist accommodation establishment into question;

"expenditure relating to eligible work" for a qualified corporation or a qualified partnership means an expenditure that is attributable to the carrying out of eligible work provided for in an eligible contract entered into in respect of a qualified tourist accommodation establishment of the corporation or partnership and that corresponds to the aggregate of

(a) the cost of labour supplied by the qualified contractor who is a party to the eligible contract for the eligible work carried out before 1 January 2016, excluding the amount of any goods and services tax and Québec sales tax applicable; and

(b) the cost of movable property acquired, before 1 January 2016, from the qualified contractor or from a qualified merchant for use in the carrying out of the eligible work provided for in the eligible contract, excluding the amount of any goods and services tax and Québec sales tax applicable, if, after the work is carried out, the property

i. has been incorporated into the qualified tourist accommodation establishment, has lost its individuality and ensures the utility of the establishment, or

ii. has been permanently physically attached or joined to the qualified tourist accommodation establishment, without losing its individuality or being incorporated into the qualified tourist accommodation establishment, and ensures the utility of the establishment;

"qualified contractor" means a person or partnership that, in respect of an eligible contract entered into with a corporation, deals at arm's length with the corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the cooperative or, in respect of an eligible contract entered into with a partnership, deals at arm's length with a corporation that is a member of the partnership, a specified shareholder of that corporation or, if the corporation is a cooperative, a specified member of the cooperative, and that

(a) at the time the contract is entered into, has an establishment in Québec; and

(b) at the time the eligible work provided for in the contract is being carried out and if required for the carrying out of such work, is the holder of the appropriate licence issued, in accordance with the Building Act (chapter B-1.1), by the Régie du bâtiment du Québec, the Corporation des maîtres électriciens du Québec or the Corporation des maîtres mécaniciens en tuyauterie du Québec and, if applicable, has paid the security provided for in that Act;

"qualified corporation" for a particular taxation year means a corporation that, in the particular year, owns a qualified tourist accommodation establishment and meets the following conditions:

(a) the corporation's gross revenue for the particular year or the taxation year preceding the particular year is at least $100,000; and

(b) the corporation's assets shown in its financial statements submitted to its shareholders for its taxation year preceding the particular year or, if the corporation is in its first fiscal period, at the beginning of that fiscal period, is at least $400,000;

"qualified expenditure" of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period means the aggregate of all amounts each of which is an expenditure relating to eligible work of the corporation or partnership that is incurred after 20 March 2012 by the corporation in the taxation year or by the partnership in the fiscal period;

"qualified merchant" means a person or partnership who sells property to a qualified corporation or a qualified partnership for use in the carrying out of eligible work of the qualified corporation or qualified partnership, who, at the time of the sale, has an establishment in Québec and who

(a) if the property is sold to a qualified corporation, deals at arm's length with the qualified corporation, a specified shareholder of the qualified corporation or, if the qualified corporation is a cooperative, a specified member of the cooperative; or

(b) if the property is sold to a qualified partnership, deals at arm's length with a corporation that is a member of the qualified partnership, a specified shareholder of that corporation or, if the corporation is a cooperative, a specified member of the cooperative;

"qualified partnership" for a particular fiscal period ended in a particular taxation year of a corporation means a partnership that, in the particular fiscal period, carries on a business in Québec, has an establishment in Québec, owns a qualified tourist accommodation establishment and meets the following conditions:

(a) the amount that would be the gross revenue of the partnership for its fiscal period that ends in the taxation year preceding the particular taxation year or for the particular fiscal period if, for the purposes of the definition of "gross revenue" in section 1, the qualified partnership was a corporation, is at least $100,000; and

(b) the assets of the partnership shown in its financial statements for the particular fiscal period or, if the partnership is in its first fiscal period, at the beginning of that fiscal period is at least $400,000;

"qualified tourist accommodation establishment" means a tourist accommodation establishment (other than an excluded tourist accommodation establishment) that is located in Québec, elsewhere than in an excluded region, and in respect of which a classification certificate, valid for a corporation's taxation year or a partnership's fiscal period during which eligible work was carried out in respect of the tourist accommodation establishment, has been issued under the Act respecting tourist accommodation establishments (chapter E-14.2), certifying that the tourist accommodation establishment is a hotel establishment, tourist home, resort, bed and breakfast establishment or youth hostel;

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

For the purposes of the definition of "qualified tourist accommodation establishment" in the first paragraph, a classification certificate, issued under the Act respecting tourist accommodation establishments, that is valid throughout the duration of the eligible work carried out in a taxation year or a fiscal period, as the case may be, in respect of a qualified tourist accommodation establishment is deemed to be valid, in relation to the eligible work, for the taxation year or fiscal period. However, for the purposes of that definition and this paragraph, a classification certificate that is suspended is deemed not to be valid during the suspension period.

For the purposes of the definitions of "qualified corporation" and "qualified partnership" in the first paragraph and for the purpose of determining the assets of a corporation or a partnership, the following rules apply:

(a) if the financial statements of the corporation or partnership have not been prepared or were not prepared in accordance with generally accepted accounting principles, its assets are those that would be shown in the financial statements if they had been prepared in accordance with those accounting principles; and

(b) if the corporation is a cooperative, paragraph *b* of the definition of "qualified corporation" in the first paragraph is to be read as if "submitted to its shareholders" was replaced by "submitted to its members".

2013, c. 10, s. 116; 2015, c. 21, s. 439; 2015, c. 24, s. 140; 2019, c. 14, s. 349.

1029.8.36.0.107.1. The amount to which the definition of "balance of the threshold of the qualified expenditures" in the first paragraph of section 1029.8.36.0.107 refers in respect of a corporation for a particular taxation year means the amount determined by the formula

A - B.

In the formula in the first paragraph

(a) A is the aggregate of

i. the amount by which the aggregate of all amounts each of which is the lesser of the amounts determined for a taxation year preceding the particular year in respect of the corporation under subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.0.109, taking into account subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.0.115, exceeds the portion of that aggregate in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.109 for a taxation year preceding the particular year, and

ii. the aggregate of all amounts each of which is the lesser of the amounts determined under subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.0.117.1 for the particular year or a preceding taxation year; and

(b) B is the aggregate of all amounts each of which is the amount of government assistance or non-government assistance received by the corporation in the particular year or a preceding taxation year in respect of a corporation's qualified expenditure for a preceding taxation year, the corporation's share of the amount of government assistance or non-government assistance received by a qualified partnership in a fiscal period of the qualified partnership that ends in the particular taxation year or a preceding taxation year and at the end of which the corporation is a member of the partnership, in respect of the corporation's share of the partnership's qualified expenditure for a fiscal period of the partnership that ends in a taxation year preceding the particular year and at the end of which the corporation is a member of the partnership, or the amount of government assistance or non-government assistance received by the corporation in the particular year or a preceding taxation year in respect of a qualified expenditure of a partnership for a fiscal period of the partnership that ends in a taxation year preceding the particular year and at the end of which the corporation is a member of the partnership, in relation to a qualified tourist accommodation establishment, where neither section 1029.8.36.0.115 nor Part III.10.1.10 applies or applied, in relation to the corporation, in respect of the amount of the government assistance or non-government assistance so received.

For the purposes of subparagraph *b* of the second paragraph, a corporation's share of a particular amount, in relation to a qualified partnership of which the corporation is a member at the end of a fiscal period, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2015, c. 21, s. 440.

1029.8.36.0.108. For the purposes of this division, work carried out in respect of a qualified tourist accommodation establishment of a qualified corporation or a qualified partnership can be considered to be eligible work only if it is consistent with the policy of the Government referred to in section 2.1 of the Environment Quality Act (chapter Q-2).

2013, c. 10, s. 116.

§ 2. — *Credit*

2013, c. 10, s. 116.

1029.8.36.0.109. A corporation that, in a taxation year, carries on a business in Québec and has an establishment in Québec, that is not an excluded corporation for the year and that encloses with the fiscal return it is required to file for the year under section 1000 the prescribed form containing prescribed information and a copy of the agreement described in section 1029.8.36.0.111, if applicable, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 20% of the amount by which the lesser of the following amounts exceeds the balance of the threshold of the corporation's qualified expenditures for that year:

(a) the aggregate of

i. if the corporation is a qualified corporation for the year, the qualified expenditure of the corporation for the year, to the extent that that expenditure has been paid, and

ii. if the corporation is a member of a qualified partnership at the end of a fiscal period of the partnership ending in the year and the corporation meets the conditions of paragraphs a and b of the definition of "qualified corporation" in the first paragraph of section 1029.8.36.0.107, the aggregate of all amounts each of which is the corporation's share of the lesser of

(1) the qualified expenditure of such a qualified partnership for such a fiscal period, to the extent that that expenditure has been paid, and

(2) the qualified partnership's qualified expenditure limit for that fiscal period; and

(b) the corporation's qualified expenditure limit for the year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or under any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, the amount that is the balance of the threshold of a corporation's qualified expenditures for a taxation year is to be replaced by,

(a) if the taxation year of the corporation has fewer than 51 weeks, except in cases where subparagraph *c* applies, the proportion of that amount that the number of days in the taxation year of the corporation is of 365; or

(b) (subparagraph repealed);

(c) if the taxation year of the corporation includes 1 January 2016, the proportion of that amount that the number of days in the taxation year of the corporation that precede 1 January 2016 is of 365.

For the purposes of subparagraph ii of subparagraph *a* of the first paragraph, a corporation's share of a particular amount, in relation to a qualified partnership of which the corporation is a member at the end of a fiscal period, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2013, c. 10, s. 116; 2015, c. 21, s. 441.

1029.8.36.0.110. In this division, the qualified expenditure limit of a partnership for a fiscal period is equal to $750,000 and the qualified expenditure limit of a corporation for a taxation year is equal to

(a) if the corporation is not a member of an associated group in the year, $750,000; or

(b) if the corporation is a member of an associated group in the year, an amount attributed for the year to the corporation pursuant to the agreement described in section 1029.8.36.0.111 and enclosed with the fiscal return the corporation is required to file for the year under section 1000 or, if no amount is attributed to the corporation under the agreement or in the absence of such an agreement, zero.

For the purposes of this section and sections 1029.8.36.0.111 to 1029.8.36.0.113, an associated group in a taxation year means all the corporations that, in the year, carry on a business in Québec and have an establishment in Québec, are not excluded corporations for the year, are associated with each other in the year and each of which is a qualified corporation for the year or a corporation that is a member of a qualified partnership at the end of a fiscal period of the qualified partnership ending in the year and that meets the conditions of paragraphs *a* and *b* of the definition of "qualified corporation" in the first paragraph of section 1029.8.36.0.107.

2013, c. 10, s. 116; 2015, c. 21, s. 442.

1029.8.36.0.111. The agreement to which subparagraph *b* of the first paragraph of section 1029.8.36.0.110 refers is the agreement under which all the corporations that are members of the associated group in the year attribute for the year, in the prescribed form, to one or more of their number, for the purposes of this division, one or more amounts the total of which does not exceed $750,000.

If the aggregate of the amounts attributed, in respect of a taxation year, pursuant to an agreement described in the first paragraph and entered into by the corporations that are members of an associated group in the year exceeds $750,000, the amount determined under subparagraph *b* of the first paragraph of section 1029.8.36.0.110 in respect of each of those corporations for the taxation year is deemed, for the purposes of this division, to be equal to the proportion of $750,000 that that determined amount is of the aggregate of the amounts attributed for the year under the agreement.

2013, c. 10, s. 116.

1029.8.36.0.112. If a corporation that is a member of an associated group referred to in subparagraph *b* of the first paragraph of section 1029.8.36.0.110 fails to file with the Minister an agreement described in that subparagraph within 30 days after notice in writing by the Minister has been sent to any of the corporations that are members of that group that such an agreement is required for the purposes of any assessment of tax under this Part or for the determination of another amount, the Minister shall, for the purposes of this division, attribute an amount to one or more of those corporations for the taxation year, which amount or the aggregate of which amounts must be equal to $750,000, and in such a case, despite that subparagraph *b*, the qualified expenditure limit for the year of each of the corporations is equal to the amount so attributed to it.

2013, c. 10, s. 116.

1029.8.36.0.113. Despite sections 1029.8.36.0.110 to 1029.8.36.0.112, the following rules apply:

(a) if a corporation that is a member of an associated group (in this paragraph referred to as the "first corporation") has more than one taxation year ending in the same calendar year and is associated in two or more of those taxation years with another corporation that is a member of the group that has a taxation year ending in that calendar year, the qualified expenditure limit of the first corporation for each particular taxation

year that ends in the calendar year in which it is associated with the other corporation and that ends after the first taxation year ending in that calendar year is, subject to paragraph *b*, an amount equal to the lesser of

i. its qualified expenditure limit for the first taxation year ending in the calendar year, determined without reference to this section, and

ii. its qualified expenditure limit for the particular taxation year ending in the calendar year, determined without reference to this section;

(b) if a corporation has a taxation year of fewer than 51 weeks or if a partnership has a fiscal period of fewer than 51 weeks, except in cases where paragraph *c* or *d* applies, the qualified expenditure limit of the corporation for the year or of the partnership for the fiscal period is equal to that proportion of its qualified expenditure limit for the year or period, determined without reference to this paragraph, that the number of days in the year or period is of 365;

(c) if the taxation year of a corporation or the fiscal period of a partnership includes 20 March 2012, the qualified expenditure limit of the corporation for the year or of the partnership for the fiscal period is equal to that proportion of its qualified expenditure limit for the year or period, determined without reference to this paragraph, that the number of days in the year or period that follow 20 March 2012 is of 365; and

(d) if the taxation year of a corporation or the fiscal period of a partnership includes 1 January 2016, the qualified expenditure limit of the corporation for the year or of the partnership for the fiscal period is equal to that proportion of its qualified expenditure limit for the year or period, determined without reference to this paragraph, that the number of days in the year or period that precede 1 January 2016 is of 365.

2013, c. 10, s. 116.

1029.8.36.0.114. Where it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a taxation year is to cause a corporation to be deemed to have paid an amount to the Minister under this division for that year or to increase an amount that a corporation is deemed to have paid to the Minister under this division for that year, those corporations are deemed, for the purposes of this division, to be associated with each other in the year.

2013, c. 10, s. 116.

§ 3. — *Government assistance, non-government assistance and other particulars*

2013, c. 10, s. 116.

1029.8.36.0.115. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.36.0.109, the following rules apply:

(a) the amount of the corporation's qualified expenditure referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.109 is to be reduced, if applicable, by the amount of any government assistance or non-government assistance attributable to the expenditure that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of a partnership's qualified expenditure referred to in subparagraph 1 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.0.109, for a fiscal period of the partnership that ends in the taxation year of the corporation, is to be reduced, if applicable,

i. by the corporation's share, for that fiscal period, of the amount of any government assistance or non-government assistance attributable to the expenditure that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance attributable to the expenditure that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the partnership's fiscal period, of the amount of any government assistance or non-government assistance that the partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the corporation for the partnership's fiscal period that ends in its taxation year.

2013, c. 10, s. 116.

1029.8.36.0.116. If, in respect of a qualified expenditure of a qualified corporation or a qualified partnership, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to eligible work carried out under an eligible contract between the qualified corporation or qualified partnership and a qualified contractor, whether in the form of a repayment, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by the qualified corporation under section 1029.8.36.0.109, the amount of the corporation's qualified expenditure referred to in subparagraph i of subparagraph *a* of the first paragraph of that section is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister under section 1029.8.36.0.109 by a corporation that is a member of the qualified partnership for a taxation year, the corporation's share of the qualified expenditure referred to in subparagraph 1 of subparagraph ii of subparagraph *a* of the first paragraph of that section, for the partnership's fiscal period that ends in the taxation year, is to be reduced

i. by its share, for the fiscal period, of the amount of the benefit or advantage that a partnership or a person, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the qualified partnership's fiscal period in which the expenditure was incurred, and

ii. by the amount of the benefit or advantage that the corporation or a person with whom the corporation does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the qualified partnership's fiscal period in which the expenditure was incurred.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the qualified partnership's fiscal period, of the amount of the benefit or advantage that a partnership or a person has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the corporation for the qualified partnership's fiscal period that ends in its taxation year.

2013, c. 10, s. 116.

1029.8.36.0.117. If a corporation is deemed to have paid to the Minister, under section 1029.8.36.0.109, an amount on account of its tax payable under Part I for a particular taxation year, in relation to a qualified expenditure of the corporation for the particular taxation year or to a qualified expenditure of a partnership of which it is a member at the end of a particular fiscal period of the partnership that ends in the particular taxation year, in respect of a qualified tourist accommodation establishment, and, before 1 January 2018 and in a taxation year (in this section referred to as the "repayment year") in which the corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government

assistance or non-government assistance that reduced, in accordance with subparagraph *a* of the first paragraph of section 1029.8.36.0.115, the corporation's qualified expenditure for the particular taxation year, or in which ends a fiscal period of the partnership (in this section referred to as "fiscal period of repayment") in which the partnership or corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, in accordance with subparagraph *b* of the first paragraph of section 1029.8.36.0.115, the corporation's share of a qualified expenditure of the partnership for the particular fiscal period, the corporation is deemed, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for the repayment year and, in the case of a repayment made in the fiscal period of repayment, if it is a member of the partnership at the end of the fiscal period of repayment, to have paid to the Minister on the corporation's balance-due day for the repayment year on account of its tax payable for the year under this Part, an amount equal to the amount by which the particular amount it would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.0.109 for the particular year, in respect of such a qualified expenditure, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.109 in relation to such a qualified expenditure for the particular taxation year, or, in the case of a repayment made in the fiscal period of repayment, would be so deemed to have been paid to the Minister if the agreed proportion, in respect of the corporation for the particular fiscal period, were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year, in respect of an amount of assistance repaid by the corporation or partnership, or, in the case of a repayment made in the fiscal period of repayment, would be so deemed to have paid to the Minister if the agreed proportion, in respect of the corporation for the particular fiscal period, were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the repayment year reduced the amount of any government assistance or non-government assistance referred to in section 1029.8.36.0.115; and

(b) in the case of a repayment made in the fiscal period of repayment, the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2013, c. 10, s. 116.

1029.8.36.0.117.1. Where an amount of government assistance or non-government assistance or a corporation's share of an amount of government assistance or non-government assistance that reduced, in accordance with subparagraph *a* or *b* of the first paragraph of section 1029.8.36.0.115, the corporation's qualified expenditure for a particular taxation year or the corporation's share of the qualified expenditure of a partnership of which the corporation is a member at the end of a particular fiscal period of the partnership that ends in the particular taxation year, as the case may be, in respect of a qualified tourist accommodation establishment, is repaid before 1 January 2018 pursuant to a legal obligation by the corporation in a taxation year (in this section referred to as the "repayment year") or by the partnership in a fiscal period (in this section referred to as the "fiscal period of repayment"), and the amount that is the lesser of the amounts determined under subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.0.109 in respect of the corporation for the particular year, with reference to subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.0.115, does not exceed the balance of the threshold of the corporation's qualified expenditures for the particular year, the corporation is deemed, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for the repayment year and, in the case of a repayment made by the partnership, if it is a member of the partnership at the end of the fiscal period of repayment, to have paid to the Minister on the corporation's balance-due day for the repayment year on account of its tax payable for the year under this Part, an amount equal to the product obtained by multiplying the percentage described in the second paragraph by the amount by which the lesser of the following amounts exceeds the amount that would be the balance of the threshold of the corporation's qualified expenditures for the repayment year if

section 1029.8.36.0.107.1 were read without taking into account the application of this section in respect of the repayment year:

(a) the amount by which the lesser of the aggregate of all amounts each of which is the amount of government assistance or non-government assistance relating to the corporation's qualified expenditure, or the corporation's share of the amount of government assistance or non-government assistance relating to the partnership's qualified expenditure, if applicable, and the amount determined under subparagraph *b* of the first paragraph of section 1029.8.36.0.109 in respect of the corporation for the particular year exceeds the aggregate of all amounts each of which is the amount of a repayment of the government assistance or non-government assistance by the corporation in a taxation year preceding the repayment year, or the corporation's share of the amount of the repayment of the government assistance or non-government assistance by the partnership in a fiscal period preceding the fiscal period of repayment, if applicable; and

(b) the aggregate of all amounts each of which is the amount of repayment by the corporation in the repayment year, or the corporation's share of the amount of repayment by the partnership in the fiscal period of repayment, if applicable.

The percentage to which the first paragraph refers is the percentage that would apply under section 1029.8.36.0.109 in respect of the qualified expenditure if the corporation had been deemed to have paid an amount to the Minister under that section for the particular taxation year.

For the purposes of the first paragraph, a corporation's share of a particular amount, in relation to a qualified partnership of which it is a member at the end of a fiscal period, is equal to the agreed proportion of the amount, in respect of the corporation for the fiscal period.

2015, c. 21, s. 443.

1029.8.36.0.118. For the purposes of section 1029.8.36.0.117, an amount of assistance is deemed to be repaid by a corporation or partnership at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.0.115, a qualified expenditure or the share of a corporation that is a member of the partnership in such an expenditure, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.109;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership could reasonably expect to receive.

2013, c. 10, s. 116.

DIVISION II.6.0.11

CREDIT FOR THE MARKET DIVERSIFICATION OF MANUFACTURING BUSINESSES

2013, c. 10, s. 116.

§ 1. — *Interpretation*

2013, c. 10, s. 116.

1029.8.36.0.119. In this division,

"certificate of compliance" in relation to a qualified property of a corporation means a certificate issued to the corporation certifying that the property complies with standards prescribed by an Act or regulation applicable outside Québec where the corporation intends to commercialize the property;

"eligibility period" means the period that begins on 21 March 2012 and ends on 31 December 2015;

"eligible activities" of a corporation for a taxation year means the activities that the corporation carries on in the year and that are covered by the certificate referred to in the first paragraph of section 1029.8.36.0.120 that is issued to the corporation for the year;

"eligible certification costs" of a corporation for a particular taxation year in relation to a certificate of compliance issued in respect of a qualified property of the corporation for the particular year mean the amount by which the amount determined under the second paragraph is exceeded by the aggregate of the following expenses incurred by the corporation in the part of the eligibility period that is included in the particular year or in a preceding taxation year for which it was a qualified corporation, to the extent that they are reasonable in the circumstances:

(a) the fees charged by a certification body to issue a certificate of compliance to the corporation in relation to the qualified property; and

(b) the cost of a contract between the corporation and an outside consultant, other than a person with whom the corporation does not deal at arm's length, pursuant to which the outside consultant obtained, on behalf of the corporation, the certificate of compliance in relation to the qualified property;

"excluded corporation" for a particular taxation year means

(a) a corporation that is exempt from tax for the particular year under Book VIII, other than an insurer referred to in paragraph *k* of section 998, as it read before being struck out, that is not so exempt from tax on all of its taxable income for the particular year because of section 999.0.1, as it read before being repealed;

(b) a corporation that would be exempt from tax for the particular year under section 985, but for section 192; or

(c) a corporation whose assets shown in its financial statements submitted to the shareholders or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, for its taxation year that precedes the particular year, exceed $50,000,000;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation for the year, that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified property" of a corporation for a taxation year means a property that is manufactured by the corporation in an establishment of the corporation situated in Québec within the scope of its eligible activities for the year and in respect of which it has obtained at or before the end of the year, but before 1 January 2017, a certificate of compliance.

The amount to which the definition of "eligible certification costs" in the first paragraph refers is equal to the portion of the expenses described in that definition that was taken into account for the purpose of determining the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.120 for a taxation year preceding the particular year.

2013, c. 10, s. 116; 2019, c. 14, s. 350.

§ 2. — *Credit*

2013, c. 10, s. 116.

1029.8.36.0.120. A qualified corporation for a taxation year that holds, for the year, a valid certificate issued for the purposes of this division and that encloses with the fiscal return it is required to file for the year under section 1000 a copy of the certificate as well as the prescribed form containing prescribed information is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 24% of the aggregate of all amounts each of which is the eligible certification costs of the corporation for the year in relation to a certificate of compliance issued in respect of a qualified property of the corporation for the year, to the extent that those costs are paid.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2013, c. 10, s. 116; 2015, c. 21, s. 444.

1029.8.36.0.121. For the purposes of this division, the amount that a corporation is deemed to have paid to the Minister for a taxation year under this division may not exceed the amount by which $36,000 exceeds the amount by which the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister by the corporation under this division for a preceding taxation year exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay for the taxation year or a preceding taxation year under Part III.10.1.11, or under Part VI.3.1 in relation to the revocation or replacement of a certificate issued for the purposes of this division.

2013, c. 10, s. 116; 2015, c. 21, s. 445.

§ 3. — *Government assistance, non-government assistance and other particulars*

2013, c. 10, s. 116.

1029.8.36.0.122. For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a qualified corporation under section 1029.8.36.0.120, the aggregate of the eligible certification costs that are referred to in the first paragraph of that section must be reduced, where applicable, by the amount of any government assistance or non-government assistance, attributable to those costs, that the qualified corporation has received, is entitled to receive or may reasonably expect to receive on or before its filing-due date for that year.

2013, c. 10, s. 116.

1029.8.36.0.123. If, before 1 January 2018, a corporation pays in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that was taken into account for the purpose of computing the eligible certification costs of the corporation for a particular taxation year in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.120 for the particular taxation year, the corporation is deemed to have paid to the Minister for the repayment year, if it encloses the prescribed form with the fiscal return it is required to file for that year under section 1000, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year under section 1029.8.36.0.120 in respect of those eligible certification costs if any amount of assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.0.122, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.0.120 in respect of those eligible certification costs; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

2013, c. 10, s. 116.

1029.8.36.0.124. For the purposes of section 1029.8.36.0.123, an amount of assistance is deemed to be repaid at a particular time by a corporation, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.0.122, the eligible certification costs for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.120;

(b) was not received by the corporation; and

(c) ceased at the particular time to be an amount that the corporation may reasonably expect to receive.

2013, c. 10, s. 116.

1029.8.36.0.125. If, in respect of eligible certification costs of a qualified corporation, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than the benefit or advantage that consists in the obtention by the corporation of a certificate of compliance in relation to a qualified property of the corporation, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.120, the amount of the eligible certification costs of the qualified corporation that are referred to in the first paragraph of that section is to be reduced by the amount of the benefit or advantage relating to those costs that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for that taxation year.

2013, c. 10, s. 116.

DIVISION II.6.1

Repealed, 1995, c. 63, s. 177.

1995, c. 1, s. 157; 1995, c. 63, s. 177.

§ 1. —

Repealed, 1995, c. 63, s. 177.

1995, c. 1, s. 157; 1995, c. 63, s. 177.

1029.8.36.1. *(Repealed).*

1995, c. 1, s. 157; 1995, c. 63, s. 177.

§ 2. —

Repealed, 1995, c. 63, s. 177.

1995, c. 1, s. 157; 1995, c. 63, s. 177.

1029.8.36.2. *(Repealed).*

1995, c. 1, s. 157; 1995, c. 63, s. 177.

1029.8.36.3. *(Repealed).*

1995, c. 1, s. 157; 1995, c. 63, s. 177.

DIVISION II.6.2

DESIGN CREDIT

1995, c. 1, s. 157.

§ 1. — *Interpretation and general provisions*

1995, c. 1, s. 157.

1029.8.36.4. In this division,

"apparent payment" means an amount paid or payable by a qualified outside consultant for the use of premises, installations or equipment, or for the supply of services, that may reasonably be considered to be included in an expenditure referred to in section 1029.8.36.5 or 1029.8.36.6;

"contract payment" means an amount payable under a contract by the Government of Canada or of a province, by a municipality or other Canadian public authority or by a person exempt from tax under this Part by reason of Book VIII, to the extent that it may reasonably be considered that the amount payable relates to a design or pattern drafting activity of a qualified corporation or qualified partnership, as the case may be, and up to the amount incurred by the qualified corporation or qualified partnership in respect of that activity;

"qualified designer" means an individual who holds, in that capacity, a certificate of qualification issued by the Minister of Economy and Innovation for the purposes of this division;

"qualified corporation", for a taxation year, means a corporation that, in the year, has an establishment in Québec and carries on a qualified business in Québec, but does not include

(a) a corporation that is exempt from tax for the year under Book VIII; or

(b) a corporation that would be exempt from tax for the year under section 985 but for section 192;

(c) *(paragraph repealed)*;

(d) *(paragraph repealed)*;

"qualified outside consultant" means a person or partnership that holds, in that capacity, a certificate of qualification issued by the Minister of Economy and Innovation for the purposes of this division;

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

"qualified patternmaker" means an individual who holds, in that capacity, a certificate of qualification issued by the Minister of Economy and Innovation for the purposes of this division;

"wages" means the income computed, for a particular period, pursuant to Chapters I and II of Title II of Book III.

1995, c. 1, s. 157; 1995, c. 63, s. 178; 1997, c. 3, s. 62; 1997, c. 31, s. 143; 1998, c. 16, s. 230; 1999, c. 83, s. 208; 2000, c. 5, s. 262; 2000, c. 39, s. 177; 2001, c. 51, s. 228; 2001, c. 53, s. 260; 2002, c. 9, s. 84; 2004, c. 21, s. 348; 2005, c. 1, s. 241; 2006, c. 13, s. 135; 2019, c. 14, s. 351; 2019, c. 29, s. 1.

1029.8.36.4.1. *(Repealed).*

1995, c. 63, s. 179; 1997, c. 3, s. 71; 1997, c. 14, s. 222.

§ 2. — *Credits*

1995, c. 1, s. 157.

1029.8.36.5. A qualified corporation in respect of which the Minister of Economy and Innovation issues a certificate for a particular taxation year, in respect of a design activity, in connection with a business it carries on in Québec, carried out under a contract entered into with a qualified outside consultant and that encloses the documents referred to in the sixth paragraph with the fiscal return it is required to file under section 1000 for the particular year, is deemed, subject to the third paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 12% of

(a) if the qualified corporation is not dealing at arm's length with the qualified outside consultant at the time the contract is entered into, the aggregate of all amounts each of which, determined in relation to a qualified designer or, as the case may be, to a qualified patternmaker, who reports for work at an establishment of the qualified outside consultant situated in Québec, is the expenditure that it incurs in the particular year, to the extent that the expenditure is paid, and that is the least of

i. the part of the cost of the contract that may reasonably be attributed to the wages paid by the qualified outside consultant to the qualified designer or qualified patternmaker in a taxation year of the qualified outside consultant or, if the qualified outside consultant is a partnership, in a fiscal period of the qualified outside consultant and before the end of the particular year, in relation to the part of the design activity, or to the part of the pattern drafting activity provided for in the contract, that is carried out in Québec in the particular year or in a preceding taxation year, or that could be so attributed if the qualified outside consultant had such employees,

ii. $60,000, if the wages referred to in subparagraph i, in relation to a taxation year or fiscal period of the qualified outside consultant, are paid or, as the case may be, deemed to be paid to a qualified designer, and

iii. $40,000, if the wages referred to in subparagraph i, in relation to a taxation year or fiscal period of the qualified outside consultant, are paid or, as the case may be, deemed to be paid to a qualified patternmaker; and

(b) if the qualified corporation is dealing at arm's length with the qualified outside consultant at the time the contract is entered into, the expenditure that it incurs in the year and that is 65% of all or part of the cost of the contract that may reasonably be attributed to the design activity or to a pattern drafting activity provided for in the contract that the qualified outside consultant carried out in Québec in the particular year or a preceding taxation year, to the extent that the expenditure is paid.

For the purposes of the first paragraph, where an expenditure incurred in a taxation year is reasonably attributable to the carrying out of a design activity in a taxation year subsequent to the year, the expenditure is deemed to be incurred in that subsequent taxation year.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but

otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

However, the first paragraph does not apply to a qualified corporation whose gross revenue for the particular year from the carrying on of the business referred to in that paragraph is less than $150,000 or, if the taxation year of a qualified corporation has fewer than 52 weeks, less than the amount obtained by multiplying $150,000 by the proportion that the number of weeks in the taxation year is of 52.

For the purposes of subparagraphs ii and iii of subparagraph *a* of the first paragraph, the amount of $60,000 or $40,000 is to be replaced by the amount obtained by multiplying that amount by the proportion that the number of days in the taxation year or fiscal period of the qualified outside consultant during which the qualified designer or qualified patternmaker, as the case may be, reports for work at an establishment of the employer situated in Québec and during which the qualified designer or qualified patternmaker carries out the design activity or the pattern drafting activity provided for in the contract, is of 365.

The documents to which the first paragraph refers are

(a) the prescribed form containing the prescribed information;

(b) a copy of the certificate issued for the particular year to the qualified corporation by the Minister of Economy and Innovation; and

(c) a copy of the certificate of qualification issued to the qualified outside consultant by the Minister of Economy and Innovation.

1995, c. 1, s. 157; 1995, c. 63, s. 180; 1997, c. 3, s. 71; 1997, c. 14, s. 223; 1997, c. 31, s. 143; 1999, c. 8, s. 20; 2001, c. 51, s. 169; 2003, c. 9, s. 276; 2003, c. 29, s. 135; 2004, c. 21, s. 349; 2006, c. 13, s. 136; 2015, c. 21, s. 446; 2019, c. 14, s. 352; 2019, c. 29, s. 1.

1029.8.36.6. If the Minister of Economy and Innovation issues a certificate to a qualified partnership for a particular fiscal period, in respect of a design activity, in connection with a business it carries on in Québec, carried out under a contract entered into with a qualified outside consultant, each qualified corporation that is a member of the qualified partnership at the end of that fiscal period and that encloses the documents referred to in the sixth paragraph with the fiscal return it is required to file under section 1000 for its taxation year in which the particular fiscal period ends, is deemed, subject to the third paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 12% of its share of

(a) if the qualified partnership is not dealing at arm's length with the qualified outside consultant at the time the contract is entered into, the aggregate of all amounts each of which, determined in relation to a qualified designer or, as the case may be, to a qualified patternmaker, who reports for work at an establishment of the qualified outside consultant situated in Québec, is the expenditure that it incurs in the particular fiscal period, to the extent that the expenditure is paid, and that is the least of

i. the part of the cost of the contract that may reasonably be attributed to the wages paid by the qualified outside consultant to the qualified designer or qualified patternmaker in a taxation year of the qualified outside consultant or, if the qualified outside consultant is a partnership, in a fiscal period of the qualified outside consultant and before the end of the particular fiscal period, in relation to the part of the design activity, or to the part of the pattern drafting activity provided for in the contract, that is carried out in Québec in the particular fiscal period or in a preceding fiscal period, or that could be so attributed if the qualified outside consultant had such employees,

ii. $60,000, if the wages referred to in subparagraph i, in relation to a taxation year or fiscal period of the qualified outside consultant, are paid or, as the case may be, deemed to be paid to a qualified designer, and

iii. $40,000, if the wages referred to in subparagraph i, in relation to a taxation year or fiscal period of the qualified outside consultant, are paid or, as the case may be, deemed to be paid to a qualified patternmaker; and

(b) if the qualified partnership is dealing at arm's length with the qualified outside consultant at the time the contract is entered into, the expenditure that the qualified partnership incurs in the particular fiscal period and that is 65% of all or part of the cost of the contract that may reasonably be attributed to the design activity or to a pattern drafting activity provided for in the contract that the qualified outside consultant carried out in Québec in the particular fiscal period or a preceding fiscal period, to the extent that the expenditure is paid.

For the purposes of the first paragraph,

(a) where an expenditure incurred in a fiscal period is reasonably attributable to the carrying out of a design activity in a fiscal period subsequent to the period, the expenditure is deemed to be incurred in that subsequent fiscal period; and

(b) a qualified corporation's share of an expenditure incurred by a qualified partnership of which the qualified corporation is a member is equal to the agreed proportion of the expenditure in respect of the qualified corporation for the partnership's fiscal period that ends in its taxation year.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for its taxation year in which the fiscal period of the qualified partnership ends, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

However, the first paragraph does not apply where the amount that would be the qualified partnership's gross revenue for the particular fiscal period from the carrying on of the business referred to in that paragraph, if, for the purposes of the definition of "gross revenue" in section 1, the qualified partnership were a corporation, is less than $150,000 or, where the qualified partnership's fiscal period has fewer than 52 weeks, less than the amount obtained by multiplying $150,000 by the proportion that the number of weeks in the fiscal period is of 52.

For the purposes of subparagraphs ii and iii of subparagraph *a* of the first paragraph, the amount of $60,000 or $40,000 is to be replaced by the amount obtained by multiplying that amount by the proportion that the number of days in the taxation year or fiscal period of the qualified outside consultant during which the qualified designer or qualified patternmaker, as the case may be, reports for work at an establishment of the employer situated in Québec and during which the qualified designer or qualified patternmaker carries out the design activity or the pattern drafting activity provided for in the contract, is of 365.

The documents to which the first paragraph refers are

(a) the prescribed form containing the prescribed information;

(b) a copy of the certificate issued for the particular fiscal period to the qualified partnership by the Minister of Economy and Innovation; and

(c) a copy of the certificate of qualification issued to the qualified outside consultant by the Minister of Economy and Innovation.

1995, c. 1, s. 157; 1995, c. 63, s. 181; 1997, c. 3, s. 71; 1997, c. 14, s. 224; 1997, c. 31, s. 143; 1999, c. 8, s. 20; 2001, c. 51, s. 170; 2003, c. 9, s. 277; 2003, c. 29, s. 135; 2004, c. 21, s. 350; 2006, c. 13, s. 137; 2009, c. 15, s. 258; 2015, c. 21, s. 447; 2019, c. 14, s. 353 ; 2019, c. 29, s. 1.

1029.8.36.7. A qualified corporation in respect of which the Minister of Economy and Innovation issues a certificate for a period of a taxation year, in respect of a design activity in connection with a business it carries on in Québec and that encloses the documents referred to in the sixth paragraph with the fiscal return it is required to file under section 1000 for the year, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 12% of the aggregate of

(a) the aggregate of all amounts each of which is the lesser of

i. the wages incurred by the qualified corporation, as part of the design activity and in the period described in the certificate, in respect of a qualified designer who reports for work at an establishment of the qualified corporation situated in Québec, to the extent that the wages are paid and are reasonably attributable to the carrying out of the design activity in Québec in the period, and

ii. $60,000; and

(b) the aggregate of all amounts each of which is the lesser of

i. the wages incurred by the qualified corporation, as part of a pattern drafting activity that derives from the design activity and in the period described in the certificate, in respect of a qualified patternmaker who reports for work at an establishment of the qualified corporation situated in Québec, to the extent that the wages are paid and are reasonably attributable to the carrying out of the pattern drafting activity in Québec in the period, and

ii. $40,000.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph,

(a) if wages incurred in a taxation year are reasonably attributable to the carrying out of a design activity or pattern drafting activity in a taxation year subsequent to the year, the wages are deemed to be incurred in that subsequent taxation year; and

(b) if wages incurred in a period, in respect of a qualified designer or qualified patternmaker, are attributable, in a proportion of at least 90%, to the carrying out of a design activity or pattern drafting activity,

as the case may be, the wages are deemed to be wholly attributable to that design activity or pattern drafting activity.

However, the first paragraph does not apply to a qualified corporation whose gross revenue for the year from the carrying on of the business referred to in that paragraph is less than $150,000 or, where the taxation year of a qualified corporation has fewer than 52 weeks, less than the amount obtained by multiplying $150,000 by the proportion that the number of weeks in the taxation year is of 52.

For the purposes of subparagraph ii of subparagraphs *a* and *b* of the first paragraph, the amount of $60,000 or $40,000 is to be replaced by the amount obtained by multiplying that amount by the proportion that the number of days during which the qualified designer or qualified patternmaker is an employee of the qualified corporation in the period referred to in subparagraph i of that subparagraph *a* or *b*, is of 365.

The documents to which the first paragraph refers are

(a) the prescribed form containing the prescribed information;

(b) a copy of the certificate issued for a period of the year to the qualified corporation by the Minister of Economy and Innovation; and

(c) a copy of any certificate of qualification issued by the Minister of Economy and Innovation to a qualified designer or qualified patternmaker referred to in the first paragraph.

1995, c. 1, s. 157; 1995, c. 63, s. 182; 1997, c. 3, s. 71; 1997, c. 14, s. 225; 1997, c. 31, s. 143; 1999, c. 8, s. 20; 1999, c. 83, s. 329; 2001, c. 51, s. 171; 2003, c. 9, s. 278; 2003, c. 29, s. 135; 2004, c. 21, s. 351; 2006, c. 13, s. 138; 2015, c. 21, s. 448; 2019, c. 14, s. 354 ; 2019, c. 29, s. 1.

1029.8.36.7.1. If the Minister of Economy and Innovation issues a certificate to a qualified partnership for a period of a fiscal period, in respect of a design activity in connection with a business it carries on in Québec, each qualified corporation that is a member of the qualified partnership at the end of that fiscal period and that encloses the documents referred to in the sixth paragraph with the fiscal return it is required to file under section 1000 for its taxation year in which the partnership's fiscal period ends, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 12% of its share of the aggregate of

(a) the aggregate of all amounts each of which is the lesser of

i. the wages incurred by the qualified partnership, as part of the design activity and in the period described in the certificate, in respect of a qualified designer who reports for work at an establishment of the qualified partnership situated in Québec, to the extent that the wages are paid and are reasonably attributable to the carrying out of the design activity in Québec in the period, and

ii. $60,000; and

(b) the aggregate of all amounts each of which is the lesser of

i. the wages incurred by the qualified partnership, as part of a pattern drafting activity that derives from the design activity and in the period described in the certificate, in respect of a qualified patternmaker who reports for work at an establishment of the qualified partnership situated in Québec, to the extent that the wages are paid and are reasonably attributable to the carrying out of the pattern drafting activity in Québec in the period, and

ii. $40,000.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175

and 1175.19 where they refer to that subparagraph *a*, for its taxation year in which the fiscal period of the qualified partnership ends, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The first paragraph applies with reference to the following rules:

(a) if wages incurred in a fiscal period are reasonably attributable to the carrying out of a design activity or pattern drafting activity in a fiscal period subsequent to the fiscal period, the wages are deemed to be incurred in that subsequent fiscal period;

(b) if wages incurred in a period, in respect of a qualified designer or qualified patternmaker, are attributable, in a proportion of at least 90%, to the carrying out of a design activity or pattern drafting activity, as the case may be, the wages are deemed to be wholly attributable to that design activity or pattern drafting activity; and

(c) a qualified corporation's share of wages incurred by a qualified partnership of which the qualified corporation is a member is equal to the agreed proportion of the wages in respect of the qualified corporation for the partnership's fiscal period that ends in its taxation year.

However, the first paragraph does not apply where the amount that would be the qualified partnership's gross revenue for the fiscal period from the carrying on of the business referred to in that paragraph, if, for the purposes of the definition of "gross revenue" in section 1, the qualified partnership were a corporation, is less than $150,000 or, where the qualified partnership's fiscal period has fewer than 52 weeks, less than the amount obtained by multiplying $150,000 by the proportion that the number of weeks in the fiscal period is of 52.

For the purposes of subparagraph ii of subparagraphs *a* and *b* of the first paragraph, the amount of $60,000 or $40,000 is to be replaced by the amount obtained by multiplying that amount by the proportion that the number of days during which the qualified designer or qualified patternmaker is an employee of the qualified partnership in the period referred to in subparagraph i of that subparagraph *a* or *b*, is of 365.

The documents to which the first paragraph refers are

(a) the prescribed form containing the prescribed information;

(b) a copy of the certificate issued for a period of the fiscal period to the qualified partnership by the Minister of Economy and Innovation; and

(c) a copy of any certificate of qualification issued by the Minister of Economy and Innovation to a qualified designer or qualified patternmaker referred to in the first paragraph.

2006, c. 13, s. 139; 2009, c. 15, s. 259; 2015, c. 21, s. 449; 2019, c. 14, s. 355; 2019, c. 29, s. 1.

1029.8.36.7.2. For the purposes of sections 1029.8.36.5 to 1029.8.36.7.1,

(a) if, during all or part of a taxation year or fiscal period, an employee reports for work at an establishment of the employer situated in Québec and at an establishment of the employer situated outside Québec, the employee is, for that period, deemed

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the employer situated outside Québec; and

(b) if, during all or part of a taxation year or fiscal period, an employee is not required to report for work at an establishment of the employer and the employee's salary or wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

2006, c. 13, s. 139.

1029.8.36.8. *(Repealed).*

1995, c. 1, s. 157; 1995, c. 63, s. 183; 1997, c. 14, s. 226; 1999, c. 83, s. 209; 2000, c. 39, s. 178; 2001, c. 51, s. 172.

1029.8.36.9. *(Repealed).*

1995, c. 1, s. 157; 1997, c. 14, s. 227; 1999, c. 83, s. 210; 2000, c. 39, s. 179; 2001, c. 51, s. 172.

1029.8.36.10. Where the assets of a corporation referred to in section 1029.8.36.5 or 1029.8.36.7 or of a partnership referred to in section 1029.8.36.6 or 1029.8.36.7.1 that are shown in the financial statements submitted to the shareholders of the corporation or members of the partnership, as the case may be, or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, for its preceding taxation year or its preceding fiscal period, as the case may be, or, where the corporation or partnership is in its first fiscal period, at the beginning of its first fiscal period, were less than $75,000,000, the rate of "12%" mentioned in any of those sections 1029.8.36.5 to 1029.8.36.7.1 is to be replaced by the rate determined by the formula

24% - {[(A - $50,000,000)/$25,000,000] × 12%}.

In the formula in the first paragraph, A is the greater of $50,000,000 and

(a) when determining the rate for the purposes of section 1029.8.36.5 or 1029.8.36.7, the amount of the assets of the corporation determined as provided in this subdivision; or

(b) when determining the rate for the purposes of section 1029.8.36.6 or 1029.8.36.7.1, the amount of assets of the partnership determined as provided in this subdivision.

Where the corporation referred to in the first paragraph is a cooperative, the first paragraph shall be read as if the reference therein to "submitted to the shareholders" were a reference to "submitted to the members".

1995, c. 1, s. 157; 1995, c. 63, s. 184; 1997, c. 3, s. 71; 1997, c. 14, s. 228; 2000, c. 39, s. 180; 2001, c. 51, s. 173; 2004, c. 21, s. 352; 2006, c. 13, s. 140; 2007, c. 12, s. 182; 2015, c. 21, s. 450; 2022, c. 23, s. 98.

1029.8.36.11. For the purposes of section 1029.8.36.10, in computing the assets of a corporation or a partnership at the time referred to in that section, the amount representing the surplus reassessment of its

property and the amount of its incorporeal assets must be subtracted, to the extent that the amount indicated in their respect exceeds the expenditure made in their respect.

For the purposes of the first paragraph, all or part of an expenditure made in respect of incorporeal assets of a corporation or a partnership is deemed to be nil if all or the part of that expenditure consists

(a) in the case of a corporation or of a corporation that is a cooperative, of a share of its capital stock; or

(b) in the case of a partnership, of an interest in the partnership.

1995, c. 1, s. 157; 1997, c. 3, s. 71; 1997, c. 14, s. 229; 2005, c. 1, s. 242; 2022, c. 23, s. 99.

1029.8.36.12. For the purposes of section 1029.8.36.10, the assets of a corporation or partnership that is associated in a taxation year or fiscal period, as the case may be, with one or more other corporations or partnerships is equal to the amount by which the aggregate of the assets of the corporation or partnership, as the case may be, and the assets of each corporation or partnership associated with it, as determined under sections 1029.8.36.10 and 1029.8.36.11, exceeds the aggregate of the amount of investments the corporations and partnerships own in each other and the balance of accounts between the corporations and partnerships.

1995, c. 1, s. 157; 1997, c. 3, s. 71; 2022, c. 23, s. 100.

1029.8.36.13. *(Repealed).*

1995, c. 1, s. 157; 1997, c. 3, s. 71; 1997, c. 14, s. 230.

1029.8.36.14. *(Repealed).*

1995, c. 1, s. 157; 1997, c. 3, s. 71; 1997, c. 14, s. 230.

1029.8.36.15. For the purposes of sections 1029.8.36.10 to 1029.8.36.12, where a particular corporation referred to in section 1029.8.36.5 or 1029.8.36.7 or a particular partnership referred to in section 1029.8.36.6 or 1029.8.36.7.1, as the case may be, or a corporation or partnership associated with it reduces its assets by any transaction in a taxation year or fiscal period and, but for that reduction, the particular corporation or particular partnership would not be contemplated in section 1029.8.36.10, the assets are deemed not to have been so reduced unless the Minister decides otherwise.

1995, c. 1, s. 157; 1997, c. 3, s. 71; 1997, c. 14, s. 231; 2006, c. 13, s. 141; 2022, c. 23, s. 101.

1029.8.36.16. *(Repealed).*

1995, c. 1, s. 157; 1995, c. 63, s. 185; 1997, c. 3, s. 71; 1997, c. 14, s. 232; 1999, c. 8, s. 20; 2001, c. 51, s. 174; 2003, c. 29, s. 135; 2006, c. 13, s. 142; 2007, c. 12, s. 183; 2012, c. 8, s. 215.

1029.8.36.17. *(Repealed).*

1995, c. 1, s. 157; 1995, c. 63, s. 186.

§ 3. — *Government assistance, non-government assistance, contract payment and other particulars*

1995, c. 1, s. 157; I.N. 2018-06-05.

1029.8.36.18. For the purpose of computing the amount that is deemed to have been paid to the Minister, for a taxation year, by a qualified corporation under section 1029.8.36.5 or 1029.8.36.6, the following rules apply:

(a) the wages referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.5 and paid to a qualified designer or qualified patternmaker by a qualified outside consultant are to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government

assistance, attributable to the wages, that the qualified outside consultant or qualified corporation has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for the taxation year;

(b) the expenditure referred to in subparagraph *b* of the first paragraph of section 1029.8.36.5 is to be reduced, where applicable, by the amount of any contract payment, government assistance, non-government assistance or apparent payment, attributable to the expenditure, that the qualified corporation or, in the case of an apparent payment, a person with whom the qualified corporation does not deal at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for the taxation year;

(c) the share of a qualified corporation that is a member of a qualified partnership of wages referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.6 and paid to a qualified designer or qualified patternmaker by a qualified outside consultant is to be reduced, where applicable,

i. by its share of the amount of any contract payment, government assistance or non-government assistance, attributable to the wages, that the qualified outside consultant or qualified partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the wages were incurred, or

ii. by the amount of any contract payment, government assistance or non-government assistance, attributable to the wages, that the qualified corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the wages were incurred; and

(d) the share of a qualified corporation that is a member of a qualified partnership of an expenditure referred to in subparagraph *b* of the first paragraph of section 1029.8.36.6 is to be reduced, where applicable,

i. by its share of the amount of any contract payment, government assistance, non-government assistance or apparent payment, attributable to the expenditure, that the qualified partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the expenditure was incurred, or

ii. by the amount of any contract payment, government assistance, non-government assistance or apparent payment, attributable to the expenditure, that the qualified corporation or, in the case of an apparent payment, a person with whom the qualified corporation does not deal at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the expenditure was incurred.

For the purposes of subparagraph i of subparagraphs *c* and *d* of the first paragraph, the qualified corporation's share of the amount of any contract payment, government assistance, non-government assistance or apparent payment that the qualified partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the qualified corporation for the partnership's fiscal period that ends in its taxation year.

1995, c. 1, s. 157; 1995, c. 63, s. 187; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2006, c. 13, s. 143; 2009, c. 15, s. 260.

1029.8.36.18.1. For the purpose of computing the amount that is deemed to have been paid to the Minister, for a taxation year, by a qualified corporation under section 1029.8.36.7 or 1029.8.36.7.1, the following rules apply:

(a) the wages incurred by the qualified corporation and referred to in subparagraph i of subparagraph *a* or *b* of the first paragraph of section 1029.8.36.7 are to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance, attributable to the wages, that the qualified corporation has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for the taxation year;

(b) the share of a qualified corporation that is a member of a qualified partnership of wages referred to in subparagraph i of subparagraph *a* or *b* of the first paragraph of section 1029.8.36.7.1 and incurred by the qualified partnership is to be reduced, where applicable,

i. by its share of the amount of any contract payment, government assistance or non-government assistance, attributable to the wages, that the qualified partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the wages were incurred, or

ii. by the amount of any contract payment, government assistance or non-government assistance, attributable to the wages, that the qualified corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period of the partnership in which the wages were incurred.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the qualified corporation's share of the amount of any contract payment, government assistance or non-government assistance that the qualified partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the qualified corporation for the partnership's fiscal period that ends in its taxation year.

2006, c. 13, s. 144; 2009, c. 15, s. 261.

1029.8.36.18.2. If, in respect of a contract entered into with a qualified outside consultant providing for the carrying out of a design activity, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the carrying out of the design activity, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a qualified corporation under section 1029.8.36.5, the expenditure referred to in that section is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister under section 1029.8.36.6 by a qualified corporation that is a member of a qualified partnership for a taxation year, the qualified corporation's share of the expenditure referred to in that section is to be reduced

i. by its share of the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period of the qualified partnership in which the expenditure was incurred, and

ii. by the amount of the benefit or advantage that the qualified corporation or a person with whom the qualified corporation does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period of the qualified partnership in which the expenditure was incurred.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the qualified corporation's share of the amount of the benefit or advantage that a partnership or person has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the qualified corporation for the qualified partnership's fiscal period that ends in its taxation year.

2006, c. 13, s. 144; 2009, c. 15, s. 262.

1029.8.36.18.3. If, in respect of the employment of an individual with a qualified corporation or qualified partnership as a qualified designer or qualified patternmaker, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the employment, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by the qualified corporation under section 1029.8.36.7, the wages incurred by the qualified corporation and referred to in subparagraph i of subparagraph *a* or *b* of the first paragraph of section 1029.8.36.7, in respect of the qualified corporation for the taxation year, in relation to the qualified designer or qualified patternmaker, are to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister under section 1029.8.36.7.1 by a qualified corporation that is a member of the qualified partnership for a taxation year, the qualified corporation's share of wages incurred by the qualified partnership and referred to in subparagraph i of subparagraph *a* or *b* of the first paragraph of section 1029.8.36.7.1, in respect of the qualified corporation for the taxation year, in relation to the qualified designer or qualified patternmaker, is to be reduced

i. by its share of the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period of the qualified partnership in which the wages were incurred, and

ii. by the amount of the benefit or advantage that the qualified corporation or a person with whom the qualified corporation does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period of the qualified partnership in which the wages were incurred.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the qualified corporation's share of the amount of the benefit or advantage that a partnership or person has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the qualified corporation for the qualified partnership's fiscal period that ends in its taxation year.

2006, c. 13, s. 144; 2009, c. 15, s. 263.

1029.8.36.19. *(Repealed).*

1995, c. 1, s. 157; 1995, c. 63, s. 188.

1029.8.36.20. If, in a taxation year, in this section referred to as the "repayment year", a qualified corporation or a qualified outside consultant with whom it has entered into a contract for the carrying out of a design activity pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, in accordance with subparagraph *a* or *b* of the first paragraph of section 1029.8.36.18, an expenditure incurred by the qualified corporation in a particular taxation year for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.5, the qualified corporation is deemed, if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file under section 1000 for the repayment year, to have paid to the Minister on the qualified corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year under section 1029.8.36.5 in respect of the expenditure, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the government assistance or non-government assistance, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.5 in respect of the expenditure; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

1995, c. 1, s. 157; 1995, c. 63, s. 189; 1997, c. 3, s. 71; 1999, c. 8, s. 20; 2001, c. 51, s. 175; 2003, c. 29, s. 135; 2006, c. 13, s. 145; 2006, c. 36, s. 306.

1029.8.36.21. If, in a fiscal period, in this section referred to as the "fiscal period of repayment", a qualified partnership or a qualified outside consultant with whom it has entered into a contract for the carrying out of a design activity pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, in accordance with subparagraph i of subparagraph *c* or *d* of the first paragraph of section 1029.8.36.18, the share of a corporation that is a member of the qualified partnership of an expenditure incurred by the qualified partnership in a particular fiscal period for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.6, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed, if it is a member of the qualified partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file under section 1000, for its taxation year in which the fiscal period of repayment ends, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.6 for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.6, for its taxation year in which the particular fiscal period ends, in respect of the expenditure incurred by the qualified partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount paid by the qualified partnership or the qualified outside consultant, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *c* or *d* of the first paragraph of section 1029.8.36.18; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

1995, c. 1, s. 157; 1995, c. 63, s. 189; 1997, c. 3, s. 71; 1999, c. 8, s. 20; 2001, c. 51, s. 176; 2003, c. 29, s. 135; 2006, c. 13, s. 145; 2006, c. 36, s. 306; 2009, c. 15, s. 264.

1029.8.36.22. If, in a fiscal period, in this section referred to as the "fiscal period of repayment", a qualified corporation that is a member of a qualified partnership at the end of the fiscal period of repayment pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that the qualified corporation has received and that reduced, in accordance with subparagraph ii of subparagraph *c* or *d* of the first paragraph of section 1029.8.36.18, the qualified corporation's share of an expenditure incurred by the qualified partnership in a particular fiscal period for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister under section 1029.8.36.6, in respect of the share, for its taxation year in which the particular fiscal period ended, the qualified corporation is deemed, if it encloses the prescribed form

containing the prescribed information with the fiscal return it is required to file under section 1000, for its taxation year in which the fiscal period of repayment ends, to have paid to the Minister on the qualified corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the particular amount that the qualified corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.6 for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

(a) the amount that the qualified corporation would be deemed to have paid to the Minister under section 1029.8.36.6, for its taxation year in which the particular fiscal period ends, in respect of the expenditure incurred by the qualified partnership, if the agreed proportion in respect of the qualified corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the qualified corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount paid by the qualified corporation, if the agreed proportion in respect of the qualified corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *c* or *d* of the first paragraph of section 1029.8.36.18; and

(b) the agreed proportion in respect of the qualified corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

1995, c. 1, s. 157; 1995, c. 63, s. 189; 1997, c. 3, s. 71; 1999, c. 8, s. 20; 2001, c. 51, s. 177; 2003, c. 29, s. 135; 2006, c. 13, s. 145; 2006, c. 36, s. 306; 2009, c. 15, s. 265.

1029.8.36.23. If, in a taxation year, in this section referred to as the "repayment year", a qualified corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of wages incurred in respect of a qualified designer or qualified patternmaker, in accordance with subparagraph *a* of the first paragraph of section 1029.8.36.18.1, in respect of which the qualified corporation is deemed to have paid an amount to the Minister under section 1029.8.36.7 for a particular taxation year, the qualified corporation is deemed, if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file under section 1000 for the repayment year, to have paid to the Minister on the qualified corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year under section 1029.8.36.7 in respect of the wages, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the government assistance or non-government assistance, exceeds the aggregate of

(a) the amount that the qualified corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.7 in respect of the wages incurred in relation to the qualified designer or qualified patternmaker; and

(b) any amount that the qualified corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount paid by the qualified corporation as repayment of that assistance.

1995, c. 1, s. 157; 1995, c. 63, s. 189; 1997, c. 3, s. 71; 1997, c. 85, s. 258; 1998, c. 16, s. 231; 1999, c. 8, s. 20; 2001, c. 7, s. 169; 2001, c. 51, s. 178; 2003, c. 29, s. 135; 2006, c. 13, s. 145; 2006, c. 36, s. 306.

1029.8.36.23.1. If, in a fiscal period, in this section referred to as the "fiscal period of repayment", a qualified partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be

a repayment of government assistance or non-government assistance that reduced, in accordance with subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.18.1, the share of a qualified corporation that is a member of the qualified partnership of the amount of wages incurred by the qualified partnership in a particular fiscal period, in respect of a qualified designer or qualified patternmaker, for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister under section 1029.8.36.7.1, for its taxation year in which the particular fiscal period ended, the qualified corporation is deemed, if it is a member of the qualified partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file under section 1000, for its taxation year in which the fiscal period of repayment ends, to have paid to the Minister on the qualified corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the particular amount that the qualified corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.7.1 for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

(a) the amount that the qualified corporation would be deemed to have paid to the Minister under section 1029.8.36.7.1, for its taxation year in which the particular fiscal period ends, in respect of the wages incurred by the qualified partnership in relation to the qualified designer or qualified patternmaker, if the agreed proportion in respect of the qualified corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the qualified corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount paid by the qualified partnership, if the agreed proportion in respect of the qualified corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.18.1; and

(b) the agreed proportion in respect of the qualified corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2006, c. 13, s. 146; 2006, c. 36, s. 148; 2009, c. 15, s. 266.

1029.8.36.23.2. If, in a fiscal period, in this section referred to as the "fiscal period of repayment", a qualified corporation that is a member of a qualified partnership at the end of the fiscal period of repayment pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that the qualified corporation received and that reduced, in accordance with subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.18.1, the qualified corporation's share of the amount of wages incurred by the qualified partnership in a particular fiscal period, in respect of a qualified designer or qualified patternmaker, for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister under section 1029.8.36.7.1, for its taxation year in which the particular fiscal period ends, the qualified corporation is deemed, if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file under section 1000, for its taxation year in which the fiscal period of repayment ends, to have paid to the Minister on the qualified corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the particular amount that the qualified corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.7.1 for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

(a) the amount that the qualified corporation would be deemed to have paid to the Minister under section 1029.8.36.7.1, for its taxation year in which the particular fiscal period ends, in respect of the share, if the

agreed proportion in respect of the qualified corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the qualified corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount paid by the qualified corporation, if the agreed proportion in respect of the qualified corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.18.1; and

(b) the agreed proportion in respect of the qualified corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2006, c. 13, s. 146; 2006, c. 36, s. 149; 2009, c. 15, s. 267.

1029.8.36.24. For the purposes of sections 1029.8.36.20 to 1029.8.36.22, an amount is deemed to be an amount paid, at a particular time, as a repayment of assistance by a qualified corporation, a qualified outside consultant or a qualified partnership, as the case may be, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.18, the expenditure referred to in section 1029.8.36.5 or the share of a qualified corporation that is a member of the qualified partnership of the expenditure referred to in section 1029.8.36.6;

(b) was not received by the qualified corporation, the qualified outside consultant or the qualified partnership; and

(c) ceased at that time to be an amount that the qualified corporation, the qualified outside consultant or the qualified partnership could reasonably expect to receive.

1995, c. 1, s. 157; 1997, c. 3, s. 71; 2006, c. 13, s. 147; 2006, c. 36, s. 307.

1029.8.36.25. For the purposes of sections 1029.8.36.23 to 1029.8.36.23.2, an amount is deemed to be an amount paid, at a particular time, as a repayment of assistance by a qualified corporation or a qualified partnership, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.18.1, the wages incurred by the qualified corporation and referred to in section 1029.8.36.7 or the share of a qualified corporation of the wages incurred by the qualified partnership and referred to in section 1029.8.36.7.1;

(b) was not received by the qualified corporation or the qualified partnership; and

(c) ceased at that time to be an amount that the qualified corporation or the qualified partnership could reasonably expect to receive.

1995, c. 1, s. 157; 1995, c. 63, s. 190; 1997, c. 3, s. 71; 2006, c. 13, s. 147; 2006, c. 36, s. 150.

1029.8.36.26. For the purposes of sections 1029.8.36.5 and 1029.8.36.6, the expenditure referred to in those sections shall be reduced by the amount of the consideration for the disposition of property either to the qualified corporation or a person with whom the qualified corporation does not deal at arm's length, or to the qualified partnership, one of its members or a person with whom one of its members does not deal at arm's length, except to the extent that such consideration may reasonably be considered to relate to property resulting from the design activity referred to in either of those sections.

1995, c. 1, s. 157; 1995, c. 63, s. 191; 1997, c. 3, s. 71.

1029.8.36.27. *(Repealed).*

1995, c. 1, s. 157; 1995, c. 63, s. 192; 1997, c. 3, s. 71; 1997, c. 31, s. 116; 2006, c. 13, s. 148.

1029.8.36.28. *(Repealed).*

1995, c. 1, s. 157; 1997, c. 3, s. 71; 2006, c. 13, s. 149; 2015, c. 21, s. 451.

1029.8.36.29. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 31, s. 117; 2001, c. 51, s. 179; 2002, c. 9, s. 85.

DIVISION II.6.3

Repealed, 1997, c. 14, s. 233.

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

§ 1. —

Repealed, 1997, c. 14, s. 233.

1995, c. 63, s. 193; 1997, c. 14, s. 233.

1029.8.36.30. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.31. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.32. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 14, s. 376; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.33. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.34. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.35. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.36. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.37. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.38. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

§ 2. —

Repealed, 1997, c. 14, s. 233.

1995, c. 63, s. 193; 1997, c. 14, s. 233.

1029.8.36.39. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.40. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.41. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.42. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.43. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.44. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.45. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.46. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.47. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

§ 3. —

Repealed, 1997, c. 14, s. 233.

1995, c. 63, s. 193; 1997, c. 14, s. 233.

1029.8.36.48. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 14, s. 233.

1029.8.36.49. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.50. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

1029.8.36.51. *(Repealed).*

1995, c. 63, s. 193; 1997, c. 3, s. 71; 1997, c. 14, s. 233.

DIVISION II.6.4

CREDIT IN RESPECT OF ENVIRONMENTAL TRUSTS

1996, c. 39, s. 250; 2000, c. 5, s. 263.

1029.8.36.52. In this division, "Part III.12 tax credit" of a taxpayer for a particular taxation year means the aggregate of

(a) all amounts each of which is an amount determined by the formula

A × B / C; and

(b) in respect of each partnership of which the taxpayer is a member, all amounts each of which is the amount that can reasonably be considered to be the taxpayer's share of the amount that would, if the partnership were a person and its fiscal period were its taxation year, be the Part III.12 tax credit of the partnership for its taxation year that ends in the particular year.

For the purposes of the formula in the first paragraph,

(a) A is the tax payable under Part III.12 by an environmental trust for a taxation year of the trust, in this paragraph referred to as the "trust's year", that ends in the particular year;

(b) B is the amount by which the aggregate of all amounts in respect of the trust that are included, otherwise than because of the taxpayer being a member of a partnership, because of section 692.1 in computing the taxpayer's income for the particular year exceeds the aggregate of all amounts in respect of the trust that are deducted, otherwise than because of the taxpayer being a member of a partnership, because of that section 692.1 in computing such income; and

(c) C is the trust's income for the trust's year, computed in the manner prescribed in the second paragraph of section 1129.52.

1996, c. 39, s. 250; 1997, c. 3, s. 71; 2000, c. 5, s. 264.

1029.8.36.53. A taxpayer, other than a taxpayer exempt from tax payable under this Part, is deemed, subject to the second paragraph, to have paid to the Minister for a taxation year on the taxpayer's balance-due day for that year, on account of the taxpayer's tax payable under this Part for that year, an amount equal to the amount by which the taxpayer's Part III.12 tax credit for the year exceeds the amount deducted under section 776.1.6 in computing the taxpayer's tax payable under this Part for the year.

For the purpose of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

1996, c. 39, s. 250; 1997, c. 3, s. 71; 1997, c. 31, s. 143; 2005, c. 1, s. 243.

DIVISION II.6.4.1

Repealed, 2010, c. 25, s. 137.

2002, c. 40, s. 165; 2010, c. 25, s. 137.

1029.8.36.53.1. *(Repealed).*

2002, c. 40, s. 165; 2010, c. 25, s. 137.

1029.8.36.53.2. *(Repealed).*

2002, c. 40, s. 165; 2003, c. 9, s. 279; 2010, c. 25, s. 137.

1029.8.36.53.3. *(Repealed).*

2002, c. 40, s. 165; 2010, c. 25, s. 137.

1029.8.36.53.4. *(Repealed).*

2002, c. 40, s. 165; 2010, c. 25, s. 137.

1029.8.36.53.5. *(Repealed).*

2002, c. 40, s. 165; 2010, c. 25, s. 137.

1029.8.36.53.6. *(Repealed).*

2002, c. 40, s. 165; 2010, c. 25, s. 137.

1029.8.36.53.7. *(Repealed).*

2002, c. 40, s. 165; 2010, c. 25, s. 137.

1029.8.36.53.8. *(Repealed).*

2002, c. 40, s. 165; 2010, c. 25, s. 137.

1029.8.36.53.9. *(Repealed).*

2002, c. 40, s. 165; 2010, c. 25, s. 137.

DIVISION II.6.4.2

(Repealed).

2007, c. 12, s. 184; 2021, c. 18, s. 122.

§ 1. —

(Repealed).

2007, c. 12, s. 184; 2021, c. 18, s. 122.

1029.8.36.53.10. *(Repealed).*

2007, c. 12, s. 184; 2009, c. 15, s. 268; 2021, c. 18, s. 122.

§ 2. —

(Repealed).

2007, c. 12, s. 184; 2021, c. 18, s. 122.

1029.8.36.53.11. *(Repealed).*

2007, c. 12, s. 184; 2021, c. 18, s. 122.

1029.8.36.53.12. *(Repealed).*

2007, c. 12, s. 184; 2021, c. 18, s. 122.

1029.8.36.53.13. *(Repealed).*

2007, c. 12, s. 184; 2021, c. 18, s. 122.

1029.8.36.53.14. *(Repealed).*

2007, c. 12, s. 184; 2012, c. 8, s. 216; 2021, c. 18, s. 122.

§ 3. —

(Repealed).

2007, c. 12, s. 184; 2021, c. 18, s. 122.

1029.8.36.53.15. *(Repealed).*

2007, c. 12, s. 184; 2021, c. 18, s. 122.

1029.8.36.53.16. *(Repealed).*

2007, c. 12, s. 184; 2021, c. 18, s. 122.

1029.8.36.53.17. *(Repealed).*

2007, c. 12, s. 184; 2021, c. 18, s. 122.

1029.8.36.53.18. *(Repealed).*

2007, c. 12, s. 184; 2009, c. 15, s. 269; 2021, c. 18, s. 122.

1029.8.36.53.19. *(Repealed).*

2007, c. 12, s. 184; 2009, c. 15, s. 270; 2021, c. 18, s. 122.

1029.8.36.53.20. *(Repealed).*

2007, c. 12, s. 184; 2021, c. 18, s. 122.

DIVISION II.6.4.2.1

CREDIT IN RESPECT OF INTEREST PAYABLE ON FINANCING OBTAINED UNDER THE SELLER-LENDER FORMULA OF LA FINANCIÈRE AGRICOLE DU QUÉBEC

2015, c. 24, s. 141.

§ 1. — *Interpretation*

2015, c. 24, s. 141.

1029.8.36.53.20.1. In this division,

"eligibility period", in relation to qualified financing, of an eligible taxpayer or a qualified partnership means the period that begins on the particular day on which the agreement giving rise to the qualified financing is entered into, or, if it is later, on 1 January 2015, and that ends 10 years after the particular day;

"eligible expenses", in respect of qualified financing, of an eligible taxpayer for a taxation year or of a qualified partnership for a fiscal period, means the interest, in respect of the qualified financing, that is attributable to the portion of the taxpayer's or partnership's eligibility period, in relation to the qualified financing, that is included in the taxation year or fiscal period, as the case may be;

"eligible taxpayer" for a taxation year means a taxpayer who, in the year, carries on a business in Québec and who is not a tax-exempt taxpayer;

"qualified financing" of an eligible taxpayer or a qualified partnership means a loan, within the meaning of section 2 of the Program for farm financing established under the Act respecting La Financière agricole du Québec (chapter L-0.1), that is granted to the taxpayer or partnership under the program by a lender, within the meaning of paragraph 3 of the definition of that expression in that section 2, as a consequence of an agreement entered into after 2 December 2014 and before 1 January 2025;

"qualified partnership" for a fiscal period means a partnership that, during the period, carries on a business in Québec;

"tax-exempt taxpayer" means

(1) a person exempt from tax under Book VIII;

(2) a trust one of the capital or income beneficiaries of which is a tax-exempt person under Book VIII or a corporation that would be exempt from tax under section 985, but for section 192; or

(3) a corporation described in paragraph 2.

For the purposes of this division, the share of a member of a partnership of an amount for a fiscal period is equal to the agreed proportion of the amount in respect of the member for that fiscal period.

2015, c. 24, s. 141; 2021, c. 14, s. 141.

§ 2. — *Credits*

2015, c. 24, s. 141.

1029.8.36.53.20.2. An eligible taxpayer for a taxation year who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file for the year under section 1000, or would be required to so file if the taxpayer had tax payable for the year under this Part, is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer's balance-due day for the year, on account of the taxpayer's tax payable for the year under this Part, an amount equal to 40% of the aggregate of all amounts each of which is the amount of the taxpayer's eligible expenses for the year in respect of qualified financing of the taxpayer, to the extent that those eligible expenses are paid.

For the purpose of computing the payments that an eligible taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2015, c. 24, s. 141.

1029.8.36.53.20.3. A taxpayer who is a member of a qualified partnership at the end of a fiscal period of the qualified partnership and encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000 for the taxpayer's taxation year in which that fiscal period ends, or would be required to so file if the taxpayer had tax payable for that year under this Part, is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer's balance-due day for that year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to 40% of the taxpayer's share of the aggregate of all amounts each of which is the amount of eligible expenses of the partnership for the fiscal period in respect of qualified financing of the partnership, to the extent that those eligible expenses are paid.

For the purpose of computing the payments that a taxpayer referred to in the first paragraph is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for the taxpayer's taxation year in which the partnership's fiscal period ends, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but

otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2015, c. 24, s. 141.

§ 3. — *Government assistance, non-government assistance and other particulars*

2015, c. 24, s. 141.

1029.8.36.53.20.4. For the purpose of computing the amount that is deemed to have been paid to the Minister by a taxpayer, for a taxation year, under section 1029.8.36.53.20.2 or 1029.8.36.53.20.3, the following rules apply:

(a) the amount of the eligible expenses referred to in the first paragraph of section 1029.8.36.53.20.2 is to be reduced, where applicable, by the amount of any government assistance or non-government assistance attributable to the expenses that the taxpayer has received, is entitled to receive or may reasonably expect to receive, on or before the taxpayer's filing-due date for the year; and

(b) the taxpayer's share of the aggregate of the eligible expenses of a partnership, which are referred to in the first paragraph of section 1029.8.36.53.20.3, for a fiscal period of the partnership that ends in the taxation year is to be reduced, where applicable,

i. by the taxpayer's share, for the fiscal period, of any amount of government assistance or non-government assistance attributable to the expenses that the partnership has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance attributable to the expenses that the taxpayer has received, is entitled to receive or may reasonably expect to receive, on or before the taxpayer's filing-due date for the year.

2015, c. 24, s. 141.

1029.8.36.53.20.5. If, in respect of eligible expenses of an eligible taxpayer or of a qualified partnership (in this section referred to as the "particular partnership"), a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the qualified financing to which the eligible expenses are attributable, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.36.53.20.2, the amount of the eligible expenses referred to in the first paragraph of that section is to be reduced by the amount of the benefit or advantage relating to the eligible expenses that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the taxpayer's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.53.20.3 by a taxpayer who is a member of the particular partnership, at the end of a fiscal period of the particular partnership that ends in the taxation year, the taxpayer's share, referred to in the first paragraph of that section, of the aggregate of the eligible expenses of the particular partnership for the fiscal period is to be reduced

i. by the taxpayer's share, for the fiscal period, of the amount of the benefit or advantage relating to the eligible expenses that the person or partnership, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage relating to the eligible expenses that the taxpayer or a person with whom the taxpayer is not dealing at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

2015, c. 24, s. 141.

1029.8.36.53.20.6. If, before 1 January 2037, a taxpayer pays, in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of paragraph *a* of section 1029.8.36.53.20.4, the taxpayer's eligible expenses for a particular taxation year for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.53.20.2, the taxpayer is deemed, if the taxpayer encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file for the repayment year under section 1000, or would be required to so file if the taxpayer had tax payable for the repayment year under this Part, to have paid to the Minister on the taxpayer's balance-due day for the repayment year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to the amount by which the amount that the taxpayer would be deemed to have paid to the Minister under section 1029.8.36.53.20.2 for the particular year, in respect of the eligible expenses, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in paragraph *a* of section 1029.8.36.53.20.4, exceeds the aggregate of

(a) the amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.36.53.20.2 for the particular year in respect of the eligible expenses; and

(b) any amount that the taxpayer is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

2015, c. 24, s. 141; 2021, c. 14, s. 142.

1029.8.36.53.20.7. If, before 1 January 2037, a partnership pays, in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of paragraph *b* of section 1029.8.36.53.20.4, a taxpayer's share of the aggregate of the eligible expenses of the partnership for a particular fiscal period, for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.36.53.20.3, in respect of the share, for the taxpayer's taxation year in which the particular fiscal period ended, the taxpayer is deemed to have paid to the Minister on the taxpayer's balance-due day for the taxpayer's taxation year in which the fiscal period of repayment ends, on account of the taxpayer's tax payable for that year under this Part, if the taxpayer is a member of the partnership at the end of the fiscal period of repayment and if the taxpayer encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file for that year under section 1000, or would be required to so file if the taxpayer had tax payable for that year under this Part, an amount equal to the amount by which the particular amount that the taxpayer would be deemed, subject to the second paragraph, to have paid to the Minister under section 1029.8.36.53.20.3 for the taxpayer's taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the taxpayer would be deemed to have paid to the Minister under section 1029.8.36.53.20.3, for the taxpayer's taxation year in which the particular fiscal period ends, in respect of the eligible expenses of the partnership, if the agreed proportion in respect of the taxpayer for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the taxpayer would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the taxpayer for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of paragraph *b* of section 1029.8.36.53.20.4; and

(b) the agreed proportion in respect of the taxpayer for the particular fiscal period were the same as that for the fiscal period of repayment.

2015, c. 24, s. 141; 2021, c. 14, s. 143.

1029.8.36.53.20.8. If a taxpayer is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") and pays, before 1 January 2037 and in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of paragraph *b* of section 1029.8.36.53.20.4, the taxpayer's share of the aggregate of the eligible expenses of the partnership for a particular fiscal period, for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.36.53.20.3, in respect of the share, for the taxpayer's taxation year in which the particular fiscal period ended, the taxpayer is deemed to have paid to the Minister on the taxpayer's balance-due day for the taxpayer's taxation year in which the fiscal period of repayment ends, on account of the taxpayer's tax payable for that year under this Part, if the taxpayer encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file for that year under section 1000, or would be required to so file if the taxpayer had tax payable for that year under this Part, an amount equal to the amount by which the particular amount that the taxpayer would be deemed, subject to the second paragraph, to have paid to the Minister under section 1029.8.36.53.20.3 for the taxpayer's taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the taxpayer would be deemed to have paid to the Minister under section 1029.8.36.53.20.3 for the taxpayer's taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the taxpayer for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the taxpayer would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the taxpayer, if the agreed proportion in respect of the taxpayer for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of paragraph *b* of section 1029.8.36.53.20.4; and

(b) the agreed proportion in respect of the taxpayer for the particular fiscal period were the same as that for the fiscal period of repayment.

2015, c. 24, s. 141; 2021, c. 14, s. 143.

1029.8.36.53.20.9. For the purposes of sections 1029.8.36.53.20.6 to 1029.8.36.53.20.8, an amount of assistance is deemed to be repaid by a taxpayer or a partnership, as the case may be, at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.53.20.4, the taxpayer's eligible expenses or the taxpayer's share of the aggregate of the partnership's eligible expenses, for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.36.53.20.2 or 1029.8.36.53.20.3;

(b) was not received by the taxpayer or partnership; and

(c) ceased at the particular time to be an amount that the taxpayer or partnership could reasonably expect to receive.

2015, c. 24, s. 141.

DIVISION II.6.4.3

(Repealed).

2010, c. 5, s. 157; 2021, c. 14, s. 144.

1029.8.36.53.21. *(Repealed).*

2010, c. 5, s. 157; 2011, c. 34, s. 88; 2020, c. 26, s. 149; 2021, c. 14, s. 144.

1029.8.36.53.22. *(Repealed).*

2010, c. 5, s. 157; 2021, c. 14, s. 144.

1029.8.36.53.23. *(Repealed).*

2010, c. 5, s. 157; 2011, c. 34, s. 89; 2021, c. 14, s. 144.

1029.8.36.53.24. *(Repealed).*

2010, c. 5, s. 157; 2011, c. 34, s. 90; 2021, c. 14, s. 144.

1029.8.36.53.25. *(Repealed).*

2010, c. 5, s. 157; 2011, c. 34, s. 91; 2012, c. 8, s. 217; 2021, c. 14, s. 144.

1029.8.36.53.26. *(Repealed).*

2010, c. 5, s. 157; 2021, c. 14, s. 144.

1029.8.36.53.27. *(Repealed).*

2010, c. 5, s. 157; 2021, c. 14, s. 144.

DIVISION II.6.5

CREDIT FOR THE CONSTRUCTION OR CONVERSION OF VESSELS

1997, c. 14, s. 234; 1999, c. 83, s. 211.

§ 1. — *Interpretation and general provisions*

1997, c. 14, s. 234.

1029.8.36.54. In this division,

"apparent payment" means, except in sections 1029.8.36.55 and 1029.8.36.55.1, an amount paid or payable by a person or a partnership who or which, under the terms of a contract, carries out work or prepares plans and specifications for a qualified corporation, where the amount is paid or payable for the use of premises, facilities or equipment, or for the provision of services, and that may reasonably be considered to be included in a qualified construction expenditure or a qualified conversion expenditure;

"construction expenditure" of a qualified corporation for a taxation year in respect of an eligible vessel means the aggregate of

(a) in respect of plans and specifications relating to the eligible vessel,

i. where the plans and specifications are, in whole or in part, prepared by the qualified corporation, the salaries or wages incurred in the year or in a preceding taxation year by the qualified corporation for the preparation, by its employees of an establishment of the corporation situated in Québec, of the plans and specifications,

ii. where the plans and specifications are, in whole or in part, prepared for the qualified corporation under the terms of a contract, by a person or partnership with whom or with which the qualified corporation is not dealing at arm's length, the aggregate of all amounts each of which is the portion of the consideration paid in the year or in a preceding taxation year by the qualified corporation, under the terms of the contract, that may reasonably be attributed to the salaries or wages incurred by the person or partnership in the year or in a preceding taxation year for the preparation of the plans and specifications by its employees of an establishment situated in Québec, or that could be so attributed if the person or partnership had such employees, and

iii. in any other case, the portion of the cost of a contract, incurred by the qualified corporation in the year or in a preceding taxation year, that may reasonably be attributed to work carried out in Québec for the preparation of the plans and specifications;

(b) where the construction of an eligible vessel is carried out in whole or in part by the qualified corporation, the salaries or wages, incurred in the year or in a preceding taxation year, of its employees of an establishment situated in Québec and that are attributable to the construction of the eligible vessel;

(c) where, under the terms of an eligible contract, a portion of the construction of the eligible vessel is carried out for the qualified corporation by a person or partnership with whom or with which the qualified corporation is not dealing at arm's length at the time the contract is entered into, the portion of the consideration paid in the year or in a preceding taxation year by the qualified corporation, under the terms of the contract, that may reasonably be attributed to the salaries or wages that are attributable to the construction of the eligible vessel incurred by the person or partnership in the year or in a preceding year in respect of its employees of an establishment situated in Québec, or that could be so attributed if the person or partnership had such employees; and

(d) where, under the terms of an eligible contract, a portion of the construction of the eligible vessel is carried out for the qualified corporation by a person or partnership with whom or with which the qualified corporation is dealing at arm's length at the time the contract is entered into, one-half of the portion of the consideration paid in the year or in a preceding taxation year by the qualified corporation to the person or partnership under the terms of the contract, that may reasonably be attributed to construction work provided for in the contract carried out in the year or in a preceding year by the employees of an establishment of the person or partnership situated in Québec, or that could be so attributed if the person or partnership had such employees;

"conversion expenditure" of a qualified corporation for a taxation year in respect of an eligible vessel means the aggregate of

(a) in respect of plans and specifications relating to the eligible vessel,

i. where the plans and specifications are, in whole or in part, prepared by the qualified corporation, the salaries or wages incurred in the year or in a preceding taxation year by the qualified corporation for the preparation, by its employees of an establishment of the corporation situated in Québec, of the plans and specifications,

ii. where the plans and specifications are, in whole or in part, prepared for the qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the qualified corporation is not dealing at arm's length, the aggregate of all amounts each of which is the portion of the consideration paid in the year or in a preceding taxation year by the qualified corporation, under the terms of the contract, that may reasonably be attributed to the salaries or wages incurred by the person or partnership in the year or in a

preceding taxation year for the preparation of the plans and specifications by its employees of an establishment situated in Québec, or that could be so attributed if the person or partnership had such employees, and

iii. in any other case, the portion of the cost of a contract, incurred by the qualified corporation in the year or in a preceding taxation year, that may reasonably be attributed to work carried out in Québec for the preparation of the plans and specifications;

(b) where the conversion of the eligible vessel is carried out in whole or in part by the qualified corporation, the salaries or wages, incurred in the year or in a preceding taxation year, of its employees of an establishment situated in Québec and that are attributable to the conversion of the eligible vessel;

(c) where, under the terms of an eligible contract, part of the conversion of the eligible vessel is carried out for the qualified corporation by a person or partnership with whom or with which the qualified corporation is not dealing at arm's length at the time the contract is entered into, the portion of the consideration paid in the year or in a preceding taxation year by the qualified corporation, under the terms of the contract, that may reasonably be attributed to the salaries or wages that are attributable to the conversion of the eligible vessel and incurred by the person or partnership in the year or in a preceding year in respect of its employees of an establishment situated in Québec, or that could be so attributed if the person or partnership had such employees; and

(d) where, under the terms of an eligible contract, part of the conversion of the eligible vessel is carried out for the qualified corporation by a person or partnership with whom or with which the qualified corporation is dealing at arm's length at the time the contract is entered into, one-half of the portion of the consideration paid in the year or in a preceding taxation year by the qualified corporation to the person or partnership, under the terms of the contract, that may reasonably be attributed to conversion work provided for in the contract and carried out in the year or in a preceding year by the employees of an establishment of the person or partnership situated in Québec, or that could be so attributed if the person or partnership had such employees;

"eligible contract" means a contract in respect of which a qualification certificate has been issued by the Minister of Economy and Innovation, entered into by a qualified corporation with a person or partnership and under which the qualified corporation entrusts the person or partnership with the carrying out of work in Québec which is related to the construction or conversion of an eligible vessel by the qualified corporation;

"eligible vessel" of a qualified corporation means a vessel in respect of which a qualification certificate was issued to the corporation by the Minister of Economy and Innovation for the purposes of this division;

"factor specified" in respect of an eligible vessel means,

(a) in relation to the portion of a qualified construction expenditure or a qualified conversion expenditure of a qualified corporation for a taxation year, that may reasonably be attributed to work carried out before 18 November 2000, any of the following factors:

i. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is a prototype vessel, 2,

ii. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is the first vessel constructed or converted as part of a production run, 8/3,

iii. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is the second vessel constructed or converted as part of a production run, 4, and

iv. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is the third vessel constructed or converted as part of a production run, 8;

(b) in relation to the portion of a qualified construction expenditure or a qualified conversion expenditure of a qualified corporation for a taxation year, that may reasonably be attributed to work carried out after 17 November 2000 and before 13 June 2003, any of the following factors:

i. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is a prototype vessel, 2,

ii. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is the first vessel constructed or converted as part of a production run, 20/9,

iii. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is the second vessel constructed or converted as part of a production run, 5/2, and

iv. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is the third vessel constructed or converted as part of a production run, 20/7;

*(b.*1*)* in relation to the portion of a qualified construction expenditure or a qualified conversion expenditure of a qualified corporation for a taxation year, that may reasonably be attributed to work carried out after 12 June 2003, any of the following factors:

i. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is a prototype vessel, 8/3,

ii. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is the first vessel constructed or converted as part of a production run, 80/27,

iii. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is the second vessel constructed or converted as part of a production run, 10/3, and

iv. where the qualification certificate issued by the Minister of Economy and Innovation attests that the eligible vessel is the third vessel constructed or converted as part of a production run, 80/21;

(c) (paragraph repealed);

(d) (paragraph repealed);

"qualified construction expenditure" of a qualified corporation for a taxation year in respect of an eligible vessel means the amount by which

(a) the aggregate of

i. the construction expenditure of the qualified corporation for the year in respect of the eligible vessel, and

ii. any amount paid by the qualified corporation, another person or a partnership, as the case may be, in the year or a preceding taxation year, pursuant to a legal obligation, as a repayment of assistance received by the qualified corporation, the other person or the partnership, to the extent that the assistance reduced, because of subparagraph *a* or *a*.1 of the third paragraph, a construction expenditure of the qualified corporation in respect of the eligible vessel in the year or a preceding taxation year; exceeds

(b) in the case of an eligible vessel in respect of which the Minister of Economy and Innovation has issued a qualification certificate attesting that it is a prototype vessel and in respect of which work was carried out before 26 March 1997, the aggregate of

i. 250% of the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.36.55 by the qualified corporation, on account of its tax payable for a preceding taxation year, in respect of the portion of a qualified construction expenditure relating to the eligible vessel that may reasonably be attributed to work carried out before 26 March 1997, and

ii. 200% of the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.36.55 by the qualified corporation, on account of its tax payable for a preceding taxation year, in respect of the portion of a qualified construction expenditure relating to the eligible vessel that may reasonably be attributed to work carried out after 25 March 1997; and

(c) in the case of an eligible vessel other than a vessel referred to in paragraph *b*, the product obtained by multiplying the factor specified in respect of the eligible vessel by the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.36.55 by the qualified corporation, on account of its tax payable, in respect of the eligible vessel for a preceding taxation year;

"qualified conversion expenditure" of a qualified corporation for a taxation year in respect of an eligible vessel means the amount by which

(a) the aggregate of

i. the conversion expenditure of the qualified corporation for the year in respect of the eligible vessel, and

ii. any amount paid by the qualified corporation, another person or a partnership, as the case may be, in the year or a preceding taxation year, pursuant to a legal obligation, as a repayment of assistance received by the qualified corporation, the other person or the partnership, to the extent that the assistance reduced, because of subparagraph *a* or *a*.1 of the third paragraph, a conversion expenditure of the qualified corporation in respect of the eligible vessel in the year or a preceding taxation year; exceeds

(b) the product obtained by multiplying the factor specified in respect of the eligible vessel by the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.36.55.1 by the qualified corporation, on account of its tax payable, in respect of an eligible vessel for a preceding taxation year;

"qualified corporation", in respect of a taxation year, means a corporation that, in the year, carries on a shipbuilding business in Québec and has an establishment in Québec, and that is neither a corporation that is exempt from tax for the year under Book VIII nor a corporation that would be exempt from tax under section 985 but for section 192;

"salary or wages" means the income computed pursuant to Chapters I and II of Title II of Book III;

"vessel" includes a semi-submersible rig and a floating plant.

For the purposes of paragraphs *b* and *c* of the definitions of "construction expenditure" and "conversion expenditure" in the first paragraph, the salaries or wages incurred by a person or a partnership in respect of an employee are attributable to the construction or conversion of an eligible vessel only where the employee works directly on the construction or conversion, as the case may be, of the vessel and only to the extent that the salaries or wages may reasonably be considered to relate to the construction or conversion, as the case may be, of the vessel in view of the time spent thereon by the employee and, in that respect, an employee who spends 90% or more of working time on the construction or conversion, as the case may be, of an eligible vessel is deemed to spend all working time thereon.

For the purposes of the first paragraph,

(a) the amount of salaries or wages incurred, of a portion of the consideration paid or of a portion of the cost of a contract incurred, as the case may be, which relates to a construction expenditure or a conversion expenditure incurred by a qualified corporation for a taxation year in respect of an eligible vessel shall be reduced, where applicable, by the amount of any government assistance and non-government assistance attributable to those salaries or wages, to that portion of the consideration or to that portion of the cost of a contract, as the case may be, that the qualified corporation has received, is entitled to receive or may reasonably expect to receive on or before its filing-due date for that year;

(a.1*)* when referred to in subparagraph ii of paragraph *a* or paragraph *c* of the definition of "construction expenditure" or "conversion expenditure" in the first paragraph, the amount of a portion of a consideration paid in respect of a construction expenditure or a conversion expenditure of a qualified corporation for a taxation year in respect of an eligible vessel, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance that is attributable to the salaries or wages incurred in respect of the employees of an establishment of a person or partnership situated in Québec that are referred to in that subparagraph ii or that paragraph *c*, or that would be so attributable if the person or partnership had

such employees, and that the person or partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year;

(b) an amount incurred or paid in a taxation year which relates to the activities or work to be carried out in a subsequent taxation year is deemed not to have been incurred or paid in that year but to have been incurred or paid in the subsequent year during which the activities or work to which the amount relates are carried out; and

(c) the amount of a qualified construction expenditure or a qualified conversion expenditure of a qualified corporation for a taxation year in respect of an eligible vessel shall be reduced by the amount of any apparent payment attributable to that expenditure, which the qualified corporation or a person with whom the qualified corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for that year.

For the purposes of subparagraph ii of paragraph *a* of the definitions of "qualified construction expenditure" and "qualified conversion expenditure" in the first paragraph, an amount of assistance received by a qualified corporation, a person or a partnership, as the case may be, is deemed to be repaid by the qualified corporation, person or partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of subparagraph *a* or *a*.1 of the third paragraph, the amount of the salaries or wages incurred, of a portion of a consideration paid or of a portion of the cost of a contract incurred, as the case may be, in respect of a construction expenditure or a conversion expenditure of a qualified corporation, for the purpose of computing the amount the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.55 or 1029.8.36.55.1;

(b) was not received by the qualified corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the qualified corporation, the other person or the partnership may reasonably expect to receive.

1997, c. 14, s. 234; 1997, c. 31, s. 143; 1997, c. 85, s. 259; 1999, c. 8, s. 20; 1999, c. 83, s. 212; 2000, c. 5, s. 265; 2001, c. 7, s. 169; 2001, c. 51, s. 180; 2002, c. 9, s. 86; 2003, c. 29, s. 135; 2004, c. 21, s. 353; 2006, c. 8, s. 31; 2007, c. 12, s. 185; 2009, c. 15, s. 271; 2019, c. 14, s. 356; 2019, c. 29, s. 1; 2021, c. 36, s. 117.

§ 2. — *Credit*

1997, c. 14, s. 234.

1029.8.36.55. A qualified corporation that, in a taxation year, constructs in Québec an eligible vessel and encloses with the fiscal return it is required to file for the year under section 1000 a copy of the qualification certificate issued to it by the Minister of Economy and Innovation in respect of the eligible vessel and the prescribed form containing prescribed information, is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, the lesser of

(a) an amount equal, in respect of the eligible vessel

i. where the qualification certificate attests that the vessel is a prototype vessel, to the aggregate of

(1) 40% of the portion of the qualified construction expenditure for the year in respect of the eligible vessel that may reasonably be attributed to work carried out before 26 March 1997,

(2) 50% of the portion of the qualified construction expenditure for the year in respect of the eligible vessel that may reasonably be attributed to work carried out after 25 March 1997 and before 13 June 2003, and

(3) 37.5% of the portion of the qualified construction expenditure for the year in respect of the eligible vessel that may reasonably be attributed to work carried out after 12 June 2003,

ii. where the qualification certificate attests that the vessel is the first, second or third vessel constructed as part of a production run, to an amount that is the product obtained by multiplying the portion of the qualified construction expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out before 18 November 2000 by

(1) where the eligible vessel is the first vessel constructed as part of a production run, 37.5%,

(2) where the eligible vessel is the second vessel constructed as part of a production run, 25%, and

(3) where the eligible vessel is the third vessel constructed as part of a production run, 12.5%,

iii. where the qualification certificate attests that the vessel is the first, second or third vessel constructed as part of a production run, to an amount that is the product obtained by multiplying the portion of the qualified construction expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out after 17 November 2000 and before 13 June 2003, by

(1) where the eligible vessel is the first vessel constructed as part of a production run, 45%,

(2) where the eligible vessel is the second vessel constructed as part of a production run, 40%, and

(3) where the eligible vessel is the third vessel constructed as part of a production run, 35%, and

iv. where the qualification certificate attests that the vessel is the first, second or third vessel constructed as part of a production run, to an amount that is the product obtained by multiplying the portion of the qualified construction expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out after 12 June 2003, by,

(1) where the eligible vessel is the first vessel constructed as part of a production run, 33.75%,

(2) where the eligible vessel is the second vessel constructed as part of a production run, 30%, and

(3) where the eligible vessel is the third vessel constructed as part of a production run, 26.25%; and

(b) the amount by which the aggregate of the following amounts exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister, under this section, by the qualified corporation in respect of the eligible vessel for a preceding taxation year:

i. the product obtained by multiplying the portion of the cost of construction of the eligible vessel to the qualified corporation incurred at the end of the year that may reasonably be attributed to work carried out before 18 November 2000, by

(1) where the qualification certificate attests that the vessel is a prototype vessel, 20%,

(2) where the qualification certificate attests that the vessel is the first vessel constructed as part of a production run, 15%,

(3) where the qualification certificate attests that the vessel is the second vessel constructed as part of a production run, 10%, and

(4) where the qualification certificate attests that the vessel is the third vessel constructed as part of a production run, 5%,

ii. the product obtained by multiplying the portion of the cost of construction of the eligible vessel to the qualified corporation incurred at the end of the year that may reasonably be attributed to work carried out after 17 November 2000 and before 13 June 2003, by

(1) where the qualification certificate attests that the vessel is a prototype vessel, 25%,

(2) where the qualification certificate attests that the vessel is the first vessel constructed as part of a production run, 22.5%,

(3) where the qualification certificate attests that the vessel is the second vessel constructed as part of a production run, 20%, and

(4) where the qualification certificate attests that the vessel is the third vessel constructed as part of a production run, 17.5%, and

iii. the product obtained by multiplying the portion of the cost of construction of the eligible vessel to the qualified corporation incurred at the end of the year that may reasonably be attributed to work carried out after 12 June 2003, by,

(1) where the qualification certificate attests that the vessel is a prototype vessel, 18.75%,

(2) where the qualification certificate attests that the vessel is the first vessel constructed as part of a production run, 16.875%,

(3) where the qualification certificate attests that the vessel is the second vessel constructed as part of a production run, 15%, and

(4) where the qualification certificate attests that the vessel is the third vessel constructed as part of a production run, 13.125%.

For the purposes of subparagraph *b* of the first paragraph, the cost of construction, at the end of a taxation year, of an eligible vessel of a qualified corporation is equal to the aggregate of

(a) the amount by which the portion of the cost to the qualified corporation of construction of the eligible vessel incurred at the end of the year exceeds the aggregate of all amounts each of which is

i. government assistance or non-government assistance attributable to the cost of construction that the qualified corporation or a person or partnership with whom or with which the qualified corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for that year, or

ii. an apparent payment, attributable to the cost of construction, that the qualified corporation or a person with whom it is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for that year; and

(b) any repayment made by the qualified corporation, the person or the partnership in the year or a preceding taxation year, pursuant to a legal obligation, of assistance described in subparagraph *a* in respect of the eligible vessel.

For the purposes of subparagraph *a* of the second paragraph, "apparent payment" means an amount paid or payable by a person who, for the construction of an eligible vessel of a qualified corporation, carries out work or prepares plans and specifications for the qualified corporation, where the amount is paid or payable for the use of premises, facilities or equipment, or for the provision of services, and that may reasonably be considered to be included in the cost of construction of the eligible vessel.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175

and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

1997, c. 14, s. 234; 1997, c. 31, s. 143; 1997, c. 85, s. 260; 1999, c. 8, s. 20; 1999, c. 83, s. 213; 2001, c. 7, s. 169; 2001, c. 51, s. 228; 2001, c. 53, s. 260; 2002, c. 9, s. 87; 2003, c. 9, s. 280; 2003, c. 29, s. 135; 2004, c. 21, s. 354; 2006, c. 8, s. 31; 2007, c. 12, s. 186; 2019, c. 29, s. 1; 2021, c. 36, s. 118.

1029.8.36.55.1. A qualified corporation that, in a taxation year, converts in Québec an eligible vessel and encloses with the fiscal return it is required to file for the year under section 1000 a copy of the qualification certificate issued to it by the Minister of Economy and Innovation in respect of the eligible vessel and the prescribed form containing prescribed information, is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, the lesser of

(a) an amount equal to, in respect of the eligible vessel,

i. where the qualification certificate attests that the vessel is a prototype vessel, to the aggregate of

(1) 50% of the portion of the qualified conversion expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out before 13 June 2003, and

(2) 37.5% of the portion of the qualified construction expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out after 12 June 2003,

ii. where the qualification certificate attests that the vessel is the first, second or third vessel converted as part of a production run, to the amount that is the product obtained by multiplying the portion of the qualified conversion expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out before 18 November 2000, by

(1) where the eligible vessel is the first vessel converted as part of a production run, 37.5%,

(2) where the eligible vessel is the second vessel converted as part of a production run, 25%, and

(3) where the eligible vessel is the third vessel converted as part of a production run, 12.5%,

iii. where the qualification certificate attests that the vessel is the first, second or third vessel converted as part of a production run, to the amount that is the product obtained by multiplying the portion of the qualified conversion expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out after 17 November 2000 and before 13 June 2003, by

(1) where the eligible vessel is the first vessel converted as part of a production run, 45%,

(2) where the eligible vessel is the second vessel converted as part of a production run, 40%, and

(3) where the eligible vessel is the third vessel converted as part of a production run, 35%, and

iv. where the qualification certificate attests that the vessel is the first, second or third vessel converted as part of a production run, to the amount that is the product obtained by multiplying the portion of the qualified conversion expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out after 12 June 2003, by

(1) where the eligible vessel is the first vessel converted as part of a production run, 33.75%,

(2) where the eligible vessel is the second vessel converted as part of a production run, 30%, and

(3) where the eligible vessel is the third vessel converted as part of a production run, 26.25%; and

(b) the amount by which the aggregate of the following amounts exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister, under this section, by the qualified corporation in respect of the eligible vessel for a preceding taxation year:

i. the product obtained by multiplying the portion of the cost of conversion of the eligible vessel to the qualified corporation incurred at the end of the year that may reasonably be attributed to work carried out before 18 November 2000, by

(1) where the qualification certificate attests that the vessel is a prototype vessel, 20%,

(2) where the qualification certificate attests that the vessel is the first vessel converted as part of a production run, 15%,

(3) where the qualification certificate attests that the vessel is the second vessel converted as part of a production run, 10%, and

(4) where the qualification certificate attests that the vessel is the third vessel converted as part of a production run, 5%,

ii. the product obtained by multiplying the portion of the cost of conversion of the eligible vessel to the qualified corporation incurred at the end of the year that may reasonably be attributed to work carried out after 17 November 2000 and before 13 June 2003, by

(1) where the qualification certificate attests that the vessel is a prototype vessel, 25%,

(2) where the qualification certificate attests that the vessel is the first vessel converted as part of a production run, 22.5%,

(3) where the qualification certificate attests that the vessel is the second vessel converted as part of a production run, 20%, and

(4) where the qualification certificate attests that the vessel is the third vessel converted as part of a production run, 17.5%, and

iii. the product obtained by multiplying the portion of the cost of conversion of the eligible vessel to the qualified corporation incurred at the end of the year that may reasonably be attributed to work carried out after 12 June 2003, by

(1) where the qualification certificate attests that the vessel is a prototype vessel, 18.75%,

(2) where the qualification certificate attests that the vessel is the first vessel converted as part of a production run, 16.875%,

(3) where the qualification certificate attests that the vessel is the second vessel converted as part of a production run, 15%, and

(4) where the qualification certificate attests that the vessel is the third vessel converted as part of a production run, 13.125%.

For the purposes of subparagraph *b* of the first paragraph, the cost of conversion, at the end of a taxation year, of an eligible vessel of a qualified corporation is equal to the aggregate of

(a) the amount by which the portion of the cost to the qualified corporation of conversion of the eligible vessel incurred at the end of the year exceeds the aggregate of all amounts each of which is

i. government assistance or non-government assistance attributable to the cost of conversion that the qualified corporation or a person or partnership with whom or with which the qualified corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for that year, or

ii. an apparent payment, attributable to the cost of conversion, that the qualified corporation or a person with whom it is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for that year; and

(b) any repayment made by the qualified corporation, the person or the partnership in the year or a preceding taxation year, pursuant to a legal obligation, of assistance described in subparagraph *a* in respect of the eligible vessel.

For the purposes of subparagraph *a* of the second paragraph, "apparent payment" means an amount paid or payable by a person who, for the conversion of an eligible vessel of a qualified corporation, carries out work or prepares plans and specifications for the qualified corporation, where the amount is paid or payable for the use of premises, facilities or equipment, or for the provision of services, and that may reasonably be considered to be included in the cost of conversion of the eligible vessel.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

1999, c. 83, s. 214; 2001, c. 7, s. 169; 2001, c. 51, s. 228; 2001, c. 53, s. 260; 2002, c. 9, s. 88; 2003, c. 9, s. 281; 2003, c. 29, s. 135; 2004, c. 21, s. 355; 2006, c. 8, s. 31; 2007, c. 12, s. 187; 2019, c. 29, s. 1; 2021, c. 36, s. 119.

1029.8.36.56. For the purposes of this division, the following rules apply:

(a) (paragraph repealed);

(b) no amount may be deemed to have been paid to the Minister by the qualified corporation under section 1029.8.36.55 in respect of an expenditure that would, but for this subparagraph, be a construction expenditure included in a qualified construction expenditure of the qualified corporation in respect of an eligible vessel of the corporation in respect of which a qualification certificate was issued by the Minister of Economy and Innovation if,

i. where the expenditure is referred to in any of paragraphs *b* to *d* of the definition of "construction expenditure" in the first paragraph of section 1029.8.36.54, the expenditure was incurred before the date indicated to that effect on the qualification certificate,

ii. where the expenditure was incurred after the date of issue of the qualification certificate and is referred to in subparagraph i or ii of paragraph *a* of the definition of "construction expenditure" in the first paragraph of section 1029.8.36.54 or in paragraph *b* or *c* of that definition, the qualification certificate was not valid at the time the salaries or wages were incurred, or

iii. where the expenditure was incurred after the date of issue of the qualification certificate and is referred to in subparagraph iii of paragraph *a* of the definition of "construction expenditure" in the first paragraph of section 1029.8.36.54 or in paragraph *d* of that definition, the qualification certificate was not valid at the time the work was carried out;

(c) no amount may be deemed to have been paid to the Minister by the qualified corporation under section 1029.8.36.55.1 in respect of an expenditure that would, but for this subparagraph, be a conversion expenditure included in a qualified conversion expenditure of the qualified corporation in respect of an eligible vessel of the corporation in respect of which a qualification certificate was issued by the Minister of Economy and Innovation if,

i. where the expenditure is referred to in any of paragraphs *b* to *d* of the definition of "conversion expenditure" in the first paragraph of section 1029.8.36.54, the expenditure was incurred before the date indicated to that effect on the qualification certificate,

ii. where the expenditure was incurred after the date of issue of the qualification certificate and is referred to in subparagraph i or ii of paragraph *a* of the definition of "conversion expenditure" in the first paragraph of section 1029.8.36.54 or in paragraph *b* or *c* of that definition, the qualification certificate was not valid at the time the salaries or wages were incurred, or

iii. where the expenditure was incurred after the date of issue of the qualification certificate and is referred to in subparagraph iii of paragraph *a* of the definition of "conversion expenditure" in the first paragraph of section 1029.8.36.54 or in paragraph *d* of that definition, the qualification certificate was not valid at the time the work was carried out.

1997, c. 14, s. 234; 1999, c. 8, s. 20; 1999, c. 83, s. 215; 2001, c. 51, s. 181; 2003, c. 29, s. 135; 2006, c. 8, s. 31; 2007, c. 12, s. 188; 2012, c. 8, s. 218; 2019, c. 29, s. 1; 2021, c. 36, s. 120.

1029.8.36.57. For the purposes of this division, the qualified construction expenditure or qualified conversion expenditure of a qualified corporation in respect of an eligible vessel and the cost of construction or cost of conversion, as the case may be, to the corporation of that vessel shall be reduced by the amount of the consideration for the disposition of property, or for the provision of a service, to the qualified corporation or a person with whom the qualified corporation does not deal at arm's length, except to the extent that the consideration may reasonably be considered to relate to property resulting from work, or to services, related to the construction or conversion, as the case may be, of the eligible vessel or to property or part of a property consumed in connection with such work or services.

1997, c. 14, s. 234; 1999, c. 83, s. 216.

1029.8.36.58. If, in respect of the construction or conversion of an eligible vessel, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the preparation of the plans and specifications relating to the vessel or to construction work or conversion work in respect of the vessel, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the amount of the salaries or wages incurred, of a portion of a consideration paid or of a portion of the cost of a contract incurred, as the case may be, in respect of the construction expenditure or of the conversion expenditure of a qualified corporation for a taxation year, in respect of the eligible vessel, and the cost of construction or cost of

conversion, as the case may be, to the corporation of that eligible vessel for that year, are, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for that year under section 1029.8.36.55 or 1029.8.36.55.1, to be reduced by the amount of the benefit or advantage attributable to the salaries or wages, to the portion of a consideration or to the portion of the cost of a contract, as the case may be, and to the cost of construction or cost of conversion, as the case may be, that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year.

1997, c. 14, s. 234; 1997, c. 31, s. 143; 1999, c. 83, s. 216; 2006, c. 36, s. 151; 2007, c. 12, s. 189.

1029.8.36.59. *(Repealed).*

1997, c. 14, s. 234; 1999, c. 83, s. 216; 2015, c. 21, s. 452.

DIVISION II.6.5.1

Repealed, 2010, c. 25, s. 138.

2000, c. 39, s. 181; 2010, c. 25, s. 138.

1029.8.36.59.1. *(Repealed).*

2000, c. 39, s. 181; 2001, c. 51, s. 228; 2005, c. 23, s. 188; 2010, c. 25, s. 138.

1029.8.36.59.2. *(Repealed).*

2000, c. 39, s. 181; 2003, c. 9, s. 282; 2004, c. 21, s. 356; 2010, c. 25, s. 138.

1029.8.36.59.3. *(Repealed).*

2000, c. 39, s. 181; 2003, c. 9, s. 283; 2004, c. 21, s. 357; 2009, c. 15, s. 272; 2010, c. 25, s. 138.

1029.8.36.59.4. *(Repealed).*

2000, c. 39, s. 181; 2009, c. 15, s. 273; 2010, c. 25, s. 138.

1029.8.36.59.5. *(Repealed).*

2000, c. 39, s. 181; 2002, c. 40, s. 166; 2005, c. 23, s. 189; 2010, c. 25, s. 138.

1029.8.36.59.6. *(Repealed).*

2000, c. 39, s. 181; 2002, c. 40, s. 167; 2005, c. 23, s. 190; 2006, c. 36, s. 152; 2010, c. 25, s. 138.

1029.8.36.59.7. *(Repealed).*

2000, c. 39, s. 181; 2002, c. 40, s. 168; 2005, c. 23, s. 191; 2006, c. 36, s. 153; 2010, c. 25, s. 138.

1029.8.36.59.8. *(Repealed).*

2000, c. 39, s. 181; 2010, c. 25, s. 138.

DIVISION II.6.5.2

(Repealed).

2003, c. 9, s. 284; 2021, c. 14, s. 145.

1029.8.36.59.9. *(Repealed).*

2003, c. 9, s. 284; 2021, c. 14, s. 145.

1029.8.36.59.10. *(Repealed).*

2003, c. 9, s. 284; 2021, c. 14, s. 145.

1029.8.36.59.11. *(Repealed).*

2003, c. 9, s. 284; 2021, c. 14, s. 145.

DIVISION II.6.5.3

(Repealed).

2005, c. 1, s. 244; 2006, c. 36, s. 154; 2021, c. 18, s. 123.

§ 1. —

(Repealed).

2005, c. 1, s. 244; 2011, c. 1, s. 71; 2021, c. 18, s. 123.

1029.8.36.59.12. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 3, s. 35; 2006, c. 36, s. 155; 2009, c. 15, s. 274; 2011, c. 1, s. 72; 2021, c. 18, s. 123.

1029.8.36.59.12.1. *(Repealed).*

2011, c. 1, s. 73; 2021, c. 18, s. 123.

§ 2. —

(Repealed).

2005, c. 1, s. 244; 2021, c. 18, s. 123.

1029.8.36.59.13. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 3, s. 35; 2006, c. 36, s. 156; 2011, c. 1, s. 74; 2012, c. 8, s. 219; 2021, c. 18, s. 123.

1029.8.36.59.14. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 3, s. 35; 2006, c. 36, s. 157; 2009, c. 15, s. 275; 2011, c. 1, s. 74; 2012, c. 8, s. 220; 2021, c. 18, s. 123.

1029.8.36.59.14.1. *(Repealed).*

2011, c. 1, s. 75; 2021, c. 18, s. 123.

1029.8.36.59.14.2. *(Repealed).*

2015, c. 21, s. 453; 2021, c. 18, s. 123.

§ 3. —

(Repealed).

2005, c. 1, s. 244; 2021, c. 18, s. 123.

1029.8.36.59.15. *(Repealed).*

2005, c. 1, s. 244; 2007, c. 12, s. 190; 2009, c. 15, s. 276; 2021, c. 18, s. 123.

1029.8.36.59.16. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 36, s. 158; 2021, c. 18, s. 123.

1029.8.36.59.17. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 36, s. 159; 2009, c. 15, s. 277; 2021, c. 18, s. 123.

1029.8.36.59.18. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 36, s. 160; 2009, c. 15, s. 278; 2021, c. 18, s. 123.

1029.8.36.59.19. *(Repealed).*

2005, c. 1, s. 244; 2021, c. 18, s. 123.

1029.8.36.59.20. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 36, s. 161; 2009, c. 15, s. 279; 2021, c. 18, s. 123.

DIVISION II.6.5.4

Repealed, 2010, c. 25, s. 139.

2005, c. 1, s. 244; 2010, c. 25, s. 139.

§ 1. —

Repealed, 2010, c. 25, s. 139.

2005, c. 1, s. 244; 2010, c. 25, s. 139.

1029.8.36.59.21. *(Repealed).*

2005, c. 1, s. 244; 2005, c. 24, s. 51; 2005, c. 28, s. 195; 2006, c. 13, s. 150; 2010, c. 25, s. 139.

1029.8.36.59.22. *(Repealed).*

2005, c. 1, s. 244; 2005, c. 23, s. 192; 2009, c. 15, s. 280; 2010, c. 25, s. 139.

1029.8.36.59.23. *(Repealed).*

2005, c. 1, s. 244; 2010, c. 25, s. 139.

§ 2. —

Repealed, 2010, c. 25, s. 139.

2005, c. 1, s. 244; 2010, c. 25, s. 139.

1029.8.36.59.24. *(Repealed).*

2005, c. 1, s. 244; 2010, c. 25, s. 139.

1029.8.36.59.25. *(Repealed).*

2005, c. 1, s. 244; 2009, c. 15, s. 281; 2010, c. 25, s. 139.

§ 3. —

Repealed, 2010, c. 25, s. 139.

2005, c. 1, s. 244; 2010, c. 25, s. 139.

1029.8.36.59.26. *(Repealed).*

2005, c. 1, s. 244; 2009, c. 15, s. 282; 2010, c. 25, s. 139.

1029.8.36.59.27. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 36, s. 162; 2010, c. 25, s. 139.

1029.8.36.59.28. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 36, s. 163; 2009, c. 15, s. 283; 2010, c. 25, s. 139.

1029.8.36.59.29. *(Repealed).*

2005, c. 1, s. 244; 2006, c. 36, s. 164; 2009, c. 15, s. 284; 2010, c. 25, s. 139.

1029.8.36.59.30. *(Repealed).*

2005, c. 1, s. 244; 2010, c. 25, s. 139.

1029.8.36.59.31. *(Repealed).*

2005, c. 1, s. 244; 2009, c. 15, s. 285; 2010, c. 25, s. 139.

DIVISION II.6.5.5

CREDIT RELATING TO SHAREHOLDING WORKERS COOPERATIVES

2006, c. 37, s. 40.

1029.8.36.59.32. In this division,

"investment under the plan" has the meaning assigned by the first paragraph of section 1129.12.12;

"qualification certificate" means a qualification certificate issued either under section 11 of the Cooperative Investment Plan Act (chapter R-8.1.1), as it read before being repealed, or under section 5.5 of Schedule C to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1);

"qualified cooperative" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"tax credit relating to Part III.2.3" of a qualified cooperative for a particular taxation year means the negative amount determined by the following formula and expressed as a positive number:

30% (A - B) + C - D.

In the formula in the definition of "tax credit relating to Part III.2.3" of a qualified cooperative for a particular taxation year, in the first paragraph,

(a) A is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the Cooperative Investment Plan Act and under the cooperative investment plan enacted by Order in Council 1596-85 (1985, G.O. 2, 5580, in French only) and that are outstanding at the end of the calendar year ending in the particular taxation year, exceeds an amount equal to 165% of the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments under the plan that the qualified cooperative holds at the end of that calendar year;

(b) B is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the cooperative investment plan and that are outstanding immediately before the issue to the qualified cooperative of its first qualification certificate, exceeds the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments under the plan that the qualified cooperative held at that time;

(c) C is the aggregate of all amounts each of which is an amount that the qualified cooperative is deemed to have paid to the Minister under this division on account of its tax payable under this Part for a taxation year preceding the particular taxation year;

(d) D is the aggregate of all amounts each of which is a tax that the qualified cooperative is required to pay under Part III.2.3 for a calendar year preceding the calendar year in which the particular taxation year ends; and

(e) where the result of the subtraction of the amounts that A and B represent is less than zero, the result of that subtraction is deemed to be equal to zero;

(f) (subparagraph repealed).

For the purposes of this division, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2006, c. 37, s. 40; 2012, c. 1, s. 63; 2013, c. 10, s. 117.

1029.8.36.59.33. A qualified cooperative that is a shareholding workers cooperative, within the meaning of the first paragraph of section 2 of the Cooperative Investment Plan Act (chapter R-8.1.1), and that holds a qualification certificate is deemed, subject to the second and third paragraphs, to have paid to the Minister, for a taxation year, on the qualified cooperative's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to its tax credit relating to Part III.2.3 for the year.

For the purpose of computing the payments that a cooperative referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the cooperative is deemed to have paid to the Minister, on account of the aggregate of the cooperative's tax payable for the year under this Part and of the cooperative's

tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of the amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

No amount may be deemed to have been paid to the Minister under the first paragraph for the taxation year in which ends the calendar year in which the qualified cooperative decides to wind-up in accordance with the Cooperatives Act (chapter C-67.2) or the Canada Cooperatives Act (S.C. 1998, c. 1) or for a subsequent taxation year.

2006, c. 37, s. 40; 2013, c. 10, s. 118.

1029.8.36.59.33.1. A qualified cooperative that is a shareholding workers cooperative, within the meaning of the first paragraph of section 2 of the Cooperative Investment Plan Act (chapter R-8.1.1), and that holds a qualification certificate is deemed, subject to the third paragraph, to have paid to the Minister, for a particular taxation year in which ends the calendar year in which the cooperative decides to wind-up in accordance with the Cooperatives Act (chapter C-67.2) or the Canada Cooperatives Act (S.C. 1998, c. 1), on the cooperative's balance-due day for that particular year, on account of its tax payable for that particular year under this Part, an amount equal to the amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is a tax that the qualified cooperative is required to pay under Part III.2.3 for a calendar year preceding the calendar year ending in the particular taxation year; and

(b) B is the aggregate of all amounts each of which is an amount that the qualified cooperative is deemed to have paid to the Minister under this division on account of its tax payable under this Part for a taxation year preceding the particular taxation year.

For the purpose of computing the payments that a cooperative referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the cooperative is deemed to have paid to the Minister, on account of the aggregate of the cooperative's tax payable for the year under this Part and of the cooperative's tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of the amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but

otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2013, c. 10, s. 119.

1029.8.36.59.34. For the purposes of this Part and the regulations, the amount that a qualified cooperative is deemed to have paid to the Minister for a taxation year under section 1029.8.36.59.33 or 1029.8.36.59.33.1 is deemed not to be an amount of assistance or an inducement received by the cooperative from a government.

2006, c. 37, s. 40; 2013, c. 10, s. 120.

DIVISION II.6.5.6

(Repealed).

2013, c. 10, s. 121; 2021, c. 18, s. 124.

§ 1. —

(Repealed).

2013, c. 10, s. 121; 2021, c. 18, s. 124.

1029.8.36.59.35. *(Repealed).*

2013, c. 10, s. 121; 2021, c. 18, s. 124.

1029.8.36.59.36. *(Repealed).*

2013, c. 10, s. 121; 2021, c. 18, s. 124.

§ 2. —

(Repealed).

2013, c. 10, s. 121; 2021, c. 18, s. 124.

1029.8.36.59.37. *(Repealed).*

2013, c. 10, s. 121; 2021, c. 18, s. 124.

§ 3. —

(Repealed).

2013, c. 10, s. 121; 2021, c. 18, s. 124.

1029.8.36.59.38. *(Repealed).*

2013, c. 10, s. 121; 2021, c. 18, s. 124.

1029.8.36.59.39. *(Repealed).*

2013, c. 10, s. 121; 2021, c. 18, s. 124.

1029.8.36.59.40. *(Repealed).*

2013, c. 10, s. 121; 2021, c. 18, s. 124.

1029.8.36.59.41. *(Repealed).*

2013, c. 10, s. 121; 2021, c. 18, s. 124.

DIVISION II.6.5.7

CREDIT FOR DAMAGE INSURANCE FIRMS

2015, c. 21, s. 454.

§ 1. — *Interpretation and general rules*

2015, c. 21, s. 454.

1029.8.36.59.42. In this division,

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII; or

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

"qualified corporation" for a particular taxation year means a corporation, other than an excluded corporation for the particular year, that carried on damage insurance activities in Québec during its last taxation year ended before 1 January 2013 and that

(a) is a person

i. that is referred to for the particular year in subparagraph *f* of the first paragraph of section 1159.3, enacted by subparagraph *e* of the first paragraph of section 1159.3.2, or

ii. that would be referred to for the particular year in subparagraph *f* of the first paragraph of section 1159.3, enacted by subparagraph *e* of the first paragraph of section 1159.3.2, if subparagraph *e* of the first paragraph of section 1159.3, enacted by subparagraph *d* of the first paragraph of section 1159.3.2, were read as if "in the year" were replaced by "throughout the year"; and

(b) is registered, at any time in the particular year, with the Autorité des marchés financiers under Title II of the Act respecting the distribution of financial products and services (chapter D-9.2) to act as a damage insurance firm;

"qualified expenditure" of a corporation means the aggregate of all amounts each of which is an expenditure of a current nature that is incurred by the corporation in its last taxation year ended before 1 January 2013 and that is reasonably attributable to its damage insurance activities in Québec, other than an expenditure consisting of

(a) wages or an employer contribution;

(b) interest charges;

(c) a non-deductible entertainment expense;

(d) a fine or penalty; or

(e) municipal or school property taxes;

"wages" means the income computed under Chapters I and II of Title II of Book III.

2015, c. 21, s. 454.

1029.8.36.59.42.1. If a particular corporation does not have a taxation year ended before 1 January 2013 and it results from the amalgamation after 31 December 2011 of two or more corporations (in this section referred to as "predecessor corporations") that were carrying on damage insurance activities in Québec during their last taxation year ended before 1 January 2013, the following rules apply:

(a) for the purposes of the definition of "qualified corporation" in section 1029.8.36.59.42, the particular corporation is deemed to have carried on damage insurance activities in Québec during its last taxation year ended before 1 January 2013; and

(b) the qualified expenditure of the particular corporation is equal to the aggregate of all amounts each of which is the qualified expenditure of a predecessor corporation.

2017, c. 1, s. 281.

1029.8.36.59.43. If the last taxation year of a corporation ended before 1 January 2013 has fewer than 365 days, the corporation's qualified expenditure is deemed to be equal to the proportion of the corporation's qualified expenditure otherwise determined that 365 is of the number of days included in that taxation year.

2015, c. 21, s. 454.

§ 2. — *Credit*

2015, c. 21, s. 454.

1029.8.36.59.44. A qualified corporation for a taxation year that encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the second and third paragraphs, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to

(a) if the taxation year ends in the calendar year 2013, the proportion of 7.5% of its qualified expenditure that the number of days in the taxation year that follow 31 December 2012 during which it carried on damage insurance activities in Québec is of 365;

(b) if the taxation year ends in the calendar year 2014, the aggregate of

i. the proportion of 7.5% of its qualified expenditure that the number of days in the taxation year that follow 31 December 2012 and that precede 1 January 2014 during which it carried on damage insurance activities in Québec is of 365; and

ii. the proportion of 5% of its qualified expenditure that the number of days in the taxation year that follow 31 December 2013 during which it carried on damage insurance activities in Québec is of 365;

(c) if the taxation year ends in the calendar year 2015, the aggregate of

i. the proportion of 7.5% of its qualified expenditure that the number of days in the taxation year that precede 1 January 2014 during which it carried on damage insurance activities in Québec is of 365;

ii. the proportion of 5% of its qualified expenditure that the number of days in the taxation year that follow 31 December 2013 and that precede 1 January 2015 during which it carried on damage insurance activities in Québec is of 365, and

iii. the proportion of 2.5% of its qualified expenditure that the number of days in the taxation year that follow 31 December 2014 during which it carried on damage insurance activities in Québec is of 365; or

(d) if the taxation year ends after 31 December 2015, the aggregate of

i. the proportion of 5% of its qualified expenditure that the number of days in the taxation year that precede 1 January 2015 during which it carried on damage insurance activities in Québec is of 365, and

ii. the proportion of 2.5% of its qualified expenditure that the number of days in the taxation year that follow 31 December 2014 and that precede 1 January 2016 during which it carried on damage insurance activities in Québec is of 365.

If the corporation is a qualified corporation for the year under subparagraph ii of paragraph *a* of the definition of "qualified corporation" in section 1029.8.36.59.42, whichever of subparagraphs *a* to *d* of the first paragraph applies to the corporation for the year is to be read as if "during which it carried on damage insurance activities in Québec", wherever it appears, were replaced by "during which it carried on damage insurance activities in Québec and the election referred to in subparagraph *e* of the first paragraph of section 1159.3, enacted by subparagraph *d* of the first paragraph of section 1159.3.2, is not in effect,".

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or under section 1159.7 if it refers to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Part IV.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2015, c. 21, s. 454.

§ 3. — *Government assistance, non-government assistance and other particulars*

2015, c. 21, s. 454.

1029.8.36.59.45. For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a corporation under section 1029.8.36.59.44, the amount of the qualified expenditure of the corporation referred to in the first paragraph of that section is to be reduced, if applicable, by the amount of any government assistance or non-government assistance, attributable to that expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year.

2015, c. 21, s. 454.

1029.8.36.59.46. If, in respect of a qualified expenditure of a qualified corporation, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the qualified expenditure, whether in the form of a repayment, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the amount of the qualified expenditure of the qualified corporation for a taxation year is to be reduced, for the purpose of computing the amount that is deemed to have been paid to the Minister for that year by the qualified corporation under section 1029.8.36.59.44, by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year.

2015, c. 21, s. 454.

1029.8.36.59.47. If, before 1 January 2018, a corporation pays, in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that was taken into account for the purpose of computing the corporation's qualified expenditure in respect of which it is deemed to have paid an amount to the Minister under section 1029.8.36.59.44, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on its balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount determined under the second paragraph is exceeded by the aggregate of all amounts each of which is equal to the amount by which the amount that it would be deemed to have paid to the Minister for a particular taxation year, in respect of the qualified expenditure, under section 1029.8.36.59.44, if any amount of assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.59.45, exceeds the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.44 for the particular year in respect of the qualified expenditure.

The amount to which the first paragraph refers is equal to the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of assistance that is repaid.

2015, c. 21, s. 454.

1029.8.36.59.48. For the purposes of section 1029.8.36.59.47, an amount of assistance is deemed to be repaid at a particular time by a corporation, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.59.45, a qualified expenditure for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.59.44;

(b) was not received by the corporation; and

(c) ceased at the particular time to be an amount that the corporation could reasonably expect to receive.

2015, c. 21, s. 454.

DIVISION II.6.5.8

CREDIT TO FOSTER THE RETENTION OF EXPERIENCED WORKERS

2020, c. 16, s. 147.

§ 1. — *Interpretation*

2020, c. 16, s. 147.

1029.8.36.59.49. In this division,

"eligible contribution" of a qualified corporation or a qualified partnership, in respect of a calendar year and in relation to an employee, means an amount that the qualified corporation or the qualified partnership, as the case may be, paid, for that calendar year and in relation to that employee, under the Act respecting industrial accidents and occupational diseases (chapter A-3.001) or under

(a) section 59 of the Act respecting parental insurance (chapter A-29.011);

(b) section 39.0.2 of the Act respecting labour standards (chapter N-1.1);

(c) section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5); or

(d) section 52 of the Act respecting the Québec Pension Plan (chapter R-9);

"eligible employee" of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period means an employee of the corporation or partnership at a time in the calendar year that ends in the taxation year or the fiscal period, as the case may be, who is at least 65 years of age on 1 January of that calendar year, other than an excluded employee at any time in that calendar year;

"excluded corporation" for a taxation year means a corporation that

(a) is exempt from tax for the year under Book VIII; or

(b) would be exempt from tax for the year under section 985, but for section 192;

"excluded employee" of a corporation or a partnership at a particular time means

(a) where the employer is a corporation, an employee who is, at that time, a specified shareholder of the corporation or, where the corporation is a cooperative, a specified member of the corporation; or

(b) where the employer is a partnership, an employee who

i. is, at that time, a specified shareholder or specified member, as the case may be, of a member of the partnership, or

ii. is not, at that time, dealing at arm's length with a member of the partnership, or with a specified shareholder or specified member, as the case may be, of that member;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation for the year, that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified expenditure" of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period, in relation to an eligible employee, means, subject to section 1029.8.36.59.51, the aggregate of all amounts each of which is an eligible contribution of the qualified corporation or the qualified partnership, as the case may be, in respect of a calendar year subsequent to the calendar year 2018 that ends in the taxation year or the fiscal period, as the case may be, in relation to the salary, wages or other remuneration that the corporation or the partnership paid, allocated, granted, awarded or attributed to the eligible employee in the calendar year, other than a salary, wages or other remuneration in respect of which no contribution is payable by the qualified corporation or the qualified partnership under section 34 of the Act respecting the Régie de l'assurance maladie du Québec, because of subparagraph *d*.1 of the seventh paragraph of that section 34;

"qualified partnership" for a fiscal period means a partnership that, in the fiscal period, carries on a business in Québec and has an establishment in Québec;

"specified employee" of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period means an employee of the corporation or partnership at a time in the calendar year that ends in the taxation year or the fiscal period, as the case may be, who is at least 60 years of age and at most 64 years of age on 1 January of that calendar year, other than an excluded employee at any time in that calendar year;

"specified expenditure" of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period, in relation to a specified employee, means, subject to section 1029.8.36.59.51, the aggregate of all amounts each of which is an eligible contribution of the qualified corporation or the qualified partnership, as the case may be, in respect of a calendar year subsequent to the calendar year 2018 that ends in the taxation year or the fiscal period, as the case may be, in relation to the salary, wages or other remuneration that the corporation or the partnership paid, allocated, granted, awarded or attributed to the specified employee in the calendar year, other than a salary, wages or other remuneration in respect of which no contribution is payable by the qualified corporation or the qualified partnership under section 34 of the Act respecting the Régie de l'assurance maladie du Québec, because of subparagraph *d*.1 of the seventh paragraph of that section 34;

"specified member" of a corporation that is a cooperative at any time means

(a) a member having, directly or indirectly, at that time, at least 10% of the votes at a meeting of the members of the cooperative; or

(b) a person who is not, at that time, dealing at arm's length with that member;

"total payroll" of a corporation or a partnership for a calendar year means its total payroll determined for the year in accordance with Division I of Chapter IV of the Act respecting the Régie de l'assurance maladie du Québec;

"total payroll threshold" of a corporation or a partnership for a calendar year means the total payroll threshold of the corporation or partnership, as the case may be, determined for the year in accordance with Division I of Chapter IV of the Act respecting the Régie de l'assurance maladie du Québec.

2020, c. 16, s. 147; 2022, c. 23, s. 102; 2023, c. 2, s. 45.

1029.8.36.59.49.1. The paid-up capital attributed to a corporation for a particular taxation year of the corporation is equal to

(a) where the corporation is not a member of an associated group, within the meaning of section 1029.8.36.59.49.3, in the particular year, its paid-up capital, determined in accordance with section 1029.8.36.59.49.2, for the taxation year preceding the particular year; or

(b) where the corporation is a member of an associated group in the particular year, the aggregate of all amounts each of which is its paid-up capital, determined in accordance with section 1029.8.36.59.49.2, for the taxation year preceding the particular year and the paid-up capital of each other member of the group, determined in accordance with that section 1029.8.36.59.49.2, for its last taxation year that ended before the beginning of the particular year.

For the purposes of subparagraph *a* of the first paragraph, where the particular year is the first fiscal period of the corporation, its paid-up capital is determined, in accordance with section 1029.8.36.59.49.2, on the basis of its financial statements prepared at the beginning of that fiscal period in accordance with generally accepted accounting principles or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles.

For the purposes of subparagraph *b* of the first paragraph, where a member of the associated group, other than the corporation, has no taxation year ending before the beginning of the particular year, its paid-up capital is determined, in accordance with section 1029.8.36.59.49.2, on the basis of its financial statements prepared at the beginning of its first fiscal period in accordance with generally accepted accounting principles or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles.

2022, c. 23, s. 103.

1029.8.36.59.49.2. For the purposes of this section and section 1029.8.36.59.49.1, the following rules apply:

(a) a corporation's paid-up capital for a taxation year is equal to

i. in respect of a corporation, except a corporation that is an insurer within the meaning assigned by the Insurers Act (chapter A-32.1), its paid-up capital that would be determined for that year in accordance with Book III of Part IV if no reference were made to section 1138.2.6, or

ii. in respect of a corporation that is an insurer, within the meaning assigned by the Insurers Act, its paid-up capital that would be determined for that year in accordance with Title II of Book III of Part IV if it were a bank and if paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136;

(b) business carried on by an individual who is a member of an associated group, within the meaning of section 1029.8.36.59.49.3, in a taxation year is deemed to be carried on by a corporation referred to in subparagraph i of paragraph *a* and a partnership or a trust which is a member of an associated group in a taxation year is deemed to be a corporation referred to in subparagraph i of paragraph *a*, the paid-up capital of

which is determined in accordance with Title I of Book III of Part IV but without reference to paragraph *b*.1.2 of section 1137 and any participating interest of which in the nature of capital stock or surplus is deemed to be referred to in paragraph *a* or *b* of subsection 1 of section 1136; and

(c) the interest of a member of an associated group in a taxation year in another member of that group is deemed to be an investment in shares and bonds of another corporation.

2022, c. 23, s. 103.

1029.8.36.59.49.3. For the purposes of sections 1029.8.36.59.49.1 and 1029.8.36.59.49.2, an associated group, in a taxation year, means all the corporations that are associated with each other at any time in the year.

For the purposes of the first paragraph, the following rules apply:

(a) a business carried on by an individual, other than a trust, is deemed to be carried on by a corporation all the voting shares in the capital stock of which are owned at that time by the individual;

(b) a partnership is deemed to be a corporation all the voting shares in the capital stock of which are owned at that time by each member of the partnership in a proportion equal to the agreed proportion in respect of the member for the partnership's fiscal period that includes that time; and

(c) a trust is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this subparagraph *c* referred to as the "distribution date") and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) where such a beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and where that time occurs before the distribution date, are owned at that time by the beneficiary, or

(2) where subparagraph 1 does not apply and where that time occurs before the distribution date, are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries,

ii. where a beneficiary's share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at that time by the beneficiary, except where subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at that time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, except where subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at that time by the person referred to in that section from whom property of the trust or property for which it was substituted was directly or indirectly received.

2022, c. 23, s. 103.

§ 2. — *Credit*

2020, c. 16, s. 147.

1029.8.36.59.50. A qualified corporation for a taxation year that encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the fifth paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of

(a) the product obtained by multiplying the aggregate of all amounts each of which is the amount of its qualified expenditure for the year, in relation to an eligible employee of the corporation for the year, by the corporation's eligible rate for the year;

(b) the product obtained by multiplying the aggregate of all amounts each of which is the amount of its specified expenditure for the year, in relation to a specified employee of the corporation for the year, by the corporation's specified rate for the year; and

(c) where the qualified corporation is a member of a qualified partnership at the end of a fiscal period of the partnership that ends in the taxation year, the aggregate of

i. the product obtained by multiplying the aggregate of all amounts each of which is its share, for the fiscal period, of the qualified partnership's qualified expenditure for the fiscal period, in relation to an eligible employee of the partnership for the fiscal period, by the partnership's eligible rate for the fiscal period, and

ii. the product obtained by multiplying the aggregate of all amounts each of which is its share, for the fiscal period, of the qualified partnership's specified expenditure for the fiscal period, in relation to a specified employee of the partnership for the fiscal period, by the partnership's specified rate for the fiscal period.

The eligible rate of a corporation or partnership to which subparagraph *a* of the first paragraph and subparagraph i of subparagraph *c* of that paragraph refer, for a taxation year of the corporation or a fiscal period of the partnership, as the case may be, is determined by the formula

$$75\% - (75\% \times A/B).$$

The specified rate of a corporation or partnership to which subparagraph *b* of the first paragraph and subparagraph ii of subparagraph *c* of that paragraph refer, for a taxation year of the corporation or a fiscal period of the partnership, as the case may be, is determined by the formula

$$50\% - (50\% \times A/B).$$

In the formulas in the second and third paragraphs,

(a) A is the amount by which $1,000,000 is exceeded by the lesser of the total payroll of the qualified corporation for the calendar year that ended in the taxation year or of the qualified partnership for the calendar year that ended in the fiscal period, as the case may be, and the total payroll threshold of the qualified corporation or the qualified partnership for that calendar year; and

(b) B is the amount by which $1,000,000 is exceeded by the total payroll threshold of the qualified corporation for the calendar year that ended in the taxation year or of the qualified partnership for the calendar year that ended in the fiscal period, as the case may be.

For the purpose of computing the payments that a qualified corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of the corporation's tax payable for the year under this Part and of the corporation's tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of this section, the share of a member of a partnership of an amount for a fiscal period is equal to the agreed proportion of the amount in respect of the member for the fiscal period.

2020, c. 16, s. 147.

1029.8.36.59.51. For the purposes of this division and subject to the second and third paragraphs, the following rules apply:

(a) the qualified expenditure of a qualified corporation or of a qualified partnership for a taxation year of the corporation or a fiscal period of the partnership, in relation to an eligible employee and in respect of a calendar year, may not exceed the quotient obtained by dividing $1,875 by the eligible rate of the corporation for the taxation year or of the partnership for the fiscal period, as the case may be; and

(b) the specified expenditure of a qualified corporation or of a qualified partnership for a taxation year of the corporation or a fiscal period of the partnership, in relation to a specified employee and in respect of a calendar year, may not exceed the quotient obtained by dividing $1,250 by the specified rate of the corporation for the taxation year or of the partnership for the fiscal period, as the case may be.

For the purpose of determining the qualified expenditure or the specified expenditure of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period, where, at the end of a calendar year that ends in the taxation year or fiscal period, as the case may be, the qualified corporation or qualified partnership is a member of an associated group and more than one member of the group (each of whom being referred to in this section as a "particular member") paid, in a calendar year, an amount on account of a salary, wages or other remuneration to the same employee who is, for each of the particular members, an eligible employee or a specified employee for the taxation year or fiscal period, as the case may be, of the particular member in which the calendar year ended, the qualified expenditure or the specified expenditure of the qualified corporation for the year or of the qualified partnership for the fiscal period, in relation to the employee, is, subject to the third paragraph, equal to zero.

Despite the second paragraph, where the particular members have filed with the Minister, in the prescribed form, an agreement whereby, for the purposes of this division, they allocate an amount to one or more of them as a qualified expenditure or specified expenditure for the taxation year or fiscal period, as the case may be, in relation to the same eligible employee or specified employee, the following rules apply:

(a) the amount of the qualified expenditure of the qualified corporation for the taxation year or of the qualified partnership for the fiscal period, as the case may be, in relation to that eligible employee, is deemed

to be equal, where the product obtained by multiplying the aggregate of all amounts each of which is the amount so allocated to a particular member, in relation to the eligible employee, by the eligible rate of the qualified corporation for the taxation year or of the qualified partnership for the fiscal period, as the case may be, does not exceed $1,875, to the amount so allocated to the corporation for the year or to the partnership for the fiscal period; and

(b) the amount of the specified expenditure of the qualified corporation for the taxation year or of the qualified partnership for the fiscal period, as the case may be, in relation to the specified employee, is deemed to be equal, where the product obtained by multiplying the aggregate of all amounts each of which is the amount so allocated to a particular member, in relation to the specified employee, by the specified rate of the qualified corporation for the taxation year or of the qualified partnership for the fiscal period, as the case may be, does not exceed $1,250, to the amount so allocated to the corporation for the year or to the partnership for the fiscal period.

For the purposes of subparagraphs *a* and *b* of the third paragraph, the eligible rate and the specified rate of a corporation or of a partnership for a taxation year or fiscal period, as the case may be, are those determined for the year or fiscal period in accordance with the second and third paragraphs of section 1029.8.36.59.50.

For the purposes of this section, an associated group, at the end of a calendar year, means all the qualified corporations and qualified partnerships that are associated with each other at that time.

2020, c. 16, s. 147.

§ 3. — *Government assistance, non-government assistance and other particulars*

2020, c. 16, s. 147.

1029.8.36.59.52. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.36.59.50, the following rules apply:

(a) the amount of the corporation's qualified expenditure or specified expenditure referred to in subparagraph *a* or *b* of the first paragraph of section 1029.8.36.59.50 is to be reduced, if applicable, by the amount of any government assistance or non-government assistance, attributable to the expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of the qualified expenditure or specified expenditure referred to in subparagraph i or ii of subparagraph *c* of the first paragraph of section 1029.8.36.59.50 of a partnership of which the corporation is a member, for a fiscal period of the partnership that ends in the corporation's taxation year, is to be reduced, if applicable,

i. by the corporation's share of the amount of any government assistance or non-government assistance, attributable to that expenditure, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance, attributable to that expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the share of a corporation, for a fiscal period of a partnership, of the amount of any government assistance or non-government assistance that the partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2020, c. 16, s. 147.

1029.8.36.59.53. Where, in respect of a qualified expenditure or specified expenditure of a qualified corporation for a taxation year or of a qualified partnership of which the qualified corporation is a member, for a fiscal period of that partnership that ends in the corporation's taxation year, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that arises from the payment of an eligible contribution, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply for the purpose of computing the amount that is deemed to have been paid to the Minister, for the taxation year, by the qualified corporation under section 1029.8.36.59.50:

(a) the amount of the corporation's qualified expenditure or specified expenditure referred to in subparagraph *a* or *b* of the first paragraph of section 1029.8.36.59.50 is to be reduced, if applicable, by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of the partnership's qualified expenditure or specified expenditure referred to in subparagraph i or ii of subparagraph *c* of the first paragraph of section 1029.8.36.59.50 is to be reduced, if applicable,

i. by the corporation's share of the amount of the benefit or advantage that a partnership or a person, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage that the corporation or a person with whom it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the share of a corporation, for a fiscal period of a partnership, of the amount of the benefit or advantage that a partnership or a person has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2020, c. 16, s. 147.

1029.8.36.59.54. Where, in a taxation year (in this section referred to as the "repayment year"), a corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *a* of the first paragraph of section 1029.8.36.59.52, the corporation's qualified expenditure or specified expenditure for a particular taxation year for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.59.50, the corporation is deemed, if the corporation encloses the prescribed form containing prescribed information with the fiscal return the corporation is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that the corporation would be deemed to have paid to the Minister for the particular year under section 1029.8.36.59.50, in respect of the qualified expenditure or the specified expenditure, as the case may be, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.59.52, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.50 for the particular year in respect of the qualified expenditure or the specified expenditure, as the case may be; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

2020, c. 16, s. 147.

1029.8.36.59.55. Where, in a fiscal period (in this section referred to as the "fiscal period of repayment"), a partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.59.52, a corporation's share of the partnership's qualified expenditure or specified expenditure for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.50, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.59.50 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.59.50, for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.59.52; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2020, c. 16, s. 147.

1029.8.36.59.56. Where a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.59.52, its share of the partnership's qualified expenditure or specified expenditure for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.50, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.59.50 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.59.50 for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.59.52; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2020, c. 16, s. 147.

1029.8.36.59.57. For the purposes of sections 1029.8.36.59.54 to 1029.8.36.59.56, an amount of assistance is deemed to be repaid by a corporation or a partnership, as the case may be, at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.59.52, a qualified expenditure or specified expenditure or the share of a corporation that is a member of the partnership of a qualified expenditure or specified expenditure, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.59.50;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership could reasonably expect to receive.

2020, c. 16, s. 147.

DIVISION II.6.5.9

CREDIT FOR THE CONTINUED EMPLOYMENT OF PERSONS WITH A SEVERELY LIMITED CAPACITY FOR EMPLOYMENT

2021, c. 14, s. 146; 2023, c. 2, s. 46.

§ 1. — *Interpretation*

2021, c. 14, s. 146.

1029.8.36.59.58. In this division,

"eligible contribution" of a qualified corporation or a qualified partnership, in respect of a calendar year and in relation to an employee, means an amount that the qualified corporation or the qualified partnership, as the case may be, paid, for that calendar year and in relation to that employee, under the Act respecting industrial accidents and occupational diseases (chapter A-3.001) or under

(a) section 59 of the Act respecting parental insurance (chapter A-29.011);

(b) section 39.0.2 of the Act respecting labour standards (chapter N-1.1);

(c) section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5); or

(d) section 52 of the Act respecting the Québec Pension Plan (chapter R-9);

"eligible employee" of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period means an employee of the corporation or partnership at a time in the calendar year that ends in the taxation year or the fiscal period, as the case may be, other than an excluded employee at any time in that calendar year, in respect of whom the conditions of subparagraphs *a* to *b*.1 of the first paragraph of section 752.0.14 are met or in respect of whom the Minister of Labour, Employment and Social Solidarity issued a certificate certifying that the employee received in the calendar year or in any of the five preceding calendar years a social solidarity allowance under Chapter II of Title II of the Individual and Family Assistance Act (chapter A-13.1.1) or a basic income under Chapter VI of Title II of that Act;

"excluded corporation" for a taxation year means a corporation that

(a) is exempt from tax for the year under Book VIII; or

(b) would be exempt from tax for the year under section 985, but for section 192;

"excluded employee" of a corporation or a partnership at a particular time means

(a) where the employer is a corporation, an employee who is, at that time, a specified shareholder of the corporation or, where the corporation is a cooperative, a specified member of the corporation; or

(b) where the employer is a partnership, an employee who

i. is, at that time, a specified shareholder or specified member, as the case may be, of a member of the partnership, or

ii. is not, at that time, dealing at arm's length with a member of the partnership, or with a specified shareholder or specified member, as the case may be, of that member;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation for the year, that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified expenditure" of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period, in relation to an eligible employee, means the aggregate of all amounts each of which is an eligible contribution of the qualified corporation or the qualified partnership, as the case may be, in respect of a calendar year subsequent to the calendar year 2019 that ends in the taxation year or the fiscal period, as the case may be, in relation to the salary, wages or other remuneration that the corporation or the partnership paid, allocated, granted, awarded or attributed to the eligible employee in the calendar year, other than a salary, wages or other remuneration in respect of which no contribution is payable by the qualified corporation or the qualified partnership under section 34 of the Act respecting the Régie de l'assurance maladie du Québec, because of subparagraph *d*.1 of the seventh paragraph of that section 34;

"qualified partnership" for a fiscal period means a partnership that, in the fiscal period, carries on a business in Québec and has an establishment in Québec;

"specified member" of a corporation that is a cooperative at any time means

(a) a member having, directly or indirectly, at that time, at least 10% of the votes at a meeting of the members of the cooperative; or

(b) a person who is not, at that time, dealing at arm's length with that member.

2021, c. 14, s. 146; 2022, c. 23, s. 104; 2023, c. 2, s. 47; 2023, c. 19, s. 109.

§ 2. — *Credit*

2021, c. 14, s. 146.

1029.8.36.59.59. A qualified corporation for a taxation year that encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000 is deemed,

subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of

(a) the aggregate of all amounts each of which is the amount of its qualified expenditure for the year, in relation to an eligible employee of the corporation for the year; and

(b) where the qualified corporation is a member of a qualified partnership at the end of a fiscal period of the partnership that ends in the taxation year, the aggregate of all amounts each of which is its share, for the fiscal period, of the qualified partnership's qualified expenditure for the fiscal period, in relation to an eligible employee of the partnership for the fiscal period.

For the purpose of computing the payments that a qualified corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of the corporation's tax payable for the year under this Part and of the corporation's tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of this section, the share of a member of a partnership of an amount for a fiscal period is equal to the agreed proportion of the amount in respect of the member for the fiscal period.

2021, c. 14, s. 146.

§ 3. — *Government assistance, non-government assistance and other particulars*

2021, c. 14, s. 146.

1029.8.36.59.60. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.36.59.59, the following rules apply:

(a) the amount of the corporation's qualified expenditure referred to in subparagraph *a* of the first paragraph of section 1029.8.36.59.59 is to be reduced, if applicable, by the amount of any government assistance or non-government assistance, attributable to that expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of the qualified expenditure referred to in subparagraph *b* of the first paragraph of section 1029.8.36.59.59 of a partnership of which the corporation is a member, for a fiscal period of the partnership that ends in the corporation's taxation year, is to be reduced, if applicable,

i. by the corporation's share of the amount of any government assistance or non-government assistance, attributable to that expenditure, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance, attributable to that expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the share of a corporation, for a fiscal period of a partnership, of the amount of any government assistance or non-government assistance that the partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2021, c. 14, s. 146.

1029.8.36.59.61. Where, in respect of a qualified expenditure of a qualified corporation for a taxation year or of a qualified partnership of which the qualified corporation is a member, for a fiscal period of that partnership that ends in the corporation's taxation year, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that arises from the payment of an eligible contribution, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply for the purpose of computing the amount that is deemed to have been paid to the Minister, for the taxation year, by the qualified corporation under section 1029.8.36.59.59:

(a) the amount of the corporation's qualified expenditure referred to in subparagraph *a* of the first paragraph of section 1029.8.36.59.59 is to be reduced, if applicable, by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of the partnership's qualified expenditure referred to in subparagraph *b* of the first paragraph of section 1029.8.36.59.59 is to be reduced, if applicable,

i. by the corporation's share of the amount of the benefit or advantage that a partnership or a person, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage that the corporation or a person with whom it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the share of a corporation, for a fiscal period of a partnership, of the amount of the benefit or advantage that a partnership or a person has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2021, c. 14, s. 146.

1029.8.36.59.62. Where, in a taxation year (in this section referred to as the "repayment year"), a corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *a* of the first paragraph of section 1029.8.36.59.60, the corporation's qualified expenditure for a particular taxation year for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.59.59, the corporation is deemed, if it encloses the prescribed form containing prescribed information with the fiscal return the corporation is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that the corporation would be deemed to have paid to the Minister for the particular year under section 1029.8.36.59.59, in respect of the qualified expenditure if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.59.60, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.59 for the particular year in respect of the qualified expenditure; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

2021, c. 14, s. 146.

1029.8.36.59.63. Where, in a fiscal period (in this section referred to as the "fiscal period of repayment"), a partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.59.60, a corporation's share of the partnership's qualified expenditure for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.59, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.59.59 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.59.59, for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.59.60; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2021, c. 14, s. 146.

1029.8.36.59.64. Where a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.59.60, its share of the partnership's qualified expenditure for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.59, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.59.59 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.59.59 for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.59.60; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2021, c. 14, s. 146.

1029.8.36.59.65. For the purposes of sections 1029.8.36.59.62 to 1029.8.36.59.64, an amount of assistance is deemed to be repaid by a corporation or a partnership, as the case may be, at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.59.60, a qualified expenditure or the share of a corporation that is a member of the partnership of a qualified expenditure, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.59.59;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership could reasonably expect to receive.

2021, c. 14, s. 146.

DIVISION II.6.6

Repealed, 1999, c. 83, s. 217.

1997, c. 85, s. 261; 1999, c. 83, s. 217.

§ 1. —

Repealed, 1999, c. 83, s. 217.

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.60. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.61. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.62. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

§ 2. —

Repealed, 1999, c. 83, s. 217.

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.63. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.64. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.65. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.66. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.66.1. (*Not revised*).

1999, c. 83, s. 217(2).

1029.8.36.66.2. (*Not revised*).

1999, c. 83, s. 217(2).

1029.8.36.67. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.68. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.69. *(Repealed).*

1997, c. 85, s. 261; 1998, c. 16, s. 232; 1999, c. 83, s. 217.

§ 3. —

Repealed, 1999, c. 83, s. 217.

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.70. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.71. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

1029.8.36.72. *(Repealed).*

1997, c. 85, s. 261; 1999, c. 83, s. 217.

DIVISION II.6.6.1

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

§ 1. —

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.1. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 9, s. 89; 2002, c. 40, s. 169; 2003, c. 2, s. 262; 2003, c. 29, s. 135; 2004, c. 21, s. 358; 2005, c. 38, s. 256; 2006, c. 8, s. 31; 2006, c. 13, s. 151; 2021, c. 18, s. 125.

§ 2. —

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.2. *(Repealed).*

2001, c. 51, s. 182; 2003, c. 2, s. 263; 2003, c. 9, s. 285; 2004, c. 21, s. 359; 2005, c. 38, s. 257; 2021, c. 18, s. 125.

1029.8.36.72.3. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 9, s. 90; 2003, c. 2, s. 264; 2003, c. 9, s. 286; 2004, c. 21, s. 360; 2005, c. 38, s. 258; 2021, c. 18, s. 125.

1029.8.36.72.4. *(Repealed).*

2001, c. 51, s. 182; 2004, c. 21, s. 361; 2021, c. 18, s. 125.

1029.8.36.72.5. *(Repealed).*

2001, c. 51, s. 182; 2004, c. 21, s. 362; 2021, c. 18, s. 125.

1029.8.36.72.6. *(Repealed).*

2001, c. 51, s. 182; 2004, c. 21, s. 363; 2021, c. 18, s. 125.

§ 3. —

(Repealed).

2001, c. 51, s. 182; 2006, c. 13, s. 152; 2021, c. 18, s. 125.

1029.8.36.72.7. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 9, s. 91; 2002, c. 40, s. 170; 2006, c. 13, s. 153; 2021, c. 18, s. 125.

1029.8.36.72.8. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 171; 2004, c. 21, s. 364; 2021, c. 18, s. 125.

1029.8.36.72.9. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 172; 2004, c. 21, s. 365; 2021, c. 18, s. 125.

1029.8.36.72.10. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 173; 2004, c. 21, s. 366; 2021, c. 18, s. 125.

1029.8.36.72.11. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 174; 2004, c. 21, s. 367; 2021, c. 18, s. 125.

1029.8.36.72.12. *(Repealed).*

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.13. *(Repealed).*

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.14. *(Repealed).*

2001, c. 51, s. 182; 2003, c. 29, s. 135; 2005, c. 1, s. 245; 2021, c. 18, s. 125.

DIVISION II.6.6.2

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

§ 1. —

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.15. *(Repealed).*

2001, c. 51, s. 182; 2001, c. 69, s. 12; 2002, c. 9, s. 92; 2002, c. 40, s. 175; 2003, c. 2, s. 265; 2003, c. 9, s. 287; 2004, c. 21, s. 368; 2005, c. 23, s. 193; 2005, c. 38, s. 259; 2021, c. 18, s. 125.

§ 2. —

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.16. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 176; 2003, c. 2, s. 266; 2003, c. 9, s. 288; 2004, c. 21, s. 369; 2005, c. 38, s. 260; 2021, c. 18, s. 125.

1029.8.36.72.17. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 9, s. 93; 2002, c. 40, s. 177; 2003, c. 2, s. 267; 2003, c. 9, s. 289; 2004, c. 21, s. 370; 2005, c. 38, s. 261; 2021, c. 18, s. 125.

1029.8.36.72.18. *(Repealed).*

2001, c. 51, s. 182; 2003, c. 9, s. 290; 2004, c. 21, s. 371; 2021, c. 18, s. 125.

1029.8.36.72.19. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 178; 2021, c. 18, s. 125.

1029.8.36.72.20. *(Repealed).*

2001, c. 51, s. 182; 2003, c. 9, s. 291; 2004, c. 21, s. 372; 2021, c. 18, s. 125.

§ 3. —

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.21. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 9, s. 94; 2002, c. 40, s. 179; 2003, c. 9, s. 292; 2021, c. 18, s. 125.

1029.8.36.72.22. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 180; 2003, c. 9, s. 293; 2004, c. 21, s. 373; 2021, c. 18, s. 125.

1029.8.36.72.23. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 181; 2003, c. 9, s. 294; 2021, c. 18, s. 125.

1029.8.36.72.24. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 182; 2003, c. 9, s. 295; 2021, c. 18, s. 125.

1029.8.36.72.25. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 183; 2003, c. 9, s. 296; 2004, c. 21, s. 374; 2021, c. 18, s. 125.

1029.8.36.72.26. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 184; 2003, c. 9, s. 297; 2021, c. 18, s. 125.

1029.8.36.72.27. *(Repealed).*

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.28. *(Repealed).*

2001, c. 51, s. 182; 2001, c. 69, s. 12; 2002, c. 40, s. 185; 2003, c. 9, s. 298; 2005, c. 1, s. 245; 2021, c. 18, s. 125.

DIVISION II.6.6.3

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

§ 1. —

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.29. *(Repealed).*

2001, c. 51, s. 182; 2001, c. 69, s. 12; 2002, c. 9, s. 95; 2002, c. 40, s. 186; 2003, c. 2, s. 268; 2004, c. 21, s. 375; 2005, c. 38, s. 262; 2006, c. 13, s. 154; 2021, c. 18, s. 125.

§ 2. —

(Repealed).

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.30. *(Repealed).*

2001, c. 51, s. 182; 2003, c. 2, s. 269; 2003, c. 9, s. 299; 2004, c. 21, s. 376; 2005, c. 38, s. 263; 2021, c. 18, s. 125.

1029.8.36.72.31. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 9, s. 96; 2003, c. 2, s. 270; 2003, c. 9, s. 300; 2004, c. 21, s. 377; 2005, c. 38, s. 264; 2021, c. 18, s. 125.

1029.8.36.72.32. *(Repealed).*

2001, c. 51, s. 182; 2004, c. 21, s. 378; 2021, c. 18, s. 125.

1029.8.36.72.33. *(Repealed).*

2001, c. 51, s. 182; 2004, c. 21, s. 379; 2021, c. 18, s. 125.

1029.8.36.72.34. *(Repealed).*

2001, c. 51, s. 182; 2004, c. 21, s. 380; 2021, c. 18, s. 125.

§ 3. —

(Repealed).

2001, c. 51, s. 182; 2006, c. 13, s. 155; 2021, c. 18, s. 125.

1029.8.36.72.35. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 9, s. 97; 2002, c. 40, s. 187; 2006, c. 13, s. 156; 2021, c. 18, s. 125.

1029.8.36.72.36. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 188; 2004, c. 21, s. 381; 2021, c. 18, s. 125.

1029.8.36.72.37. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 189; 2004, c. 21, s. 382; 2021, c. 18, s. 125.

1029.8.36.72.38. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 190; 2004, c. 21, s. 383; 2021, c. 18, s. 125.

1029.8.36.72.39. *(Repealed).*

2001, c. 51, s. 182; 2002, c. 40, s. 191; 2004, c. 21, s. 384; 2021, c. 18, s. 125.

1029.8.36.72.40. *(Repealed).*

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.41. *(Repealed).*

2001, c. 51, s. 182; 2021, c. 18, s. 125.

1029.8.36.72.42. *(Repealed).*

2001, c. 51, s. 182; 2001, c. 69, s. 12; 2005, c. 1, s. 245; 2021, c. 18, s. 125.

DIVISION II.6.6.4

(Repealed).

2002, c. 9, s. 98; 2021, c. 18, s. 125.

§ 1. —

(Repealed).

2002, c. 9, s. 98; 2021, c. 18, s. 125.

1029.8.36.72.43. *(Repealed).*

2002, c. 9, s. 98; 2002, c. 40, s. 192; 2003, c. 9, s. 301; 2004, c. 21, s. 385; 2005, c. 23, s. 194; 2021, c. 18, s. 125.

§ 2. —

(Repealed).

2002, c. 9, s. 98; 2021, c. 18, s. 125.

1029.8.36.72.44. *(Repealed).*

2002, c. 9, s. 98; 2002, c. 40, s. 193; 2003, c. 9, s. 302; 2004, c. 21, s. 386; 2005, c. 38, s. 265; 2021, c. 18, s. 125.

1029.8.36.72.45. *(Repealed).*

2002, c. 9, s. 98; 2002, c. 40, s. 194; 2003, c. 9, s. 303; 2004, c. 21, s. 387; 2005, c. 38, s. 266; 2021, c. 18, s. 125.

1029.8.36.72.46. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 304; 2004, c. 21, s. 388; 2021, c. 18, s. 125.

1029.8.36.72.47. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 305; 2004, c. 21, s. 389; 2021, c. 18, s. 125.

§ 3. —

(Repealed).

2002, c. 9, s. 98; 2021, c. 18, s. 125.

1029.8.36.72.48. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 306; 2021, c. 18, s. 125.

1029.8.36.72.49. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 307; 2004, c. 21, s. 390; 2021, c. 18, s. 125.

1029.8.36.72.50. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 308; 2021, c. 18, s. 125.

1029.8.36.72.51. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 308; 2021, c. 18, s. 125.

1029.8.36.72.52. *(Repealed).*

2002, c. 9, s. 98; 2002, c. 40, s. 195; 2003, c. 9, s. 309; 2004, c. 21, s. 391; 2021, c. 18, s. 125.

1029.8.36.72.53. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 310; 2021, c. 18, s. 125.

1029.8.36.72.54. *(Repealed).*

2002, c. 9, s. 98; 2021, c. 18, s. 125.

1029.8.36.72.55. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 311; 2005, c. 1, s. 245; 2021, c. 18, s. 125.

DIVISION II.6.6.5

(Repealed).

2002, c. 9, s. 98; 2004, c. 21, s. 392; 2021, c. 18, s. 125.

§ 1. —

(Repealed).

2002, c. 9, s. 98; 2021, c. 18, s. 125.

1029.8.36.72.56. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 393; 2005, c. 23, s. 195; 2006, c. 13, s. 157; 2006, c. 36, s. 165; 2021, c. 18, s. 125.

§ 2. —

(Repealed).

2002, c. 9, s. 98; 2021, c. 18, s. 125.

1029.8.36.72.57. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 312; 2004, c. 21, s. 394; 2005, c. 38, s. 267; 2021, c. 18, s. 125.

1029.8.36.72.58. *(Repealed).*

2002, c. 9, s. 98; 2003, c. 9, s. 313; 2004, c. 21, s. 395; 2005, c. 38, s. 268; 2006, c. 36, s. 166; 2021, c. 18, s. 125.

1029.8.36.72.59. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 396; 2006, c. 36, s. 167; 2021, c. 18, s. 125.

1029.8.36.72.60. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 397; 2021, c. 18, s. 125.

1029.8.36.72.61. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 398; 2021, c. 18, s. 125.

1029.8.36.72.61.1. *(Repealed).*

2004, c. 21, s. 399; 2005, c. 38, s. 269; 2021, c. 18, s. 125.

1029.8.36.72.61.2. *(Repealed).*

2004, c. 21, s. 399; 2005, c. 38, s. 270; 2006, c. 36, s. 168; 2021, c. 18, s. 125.

1029.8.36.72.61.3. *(Repealed).*

2004, c. 21, s. 399; 2006, c. 36, s. 169; 2021, c. 18, s. 125.

1029.8.36.72.61.4. *(Repealed).*

2004, c. 21, s. 399; 2021, c. 18, s. 125.

§ 3. —

(Repealed).

2002, c. 9, s. 98; 2006, c. 13, s. 158; 2021, c. 18, s. 125.

1029.8.36.72.62. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 400; 2006, c. 13, s. 159; 2021, c. 18, s. 125.

1029.8.36.72.63. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 401; 2021, c. 18, s. 125.

1029.8.36.72.64. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 402; 2021, c. 18, s. 125.

1029.8.36.72.65. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 402; 2005, c. 23, s. 196; 2021, c. 18, s. 125.

1029.8.36.72.66. *(Repealed).*

2002, c. 9, s. 98; 2002, c. 40, s. 196; 2003, c. 9, s. 462; 2004, c. 21, s. 403; 2005, c. 23, s. 197; 2006, c. 36, s. 170; 2021, c. 18, s. 125.

1029.8.36.72.67. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 404; 2021, c. 18, s. 125.

1029.8.36.72.68. *(Repealed).*

2002, c. 9, s. 98; 2004, c. 21, s. 405; 2021, c. 18, s. 125.

1029.8.36.72.69. *(Repealed).*

2002, c. 9, s. 98; 2005, c. 1, s. 245; 2021, c. 18, s. 125.

DIVISION II.6.6.6

(Repealed).

2002, c. 40, s. 197; 2021, c. 18, s. 125.

§ 1. —

(Repealed).

2002, c. 40, s. 197; 2021, c. 18, s. 125.

1029.8.36.72.70. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 314; 2004, c. 21, s. 406; 2005, c. 23, s. 198; 2021, c. 18, s. 125.

§ 2. —

(Repealed).

2002, c. 40, s. 197; 2021, c. 18, s. 125.

1029.8.36.72.71. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 315; 2021, c. 18, s. 125.

1029.8.36.72.72. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 316; 2004, c. 21, s. 407; 2021, c. 18, s. 125.

1029.8.36.72.73. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 317; 2004, c. 21, s. 408; 2021, c. 18, s. 125.

1029.8.36.72.74. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 317; 2004, c. 21, s. 409; 2021, c. 18, s. 125.

§ 3. —

(Repealed).

2002, c. 40, s. 197; 2021, c. 18, s. 125.

1029.8.36.72.75. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 318; 2021, c. 18, s. 125.

1029.8.36.72.76. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 319; 2004, c. 21, s. 410; 2021, c. 18, s. 125.

1029.8.36.72.77. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 320; 2021, c. 18, s. 125.

1029.8.36.72.78. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 320; 2021, c. 18, s. 125.

1029.8.36.72.79. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 321; 2004, c. 21, s. 411; 2021, c. 18, s. 125.

1029.8.36.72.80. *(Repealed).*

2002, c. 40, s. 197; 2003, c. 9, s. 322; 2021, c. 18, s. 125.

1029.8.36.72.81. *(Repealed).*

2002, c. 40, s. 197; 2021, c. 18, s. 125.

1029.8.36.72.82. *(Repealed).*

2002, c. 40, s. 197; 2005, c. 1, s. 245; 2021, c. 18, s. 125.

DIVISION II.6.6.6.1

CREDIT FOR JOB CREATION IN THE RESOURCE REGIONS, IN THE ALUMINUM VALLEY AND IN THE GASPÉSIE AND CERTAIN MARITIME REGIONS OF QUÉBEC

2004, c. 21, s. 412.

§ 1. — *Definitions and general*

2004, c. 21, s. 412.

1029.8.36.72.82.1. In this division,

"base amount" of a corporation means

(a) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business; and

(b) in any other case, the aggregate of all amounts each of which is

i. the salary or wages that were paid by the corporation to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee, or

ii. the salary or wages of an employee that were paid by the corporation in respect of a pay period, ended in its base period, in which the employee reports for work at an establishment of the corporation situated in Québec but outside a designated region of the corporation and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the corporation that are described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business;

"base period" of a corporation means, subject to the fourth paragraph, the given calendar year preceding the calendar year in which the corporation's eligibility period begins or the calendar year referred to in either of the following paragraphs if it is subsequent to the given calendar year:

(a) if the corporation has made the election provided for in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3.1, for the purpose of determining the amount that it is deemed to have paid to the Minister under section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3 for the taxation year in which the calendar year 2008 or 2009 ends or for a taxation year in which a calendar year subsequent to 2009 ends if the corporation elected, by filing with the Minister the prescribed form containing prescribed information on or before the corporation's filing-due date for the taxation year in which the calendar year 2010 ends, that the base period be determined by reference to this paragraph, the calendar year that precedes the calendar year in respect of which the election provided for in section 1029.8.36.72.82.3.1 was first made by the corporation; or

(b) if the corporation has made the election provided for in section 1029.8.36.72.82.3.1.1, for the purpose of determining the amount that it is deemed to have paid to the Minister under section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3 for a taxation year in which a calendar year that is subsequent to the calendar year 2010 ends, the calendar year 2010;

"designated region" of a corporation means, subject to the seventh paragraph, the Saguenay-Lac-Saint-Jean region, the eligible region or the resource region where it carries on a recognized business;

"eligibility period" of a corporation means, subject to the third paragraph, the period that begins on 1 January of the first calendar year referred to in the first unrevoked qualification certificate issued to the corporation or deemed obtained by it, in relation to a recognized business, for the purposes of this division or any of Divisions II.6.6.2, II.6.6.4 and II.6.6.6, as they read before being repealed, and that ends

(a) on 31 December 2020, for the purpose of computing an amount deemed to have been paid to the Minister under section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3, in respect of an amount referred to in subparagraph ii of subparagraph *b* of the first paragraph of that section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3, as applicable, that is in relation to a particular amount of salary or wages in respect of which an amount is deemed to have been paid by the corporation to the Minister under that section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3, as applicable, for a taxation year in which a calendar year preceding the calendar year 2016 ends, in relation to an activity referred to in the definition of "eligible region";

(b) on 31 December 2017, for the purpose of computing an amount deemed to have been paid to the Minister under section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3, in respect of an amount referred to in subparagraph *b* of the first paragraph of that section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3, as applicable, that is in relation to an amount of salary or wages, other than a particular amount of salary or wages in respect of which an amount is deemed to have been paid by the corporation to the Minister under that section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3, as applicable, for a taxation year in which a calendar year preceding the calendar year 2016 ends; or

(c) on 31 December 2015, in any other case;

"eligible amount" of a corporation for a calendar year means the aggregate of all amounts each of which is

(a) the salary or wages paid by the corporation to an employee in respect of a pay period, ended in the year, for which the employee is an eligible employee; or

(b) the salary or wages of an employee, other than an employee referred to in paragraph *a*, that were paid by the corporation in respect of a pay period, ended in the year, in which the employee reports for work at an establishment of the corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the corporation that are described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business;

"eligible employee" of a corporation, for a pay period that ended in a calendar year, means an employee who, in that period, reports for work at an establishment of the employer situated in a designated area and in respect of whom a qualification certificate, in relation to that period, is issued to the corporation by Investissement Québec for the purposes of this division;

"eligible region" means, subject to the seventh paragraph,

(a) for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which a calendar year preceding the calendar year 2010 ends and, if the corporation has made the election provided for in section 1029.8.36.72.82.3.1.1, for its taxation year in which the calendar year 2010 ends, in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the processing of marine products, or activities related to such processing activities, the Municipalité régionale de comté de La Matanie or one of the administrative regions referred to in subparagraphs ii and iii of paragraph *b* and described in the Décret concernant la révision des limites des régions administratives du Québec (chapter D-11, r. 1);

*(a.*1*) (paragraph repealed);*

(b) in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the manufacturing or processing of finished or semi-finished products in the field of marine biotechnology, or activities related to such manufacturing or processing activities, one of the following administrative regions described in the Décret concernant la révision des limites des régions administratives du Québec:

i. administrative region 01 Bas-Saint-Laurent,

ii. administrative region 09 Côte-Nord, or

iii. administrative region 11 Gaspésie–Îles-de-la-Madeleine;

(c) in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the manufacturing of wind turbines, the production of wind power or activities related to such manufacturing or production activities, the Municipalité régionale de comté de La Matanie or the administrative region referred to in subparagraph iii of paragraph *b* and described in the Décret concernant la révision des limites des régions administratives du Québec; and

(d) in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the mariculture, the manufacturing of specialized equipment for mariculture or activities related to such mariculture activities or such manufacturing of specialized equipment, one of the administrative regions referred to in subparagraphs ii and iii of paragraph *b* and described in the Décret concernant la révision des limites des régions administratives du Québec;

"eligible repayment of assistance" for a taxation year of a qualified corporation means the aggregate of

(a) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.21 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.16 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the amount that would have been

determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.16 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph or subparagraph ii of paragraph *a* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.15, in relation to a repayment of assistance;

(b) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.21 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.17 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business in the Saguenay–Lac-Saint-Jean region for its taxation year in which the preceding calendar year ended, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *b* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.15, in relation to a repayment of assistance;

(c) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.21 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.18 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.18 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.18 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *c* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.15, in relation to a repayment of assistance;

(d) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.48 that reduced the amount of the salary or

wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.44 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.44 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph or subparagraph ii of paragraph *a* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.43, in relation to a repayment of assistance;

(e) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.48 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.45 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business in an eligible region for its taxation year in which the preceding calendar year ended, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *b* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.43, in relation to a repayment of assistance;

(f) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.48 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.46 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.46 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.46 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *c* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.43, in relation to a repayment of assistance;

(g) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.75 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.71 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.71 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph or subparagraph ii of paragraph *a* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.70, in relation to a repayment of assistance;

(h) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.75 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.72 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business in a resource region for its taxation year in which the preceding calendar year ended, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *b* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.70, in relation to a repayment of assistance;

(i) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.75 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.73 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.73 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.73 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *c* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.70, in relation to a repayment of assistance;

(j) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2 that relates to a calendar year preceding the calendar year ending in the taxation year, except to the extent that paragraph *j*.1 applies to that repayment, the amount by which the particular amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph in relation to a repayment of assistance;

(j.1*)* where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.2 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the particular amount that would have been determined under that subparagraph *a*.1 in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.2 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph in relation to a repayment of assistance;

(k) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business for its taxation year in which the preceding calendar year ended, except to the extent that paragraph *k*.1 applies to that repayment, the amount by which the particular amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

*(k.*1*)* where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business for its taxation year in which the preceding calendar year ended, the amount by which the particular amount that would have been determined under that subparagraph *a*.1 in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

(l) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in subparagraph *a* or *c* of the first paragraph of section 1029.8.36.72.82.4 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, except to the extent that paragraph *l*.1 applies to that repayment, the amount by which the particular amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of subparagraph *a* or *c* of the first paragraph of section 1029.8.36.72.82.4 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.82.4 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

*(l.*1*)* where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* or *c* of section 1029.8.36.72.82.4.1 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the particular amount that would have been determined under subparagraph *a*. 1 of the first paragraph of section 1029.8.36.72.82.3 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* or *c* of section 1029.8.36.72.82.4.1 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.82.4.1 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

(m) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3.2 that relates to a calendar year preceding the calendar year ending in the taxation year, except to the extent that paragraph *m*.1 applies to the repayment, the amount by which the particular amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3.2 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph in relation to a repayment of assistance;

(m.1) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.2 that relates to a calendar year preceding the particular calendar year ending in the taxation year, the amount by which the lesser of the balance of the corporation's tax assistance limit for the taxation year, within the meaning of section 1029.8.36.72.82.3.4, multiplied by 100/20 if the particular calendar year is the calendar year 2010, by 100/10 if the particular calendar year is any of the calendar years 2011 to 2013, by 100/9 if the particular calendar year is the calendar year 2014, or by 100/8 if the particular calendar year is subsequent to thecalendar year 2014, and the particular amount that would have been determined under that subparagraph *a*.1 in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the lesser of the balance of the corporation's tax assistance limit for the taxation year, within the meaning of section 1029.8.36.72.82.3.4, multiplied by 100/20 if the particular calendar year is the calendar year 2010, by 100/10 if the particular calendar year is any of the calendar years 2011 to 2013, by 100/9 if the particular calendar year is the calendar year 2014, or by 100/8 if the particular calendar year is subsequent to the calendar year 2014, and the particular amount determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.2 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph in relation to a repayment of assistance;

(n) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3.3 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business for its taxation

year in which the preceding calendar year ended, except to the extent that paragraph *n*.1 applies to the repayment, the amount by which the particular amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

(n.1*)* where a corporation pays in a particular calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 that relates to a calendar year preceding the particular calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business for its taxation year in which the preceding calendar year ended, the amount by which the lesser of the balance of the corporation's tax assistance limit for the taxation year, within the meaning of section 1029.8.36.72.82.3.4, multiplied by 100/20 if the particular calendar year is the calendar year 2010, by 100/10 if the particular calendar year is any of the calendar years 2011 to 2013, by 100/9 if the particular calendar year is the calendar year 2014, or by 100/8 if the particular calendar year is subsequent to the calendar year 2014, and the particular amount that would have been determined under that subparagraph *a*.1 in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, exceeds the aggregate of

i. the lesser of the balance of the corporation's tax assistance limit for the taxation year, within the meaning of section 1029.8.36.72.82.3.4, multiplied by 100/20 if the particular calendar year is the calendar year 2010, by 100/10 if the particular calendar year is any of the calendar years 2011 to 2013, by 100/9 if the particular calendar year is the calendar year 2014, or by 100/8 if the particular calendar year is subsequent to the calendar year 2014, and the particular amount determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

(o) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in subparagraph *a* or *c* of the first paragraph of section 1029.8.36.72.82.4 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, except to the extent that paragraph *o*.1 applies to the repayment, the amount by which the particular amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3.3 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of subparagraph *a* or *c* of the first paragraph of section 1029.8.36.72.82.4 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.82.4 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance; and

*(o.*1*)* where a qualified corporation pays in a particular calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* or *c* of section 1029.8.36.72.82.4.2 determined, in respect of a calendar year preceding the particular calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the lesser of the balance of the corporation's tax assistance limit for the taxation year, within the meaning of section 1029.8.36.72.82.3.4, multiplied by 100/20 if the particular calendar year is the calendar year 2010, by 100/10 if the particular calendar year is any of the calendar years 2011 to 2013, by 100/9 if the particular calendar year is the calendar year 2014, or by 100/8 if the particular calendar year is subsequent to the calendar year 2014, and the particular amount that would have been determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* or *c* of section 1029.8.36.72.82.4.2 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.82.4.2 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the lesser of the balance of the corporation's tax assistance limit for the taxation year, within the meaning of section 1029.8.36.72.82.3.4, multiplied by 100/20 if the particular calendar year is the calendar year 2010, by 100/10 if the particular calendar year is any of the calendar years 2011 to 2013, by 100/9 if the particular calendar year is the calendar year 2014, or by 100/8 if the particular calendar year is subsequent to the calendar year 2014, and the particular amount determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

"qualified corporation", for a calendar year, means a corporation that, in the year, carries on a qualified business in Québec and has an establishment in Québec, but does not include

(a) a corporation that is exempt from tax under Book VIII for the taxation year in which the calendar year ends; or

(b) a corporation that would be exempt from tax for the taxation year in which the calendar year ends under section 985 but for section 192;

"recognized business" of a corporation means a business carried on in a calendar year by the corporation in a designated region and in respect of which a qualification certificate is issued for the year by Investissement Québec for the purposes of this division;

"resource region" means, subject to the seventh paragraph,

(a) one of the following administrative regions described in the Décret concernant la révision des limites des régions administratives du Québec:

i. administrative region 01 Bas-Saint-Laurent,

ii. administrative region 02 Saguenay–Lac-Saint-Jean,

iii. administrative region 04 Mauricie,

iv. administrative region 08 Abitibi-Témiscamingue,

v. administrative region 09 Côte-Nord,

vi. administrative region 10 Nord-du-Québec, or

vii. for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which a calendar year preceding the year 2010 ends, administrative region 11 Gaspésie–Îles-de-la-Madeleine; or

(b) one of the following regional county municipalities:

i. Municipalité régionale de comté d'Antoine-Labelle,

ii. Municipalité régionale de comté de La Vallée-de-la-Gatineau, or

iii. Municipalité régionale de comté de Pontiac;

"Saguenay–Lac-Saint-Jean region" means, in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the manufacturing or processing of finished or semi-finished products made from aluminum having already undergone primary processing, the reclamation and recycling of waste and residues from the processing of aluminum, or activities related to such activities, the administrative region 02 Saguenay–Lac-Saint-Jean described in the Décret concernant la révision des limites des régions administratives du Québec;

"salary or wages" means the income computed under Chapters I and II of Title II of Book III, but does not include,

(a) for an employee whose activities relate to the commercialization of the activities or products of a recognized business, directors' fees, premiums, compensation for hours worked in addition to normal working hours or benefits referred to in Division II of Chapter II of Title II of Book III; and

(b) for all other employees, directors' fees, premiums, incentive bonuses, compensation for hours worked in addition to normal working hours, commissions or benefits referred to in Division II of Chapter II of Title II of Book III.

For the purposes of this division,

(a) where, during a pay period that ended in a calendar year, an employee reports for work at an establishment of a qualified corporation situated in a designated region of the corporation and at an establishment of the qualified corporation situated outside the designated region, the employee is, for that period, deemed,

i. except if subparagraph ii applies, to report for work only at the establishment situated in the designated region, or

ii. to report for work only at the establishment situated outside the designated region if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside the designated region;

(b) where, during a pay period that ended in a calendar year, an employee reports for work at an establishment of a qualified corporation situated in Québec and at an establishment of the qualified corporation situated outside Québec, the employee is, for that period, deemed,

i. except if subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside Québec; and

(c) where, during a pay period that ended in a calendar year, an employee is not required to report for work at an establishment of a qualified corporation and the employee's salary or wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

If Investissement Québec cancels a qualification certificate issued, for the purposes of this division or of any of Divisions II.6.6.2, II.6.6.4 and II.6.6.6, as they read before being repealed, to a corporation in relation to a recognized business it is carrying on in a designated region, because of a major unforeseen event affecting the recognized business, the qualification certificate is deemed not to have been so cancelled, for the purpose of determining the corporation's eligibility period, if the corporation has resumed carrying on the recognized business in a municipality more than 40 km away from the municipality in which the recognized business was carried on before the major unforeseen event occurred.

Where a corporation that carries on a recognized business for the purposes of this division has had Investissement Québec revoke a qualification certificate it was issued in relation to the calendar year 2000 or 2001, in respect of another recognized business the corporation was carrying on for the purposes of any of Divisions II.6.6.2, II.6.6.4 and II.6.6.6, as they read before being repealed, in this paragraph referred to as the "initial qualification certificate", the corporation may elect, for the purpose of determining the amount it is deemed to have paid to the Minister for the purposes of this division for the taxation year in which ends a calendar year in respect of which it is issued a new qualification certificate by Investissement Québec, in relation to that other recognized business, to have its base period be the base period that would have been determined if the initial qualification certificate had not been so revoked.

For the purposes of this division, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

For the purposes of this division and in determining the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3, the salary or wages paid to an employee in respect of a pay period, for which the employee is an eligible employee, that may reasonably be attributed to activities of a business that are described in paragraph *a*.1 of the definition of "eligible region" in the first paragraph, enacted by subparagraph i of subparagraph *b*.1 of the seventh paragraph, and that are carried on in the region to which that paragraph *a*.1 refers, is deemed not to have been so paid to the eligible employee if, in the opinion of Investissement Québec, the activities are not recognized activities in respect of a resource region.

For the purposes of this division and for the purpose of determining the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3, the following rules apply:

(a) (subparagraph repealed);

(b) (subparagraph repealed);

(b.1*)* the definition of "eligible region" in the first paragraph is to be read,

i. if the taxation year is subsequent to the taxation year in which the calendar year 2007 ends, as if the following paragraph was inserted after paragraph *a*:

"(*a*.1) in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are manufacturing or processing activities, other than those referred to in any of paragraphs *a*, *b*, *c* and *d*, included in the group described under code 31, 32 or 33 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada, or activities related to such manufacturing or processing activities, the administrative region referred to in subparagraph iii of paragraph *b* and described in the Décret concernant la révision des limites des régions administratives du Québec;", and

ii. if the taxation year is subsequent to the taxation year in which the calendar year 2009 ends, as if the following paragraph was added after paragraph *d*, unless the corporation has made the election provided for in section 1029.8.36.72.82.3.1.1 for a preceding taxation year:

"(*e*) in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the manufacturing or processing of finished or semi-finished products made from peat or slate, or activities related to such manufacturing or processing activities, one of the administrative regions referred to in subparagraphs i and ii of paragraph *b* and described in the Décret concernant la révision des limites des régions administratives du Québec;";

(c) the definition of "designated region" in the first paragraph is to be read as follows:

""designated region" of a corporation means the Saguenay–Lac-Saint-Jean region or the eligible region where it carries on a recognized business in a particular taxation year, if

(a) the particular taxation year precedes the taxation year in which the calendar year 2010 ends; or

(b) the corporation has made the election provided for in section 1029.8.36.72.82.3.1.1;" and

(d) if the taxation year is subsequent to the taxation year in which the calendar year 2012 ends, the definition of "resource region" in the first paragraph is to be read as if subparagraphs i to iii of paragraph *a* were replaced by the following subparagraphs:

"i. the eastern part of the administrative region 01 Bas-Saint-Laurent, included in the territory of the Municipalité régionale de comté de La Matapédia, the Municipalité régionale de comté de La Matanie and the Municipalité régionale de comté de La Mitis,

"ii. the part of the administrative region 02 Saguenay–Lac-Saint-Jean, included in the territory of the Municipalité régionale de comté de Maria-Chapdelaine, the Municipalité régionale de comté Le Fjord-du-Saguenay and the Municipalité régionale de comté Le Domaine-du-Roy,

"iii. the part of the administrative region 04 Mauricie, included in the territory of the urban agglomeration of La Tuque, the Municipalité régionale de comté de Mékinac and the city of Shawinigan,".

In the definition of "eligible repayment of assistance" in the first paragraph, a reference to any section of the repealed divisions of Chapter III.1 of Title III of Book IX is a reference to that section, as it read before being repealed.

2004, c. 21, s. 412; 2005, c. 23, s. 199; 2006, c. 36, s. 301; 2006, c. 13, s. 160; 2006, c. 36, s. 171; 2009, c. 15, s. 286; 2010, c. 25, s. 140; 2011, c. 6, s. 187; I.N. 2015-05-01; 2017, c. 1, s. 282; 2019, c. 14, s. 357; 2021, c. 18, s. 126.

1029.8.36.72.82.1.1. A corporation's tax assistance limit for a taxation year is the aggregate of

(a) the corporation's base amount for the year; and

(b) the amount determined by the formula

5% × A × B/C.

In the formula in subparagraph *b* of the first paragraph,

(a) A is the corporation's gross revenue for the year;

(b) B is the aggregate of all amounts each of which is a salary or wages paid by the corporation in the taxation year to an employee who reports for work, in the year, at an establishment of the corporation situated in a resource region or in the administrative region 11 Gaspésie–Îles-de-la-Madeleine described in the Décret concernant la révision des limites des régions administratives du Québec (chapter D-11, r. 1); and

(c) C is the aggregate of all amounts each of which is a salary or wages paid to an employee by the corporation in the taxation year.

For the purposes of the second paragraph, if the amount represented by B, otherwise determined in respect of a corporation for a taxation year, is equal to or greater than 90% of the amount represented by C, determined in respect of the corporation for the year, the corporation is deemed to have paid salaries or wages in the year only to employees who reported for work, in the year, at an establishment of the corporation situated in a region referred to in subparagraph *b* of the second paragraph.

2010, c. 25, s. 141.

1029.8.36.72.82.1.2. For the purposes of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.1.1 and subject to sections 1029.8.36.72.82.1.3 and 1029.8.36.72.82.1.4, a corporation's base amount for a taxation year is equal to

(a) if the corporation is not a member of an associated group in the year, $50,000; and

(b) if the corporation is a member of an associated group in the year, an amount attributed for the year to the corporation pursuant to the agreement described in the second paragraph and filed with the Minister in the prescribed form or, if no amount is attributed to the corporation under the agreement or in the absence of such an agreement, zero.

The agreement to which subparagraph *b* of the first paragraph refers is the agreement under which all the corporations that are members of the associated group in the year attribute for the year to one or more of their number, for the purposes of this section, one or more amounts the total of which does not exceed $50,000.

If the aggregate of the amounts attributed, in respect of a taxation year, pursuant to an agreement described in the second paragraph and entered into with the corporations that are members of an associated group in the year exceeds $50,000, the amount determined under subparagraph *b* of the first paragraph in respect of each of those corporations for the taxation year is deemed, for the purposes of this section, to be equal to the proportion of $50,000 that that amount is of the aggregate of the amounts attributed for the year under the agreement.

For the purposes of this section and sections 1029.8.36.72.82.1.3 and 1029.8.36.72.82.1.4, an associated group in a taxation year means all the corporations that, in the year, are associated with each other and are qualified corporations for the purposes of Title VII.2.4 of Book IV or corporations that carry on a recognized business.

2010, c. 25, s. 141.

1029.8.36.72.82.1.3. If a corporation that is a member of an associated group referred to in subparagraph *b* of the first paragraph of section 1029.8.36.72.82.1.2 fails to file with the Minister an agreement referred to in that subparagraph within 30 days after notice in writing by the Minister has been sent to any of the corporations that are members of that group that such an agreement is required for the purposes of any assessment of tax under this Part or for the determination of another amount, the Minister shall, for the purposes of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.1.1, attribute an amount to one or more of those corporations for the taxation year, which amount or the aggregate of which amounts must be equal to $50,000, and in such a case, despite that subparagraph *b*, the base amount for the year of each of the corporations is equal to the amount so attributed to it.

2010, c. 25, s. 141.

1029.8.36.72.82.1.4. Despite sections 1029.8.36.72.82.1.2 and 1029.8.36.72.82.1.3, the following rules apply:

(a) if a corporation that is a member of an associated group (in this paragraph referred to as the "first corporation") has more than one taxation year ending in the same calendar year and is associated in two or

more of those taxation years with another corporation that is a member of the group that has a taxation year ending in that calendar year, the base amount of the first corporation for each particular taxation year that ends in the calendar year in which it is associated with the other corporation and that ends after the first taxation year ending in that calendar year is, subject to paragraph *b*, an amount equal to the lesser of

i. its base amount for the first taxation year ending in the calendar year, determined in accordance with subparagraph *b* of the first paragraph of section 1029.8.36.72.82.1.2 or section 1029.8.36.72.82.1.3, and

ii. its base amount for the particular taxation year ending in the calendar year, determined in accordance with subparagraph *b* of the first paragraph of section 1029.8.36.72.82.1.2 or section 1029.8.36.72.82.1.3; and

(b) if a corporation has a taxation year of fewer than 51 weeks, its base amount for the year is that proportion of its base amount for the year, determined without reference to this paragraph, that the number of days in the year is of 365.

2010, c. 25, s. 141.

§ 2. — *Credits*

2004, c. 21, s. 412.

1029.8.36.72.82.2. A qualified corporation that is carrying on a recognized business at least since 31 March 2008, that is not associated with any other corporation at the end of a calendar year within the qualified corporation's eligibility period and that encloses the documents referred to in the third paragraph with the fiscal return it is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the second paragraph, to have paid to the Minister on the qualified corporation's balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal, if the calendar year is subsequent to the year 2003 and precedes the year 2011, to the aggregate of

(a) 30% of the particular amount that is the amount by which the lesser of the following amounts exceeds the particular amount determined for the calendar year in accordance with subparagraph *a*.1:

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee, and

ii. the amount by which the qualified corporation's eligible amount for the calendar year exceeds the qualified corporation's base amount; and

(a.1*)* 40% of the particular amount that is the least of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, exceeds the aggregate of all amounts each of which is

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1,

ii. the amount by which the amount that would be the qualified corporation's eligible amount for the calendar year exceeds the amount that would be the qualified corporation's base amount if, for the purposes of the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, and

iii. the lesser of the amount determined for the calendar year in accordance with subparagraph i of subparagraph *a* and the amount determined for that year in accordance with subparagraph ii of that subparagraph *a*; and

(b) the aggregate of

i. 40% of the portion of the eligible repayment of assistance of the corporation for the taxation year that may reasonably be attributed to the aggregate of all amounts each of which is an amount referred to in any of paragraphs *d*, *e*, *f*, *j*.1, *k*.1 and *l*.1 of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.82.1, or referred to in any of paragraphs *j*, *k* and *l* of that definition, if the preceding calendar year and the assistance to which that paragraph refers are the calendar year 2003 and assistance that may reasonably be attributed to a business whose activities are described in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, respectively, and

ii. 30% of the amount by which the eligible repayment of assistance of the corporation for the taxation year exceeds the portion of the eligible repayment of assistance of the corporation for the taxation year determined in accordance with subparagraph i.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable under this Part, for a particular taxation year that is subsequent to the first taxation year in which the first calendar year within the qualified corporation's eligibility period ends, and of its tax payable for the particular taxation year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the particular amount that is the lesser of the amount determined under the first paragraph for the taxation year preceding the particular taxation year and the amount determined under that paragraph for the particular taxation year exceeds the aggregate of all amounts each of which is the portion of the particular amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular taxation year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under this division, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information; and

(b) a copy of all certificates and qualification certificates issued to the qualified corporation for the year in respect of a recognized business and its eligible employees.

2004, c. 21, s. 412; 2005, c. 23, s. 200; 2005, c. 38, s. 271; 2010, c. 25, s. 142; 2012, c. 8, s. 221.

1029.8.36.72.82.3. A qualified corporation that is carrying on a recognized business at least since 31 March 2008, that is associated with one or more other corporations at the end of a calendar year within the qualified corporation's eligibility period and that encloses the documents referred to in the fourth paragraph with the fiscal return it is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the third paragraph, to have paid to the Minister on the qualified corporation's balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal, if the calendar year is subsequent to the year 2003 and precedes the year 2011, to the aggregate of

(a) subject to the second paragraph, 30% of the particular amount that is the amount by which the least of the following amounts exceeds the particular amount determined for the calendar year in accordance with subparagraph *a*.1:

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee,

ii. the amount by which the aggregate of the qualified corporation's eligible amount for the calendar year and the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, exceeds the total of

(1) the qualified corporation's base amount, and

(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the qualified corporation's base period, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, and

iii. the amount by which the qualified corporation's eligible amount for the calendar year exceeds the qualified corporation's base amount;

(a.1*)* subject to the second paragraph, 40% of the particular amount that is the least of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, exceeds the aggregate of all amounts each of which is

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1,

ii. the amount by which the aggregate of the amount that would be the qualified corporation's eligible amount for the calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, and the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business and that are referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, exceeds the total of

(1) the amount that would be the qualified corporation's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, and

(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the qualified corporation's base period, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business and that are referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1,

iii. the amount by which the amount that would be the qualified corporation's eligible amount for the calendar year exceeds the amount that would be the qualified corporation's base amount if, for the purposes of the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, and

iv. the lesser of the amounts determined for the calendar year in accordance with subparagraphs i to iii of subparagraph *a*; and

(b) the aggregate of

i. 40% of the portion of the eligible repayment of assistance of the corporation for the taxation year that may reasonably be attributed to the aggregate of all amounts each of which is an amount referred to in any of paragraphs *d*, *e*, *f*, *j*.1, *k*.1 and *l*.1 of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.82.1, or referred to in any of paragraphs *j*, *k* and *l* of that definition, if the preceding calendar year and the assistance to which that paragraph refers are the calendar year 2003 and assistance that may reasonably be attributed to a business whose activities are described in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, respectively, and

ii. 30% of the amount by which the eligible repayment of assistance of the corporation for the taxation year exceeds the portion of the eligible repayment of assistance of the corporation for the taxation year determined in accordance with subparagraph i.

Where the qualified corporation referred to in the first paragraph is associated, at the end of the calendar year, with at least one other qualified corporation carrying on a recognized business in the taxation year in which the calendar year ends, the following rules apply:

(a) the least of the excess amounts determined under any of subparagraphs i to iii of subparagraph *a* of that first paragraph, in respect of the calendar year, may not exceed the amount that is attributed to it in respect of that year pursuant to the agreement referred to in section 1029.8.36.72.82.4; and

(b) the particular amount determined, where applicable, under subparagraph *a*.1 of that first paragraph, in respect of the calendar year, may not exceed the amount that is attributed to it in respect of that year pursuant to the agreement referred to in section 1029.8.36.72.82.4.1.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable under this Part, for a particular taxation year that is subsequent to the first taxation year in which the first calendar year within the qualified corporation's eligibility period ends, and of its tax payable for the particular taxation year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the particular amount that is the lesser of the amount determined under the first paragraph for the taxation year preceding the particular taxation year and the amount determined under that paragraph for the particular taxation year exceeds the aggregate of all amounts each of which is the portion of the particular amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular taxation year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under this division, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information;

(b) a copy of all certificates and qualification certificates issued to the qualified corporation for the year in respect of a recognized business and its eligible employees; and

(c) where the second paragraph applies, the agreement referred to in section 1029.8.36.72.82.4 and, where applicable, the agreement referred to in section 1029.8.36.72.82.4.1, filed in prescribed form.

2004, c. 21, s. 412; 2005, c. 23, s. 201; 2005, c. 38, s. 272; 2006, c. 36, s. 172; 2010, c. 25, s. 143; 2012, c. 8, s. 222.

1029.8.36.72.82.3.1. No corporation may be deemed to have paid an amount to the Minister in accordance with section 1029.8.36.72.82.2 or 1029.8.36.72.82.3 for a taxation year in which any of the

calendar years 2007 to 2009 ends if the corporation has elected irrevocably to avail itself, for the year or a preceding taxation year,

(a) of section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3; or

(b) of Division II.6.14.2.

A corporation that has not already made the election described in the first paragraph and that is not required to make that election for a taxation year in the manner described in the third paragraph shall make the election for the year by filing with the Minister the prescribed form containing prescribed information on or before the corporation's filing-due date for the year.

A particular corporation that is associated, in a taxation year, with one or more other corporations (in this paragraph together referred to as the "group of associated corporations") for the year, at least one of which, other than the particular corporation, has not made an election under the second paragraph or this paragraph for a preceding taxation year and at least one of which, other than the particular corporation, is described in the fourth paragraph for the year, shall make the election described in the first paragraph for the year by filing with the Minister, jointly with the other corporations that are members of the group of associated corporations, the prescribed form containing prescribed information on or before the earliest of the filing-due dates of the corporations that are members of the group for the year.

A corporation to which the third paragraph refers for a taxation year is

(a) a corporation that carried on a recognized business before 1 April 2008; or

(b) a corporation that, for the purposes of Division II.6.14.2, is a qualified corporation for the year that has acquired qualified property or that is a member of a qualified partnership that has acquired such property.

2009, c. 15, s. 287; 2010, c. 25, s. 144.

1029.8.36.72.82.3.1.1. A corporation may be deemed to have paid an amount to the Minister in accordance with section 1029.8.36.72.82.2 or 1029.8.36.72.82.3 for the taxation year in which the calendar year 2010 ends only if the corporation so elects irrevocably in the manner described in the third or fourth paragraph, as the case may be, and if the corporation did not make the election provided for in section 1029.8.36.72.82.3.1 for a preceding taxation year.

A corporation that makes the election provided for in the first paragraph for the taxation year in which the calendar year 2010 ends may not be deemed to have paid an amount to the Minister in accordance with section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3 for the year.

A corporation to which the fourth paragraph does not apply shall make the election provided for in the first paragraph for the taxation year in which the calendar year 2010 ends by filing with the Minister the prescribed form containing prescribed information on or before the corporation's filing-due date for the taxation year.

A particular corporation that is associated, in a taxation year in which the calendar year 2010 ends, with one or more other corporations that carry on a recognized business shall make the election provided for in the first paragraph for the taxation year by filing with the Minister, jointly with the other corporations that are members of the group of associated corporations, the prescribed form containing prescribed information on or before the earliest of the filing-due dates of the corporations that are members of the group, for the taxation year.

2010, c. 25, s. 145.

1029.8.36.72.82.3.2. A qualified corporation that is not associated with any other corporation at the end of a calendar year within the qualified corporation's eligibility period and that encloses the documents described in the fifth paragraph with the fiscal return it is required to file under section 1000 for the taxation

year in which the calendar year ends, is deemed, subject to the fourth paragraph, to have paid to the Minister on the qualified corporation's balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal, if the calendar year is the year 2010 or a subsequent year, to the aggregate of

(a) the result obtained by multiplying the percentage specified in subparagraph *a* of the second paragraph by the particular amount that is the amount by which the lesser of the following amounts exceeds the particular amount that would be determined for the calendar year in accordance with subparagraph *a*.1 if that subparagraph were read without reference to the balance of the qualified corporation's tax assistance limit for the year, within the meaning of section 1029.8.36.72.82.3.4:

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, if, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee, and

ii. the amount by which the qualified corporation's eligible amount for the calendar year exceeds the qualified corporation's base amount;

*(a.*1*)* the lesser of the balance of the qualified corporation's tax assistance limit for the year, within the meaning of section 1029.8.36.72.82.3.4, and the result obtained by multiplying the percentage specified in subparagraph *b* of the second paragraph by the particular amount that is the least of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to a given activity (in this section referred to as the "recognized activity in respect of a resource region") that is not an activity described in any of paragraphs *a* and *b* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, an activity that is carried on in a region described in paragraph *a*.1 or *e* of the definition of that expression, enacted by subparagraph *b*.1 of the seventh paragraph of section 1029.8.36.72.82.1, and that is described in that paragraph *a*.1 or *e*, or an activity described in the definition of "Saguenay–Lac-Saint-Jean region" in the first paragraph of section 1029.8.36.72.82.1, exceeds the aggregate of all amounts each of which is

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, if, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to a recognized activity in respect of a resource region,

ii. the amount by which the amount that would be the qualified corporation's eligible amount for the calendar year exceeds the amount that would be the qualified corporation's base amount if, for the purposes of the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, and

iii. the lesser of the amount determined for the calendar year in accordance with subparagraph i of subparagraph *a* and the amount determined for that year in accordance with subparagraph ii of that subparagraph *a*; and

(b) the aggregate of

i. the result obtained by multiplying the percentage specified in subparagraph *b* of the second paragraph by the portion of the qualified corporation's eligible repayment of assistance for the taxation year that may reasonably be attributed to the aggregate of all amounts each of which is an amount, other than an amount described in the third paragraph, that is referred to in any of paragraphs *g* to *i*, *m*.1, *n*.1 and *o*.1 of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.82.1, or in any of paragraphs *j*, *k* and *l* of that definition, to the extent that the assistance related to the carrying on of a recognized business in a resource region, and

ii. the result obtained by multiplying the percentage specified in subparagraph *a* of the second paragraph by the amount by which the portion of the qualified corporation's eligible repayment of assistance for the taxation year that concerns assistance that may reasonably be considered to relate to a business carried on in a designated region exceeds the portion of the qualified corporation's eligible repayment of assistance for the taxation year determined in accordance with subparagraph i.

The percentages to which the following provisions of the first paragraph refer are the following, as applicable:

(a) for the portion of subparagraph a before subparagraph i and for subparagraph ii of subparagraph *b*:

i. 18% for the taxation year in which the calendar year 2014 ends,

ii. 16% for the taxation year in which a calendar year subsequent to the calendar year 2014 ends, and

iii. 20% for any other taxation year; and

(b) for the portion of subparagraph *a*.1 before subparagraph i and for subparagraph i of subparagraph *b*:

i. 20% for the taxation year in which the calendar year 2010 ends,

ii. 9% for the taxation year in which the calendar year 2014 ends,

iii. 8% for the taxation year in which a calendar year subsequent to the calendar year 2014 ends, and

iv. 10% for any other taxation year.

An amount to which subparagraph i of subparagraph b of the first paragraph refers is

(a) if the calendar year that ends in the taxation year referred to in that subparagraph i is subsequent to 2012, an amount relating to assistance that may reasonably be considered to relate to a business that is carried on elsewhere than in a resource region; or

(b) an amount referred to in any of paragraphs *g* to *i*, *j*, *k* and *l* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.82.1 and that concerns assistance that may reasonably be attributed to a business carried on in a region described in paragraph *a*.1 or *e* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, enacted by subparagraph *b*.1 of the seventh paragraph of that section, and whose activities are described in that paragraph *a*.1 or *e*, as the case may be.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account

of the aggregate of its tax payable under this Part, for a particular taxation year that is subsequent to the taxation year in which the first calendar year within the qualified corporation's eligibility period ends, and of its tax payable for the particular taxation year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the particular amount that is the lesser of the amount determined under this division for the taxation year preceding the particular taxation year and the amount determined under the first paragraph for the particular taxation year exceeds the aggregate of all amounts each of which is the portion of the particular amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular taxation year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under this division, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of all certificates and qualification certificates issued to the qualified corporation for the year in respect of a recognized business and its eligible employees.

2009, c. 15, s. 287; 2010, c. 25, s. 146; 2011, c. 6, s. 188; 2012, c. 8, s. 223; 2015, c. 21, s. 455; 2019, c. 14, s. 358.

1029.8.36.72.82.3.3. A qualified corporation that is associated with one or more other corporations at the end of a calendar year within the qualified corporation's eligibility period and that encloses the documents described in the sixth paragraph with the fiscal return it is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the fifth paragraph, to have paid to the Minister on the qualified corporation's balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal, if the calendar year is the year 2010 or a subsequent year, to the aggregate of

(a) subject to the second paragraph, the result obtained by multiplying the percentage specified in subparagraph *a* of the third paragraph by the particular amount that is the amount by which the lesser of the following amounts exceeds the particular amount that would be determined for the calendar year in accordance with subparagraph *a*.1 if that subparagraph were read without reference to the balance of the qualified corporation's tax assistance limit for the year, within the meaning of section 1029.8.36.72.82.3.4:

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, if, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee,

ii. the amount by which the aggregate of the qualified corporation's eligible amount for the calendar year and the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising

or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, exceeds the total of

(1) the qualified corporation's base amount, and

(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the qualified corporation's base period, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, and

iii. the amount by which the qualified corporation's eligible amount for the calendar year exceeds the qualified corporation's base amount;

(a.1) subject to the second paragraph, the lesser of the balance of the qualified corporation's tax assistance limit for the year, within the meaning of section 1029.8.36.72.82.3.4, and the result obtained by multiplying the percentage specified in subparagraph *b* of the third paragraph by the particular amount that is the least of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to a given activity (in this section referred to as the "recognized activity in respect of a resource region") that is not an activity described in any of paragraphs *a* and *b* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, an activity that is carried on in a region described in paragraph *a*.1 or e of the definition of that expression, enacted by subparagraph *b*.1 of the seventh paragraph of section 1029.8.36.72.82.1, and that is described in that paragraph *a*.1 or *e*, or an activity described in the definition of "Saguenay–Lac-Saint-Jean region" in the first paragraph of section 1029.8.36.72.82.1, exceeds the aggregate of all amounts each of which is

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, if, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to a recognized activity in respect of a resource region,

ii. the amount by which the aggregate of the amount that would be the qualified corporation's eligible amount for the calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, and the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are recognized activities in respect of a resource region that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, exceeds the total of

(1) the amount that would be the qualified corporation's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages

of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, and

(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the qualified corporation's base period, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are recognized activities in respect of a resource region that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business,

iii. the amount by which the amount that would be the qualified corporation's eligible amount for the calendar year exceeds the amount that would be the qualified corporation's base amount if, for the purposes of the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, and

iv. the least of the amounts determined for the calendar year in accordance with subparagraphs i to iii of subparagraph *a*; and

(b) the aggregate of

i. the result obtained by multiplying the percentage specified in subparagraph *b* of the third paragraph by the portion of the qualified corporation's eligible repayment of assistance for the taxation year that may reasonably be attributed to the aggregate of all amounts each of which is an amount, other than an amount described in the fourth paragraph, that is referred to in any of paragraphs *g* to *i*, *m*.1, *n*.1 and *o*.1 of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.82.1, or in any of paragraphs *j*, k and *l* of that definition, to the extent that the assistance related to the carrying on of a recognized business in a resource region, and

ii. the result obtained by multiplying the percentage specified in subparagraph *a* of the third paragraph by the amount by which the portion of the qualified corporation's eligible repayment of assistance for the taxation year that concerns assistance that may reasonably be considered to relate to a business carried on in a designated region exceeds the portion of the qualified corporation's eligible repayment of assistance for the taxation year determined in accordance with subparagraph i.

If the qualified corporation referred to in the first paragraph is associated, at the end of the calendar year, with at least one other qualified corporation carrying on a recognized business in the taxation year in which the calendar year ends, the following rules apply:

(a) the least of the excess amounts determined under any of subparagraphs i to iii of subparagraph *a* of the first paragraph, in respect of the calendar year, may not exceed the amount that is attributed to it in respect of that year pursuant to the agreement referred to in section 1029.8.36.72.82.4; and

(b) the least of the excess amounts determined, if applicable, under any of subparagraphs i to iv of subparagraph *a*.1 of the first paragraph, in respect of the calendar year, may not exceed the amount that is attributed to it in respect of that year pursuant to the agreement referred to in section 1029.8.36.72.82.4.2.

The percentages to which the following provisions of the first paragraph refer are the following, as applicable:

(a) for the portion of subparagraph *a* before subparagraph i and for subparagraph ii of subparagraph *b*:

i. 18% for the taxation year in which the calendar year 2014 ends,

ii. 16% for the taxation year in which a calendar year subsequent to the calendar year 2014 ends, and

iii. 20% for any other taxation year; and

(b) for the portion of subparagraph *a*.1 before subparagraph i and for subparagraph i of subparagraph *b*:

i. 20% for the taxation year in which the calendar year 2010 ends,

ii. 9% for the taxation year in which the calendar year 2014 ends,

iii. 8% for the taxation year in which a calendar year subsequent to the calendar year 2014 ends, and

iv. 10% for any other taxation year.

An amount to which subparagraph i of subparagraph *b* of the first paragraph refers means

(a) if the calendar year that ends in the taxation year referred to in that subparagraph i is subsequent to 2012, an amount relating to assistance that may reasonably be considered to relate to a business that is carried on elsewhere than in a resource region; or

(b) an amount referred to in any of paragraphs *g* to *i*, *j*, *k* and *l* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.82.1 and that concerns assistance that may reasonably be attributed to a business carried on in a region described in paragraph *a*.1 or *e* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, enacted by subparagraph *b*.1 of the seventh paragraph of that section, and whose activities are described in that paragraph *a*.1 or *e*, as the case may be.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable under this Part, for a particular taxation year that is subsequent to the taxation year in which the first calendar year within the qualified corporation's eligibility period ends, and of its tax payable for the particular taxation year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the particular amount that is the lesser of the amount determined under this division for the taxation year preceding the particular taxation year and the amount determined under the first paragraph for the particular taxation year exceeds the aggregate of all amounts each of which is the portion of the particular amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular taxation year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under this division, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of all certificates and qualification certificates issued to the qualified corporation for the year in respect of a recognized business and its eligible employees; and

(c) if the second paragraph applies, the agreement referred to in section 1029.8.36.72.82.4 and, if applicable, the agreement referred to in section 1029.8.36.72.82.4.2, filed in prescribed form.

2009, c. 15, s. 287; 2010, c. 25, s. 147; 2011, c. 6, s. 189; 2012, c. 8, s. 224; 2015, c. 21, s. 456; 2019, c. 14, s. 359.

1029.8.36.72.82.3.4. The balance of a corporation's tax assistance limit for a taxation year is equal to the amount by which its tax assistance limit for the year, determined under section 1029.8.36.72.82.1.1, exceeds the aggregate of

(a) the aggregate of the following amounts that is multiplied, if the corporation has an establishment situated outside Québec, by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771:

i. 8% of the lesser of the amount the corporation deducts in computing its taxable income for the year under section 737.18.26 and the amount by which the amount that would be determined in its respect for the year under section 771.2.1.2 if no reference were made to section 771.2.6 and if, for the purposes of paragraph *b* of section 771.2.1.2, its taxable income for the year were computed without reference to section 737.18.26, exceeds the amount that would be determined in its respect for the year under section 771.2.1.2 if the corporation were to deduct, in computing its taxable income, all of the amount that, but for section 737.18.26.1, would be determined under section 737.18.26, and

ii. 11.9% of the amount by which the amount that the corporation deducts in computing its taxable income for the year under section 737.18.26 exceeds the excess amount determined in subparagraph i;

(b) the amount of tax that would be payable by the corporation under Part IV for the year if its paid-up capital for the purposes of that Part were equal to the amount it deducted for the year under section 1138.2.3, that is multiplied, if the corporation has an establishment situated outside Québec, by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as determined under subsection 2 of section 771; and

(c) the amount that would be payable by the corporation as the contribution provided for in section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) in respect of the aggregate of all amounts each of which is an amount, representing a proportion of wages paid or deemed to be paid in the year, for which no contribution is payable under the sixth paragraph of section 34 of that Act.

2010, c. 25, s. 148.

1029.8.36.72.82.4. The agreement to which subparagraph *a* of the second paragraph of sections 1029.8.36.72.82.3 and 1029.8.36.72.82.3.3 refers in respect of a calendar year means an agreement under which all of the qualified corporations that are carrying on, in the calendar year, a recognized business and that are associated with each other at the end of that calendar year (in this section called the "group of associated corporations"), attribute to one or more of their number, for the purposes of this division, one or more amounts; the aggregate of the amounts so attributed, for the calendar year, must not be greater than the least of

(a) the amount by which the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee of the corporation, exceeds the aggregate of all amounts each of which is,

i. except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in the base period of a qualified corporation that is a member of the group of associated corporations, the corporation carried on a business in Québec the activities of which were described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, and

ii. in any other case, the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee of the qualified corporation;

(b) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations for the calendar year exceeds the aggregate of all amounts each of which is the base amount of such a corporation; and

(c) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, or the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, exceeds the total of

i. the aggregate of all amounts each of which is the base amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, and

ii. the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the base period of a qualified corporation that is a member of the group at the end of the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued for the year, for the purposes of this division and in respect of a recognized business, to a qualified corporation that is a member of the group, except if an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a pay period that ended in a base period in relation to another recognized business carried on by a qualified corporation that is a member of the group.

However, for the purposes of the first paragraph, where the calendar year referred to in the first paragraph is the calendar year 2003 and the base period of a qualified corporation that is a member of the group of associated corporations is the calendar year 2001, the following rules apply:

(a) the amount determined in accordance with subparagraph ii of subparagraph *a* or *c* of the first paragraph, in respect of the corporation, is deemed to be equal to 90% of the salary or wages otherwise determined; and

(b) the corporation's base amount is deemed to be equal to 90% of that amount otherwise determined.

2004, c. 21, s. 412; 2005, c. 23, s. 202; 2006, c. 36, s. 173; 2009, c. 15, s. 288; 2010, c. 25, s. 149.

1029.8.36.72.82.4.1. The agreement to which subparagraph *b* of the second paragraph of section 1029.8.36.72.82.3 refers in respect of a calendar year means an agreement under which all of the qualified corporations carrying on, in the calendar year, a recognized business and that are associated with each other at the end of that calendar year, hereinafter called the "group of associated corporations", attribute to one or more of their number, for the purposes of this division, one or more amounts; the aggregate of the amounts so attributed, for the calendar year, shall not be greater than the least of

(a) the amount by which the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee of the corporation, to the extent that the salary or wages may reasonably be attributed to activities that are referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, exceeds the aggregate of all amounts each of which is,

i. except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in the base period of a qualified corporation that is a member of the group of associated corporations, the corporation carried on a business in Québec the activities of which were described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, and

ii. in any other case, the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee of the qualified corporation, to the extent that the salary or wages may reasonably be attributed to activities that are referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1;

(b) the amount by which the aggregate of all amounts each of which is the amount that would be the eligible amount of a qualified corporation that is a member of the group of associated corporations for the calendar year exceeds the aggregate of all amounts each of which is the amount that would be the base amount of such a corporation if, for the purposes of the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of that section were considered; and

(c) the amount by which the aggregate of all amounts each of which is the amount that would be the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of that section were considered, or the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business and that are referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of that section, exceeds the total of

i. the aggregate of all amounts each of which would be the base amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of that section were considered, and

ii. the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the base period of a qualified corporation that is a member of the group at the end of the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued for the year, for the purposes of this division and in respect of a recognized business, to a qualified corporation that is a member of the group and that are referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, except if an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a pay period that ended in a base period in relation to another recognized business carried on by a qualified corporation that is a member of the group.

2005, c. 23, s. 203; 2006, c. 36, s. 174; 2010, c. 25, s. 150; 2011, c. 1, s. 76.

1029.8.36.72.82.4.2. The agreement to which subparagraph *b* of the second paragraph of section 1029.8.36.72.82.3.3 refers in respect of a calendar year means an agreement under which all of the qualified corporations that are carrying on, in the calendar year, a recognized business and that are associated with each other at the end of that calendar year (in this section called the "group of associated corporations"), attribute to one or more of their number, for the purposes of this division, one or more amounts; the aggregate of the amounts so attributed, for the calendar year, must not be greater than the least of

(a) the amount by which the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee of the corporation, to the extent that the salary or wages may reasonably be attributed to a given activity (hereinafter referred to as a "recognized activity in respect of a resource region") that is not an activity described in any of paragraphs *a* and *b* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, an activity that is carried on in a region described in paragraph *a*.1 or e of the definition of that expression, enacted by subparagraph *b*.1 of the seventh paragraph of section 1029.8.36.72.82.1, and that is described in that paragraph *a*.1 or *e*, or an activity described in the definition of "Saguenay–Lac-Saint-Jean region" in the first paragraph of section 1029.8.36.72.82.1, exceeds the aggregate of all amounts each of which is,

i. except in respect of a corporation that results from an amalgamation, an amount equal to zero, if, at no time in the base period of a qualified corporation that is a member of the group of associated corporations, the corporation carried on a business in Québec the activities of which were described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, and

ii. in any other case, the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, ended in its base period, for which the employee is an eligible employee of the qualified corporation, to the extent that the salary or wages may reasonably be attributed to a recognized activity in respect of a resource region;

(b) the amount by which the aggregate of all amounts each of which is the amount that would be the eligible amount of a qualified corporation that is a member of the group of associated corporations for the calendar year exceeds the aggregate of all amounts each of which is the amount that would be the base amount of such a corporation if, for the purposes of the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered; and

(c) the amount by which the aggregate of all amounts each of which is the amount that would be the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, or the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are recognized activities in respect of a resource region and that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, exceeds the total of

i. the aggregate of all amounts each of which would be the base amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, and

ii. the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the base period of a qualified corporation that is a member of the group at the end of the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are recognized activities in respect of a resource region and that are described in a qualification certificate issued for the year, for the purposes of this division and in respect of a recognized business, to a qualified corporation that is a member of the group, unless an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a pay period that ended in a base period in relation to another recognized business carried on by a qualified corporation that is a member of the group.

2010, c. 25, s. 151.

1029.8.36.72.82.5. If the aggregate of the amounts attributed, in respect of a calendar year, in an agreement referred to in subparagraph *a* or *b* of the second paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3, as the case may be, and entered into with the qualified corporations that are carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the particular amount that is the least of the excess amounts determined for that calendar year in respect of those corporations under any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.72.82.4 or under any of paragraphs *a* to *c* of section 1029.8.36.72.82.4.1 or 1029.8.36.72.82.4.2, as the case may be, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3, as the case may be, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of the amounts attributed for the calendar year in the agreement.

2004, c. 21, s. 412; 2005, c. 23, s. 204; 2009, c. 15, s. 289; 2010, c. 25, s. 152.

§ 3. — *Government assistance, non-government assistance, contract payments and other particulars*

2004, c. 21, s. 412; 2006, c. 13, s. 161.

1029.8.36.72.82.6. For the purpose of computing the amount that is deemed to have been paid to the Minister by a qualified corporation, for a particular taxation year, under any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3, the following rules apply, subject to the second and third paragraphs:

(a) the amount of the salaries or wages referred to in the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.1 and in subparagraph i of subparagraphs *a* and *a*.1 of the first paragraph of any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3 and paid by the qualified corporation, and the amount of the salaries or wages referred to in subparagraph ii of subparagraphs *a* and *a*.1 of the first paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 and paid by a corporation associated with the qualified corporation, are to be reduced, if applicable,

i. by the amount of any contract payment, government assistance or non-government assistance attributable to the salaries or wages that the qualified corporation or the corporation associated with it, as the case may be, has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for its taxation year, except any amount of government assistance that is an amount that the qualified corporation or the corporation associated with it, as the case may be, is deemed to have paid to the Minister under this chapter for any taxation year,

ii. by the portion of such salaries or wages that may reasonably be considered to be included in computing an expenditure in respect of which the qualified corporation or the corporation associated with it, as the case may be, is deemed to have paid an amount to the Minister under this chapter for any taxation year, and

iii. by the amount of any benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, other than a benefit or advantage derived from the performance of the duties of an employee, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the qualified corporation's filing-due date for its taxation year, to the extent that the benefit or advantage may reasonably be considered to be attributable, directly or indirectly, to part or all of the amount of the salaries or wages, other than those referred to in subparagraph ii, paid by the qualified corporation or the corporation associated with it, as the case may be; and

(b) the amount of the salaries or wages paid by a particular qualified corporation associated with one or more other qualified corporations and referred to in any of sections 1029.8.36.72.82.4, 1029.8.36.72.82.4.1 and 1029.8.36.72.82.4.2, is to be reduced, if applicable,

i. by the amount of any contract payment, government assistance or non-government assistance attributable to the salaries or wages that the particular qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for its taxation year, except any amount of government assistance that is an amount that the particular qualified corporation is deemed to have paid to the Minister under this chapter for any taxation year,

ii. by the portion of such salaries or wages that may reasonably be considered to be included in computing an expenditure in respect of which the particular qualified corporation is deemed to have paid an amount to the Minister under this chapter for any taxation year, and

iii. by the amount of any benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, other than a benefit or advantage derived from the performance of the duties of an eligible employee, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the particular qualified corporation's filing-due date for its taxation year, to the extent that the benefit or advantage may reasonably be considered to be attributable, directly or indirectly, to part or all of the amount of the salaries or wages, other than those referred to in subparagraph ii, paid by the particular qualified corporation.

The aggregate of the amounts referred to in the first paragraph that are to reduce the amount of the salaries or wages paid by the qualified corporation or a corporation associated with it, in respect of a pay period that ended in the qualified corporation's base period, and determined for the purpose of computing the particular amount referred to in subparagraph *a* of the first paragraph of any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3, in relation to the qualified corporation, for a calendar year ending in a taxation year, may not exceed the aggregate of the amounts referred to in the first paragraph that are to reduce the amount of the salaries or wages paid by the qualified corporation or the corporation associated with it, as the case may be, in respect of a pay period that ended in the calendar year, and determined for the purpose of computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3, as the case may be, in relation to the qualified corporation, for that calendar year.

The aggregate of the amounts referred to in the first paragraph that are to reduce the amount of the salaries or wages paid by the qualified corporation or a corporation associated with it, in respect of a pay period that ended in the qualified corporation's base period, and determined for the purpose of computing the particular amount referred to in subparagraph *a*.1 of the first paragraph of any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3, in relation to the qualified corporation, for a calendar year ending in a taxation year, may not exceed the aggregate of the amounts referred to in the first paragraph that are to reduce the amount of the salaries or wages paid by the qualified corporation or the corporation associated with it, as the case may be, in respect of a pay period that ended in the calendar year, and determined for the purpose of computing the particular amount referred to in subparagraph *a*.1 of the first paragraph of any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3, as the case may be, in relation to the qualified corporation, for that calendar year.

2004, c. 21, s. 412; 2005, c. 23, s. 205; 2006, c. 13, s. 162; 2009, c. 15, s. 290; 2010, c. 25, s. 153.

1029.8.36.72.82.6.1. For the purpose of computing the amount that is deemed to have been paid to the Minister by a qualified corporation, for a taxation year, under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3, the amount, determined otherwise but without reference to subparagraphs i and iii of subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.72.82.6 and section 1029.8.36.72.82.10, of a salary or wages referred to in the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, in the portion of subparagraph i of subparagraph *a* of the first paragraph of each of sections 1029.8.36.72.82.2 and 1029.8.36.72.82.3 before subparagraph 1, in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 before subparagraph 1 or in the portion of each of subparagraphs *a* and *c* of the first paragraph of section 1029.8.36.72.82.4 before subparagraph i, that is paid, in respect of a pay period that ended in the calendar year 2008, 2009 or 2010, by the qualified corporation or by another corporation with which the qualified corporation is associated at the end of the calendar year, to an employee and that may reasonably be attributed to activities that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation, for the year, in respect of a recognized business that it carries on in a resource region, is deemed to be equal to

(a) 98% of that amount if the calendar year is the year 2008;

(b) 96% of that amount if the calendar year is the year 2009; and

(c) 94% of that amount if the calendar year is the year 2010.

2009, c. 5, s. 445; 2009, c. 15, s. 291; 2010, c. 25, s. 154.

1029.8.36.72.82.6.2. For the purpose of computing the amount that is deemed to have been paid to the Minister by a qualified corporation, for a taxation year, under section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3, the amount, determined otherwise but without reference to subparagraphs i and iii of subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.72.82.6 and section 1029.8.36.72.82.10, of a salary or wages referred to in the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, in the portion of subparagraph i of subparagraphs *a* and *a*.1 of the first paragraph of each of sections 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3 before subparagraph 1, in the portion of subparagraph ii of subparagraphs *a* and *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 before subparagraph 1 or in the portion of each of subparagraphs *a* and *c* of the first paragraph of each of sections 1029.8.36.72.82.4 and 1029.8.36.72.82.4.2 before subparagraph i, that is paid, in respect of a pay period that ended in a calendar year subsequent to the calendar year 2009, by the qualified corporation or by another corporation with which the qualified corporation is associated at the end of the calendar year, to an employee and that may reasonably be attributed to recognized activities in respect of a resource region that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation, for the year, in respect of a recognized business that it carries on in a resource region, is deemed to be equal to

(a) 94% of that amount if the calendar year is the year 2010;

(b) 92% of that amount if the calendar year is the year 2011;

(c) 90% of that amount if the calendar year is the year 2012;

(d) 88% of that amount if the calendar year is the year 2013;

(e) 86% of that amount if the calendar year is the year 2014; and

(f) 84% of that amount if the calendar year is the year 2015.

For the purposes of the first paragraph, a recognized activity in respect of a resource region is a given activity that is not an activity described in any of paragraphs *a* and *b* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, an activity that is carried on in a region described in paragraph *a*.1 or *e* of the definition of that expression, enacted by subparagraph *b*.1 of the seventh paragraph

of section 1029.8.36.72.82.1, and that is described in that paragraph *a*.1 or *e*, or an activity described in the definition of "Saguenay–Lac-Saint-Jean region" in the first paragraph of section 1029.8.36.72.82.1.

2010, c. 25, s. 155.

1029.8.36.72.82.7. For the purposes of this division, an amount of assistance is deemed to be repaid in a calendar year by a qualified corporation, pursuant to a legal obligation, where that amount

(a) reduced the amount of salaries or wages for the purpose of computing,

i. in the case of assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6, the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under subparagraph *a* or *a*.1 of the first paragraph of any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3, or

ii. in the case of assistance referred to in subparagraph *b* of the first paragraph of section 1029.8.36.72.82.6, the excess amount referred to in subparagraph *a* or *c* of the first paragraph of section 1029.8.36.72.82.4 or in any of paragraphs *a* to *c* of section 1029.8.36.72.82.4.1 or 1029.8.36.72.82.4.2, as the case may be, determined, in respect of a calendar year, in relation to all of the qualified corporations that are associated with each other;

(b) was not received by the qualified corporation; and

(c) ceased in the calendar year to be an amount that the qualified corporation may reasonably expect to receive.

2004, c. 21, s. 412; 2005, c. 23, s. 206; 2009, c. 15, s. 292; 2010, c. 25, s. 156.

1029.8.36.72.82.8. Where a corporation, in this section referred to as the "new corporation", resulting from the amalgamation, within the meaning of section 544, of two or more corporations, each of which referred to in this section as a "predecessor corporation", carries on after the amalgamation a business carried on before the amalgamation by a predecessor corporation, the new corporation and the predecessor corporation are deemed, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for the taxation year in which the calendar year in which the amalgamation occurred ends and for a subsequent taxation year, to be the same corporation throughout the period during which the predecessor corporation carried on, or is deemed to have carried on under this division, the business.

2004, c. 21, s. 412.

1029.8.36.72.82.9. If, after the beginning of the winding-up of a subsidiary, within the meaning of section 556, to which the rules in sections 556 to 564.1 and 565 apply, the parent corporation, within the meaning of section 556, begins to carry on a business the subsidiary was carrying on before the beginning of the winding-up, the parent corporation and the subsidiary are deemed, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which ends the calendar year in which the winding-up began and for a subsequent taxation year, to be the same corporation throughout the period during which the subsidiary carried on, or is deemed to have carried on under this division, the business.

2004, c. 21, s. 412; 2005, c. 23, s. 207; 2006, c. 36, s. 175.

1029.8.36.72.82.10. Subject to sections 1029.8.36.72.82.8 and 1029.8.36.72.82.9, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the "vendor") in relation to a recognized business or a business that could qualify as a recognized business if it were carried on in a designated region, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the "purchaser") that is not associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such

a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a particular corporation is deemed to have paid to the Minister under this division for the particular taxation year:

(a) if the particular corporation is the vendor,

i. the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, is deemed, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3 and subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.4, to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

A × D × E,

i.1. the aggregate of all amounts each of which is the portion of a salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, that may reasonably be attributed to activities that are referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, is deemed, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of sections 1029.8.36.72.82.2 and 1029.8.36.72.82.3 and subparagraph ii of paragraph *a* of section 1029.8.36.72.82.4.1, to be equal to the amount by which that amount otherwise determined exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *a* of the second paragraph, only the employees of the vendor who carry on such activities were considered,

i.2. the aggregate of all amounts each of which is the portion of a salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, that may reasonably be attributed to a given activity (in this section referred to as a "recognized activity in respect of a resource region") that is not an activity described in any of paragraphs *a* and *b* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, an activity that is carried on in a region described in paragraph *a*.1 or *e* of the definition of that expression, enacted by subparagraph *b*.1 of the seventh paragraph of section 1029.8.36.72.82.1, and that is described in that paragraph *a*.1 or *e*, or an activity described in the definition of "Saguenay–Lac-Saint-Jean region" in the first paragraph of section 1029.8.36.72.82.1, is deemed, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of sections 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3 and subparagraph ii of paragraph *a* of section 1029.8.36.72.82.4.2, to be equal to the amount by which that amount otherwise determined exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *a* of the second paragraph, only the employees of the vendor who carry on such an activity were considered,

ii. the base amount of the vendor is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

B × D × E,

iii. the amount that would be the base amount of the vendor if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the

definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, is deemed to be equal to the amount by which the amount otherwise determined without reference to subparagraph ii exceeds the amount that would be determined by the formula in subparagraph ii if, for the purposes of subparagraph *b* of the second paragraph, only the employees of the vendor who carry on such activities were considered, and

iv. the amount that would be the base amount of the vendor if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, is deemed to be equal to the amount by which the amount otherwise determined without reference to subparagraph ii exceeds the amount that would be determined by the formula in subparagraph ii if, for the purposes of subparagraph *b* of the second paragraph, only the employees of the vendor who carry on such an activity were considered;

(b) if the particular corporation is a corporation with which the vendor was associated at the end of the particular calendar year, the following rules apply:

i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 or in subparagraph ii of subparagraph *c* of the first paragraph of section 1029.8.36.72.82.4, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph i exceeds the amount determined by the formula

$$C \times D \times E,$$

ii. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.4.1, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *c* of the second paragraph, only the employees of the vendor who carry on activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, and

iii. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.4.2, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph iii exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *c* of the second paragraph, only the employees of the vendor who carry on a recognized activity in respect of a resource region were considered;

(c) if the particular corporation is the purchaser, the purchaser is deemed

i. to have paid, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3 or subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.4, as the case may be, to employees, in respect of a pay period, ended in the purchaser's base period, for which the employees are eligible employees, the amount that is the proportion of the aggregate, in subparagraph ii referred to as the "particular aggregate", of all amounts each of which is the salary or wages paid by the purchaser to an employee, after the particular time, in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities,

i.1. to have paid, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.2, subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3 or subparagraph ii of paragraph *a* of section 1029.8.36.72.82.4.1, as the case may be, to employees, in respect of a pay period, ended in the purchaser's base period, for which the employees are eligible employees, the amount that is the proportion of the aggregate, in subparagraph ii.1 referred to as the "particular aggregate", of all amounts each of which is the salary or wages paid by the purchaser to an employee, after the particular time, in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities,

i.2. to have paid, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.2, subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 or subparagraph ii of paragraph *a* of section 1029.8.36.72.82.4.2, as the case may be, to employees, in respect of a pay period, ended in the purchaser's base period, for which the employees are eligible employees, the amount that is the proportion of the aggregate (in subparagraph ii.2 referred to as the "particular aggregate") of all amounts each of which is the salary or wages paid by the purchaser to an employee, after the particular time, in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that are recognized activities in respect of a resource region, that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities,

ii. to have paid, for the purposes of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3 or subparagraph *a* of the first paragraph of section 1029.8.36.72.82.4, as the case may be, to employees in respect of a pay period, ended in the particular calendar year, for which the employees are eligible employees, the amount by which the amount determined pursuant to subparagraph i exceeds the amount of the particular aggregate,

ii.1. to have paid, for the purposes of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.2, subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3 or paragraph *a* of section 1029.8.36.72.82.4.1, as the case may be, to employees in respect of a pay period, ended in the particular calendar year, for which the employees are eligible employees, the amount by which the amount determined pursuant to subparagraph i.1 exceeds the amount of the particular aggregate,

ii.2. to have paid, for the purposes of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.2, subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 or paragraph *a* of section 1029.8.36.72.82.4.2, as the case may be, to employees, in respect of a pay period, ended in the particular calendar year, for which the employees are eligible employees, the amount by which the amount determined pursuant to subparagraph i.2 exceeds the amount of the particular aggregate,

iii. to have a base amount equal to the aggregate of

(1) the purchaser's base amount otherwise determined, and

(2) the amount that is the proportion of the aggregate, in subparagraph 2 of subparagraph iv referred to as the "particular aggregate", of all amounts each of which is the salary or wages that the purchaser paid to an employee after the particular time in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec but outside a designated region of the purchaser and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the purchaser that are described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of

the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 2, in relation to another recognized business,

iii.1. to have an amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, that is equal to the aggregate of

(1) the amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, and if no reference were made to subparagraph iii or this subparagraph iii.1, and

(2) the amount that is the proportion of the aggregate, in subparagraph 2 of subparagraph v referred to as the "particular aggregate", of all amounts each of which is the salary or wages that the purchaser paid to an employee after the particular time in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec but outside a designated region of the purchaser and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the purchaser that are described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 2, in relation to another recognized business,

iii.2. to have an amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, that is equal to the aggregate of

(1) the amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, and if no reference were made to subparagraph iii or this subparagraph iii.2, and

(2) the amount that is the proportion of the aggregate (in subparagraph 2 of subparagraph vi referred to as the "particular aggregate") of all amounts each of which is the salary or wages that the purchaser paid to an employee after the particular time in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec but outside a designated region of the purchaser and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the purchaser that are described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that are recognized activities in respect of a resource region, that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, unless an amount is included, in respect of the employee, in relation to the

purchaser, in computing an amount determined under this subparagraph 2, in relation to another recognized business,

iv. to have an eligible amount for the particular calendar year equal to the aggregate of

(1) the purchaser's eligible amount otherwise determined for the particular calendar year, and

(2) the amount by which the amount determined pursuant to subparagraph 2 of subparagraph iii exceeds the amount of the particular aggregate,

v. to have an amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in that first paragraph were considered, that is equal to the aggregate of

(1) the amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in that first paragraph were considered, and if no reference were made to subparagraph iv or this subparagraph v, and

(2) the amount by which the amount determined pursuant to subparagraph 2 of subparagraph iii.1 exceeds the amount of the particular aggregate, and

vi. to have an amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, that is equal to the aggregate of

(1) the amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, and if no reference were made to subparagraph iv or this subparagraph vi, and

(2) the amount by which the amount determined pursuant to subparagraph 2 of subparagraph iii.2 exceeds the amount of the particular aggregate; and

(d) if the particular corporation is a corporation that is associated with the purchaser at the end of the particular calendar year, the following rules apply:

i. the purchaser is deemed, for the purposes of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 or subparagraph *c* of the first paragraph of section 1029.8.36.72.82.4, to have paid to the employees that are referred to therein

(1) in respect of a pay period that ended in the particular corporation's base period, the amount that is the proportion of the aggregate, in subparagraph 2 referred to as the "particular aggregate", of all amounts each of which is the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the purchaser that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation in relation to the particular calendar year, in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time and except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 1, in relation to a recognized

business carried on by a corporation other than the particular corporation, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, and

(2) in respect of a pay period that ended in the particular calendar year, the amount by which the amount determined pursuant to subparagraph 1 exceeds the amount of the particular aggregate,

ii. the purchaser is deemed, for the purposes of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3 or paragraph *c* of section 1029.8.36.72.82.4.1, to have paid to the employees that are referred to therein

(1) in respect of a pay period that ended in the particular corporation's base period, the amount that is the proportion of the aggregate, in subparagraph 2 referred to as the "particular aggregate", of all amounts each of which is the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the purchaser that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation in relation to the particular calendar year, in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, that began or increased at the particular time, and except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 1, in relation to a recognized business carried on by a corporation other than the particular corporation, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, and

(2) in respect of a pay period that ended in the particular calendar year, the amount by which the amount determined pursuant to subparagraph 1 exceeds the amount of the particular aggregate, and

iii. the purchaser is deemed, for the purposes of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 or paragraph *c* of section 1029.8.36.72.82.4.2, to have paid to employees that are referred to therein

(1) in respect of a pay period that ended in the particular corporation's base period, the amount that is the proportion of the aggregate (in subparagraph 2 referred to as the "particular aggregate") of all amounts each of which is the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the purchaser that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation in relation to the particular calendar year, in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that are recognized activities in respect of a resource region, that began or increased at the particular time, and except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 1, in relation to a recognized business carried on by a corporation other than the particular corporation, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, and

(2) in respect of a pay period that ended in the particular calendar year, the amount by which the amount determined pursuant to subparagraph 1 exceeds the amount of the particular aggregate.

In the formulas provided for in subparagraphs *a* and *b* of the first paragraph,

(a) A is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee;

(b) B is the aggregate of all amounts each of which is

i. the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, or

ii. the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the particular corporation's base period, in which the employee reports for work at an establishment of the vendor situated in Québec but outside a designated region of the vendor and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation for the year in respect of a recognized business;

(c) C is the aggregate of all amounts each of which is the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the particular corporation's base period, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation for the year in respect of a recognized business, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another corporation that carries on a recognized business;

(d) D is the proportion that the number of the vendor's employees referred to in any of subparagraphs *a* to *c*, as the case may be, who were assigned to the carrying on of part of the activities that diminished or ceased at the particular time is of the number of the vendor's employees assigned to those activities immediately before the particular time; and

(e) E is,

i. if this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year and the vendor's business referred to in the first paragraph is a business carried on on a seasonal basis, the proportion that the number of days in the particular calendar year that are included in the period during which such a business is ordinarily carried on on a seasonal basis and that follow the particular time is of the number of days in that period,

ii. if this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year and the vendor's business referred to in the first paragraph is not a business carried on on a seasonal basis, the proportion that the number of days in the particular calendar year that follow the particular time is of 365, and

iii. in any other case, 1.

For the purposes of this section, if the amount of the particular aggregate that is determined in respect of the purchaser in relation to particular activities and that is referred to in subparagraph i of subparagraph *c* of the first paragraph and subparagraph 2 of subparagraph iii of that subparagraph *c* or subparagraph i.1 or i.2 of subparagraph *c* of the first paragraph and subparagraph 2 of subparagraph iii.1 or iii.2 of that subparagraph *c*, in the case where the purchaser is the particular corporation, or subparagraph 1 of subparagraph i of subparagraph *d* of the first paragraph or subparagraph 1 of subparagraph ii or iii of that subparagraph *d*, in the case where the purchaser is associated with the particular corporation at the end of the particular calendar year, is equal to zero, the particular time of the particular calendar year, otherwise determined, is deemed, in respect of the purchaser and in relation to the particular activities, to be 1 January of the following calendar year.

Subject to the third paragraph and for the purposes of this section, if the vendor's business referred to in the first paragraph is a business carried on on a seasonal basis, the proportion that 365 is of the number of days in the particular calendar year during which the purchaser carried on the activities described in that paragraph, which proportion is referred to in subparagraph i of subparagraph *c* of the first paragraph and in subparagraph 2 of subparagraph iii of that subparagraph *c* or in subparagraph i.1 or i.2 of subparagraph *c* of

the first paragraph and in subparagraph 2 of subparagraph iii.1 or iii.2 of that subparagraph *c*, in the case where the purchaser is the particular corporation, or in subparagraph 1 of subparagraph i of subparagraph *d* of the first paragraph or in subparagraph 1 of subparagraph ii or iii of that subparagraph *d*, in the case where the purchaser is associated with the particular corporation at the end of the particular calendar year, is to be replaced,

(a) if the activities described in the first paragraph relate to a recognized business of the vendor, by the proportion that the number of days that are in the vendor's base period and in respect of which the vendor paid a salary or wages to an eligible employee in the course of carrying on the business on a seasonal basis is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis;

(b) if the activities described in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, by the proportion that the number of days that are in the purchaser's base period and in respect of which the vendor paid a salary or wages, in the course of carrying on the business on a seasonal basis, to an employee who reports for work at an establishment of the vendor situated in Québec and who spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of the recognized business is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis; and

(c) if the activities described in the first paragraph relate neither to a recognized business of the vendor nor to a recognized business of the purchaser but relate to a recognized business of another corporation with which the purchaser is associated at the end of the particular calendar year, by the proportion that the number of days that are in the other corporation's base period and in respect of which the vendor paid a salary or wages, in the course of carrying on the business on a seasonal basis, to an employee who reports for work at an establishment of the vendor situated in Québec and who spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the other corporation, for the purposes of this division, for the year in respect of the recognized business is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis.

2004, c. 21, s. 412; 2005, c. 23, s. 208; 2006, c. 36, s. 176; 2009, c. 5, s. 446; 2009, c. 15, s. 293; 2010, c. 25, s. 157; 2011, c. 1, s. 77.

1029.8.36.72.82.10.1. Subject to sections 1029.8.36.72.82.8 and 1029.8.36.72.82.9, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the "vendor") in relation to a recognized business or a business that could qualify as a recognized business if it were carried on in a designated region, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the "purchaser") that is associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a particular corporation is deemed to have paid to the Minister under this division for the particular taxation year:

(a) if the particular corporation is the vendor,

i. the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, is deemed, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3 and subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.4, to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

A × G,

ii. the aggregate of all amounts each of which is the portion of a salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, that may reasonably be attributed to activities that are referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, is deemed, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of sections 1029.8.36.72.82.2 and 1029.8.36.72.82.3 and subparagraph ii of paragraph *a* of section 1029.8.36.72.82.4.1, to be equal to the amount by which that amount otherwise determined exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *a* of the second paragraph, only the employees of the vendor who carry on such activities were considered,

ii.1. the aggregate of all amounts each of which is the portion of a salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, that may reasonably be attributed to a given activity (in this section referred to as a "recognized activity in respect of a resource region") that is not an activity described in any of paragraphs *a* and *b* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, an activity that is carried on in a region described in paragraph *a*.1 or *e* of the definition of that expression, enacted by subparagraph *b*.1 of the seventh paragraph of section 1029.8.36.72.82.1, and that is described in that paragraph *a*.1 or *e*, or an activity described in the definition of "Saguenay–Lac-Saint-Jean region" in the first paragraph of section 1029.8.36.72.82.1, is deemed, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of sections 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3 and subparagraph ii of paragraph *a* of section 1029.8.36.72.82.4.2, to be equal to the amount by which that amount otherwise determined exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *a* of the second paragraph, only the employees of the vendor who carry on such an activity were considered,

iii. the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, is deemed, for the purposes of subparagraph i of subparagraph *a* of the first paragraph of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3 and subparagraph *a* of the first paragraph of section 1029.8.36.72.82.4, to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

B × G,

iv. the aggregate of all amounts each of which is the portion of a salary or wages paid by the vendor to an employee in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, that may reasonably be attributed to activities that are referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, is deemed, for the purposes of subparagraph i of subparagraph *a*.1 of the first paragraph of sections 1029.8.36.72.82.2 and 1029.8.36.72.82.3 and paragraph *a* of section 1029.8.36.72.82.4.1, to be equal to the amount by which that amount otherwise determined exceeds the amount that would be determined by the formula in subparagraph iii if, for the purposes of subparagraph *b* of the second paragraph, only the employees of the vendor who carry on such activities were considered,

iv.1. the aggregate of all amounts each of which is the portion of a salary or wages paid by the vendor to an employee in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, that may reasonably be attributed to a recognized activity in respect of a resource region, is deemed, for the purposes of subparagraph i of subparagraph *a*.1 of the first paragraph of sections 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3 and paragraph *a* of section 1029.8.36.72.82.4.2, to be equal to

the amount by which that amount otherwise determined exceeds the amount that would be determined by the formula in subparagraph iii if, for the purposes of subparagraph *b* of the second paragraph, only the employees of the vendor who carry on such an activity were considered,

v. the base amount of the vendor is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$C \times G,$$

vi. the amount that would be the vendor's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, is deemed to be equal to the amount by which that amount determined without reference to subparagraph v exceeds the amount that would be determined by the formula in subparagraph v if, for the purposes of subparagraph *c* of the second paragraph, only the employees of the vendor who carry on such activities were considered,

vi.1. the amount that would be the vendor's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, is deemed to be equal to the amount by which that amount determined without reference to subparagraph v exceeds the amount that would be determined by the formula in subparagraph v if, for the purposes of subparagraph *c* of the second paragraph, only the employees of the vendor who carry on such an activity were considered,

vii. the eligible amount of the vendor for the particular calendar year is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$D \times G,$$

viii. the amount that would be the vendor's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, is deemed to be equal to the amount by which that amount determined without reference to subparagraph vii exceeds the amount that would be determined by the formula in subparagraph vii if, for the purposes of subparagraph *d* of the second paragraph, only the employees of the vendor who carry on such activities were considered, and

ix. the amount that would be the vendor's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, is deemed to be equal to the amount by which that amount determined without reference to subparagraph vii exceeds the amount that would be determined by the formula in subparagraph vii if, for the purposes of subparagraph *d* of the second paragraph, only the employees of the vendor who carry on such an activity were considered;

(b) if the particular corporation is a corporation with which the vendor was associated at the end of the particular calendar year, the following rules apply:

i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 or in subparagraph ii of subparagraph *c* of the first paragraph of section 1029.8.36.72.82.4, as the case may be, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph i exceeds the amount determined by the formula

E × G,

ii. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.4.1, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *e* of the second paragraph, only the employees of the vendor who carry on activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered,

ii.1. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.4.2, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph ii.1 exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *e* of the second paragraph, only the employees of the vendor who carry on a recognized activity in respect of a resource region were considered,

iii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 before subparagraph 1 or in the portion of subparagraph *c* of the first paragraph of section 1029.8.36.72.82.4 before subparagraph i, as the case may be, determined in respect of the vendor for the particular calendar year, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph iii exceeds the amount determined by the formula

F × G,

iv. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a*. 1 of the first paragraph of section 1029.8.36.72.82.3 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.82.4.1 before subparagraph i, determined in respect of the vendor for the particular calendar year, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph exceeds the amount that would be determined by the formula in subparagraph iii if, for the purposes of subparagraph *f* of the second paragraph, only the employees of the vendor who carry on activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, and

v. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a*. 1 of the first paragraph of section 1029.8.36.72.82.3.3 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.82.4.2 before subparagraph i, determined in respect of the vendor for the particular calendar year, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph v exceeds the amount that would be determined by the formula in subparagraph iii if, for the purposes of subparagraph *f* of the second paragraph, only the employees of the vendor who carry on a recognized activity in respect of a resource region were considered;

(c) if the particular corporation is the purchaser, the purchaser is deemed

i. to have paid, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3 or subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.4, as the case may be, to employees, in respect of a pay period, ended in the purchaser's base period, for which the employees are eligible employees, the amount determined by the formula

A × G,

ii. to have paid, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.2 or 1029.8.36.72.82.3 or subparagraph ii of paragraph *a* of section 1029.8.36.72.82.4.1, as the case may be, to employees, in respect of a pay period, ended in the purchaser's base period, for which the employees are eligible employees, the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *a* of the second paragraph, only the employees of the vendor who carry on activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered,

ii.1. to have paid, for the purposes of subparagraph 2 of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3 or subparagraph ii of paragraph *a* of section 1029.8.36.72.82.4.2, as the case may be, to employees, in respect of a pay period, ended in the purchaser's base period, for which the employees are eligible employees, the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *a* of the second paragraph, only the employees of the vendor who carry on a recognized activity in respect of a resource region were considered,

iii. to have paid, for the purposes of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3 or subparagraph *a* of the first paragraph of section 1029.8.36.72.82.4, as the case may be, to employees in respect of a pay period, ended in the particular calendar year, for which the employees are eligible employees, the amount determined by the formula

B × G,

iv. to have paid, for the purposes of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.2 or 1029.8.36.72.82.3 or paragraph *a* of section 1029.8.36.72.82.4.1, as the case may be, to employees in respect of a pay period, ended in the particular calendar year, for which the employees are eligible employees, the amount that would be determined by the formula in subparagraph iii if, for the purposes of subparagraph *b* of the second paragraph, only the employees of the vendor who carry on activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered,

iv.1. to have paid, for the purposes of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.2 or 1029.8.36.72.82.3.3 or paragraph *a* of section 1029.8.36.72.82.4.2, as the case may be, to employees, in respect of a pay period, ended in the particular calendar year, for which the employees are eligible employees, the amount that would be determined by the formula in subparagraph iii if, for the purposes of subparagraph *b* of the second paragraph, only the employees of the vendor who carry on a recognized activity in respect of a resource region were considered,

v. to have a base amount equal to the aggregate of

(1) the purchaser's base amount otherwise determined, and

(2) the amount determined by the formula

C × G,

vi. to have an amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in that first paragraph were considered, that is equal to the aggregate of

(1) the amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in that first paragraph were considered, and if no reference were made to subparagraph v or this subparagraph vi, and

(2) the amount that would be determined by the formula in subparagraph 2 of subparagraph v if, for the purposes of subparagraph *c* of the second paragraph, only the employees of the vendor who carry on activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered,

vi.1. to have an amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, that is equal to the aggregate of

(1) the amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, and if no reference were made to subparagraph v or this subparagraph vi.1, and

(2) the amount that would be determined by the formula in subparagraph 2 of subparagraph v if, for the purposes of subparagraph *c* of the second paragraph, only the employees of the vendor who carry on a recognized activity in respect of a resource region were considered,

vii. to have an eligible amount for the particular calendar year equal to the aggregate of

(1) the purchaser's eligible amount otherwise determined for the particular calendar year, and

(2) the amount determined by the formula

$D \times G$,

viii. to have an amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in that first paragraph were considered, that is equal to the aggregate of

(1) the amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in that first paragraph were considered, and if no reference were made to subparagraph vii or this subparagraph viii, and

(2) the amount that would be determined by the formula in subparagraph 2 of subparagraph vii if, for the purposes of subparagraph *d* of the second paragraph, only the employees of the vendor who carry on activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, and

ix. to have an amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only

the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, that is equal to the aggregate of

(1) the amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.1, only the portion of the salary or wages of an employee that may reasonably be attributed to a recognized activity in respect of a resource region were considered, and if no reference were made to subparagraph vii or this subparagraph ix, and

(2) the amount that would be determined by the formula in subparagraph 2 of subparagraph vii if, for the purposes of subparagraph *d* of the second paragraph, only the employees of the vendor who carry on a recognized activity in respect of a resource region were considered; and

(d) if the particular corporation is a corporation that is associated with the purchaser at the end of the particular calendar year, the following rules apply:

i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 or in subparagraph ii of subparagraph *c* of the first paragraph of section 1029.8.36.72.82.4, as the case may be, determined in respect of the purchaser, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph i, and

(2) the amount determined by the formula

$E \times G$,

ii. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.4.1, determined in respect of the purchaser, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph ii, and

(2) the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *e* of the second paragraph, only the employees of the vendor who carry on activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered,

ii.1. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.3.3 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.4.2, determined in respect of the purchaser, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph ii.1, and

(2) the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *e* of the second paragraph, only the employees of the vendor who carry on a recognized activity in respect of a resource region were considered,

iii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 before subparagraph 1 or in the portion of subparagraph *c* of the first paragraph of section 1029.8.36.72.82.4 before subparagraph i, as the case may be, determined in respect of the purchaser for the particular calendar year, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph iii for the particular calendar year, and

(2) the amount determined by the formula

F × G,

iv. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a*. 1 of the first paragraph of section 1029.8.36.72.82.3 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.82.4.1 before subparagraph i, determined in respect of the purchaser for the particular calendar year, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph iv for the particular calendar year, and

(2) the amount that would be determined by the formula in subparagraph iii if, for the purposes of subparagraph *f* of the second paragraph, only the employees of the vendor who carry on activities referred to in any of paragraphs *a* to *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 were considered, and

v. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a*. 1 of the first paragraph of section 1029.8.36.72.82.3.3 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.82.4.2 before subparagraph i, determined in respect of the purchaser for the particular calendar year, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph v for the particular calendar year, and

(2) the amount that would be determined by the formula in subparagraph iii if, for the purposes of subparagraph *f* of the second paragraph, only the employees of the vendor who carry on a recognized activity in respect of a resource region were considered.

In the formulas in subparagraphs *a* to *d* of the first paragraph,

(a) A is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph i of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, and

ii. for the purposes of subparagraph i of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee,

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the purchaser's base period, in which the employee reports for work at an establishment of the vendor situated in a designated region of the vendor and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the purchaser for the year in respect of a recognized business, and

(3) *(subparagraph repealed);*

(b) B is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph iii of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, and

ii. for the purposes of subparagraph iii of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee,

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the vendor situated in a designated region of the vendor and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the purchaser for the year in respect of a recognized business, and

(3) *(subparagraph repealed);*

(c) C is the aggregate of all amounts each of which is

i. for the purposes of subparagraph v of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, or the salary or wages of an employee of the vendor paid by the vendor in respect of a pay period, ended in the vendor's base period, in which the employee reports for work at an establishment of the vendor situated in Québec but outside a designated region of the vendor and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the vendor for the year in respect of a recognized business, and

ii. for the purposes of subparagraph 2 of subparagraph v of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the vendor's base period, for which the employee is an eligible employee, or the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the vendor's base period, in which the employee reports for work at an establishment of the vendor situated in Québec but outside a designated region of the vendor and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the vendor for the year in respect of a recognized business,

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the purchaser's base period, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the purchaser for the year in respect of a recognized business, and

(3) *(subparagraph repealed);*

(d) D is the aggregate of all amounts each of which is

i. for the purposes of subparagraph vii of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, or the salary or wages paid by the vendor to an employee in respect of a

pay period that ended in the particular calendar year, other than an eligible employee of the vendor for the pay period, if, in that pay period, the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the vendor for the year in respect of a recognized business, and

ii. for the purposes of subparagraph 2 of subparagraph vii of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, or the salary or wages paid by the vendor to an employee in respect of a pay period that ended in the particular calendar year, other than an eligible employee of the vendor for the pay period, if, in that pay period, the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the vendor for the year in respect of a recognized business,

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the purchaser for the year in respect of a recognized business, and

(3) *(subparagraph repealed);*

(e) E is the aggregate of all amounts each of which is the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the particular corporation's base period, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation for the year in respect of a recognized business, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another corporation that carries on a recognized business;

(f) F is the aggregate of all amounts each of which is the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation for the year in respect of a recognized business, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another corporation that carries on a recognized business; and

(g) G is the proportion that the number of the vendor's employees referred to in any of subparagraphs *a* to *f*, as the case may be, who were assigned to the carrying on of part of the activities that diminished or ceased at the particular time is of the number of the vendor's employees assigned to those activities immediately before the particular time.

2005, c. 23, s. 209; 2006, c. 36, s. 177; 2009, c. 5, s. 447; 2009, c. 15, s. 294; 2010, c. 25, s. 158; 2011, c. 1, s. 78.

1029.8.36.72.82.10.2. For the purposes of sections 1029.8.36.72.82.10 and 1029.8.36.72.82.10.1, for the purpose of determining whether a vendor and a purchaser are associated with each other at a particular time, if the vendor or purchaser is an individual, other than a trust, the vendor or purchaser is deemed to be a

corporation all the voting shares in the capital stock of which are owned at the particular time by the individual.

2005, c. 23, s. 209; 2009, c. 5, s. 448; 2009, c. 15, s. 295; 2015, c. 36, s. 120.

1029.8.36.72.82.11. For the purposes of this division, where a corporation has received, is entitled to receive or may reasonably expect to receive non-government assistance, or where a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, in respect of a taxation year or fiscal period in which the base period of a particular corporation ends, and where it may reasonably be considered that the main reason for the assistance or the benefit or advantage is to reduce, in accordance with subparagraph i or iii of subparagraph *a* or *b* of the first paragraph of section 1029.8.36.72.82.6, as the case may be, the amount of the salaries or wages paid by the particular corporation or a corporation that is associated with the particular corporation, in respect of the base period of the particular corporation, so as to cause the particular corporation to be deemed to have paid an amount to the Minister under this division for a taxation year or to increase an amount that the particular corporation is deemed to have paid to the Minister under this division for a taxation year, the amount of the assistance or of the benefit or advantage is deemed to be equal to zero.

2004, c. 21, s. 412.

1029.8.36.72.82.12. Where it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a calendar year is to cause a qualified corporation to be deemed to have paid an amount to the Minister under this division in respect of that year or to increase an amount that a qualified corporation is deemed to have paid to the Minister under this division in respect of that year, those corporations are deemed, for the purposes of this division, to be associated with each other at the end of the year.

2004, c. 21, s. 412.

DIVISION II.6.6.6.2

CREDIT TO PROMOTE EMPLOYMENT IN THE GASPÉSIE AND CERTAIN MARITIME REGIONS OF QUÉBEC

2005, c. 23, s. 210; 2010, c. 25, s. 159; 2017, c. 1, s. 283.

§ 1. — *Definitions and general*

2005, c. 23, s. 210.

1029.8.36.72.82.13. In this division,

"base amount" of a corporation means

(a) except in respect of a corporation that results from an amalgamation, an amount equal to zero, if, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business; and

(b) in any other case, the aggregate of all amounts each of which is the salary or wages of an employee that were paid by the corporation in respect of a pay period, ended in its base period, in which the employee reports for work at an establishment of the corporation situated in Québec but outside an eligible region and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the corporation that are described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business;

"base period" of a corporation means, subject to the fourth paragraph, the calendar year that precedes the first calendar year covered by the first unrevoked qualification certificate issued to the corporation for the purposes of this division or, where an unrevoked qualification certificate has been obtained by the corporation for the purposes of Division II.6.6.4, as it read before being repealed, or Division II.6.6.6.1, in relation to a recognized business described in paragraph *a* or *c* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 or in paragraph *a*.1 or *e* of that definition, enacted, respectively, by subparagraphs i and ii of subparagraph *b*.1 of the seventh paragraph of section 1029.8.36.72.82.1, the earliest of the following calendar years that is before the first-mentioned calendar year:

(a) the calendar year that precedes the first calendar year covered by the first unrevoked qualification certificate issued to the corporation for the purposes of Division II.6.6.4, as it read before being repealed, or Division II.6.6.6.1, in relation to a recognized business described in any of paragraphs *a*, *b*, *c* and *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1 or in paragraph *a*.1 or *e* of that definition, enacted, respectively, by subparagraphs i and ii of subparagraph *b*.1 of the seventh paragraph of section 1029.8.36.72.82.1;

(b) where the corporation has made the election provided for in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3.1 and it has also elected, by filing with the Minister the prescribed form containing prescribed information on or before the corporation's filing-due date for the taxation year in which the calendar year 2010 ends, that the base period be determined by reference to this paragraph, the calendar year that precedes the calendar year in respect of which the election provided for in section 1029.8.36.72.82.3.1 was first made by the corporation; and

(c) where the corporation has made the election provided for in section 1029.8.36.72.82.3.1.1, the calendar year 2010;

"eligibility period" of a corporation means, subject to the third paragraph, the period that begins on 1 January of the first calendar year referred to in the first unrevoked qualification certificate issued to the corporation or deemed obtained by it, in relation to a recognized business, for the purposes of this division or, if the recognized business is referred to in any of paragraphs *b* and *d* to *f* of the definition of "eligible region", for the purposes of Division II.6.6.4, as it read before being repealed, or Division II.6.6.6.1, and that ends on 31 December 2025;

"eligible amount" of a corporation for a calendar year means the aggregate of all amounts each of which is

(a) the salary or wages paid by the corporation to an employee in respect of a pay period, ended in the year, for which the employee is an eligible employee; or

(b) the salary or wages of an employee, other than an employee referred to in paragraph *a*, that were paid by the corporation in respect of a pay period, ended in the year, in which the employee reports for work at an establishment of the corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the corporation that are described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business;

"eligible employee" of a corporation, for a pay period that ended in a calendar year, means an employee who, in that period, reports for work at an establishment of the employer situated in an eligible region and in respect of whom a qualification certificate, in relation to that period, is issued to the corporation by Investissement Québec for the purposes of this division;

"eligible region" means

(a) in respect of a recognized business whose activities described in a qualification certificate, issued to a corporation for the purposes of this division, are the manufacturing or processing of finished or semi-finished products in the field of marine biotechnology or mariculture, or activities related to such manufacturing or processing activities, one of the following administrative regions described in the Décret concernant la révision des limites des régions administratives du Québec (chapter D-11, r. 1):

i. administrative region 01 Bas-Saint-Laurent,

ii. administrative region 09 Côte-Nord, or

iii. administrative region 11 Gaspésie–Îles-de-la-Madeleine;

(b) for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which a calendar year subsequent to the calendar year 2010 ends and, if the corporation has not made the election provided for in section 1029.8.36.72.82.3.1.1, for its taxation year in which the calendar year 2010 ends, in respect of a recognized business whose activities described in a qualification certificate, issued to the corporation for the purposes of this division, are the processing of marine products or activities related to such processing activities, the Municipalité régionale de comté de La Matanie or the administrative region referred to in subparagraph ii of paragraph *a* and described in the order in council referred to in paragraph *a*;

(c) for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which a calendar year subsequent to the calendar year 2014 ends in respect of a recognized business whose activities described in a qualification certificate, issued to the corporation for the purposes of this division, are activities in the recreational tourism sector or activities related to such activities, the part of the administrative region referred to in subparagraph iii of paragraph *a* and described in the order in council referred to in paragraph *a* that is represented by the territory of the urban agglomeration of Îles-de-la-Madeleine;

(d) for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which a calendar year subsequent to the calendar year 2015 ends in respect of a recognized business whose activities described in a qualification certificate, issued to the corporation for the purposes of this division, are manufacturing or processing activities, other than those referred to in paragraphs *a* and *f*, included in the group described under code 31, 32 or 33 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada, or activities related to such manufacturing or processing activities, the administrative region referred to in subparagraph iii of paragraph *a* and described in the order in council referred to in paragraph *a*;

(e) for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which a calendar year subsequent to the calendar year 2015 ends in respect of a recognized business whose activities described in a qualification certificate, issued to the corporation for the purposes of this division, are the manufacturing or processing of finished or semi-finished products made from peat or slate or activities related to such manufacturing or processing activities, one of the administrative regions referred to in subparagraphs i and ii of paragraph *a* and described in the order in council referred to in paragraph *a*; and

(f) for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which a calendar year subsequent to the calendar year 2015 ends in respect of a recognized business whose activities described in a qualification certificate, issued to the corporation for the purposes of this division, are the manufacturing of wind turbines, the production of wind power or activities related to such manufacturing or production activities, the Municipalité régionale de comté de La Matanie or the administrative region referred to in subparagraph iii of paragraph *a* and described in the order in council referred to in paragraph *a*;

"eligible repayment of assistance" for a taxation year of a qualified corporation means the aggregate of

(a) if the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.18, that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.14 that relates to a calendar year preceding the calendar year ending in the taxation year, except to the extent that subparagraph *a*.1 applies to the repayment, the amount by which the particular amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.14 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph in relation to a repayment of assistance;

(a.1) if the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.18, that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.14 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the particular amount that would have been determined under that subparagraph *a*.1 in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.14 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph in relation to a repayment of assistance;

(b) if a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.18 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business for its taxation year in which the preceding calendar year ended, except to the extent that paragraph *b*.1 applies to the repayment, the amount by which the particular amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

(b.1) if a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.18 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business for its taxation year in which the preceding calendar year ended, the amount by which the particular amount that would have been determined under that subparagraph *a*.1 in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

(c) if a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.82.18 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the aggregate and the excess amount referred to in paragraphs *a* and *c*, respectively, of section 1029.8.36.72.82.16 and determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, except to the extent that paragraph *d* applies to the repayment, the amount by which the particular amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* or *c* of section 1029.8.36.72.82.16 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined in accordance with section 1029.8.36.72.82.16 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance; and

(d) if a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.82.18 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the aggregate and the excess amount referred to in paragraphs *a* and *c*, respectively, of section 1029.8.36.72.82.16.1 and determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the particular amount that would have been determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* or *c* of section 1029.8.36.72.82.16.1 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined in accordance with section 1029.8.36.72.82.16.1 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the particular amount determined under subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

"qualified corporation", for a calendar year, means a corporation that, in the year, carries on a qualified business in Québec and has an establishment in Québec, but does not include

(a) a corporation that is exempt from tax under Book VIII for the taxation year in which the calendar year ends; or

(b) a corporation that would be exempt from tax for the taxation year in which the calendar year ends under section 985 but for section 192;

"recognized business" of a corporation means a business carried on in a calendar year by the corporation in an eligible region and in respect of which a qualification certificate is issued for the year by Investissement Québec for the purposes of this division;

"salary or wages" means the income computed under Chapters I and II of Title II of Book III, but does not include,

(a) for an employee whose activities relate to the commercialization of activities or products of a recognized business, directors' fees, premiums, compensation for hours worked in addition to normal working hours or benefits referred to in Division II of Chapter II of Title II of Book III;

(b) for all other employees, directors' fees, premiums, incentive bonuses, compensation for hours worked in addition to normal working hours, commissions or benefits referred to in Division II of Chapter II of Title II of Book III; or

(c) for the purposes of subparagraph i of subparagraphs *a* and *a*.1 of the first paragraph of sections 1029.8.36.72.82.14 and 1029.8.36.72.82.15 and paragraph *a* of sections 1029.8.36.72.82.16 and 1029.8.36.72.82.16.1, wages in respect of which no contribution is payable to the Minister by a corporation in accordance with subparagraph *d*.1 of the sixth paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) and section 34.1.0.3 of that Act.

For the purposes of this division,

(a) if, during a pay period that ended in a calendar year, an employee reports for work at an establishment of a qualified corporation situated in Québec and at an establishment of the qualified corporation situated outside Québec, the employee is, for that period, deemed,

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside Québec;

(a.1*)* if, during a pay period that ended in a calendar year, an employee reports for work at an establishment of a qualified corporation situated in an eligible region and at an establishment of the qualified corporation situated outside the eligible region, the employee is, for that period, deemed,

i. unless subparagraph ii applies, to report for work only at the establishment situated in the eligible region, or

ii. to report for work only at the establishment situated outside the eligible region if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside the eligible region;

(b) if, during a pay period that ended in a calendar year, an employee is not required to report for work at an establishment of a qualified corporation and the employee's salary or wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec; and

(c) if, during a pay period that ended in a calendar year, an employee referred to in paragraph *b* of the definition of "eligible amount" in the first paragraph spends, when at work, less than 75% of working time in undertaking, supervising or supporting work that is directly related to activities described in a qualification certificate issued to a corporation, the Minister may consider that at least 75% of the employee's working time was spent on such work in that period if the Minister is of the opinion that the impossibility for the employee to reach that percentage is directly attributable to the measures taken to mitigate the effects of the COVID-19 pandemic.

If Investissement Québec cancels a qualification certificate issued, for the purposes of this division, to a corporation, in relation to a recognized business the corporation carries on in an eligible region, because of a major unforeseen event affecting the recognized business, the qualification certificate is deemed not to have been so cancelled, for the purpose of determining the eligibility period of the corporation, if the corporation

has resumed carrying on the recognized business in a municipality more than 40 km away from the municipality in which the recognized business was carried on before the major unforeseen event occurred.

Where a corporation that carries on a recognized business for the purposes of this division has had Investissement Québec revoke a qualification certificate it was issued in relation to the calendar year 2000 or 2001, in respect of another recognized business the corporation was carrying on for the purposes of Division II.6.6.4, as it read before being repealed, in this paragraph referred to as the "initial qualification certificate", the corporation may elect, for the purpose of determining the amount it is deemed to have paid to the Minister for the purposes of this division for the taxation year in which ends a calendar year in respect of which it is issued a new qualification certificate by Investissement Québec, in relation to that other recognized business, to have its base period be the base period that would have been determined if the initial qualification certificate had not been so revoked.

For the purposes of this division, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2005, c. 23, s. 210; 2006, c. 13, s. 163; 2006, c. 36, s. 178; 2009, c. 15, s. 296; 2010, c. 25, s. 160; 2012, c. 8, s. 225; I.N. 2015-05-01; 2017, c. 1, s. 284; 2021, c. 18, s. 127; 2021, c. 36, s. 121; 2022, c. 23, s. 105.

§ 2. — *Credits*

2005, c. 23, s. 210.

1029.8.36.72.82.14. A qualified corporation that is not associated with any other corporation at the end of a calendar year within the qualified corporation's eligibility period and that encloses the documents referred to in the third paragraph with the fiscal return the qualified corporation is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the second paragraph, to have paid to the Minister on the qualified corporation's balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal to the aggregate of

(a) the result obtained by multiplying the percentage specified in subparagraph *a* of the fourth paragraph by the particular amount that is the amount by which the lesser of the following amounts exceeds the particular amount determined for the calendar year in accordance with subparagraph *a*.1:

i. the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee, and

ii. the amount by which the qualified corporation's eligible amount for the calendar year exceeds the qualified corporation's base amount ;

(a.1*)* the result obtained by multiplying the percentage in subparagraph *b* of the fourth paragraph by the particular amount that is the least of

i. the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to an activity referred to in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13,

ii. the amount by which the amount that would be the qualified corporation's eligible amount for the calendar year exceeds the amount that would be the qualified corporation's base amount if, for the purposes of the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity referred to in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, and

iii. the lesser of the amount determined for the calendar year in accordance with subparagraph i of subparagraph *a* and the amount determined for that year in accordance with subparagraph ii of subparagraph *a*; and

(b) the aggregate of

i. the result obtained by multiplying the percentage specified in subparagraph *b* of the fourth paragraph by the portion of the qualified corporation's eligible repayment of assistance for the taxation year that may reasonably be attributed to the aggregate of all amounts each of which is an amount referred to in any of paragraphs *a*.1, b.1 and *d* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.82.13, and

ii. the result obtained by multiplying the percentage specified in subparagraph *a* of the fourth paragraph by the amount by which the qualified corporation's eligible repayment of assistance for the taxation year exceeds the portion of the qualified corporation's eligible repayment of assistance for the taxation year determined in accordance with subparagraph i.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under this division, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information; and

(b) a copy of all certificates and qualification certificates issued to the qualified corporation for the year in respect of a recognized business and its eligible employees.

The percentages to which the following provisions of the first paragraph refer are the following, as applicable:

(a) for the portion of subparagraph *a* before subparagraph i and for subparagraph ii of subparagraph *b*:

i. 36% for the taxation year in which the calendar year 2014 ends,

ii. 32% for the taxation year in which the calendar year 2015 ends,

ii.1. 30% for a taxation year in which a calendar year subsequent to the calendar year 2015 ends, and

iii. 40% for any other taxation year; and

(b) for the portion of subparagraph *a*.1 before subparagraph i and for subparagraph i of subparagraph *b*:

i. 18% for the taxation year in which the calendar year 2014 ends,

ii. 16% for the taxation year in which the calendar year 2015 ends,

ii.1. 15% for a taxation year in which a calendar year subsequent to the calendar year 2015 ends, and

iii. 20% for any other taxation year.

For the purposes of subparagraph i of subparagraphs *a* and *a*.1 of the first paragraph, the aggregate of all amounts each of which is the salary or wages paid by a corporation to an employee in respect of a pay period, ended in a calendar year subsequent to the calendar year 2015, for which the employee is an eligible employee of the corporation, determined after the application of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.18, if applicable, may not exceed, in respect of the employee, the amount obtained by multiplying $83,333 by the proportion that the number of days in each pay period, ended in the calendar year, for which the employee is an eligible employee of the corporation is of 365.

2005, c. 23, s. 210; 2010, c. 25, s. 161; 2012, c. 8, s. 226; 2015, c. 21, s. 457; 2017, c. 1, s. 285.

1029.8.36.72.82.15. A qualified corporation that is associated with one or more other corporations at the end of a calendar year within the qualified corporation's eligibility period and that encloses the documents referred to in the fourth paragraph with the fiscal return the qualified corporation is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the third paragraph, to have paid to the Minister on the qualified corporation's balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal to the aggregate of

(a) subject to the second paragraph, the result obtained by multiplying the percentage specified in subparagraph *a* of the fifth paragraph by the particular amount that is the amount by which the least of the following amounts exceeds the particular amount determined for the calendar year in accordance with subparagraph *a*.1:

i. the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee,

ii. the amount by which the aggregate of the qualified corporation's eligible amount for the calendar year and the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, exceeds the total of

(1) the qualified corporation's base amount, and

(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the qualified corporation's base period, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, and

iii. the amount by which the qualified corporation's eligible amount for the calendar year exceeds the qualified corporation's base amount;

(a.1*)* subject to the second paragraph, the result obtained by multiplying the percentage specified in subparagraph *b* of the fifth paragraph by the particular amount that is the least of

i. the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13,

ii. the amount by which the aggregate of the amount that would be the qualified corporation's eligible amount for the calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, and of the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to an activity of the other corporation that is described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business and that is described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13, exceeds the total of

(1) the amount that would be the qualified corporation's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, and

(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee in respect of a pay period, ended in the qualified corporation's base period, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to an activity of the other corporation that is described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business and that is described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13,

iii. the amount by which the amount that would be the qualified corporation's eligible amount for the calendar year exceeds the amount that would be the qualified corporation's base amount if, for the purposes of the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, and

iv. the least of the amounts determined for the calendar year in accordance with subparagraphs i to iii of subparagraph *a*; and

(b) the aggregate of

i. the result obtained by multiplying the percentage specified in subparagraph *b* of the fifth paragraph by the portion of the qualified corporation's eligible repayment of assistance for the taxation year that may reasonably be attributed to the aggregate of all amounts each of which is an amount referred to in any of paragraphs *a*.1, *b*.1 and *d* of the definition of "eligible repayment of assistance" in the first paragraph of section 1029.8.36.72.82.13, and

ii. the result obtained by multiplying the percentage specified in subparagraph *a* of the fifth paragraph by the amount by which the qualified corporation's eligible repayment of assistance for the taxation year exceeds the portion of the qualified corporation's eligible repayment of assistance for the taxation year determined in accordance with subparagraph i.

If the qualified corporation referred to in the first paragraph is associated, at the end of the calendar year, with at least one other qualified corporation carrying on a recognized business in the taxation year in which the calendar year ends, the following rules apply:

(a) the least of the amounts determined under any of subparagraphs i to iii of subparagraph *a* of the first paragraph, in respect of the calendar year, may not exceed the amount that is attributed to it in respect of that year pursuant to the agreement referred to in section 1029.8.36.72.82.16; and

(b) the particular amount determined, if applicable, under subparagraph *a*.1 of the first paragraph, in respect of the calendar year, may not exceed the amount that is attributed to it in respect of that year pursuant to the agreement referred to in section 1029.8.36.72.82.16.1.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under this division, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information;

(b) a copy of all certificates and qualification certificates issued to the qualified corporation for the year in respect of a recognized business and its eligible employees; and

(c) if the second paragraph applies, the agreement referred to in section 1029.8.36.72.82.16 and, if applicable, the agreement referred to in section 1029.8.36.72.82.16.1, filed in the prescribed form.

The percentages to which the following provisions of the first paragraph refer are the following, as applicable:

(a) for the portion of subparagraph *a* before subparagraph i and for subparagraph ii of subparagraph *b*:

i. 36% for the taxation year in which the calendar year 2014 ends,

ii. 32% for the taxation year in which the calendar year 2015 ends,

ii.1. 30% for a taxation year in which a calendar year subsequent to the calendar year 2015 ends, and

iii. 40% for any other taxation year; and

(b) for the portion of subparagraph *a*.1 before subparagraph i and for subparagraph i of subparagraph *b*:

i. 18% for the taxation year in which the calendar year 2014 ends,

ii. 16% for the taxation year in which the calendar year 2015 ends,

ii.1. 15% for a taxation year in which a calendar year subsequent to the calendar year 2015 ends, and

iii. 20% for any other taxation year.

For the purposes of subparagraph i of subparagraphs *a* and *a*.1 of the first paragraph, the aggregate of all amounts each of which is the salary or wages paid by a corporation to an employee in respect of a pay period, ended in a calendar year subsequent to the calendar year 2015, for which the employee is an eligible employee of the corporation, determined after the application of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.18, if applicable, may not exceed, in respect of the employee, the amount obtained by multiplying $83,333 by the proportion that the number of days in each pay period, ended in the calendar year, for which the employee is an eligible employee of the corporation is of 365.

2005, c. 23, s. 210; 2006, c. 36, s. 179; 2010, c. 25, s. 162; 2012, c. 8, s. 227; 2015, c. 21, s. 458; 2017, c. 1, s. 286.

1029.8.36.72.82.16. The agreement to which subparagraph *a* of the second paragraph of section 1029.8.36.72.82.15 refers in respect of a calendar year means an agreement under which all of the qualified corporations that are carrying on, in the calendar year, a recognized business and that are associated with each other at the end of that calendar year, hereinafter called the "group of associated corporations", attribute to one or more of their number, for the purposes of this division, one or more amounts; the aggregate of the amounts so attributed, for the calendar year, shall not be greater than the least of

(a) the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee of the corporation, determined after the application of subparagraph *b* of the first paragraph of section 1029.8.36.72.82.18, if applicable, without exceeding, in respect of the aggregate of the pay periods of each employee ended in the calendar year, if the calendar year is subsequent to the calendar year 2015, the amount obtained by multiplying $83,333 by the proportion that the number of days in the pay periods for which the employee is an eligible employee of the corporation is of 365;

(b) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations for the calendar year exceeds the aggregate of all amounts each of which is the base amount of such a corporation; and

(c) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, or the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, exceeds the total of

i. the aggregate of all amounts each of which is the base amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, and

ii. the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the base period of a qualified corporation that is a member of the group at the end of the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the other corporation that are described in a qualification certificate issued for the year, for the purposes of this division and in respect of a recognized business, to a qualified corporation that is a member of the group, unless an amount is included, in respect of the employee, in computing an amount

under this subparagraph, in relation to a pay period that ended in a base period in relation to another recognized business carried on by a qualified corporation that is a member of the group.

2005, c. 23, s. 210; 2006, c. 36, s. 180; 2010, c. 25, s. 163; 2017, c. 1, s. 287.

1029.8.36.72.82.16.1. The agreement to which subparagraph *b* of the second paragraph of section 1029.8.36.72.82.15 refers in respect of a calendar year means an agreement under which all of the qualified corporations that are carrying on, in the calendar year, a recognized business and that are associated with each other at the end of that calendar year (in this section called the "group of associated corporations"), attribute to one or more of their number, for the purposes of this division, one or more amounts; the aggregate of the amounts so attributed, for the calendar year, must not be greater than the least of

(a) the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, ended in the calendar year, for which the employee is an eligible employee of the corporation, to the extent that the salary or wages, determined after the application of subparagraph *b* of the first paragraph of section 1029.8.36.72.82.18, if applicable, may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13, without exceeding, in respect of the aggregate of the pay periods of each employee ended in the calendar year, if the calendar year is subsequent to the calendar year 2015, the amount obtained by multiplying $83,333 by the proportion that the number of days in the pay periods for which the employee is an eligible employee of the corporation is of 365;

(b) the amount by which the aggregate of all amounts each of which is the amount that would be the eligible amount of a qualified corporation that is a member of the group of associated corporations for the calendar year exceeds the aggregate of all amounts each of which is the amount that would be the base amount of such a corporation if, for the purposes of the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered; and

(c) the amount by which the aggregate of all amounts each of which is the amount that would be the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, or the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the calendar year, in which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to an activity of the other corporation that is described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business and that is described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section, exceeds the total of

i. the aggregate of all amounts each of which would be the base amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, and

ii. the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee in respect of a pay period, ended in the base period of a qualified corporation that is a member of the group at the end of the calendar year, in

which the employee reports for work at an establishment of the other corporation situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to an activity of the other corporation that is described in a qualification certificate issued for the year, for the purposes of this division and in respect of a recognized business, to a qualified corporation that is a member of the group and that is described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13, unless an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a pay period that ended in a base period in relation to another recognized business carried on by a qualified corporation that is a member of the group.

2010, c. 25, s. 164; 2017, c. 1, s. 288.

1029.8.36.72.82.17. If the aggregate of the amounts attributed, in respect of a calendar year, in an agreement referred to in paragraph *a* or *b* of the second paragraph of section 1029.8.36.72.82.15 and entered into with the qualified corporations that are carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the particular amount that is the least of the amounts determined for that calendar year in respect of those corporations under any of paragraphs *a* to *c* of section 1029.8.36.72.82.16 or any of paragraphs *a* to *c* of section 1029.8.36.72.82.16.1, as the case may be, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.82.15, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.

2005, c. 23, s. 210; 2010, c. 25, s. 165.

§ 3. — *Government assistance, non-government assistance, contract payments and other particulars*

2005, c. 23, s. 210; 2006, c. 13, s. 164.

1029.8.36.72.82.18. For the purpose of computing the amount that is deemed to have been paid to the Minister by a qualified corporation, for a particular taxation year, under section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, the following rules apply, subject to the second paragraph:

(a) the amount of the salaries or wages referred to in the definitions of "base amount" and "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, in subparagraph i of subparagraphs *a* and *a*.1 of the first paragraph of section 1029.8.36.72.82.14 or in subparagraph i of subparagraphs *a* and *a*.1 of the first paragraph of section 1029.8.36.72.82.15 and paid by the qualified corporation, and the amount of the salaries or wages referred to in subparagraph ii of subparagraphs *a* and *a*.1 of the first paragraph of section 1029.8.36.72.82.15 and paid by a corporation associated with the qualified corporation shall be reduced, where applicable,

i. by the amount of any contract payment, government assistance or non-government assistance attributable to the salaries or wages that the qualified corporation or the corporation associated with it, as the case may be, has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for its taxation year, except any amount of government assistance that is an amount that the qualified corporation or the corporation associated with it, as the case may be, is deemed to have paid to the Minister under this chapter for any taxation year,

ii. by the portion of such salaries or wages that may reasonably be considered to be included in computing an expenditure in respect of which the qualified corporation or the corporation associated with it, as the case may be, is deemed to have paid an amount to the Minister under this chapter for any taxation year, and

iii. by the amount of any benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, other than a benefit or advantage derived from the performance of the duties of an employee, that a person or partnership has obtained, is entitled to obtain or may reasonably

expect to obtain, on or before the qualified corporation's filing-due date for its taxation year, to the extent that the benefit or advantage may reasonably be considered to be attributable, directly or indirectly, to part or all of the amount of the salaries or wages, other than those referred to in subparagraph ii, paid by the qualified corporation or the corporation associated with it, as the case may be; and

(b) the amount of the salaries or wages paid by a particular qualified corporation associated with one or more other qualified corporations and referred to in section 1029.8.36.72.82.16 or 1029.8.36.72.82.16.1, is to be reduced, if applicable,

i. by the amount of any contract payment, government assistance or non-government assistance attributable to the salaries or wages that the particular qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for its taxation year, except any amount of government assistance that is an amount that the particular qualified corporation is deemed to have paid to the Minister under this chapter for any taxation year,

ii. by the portion of such salaries or wages that may reasonably be considered to be included in computing an expenditure in respect of which the particular qualified corporation is deemed to have paid an amount to the Minister under this chapter for any taxation year, and

iii. by the amount of any benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, other than a benefit or advantage derived from the performance of the duties of an eligible employee, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the particular qualified corporation's filing-due date for its taxation year, to the extent that the benefit or advantage may reasonably be considered to be attributable, directly or indirectly, to part or all of the amount of the salaries or wages, other than those referred to in subparagraph ii, paid by the particular qualified corporation.

The aggregate of the amounts referred to in the first paragraph that are to reduce the amount of the salaries or wages paid by the qualified corporation or a corporation associated with it, in respect of a pay period that ended in the qualified corporation's base period, and determined for the purpose of computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, in relation to the qualified corporation, for a calendar year ending in a taxation year, may not exceed the aggregate of the amounts referred to in the first paragraph that are to reduce the amount of the salaries or wages paid by the qualified corporation or the corporation associated with it, in respect of a pay period that ended in that calendar year, and determined for the purpose of computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, in relation to the qualified corporation, for that calendar year.

The aggregate of the amounts referred to in the first paragraph that are to reduce the amount of the salaries or wages paid by the qualified corporation or a corporation associated with it, in respect of a pay period that ended in the qualified corporation's base period, and determined for the purpose of computing the particular amount referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, in relation to the qualified corporation, for a calendar year ending in a taxation year, may not exceed the aggregate of the amounts referred to in the first paragraph that are to reduce the amount of the salaries or wages paid by the qualified corporation or the corporation associated with it, in respect of a pay period that ended in that calendar year, and determined for the purpose of computing the particular amount referred to in subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, in relation to the qualified corporation, for that calendar year.

2005, c. 23, s. 210; 2006, c. 13, s. 165; 2010, c. 25, s. 166.

1029.8.36.72.82.19. For the purposes of this division, an amount of assistance is deemed to be repaid in a calendar year by a qualified corporation, pursuant to a legal obligation, if that amount

(a) reduced the amount of salaries or wages for the purpose of computing,

i. in the case of assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.18, the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under subparagraph *a* or *a*.1 of the first paragraph of section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, or

ii. in the case of assistance referred to in subparagraph *b* of the first paragraph of section 1029.8.36.72.82.18, the aggregate and the excess amount referred to, respectively, in paragraphs *a* and *c* of section 1029.8.36.72.82.16 or paragraphs *a* to *c* of section 1029.8.36.72.82.16.1, as the case may be, and determined, in respect of a calendar year, in relation to all of the qualified corporations that are associated with each other;

(b) was not received by the qualified corporation; and

(c) ceased in the calendar year to be an amount that the qualified corporation may reasonably expect to receive.

2005, c. 23, s. 210; 2010, c. 25, s. 167.

1029.8.36.72.82.20. If a corporation, in this section referred to as the "new corporation", resulting from the amalgamation, within the meaning of section 544, of two or more corporations, each of which referred to in this section as a "predecessor corporation", carries on after the amalgamation a business carried on before the amalgamation by a predecessor corporation, the new corporation and the predecessor corporation are deemed, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for the taxation year in which ends the calendar year in which the amalgamation occurred and for a subsequent taxation year, to be the same corporation throughout the period during which the predecessor corporation carried on, or is deemed to have carried on under this division, the business.

2005, c. 23, s. 210.

1029.8.36.72.82.21. If, after the beginning of the winding-up of a subsidiary, within the meaning of section 556, to which the rules in sections 556 to 564.1 and 565 apply, the parent corporation, within the meaning of section 556, begins to carry on a business the subsidiary was carrying on before the beginning of its winding-up, the parent corporation and the subsidiary are deemed, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which ends the calendar year in which the winding-up began and for a subsequent taxation year, to be the same corporation throughout the period during which the subsidiary carried on, or is deemed to have carried on under this division, the business.

2005, c. 23, s. 210; 2006, c. 36, s. 181.

1029.8.36.72.82.22. Subject to sections 1029.8.36.72.82.20 and 1029.8.36.72.82.21, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the activities carried on by a person or partnership (in this section referred to as the "vendor") in relation to a recognized business or a business that could qualify as a recognized business if it were carried on in an eligible region, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the "purchaser") that is not associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a particular corporation is deemed to have paid to the Minister under this division for the particular taxation year:

(a) if the particular corporation is the vendor,

i. the base amount of the vendor is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

A × C × D, and

ii. the amount that would be the base amount of the vendor if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *a* of the second paragraph, only the employees of the vendor who carry on such an activity were considered;

(b) if the particular corporation is a corporation with which the vendor was associated at the end of the particular calendar year,

i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.16, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph i exceeds the amount determined by the formula

B × C × D, and

ii. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.16.1, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph ii exceeds the amount that would be determined in accordance with the formula in subparagraph i if, for the purposes of subparagraph *b* of the second paragraph, only the employees of the vendor who carry on an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13 were considered;

(c) if the particular corporation is the purchaser, the purchaser is deemed

i. to have a base amount equal to the aggregate of

(1) the purchaser's base amount otherwise determined, and

(2) the amount that is the proportion of the aggregate, in subparagraph 2 of subparagraph ii referred to as the "particular aggregate", of all amounts each of which is the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec but outside an eligible region and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the purchaser that are described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 2, in relation to another recognized business,

i.1. to have an amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, equal to the aggregate of

(1) the amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in paragraph *b* of the definition of "eligible region" in the first paragraph of that section were considered, otherwise determined, and

(2) the amount that is the proportion of the aggregate (in subparagraph 2 of subparagraph iii referred to as the "particular aggregate") of all amounts each of which is the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec but outside an eligible region and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to an activity of the purchaser that is described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of a recognized business, and that is described in paragraph b of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activity that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on the activity, unless an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 2, in relation to another recognized business,

ii. to have an eligible amount for the particular calendar year equal to the aggregate of

(1) the purchaser's eligible amount otherwise determined for the particular calendar year, and

(2) the amount by which the amount determined pursuant to subparagraph 2 of subparagraph i exceeds the amount of the particular aggregate, and

iii. to have an amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, equal to the aggregate of

(1) the amount that would be the purchaser's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, otherwise determined for the particular calendar year, and

(2) the amount by which the amount determined pursuant to subparagraph 2 of subparagraph i.1 exceeds the amount of the particular aggregate; and

(d) if the particular corporation is a corporation that is associated with the purchaser at the end of the particular calendar year,

i. the purchaser is deemed, for the purposes of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 or paragraph *c* of section 1029.8.36.72.82.16, to have paid to employees referred to therein

(1) in respect of a pay period that ended in the particular corporation's base period, the amount that is the proportion of the aggregate (in subparagraph 2 referred to as the "particular aggregate") of all amounts each of which is the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation, in relation to the particular calendar year, in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at

the particular time and unless an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 1, in relation to a recognized business carried on by a corporation other than the particular corporation, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, and

(2) in respect of a pay period that ended in the particular calendar year, the amount by which the amount determined pursuant to subparagraph 1 exceeds the amount of the particular aggregate, and

ii. the purchaser is deemed, for the purposes of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 or paragraph *c* of section 1029.8.36.72.82.16.1, to have paid to employees referred to therein

(1) in respect of a pay period that ended in the particular corporation's base period, the amount that is the proportion of the aggregate (in subparagraph 2 referred to as the "particular aggregate") of all amounts each of which is the salary or wages of an employee that the purchaser paid after the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the purchaser situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to an activity that is described in a qualification certificate issued, for the purposes of this division, to the particular corporation, in relation to the particular calendar year, in respect of a recognized business and that is described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activity that began or increased at the particular time and unless an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 1, in relation to a recognized business carried on by a corporation other than the particular corporation, that 365 is of the number of days in the particular calendar year during which the purchaser carried on the activity, and

(2) in respect of a pay period that ended in the particular calendar year, the amount by which the amount determined pursuant to subparagraph 1 exceeds the amount of the particular aggregate.

In the formulas in subparagraphs *a* and *b* of the first paragraph,

(a) A is the aggregate of all amounts each of which is the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the vendor's base period, in which the employee reports for work at an establishment of the vendor situated in Québec but outside an eligible region and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the vendor for the year in respect of a recognized business;

(b) B is the aggregate of all amounts each of which is the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the particular corporation's base period, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation for the year in respect of a recognized business, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another corporation that carries on a recognized business;

(c) C is the proportion that the number of the vendor's employees referred to in subparagraph *a* or *b*, who were assigned to the carrying on of part of the activities that diminished or ceased at the particular time is of the number of the vendor's employees assigned to those activities immediately before the particular time; and

(d) D is,

i. if this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year and the vendor's business referred to in the first paragraph is a business carried on on a seasonal basis, the proportion that the number of

days in the particular calendar year that are included in the period during which such a business is ordinarily carried on on a seasonal basis and that follow the particular time is of the number of days in that period,

ii. if this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year and the vendor's business referred to in the first paragraph is not a business carried on on a seasonal basis, the proportion that the number of days in the particular calendar year that follow the particular time is of 365, and

iii. in any other case, 1.

For the purposes of this section, if the amount of the particular aggregate that is determined in respect of the purchaser in relation to particular activities and that is referred to in subparagraph 2 of subparagraphs i and i.1 of subparagraph *c* of the first paragraph, in the case where the purchaser is the particular corporation, or in subparagraph 1 of subparagraphs i and ii of subparagraph *d* of the first paragraph, in the case where the purchaser is associated with the particular corporation at the end of the particular calendar year, is equal to zero, the particular time of the particular calendar year, otherwise determined, is deemed, in respect of the purchaser and in relation to the particular activities, to be 1 January of the following calendar year.

Subject to the third paragraph and for the purposes of this section, if the vendor's business referred to in the first paragraph is a business carried on on a seasonal basis, the proportion that 365 is of the number of days in the particular calendar year during which the purchaser carried on the activities described in the first paragraph, which proportion is referred to in subparagraph 2 of subparagraphs i and i.1 of subparagraph *c* of the first paragraph, in the case where the purchaser is the particular corporation, or in subparagraph 1 of subparagraphs i and ii of subparagraph *d* of the first paragraph, in the case where the purchaser is associated with the particular corporation at the end of the particular calendar year, is to be replaced,

(a) if the activities described in the first paragraph relate to a recognized business of the vendor, by the proportion that the number of days that are in the vendor's base period and in respect of which the vendor paid a salary or wages to an eligible employee in the course of carrying on the business on a seasonal basis is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis;

(b) if the activities described in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, by the proportion that the number of days that are in the purchaser's base period and in respect of which the vendor paid a salary or wages, in the course of carrying on the business on a seasonal basis, to an employee who reports for work at an establishment of the vendor situated in Québec and who spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of the recognized business is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis; and

(c) if the activities described in the first paragraph relate neither to a recognized business of the vendor nor to a recognized business of the purchaser but relate to a recognized business of another corporation with which the purchaser is associated at the end of the particular calendar year, by the proportion that the number of days that are in the other corporation's base period and in respect of which the vendor paid a salary or wages, in the course of carrying on the business on a seasonal basis, to an employee who reports for work at an establishment of the vendor situated in Québec and who spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the other corporation, for the purposes of this division, for the year in respect of the recognized business is of the number of days in the particular calendar year during which the purchaser carried on those activities on a seasonal basis.

2005, c. 23, s. 210; 2006, c. 36, s. 182; 2009, c. 5, s. 449; 2010, c. 25, s. 168; 2017, c. 1, s. 289.

1029.8.36.72.82.23. Subject to sections 1029.8.36.72.82.20 and 1029.8.36.72.82.21, if, at a particular time in a particular calendar year that ends in a particular taxation year or in a preceding taxation year, the

activities carried on by a person or partnership (in this section referred to as the "vendor") in relation to a recognized business or a business that could qualify as a recognized business if it were carried on in an eligible region, diminish or cease and it may reasonably be considered that, as a result, another person or partnership (in this section referred to as the "purchaser") that is associated with the vendor at the particular time, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply for the purpose of determining the amount that a particular corporation is deemed to have paid to the Minister under this division for the particular taxation year:

(a) if the particular corporation is the vendor,

i. the base amount of the vendor is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

A × D,

i.1. the amount that would be the vendor's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph i of subparagraph *a* of the second paragraph, only the employees of the vendor who carry on such an activity were considered,

ii. the eligible amount of the vendor for the particular calendar year is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

B × D, and

iii. the amount that would be the vendor's eligible amount for the particular calendar year if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount that would be determined under subparagraph ii if, for the purposes of subparagraph i of subparagraph *b* of the second paragraph, only the employees of the vendor who carry on such an activity were considered;

(b) if the particular corporation is a corporation with which the vendor was associated at the end of the particular calendar year, the following rules apply:

i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.16, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph exceeds the amount determined by the formula

C × D,

i.1. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.16.1, determined in respect of the vendor, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph i.1 exceeds the amount that would be determined by the formula in subparagraph i if, for the purposes of subparagraph *c* of the second paragraph, only the employees of the vendor who carry on an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13 were considered,

ii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.82.16 before subparagraph i, determined in respect of the vendor for the particular calendar year, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph exceeds the amount that would be determined for the particular calendar year by the formula in subparagraph i if subparagraph *c* of the second paragraph were read with "paid by the vendor in respect of a pay period, ended in the particular corporation's base period" replaced by "paid by the vendor, before the particular time, in respect of a pay period that ended in the particular calendar year", and

iii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.82.16.1 before subparagraph i, determined in respect of the vendor for the particular calendar year, is deemed to be equal to the amount by which that amount determined without reference to this subparagraph iii exceeds the amount that would be determined for the particular calendar year by the formula in subparagraph i if subparagraph *c* of the second paragraph were read as if "paid by the vendor in respect of a pay period, ended in the particular corporation's base period" was replaced by "paid by the vendor, before the particular time, in respect of a pay period that ended in the particular calendar year", and if, for the purposes of that subparagraph *c*, only the employees of the vendor who carry on an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13 were considered;

(c) if the particular corporation is the purchaser, the purchaser is deemed

i. to have a base amount equal to the aggregate of

(1) the purchaser's base amount otherwise determined, and

(2) the amount determined by the formula

A × D,

i.1. to have an amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, equal to the aggregate of

(1) the amount that would be the purchaser's base amount if, for the purposes of the definition of "base amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in paragraph *b* of the definition of "eligible region" in the first paragraph of that section were considered, otherwise determined, and

(2) the amount that would be determined by the formula in subparagraph 2 of subparagraph i if, for the purposes of subparagraph ii of subparagraph *a* of the second paragraph, only the employees of the vendor who carry on an activity described in paragraph *b* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13 were considered,

ii. to have an eligible amount for the particular calendar year equal to the aggregate of

(1) the purchaser's eligible amount otherwise determined for the particular calendar year, and

(2) the amount determined by the formula

B × D, and

iii. to have an amount that would be the purchaser's eligible amount if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of that section were considered, for the particular calendar year, equal to the aggregate of

(1) the amount that would be the purchaser's eligible amount if, for the purposes of the definition of "eligible amount" in the first paragraph of section 1029.8.36.72.82.13, only the portion of the salary or wages of an employee that may reasonably be attributed to an activity described in paragraph *b* of the definition of "eligible region" in the first paragraph of that section were considered, for the particular calendar year, otherwise determined, and

(2) the amount that would be determined by the formula in subparagraph 2 of subparagraph ii if, for the purposes of subparagraph ii of subparagraph *b* of the second paragraph, only the employees of the vendor who carry on an activity described in paragraph *b* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13 were considered; and

(d) if the particular corporation is a corporation that is associated with the purchaser at the end of the particular calendar year, the following rules apply:

i. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.16, determined in respect of the purchaser, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph i, and

(2) the amount determined by the formula

C × D,

i.1. the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.16.1, determined in respect of the purchaser, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph i.1, and

(2) the amount that would be determined by the formula in subparagraph 2 of subparagraph i if, for the purposes of subparagraph *c* of the second paragraph, only the employees of the vendor who carry on an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13 were considered,

ii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.82.16 before subparagraph i, determined in respect of the purchaser for the particular calendar year, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph ii for the particular calendar year, and

(2) the amount that would be determined for the particular calendar year, in respect of the purchaser, by the formula in subparagraph 2 of subparagraph i if subparagraph *c* of the second paragraph were read with "paid by the vendor in respect of a pay period, ended in the particular corporation's base period" replaced by "paid by the vendor, before the particular time, in respect of a pay period that ended in the particular calendar year", and

iii. the amount that is the second aggregate mentioned in the portion of subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1029.8.36.72.82.15 before subparagraph 1 or in the portion of paragraph *c* of section 1029.8.36.72.82.16.1 before subparagraph i, determined in respect of the purchaser for the particular calendar year, is deemed to be equal to the aggregate of

(1) the amount of that aggregate determined without reference to this subparagraph iii for the particular calendar year, and

(2) the amount that would be determined for the particular calendar year, in respect of the purchaser, by the formula in subparagraph 2 of subparagraph i if subparagraph *c* of the second paragraph were read as if "paid by the vendor in respect of a pay period, ended in the particular corporation's base period" was replaced by "paid by the vendor, before the particular time, in respect of a pay period that ended in the particular calendar year", and if, for the purposes of that subparagraph *c*, only the employees of the vendor who carry on an activity described in any of paragraphs *b* and *d* to *f* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.13 were considered.

In the formulas in subparagraphs *a* to *d* of the first paragraph,

(a) A is the aggregate of all amounts each of which is,

i. for the purposes of subparagraph i of subparagraph *a* of the first paragraph, the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the vendor's base period, in which the employee reports for work at an establishment of the vendor situated in Québec but outside an eligible region and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the vendor for the year in respect of a recognized business, and

ii. for the purposes of subparagraph 2 of subparagraph i of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the vendor's base period, in which the employee reports for work at an establishment of the vendor situated in Québec but outside an eligible region and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the vendor for the year in respect of a recognized business,

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the purchaser's base period, in which the employee reports for work at an establishment of the vendor situated in an eligible region and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the purchaser for the year in respect of a recognized business, and

(3) *(subparagraph repealed);*

(b) B is the aggregate of all amounts each of which is

i. for the purposes of subparagraph ii of subparagraph *a* of the first paragraph, the salary or wages paid by the vendor to an employee before the particular time in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, or the salary or wages paid by the vendor to an employee before the particular time in respect of a pay period within the particular calendar year, other than an eligible employee of the vendor for the pay period, if, in that pay period, the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the vendor for the year in respect of a recognized business, and

ii. for the purposes of subparagraph 2 of subparagraph ii of subparagraph *c* of the first paragraph,

(1) if the activities referred to in the first paragraph relate to a recognized business of the vendor, the salary or wages paid by the vendor to an employee before the particular time in respect of a pay period, ended in the particular calendar year, for which the employee is an eligible employee, or the salary or wages paid by the vendor to an employee before the particular time in respect of a pay period within the particular calendar year, other than an eligible employee of the vendor for the pay period, if, in that pay period, the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the vendor for the year in respect of a recognized business,

(2) if the activities referred to in the first paragraph do not relate to a recognized business of the vendor but relate to a recognized business of the purchaser, the salary or wages of an employee paid by the vendor before the particular time in respect of a pay period, ended in the particular calendar year, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the purchaser for the year in respect of a recognized business, and

(3) *(subparagraph repealed);*

(c) C is the aggregate of all amounts each of which is the salary or wages of an employee paid by the vendor in respect of a pay period, ended in the particular corporation's base period, in which the employee reports for work at an establishment of the vendor situated in Québec and spends, when at work, at least 75% of the time in undertaking, supervising or supporting work that is directly related to activities of the vendor that are described in a qualification certificate issued to the particular corporation, for the purposes of this division, for the year in respect of a recognized business, unless an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another corporation that carries on a recognized business; and

(d) D is the proportion that the number of the vendor's employees referred to in any of subparagraphs *a* to *c*, as the case may be, who were assigned to the carrying on of part of the activities that diminished or ceased

at the particular time is of the number of the vendor's employees assigned to those activities immediately before the particular time.

2005, c. 23, s. 210; 2006, c. 36, s. 183; 2009, c. 5, s. 450; 2010, c. 25, s. 169; 2011, c. 1, s. 79; 2017, c. 1, s. 290.

1029.8.36.72.82.24. For the purposes of sections 1029.8.36.72.82.22 and 1029.8.36.72.82.23, for the purpose of determining whether a vendor and a purchaser are associated with each other at a particular time, if the vendor or purchaser is an individual, other than a trust, the vendor or purchaser is deemed to be a corporation all the voting shares in the capital stock of which are owned at the particular time by the individual.

2005, c. 23, s. 210; 2009, c. 5, s. 451; 2009, c. 15, s. 297; 2015, c. 36, s. 121.

1029.8.36.72.82.25. For the purposes of this division, if a corporation has received, is entitled to receive or may reasonably expect to receive non-government assistance, or if a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, in respect of a taxation year or fiscal period in which the base period of a particular corporation ends, and if it may reasonably be considered that the main reason for the assistance or the benefit or advantage is to reduce, in accordance with subparagraph i or iii of subparagraph *a* or *b* of the first paragraph of section 1029.8.36.72.82.18, the amount of the salaries or wages paid by the particular corporation or a corporation that is associated with the particular corporation, in respect of the base period of the particular corporation, so as to cause the particular corporation to be deemed to have paid an amount to the Minister under this division for a taxation year or to increase an amount that the particular corporation is deemed to have paid to the Minister under this division for a taxation year, the amount of the assistance or of the benefit or advantage is deemed to be equal to zero.

2005, c. 23, s. 210.

1029.8.36.72.82.26. If it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a calendar year is to cause a qualified corporation to be deemed to have paid an amount to the Minister under this division in respect of that year or to increase an amount that a qualified corporation is deemed to have paid to the Minister under this division in respect of that year, those corporations are deemed, for the purposes of this division, to be associated with each other at the end of the year.

2005, c. 23, s. 210.

DIVISION II.6.6.7

(Repealed).

2003, c. 9, s. 323; 2021, c. 18, s. 128.

§ 1. —

(Repealed).

2003, c. 9, s. 323; 2021, c. 18, s. 128.

1029.8.36.72.83. *(Repealed).*

2003, c. 9, s. 323; 2004, c. 21, s. 413; 2005, c. 23, s. 211; 2006, c. 13, s. 166; 2006, c. 36, s. 184; 2021, c. 18, s. 128.

§ 2. —

(Repealed).

2003, c. 9, s. 323; 2021, c. 18, s. 128.

1029.8.36.72.84. *(Repealed).*

2003, c. 9, s. 323; 2004, c. 21, s. 414; 2005, c. 38, s. 273; 2021, c. 18, s. 128.

1029.8.36.72.85. *(Repealed).*

2003, c. 9, s. 323; 2004, c. 21, s. 415; 2005, c. 38, s. 274; 2006, c. 36, s. 185; 2021, c. 18, s. 128.

1029.8.36.72.86. *(Repealed).*

2003, c. 9, s. 323; 2004, c. 21, s. 416; 2006, c. 36, s. 186; 2009, c. 5, s. 452; 2021, c. 18, s. 128.

1029.8.36.72.87. *(Repealed).*

2003, c. 9, s. 323; 2004, c. 21, s. 417; 2021, c. 18, s. 128.

§ 3. —

(Repealed).

2003, c. 9, s. 323; 2006, c. 13, s. 167; 2021, c. 18, s. 128.

1029.8.36.72.88. *(Repealed).*

2003, c. 9, s. 323; 2004, c. 21, s. 418; 2006, c. 13, s. 168; 2021, c. 18, s. 128.

1029.8.36.72.89. *(Repealed).*

2003, c. 9, s. 323; 2004, c. 21, s. 419; 2021, c. 18, s. 128.

1029.8.36.72.90. *(Repealed).*

2003, c. 9, s. 323; 2021, c. 18, s. 128.

1029.8.36.72.91. *(Repealed).*

2003, c. 9, s. 323; 2005, c. 23, s. 212; 2021, c. 18, s. 128.

1029.8.36.72.92. *(Repealed).*

2003, c. 9, s. 323; 2004, c. 21, s. 420; 2005, c. 23, s. 213; 2006, c. 36, s. 187; 2007, c. 12, s. 191; 2009, c. 5, s. 453; 2021, c. 18, s. 128.

1029.8.36.72.92.1. *(Repealed).*

2009, c. 5, s. 454; 2021, c. 18, s. 128.

1029.8.36.72.92.2. *(Repealed).*

2009, c. 5, s. 454; 2009, c. 15, s. 298; 2021, c. 18, s. 128.

1029.8.36.72.93. *(Repealed).*

2003, c. 9, s. 323; 2021, c. 18, s. 128.

1029.8.36.72.94. *(Repealed).*

2003, c. 9, s. 323; 2021, c. 18, s. 128.

DIVISION II.6.7

Repealed, 2003, c. 9, s. 324.

1999, c. 83, s. 218; 2003, c. 9, s. 324.

§ 1. —

Repealed, 2003, c. 9, s. 324.

1999, c. 83, s. 218; 2003, c. 9, s. 324.

1029.8.36.73. *(Repealed).*

1999, c. 83, s. 218; 2000, c. 5, s. 266; 2000, c. 39, s. 182; 2001, c. 7, s. 169; 2001, c. 51, s. 228; 2002, c. 9, s. 99; 2003, c. 2, s. 271; 2003, c. 9, s. 324.

1029.8.36.74. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 9, s. 324.

1029.8.36.75. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 9, s. 324.

§ 2. —

Repealed, 2003, c. 9, s. 324.

1999, c. 83, s. 218; 2003, c. 9, s. 324.

1029.8.36.76. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 2, s. 272; 2003, c. 9, s. 324.

1029.8.36.77. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 2, s. 273; 2003, c. 9, s. 324.

1029.8.36.78. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 2, s. 274; 2003, c. 9, s. 324.

1029.8.36.79. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 2, s. 275; 2003, c. 9, s. 324.

1029.8.36.80. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 9, s. 324.

1029.8.36.81. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 9, s. 324.

1029.8.36.82. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 9, s. 324.

§ 3. —

Repealed, 2003, c. 9, s. 324.

1999, c. 83, s. 218; 2003, c. 9, s. 324.

1029.8.36.83. *(Repealed).*

1999, c. 83, s. 218; 2000, c. 39, s. 183; 2002, c. 9, s. 100; 2003, c. 9, s. 324.

1029.8.36.84. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 9, s. 324.

1029.8.36.85. *(Repealed).*

1999, c. 83, s. 218; 2003, c. 9, s. 324.

1029.8.36.86. *(Repealed).*

1999, c. 83, s. 218; 2000, c. 39, s. 184; 2003, c. 9, s. 324.

1029.8.36.87. *(Repealed).*

1999, c. 83, s. 218; 2002, c. 9, s. 101.

1029.8.36.88. *(Repealed).*

1999, c. 83, s. 218; 2000, c. 39, s. 185.

DIVISION II.6.8

Repealed, 2012, c. 8, s. 228.

1999, c. 83, s. 218; 2012, c. 8, s. 228.

§ 1. —

Repealed, 2012, c. 8, s. 228.

1999, c. 83, s. 218; 2012, c. 8, s. 228.

1029.8.36.89. *(Repealed).*

1999, c. 83, s. 218; 2000, c. 5, s. 267; 2000, c. 39, s. 186; 2001, c. 7, s. 169; 2001, c. 51, s. 183; 2002, c. 9, s. 102; 2005, c. 1, s. 246; 2012, c. 8, s. 228.

1029.8.36.89.1. *(Repealed).*

2001, c. 51, s. 184; 2005, c. 23, s. 214; 2012, c. 8, s. 228.

1029.8.36.89.2. *(Repealed).*

2001, c. 51, s. 184; 2012, c. 8, s. 228.

§ 2. —

Repealed, 2012, c. 8, s. 228.

1999, c. 83, s. 218; 2012, c. 8, s. 228.

1029.8.36.90. *(Repealed).*

1999, c. 83, s. 218; 2000, c. 39, s. 264; 2001, c. 51, s. 185; 2003, c. 9, s. 325; 2012, c. 8, s. 228.

1029.8.36.90.1. *(Repealed).*

2000, c. 39, s. 187; 2012, c. 8, s. 228.

1029.8.36.90.2. *(Repealed).*

2001, c. 51, s. 186; 2012, c. 8, s. 228.

1029.8.36.90.3. *(Repealed).*

2001, c. 51, s. 186; 2012, c. 8, s. 228.

1029.8.36.91. *(Repealed).*

1999, c. 83, s. 218; 2000, c. 39, s. 264; 2001, c. 51, s. 187; 2004, c. 4, s. 11; 2012, c. 8, s. 228.

1029.8.36.92. *(Repealed).*

1999, c. 83, s. 218; 2012, c. 8, s. 228.

1029.8.36.93. *(Repealed).*

1999, c. 83, s. 218; 2012, c. 8, s. 228.

1029.8.36.94. *(Repealed).*

1999, c. 83, s. 218; 2000, c. 39, s. 188; 2001, c. 51, s. 188; 2002, c. 9, s. 103.

DIVISION II.6.9

Repealed, 2012, c. 8, s. 228.

1999, c. 83, s. 218; 2012, c. 8, s. 228.

§ 1. —

Repealed, 2012, c. 8, s. 228.

1999, c. 83, s. 218; 2012, c. 8, s. 228.

1029.8.36.95. *(Repealed).*

1999, c. 83, s. 218; 2001, c. 51, s. 228; 2002, c. 9, s. 104; 2002, c. 40, s. 198; 2002, c. 45, s. 521; 2004, c. 37, s. 90; 2005, c. 23, s. 215; 2006, c. 13, s. 169; 2012, c. 8, s. 228.

§ 2. —

Repealed, 2012, c. 8, s. 228.

1999, c. 83, s. 218; 2012, c. 8, s. 228.

1029.8.36.96. *(Repealed).*

1999, c. 83, s. 218; 2002, c. 9, s. 105; 2003, c. 9, s. 326; 2005, c. 23, s. 216; 2012, c. 8, s. 228.

1029.8.36.97. *(Repealed).*

1999, c. 83, s. 218; 2002, c. 9, s. 106; 2012, c. 8, s. 228.

1029.8.36.98. *(Repealed).*

1999, c. 83, s. 218; 2001, c. 7, s. 169; 2002, c. 9, s. 107; 2002, c. 40, s. 199; 2012, c. 8, s. 228.

1029.8.36.99. *(Repealed).*

1999, c. 83, s. 218; 2001, c. 7, s. 169; 2002, c. 9, s. 108; 2012, c. 8, s. 228.

1029.8.36.100. *(Repealed).*

1999, c. 83, s. 218; 2002, c. 9, s. 109.

1029.8.36.101. *(Repealed).*

1999, c. 83, s. 218; 2002, c. 9, s. 110.

DIVISION II.6.10

Repealed, 2009, c. 5, s. 455.

2009, c. 5, s. 455.

§ 1. —

Repealed, 2009, c. 5, s. 455.

1999, c. 86, s. 85; 2009, c. 5, s. 455.

1029.8.36.102. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 51, s. 228; 2004, c. 21, s. 421; 2009, c. 5, s. 455.

1029.8.36.103. *(Repealed).*

1999, c. 86, s. 85; 2009, c. 5, s. 455.

§ 2. —

Repealed, 2009, c. 5, s. 455.

1999, c. 86, s. 85; 2009, c. 5, s. 455.

1029.8.36.104. *(Repealed).*

1999, c. 86, s. 85; 2003, c. 9, s. 327; 2009, c. 5, s. 455.

1029.8.36.105. *(Repealed).*

1999, c. 86, s. 85; 2003, c. 9, s. 328; 2009, c. 5, s. 455.

1029.8.36.106. *(Repealed).*

1999, c. 86, s. 85; 2003, c. 9, s. 329; 2009, c. 5, s. 455.

1029.8.36.107. *(Repealed).*

1999, c. 86, s. 85; 2002, c. 9, s. 111.

§ 3. —

Repealed, 2009, c. 5, s. 455.

1999, c. 86, s. 85; 2009, c. 5, s. 455.

1029.8.36.108. *(Repealed).*

1999, c. 86, s. 85; 2003, c. 9, s. 330; 2009, c. 5, s. 455.

1029.8.36.109. *(Repealed).*

1999, c. 86, s. 85; 2009, c. 5, s. 455.

1029.8.36.110. *(Repealed).*

1999, c. 86, s. 85; 2003, c. 9, s. 331; 2009, c. 5, s. 455.

1029.8.36.111. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 7, s. 169; 2009, c. 5, s. 455.

1029.8.36.112. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 7, s. 169; 2009, c. 5, s. 455.

1029.8.36.113. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 7, s. 169; 2009, c. 5, s. 455.

1029.8.36.114. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 7, s. 169; 2009, c. 5, s. 455.

DIVISION II.6.11

Repealed, 2010, c. 5, s. 158.

2010, c. 5, s. 158.

§ 1. —

Repealed, 2010, c. 5, s. 158.

1999, c. 86, s. 85; 2010, c. 5, s. 158.

1029.8.36.115. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 51, s. 228; 2002, c. 40, s. 200; 2005, c. 23, s. 217; 2010, c. 5, s. 158.

§ 2. —

Repealed, 2010, c. 5, s. 158.

1999, c. 86, s. 85; 2010, c. 5, s. 158.

1029.8.36.116. *(Repealed).*

1999, c. 86, s. 85; 2003, c. 9, s. 332; 2005, c. 23, s. 218; 2010, c. 5, s. 158.

1029.8.36.117. *(Repealed).*

1999, c. 86, s. 85; 2003, c. 9, s. 333; 2005, c. 23, s. 219; 2010, c. 5, s. 158.

1029.8.36.118. *(Repealed).*

1999, c. 86, s. 85; 2002, c. 9, s. 112.

§ 3. —

Repealed, 2010, c. 5, s. 158.

1999, c. 86, s. 85; 2010, c. 5, s. 158.

1029.8.36.119. *(Repealed).*

1999, c. 86, s. 85; 2009, c. 15, s. 299; 2010, c. 5, s. 158.

1029.8.36.120. *(Repealed).*

1999, c. 86, s. 85; 2004, c. 21, s. 422; 2009, c. 15, s. 300; 2010, c. 5, s. 158.

1029.8.36.121. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 7, s. 169; 2002, c. 40, s. 201; 2010, c. 5, s. 158.

1029.8.36.122. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 7, s. 169; 2002, c. 40, s. 201; 2006, c. 36, s. 188; 2009, c. 15, s. 301; 2010, c. 5, s. 158.

1029.8.36.123. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 7, s. 169; 2002, c. 40, s. 201; 2006, c. 36, s. 189; 2009, c. 15, s. 302; 2010, c. 5, s. 158.

1029.8.36.124. *(Repealed).*

1999, c. 86, s. 85; 2001, c. 7, s. 169; 2010, c. 5, s. 158.

DIVISION II.6.12

Repealed, 2010, c. 5, s. 158.

2001, c. 51, s. 189; 2010, c. 5, s. 158.

§ 1. —

Repealed, 2010, c. 5, s. 158.

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.125. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.126. *(Repealed).*

2001, c. 51, s. 189; 2005, c. 23, s. 220; 2010, c. 5, s. 158.

1029.8.36.127. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.128. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

§ 2. —

Repealed, 2010, c. 5, s. 158.

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.129. *(Repealed).*

2001, c. 51, s. 189; 2003, c. 9, s. 334; 2010, c. 5, s. 158.

1029.8.36.130. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.131. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.132. *(Repealed).*

2001, c. 51, s. 189; 2003, c. 9, s. 335; 2010, c. 5, s. 158.

1029.8.36.133. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.134. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.135. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.136. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.137. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.138. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.139. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.140. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

§ 3. —

Repealed, 2010, c. 5, s. 158.

2001, c. 51, s. 182; 2010, c. 5, s. 158.

1029.8.36.141. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.142. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.143. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.144. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.145. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

1029.8.36.146. *(Repealed).*

2001, c. 51, s. 189; 2010, c. 5, s. 158.

DIVISION II.6.13

Repealed, 2012, c. 8, s. 228.

2002, c. 9, s. 113; 2003, c. 9, s. 336; 2012, c. 8, s. 228.

§ 1. —

Repealed, 2012, c. 8, s. 228.

2002, c. 9, s. 113; 2012, c. 8, s. 228.

1029.8.36.147. *(Repealed).*

2002, c. 9, s. 113; 2002, c. 40, s. 202; 2002, c. 45, s. 521; 2003, c. 9, s. 337; 2004, c. 37, s. 90; 2005, c. 23, s. 221; 2006, c. 13, s. 170; 2012, c. 8, s. 228.

1029.8.36.148. *(Repealed).*

2002, c. 9, s. 113; 2002, c. 40, s. 203; 2012, c. 8, s. 228.

1029.8.36.149. *(Repealed).*

2002, c. 9, s. 113; 2002, c. 40, s. 204; 2005, c. 1, s. 247; 2012, c. 8, s. 228.

1029.8.36.150. *(Repealed).*

2002, c. 9, s. 113; 2002, c. 40, s. 205; 2012, c. 8, s. 228.

1029.8.36.151. *(Repealed).*

2002, c. 9, s. 113; 2012, c. 8, s. 228.

§ 2. —

Repealed, 2012, c. 8, s. 228.

2002, c. 9, s. 113; 2012, c. 8, s. 228.

1029.8.36.152. *(Repealed).*

2002, c. 9, s. 113; 2003, c. 9, s. 338; 2005, c. 23, s. 222; 2012, c. 8, s. 228.

1029.8.36.153. *(Repealed).*

2002, c. 9, s. 113; 2012, c. 8, s. 228.

1029.8.36.154. *(Repealed).*

2002, c. 9, s. 113; 2002, c. 40, s. 206; 2012, c. 8, s. 228.

1029.8.36.155. *(Repealed).*

2002, c. 9, s. 113; 2002, c. 40, s. 207; 2012, c. 8, s. 228.

1029.8.36.156. *(Repealed).*

2002, c. 9, s. 113; 2002, c. 40, s. 208.

DIVISION II.6.14

Repealed, 2010, c. 25, s. 170.

2002, c. 40, s. 209; 2010, c. 25, s. 170.

§ 1. —

Repealed, 2010, c. 25, s. 170.

2002, c. 40, s. 209; 2010, c. 25, s. 170.

1029.8.36.157. *(Repealed).*

2002, c. 40, s. 209; 2004, c. 21, s. 423; 2010, c. 25, s. 170.

1029.8.36.158. *(Repealed).*

2002, c. 40, s. 209; 2010, c. 25, s. 170.

1029.8.36.159. *(Repealed).*

2002, c. 40, s. 209; 2010, c. 25, s. 170.

1029.8.36.160. *(Repealed).*

2002, c. 40, s. 209; 2005, c. 1, s. 248; 2010, c. 25, s. 170.

1029.8.36.161. *(Repealed).*

2002, c. 40, s. 209; 2010, c. 25, s. 170.

1029.8.36.162. *(Repealed).*

2002, c. 40, s. 209; 2010, c. 25, s. 170.

§ 2. —

Repealed, 2010, c. 25, s. 170.

2002, c. 40, s. 209; 2010, c. 25, s. 170.

1029.8.36.163. *(Repealed).*

2002, c. 40, s. 209; 2003, c. 9, s. 339; 2010, c. 25, s. 170.

1029.8.36.164. *(Repealed).*

2002, c. 40, s. 209; 2010, c. 25, s. 170.

1029.8.36.165. *(Repealed).*

2002, c. 40, s. 209; 2010, c. 25, s. 170.

1029.8.36.166. *(Repealed).*

2002, c. 40, s. 209; 2010, c. 25, s. 170.

DIVISION II.6.14.1

Repealed, 2012, c. 8, s. 228.

2003, c. 9, s. 340; 2012, c. 8, s. 228.

§ 1. —

Repealed, 2012, c. 8, s. 228.

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.1. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.2. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.3. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.4. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.5. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.6. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.7. *(Repealed).*

2003, c. 9, s. 340; 2005, c. 23, s. 223; 2012, c. 8, s. 228.

1029.8.36.166.8. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

§ 2. —

Repealed, 2012, c. 8, s. 228.

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.9. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.10. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.11. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.12. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.13. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.14. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.15. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.16. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.17. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.18. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.19. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.20. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.21. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

§ 3. —

Repealed, 2012, c. 8, s. 228.

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.22. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.23. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.24. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.25. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.26. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.27. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.28. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.29. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.30. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.31. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.32. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.33. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.34. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.35. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.36. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.37. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.38. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

1029.8.36.166.39. *(Repealed).*

2003, c. 9, s. 340; 2012, c. 8, s. 228.

DIVISION II.6.14.2

CREDIT FOR INVESTMENTS RELATING TO MANUFACTURING AND PROCESSING EQUIPMENT

2009, c. 15, s. 303.

§ 1. — *Interpretation and general*

2009, c. 15, s. 303.

1029.8.36.166.40. In this division,

"aluminum producing corporation" for a taxation year means a corporation that, at any time in the year after 13 March 2008, carries on an aluminum producing business or is the owner or lessee of property used in the carrying on of such a business by another corporation, a partnership or a trust with which the corporation is associated;

"eligible expenses" of a corporation for a particular taxation year or of a partnership for a particular fiscal period, in respect of a qualified property, means

(a) for a corporation, the amount by which the excluded expense amount relating to the qualified property in respect of the corporation for the particular year is exceeded by the aggregate of the following expenses, except expenses incurred with a person with whom the corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation, is not dealing at arm's length:

i. the expenses incurred by the corporation in the particular taxation year to acquire the qualified property that are included, at the end of that year, in the capital cost of the property and that are paid in the particular year,

ii. the amount by which the expenses incurred by the corporation in the particular taxation year, or in a preceding taxation year for which the corporation was a qualified corporation, to acquire the qualified property that are included, at the end of the particular year or of the preceding year, as the case may be, in the capital cost of the property and that are paid after the end of the particular year or of the preceding year, as the case may be, but not later than 18 months after the end of that year, exceeds the portion of those expenses that was taken into account for the purpose of determining the amount of the corporation's eligible expenses in respect of which the corporation would be deemed to have paid an amount to the Minister under section 1029.8.36.166.43 for a taxation year preceding the particular year if that section were read without reference to its third paragraph, and

iii. the expenses incurred by the corporation to acquire the qualified property that are included in the capital cost of the property and that are paid in the particular taxation year, if the expenses are paid more than 18 months after the end of the corporation's taxation year in which they were incurred and for which the corporation was a qualified corporation; and

(b) for a partnership, the amount by which the excluded expense amount relating to the qualified property in respect of the partnership for the particular fiscal period is exceeded by the aggregate of the following expenses, except expenses incurred with a corporation that is a member of the partnership or with a person with whom such a corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation, is not dealing at arm's length:

i. the expenses incurred by the partnership in the particular fiscal period to acquire the qualified property that are included, at the end of that fiscal period, in the capital cost of the property and that are paid in that fiscal period,

ii. the amount by which the expenses incurred by the partnership in the particular fiscal period, or in a preceding fiscal period for which the partnership was a qualified partnership, to acquire the qualified property that are included, at the end of the particular fiscal period or of the preceding fiscal period, as the case may be, in the capital cost of the property and that are paid after the end of the particular fiscal period or of the preceding fiscal period, as the case may be, but not later than 18 months after the end of that fiscal period, exceeds the portion of those expenses that was taken into account for the purpose of determining the amount of the partnership's eligible expenses in respect of which a corporation that is a member of the partnership would be deemed to have paid an amount to the Minister under section 1029.8.36.166.44 for a taxation year preceding that in which the particular fiscal period ends, if that section were read without reference to its third and sixth paragraphs and if, where the corporation was not a qualified corporation for the preceding taxation year, the corporation had been a qualified corporation for the preceding taxation year, and

iii. the expenses incurred by the partnership to acquire the qualified property that are included in the capital cost of the property and that are paid in the particular fiscal period, if the expenses are paid more than 18 months after the end of the partnership's fiscal period in which they were incurred and for which the partnership was a qualified partnership;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

(c) an aluminum producing corporation for the year;

(d) an oil refining corporation for the year; or

(e) a corporation that was carrying on a recognized business, for the purposes of Division II.6.6.6.1, before 1 April 2008 and, if the taxation year is the one in which the calendar year 2008 or 2009 ends, that has not made an election under section 1029.8.36.72.82.3.1 for the year or a preceding taxation year or, if the taxation year is the one in which the calendar year 2010 ends, that has made an election under section 1029.8.36.72.82.3.1.1 for the year, or that is associated with such a corporation in the year;

"excluded expense amount" relating to qualified property means

(a) in respect of a corporation, for a taxation year, or a partnership, for a fiscal period, an amount equal to zero, where the qualified property is acquired before 3 December 2014 or after 2 December 2014 pursuant to an obligation in writing entered into on or before 2 December 2014, or where the construction of the qualified property, by or on behalf of the purchaser, has begun on that date;

(b) in respect of a corporation, for a taxation year, the lesser of the following amounts, where the qualified property is not referred to in paragraph *a*:

i. an amount that would be equal to the corporation's eligible expenses in respect of that property for the taxation year, if the definition of "eligible expenses" were read without reference to "the amount by which the excluded expense amount relating to the qualified property in respect of the corporation for the particular year is exceeded by" in the portion of its paragraph *a* before subparagraph i, and

ii. an amount equal to the amount by which the exclusion threshold in respect of the qualified property exceeds the aggregate of all amounts each of which is the excluded expense amount relating to the qualified property in respect of the corporation for each preceding taxation year; and

(c) in respect of a partnership, for a fiscal period, the lesser of the following amounts, where the qualified property is not referred to in paragraph *a*:

i. an amount that would be equal to the partnership's eligible expenses in respect of that property for the fiscal period, if the definition of "eligible expenses" were read without reference to "the amount by which the excluded expense amount relating to the qualified property in respect of the partnership for the particular fiscal period is exceeded by" in the portion of its paragraph *b* before subparagraph i, and

ii. an amount equal to the amount by which the exclusion threshold in respect of the qualified property exceeds the aggregate of all amounts each of which is the excluded expense amount relating to the qualified property in respect of the partnership for each preceding fiscal period;

"excluded partnership" for a fiscal period means a partnership that, at any time in the fiscal period after 13 March 2008, carries on an aluminum producing business or an oil refining business;

"exclusion threshold" in respect of qualified property means an amount equal to $12,500;

"expenses eligible for an additional increase" of a corporation for a taxation year or of a partnership for a fiscal period, in respect of a qualified property, means the portion of the eligible expenses of the corporation for the year or of the partnership for the fiscal period, in respect of the property, that are incurred

(a) by the corporation in a taxation year for which it is a qualified manufacturing corporation; or

(b) by the partnership in a fiscal period for which it is a qualified manufacturing partnership;

"expenses eligible for a temporary additional increase" of a corporation for a taxation year or of a partnership for a fiscal period, in respect of a qualified property described in the eighth paragraph, means the portion of the eligible expenses of the corporation for the year or of the partnership for the fiscal period, in respect of the property, that are incurred after 15 August 2018 and before 1 January 2020

(a) by the corporation in a taxation year for which it is a qualified metal manufacturing sector corporation; or

(b) by the partnership in a fiscal period for which it is a qualified metal manufacturing sector partnership;

"hydrometallurgy" means any processing of an ore or concentrate that produces a metal, metallic salt or metallic compound by carrying out a chemical reaction in an aqueous or organic solution;

"large investment project" has the meaning assigned by the first paragraph of section 737.18.17.1;

"limit relating to an unused portion" in respect of a corporation for a taxation year means the aggregate of its total taxes for the year and of the amount determined for the year in its respect under the second paragraph of section 1029.8.36.166.42;

"manufacturing or processing salary or wages" in relation to a qualified corporation for a taxation year or a qualified partnership for a fiscal period means the portion of the salary or wages in relation to the qualified corporation for the taxation year or the qualified partnership for the fiscal period that corresponds to the aggregate of all amounts each of which is equal to the result obtained by multiplying the gross revenue of an employee of the corporation or partnership, as the case may be, by the proportion that the employee's working time spent on manufacturing or processing activities, other than activities listed in section 130R12 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), in the taxation year or fiscal period is of all the employee's working time in that year or period;

"maximum tax credit amount" of a corporation for a taxation year means the aggregate of the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.166.46, and of the amount determined for the year in its respect under the first paragraph of section 1029.8.36.166.42;

"metal manufacturing activities" of a corporation or a partnership means the following activities:

(a) the primary metal manufacturing activities that are included in the group described under code 331 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada; and

(b) the fabricated metal product manufacturing activities that are included in the group described under code 332 of the publication mentioned in paragraph *a*;

"metal manufacturing salary or wages" in relation to a qualified corporation for a taxation year or a qualified partnership for a fiscal period means the portion of the salary or wages in relation to the qualified corporation for the taxation year or the qualified partnership for the fiscal period that corresponds to the aggregate of all amounts each of which is equal to the result obtained by multiplying the gross revenue of an employee of the corporation or partnership, as the case may be, by the proportion that the employee's working

time spent on metal manufacturing activities in the taxation year or fiscal period is of all the employee's working time in that year or period;

"oil refining corporation" for a taxation year means a corporation that, at any time in the year after 13 March 2008, carries on an oil refining business or is the owner or lessee of property used in the carrying on of such a business by another corporation, a partnership or a trust with which the corporation is associated;

"proportion of the activities relating to the metal manufacturing sector" of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period means the proportion, expressed as a percentage, that the metal manufacturing salary or wages in relation to the corporation for the taxation year or to the partnership for the fiscal period is of the salary or wages in relation to the corporation for that year or to the partnership for that period;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation for the year, that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified manufacturing corporation" for a taxation year means a qualified corporation, for the year, in respect of which the proportion of the manufacturing or processing activities that the manufacturing or processing salary or wages in relation to the corporation for the year is of the salary or wages in relation to the corporation for the year, exceeds 50%;

"qualified manufacturing partnership" for a fiscal period means a qualified partnership, for the fiscal period, in respect of which the proportion of the manufacturing or processing activities that the manufacturing or processing salary or wages in relation to the partnership for the fiscal period is of the salary or wages in relation to the partnership for the fiscal period, exceeds 50%;

"qualified metal manufacturing sector corporation" for a taxation year means a qualified corporation for the year in respect of which the proportion of the activities relating to the metal manufacturing sector for the year exceeds 50%;

"qualified metal manufacturing sector partnership" for a fiscal period means a qualified partnership for the fiscal period in respect of which the proportion of the activities relating to the metal manufacturing sector for that period exceeds 50%;

"qualified partnership" for a fiscal period means a partnership, other than an excluded partnership for the fiscal period, that, in the fiscal period, carries on a business in Québec and has an establishment in Québec;

"qualified property" of a corporation or a partnership means, subject to the second paragraph, a property that

(a) is acquired by the corporation or partnership in a period that is,

i. if the property is referred to in paragraph *a*.1 because of the application of subparagraph i of that paragraph and is not a property acquired pursuant to an obligation in writing entered into before 14 March 2008 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 13 March 2008, any of the following periods:

(1) where the property is acquired to be used mainly in a resource region, the period that begins on 14 March 2008 and ends on 31 December 2022, or

(2) in any other case, the period that begins on 14 March 2008 and ends on 31 December 2016 or, unless it is a property acquired pursuant to an obligation in writing entered into before 16 August 2018 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 15 August 2018, the period that begins on 16 August 2018 and ends on 31 December 2019 or, if it is a property acquired pursuant to an obligation in writing entered into after 15 August 2018 and before 1 January 2020 or the construction of which, if applicable, by or on behalf of the purchaser, began in the latter period, 31 December 2020,

ii. if the property is referred to in paragraph *a*.1 because of the application of subparagraph i.1 of that paragraph, any of the following periods:

(1) where the property is acquired to be used mainly in a resource region, the period that begins on 28 January 2009 and ends on 31 December 2022, or

(2) in any other case, the period that begins on 28 January 2009 and ends on 31 December 2016 or, unless it is a property acquired pursuant to an obligation in writing entered into before 16 August 2018 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 15 August 2018, the period that begins on 16 August 2018 and ends on 31 December 2019 or, if it is a property acquired pursuant to an obligation in writing entered into after 15 August 2018 and before 1 January 2020 or the construction of which, if applicable, by or on behalf of the purchaser, began in the latter period, 31 December 2020, or

iii. if the property is referred to in paragraph *a*.1 because of the application of subparagraph ii of that paragraph and is not a property acquired pursuant to an obligation in writing entered into before 21 March 2012 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 20 March 2012, any of the following periods:

(1) where the property is acquired to be used mainly in a resource region, the period that begins on 21 March 2012 and ends on 31 December 2022, or

(2) in any other case, the period that begins on 21 March 2012 and ends on 31 December 2016 or, unless it is a property acquired pursuant to an obligation in writing entered into before 16 August 2018 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 15 August 2018, the period that begins on 16 August 2018 and ends on 31 December 2019 or, if it is a property acquired pursuant to an obligation in writing entered into after 15 August 2018 and before 1 January 2020 or the construction of which, if applicable, by or on behalf of the purchaser, began in the latter period, 31 December 2020;

(a.1*)* but for section 93.6, would be included

i. in any of Classes 29, 43 and 53 of Schedule B to the Regulation respecting the Taxation Act,

i.1. in Class 50 or 52 of Schedule B to the Regulation respecting the Taxation Act, but could be included, but for section 93.6, in Class 29 of that Schedule under subparagraph vi of subparagraph *b* of the first paragraph of that class if that subparagraph vi were read as if "28 January 2009" were replaced by "either 1 January 2021 or, where the property is acquired to be used mainly in a resource region, within the meaning of the first paragraph of section 1029.8.36.166.40 of the Act, 1 January 2023" and as if no reference were made to subparagraph *c* of that paragraph, or

ii. in Class 43 of Schedule B to the Regulation respecting the Taxation Act if subparagraphs i and ii of paragraph *b* of that class were read as follows:

"i. would be included in Class 10 under subparagraph *e* of the second paragraph of that class, if this schedule were read without reference to this paragraph and subparagraphs *a*, *b* and *e* of the first paragraph of Class 41, and

"ii. at the time of its acquisition, may reasonably be expected to be used entirely in Canada and primarily for the purposes of smelting, refining or hydrometallurgy activities in respect of ore (other than ore from a gold or silver mine) extracted from a mineral resource located in Canada.";

(b) begins to be used within a reasonable time after being acquired;

(c) is used solely in Québec and mainly in the course of carrying on a business, other than a recognized business in connection with which a large investment project is carried out or is in the process of being carried out;

(c.1*)* is not used in the course of operating an ethanol plant;

(c.2*)* is not used in the course of operating a biodiesel fuel plant;

(c.3*)* is not used in the course of operating a pyrolysis oil plant;

(c.4*)* is not used in the course of operating a biofuel plant; and

(d) was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever;

"recognized business" has the meaning assigned by the first paragraph of section 737.18.17.1;

"refining" means any processing of a product from a smelting or concentration operation to remove impurities, which produces very high grade metal;

"resource region" means

(a) one of the following administrative regions described in the Décret concernant la révision des limites des régions administratives du Québec (chapitre D-11, r. 1):

i. *(subparagraph repealed),*

ii. administrative region 02 Saguenay-Lac-Saint-Jean,

iii. administrative region 04 Mauricie,

iv. administrative region 08 Abitibi-Témiscamingue,

v. administrative region 09 Côte-Nord,

vi. administrative region 10 Nord-du-Québec, or

vii. administrative region 11 Gaspésie-Îles-de-la-Madeleine; or

(b) one of the following regional county municipalities:

i. Municipalité régionale de comté d'Antoine-Labelle,

i.1. Municipalité régionale de comté de Kamouraska,

i.2. Municipalité régionale de comté de La Matapédia,

i.3. Municipalité régionale de comté de La Mitis,

ii. Municipalité régionale de comté de La Vallée-de-la-Gatineau, or

ii.1. Municipalité régionale de comté des Basques,

ii.2. Municipalité régionale de comté de La Matanie,

iii. Municipalité régionale de comté de Pontiac,

iv. Municipalité régionale de comté de Rimouski-Neigette,

v. Municipalité régionale de comté de Rivière-du-Loup, or

vi. Municipalité régionale de comté de Témiscouata;

"salary or wages" in relation to a qualified corporation for a taxation year or a qualified partnership for a fiscal period means the aggregate of all amounts each of which is an amount (in the definitions of "manufacturing or processing salary or wages" and "metal manufacturing salary or wages" referred to as the "gross revenue" of an employee) incurred by the corporation in the taxation year or the partnership in the fiscal period, in respect of an employee of the corporation or partnership, as the case may be, and included in computing the employee's income under Chapters I and II of Title II of Book III, except, in the case of an employee of a corporation, a remuneration based on profits or a bonus, where the employee is a specified shareholder of the corporation in the taxation year;

"smelting" means any processing of an ore or concentrate in the course of which the charge is melted and chemically converted to produce a slag and a matte or metal containing impurities;

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

"total taxes" of a corporation for a taxation year means, subject to the ninth paragraph, the aggregate of its tax payable under this Part for the year and of its tax payable under Parts IV, IV.1, VI and VI.1 for the year;

"unused portion of the tax credit" of a corporation for a taxation year means the amount by which the total amount that the corporation would be deemed to have paid to the Minister for that year under the first paragraph of sections 1029.8.36.166.43 and 1029.8.36.166.44 if no reference were made to the third paragraph of those sections, exceeds the corporation's maximum tax credit amount for the year.

A property that is acquired by a qualified corporation or a qualified partnership and that meets the conditions mentioned in the definition of "qualified property" in the first paragraph and those mentioned in the definition of "specified property" in the first paragraph of section 1029.8.36.166.60.36 is a qualified property only if the corporation or the qualified corporations that are members of the partnership, as the case may be, so elect in the prescribed form containing prescribed information that is enclosed with either of the following documents, as applicable:

(a) in the case of the corporation, the fiscal return the corporation is required to file under this Part for its first taxation year in which it incurred expenses to acquire the property; or

(b) in the case of the corporations that are members of the partnership, the information return that the members of the partnership are required to file under section 1086R78 of the Regulation respecting the Taxation Act for the partnership's first fiscal period in which it incurred expenses to acquire the property.

For the purposes of the second paragraph, an election made by a qualified corporation that is a member of a partnership is deemed to have been made by each qualified corporation that is a member of the partnership.

However, the election referred to in the second paragraph may not be made for a particular taxation year of the qualified corporation or a particular fiscal period of the qualified partnership where

(a) the qualified corporation or a qualified corporation that is a member of the qualified partnership is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.48 or 1029.8.36.166.60.49 in respect of expenses incurred in the particular year or particular fiscal period, or in a preceding taxation year or fiscal period, as the case may be; or

(b) if the qualified corporation or qualified partnership is associated in the particular year or particular fiscal period with one or more other corporations or partnerships, one of the following corporations is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.48 or 1029.8.36.166.60.49 in respect of expenses incurred in a taxation year or fiscal period, as the case may be, that ends at or before the end of that particular year or particular fiscal period:

i. a corporation that is associated with it, or

ii. a corporation that is a member of a partnership that is associated with it.

For the purposes of paragraph *c* of the definition of "qualified property" in the first paragraph, a property that is acquired in connection with the carrying out of a large investment project is deemed to be used in the course of carrying on a recognized business referred to in that paragraph that the corporation or partnership begins to carry on at a particular time and that relates to the large investment project, if the expenditures of a capital nature for its acquisition are incurred by the corporation or partnership in the period that begins at the beginning of the carrying out of the project and ends immediately before the particular time.

For the purposes of the definition of "eligible expenses" in the first paragraph, the following rules apply:

(a) the expenses that are included, at the end of a taxation year or fiscal period, in the capital cost of a property do not include the expenses so included under section 180 or 182; and

(b) the expenses incurred to acquire a property must be incurred,

i. where the property is acquired to be used mainly in a resource region, before 1 January 2023, or

ii. in any other case, before 1 January 2017, or after 15 August 2018 and before 1 January 2020.

For the purposes of the definition of "expenses eligible for an additional increase" in the first paragraph, are excluded eligible expenses incurred in respect of a property before 8 October 2013 or after 7 October 2013 where the property is acquired pursuant to a written obligation entered into before 8 October 2013 or where the construction of the property, by or on behalf of the purchaser, had begun by 7 October 2013, and eligible expenses incurred in respect of a property after 4 June 2014, except eligible expenses incurred after that date and before 1 July 2015 if the property is acquired on or before 4 June 2014 or, otherwise, the property is acquired pursuant to a written obligation entered into on or before that date or the construction of the property, by or on behalf of the purchaser, had begun by that date.

The qualified property referred to in the definition of "expenses eligible for a temporary additional increase" in the first paragraph is a qualified property that

(a) is acquired in the period that begins on 16 August 2018 and ends on 31 December 2019 otherwise than pursuant to an obligation in writing entered into before 16 August 2018 and that is not a property the construction of which, by or on behalf of the purchaser, had begun by 15 August 2018; or

(b) is acquired in the calendar year 2020 and either the acquisition is made pursuant to an obligation in writing entered into in the period that begins on 16 August 2018 and ends on 31 December 2019 or the construction of the property, by or on behalf of the purchaser, began in that period.

Where a corporation is, for a taxation year, deemed to have paid an amount to the Minister under this division, otherwise than under any of sections 1029.8.36.166.55 to 1029.8.36.166.57, and an amount under Division II.6.14.2.3, otherwise than under any of sections 1029.8.36.166.60.60 to 1029.8.36.166.60.62, the corporation's otherwise determined total taxes for the year are, for the purposes of this division, reduced by all or part of those amounts that the corporation takes into account in computing its total taxes for the year for the purposes of Division II.6.14.2.3.

For the purposes of the definition of "exclusion threshold" in the first paragraph, where qualified property is acquired in connection with a joint venture, the exclusion threshold in respect of the qualified property for a corporation or partnership holding a share in the property as a party to such a venture is deemed to be equal to the amount obtained by multiplying $12,500 by the proportion that corresponds to the share of the corporation or partnership, as the case may be, in the property.

For the purposes of the definitions of "manufacturing or processing salary or wages" and "metal manufacturing salary or wages" in the first paragraph, an employee who spends 90% or more of working time on manufacturing or processing activities or on metal manufacturing activities, as the case may be, is deemed to spend all working time on those activities.

2009, c. 15, s. 303; 2010, c. 5, s. 159; 2010, c. 25, s. 171; 2011, c. 6, s. 190; 2011, c. 34, s. 92; 2012, c. 8, s. 229; 2013, c. 10, s. 122; I.N. 2015-05-01; 2015, c. 21, s. 459; 2015, c. 24, s. 142; I.N. 2016-07-01; 2017, c. 1, s. 291; 2017, c. 29, s. 183; 2019, c. 14, s. 360; 2020, c. 16, s. 148; 2019, c. 14, s. 360; 2021, c. 14, s. 147; 2021, c. 18, s. 129; 2022, c. 23, s. 106; 2023, c. 2, s. 48.

1029.8.36.166.40.1. For the purposes of this division, the balance of a qualified corporation's cumulative eligible expense limit for a particular taxation year is equal,

(a) if the qualified corporation is not a member of an associated group in the particular year, to the amount by which $75,000,000 exceeds the aggregate of all amounts each of which would be the amount of

the portion of the qualified corporation's eligible expenses, in respect of a qualified property, for any preceding taxation year that ends in a 24-month period preceding the beginning of the particular year, or its share of the portion of a partnership's eligible expenses, in respect of a qualified property, for a fiscal period of the partnership that ends in such a preceding taxation year, that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.43 or 1029.8.36.166.44 and in respect of which an amount would be deemed to have been paid to the Minister by the corporation for that preceding year under section 1029.8.36.166.43 or 1029.8.36.166.44, as the case may be, but for the third paragraph of that section, if the excluded expense amount relating to the qualified property were equal to zero; or

(b) if the qualified corporation is a member of an associated group in the particular year, to the amount attributed for the particular year to the qualified corporation pursuant to the agreement described in the second paragraph and filed with the Minister in the prescribed form or, if no amount is attributed to the qualified corporation pursuant to that agreement or in the absence of such an agreement, to zero or to the amount attributed to it by the Minister, if applicable, for the particular year in accordance with this division.

The agreement to which subparagraph *b* of the first paragraph refers, in respect of a particular taxation year of the qualified corporation, is the agreement under which all the corporations that are members of the associated group in the particular taxation year attribute, for the purposes of this section, to one or more of the corporations that are members of the associated group, for the particular taxation year, one or more amounts the total of which is not greater than the amount by which $75,000,000 exceeds the aggregate of all amounts each of which would be

(a) the amount of the portion of the eligible expenses of a corporation that is a member of the associated group in the particular year, in respect of a qualified property, for a taxation year that ends in a 24-month period preceding the beginning of the particular year, that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.43 and in respect of which an amount would be deemed to have been paid to the Minister by the corporation under section 1029.8.36.166.43 but for its third paragraph, if the excluded expense amount relating to the qualified property were equal to zero; or

(b) the amount of the share of a corporation that is a member of the associated group in the year of the portion of the eligible expenses of a partnership, in respect of a qualified property, for a fiscal period of the partnership that ended in a taxation year of the corporation that ends in a 24-month period preceding the beginning of the particular year, that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.44 and in respect of which an amount would be deemed to have been paid to the Minister by the corporation under section 1029.8.36.166.44 but for its third paragraph, if the excluded expense amount relating to the qualified property were equal to zero.

If the aggregate of the amounts attributed, in respect of a taxation year, in an agreement described in the second paragraph and entered into with the corporations that are members of an associated group in the year is greater than the excess amount determined under that paragraph, the amount determined under subparagraph *b* of the first paragraph in respect of each of those corporations for that taxation year is deemed, for the purposes of this section, to be equal to the proportion of that excess amount that that amount is of the aggregate of the amounts attributed for that year in the agreement.

For the purposes of this section and section 1029.8.36.166.40.2, an associated group in a taxation year means all the corporations that are associated with each other in the year.

For the purposes of subparagraph *a* of the first paragraph and subparagraph *b* of the second paragraph, a corporation's share of the portion of the eligible expenses, in respect of a qualified property, of a partnership for a fiscal period is equal to the agreed proportion of that portion of the expenses in respect of the corporation for the fiscal period.

2010, c. 25, s. 172; 2015, c. 21, s. 460; 2015, c. 24, s. 143.

1029.8.36.166.40.2. If a corporation that is a member of an associated group for a taxation year fails to file with the Minister an agreement for the purposes of this division within 30 days after notice in writing by

the Minister has been sent to any of the corporations that are members of that group that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this division, attribute, for the taxation year, an amount to one or more of those corporations, which amount or the aggregate of which amounts must be equal to the excess amount determined for the year under the second paragraph of section 1029.8.36.166.40.1 and, in any such case, the balance of the cumulative eligible expense limit of each of those corporations for the year is equal to the amount so attributed to it.

2010, c. 25, s. 172.

1029.8.36.166.40.3. For the purposes of this division, the balance of a qualified partnership's cumulative eligible expense limit for a particular fiscal period is equal to the amount by which $75,000,000 exceeds the aggregate of all amounts each of which would be the amount of its eligible expenses, in respect of qualified property, for a fiscal period that ends in the 24-month period preceding the beginning of the particular fiscal period and in respect of which an amount would be deemed to have been paid to the Minister under section 1029.8.36.166.44 but for its third paragraph, if the excluded expense amount relating to the qualified property were equal to zero.

2010, c. 25, s. 172; 2015, c. 24, s. 144.

1029.8.36.166.40.4. For the purposes of this division, the balance of a joint venture's cumulative eligible expense limit for a particular fiscal period of the joint venture is equal to the amount by which $75,000,000 exceeds the aggregate of all amounts each of which would be the amount of the eligible expenses incurred by a corporation or a partnership, in respect of qualified property, as a party to the joint venture in a fiscal period of the joint venture that ends in the 24-month period preceding the beginning of the particular fiscal period and in respect of which an amount would be deemed to have been paid to the Minister under section 1029.8.36.166.43 or 1029.8.36.166.44 but for the third paragraph of that section, if the excluded expense amount relating to the qualified property were equal to zero.

For the purposes of this section, a joint venture is deemed to be a partnership whose fiscal period ends on 31 December of a calendar year.

For the purposes of this division, the share of a corporation for a taxation year, or of a partnership for a fiscal period, of the balance of a joint venture's cumulative eligible expense limit is equal,

(a) in the case of a corporation,

i. if its taxation year does not end on 31 December of a calendar year, to the aggregate of all amounts each of which is the proportion of its share, determined in accordance with the fourth paragraph, of the balance of the joint venture's cumulative eligible expense limit for a fiscal period of the joint venture, a part of which is included in the taxation year, that the eligible expenses incurred by the corporation as a party to the joint venture in that part of the fiscal period of the joint venture that is included in the taxation year of the corporation is of the aggregate of the eligible expenses incurred by the corporation as a party to the joint venture in that fiscal period of the joint venture, or

ii. if its taxation year ends on 31 December of a calendar year, to its share, determined in accordance with the fourth paragraph, of the balance of the joint venture's cumulative eligible expense limit for the fiscal period of the joint venture whose end coincides with the end of the taxation year of the corporation; and

(b) in the case of a partnership,

i. if its fiscal period does not end on 31 December of a calendar year, to the aggregate of all amounts each of which is the proportion of its share, determined in accordance with the fourth paragraph, of the balance of the joint venture's cumulative eligible expense limit for the fiscal period of the joint venture, a part of which is included in the fiscal period of the partnership, that the eligible expenses incurred by the partnership as a party to the joint venture in that part of the fiscal period of the joint venture that is included in the fiscal period of the partnership is of the aggregate of the eligible expenses incurred by the partnership as a party to the joint venture in that fiscal period of the joint venture, or

ii. if its taxation year ends on 31 December of a calendar year, to its share, determined in accordance with the fourth paragraph, of the balance of the joint venture's cumulative eligible expense limit for the fiscal period of the joint venture whose end coincides with the end of the fiscal period of the partnership.

For the purposes of the third paragraph, a corporation's or a partnership's share of the balance of a joint venture's cumulative eligible expense limit for a fiscal period of the joint venture is equal to the proportion of that amount that the eligible expenses incurred by the corporation or the partnership in that fiscal period as a party to the joint venture is of the aggregate of the eligible expenses incurred in the fiscal period of the joint venture.

2010, c. 25, s. 172; 2015, c. 24, s. 145.

1029.8.36.166.41. *(Repealed).*

2009, c. 15, s. 303; 2015, c. 36, s. 122; 2022, c. 23, s. 107.

1029.8.36.166.42. The amount to which the definition of "maximum tax credit amount" in the first paragraph of section 1029.8.36.166.40 refers, in relation to a corporation for a taxation year, is equal to the product obtained by multiplying, by the proportion determined by the formula in the third paragraph, the amount by which the total amount that the corporation would be deemed to have paid to the Minister for the taxation year under sections 1029.8.36.166.43 and 1029.8.36.166.44 if no reference were made to the third paragraph of those sections and if the corporation considered, in its eligible expenses or its share of the eligible expenses of a partnership, only the portion of such expenses that are referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.43 or 1029.8.36.166.44, exceeds the amount by which the amount by which the corporation's total taxes for the year exceeds the amount the corporation is deemed to have paid to the Minister for the year under section 1029.8.36.166.46, exceeds the aggregate of the amounts determined in its respect for the year under subparagraph *b* of the first paragraph of section 1029.8.36.166.43 or 1029.8.36.166.44.

The amount to which the definition of "limit relating to an unused portion" in the first paragraph of section 1029.8.36.166.40 refers, in relation to a corporation for a taxation year, is equal to the product obtained by multiplying, by the proportion determined by the formula in the third paragraph, the amount by which the corporation's total taxes for the year are exceeded by the aggregate of all amounts each of which is an excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.166.46 that would be determined in respect of an original year, within the meaning of that subparagraph, in relation to the taxation year, if the definition of "unused portion of the tax credit" in the first paragraph of section 1029.8.36.166.40 were read as follows:

""unused portion of the tax credit" of a corporation for a taxation year, if the paid-up capital that is attributed to the corporation for the year, determined in accordance with section 1029.8.36.59.49.1, is less than $500,000,000, means the amount by which the maximum tax credit amount of the corporation for the year is exceeded by the total amount that the corporation would be deemed to have paid to the Minister for that year under sections 1029.8.36.166.43 and 1029.8.36.166.44 if no reference were made to the third paragraph of those sections and if the corporation considered, in its eligible expenses or its share of the eligible expenses of a partnership, only the portion of such expenses that does not exceed, as the case may be,

(a) the balance of the corporation's cumulative eligible expense limit for the year;

(b) the corporation's share of the balance of a qualified partnership's cumulative eligible expense limit for a particular fiscal period of the partnership that ends in the taxation year of the corporation;

(c) the portion of the eligible expenses of the corporation incurred in the year as a party to a joint venture that exceeds the corporation's share for the taxation year of the balance of the joint venture's cumulative eligible expense limit; or

(d) the portion of the eligible expenses of the partnership incurred, in a particular fiscal period of the partnership that ends in the taxation year, as a party to a joint venture, that exceeds the partnership's share for the particular fiscal period of the balance of the joint venture's cumulative eligible expense limit."

The formula to which the first and second paragraphs refer is the following:

1 - [(A - $250,000,000)/$250,000,000].

In the formula in the third paragraph, A is the greater of

(a) $250,000,000; and

(b) the lesser of $500,000,000 and the paid-up capital attributed to the corporation for the year, determined in accordance with section 1029.8.36.59.49.1.

2009, c. 15, s. 303; 2010, c. 25, s. 173; 2015, c. 21, s. 461; 2022, c. 23, s. 108.

1029.8.36.166.42.1. If it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a taxation year is to cause a qualified corporation to be deemed to have paid an amount to the Minister under this division for that year or to increase an amount that a qualified corporation is deemed to have paid to the Minister under this division for that year, those corporations are deemed, for the purposes of this division, to be associated with each other in the year.

2010, c. 25, s. 174.

§ 2. — *Credits*

2009, c. 15, s. 303.

1029.8.36.166.43. A qualified corporation for a taxation year that encloses the documents referred to in the fifth paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the fourth paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of all amounts each of which is, in relation to a qualified property,

(a) if the paid-up capital attributed to the qualified corporation for the year, determined in accordance with section 1029.8.36.59.49.1, is less than $500,000,000, the total of

i. the aggregate of all amounts each of which is the product obtained by multiplying a portion of its eligible expenses for the year, in respect of the property, such portion being referred to in section 1029.8.36.166.45, by the rate determined for the year, under that section, in relation to that portion of expenses, to the extent that the aggregate of those portions of expenses (in subparagraphs ii and iii referred to as the "particular eligible expenses") is established subject to the second paragraph and does not include the portion, determined by the corporation, of the eligible expenses incurred by the corporation in the year as a party to a joint venture that exceeds the corporation's share for the year of the balance of the joint venture's cumulative eligible expense limit,

ii. the product obtained by multiplying the portion of the particular eligible expenses for the year, in respect of the property, that are expenses eligible for an additional increase of the corporation for the year, by the rate determined for the year, under section 1029.8.36.166.45.1, in relation to that portion of the particular eligible expenses, and

iii. the product obtained by multiplying the portion of the particular eligible expenses for the year, in respect of the property, that are expenses eligible for a temporary additional increase of the corporation for the year, by the rate determined for the year, under section 1029.8.36.166.45.2, in relation to that portion of the particular eligible expenses; or

(b) the total of

i. the product obtained by multiplying by 5% the amount by which the portion of its eligible expenses for the year, in respect of the property, that are expenses referred to in subparagraph *a* or *b* of the third paragraph of section 1029.8.36.166.45 (such portion being in this subparagraph *b* referred to as the "specified eligible expenses"), exceeds the portion of those specified eligible expenses that is referred to in subparagraph i of subparagraph *a*, and

ii. the product obtained by multiplying by 4% the amount by which the portion of its eligible expenses for the year, in respect of the property, that are not specified eligible expenses (such portion being in this subparagraph ii referred to as the "other eligible expenses"), exceeds the portion of those other eligible expenses that is referred to in subparagraph i of subparagraph *a*.

The total of the eligible expenses that are referred to in subparagraph i of subparagraph *a* of the first paragraph in respect of a corporation for a taxation year may not exceed the amount that is the amount by which the balance of its cumulative eligible expense limit for the year exceeds the aggregate of all amounts each of which is its share of eligible expenses that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.44 for the year and in respect of which the corporation would be deemed to have paid an amount to the Minister for the year under section 1029.8.36.166.44 if it were read without reference to its third paragraph and if the definition of "eligible expenses" in the first paragraph of section 1029.8.36.166.40 were read without reference to "the amount by which the excluded expense amount relating to the qualified property in respect of the partnership for the particular fiscal period is exceeded by" in the portion of its paragraph *b* before subparagraph i.

The total amount that the corporation is deemed to have paid to the Minister for the year under the first paragraph and, if applicable, under the first paragraph of section 1029.8.36.166.44 must not exceed the corporation's maximum tax credit amount for the year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the agreement described in section 1029.8.36.166.40.1, if applicable.

2009, c. 15, s. 303; 2010, c. 25, s. 175; 2012, c. 8, s. 230; 2015, c. 21, s. 462; 2015, c. 24, s. 146; 2020, c. 16, s. 149; 2022, c. 23, s. 109 .

1029.8.36.166.44. A qualified corporation for a taxation year that is a member of a qualified partnership at the end of a particular fiscal period of the partnership that ends in the year and that encloses the documents referred to in the seventh paragraph with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the fourth paragraph, to have paid to the Minister on the qualified corporation's balance-

due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of all amounts each of which is, in relation to a qualified property,

(a) if the paid-up capital attributed to the qualified partnership for the particular fiscal period, determined in accordance with section 1029.8.36.59.49.1 as if the partnership were a corporation whose taxation year corresponds to its fiscal period, is less than $500,000,000, the total of

i. the aggregate of all amounts each of which is the product obtained by multiplying the corporation's share of a portion of the partnership's eligible expenses for the particular fiscal period, in respect of the property, such portion being referred to in section 1029.8.36.166.45, by the rate determined for the year, under that section, in relation to the corporation's share of that portion of expenses, to the extent that the aggregate of those portions of expenses (in subparagraphs ii and iii referred to as the "particular eligible expenses") is established subject to the second paragraph and does not include the portion, determined by the qualified corporation, of the qualified partnership's eligible expenses for the particular fiscal period that exceeds the balance of the partnership's cumulative eligible expense limit for the particular fiscal period, or the portion, determined by the qualified corporation, of such expenses incurred by the partnership in the particular fiscal period as a party to a joint venture that exceeds the partnership's share for the particular fiscal period of the balance of the joint venture's cumulative eligible expense limit,

ii. the product obtained by multiplying the corporation's share of the portion of the particular eligible expenses for the particular fiscal period, in respect of the property, that are expenses eligible for an additional increase of the partnership for that period, by the rate determined for the year, under section 1029.8.36.166.45.1, in relation to the corporation's share of that portion of the particular eligible expenses, and

iii. the product obtained by multiplying the corporation's share of the portion of the particular eligible expenses for the particular fiscal period, in respect of the property, that are expenses eligible for a temporary additional increase of the partnership for that period, by the rate determined for the year, under section 1029.8.36.166.45.2, in relation to the corporation's share of that portion of the particular eligible expenses; or

(b) the total of

i. the product obtained by multiplying by 5% the corporation's share of the amount by which the portion of the partnership's eligible expenses for the particular fiscal period, in respect of the property, that are expenses referred to in subparagraph *a* or *b* of the third paragraph of section 1029.8.36.166.45 (such portion being in this subparagraph *b* referred to as the "specified eligible expenses"), exceeds the portion of those specified eligible expenses that is referred to in subparagraph i of subparagraph *a*, and

ii. the product obtained by multiplying by 4% the corporation's share of the amount by which the portion of the partnership's eligible expenses for the particular fiscal period, in respect of the property, that are not specified eligible expenses (such portion being in this subparagraph ii referred to as the "other eligible expenses"), exceeds the portion of those other eligible expenses that is referred to in subparagraph i of subparagraph *a*.

The total of all amounts each of which is a corporation's share of eligible expenses that is referred to in subparagraph i of subparagraph *a* of the first paragraph for a taxation year may not exceed the amount that is the amount by which the balance of its cumulative eligible expense limit for the year exceeds the total of the eligible expenses that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.43 for the year and in respect of which the corporation would be deemed to have paid an amount to the Minister for the year under section 1029.8.36.166.43 if it were read without reference to its third paragraph and if the definition of "eligible expenses" in the first paragraph of section 1029.8.36.166.40 were read without reference to "the amount by which the excluded expense amount relating to the qualified property in respect of the corporation for the particular year is exceeded by" in the portion of its paragraph *a* before subparagraph i.

The total amount that the corporation is deemed to have paid to the Minister for the year under the first paragraph and, if applicable, under the first paragraph of section 1029.8.36.166.43 must not exceed the corporation's maximum tax credit amount for the year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, a qualified corporation's share of a particular amount, in relation to a qualified partnership of which it is a member in a fiscal period is equal to the agreed proportion of that amount in respect of the qualified corporation for the fiscal period.

Despite the definition of "eligible expenses" in the first paragraph of section 1029.8.36.166.40 and for the purpose of applying this section to a corporation referred to in the first paragraph, the eligible expenses for a particular fiscal period, in respect of a qualified property, of a partnership of which the corporation is a member, or the portion of such eligible expenses referred to in subparagraph *a* of the first paragraph, do not include

(a) the expenses that would otherwise be such eligible expenses because of subparagraph ii of paragraph *b* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.166.40 and that are incurred in a fiscal period of the partnership that precedes the particular fiscal period and ends in a taxation year for which the corporation was not a qualified corporation; or

(b) the expenses that would otherwise be such eligible expenses because of subparagraph iii of paragraph *b* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.166.40 and that are incurred in a fiscal period of the partnership that ends in a taxation year for which the corporation was not a qualified corporation.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the agreement described in section 1029.8.36.166.40.1, if applicable.

2009, c. 15, s. 303; 2010, c. 25, s. 176; 2012, c. 8, s. 231; 2015, c. 21, s. 463; 2015, c. 24, s. 147; 2020, c. 16, s. 150; 2022, c. 23, s. 110 .

1029.8.36.166.45. The rate to which subparagraph i of subparagraph *a* of the first paragraph of sections 1029.8.36.166.43 and 1029.8.36.166.44 refers, in relation to a portion of a corporation's eligible expenses or to a corporation's share of a portion of a partnership's eligible expenses, in respect of a qualified property, for a particular taxation year is

(a) where the qualified property is acquired to be used mainly in an administrative region referred to in any of subparagraphs iv to vii of paragraph *a* of the definition of "resource region" in the first paragraph of section 1029.8.36.166.40,

i. if the portion of the expenses represents eligible expenses that are described in subparagraph *a* or *b* of the third paragraph, the rate determined by the formula

40% − [35% × (A − $250,000,000) / $250,000,000],

ii. if subparagraph i does not apply and the portion of the expenses represents eligible expenses incurred before 1 January 2017, the rate determined by the formula

32% − [28% × (A − $250,000,000)/$250,000,000], or

iii. in any other case, the rate determined by the formula

24% − [20% × (A − $250,000,000) / $250,000,000];

(b) where the qualified property is acquired to be used mainly in one of the regional county municipalities referred to in subparagraphs i.2, i.3 and ii.2 of paragraph *b* of the definition of "resource region" in the first paragraph of section 1029.8.36.166.40,

i. if the portion of the expenses represents eligible expenses that are described in subparagraph *a* of the third paragraph and the corporation is neither deemed to have paid an amount to the Minister under Division II.6.6.6.1 for the particular taxation year nor associated, in the particular taxation year, with another corporation that is deemed to have paid an amount to the Minister under Division II.6.6.6.1 for a taxation year that ends in the particular taxation year, the rate determined by the formula

35% − [30% × (A − $250,000,000) / $250,000,000],

ii. if subparagraph i does not apply and the portion of the expenses represents eligible expenses that are described in subparagraph *a* or *b* of the third paragraph, the rate determined by the formula

30% − [25% × (A − $250,000,000) / $250,000,000],

iii. if subparagraphs i and ii do not apply and the portion of the expenses represents eligible expenses incurred before 1 January 2017, the rate determined by the formula

24% − [20% × (A − $250,000,000) / $250,000,000], or

iv. in any other case, the rate determined by the formula

16% − [12% × (A − $250,000,000) / $250,000,000];

(c) where the qualified property is acquired to be used mainly in an administrative region referred to in subparagraph ii or iii of paragraph *a* of the definition of "resource region" in the first paragraph of section 1029.8.36.166.40 or in one of the regional county municipalities referred to in subparagraphs i, i.1, ii, ii.1 and iii to vi of paragraph *b* of that definition,

i. if the portion of the expenses represents eligible expenses that are described in subparagraph *a* of the third paragraph and the corporation is neither deemed to have paid an amount to the Minister under Division II.6.6.6.1 for the particular taxation year nor associated, in the particular taxation year, with another corporation that is deemed to have paid an amount to the Minister under Division II.6.6.6.1 for a taxation year that ends in the particular taxation year, the rate determined by the formula

25% − [20% × (A − $250,000,000) / $250,000,000],

ii. if subparagraph i does not apply and the portion of the expenses represents eligible expenses that are described in subparagraph *a* or *b* of the third paragraph, the rate determined by the formula

20% − [15% × (A − $250,000,000) / $250,000,000],

iii. if subparagraphs i and ii do not apply and the portion of the expenses represents eligible expenses incurred before 1 January 2017, the rate determined by the formula

16% − [12% × (A − $250,000,000) / $250,000,000], or

iv. in any other case, the rate determined by the formula

8% − [4% × (A − $250,000,000) / $250,000,000], or

(d) in any other case,

i. if the portion of the expenses represents eligible expenses that are described in subparagraph *a* or *b* of the third paragraph, the rate determined by the formula

10% − [5% × (A − $250,000,000) / $250,000,000], or

ii. if subparagraph i does not apply and the portion of the expenses represents eligible expenses incurred before 1 January 2017, the rate determined by the formula

8% − [4% × (A − $250,000,000) / $250,000,000].

In the formulas in the first paragraph, A is the greater of

(a) $250,000,000; and

(b) the lesser of $500,000,000 and

i. for the purpose of determining the rate in relation to the portion of the corporation's eligible expenses, in respect of the property, the paid-up capital attributed to the corporation for the year, determined in accordance with section 1029.8.36.59.49.1, or

ii. for the purpose of determining the rate in relation to the corporation's share of the portion of the partnership's eligible expenses, in respect of the property, the paid-up capital attributed to the partnership for the fiscal period that ends in the year, determined in accordance with section 1029.8.36.59.49.1 as if the partnership were a corporation whose taxation year corresponds to its fiscal period.

The expenses referred to in subparagraph *b* of the first paragraph of sections 1029.8.36.166.43 and 1029.8.36.166.44 and in subparagraphs *a* to *d* of the first paragraph of this section are

(a) eligible expenses incurred before 5 June 2014 and those incurred after 4 June 2014 and before 1 July 2015, where the property is acquired on or before 4 June 2014 or, otherwise, where the property is acquired pursuant to an obligation in writing entered into on or before that date or its construction, by or on behalf of the purchaser, had begun by that date; or

(b) eligible expenses incurred in the period that begins on 16 August 2018 and ends on 31 December 2019, where

i. the property is acquired in that period otherwise than pursuant to an obligation in writing entered into on or before 15 August 2018 and is not a property the construction of which, by or on behalf of the purchaser, had begun by that date, or

ii. the property is acquired in the calendar year 2020 and either the acquisition is made pursuant to an obligation in writing entered into in the period that begins on 16 August 2018 and ends on 31 December 2019 or the construction of the property, by or on behalf of the purchaser, began in that period.

2009, c. 15, s. 303; 2010, c. 25, s. 177; 2015, c. 21, s. 464; 2017, c. 1, s. 292; 2020, c. 16, s. 151; 2021, c. 14, s. 148; 2022, c. 23, s. 111.

1029.8.36.166.45.1. The rate to which subparagraph ii of subparagraph *a* of the first paragraph of sections 1029.8.36.166.43 and 1029.8.36.166.44 refers, in relation to the portion of a corporation's eligible expenses or to a corporation's share of the portion of a partnership's eligible expenses, in respect of a qualified property, for a taxation year is the rate determined by the formula

10% - [10% × (A - $15,000,000)/$5,000,000].

In the formula in the first paragraph, A is the greater of

(a) $15,000,000; and

(b) the lesser of $20,000,000 and

i. for the purpose of determining the rate in relation to the portion of the corporation's eligible expenses, in respect of the property, the paid-up capital attributed to the corporation for the year, determined in accordance with section 737.18.24, as it read before being repealed, or

ii. for the purpose of determining the rate in relation to the corporation's share of the portion of the partnership's eligible expenses, in respect of the property, the paid-up capital attributed to the partnership for the fiscal period that ends in the year, determined in accordance with section 737.18.24, as it read before being repealed, as if the partnership were a corporation whose taxation year corresponds to its fiscal period.

2015, c. 21, s. 465; 2022, c. 23, s. 112.

1029.8.36.166.45.2. The rate to which subparagraph iii of subparagraph *a* of the first paragraph of sections 1029.8.36.166.43 and 1029.8.36.166.44 refers, in relation to the portion of a corporation's eligible expenses or to a corporation's share of the portion of a partnership's eligible expenses, in respect of a qualified property, for a taxation year is

(a) if the property is acquired to be used mainly in a resource region, the rate determined by the formula

5% − [5% × (A − $250,000,000) / $250,000,000]; or

(b) in any other case, the rate determined by the formula

10% − [10% × (A − $250,000,000) / $250,000,000].

In the formulas in the first paragraph, A is the greater of

(a) $250,000,000; and

(b) the lesser of $500,000,000 and

i. for the purpose of determining the rate in relation to the portion of the corporation's eligible expenses, in respect of the property, the paid-up capital attributed to the corporation for the year, determined in accordance with section 737.18.24, as it read before being repealed, or

ii. for the purpose of determining the rate in relation to the corporation's share of the portion of the partnership's eligible expenses, in respect of the property, the paid-up capital attributed to the partnership for the fiscal period that ends in the year, determined in accordance with section 737.18.24, as it read before being repealed, as if the partnership were a corporation whose taxation year corresponds to its fiscal period.

2020, c. 16, s. 152; 2022, c. 23, s. 113.

1029.8.36.166.46. Subject to section 1029.8.36.166.49, a corporation that encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for a particular taxation year, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for the particular year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of all amounts each of which is the lesser of

(a) the amount by which the unused portion of the tax credit of the corporation for a taxation year (in subparagraph *b* referred to as the "original year") that is any of the 20 taxation years that precede the particular year, exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to

the Minister by the corporation under this section or section 1029.8.36.166.47, in respect of the unused portion of the tax credit, on account of its tax payable for a taxation year preceding the particular year; and

(b) the amount by which the corporation's limit relating to an unused portion for the particular year exceeds the aggregate of all amounts each of which is equal to the amount deemed to be paid by the corporation under this section, for the particular year, in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the original year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2009, c. 15, s. 303.

1029.8.36.166.47. Subject to section 1029.8.36.166.50, a corporation is deemed, for a particular taxation year ending after 13 March 2008, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for a taxation year (in this section referred to as the "subsequent year") that is any of the three taxation years that follow the particular year, to have paid to the Minister, in relation to the unused portion of the tax credit of the corporation for the subsequent year, on the day on which the form is filed with the Minister, an amount equal to the lesser of

(a) the amount by which the unused portion of the tax credit of the corporation for the subsequent year exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister by the corporation under this section, in respect of the unused portion, for a taxation year preceding the particular year; and

(b) the amount by which its total taxes for the particular year exceed the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for the particular year under any of sections 1029.8.36.166.43, 1029.8.36.166.44 and 1029.8.36.166.46, or under this section in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the subsequent year.

2009, c. 15, s. 303.

1029.8.36.166.48. No amount may be deemed to have been paid to the Minister by a qualified corporation for a taxation year under section 1029.8.36.166.43 or 1029.8.36.166.44, in relation to its eligible expenses or its share of a partnership's eligible expenses, as the case may be, in respect of a qualified property, if, at any time before the day after the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser of the property or by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, or, if it precedes the day that is the end of that period, the corporation's filing-due date for that taxation year, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used solely in Québec to earn income from a business carried on

(a) by the first purchaser of the property and if that time is also in the portion of that period in which the first purchaser owns the property; or

(b) by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies, and if that time is also in the portion of that period in which the subsequent purchaser owns the property.

2009, c. 15, s. 303.

1029.8.36.166.49. If, at any time, control of a corporation is acquired by a person or group of persons, no amount may, for a taxation year ending after that time, be deemed, under section 1029.8.36.166.46, to have been paid to the Minister by the corporation in respect of the unused portion of the tax credit of the corporation for a taxation year ending before that time.

However, subject to section 1029.8.36.166.48, the corporation may be deemed to have paid an amount to the Minister, for a particular taxation year ending after that time, in respect of the portion of an unused portion of the tax credit for a taxation year ending before that time that may reasonably be considered to be attributable to the carrying on of a business, if the corporation carried on the business throughout the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may be deemed to have paid to the Minister for the particular year under section 1029.8.36.166.46 in respect of the portion referred to in the second paragraph must be determined as if the total taxes used in establishing, for the particular year, the corporation's limit relating to an unused portion referred to in subparagraph *b* of the first paragraph of that section were the portion of such total taxes of the corporation for the particular year that may reasonably be attributed to the carrying on of that business and — if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time — of any other business all or substantially all of the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

2009, c. 15, s. 303; 2023, c. 2, s. 49.

1029.8.36.166.50. If, at any time, control of a corporation is acquired by a person or group of persons, no amount may, for a taxation year ending before that time, be deemed, under section 1029.8.36.166.47, to have been paid to the Minister by the corporation in respect of the unused portion of the tax credit of the corporation for a taxation year ending after that time.

However, the corporation may be deemed to have paid an amount to the Minister, for a particular taxation year ending before that time, in respect of the portion of an unused portion of the tax credit for a taxation year ending after that time that may reasonably be considered to be attributable to the carrying on of a business, if the corporation carried on the business throughout the taxation year and in the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may be deemed to have paid to the Minister for the particular year under section 1029.8.36.166.47 in respect of the portion referred to in the second paragraph must be determined as if the reference to the total taxes in that section were a reference to the portion of the total taxes of the corporation for the particular year that may reasonably be attributed to the carrying on of that business and — if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time — of any other business all or substantially all of the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

2009, c. 15, s. 303; 2023, c. 2, s. 50.

1029.8.36.166.51. For the purposes of this division, a corporation or partnership deemed to have acquired a property at a particular time under paragraph *b* of section 125.1 is deemed to have acquired the property at that time at a cost of acquisition, incurred and paid at that time, equal to the fair market value of

the property at that time, and to own the property from that time to the time at which it is deemed to dispose of the property under paragraph *f* of section 125.1.

2009, c. 15, s. 303.

§ 3. — *Government assistance, non-government assistance and other particulars*

2009, c. 15, s. 303.

1029.8.36.166.52. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.36.166.43 or 1029.8.36.166.44, the following rules apply:

(a) the amount of the eligible expenses referred to in the first paragraph of section 1029.8.36.166.43 is to be reduced, if applicable, by the amount of any government assistance or non-government assistance attributable to the expenses that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year;

(b) the corporation's share of the eligible expenses of a partnership, referred to in the first paragraph of section 1029.8.36.166.44, for a fiscal period of the partnership that ends in the corporation's taxation year, is to be reduced, if applicable,

i. by the corporation's share of the amount of any government assistance or non-government assistance attributable to the expenses that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance attributable to the expenses that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the partnership's fiscal period, of the amount of any government assistance or non-government assistance that the partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2009, c. 15, s. 303.

1029.8.36.166.53. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister under section 1029.8.36.166.46 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, in relation to eligible expenses of the corporation or of a partnership of which it is a member at the end of the fiscal period of the partnership ending in the particular preceding year, the unused portion of the tax credit of the corporation, otherwise determined, is to be reduced by the amount determined under the second paragraph if

(a) in the particular year or a preceding taxation year, an amount relating to the eligible expenses of the corporation, other than an amount reducing those expenses in accordance with section 1029.8.36.166.52 or 1029.8.36.166.60, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) in a fiscal period of the partnership ending in the particular year or in a preceding taxation year and at the end of which the corporation is a member of the partnership, an amount relating to the eligible expenses of the partnership, other than an amount reducing those expenses in accordance with section 1029.8.36.166.52 or 1029.8.36.166.60, is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The amount to which the first paragraph refers is equal to the amount by which the unused portion of the tax credit of the corporation for the particular preceding year, otherwise determined, exceeds the amount that would be the amount of the unused portion of the tax credit of the corporation if

(a) any amount referred to in subparagraph *a* or *b* of the first paragraph that is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation were directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation in the particular preceding year; and

(b) any amount referred to in subparagraph *b* of the first paragraph that is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership were directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership in the fiscal period of the partnership ending in the particular preceding year.

If, in respect of the eligible expenses referred to in the first paragraph, a person other than the corporation, or a partnership other than the partnership of which the corporation is a member, has obtained, at a particular time, a benefit or advantage that would have reduced those expenses in accordance with section 1029.8.36.166.60 if the person or partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the corporation's filing-due date for the particular preceding taxation year, or on or before the day that is six months after the end of the fiscal period of the partnership of which the corporation is a member that ended in the particular preceding taxation year, the benefit or advantage is, for the purposes of the first and second paragraphs,

(a) if those expenses were incurred by the corporation, deemed to be an amount that is paid to the corporation at that time; or

(b) if those expenses were incurred by the partnership of which the corporation is a member, deemed to be

i. an amount that is paid to that partnership at that time, when that benefit or advantage has been obtained by another partnership or by a person other than the person referred to in subparagraph ii, or

ii. an amount that is paid to the corporation at that time, when that benefit or advantage has been obtained by a person with whom the corporation does not deal at arm's length.

2009, c. 15, s. 303.

1029.8.36.166.54. For the purpose of applying section 1029.8.36.166.53 to a corporation for a particular taxation year, the eligible expenses, in respect of a qualified property, of the corporation for a preceding taxation year or of a partnership for a fiscal period of the partnership that ends in that preceding year and at the end of which the corporation was a member of the partnership are deemed to be repaid to the corporation or partnership, as the case may be, at a particular time of the period described in the second paragraph, where the property ceases at that time, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used solely in Québec to earn income from a business carried on

(a) by the first purchaser of the property, where the first purchaser owns it at the particular time; or

(b) by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, where the subsequent purchaser owns it at the particular time.

The period to which the first paragraph refers is the period that begins on the particular day on which the property begins to be used by its first purchaser or by a subsequent purchaser that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies and ends on the earlier of

(a) the 730th day following the particular day; and

(b) the last day of the particular taxation year or of the partnership's fiscal period that ends in that year, as the case may be.

This section does not apply to a corporation for a taxation year, in relation to eligible expenses in respect of a qualified property of the corporation for a particular preceding taxation year or of a partnership of which the corporation is a member for a fiscal period that ends in the particular preceding taxation year, if section 1029.8.36.166.48 applied, in relation to the eligible expenses, for the particular preceding taxation year.

2009, c. 15, s. 303; 2023, c. 2, s. 51.

1029.8.36.166.55. If a corporation pays, in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *a* of the first paragraph of section 1029.8.36.166.52, the eligible expenses of the corporation in respect of a qualified property, for the purpose of computing the amount that it is deemed to have paid to the Minister under section 1029.8.36.166.43 in respect of the expenses, for a particular taxation year, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the repayment year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is an amount that it would be deemed to have paid to the Minister, in respect of the expenses, under section 1029.8.36.166.43 for the particular year, or under section 1029.8.36.166.46 or 1029.8.36.166.47 for another taxation year that precedes the repayment year, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.166.52, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, in respect of the expenses, under section 1029.8.36.166.43 for the particular year, or under section 1029.8.36.166.46 or 1029.8.36.166.47 for another taxation year that precedes the repayment year; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

2009, c. 15, s. 303.

1029.8.36.166.56. If a partnership pays, in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.166.52, a corporation's share of the eligible expenses of the partnership in respect of a qualified property for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.44, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.166.44 for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.166.46 or 1029.8.36.166.47 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of the eligible expenses of the partnership in respect of the property,

under section 1029.8.36.166.44 for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.166.46 or 1029.8.36.166.47 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.166.52; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2009, c. 15, s. 303.

1029.8.36.166.57. If a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.166.52, its share of the eligible expenses of the partnership in respect of a qualified property for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.44, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.166.44 for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.166.46 or 1029.8.36.166.47 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of the share, under section 1029.8.36.166.44 for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.166.46 or 1029.8.36.166.47 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment, and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.166.52; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2009, c. 15, s. 303.

1029.8.36.166.58. For the purposes of sections 1029.8.36.166.55 to 1029.8.36.166.57, an amount of assistance is deemed to be repaid, at a particular time, by a corporation or partnership pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.166.52, eligible expenses or the share of such expenses of a corporation that is a member of the partnership, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.166.43 or 1029.8.36.166.44;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership may reasonably expect to receive.

2009, c. 15, s. 303.

1029.8.36.166.59. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister under section 1029.8.36.166.46 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, the unused portion of the tax credit of the corporation, otherwise determined, must, if the conditions set out in the second paragraph are met for the particular year or for a preceding taxation year (each of which is referred to in this section as a "year of increase"), be increased by the aggregate of all amounts each of which is the excess amount referred to in subparagraph *b* of the second paragraph for a year of increase.

For the purposes of the first paragraph, the conditions that must be met for a year of increase are as follows:

(a) any of sections 1029.8.36.166.55 to 1029.8.36.166.58 applies for the year of increase to the corporation in relation to a particular amount that may reasonably be considered to be a repayment, made in the year of increase or in the fiscal period of a partnership ending in the year of increase, of government assistance or non-government assistance that reduced, because of section 1029.8.36.166.52, the eligible expenses of the corporation, in respect of a qualified property, for the particular preceding year or the corporation's share of the eligible expenses of the partnership, in respect of a qualified property, for a fiscal period of the partnership ending in the particular preceding year; and

(b) the amount determined under the third paragraph exceeds the amount determined under the fourth paragraph.

The first amount to which subparagraph *b* of the second paragraph refers is the total amount that the corporation would be deemed to have paid to the Minister for the particular preceding year under sections 1029.8.36.166.43 and 1029.8.36.166.44 if

(a) no reference were made to the third paragraph of sections 1029.8.36.166.43 and 1029.8.36.166.44;

(b) where section 1029.8.36.166.56 or 1029.8.36.166.57 applies for the year of increase to the corporation, the agreed proportion in respect of the corporation for the fiscal period of the partnership ending in the particular preceding year were the same as that for the year of increase; and

(c) any particular amount referred to in subparagraph *a* of the second paragraph that may reasonably be considered to be a repayment of government assistance or non-government assistance referred to in that subparagraph *a* reduced the amount of government assistance or non-government assistance.

The second amount to which subparagraph *b* of the second paragraph refers is the aggregate of

(a) the amount that would be determined under the third paragraph if no reference were made to subparagraph *c* of that paragraph; and

(b) the total amount that the corporation is deemed to have paid to the Minister for the year of increase under sections 1029.8.36.166.55 to 1029.8.36.166.57.

2009, c. 15, s. 303; 2010, c. 25, s. 178.

1029.8.36.166.60. If, in respect of eligible expenses of a qualified corporation or of a qualified partnership, in respect of a qualified property, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the acquisition of the qualified property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.166.43, the amount of the eligible expenses is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.166.44 by a qualified corporation that is a member of the qualified partnership, the corporation's share, for a fiscal period of the partnership that ends in the taxation year, of the amount of the eligible expenses, is to be reduced

i. by the corporation's share, for the fiscal period, of the amount of the benefit or advantage that the person or partnership, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage that the qualified corporation or a person with whom it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the share, for a fiscal period of a qualified partnership, of a qualified corporation that is a member of the qualified partnership of the amount of the benefit or advantage that the partnership, or a person referred to in that subparagraph i, has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the qualified corporation for the fiscal period.

2009, c. 15, s. 303.

DIVISION II.6.14.2.1

CREDIT IN RESPECT OF A BUILDING USED IN CONNECTION WITH MANUFACTURING OR PROCESSING ACTIVITIES

2015, c. 21, s. 466.

§ 1. — *Interpretation and general rules*

2015, c. 21, s. 466.

1029.8.36.166.60.1. In this division,

"aluminum producing corporation" for a taxation year means a corporation that, at any time in the year after 7 October 2013, carries on an aluminum producing business or is the owner or lessee of property used in the course of carrying on such a business by another corporation, a partnership or a trust, with which the corporation is associated;

"associated group" has the meaning assigned by section 1029.8.36.166.60.6;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

(c) an aluminum producing corporation for the year; or

(d) an oil refining corporation for the year;

"excluded partnership" for a fiscal period means a partnership that, at any time in the fiscal period after 7 October 2013, carries on an aluminum producing business or an oil refining business;

"expenditure of a capital nature" of a corporation for a particular taxation year or of a partnership for a particular fiscal period, in respect of a qualified building, means, except for the purposes of the second paragraph,

(a) for a corporation, the aggregate of the following expenditures incurred after 7 October 2013 and before 1 July 2015 in respect of the qualified building, except expenditures incurred with a person with whom the corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation, is not dealing at arm's length:

i. where the corporation is a qualified manufacturing corporation for the particular taxation year, the expenditures incurred by the corporation in the particular year to acquire the qualified building that are included, at the end of that year, in the capital cost of the qualified building and that are paid in the particular year,

ii. the amount by which the expenditures incurred by the corporation in the particular taxation year or in a preceding taxation year, for which the corporation is a qualified manufacturing corporation, to acquire the qualified building, that are included at the end of the particular year or of the preceding year, as the case may be, in the capital cost of the qualified building and that are paid after the end of the particular year or of the preceding year, as the case may be, but not later than 18 months after the end of that year, exceeds the portion of those expenditures that is included in the corporation's qualified expenditure in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.8 for a taxation year preceding the particular year, and

iii. the expenditures incurred by the corporation to acquire the qualified building that are included in the capital cost of the qualified building and that are paid in the particular taxation year, if the expenditures are paid more than 18 months after the end of the corporation's taxation year in which they were incurred and for which the corporation was a qualified manufacturing corporation; and

(b) for a partnership, the aggregate of the following expenditures incurred after 7 October 2013 and before 1 July 2015 in respect of the qualified building, except expenditures incurred with a corporation that is a member of the partnership or with a person with whom such a corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation, is not dealing at arm's length:

i. where the partnership is a qualified manufacturing partnership for the particular fiscal period, the expenditures incurred by the partnership in the particular fiscal period to acquire the qualified building that are included, at the end of that fiscal period, in the capital cost of the qualified building and that are paid in that fiscal period,

ii. the amount by which the expenditures incurred by the partnership in the particular fiscal period or in a preceding fiscal period, for which the partnership is a qualified manufacturing partnership, to acquire the qualified building that are included at the end of the particular fiscal period or of the preceding fiscal period,

as the case may be, in the capital cost of the qualified building and that are paid after the end of the particular fiscal period or of the preceding fiscal period, as the case may be, but not later than 18 months after the end of that fiscal period, exceeds the portion of those expenditures that is included in the partnership's qualified expenditure in respect of which a member of the partnership would be deemed to have paid an amount to the Minister under section 1029.8.36.166.60.9 for a taxation year preceding that in which the particular fiscal period ends, if that section were read without reference to its third paragraph and, where the member was not a qualified corporation for that preceding taxation year, the member had been a qualified corporation for that preceding taxation year, and

iii. the expenditures incurred by the partnership to acquire the qualified building that are included in the capital cost of the qualified building and that are paid in the particular fiscal period, if the expenditures are paid more than 18 months after the end of the partnership's fiscal period in which they were incurred and for which the partnership was a qualified manufacturing partnership;

"large investment project" has the meaning assigned by the first paragraph of section 737.18.17.1;

"oil refining corporation" for a taxation year means a corporation that, at any time in the year after 7 October 2013, carries on an oil refining business or is the owner or lessee of property used in the course of carrying on such a business by another corporation, a partnership or a trust, with which the corporation is associated;

"qualified building" of a qualified corporation or of a qualified partnership means a building situated in Québec or an addition to such a building, that is acquired by the corporation in a taxation year for which it is a qualified manufacturing corporation or by the partnership in a fiscal period for which it is a qualified manufacturing partnership that would, but for section 93.6, be included in any of Classes 1, 3 and 6 in Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) or in Class 10 in that Schedule under subparagraph *a* of the second paragraph of that class, and

(a) it is acquired after 7 October 2013 but is not a property acquired pursuant to an obligation in writing entered into before 8 October 2013 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 7 October 2013, and before 5 June 2014 except where the property is acquired pursuant to an obligation in writing entered into on or before 4 June 2014 or the construction of the property, by or on behalf of the purchaser, had begun by 4 June 2014;

(b) it is acquired to be used mainly for manufacturing or processing activities, other than activities listed in section 130R12 of the Regulation respecting the Taxation Act, and in the course of carrying on a business, other than a recognized business in connection with which a large investment project is carried out or is in the process of being carried out;

(c) is not acquired to be used or is not used in the course of operating an ethanol plant; and

(d) was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation for the year, that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified expenditure" of a qualified corporation for a particular taxation year or of a qualified partnership for a particular fiscal period, in respect of a qualified building, means

(a) in the case of a qualified corporation that is not associated with any other corporation in the particular year,

i. if in the particular year it acquired qualified property, for the purposes of Division II.6.14.2, for a total amount of at least $25,000 or if it acquired such property for a total amount of less than $25,000 in the particular year or in the preceding taxation year and the total amount for which such property was acquired by the corporation in those two years is at least $25,000, other than property acquired from a person with whom the corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation, is not dealing at arm's length, the aggregate of all amounts each of which is equal to the amount of an expenditure of a capital nature of the corporation, in respect of the qualified building, for the particular year or a preceding taxation year except where, in the case of an expenditure of a capital nature

for a preceding taxation year, the expenditure of a capital nature is or may be included in the amount of the corporation's qualified expenditure for a taxation year preceding the particular year, or

ii. if subparagraph i does not apply to the qualified corporation and the corporation acquired qualified property, for the purposes of Division II.6.14.2, in the taxation year preceding the particular year for a total amount of at least $25,000, other than property acquired from a person with whom the corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation, is not dealing at arm's length, the aggregate of all amounts each of which is equal to the amount of an expenditure of a capital nature of the corporation for the particular year, in respect of the qualified building;

(b) in the case of a qualified corporation that is associated with one or more other corporations in the particular year,

i. if the qualified corporation acquired qualified property in the particular year and the corporations with which it is so associated acquired qualified property in a taxation year that ends in the particular year, for the purposes of Division II.6.14.2, for a total amount of at least $25,000 or if the qualified corporation and the corporations with which it is so associated acquired such property for a total amount of less than $25,000 in the particular year or in a taxation year that ends in the particular year, as the case may be, or in the preceding taxation year or a taxation year that ends in the preceding taxation year, as the case may be, and the total amount for which such property was acquired by the corporations in those two years is at least $25,000, other than property acquired from a person with whom the purchaser, a specified shareholder of the purchaser or, if the purchaser is a cooperative, a specified member of the purchaser, is not dealing at arm's length, the aggregate of all amounts each of which is equal to the amount of an expenditure of a capital nature of the corporation, in respect of the qualified building, for the particular year or a preceding taxation year except where, in the case of an expenditure of a capital nature for a preceding taxation year, the expenditure of a capital nature is or may be included in the amount of the corporation's qualified expenditure for a taxation year preceding the particular year, or

ii. if subparagraph i does not apply to the qualified corporation and the corporation acquired qualified property in the taxation year preceding the particular year and the corporations with which it is so associated acquired qualified property in a taxation year that ends in the taxation year preceding the particular year, for the purposes of Division II.6.14.2, for a total amount of at least $25,000, other than property acquired from a person with whom the purchaser, a specified shareholder of the purchaser or, if the purchaser is a cooperative, a specified member of the purchaser, is not dealing at arm's length, the aggregate of all amounts each of which is equal to the amount of an expenditure of a capital nature of the corporation for the particular year, in respect of the qualified building; or

(c) in the case of a qualified partnership,

i. if in the particular fiscal period it acquired qualified property, for the purposes of Division II.6.14.2, for a total amount of at least $25,000 or if it acquired such property for a total amount of less than $25,000 in the particular fiscal period or in the preceding fiscal period and the total amount for which such property was acquired by the partnership in those two fiscal periods is at least $25,000, other than property acquired from a corporation that is a member of the partnership or from a person with whom such a corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation, is not dealing at arm's length, the aggregate of all amounts each of which is equal to the amount of an expenditure of a capital nature of the partnership, in respect of the qualified building, for the particular fiscal period or a preceding fiscal period except where, in the case of an expenditure of a capital nature for a preceding fiscal period, the expenditure of a capital nature is or may be included in the amount of the partnership's qualified expenditure for a fiscal period preceding the particular fiscal period, or

ii. if subparagraph i does not apply to the qualified partnership and the partnership acquired qualified property, for the purposes of Division II.6.14.2, in the fiscal period preceding the particular fiscal period for a total amount of at least $25,000, other than property acquired from a corporation that is a member of the partnership or from a person with whom such a corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation, is not dealing at arm's length, the

aggregate of all amounts each of which is equal to the amount of an expenditure of a capital nature of the partnership for the particular fiscal period, in respect of the qualified building;

"qualified manufacturing corporation" has the meaning assigned by the first paragraph of section 1029.8.36.166.40;

"qualified manufacturing partnership" has the meaning assigned by the first paragraph of section 1029.8.36.166.40;

"qualified partnership" for a fiscal period means a partnership, other than an excluded partnership for the fiscal period, that, in the fiscal period, carries on a business in Québec and has an establishment in Québec;

"recognized business" has the meaning assigned by the first paragraph of section 737.18.17.1;

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

For the purposes of paragraph *b* of the definition of "qualified building" in the first paragraph, a building that is acquired in connection with the carrying out of a large investment project is deemed to be used in the course of carrying on a recognized business referred to in that paragraph that the corporation or partnership begins to carry on at a particular time and that relates to the large investment project, if the expenditures of a capital nature for its acquisition are incurred by the corporation or partnership in the period that begins at the beginning of the carrying out of the project and ends immediately before the particular time.

For the purposes of the definition of "expenditure of a capital nature" in the first paragraph, an expenditure that is included, at the end of a taxation year or fiscal period, in the capital cost of a building does not include an expenditure so included under section 180 or 182.

2015, c. 21, s. 466; 2019, c. 14, s. 361; 2020, c. 16, s. 153; 2019, c. 14, s. 361.

1029.8.36.166.60.2. For the purposes of this division, the balance of a qualified corporation's cumulative limit for a particular taxation year is equal,

(a) if the qualified corporation is not associated with another corporation in the particular year, to the amount by which $150,000 exceeds the amount by which the aggregate of all amounts each of which is the qualified corporation's qualified expenditure, in respect of a qualified building, for a taxation year preceding the particular year, or its share of a partnership's qualified expenditure, in respect of a qualified building, for a fiscal period of the partnership that ends in such a preceding taxation year, in respect of which an amount is deemed to have been paid to the Minister by the corporation for the preceding year under section 1029.8.36.166.60.8 or 1029.8.36.166.60.9, as the case may be, exceeds the amount determined in accordance with the fifth paragraph; or

(b) if the qualified corporation is associated with one or more other corporations in the particular year, to the amount attributed for the particular year to the qualified corporation pursuant to the agreement described in the second paragraph and filed with the Minister in the prescribed form or, if no amount is attributed to the qualified corporation pursuant to that agreement or in the absence of such an agreement, to zero or to the amount attributed to it by the Minister, if applicable, for the particular year in accordance with this division.

The agreement to which subparagraph *b* of the first paragraph refers, in respect of a particular taxation year of the qualified corporation, is the agreement under which all the corporations that are associated with each other in the particular taxation year attribute, for the purposes of this section, to one or more of their number one or more amounts the total of which is not greater than the amount by which $150,000 exceeds the amount by which the aggregate of the following amounts exceeds the amount determined in accordance with the sixth paragraph, where each of those amounts is

(a) the qualified expenditure of a corporation that is a member of the group of corporations associated with each other in the particular year, in respect of a qualified building, for a taxation year that ends before the

beginning of the particular year, in relation to which an amount is deemed to have been paid to the Minister by the corporation under section 1029.8.36.166.60.8; or

(b) the share of a corporation that is a member of the group of corporations associated with each other in the particular year of the qualified expenditure of a partnership, in respect of a qualified building, for a fiscal period of the partnership that ends in a taxation year of the corporation that ends before the beginning of the particular year, in relation to which an amount is deemed to have been paid to the Minister by the corporation under section 1029.8.36.166.60.9.

If the aggregate of the amounts attributed, in respect of a taxation year, in an agreement described in the second paragraph and entered into with the corporations that are associated with each other in the particular year is greater than the first excess amount referred to in that paragraph, the amount determined under subparagraph *b* of the first paragraph in respect of each of those corporations for that taxation year is deemed, for the purposes of this section, to be equal to the proportion of that excess amount that that amount is of the aggregate of the amounts attributed for that year in the agreement.

For the purposes of subparagraph *a* of the first paragraph and subparagraph *b* of the second paragraph, a corporation's share of the qualified expenditure, in respect of a qualified building, of a partnership for a fiscal period is equal to the agreed proportion of that expenditure in respect of the corporation for the fiscal period.

The amount to which subparagraph *a* of the first paragraph refers is equal to the aggregate of all amounts each of which is the product obtained by multiplying a tax that the corporation is required to pay for the particular taxation year or a preceding taxation year under Part III.10.9.2.1 in respect of a qualified expenditure of the corporation or the corporation's share of a qualified expenditure of a partnership of which it is a member, in relation to which the corporation is deemed to have paid an amount to the Minister under this division for a taxation year preceding the particular year, by the reciprocal of the rate determined in respect of the corporation under section 1029.8.36.166.60.10 for that preceding taxation year in relation to the corporation's qualified expenditure or the corporation's share of the qualified expenditure of the partnership, as the case may be.

The amount to which the second paragraph refers is equal to the aggregate of all amounts each of which is the product obtained by multiplying a tax that a corporation that is a member of the group of associated corporations referred to in the second paragraph is required to pay for the particular taxation year or a preceding taxation year under Part III.10.9.2.1 in respect of a qualified expenditure of the corporation or the corporation's share of a qualified expenditure of a partnership of which it is a member, in relation to which the corporation is deemed to have paid an amount to the Minister under this division for a preceding taxation year, by the reciprocal of the rate determined in respect of the corporation under section 1029.8.36.166.60.10 for that preceding taxation year in relation to the corporation's qualified expenditure or the corporation's share of the qualified expenditure of the partnership, as the case may be.

2015, c. 21, s. 466.

1029.8.36.166.60.3. If a corporation associated with one or more other corporations in a taxation year fails to file with the Minister an agreement for the purposes of this division within 30 days after notice in writing by the Minister has been sent to any of the corporations so associated with each other that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this division, attribute for the taxation year an amount to one or more of the corporations so associated, which amount or the aggregate of which amounts must be equal to the first excess amount referred to in the second paragraph of section 1029.8.36.166.60.2 and determined for the year; in any such case, the balance of the cumulative limit of each of those corporations for the year is equal to the amount so attributed to it.

2015, c. 21, s. 466.

1029.8.36.166.60.4. For the purposes of this division, the balance of a qualified partnership's cumulative limit for a fiscal period is equal to the amount by which $150,000 exceeds the aggregate of all amounts each of which is the amount by which the qualified partnership's qualified expenditure, in respect of

a qualified building, for a preceding fiscal period exceeds the amount of any government assistance, non-government assistance, benefit or advantage attributable to that expenditure, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

2015, c. 21, s. 466.

1029.8.36.166.60.5. The paid-up capital of a corporation for a particular taxation year is equal,

(a) where the corporation is not a member of an associated group in the particular year, to its paid-up capital, determined in accordance with the second paragraph, for the taxation year preceding the particular year; and

(b) where the corporation is a member of an associated group in the particular year, to the aggregate of all amounts each of which is its paid-up capital, determined in accordance with the second paragraph, for the taxation year preceding the particular year, and the paid-up capital of each other member of the group, determined in accordance with the second paragraph, for its last taxation year that ended before the beginning of the particular year.

For the purposes of this section,

(a) the paid-up capital of a corporation for a taxation year is

i. in respect of a corporation, except a corporation that is an insurer within the meaning assigned by the Insurers Act (chapter A-32.1), its paid-up capital that would be determined for that year in accordance with Book III of Part IV if no reference were made to section 1138.2.6, and

ii. in respect of a corporation that is an insurer within the meaning assigned by the Insurers Act, its paid-up capital that would be determined for that year in accordance with Title II of Book III of Part IV if it were a bank and paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136;

(b) a business carried on by an individual who is a member of an associated group in a taxation year is deemed to be carried on by a corporation referred to in subparagraph i of subparagraph *a* and a partnership or a trust which is a member of an associated group in a taxation year is deemed to be a corporation referred to in subparagraph i of subparagraph *a*, the paid-up capital of which is determined in accordance with Title I of Book III of Part IV but without reference to paragraph *b*.1.2 of section 1137 and any participating interest of which in the nature of capital stock or surplus is deemed to be referred to in paragraph *a* or *b* of subsection 1 of section 1136; and

(c) the interest of a member of an associated group in a taxation year in another member of that group is deemed to be an investment in shares and bonds of another corporation.

For the purposes of subparagraph *a* of the first paragraph, where the particular year is the first fiscal period of the corporation, its paid-up capital is determined, in accordance with the second paragraph, on the basis of its financial statements prepared at the beginning of that fiscal period in accordance with generally accepted accounting principles or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles.

For the purposes of subparagraph *b* of the first paragraph, where a member of the associated group, other than the corporation, has no taxation year ending before the beginning of the particular year, its paid-up capital is determined, in accordance with the second paragraph, on the basis of its financial statements prepared at the beginning of its first fiscal period in accordance with generally accepted accounting principles or, where such financial statements have not been prepared, or have not been prepared in accordance with

generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles.

2015, c. 21, s. 466; 2018, c. 23, s. 811.

1029.8.36.166.60.6. An associated group in a taxation year means all the corporations that are associated with each other at any given time in the year.

For the purposes of the first paragraph, a business carried on by an individual, other than a trust, is deemed to be carried on by a corporation all the voting shares in the capital stock of which are owned at that time by the individual.

2015, c. 21, s. 466; 2015, c. 36, s. 123.

1029.8.36.166.60.7. If it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a taxation year is to cause a qualified corporation to be deemed to have paid an amount to the Minister under this division for that year or to increase an amount that a qualified corporation is deemed to have paid to the Minister under this division for that year, those corporations are deemed, for the purposes of this division, to be associated with each other in the year.

2015, c. 21, s. 466.

§ 2. — *Credits*

2015, c. 21, s. 466.

1029.8.36.166.60.8. A qualified corporation for a taxation year that encloses the documents referred to in the fourth paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the third paragraph and section 1029.8.36.166.60.11, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of all amounts each of which is equal to the product obtained by multiplying the corporation's qualified expenditure for the year, in respect of a qualified building, by the rate determined in relation to that qualified expenditure under section 1029.8.36.166.60.10.

The aggregate of all amounts each of which is a corporation's qualified expenditure for a taxation year, in respect of a qualified building, may not exceed the amount that is the amount by which the balance of its cumulative limit for the year exceeds the aggregate of all amounts each of which is the corporation's share of the qualified expenditure of a qualified partnership, in respect of a qualified building, for a fiscal period that ends in the taxation year, in respect of which the corporation is deemed to have paid an amount to the Minister for the year under section 1029.8.36.166.60.9.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1159.7, 1175 and 1175.19 where those sections refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the agreement described in section 1029.8.36.166.60.2, if applicable.

2015, c. 21, s. 466.

1029.8.36.166.60.9. A qualified corporation for a taxation year that is a member of a qualified partnership at the end of a particular fiscal period of the qualified partnership that ends in the year and that encloses the documents referred to in the sixth paragraph with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the fourth paragraph and section 1029.8.36.166.60.11, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of all amounts each of which is equal to the product obtained by multiplying the corporation's share of the qualified expenditure of such a qualified partnership, in respect of a qualified building, for such a particular fiscal period by the rate determined in relation to its share of the qualified expenditure under section 1029.8.36.166.60.10.

For the purposes of the first paragraph, the aggregate of all amounts each of which is the amount of a qualified partnership's qualified expenditure, in respect of a qualified building, for a fiscal period may not exceed the balance of the partnership's cumulative limit for that fiscal period.

The aggregate of all amounts each of which is a corporation's share of a qualified partnership's qualified expenditure, in respect of a qualified building, for a fiscal period of the partnership that ends in a taxation year of the corporation may not exceed the amount that is the amount by which the balance of the corporation's cumulative limit for the taxation year exceeds the aggregate of all amounts each of which is the corporation's qualified expenditure, in respect of a qualified building, for the year in respect of which the corporation is deemed to have paid an amount to the Minister for the year under section 1029.8.36.166.60.8.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1159.7, 1175 and 1175.19 where those sections refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

Despite the definition of "qualified expenditure" in the first paragraph of section 1029.8.36.166.60.1 and for the purpose of applying this section to a qualified corporation referred to in the first paragraph, the qualified expenditure for a particular fiscal period, in respect of a qualified building, of a qualified partnership of which the corporation is a member does not include

(a) the expenditure of a capital nature that would otherwise be included in the qualified expenditure because of subparagraph ii of paragraph *b* of the definition of "expenditure of a capital nature" in the first paragraph of section 1029.8.36.166.60.1 and that is incurred in a fiscal period of the partnership preceding the particular fiscal period and ends in a taxation year for which the corporation was not a qualified corporation; or

(b) the expenditure of a capital nature that would otherwise be included in the qualified expenditure because of subparagraph iii of paragraph *b* of the definition of "expenditure of a capital nature" in the first

paragraph of section 1029.8.36.166.60.1 and that is incurred in a fiscal period of the partnership that ends in a taxation year for which the corporation was not a qualified corporation.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the agreement described in section 1029.8.36.166.60.2, if applicable.

For the purposes of this section, the share of a member of a partnership of an amount for a fiscal period is equal to the agreed proportion of the amount in respect of the member for that fiscal period.

2015, c. 21, s. 466.

1029.8.36.166.60.10. The rate to which the first paragraph of sections 1029.8.36.166.60.8 and 1029.8.36.166.60.9 refers, in relation to a qualified corporation's qualified expenditure or such a corporation's share of the qualified expenditure of a qualified partnership, in respect of a qualified building, for a particular taxation year is,

(a) if the qualified building is situated in an administrative region referred to in any of subparagraphs iv to vii of paragraph *a* of the definition of "resource region" in the first paragraph of section 1029.8.36.166.40, the rate determined by the formula

50% - [50% × (A - $15,000,000)/$5,000,000];

(b) if the qualified building is situated in one of the regional county municipalities referred to in subparagraphs i.2, i.3 and ii.2 of paragraph *b* of the definition of "resource region" in the first paragraph of section 1029.8.36.166.40 and

i. the corporation is not deemed to have paid an amount to the Minister for the particular taxation year under Division II.6.6.6.1, and is not associated, in the particular taxation year, with another corporation that is deemed to have paid an amount to the Minister under that Division II.6.6.6.1, for a taxation year that ends in the particular taxation year, the rate determined by the formula

45% - [45% × (A - $15,000,000)/$5,000,000], or

ii. subparagraph i does not apply to the corporation, the rate determined by the formula

40% - [40% × (A - $15,000,000)/$5,000,000];

(c) if the qualified building is situated in an administrative region referred to in subparagraph ii or iii of paragraph *a* of the definition of "resource region" in the first paragraph of section 1029.8.36.166.40 or in any of the regional county municipalities referred to in subparagraphs i, i.1, ii, ii.1 and iii to vi of paragraph b of that definition and

i. the corporation is not deemed to have paid an amount to the Minister for the particular taxation year under Division II.6.6.6.1, and is not associated, in the particular taxation year, with another corporation that is deemed to have paid an amount to the Minister under that Division II.6.6.6.1, for a taxation year that ends in the particular taxation year, the rate determined by the formula

35% - [35% × (A - $15,000,000)/$5,000,000], or

ii. subparagraph i does not apply to the corporation, the rate determined by the formula

30% - [30% × (A - $15,000,000)/$5,000,000]; and

(d) in any other case, the rate determined by the formula

20% - [20% × (A - $15,000,000)/$5,000,000].

In the formulas in the first paragraph, A is the greater of

(a) $15,000,000; and

(b) the lesser of $20,000,000 and the corporation's paid-up capital for the year, determined in accordance with section 1029.8.36.166.60.5.

2015, c. 21, s. 466.

1029.8.36.166.60.11. No amount may be deemed to have been paid to the Minister by a qualified corporation for a taxation year under section 1029.8.36.166.60.8 or 1029.8.36.166.60.9 in respect of a qualified building where, otherwise than by reason of its involuntary destruction by fire, theft or water,

(a) the qualified building is disposed of before the building begins to be used in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1;

(b) the qualified corporation did not use the qualified building in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 at any time in the 48-month period that begins on the day after the last day of the taxation year where, for the first time, the qualified corporation incurred an expenditure of a capital nature in respect of the qualified building; or

(c) the qualified partnership did not use the qualified building in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 at any time in the 48-month period that begins on the day after the last day of the fiscal period where, for the first time, the qualified partnership incurred an expenditure of a capital nature in respect of the qualified building.

Where a qualified corporation or a qualified partnership has begun to use a qualified building in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 within a 48-month period following the last day of the taxation year or fiscal period, as the case may be, where, for the first time, it incurred an expenditure of a capital nature in respect of the

qualified building and, otherwise than by reason of its involuntary destruction by fire, theft or water, it disposes of the qualified building or ceases to use it in a manner consistent with that paragraph *b*, at any given time in the 48-month period that begins on the day on which that use began, the amount deemed to have been paid to the Minister for a taxation year under section 1029.8.36.166.60.8 or 1029.8.36.166.60.9 in respect of the qualified building is deemed, for the purposes of that section, to be equal to the proportion of the amount otherwise determined that the number of months in the period that begins on the day on which the use began and that ends at the given time is of 48.

For the purposes of this section, the following rules apply:

(a) a month means a period that begins on a particular day in a calendar month and that ends

i. on the day immediately before the day in the following calendar month that has the same calendar number as the particular day, or

ii. where the following calendar month does not have a day that has the same calendar number as the particular day, on the last day of the following month;

(b) a qualified building is deemed to be used in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 for an entire month if the building is so used for more than 15 days in the month;

(c) a qualified building that temporarily ceases to be used in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 is deemed to be used in a manner consistent with that paragraph *b* if the Minister is of the opinion that the use ceased for reasonable grounds; and

(d) where the qualified corporation disposes of a qualified building to a corporation with which it is associated at the time of the disposition, the qualified building is deemed not to have been disposed of at that time and the qualified corporation is deemed, from that time and for the purposes of this subparagraph, to be the same person as the purchaser of the qualified building.

2015, c. 21, s. 466; I.N. 2020-12-10.

1029.8.36.166.60.12. For the purposes of this division, a corporation or a partnership deemed to have acquired a property at a particular time under paragraph *b* of section 125.1 is deemed to have acquired the property at that time at a cost of acquisition, incurred and paid at that time, equal to the fair market value of the property at that time, and to own the property from that time to the time at which it is deemed to dispose of the property under paragraph *f* of that section 125.1.

2015, c. 21, s. 466.

§ 3. — *Government assistance, non-government assistance and other particulars*

2015, c. 21, s. 466.

1029.8.36.166.60.13. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.36.166.60.8 or 1029.8.36.166.60.9, the following rules apply:

(a) the corporation's qualified expenditure referred to in the first paragraph of section 1029.8.36.166.60.8 is to be reduced by the amount of any government assistance or non-government assistance attributable to the expenditure that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of the qualified expenditure of a partnership referred to in the first paragraph of section 1029.8.36.166.60.9, for a fiscal period of the partnership that ends in the corporation's taxation year, is to be reduced

i. by the corporation's share of the amount of any government assistance or non-government assistance attributable to the expenditure that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance attributable to the expenditure that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the corporation's share, for the partnership's fiscal period, of the amount of any government assistance or non-government assistance that the partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2015, c. 21, s. 466.

1029.8.36.166.60.14. If, before 1 January 2020, a corporation pays in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *a* of the first paragraph of section 1029.8.36.166.60.13, the corporation's qualified expenditure in respect of a qualified building for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.8 in respect of the expenditure, for a particular taxation year, the corporation is deemed to have paid to the Minister on its balance-due day for the repayment year, on account of its tax payable for that year under this Part, if the corporation encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000, for the repayment year, an amount equal to the amount by which the amount that the corporation would be deemed to have paid to the Minister, in respect of the qualified expenditure, under section 1029.8.36.166.60.8 for the particular year, if the particular amount that is the lesser of the aggregate of all amounts each of which is an amount of assistance so repaid at or before the end of the repayment year and the balance of the corporation's cumulative limit for the repayment year, had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.166.60.13, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister in respect of the qualified expenditure under section 1029.8.36.166.60.8 for the particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year, in respect of an amount of repayment of that assistance.

The particular amount to which the first paragraph refers is deemed, for the purpose of determining, other than for the purposes of this section, the balance of the corporation's cumulative limit for the repayment year and a subsequent taxation year, to be a qualified expenditure of the corporation in respect of the qualified building for a taxation year preceding the repayment year.

2015, c. 21, s. 466.

1029.8.36.166.60.15. If, before 1 January 2020, a partnership pays, in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.166.60.13, a corporation's share of the qualified expenditure of the partnership in respect of a qualified building for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.9, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's

balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.166.60.9 for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of the qualified expenditure of the partnership in respect of the qualified building, under section 1029.8.36.166.60.9 for its taxation year in which the particular fiscal period ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) the lesser of the corporation's share of any amount of assistance repaid at or before the end of the fiscal period of repayment and the balance of the corporation's cumulative limit for its taxation year in which the fiscal period of repayment ended reduced, for the particular fiscal period, the corporation's share of the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.166.60.13; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The amount determined in accordance with subparagraph *a* of the second paragraph is deemed, for the purpose of determining, other than for the purposes of this section, the balance of the corporation's cumulative limit for the taxation year in which the fiscal period of repayment ends and a subsequent taxation year, to be the corporation's share of a qualified expenditure of the partnership in respect of a qualified building, for a fiscal period of the partnership that ends in a taxation year of the corporation preceding the taxation year in which the fiscal period of repayment ends.

For the purposes of subparagraph *a* of the second paragraph, the corporation's share for the partnership's fiscal period of any amount of assistance repaid is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2015, c. 21, s. 466.

1029.8.36.166.60.16. If, before 1 January 2020, a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.166.60.13, its share of the qualified expenditure of the partnership in respect of a qualified building for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.9, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second

paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.166.60.9 for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of the share, under section 1029.8.36.166.60.9 for its taxation year in which the particular fiscal period ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) the lesser of any amount of assistance repaid at or before the end of the fiscal period of repayment and the balance of the corporation's cumulative limit for its taxation year in which the fiscal period of repayment ended reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.166.60.13; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The amount determined in accordance with subparagraph *a* of the second paragraph is deemed, for the purpose of determining, other than for the purposes of this section, the balance of the corporation's cumulative limit for the taxation year in which the fiscal period of repayment ends and a subsequent taxation year, to be the corporation's share of a qualified expenditure of the partnership in respect of a qualified building, for a fiscal period of the partnership that ends in a taxation year of the corporation preceding the taxation year in which the fiscal period of repayment ends.

2015, c. 21, s. 466.

1029.8.36.166.60.17. For the purposes of sections 1029.8.36.166.60.14 to 1029.8.36.166.60.16, an amount of assistance is deemed to be repaid by a corporation or a partnership at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.166.60.13, the qualified expenditure or the share of a corporation that is a member of the partnership in such an expenditure, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.166.60.8 or 1029.8.36.166.60.9;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership may reasonably expect to receive.

2015, c. 21, s. 466.

1029.8.36.166.60.18. If, in respect of a qualified expenditure of a qualified corporation or of a qualified partnership, in respect of a qualified building, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the acquisition of the qualified building, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.166.60.8 by the qualified corporation, the amount of the qualified expenditure is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.166.60.9 by a qualified corporation that is a member of the qualified partnership, the corporation's share, for a fiscal period of the partnership that ends in the taxation year, of the amount of the qualified expenditure, is to be reduced

i. by the corporation's share, for the fiscal period, of the amount of the benefit or advantage that the person or partnership, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage that the qualified corporation or a person with whom it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the share, for a fiscal period of a qualified partnership, of a qualified corporation that is a member of the qualified partnership of the amount of the benefit or advantage that the partnership, or a person referred to in that subparagraph i, has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the qualified corporation for the fiscal period.

2015, c. 21, s. 466.

DIVISION II.6.14.2.2

CREDIT RELATING TO INFORMATION TECHNOLOGY INTEGRATION

2015, c. 21, s. 466.

§ 1. — *Interpretation and general rules*

2015, c. 21, s. 466.

1029.8.36.166.60.19. In this division,

"aluminum producing corporation" for a taxation year means a corporation that, at any time in the year after 7 October 2013, carries on an aluminum producing business or is the owner or lessee of property used in the course of carrying on such a business by another corporation, a partnership or a trust, with which the corporation is associated;

"associated group" has the meaning assigned by section 1029.8.36.166.60.24;

"eligible expenses" of a qualified corporation for a particular taxation year or of a qualified partnership for a particular fiscal period, in relation to an eligible information technology integration contract, means

(a) for a qualified corporation that has filed with Investissement Québec its application for a certificate in respect of the contract before 4 June 2014, the aggregate of the following amounts incurred after 7 October 2013 and before 1 January 2021:

i. if the corporation is a qualified manufacturing corporation for the particular taxation year, the cost of the contract that can reasonably be attributed to the activities specified in the certificate issued to the corporation in respect of the contract, other than an activity described in the second paragraph, that constitute, according to the certificate, the supply of a qualified management software package, provided the supply is intended to be used mainly in Québec in the course of a business carried on by the corporation in Québec, that is incurred by the corporation in the particular taxation year and that is paid in the particular year,

ii. the amount by which the cost referred to in subparagraph i that is incurred by the corporation in the particular taxation year or in a preceding taxation year for which the corporation is a qualified manufacturing corporation and that is paid after the end of the particular year or of the preceding year, as the case may be, but not later than 18 months after the end of that year, exceeds the portion of that cost that is included in the corporation's eligible expenses in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.27 for a taxation year preceding the particular year, and

iii. the cost referred to in subparagraph i that is incurred by the corporation and that is paid in the particular taxation year and before 1 July 2022, if it is paid more than 18 months after the end of the taxation year in which it was incurred and for which the corporation was a qualified manufacturing corporation;

(b) for a qualified partnership that has filed with Investissement Québec its application for a certificate in respect of the contract before 4 June 2014, the aggregate of the following amounts incurred after 7 October 2013 and before 1 January 2021:

i. if the partnership is a qualified manufacturing partnership for the particular fiscal period, the cost of the contract that can reasonably be attributed to the activities specified in the certificate issued to the partnership in respect of the contract, other than an activity described in the second paragraph, that constitute, according to the certificate, the supply of a qualified management software package, provided the supply is intended to be used mainly in Québec in the course of a business carried on by the partnership in Québec, that is incurred by the partnership in the particular fiscal period and that is paid in the particular fiscal period,

ii. the amount by which the cost referred to in subparagraph i that is incurred by the partnership in the particular fiscal period or in a preceding fiscal period for which the partnership is a qualified manufacturing partnership and that is paid after the end of the particular fiscal period or of the preceding fiscal period, as the case may be, but not later than 18 months after the end of that fiscal period, exceeds the portion of that cost that is included in the partnership's eligible expenses in respect of which a member of the partnership would be deemed to have paid an amount to the Minister under section 1029.8.36.166.60.28 for a taxation year preceding the year in which the particular fiscal period ends, if that section were read without reference to subparagraph *b* of its first paragraph and, in the case where the member was not a qualified corporation for that preceding taxation year, the member had been a qualified corporation for that preceding taxation year, and

iii. the cost referred to in subparagraph i that is incurred by the partnership and that is paid in the particular fiscal period and before 1 July 2022, if it is paid more than 18 months after the end of the fiscal period in which it was incurred and for which the partnership was a qualified manufacturing partnership;

(c) for a qualified corporation that has filed with Investissement Québec its application for a certificate in respect of the contract after 26 March 2015, the aggregate of the following amounts incurred after that date and before 1 January 2021:

i. if the corporation is a qualified manufacturing or primary sector corporation for the particular taxation year, the cost of the contract that can reasonably be attributed to the activities specified in the certificate issued to the corporation in respect of the contract, other than an activity described in the second paragraph, that constitute, according to the certificate, the supply of a qualified management software package, provided the supply is intended to be used mainly in Québec in the course of a business carried on by the corporation in Québec, that is incurred by the corporation in the particular taxation year and that is paid in the particular year,

ii. the amount by which the cost referred to in subparagraph i that is incurred by the corporation in the particular taxation year or in a preceding taxation year for which the corporation is a qualified manufacturing or primary sector corporation, and that is paid after the end of the particular year or of the preceding year, as the case may be, but not later than 18 months after the end of that year, exceeds the portion of that cost that is included in the corporation's eligible expenses in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.27 for a taxation year preceding the particular year, and

iii. the cost referred to in subparagraph i that is incurred by the corporation and that is paid in the particular taxation year and before 1 July 2022, if it is paid more than 18 months after the end of the taxation year in which it was incurred and for which the corporation was a qualified manufacturing or primary sector corporation;

(d) for a qualified partnership that has filed with Investissement Québec its application for a certificate in respect of the contract after 26 March 2015, the aggregate of the following amounts incurred after that date and before 1 January 2021:

i. if the partnership is a qualified manufacturing or primary sector partnership for the particular fiscal period, the cost of the contract that can reasonably be attributed to the activities specified in the certificate issued to the partnership in respect of the contract, other than an activity described in the second paragraph, that constitute, according to the certificate, the supply of a qualified management software package, provided the supply is intended to be used mainly in Québec in the course of a business carried on by the partnership in Québec, that is incurred by the partnership in the particular fiscal period and that is paid in the particular fiscal period,

ii. the amount by which the cost referred to in subparagraph i that is incurred by the partnership in the particular fiscal period or in a preceding fiscal period for which the partnership is a qualified manufacturing or primary sector partnership, and that is paid after the end of the particular fiscal period or of the preceding fiscal period, as the case may be, but not later than 18 months after the end of that fiscal period, exceeds the portion of that cost that is included in the partnership's eligible expenses in respect of which a member of the partnership would be deemed to have paid an amount to the Minister under section 1029.8.36.166.60.28 for a taxation year preceding the year in which the particular fiscal period ends, if that section were read without reference to subparagraph *b* of its first paragraph and, in the case where the member was not a qualified corporation for that preceding taxation year, the member had been a qualified corporation for that preceding taxation year, and

iii. the cost referred to in subparagraph i that is incurred by the partnership and that is paid in the particular fiscal period and before 1 July 2022, if it is paid more than 18 months after the end of the fiscal period in which it was incurred and for which the partnership was a qualified manufacturing or primary sector partnership;

(e) for a qualified corporation that has filed with Investissement Québec its application for a certificate in respect of the contract after 17 March 2016, the aggregate of the amounts incurred after that date and before 1 January 2021 to which any of subparagraphs i to iii of paragraph *c* would apply if those subparagraphs were read as if "qualified manufacturing or primary sector corporation" were replaced by "qualified manufacturing, primary sector or wholesale trade or retail trade sectors corporation"; and

(f) for a qualified partnership that has filed with Investissement Québec its application for a certificate in respect of the contract after 17 March 2016, the aggregate of the amounts incurred after that date and before 1 January 2021 to which any of subparagraphs i to iii of paragraph *d* would apply if those subparagraphs were read as if "qualified manufacturing or primary sector partnership" were replaced by "qualified manufacturing, primary sector or wholesale trade or retail trade sectors partnership";

"eligible information technology integration contract" of a qualified corporation or a qualified partnership means a contract entered into by the corporation or partnership in respect of which a certificate has been issued by Investissement Québec for the purposes of this division;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

(c) an aluminum producing corporation for the year; or

(d) an oil refining corporation for the year;

"excluded partnership" for a fiscal period means a partnership that, at any time in the fiscal period after 7 October 2013, carries on an aluminum producing business or an oil refining business;

"manufacturing or processing salary or wages" in relation to a qualified corporation for a taxation year or a qualified partnership for a fiscal period has the meaning assigned by section 1029.8.36.166.40;

"oil refining corporation" for a taxation year means a corporation that, at any time in the year after 7 October 2013, carries on an oil refining business or is the owner or lessee of property used in the course of carrying on such a business by another corporation, a partnership or a trust, with which the corporation is associated;

"primary sector activities" means the activities attributable to the activities in the agriculture, forestry, fishing and hunting sector and the activities in the mining, quarrying, and oil and gas extraction sector that are included, respectively, in the group described under code 11 or 21 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada;

"primary sector salary or wages" in relation to a qualified corporation for a taxation year or a qualified partnership for a fiscal period means the portion of the salary or wages in relation to the qualified corporation for the taxation year or the qualified partnership for the fiscal period that the aggregate of all amounts each of which is equal to the proportion of the gross revenue, referred to in the definition of "salary or wages" in the first paragraph of section 1029.8.36.166.40, of an employee of the corporation or partnership, as the case may be, that the employee's working time spent on primary sector activities in the taxation year or fiscal period is of all the employee's working time in the taxation year or fiscal period;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation for the year, that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified manufacturing corporation" for a taxation year has the meaning assigned by the first paragraph of section 1029.8.36.166.40;

"qualified manufacturing, primary sector or wholesale trade or retail trade sectors corporation" for a taxation year means a qualified corporation, for the year, in respect of which the proportion of the manufacturing or processing activities, primary sector activities and wholesale trade and retail trade sectors activities that the aggregate of the manufacturing or processing salary or wages, the primary sector salary or wages and the wholesale trade and retail trade sectors salary or wages in relation to the corporation for the taxation year is of the salary or wages in relation to the corporation for the taxation year, exceeds 50%;

"qualified manufacturing, primary sector or wholesale trade or retail trade sectors partnership" for a fiscal period means a qualified partnership, for the fiscal period, in respect of which the proportion of the manufacturing or processing activities, primary sector activities and wholesale trade and retail trade sectors activities that the aggregate of the manufacturing or processing salary or wages, the primary sector salary or wages and the wholesale trade and retail trade sectors salary or wages in relation to the partnership for the fiscal period is of the salary or wages in relation to the partnership for the fiscal period, exceeds 50%;

"qualified manufacturing or primary sector corporation" for a taxation year means a qualified corporation, for the year, in respect of which the proportion of the manufacturing or processing activities and primary sector activities that the aggregate of the manufacturing or processing salary or wages and the primary sector salary or wages in relation to the corporation for the taxation year is of the salary or wages in relation to the corporation for the taxation year, exceeds 50%;

"qualified manufacturing or primary sector partnership" for a fiscal period means a qualified partnership, for the fiscal period, in respect of which the proportion of the manufacturing or processing activities and primary sector activities that the aggregate of the manufacturing or processing salary or wages and the primary sector salary or wages in relation to the partnership for the fiscal period is of the salary or wages in relation to the partnership for the fiscal period, exceeds 50%;

"qualified manufacturing partnership" for a fiscal period has the meaning assigned by the first paragraph of section 1029.8.36.166.40;

"qualified partnership" for a fiscal period means a partnership, other than an excluded partnership for the fiscal period, that, in the fiscal period, carries on a business in Québec and has an establishment in Québec;

"retail trade sector activities" means the activities attributable to the activities in the retail trade sector that are included in the group described under code 44-45 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada;

"salary or wages" in relation to a qualified corporation for a taxation year or a qualified partnership for a fiscal period has the meaning assigned by the first paragraph of section 1029.8.36.166.40;

"wholesale trade and retail trade sectors salary or wages" in relation to a qualified corporation for a taxation year or a qualified partnership for a fiscal period means the portion of the salary or wages in relation to the qualified corporation for the taxation year or the qualified partnership for the fiscal period that the aggregate of all amounts each of which is equal to the proportion of the gross revenue, referred to in the definition of "salary or wages" in the first paragraph of section 1029.8.36.166.40, of an employee of the corporation or partnership, as the case may be, that the employee's working time spent on wholesale trade sector activities or retail trade sector activities in the taxation year or fiscal period is of all the employee's working time in the taxation year or fiscal period;

"wholesale trade sector activities" means the activities attributable to the activities in the wholesale trade sector that are included in the group described under code 41 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada.

An activity to which the definition of "eligible expenses" in the first paragraph refers means an activity that is specified in a certificate issued to a corporation or a partnership, as the case may be, in respect of an eligible information technology integration contract and that can reasonably be attributed to general-purpose electronic data processing equipment and the related system software, including the ancillary data processing equipment, in respect of which the corporation or a member of the partnership may, for a taxation year, be deemed to have paid an amount to the Minister under Division II.6.14.2.

For the purposes of the definitions of "wholesale trade and retail trade sectors salary or wages" and "primary sector salary or wages" in the first paragraph, an employee who spends 90% or more of working time on wholesale trade sector activities, retail trade sector activities or primary sector activities, as the case may be, is deemed to spend all working time thereon.

2015, c. 21, s. 466; 2015, c. 36, s. 124; 2017, c. 1, s. 293; 2019, c. 14, s. 362; 2020, c. 16, s. 154; 2021, c. 14, s. 149.

1029.8.36.166.60.20. For the purposes of this division, the balance of a qualified corporation's cumulative limit for a particular taxation year is equal,

(a) if the qualified corporation is not associated with another corporation in the particular year, to the amount by which $312,500 exceeds the amount by which the aggregate of all amounts each of which is the qualified corporation's eligible expenses, in relation to an eligible information technology integration contract, for a taxation year preceding the particular year, or its share of a qualified partnership's eligible expenses, in relation to an eligible information technology integration contract, for a fiscal period of the partnership that ends in a taxation year preceding the particular year, in respect of which an amount is deemed to have been paid to the Minister by the corporation for the preceding year under section 1029.8.36.166.60.27 or 1029.8.36.166.60.28, as the case may be, exceeds the amount determined in accordance with the fourth paragraph; or

(b) if the qualified corporation is associated with one or more other corporations in the particular year, to the amount attributed for the particular year to the qualified corporation pursuant to the agreement described in the second paragraph and filed with the Minister in the prescribed form or, if no amount is attributed to the qualified corporation pursuant to that agreement or in the absence of such an agreement, to zero or to the amount attributed to it by the Minister, if applicable, for the particular year in accordance with this division.

The agreement to which subparagraph *b* of the first paragraph refers, in respect of a particular taxation year of the qualified corporation, is the agreement under which all the corporations that are associated with each other in the particular taxation year attribute, for the purposes of this section, to one or more of their number, one or more amounts the total of which is not greater than the amount by which $312,500 exceeds the amount by which the aggregate of the following amounts exceeds the amount determined in accordance with the fifth paragraph, where each of those amounts is

(a) the eligible expenses of a corporation that is a member of the group of corporations associated with each other in the particular year, in relation to an eligible information technology integration contract, for a taxation year that ends before the beginning of the particular year, in respect of which an amount is deemed to have been paid to the Minister by the corporation under section 1029.8.36.166.60.27; or

(b) the share of a corporation that is a member of the group of corporations associated with each other in the particular year, of the eligible expenses of a qualified partnership, in relation to an eligible information technology integration contract, for a fiscal period of the partnership that ends in a taxation year of the corporation that ends before the beginning of the particular year, in respect of which an amount is deemed to have been paid to the Minister by the corporation under section 1029.8.36.166.60.28.

If the aggregate of the amounts attributed, in respect of a taxation year, in an agreement described in the second paragraph and entered into with the corporations that are associated with each other in the year is greater than the first excess amount referred to in that paragraph, the amount determined under subparagraph *b* of the first paragraph in respect of each of those corporations for that taxation year is deemed, for the purposes of this section, to be equal to the proportion of that excess amount that that amount is of the aggregate of the amounts attributed for that year in the agreement.

The amount to which subparagraph *a* of the first paragraph refers is equal to the aggregate of all amounts each of which is the product obtained by multiplying a tax that the corporation is required to pay for the particular taxation year or a preceding taxation year under Part III.10.9.2.2 in relation to eligible expenses of the corporation or the corporation's share of the eligible expenses of a partnership of which the corporation is a member, in respect of which the corporation is deemed to have paid an amount to the Minister under this division for a taxation year preceding the particular year, by the reciprocal of the rate determined in respect of the corporation under section 1029.8.36.166.60.29 for that preceding taxation year.

The amount to which the second paragraph refers is equal to the aggregate of all amounts each of which is the product obtained by multiplying a tax that a corporation that is a member of the group of associated corporations referred to in the second paragraph is required to pay for the particular taxation year or a preceding taxation year under Part III.10.9.2.2 in relation to eligible expenses of the corporation or the corporation's share of the eligible expenses of a partnership of which the corporation is a member, in respect of which the corporation is deemed to have paid an amount to the Minister under this division for a preceding taxation year, by the reciprocal of the rate determined in respect of the corporation under section 1029.8.36.166.60.29 for that preceding taxation year.

2015, c. 21, s. 466.

1029.8.36.166.60.21. If a corporation associated with one or more other corporations in a taxation year fails to file with the Minister an agreement for the purposes of this division within 30 days after notice in writing by the Minister has been sent to any of the corporations so associated with each other that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this division, attribute for the taxation year an amount to one or more of the corporations so associated, which amount or the aggregate of which amounts must be equal to the first excess amount referred to in the second paragraph of section 1029.8.36.166.60.20 and determined for the year; in any such case, the balance of the cumulative limit of each of those corporations for the year is equal to the amount so attributed to it.

2015, c. 21, s. 466.

1029.8.36.166.60.22. For the purposes of this division, the balance of a qualified partnership's cumulative limit for a particular fiscal period is equal to the amount by which $312,500 exceeds the aggregate of all amounts each of which is the amount by which the qualified partnership's eligible expenses, in relation to an eligible information technology integration contract, for a preceding fiscal period exceeds the amount of any government assistance, non-government assistance, benefit or advantage attributable to those expenses,

that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

2015, c. 21, s. 466.

1029.8.36.166.60.23. The paid-up capital of a corporation for a particular taxation year is equal,

(a) where the corporation is not a member of an associated group in the particular year, to its paid-up capital, determined in accordance with the second paragraph, for the taxation year preceding the particular year; and

(b) where the corporation is a member of an associated group in the particular year, to the aggregate of all amounts each of which is its paid-up capital, determined in accordance with the second paragraph, for the taxation year preceding the particular year, and the paid-up capital of each other member of the group, determined in accordance with the second paragraph, for its last taxation year that ended before the beginning of the particular year.

For the purposes of this section,

(a) the paid-up capital of a corporation for a taxation year is

i. in respect of a corporation, except a corporation that is an insurer within the meaning assigned by the Insurers Act (chapter A-32.1), its paid-up capital that would be determined for that year in accordance with Book III of Part IV if no reference were made to section 1138.2.6, and

ii. in respect of a corporation that is an insurer within the meaning assigned by the Insurers Act, its paid-up capital that would be determined for that year in accordance with Title II of Book III of Part IV if it were a bank and paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136;

(b) a business carried on by an individual who is a member of an associated group in a taxation year is deemed to be carried on by a corporation referred to in subparagraph i of subparagraph *a* and a partnership or a trust which is a member of an associated group in a taxation year is deemed to be a corporation referred to in subparagraph i of subparagraph *a*, the paid-up capital of which is determined in accordance with Title I of Book III of Part IV but without reference to paragraph *b*.1.2 of section 1137 and any participating interest of which in the nature of capital stock or surplus is deemed to be referred to in paragraph *a* or *b* of subsection 1 of section 1136; and

(c) the interest of a member of an associated group in a taxation year in another member of that group is deemed to be an investment in shares and bonds of another corporation.

For the purposes of subparagraph *a* of the first paragraph, where the particular year is the first fiscal period of the corporation, its paid-up capital is determined, in accordance with the second paragraph, on the basis of its financial statements prepared at the beginning of that fiscal period in accordance with generally accepted accounting principles or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles.

For the purposes of subparagraph *b* of the first paragraph, where a member of the associated group, other than the corporation, has no taxation year ending before the beginning of the particular year, its paid-up capital is determined, in accordance with the second paragraph, on the basis of its financial statements prepared at the beginning of its first fiscal period in accordance with generally accepted accounting principles or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, on the basis of such financial statements that would be prepared in accordance with generally accepted accounting principles.

2015, c. 21, s. 466; 2018, c. 23, s. 811.

1029.8.36.166.60.24. An associated group in a taxation year means all the corporations that are associated with each other at any given time in the year.

For the purposes of the first paragraph, a business carried on by an individual, other than a trust, is deemed to be carried on by a corporation all the voting shares in the capital stock of which are owned at that time by the individual.

2015, c. 21, s. 466; 2015, c. 36, s. 125.

1029.8.36.166.60.25. If it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a taxation year is to cause a qualified corporation to be deemed to have paid an amount to the Minister under this division for that year or to increase an amount that a qualified corporation is deemed to have paid to the Minister under this division for that year, those corporations are deemed, for the purposes of this division, to be associated with each other in the year.

2015, c. 21, s. 466.

1029.8.36.166.60.26. For the purposes of this division, a corporation's share of an amount, in relation to a partnership of which it is a member at the end of a fiscal period, is equal to the agreed proportion of that amount in respect of the corporation for the fiscal period.

2015, c. 21, s. 466.

§ 2. — *Credits*

2015, c. 21, s. 466.

1029.8.36.166.60.27. A qualified corporation for a taxation year that encloses the documents described in the fourth paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the third paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) an amount equal to the product obtained by multiplying 80% of the lesser of the following amounts by the rate determined in its respect for the year under section 1029.8.36.166.60.29:

i. the aggregate of all amounts each of which is the corporation's eligible expenses for the year, in relation to an eligible information technology integration contract in respect of which the application for a certificate has been filed with Investissement Québec before 4 June 2014, and

ii. the amount by which the balance of the corporation's cumulative limit for the year exceeds all or part of the aggregate described in subparagraph i of subparagraph *b* that the corporation elects to use for the purpose of determining the amount the corporation is deemed to have paid to the Minister for the year under this section; and

(b) an amount equal to the product obtained by multiplying 80% of the lesser of the following amounts by the rate determined in its respect for the year under section 1029.8.36.166.60.29:

i. the aggregate of all amounts each of which is the corporation's eligible expenses for the year, in relation to an eligible information technology integration contract in respect of which the application for a certificate has been filed with Investissement Québec after 26 March 2015, and

ii. the amount by which the balance of the corporation's cumulative limit for the year exceeds all or part of the aggregate described in subparagraph i of subparagraph *a* that the corporation elects to use for the purpose of determining the amount the corporation is deemed to have paid to the Minister for the year under this section.

For the purposes of subparagraph ii of subparagraphs *a* and *b* of the first paragraph, the balance of a qualified corporation's cumulative limit for a taxation year is to be reduced, if applicable, by the aggregate of the amounts described in subparagraph i of subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.166.60.28, in respect of which the corporation is deemed to have paid an amount to the Minister for the year under that section.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1159.7, 1175 and 1175.19 where those sections refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of any valid certificate issued for the purposes of this division to the corporation in respect of an eligible information technology integration contract; and

(c) a copy of the agreement described in section 1029.8.36.166.60.20, if applicable.

2015, c. 21, s. 466; 2017, c. 1, s. 294.

1029.8.36.166.60.28. A qualified corporation for a taxation year that is a member of a qualified partnership at the end of a fiscal period of the qualified partnership that ends in the year and that encloses the documents described in the sixth paragraph with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the fourth paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) an amount equal to the product obtained by multiplying 80% of the lesser of the following amounts by the rate determined in its respect for the year under section 1029.8.36.166.60.29:

i. the aggregate of all amounts each of which is the corporation's share of such a qualified partnership's eligible expenses for such a fiscal period, in relation to an eligible information technology integration contract in respect of which the application for a certificate has been filed with Investissement Québec before 4 June 2014, and

ii. the amount by which the balance of the corporation's cumulative limit for the year exceeds all or part of the aggregate described in subparagraph i of subparagraph *b* that the corporation elects to use for the purpose of determining the amount the corporation is deemed to have paid to the Minister for the year under this section; and

(b) an amount equal to the product obtained by multiplying 80% of the lesser of the following amounts by the rate determined in its respect for the year under section 1029.8.36.166.60.29:

i. the aggregate of all amounts each of which is the corporation's share of such a qualified partnership's eligible expenses for such a fiscal period, in relation to an eligible information technology integration contract

in respect of which the application for a certificate has been filed with Investissement Québec after 26 March 2015, and

ii. the amount by which the balance of the corporation's cumulative limit for the year exceeds all or part of the aggregate described in subparagraph i of subparagraph *a* that the corporation elects to use for the purpose of determining the amount the corporation is deemed to have paid to the Minister for the year under this section.

For the purposes of subparagraph i of subparagraphs *a* and *b* of the first paragraph, the aggregate of all amounts each of which is a qualified partnership's eligible expenses for a fiscal period, in relation to an eligible information technology integration contract, that are referred to in either of those subparagraphs, may not exceed the balance of the partnership's cumulative limit for the fiscal period.

For the purposes of subparagraph ii of subparagraphs *a* and *b* of the first paragraph, the balance of a qualified corporation's cumulative limit for a taxation year is to be reduced, if applicable, by the aggregate of the amounts described in subparagraph i of subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.166.60.27, in respect of which the corporation is deemed to have paid an amount to the Minister for the year under that section.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1159.7, 1175 and 1175.19 where those sections refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

Despite the definition of "eligible expenses" in the first paragraph of section 1029.8.36.166.60.19 and for the purpose of applying this section to a qualified corporation referred to in the first paragraph, the eligible expenses for a particular fiscal period, in relation to an eligible information technology integration contract, of a qualified partnership of which the corporation is a member do not include

(a) the expenses that would otherwise be such expenses because of subparagraph ii of paragraph *b* or *d* or of paragraph *f* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.166.60.19 and that are incurred in a fiscal period of the partnership that precedes the particular fiscal period and ends in a taxation year for which the corporation was not a qualified corporation; or

(b) the expenses that would otherwise be such expenses because of subparagraph iii of paragraph *b* or *d* or of paragraph *f* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.166.60.19 and that are incurred in a fiscal period of the partnership that ends in a taxation year for which the corporation was not a qualified corporation.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of any valid certificate issued for the purposes of this division to a partnership in respect of an eligible information technology integration contract; and

(c) a copy of the agreement described in section 1029.8.36.166.60.20, if applicable.

2015, c. 21, s. 466; 2017, c. 1, s. 295.

1029.8.36.166.60.29. The rate to which the first paragraph of sections 1029.8.36.166.60.27 and 1029.8.36.166.60.28 refers, in respect of a qualified corporation for a taxation year, means

(a) in relation to an eligible information technology integration contract in respect of which the application for a certificate has been filed with Investissement Québec before 4 June 2014, the rate determined by the formula

25% – [25% × (A – $15,000,000)/$5,000,000]; or

(b) in relation to an eligible information technology integration contract in respect of which the application for a certificate has been filed with Investissement Québec after 26 March 2015, the rate determined by the formula

20% – [20% × (A – $35,000,000)/$15,000,000].

In the formula in subparagraph *a* of the first paragraph, A is the greater of

(a) $15,000,000; and

(b) the lesser of $20,000,000 and

i. when determining the rate for the purposes of the first paragraph of section 1029.8.36.166.60.27, the corporation's paid-up capital for the year, determined in accordance with section 1029.8.36.166.60.23, or

ii. when determining the rate for the purposes of the first paragraph of section 1029.8.36.166.60.28, the paid-up capital of the partnership of which the corporation is a member for its fiscal period that ends in the year, determined in accordance with section 1029.8.36.166.60.23 as if the partnership were a corporation whose taxation year corresponds to its fiscal period.

In the formula in subparagraph *b* of the first paragraph, A is the greater of

(a) $35,000,000; and

(b) the lesser of $50,000,000 and

i. when determining the rate for the purposes of the first paragraph of section 1029.8.36.166.60.27, the corporation's paid-up capital for the year, determined in accordance with section 1029.8.36.166.60.23, or

ii. when determining the rate for the purposes of the first paragraph of section 1029.8.36.166.60.28, the paid-up capital of the partnership of which the corporation is a member for its fiscal period that ends in the year, determined in accordance with section 1029.8.36.166.60.23 as if the partnership were a corporation whose taxation year corresponds to its fiscal period.

2015, c. 21, s. 466; 2015, c. 36, s. 126; 2017, c. 1, s. 296; 2022, c. 23, s. 114.

§ 3. — *Government assistance, non-government assistance and other particulars*

2015, c. 21, s. 466.

1029.8.36.166.60.30. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.36.166.60.27 or 1029.8.36.166.60.28, the following rules apply:

(a) the corporation's eligible expenses, referred to in subparagraph i of subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.166.60.27, are to be reduced by the amount of any government assistance or non-government assistance attributable to the expenses that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of the eligible expenses of a partnership, referred to in subparagraph i of subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.166.60.28, for a fiscal period of the partnership that ends in the corporation's taxation year, is to be reduced

i. by the corporation's share of the amount of any government assistance or non-government assistance attributable to the expenses that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance attributable to the expenses that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

2015, c. 21, s. 466; 2017, c. 1, s. 297.

1029.8.36.166.60.31. If, before 1 January 2023, a corporation pays, in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of paragraph *a* of section 1029.8.36.166.60.30, the corporation's eligible expenses, in relation to an eligible information technology integration contract, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.27 in respect of those expenses for a particular taxation year, the corporation is deemed, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on its balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that the corporation would be deemed to have paid to the Minister in respect of the eligible expenses, under section 1029.8.36.166.60.27 for the particular year, if the particular amount that is the lesser of the aggregate of all amounts each of which is an amount of assistance so repaid at or before the end of the repayment year and the balance of the corporation's cumulative limit for the repayment year, had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in paragraph *a* of section 1029.8.36.166.60.30, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister in respect of the eligible expenses under section 1029.8.36.166.60.27 for the particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

The particular amount to which the first paragraph refers is deemed, for the purpose of determining, other than for the purposes of this section, the balance of the corporation's cumulative limit for the repayment year and a subsequent taxation year, to be eligible expenses of the corporation in respect of an eligible information technology integration contract for a taxation year preceding the repayment year.

2015, c. 21, s. 466; 2015, c. 36, s. 127; 2021, c. 14, s. 150.

1029.8.36.166.60.32. If, before 1 January 2023, a partnership pays, in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of paragraph *b* of section 1029.8.36.166.60.30, a corporation's share of a partnership's eligible expenses, in relation to an eligible information technology integration contract, for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.28 in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.166.60.28 for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister in respect of the partnership's eligible expenses, in relation to an eligible information technology integration contract, under section 1029.8.36.166.60.28 for its taxation year in which the particular fiscal period ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) the lesser of the corporation's share of any amount of assistance repaid at or before the end of the fiscal period of repayment and the balance of the corporation's cumulative limit for its taxation year in which the fiscal period of repayment ended, reduced, for the particular fiscal period, the corporation's share of the amount of any government assistance or non-government assistance referred to in subparagraph i of paragraph *b* of section 1029.8.36.166.60.30; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The amount determined in accordance with subparagraph *a* of the second paragraph is deemed, for the purpose of determining, other than for the purposes of this section, the balance of the corporation's cumulative limit for the taxation year in which the fiscal period of repayment ends and a subsequent taxation year, to be the corporation's share of the partnership's eligible expenses, in relation to an eligible information technology integration contract, for a fiscal period of the partnership that ends in a taxation year of the corporation preceding the taxation year in which the fiscal period of repayment ends.

2015, c. 21, s. 466; 2015, c. 36, s. 127; 2021, c. 14, s. 150.

1029.8.36.166.60.33. If, before 1 January 2023, a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment"), and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of paragraph *b* of section 1029.8.36.166.60.30, its share of the partnership's eligible expenses, in relation to an eligible information technology integration contract, for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.28, in respect of the share, for its taxation year in which the particular fiscal period ended,

the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under section 1029.8.36.166.60.28 for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of the share, under section 1029.8.36.166.60.28 for its taxation year in which the particular fiscal period ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) the lesser of any amount of assistance repaid at or before the end of the fiscal period of repayment and the balance of the corporation's cumulative limit for its taxation year in which the fiscal period of repayment ended, reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of paragraph *b* of section 1029.8.36.166.60.30; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The amount determined in accordance with subparagraph *a* of the second paragraph is deemed, for the purpose of determining, other than for the purposes of this section, the balance of the corporation's cumulative limit for the taxation year in which the fiscal period of repayment ends and a subsequent taxation year, to be the corporation's share of the partnership's eligible expenses, in relation to an eligible information technology integration contract, for a fiscal period of the partnership that ends in a taxation year of the corporation preceding the taxation year in which the fiscal period of repayment ends.

2015, c. 21, s. 466; 2015, c. 36, s. 127; 2021, c. 14, s. 150.

1029.8.36.166.60.34. For the purposes of sections 1029.8.36.166.60.31 to 1029.8.36.166.60.33, an amount of assistance is deemed to be repaid by a corporation or a partnership at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.166.60.30, the eligible expenses or the share of a corporation that is a member of the partnership in such expenses, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.166.60.27 or 1029.8.36.166.60.28;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership may reasonably expect to receive.

2015, c. 21, s. 466.

1029.8.36.166.60.35. If, in respect of the eligible expenses of a qualified corporation or a qualified partnership, in relation to an eligible information technology integration contract, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to an eligible information technology integration

contract, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.166.60.27 by the qualified corporation, the amount of the eligible expenses is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.166.60.28 by a qualified corporation that is a member of the qualified partnership, the corporation's share, for a fiscal period of the partnership that ends in the taxation year, of the amount of the eligible expenses, is to be reduced

i. by the corporation's share, for the fiscal period, of the amount of the benefit or advantage that the person or partnership, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage that the qualified corporation or a person with whom it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

2015, c. 21, s. 466.

DIVISION II.6.14.2.3

CREDIT RELATING TO INVESTMENT AND INNOVATION

2021, c. 14, s. 151.

§ 1. — *Interpretation and general rules*

2021, c. 14, s. 151.

1029.8.36.166.60.36. In this division,

"aluminum producing corporation" for a taxation year means a corporation that, at any time in the year after 10 March 2020, carries on an aluminum producing business or is the owner or lessee of property used in the carrying on of such a business by another corporation, a partnership or a trust with which the corporation is associated;

"associated group" in a taxation year or a fiscal period has the meaning assigned by section 1029.8.36.166.60.37;

"eligible expenses" of a corporation for a particular taxation year or of a partnership for a particular fiscal period, in respect of a qualified property, has the meaning assigned by section 1029.8.36.166.40;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192;

(c) an aluminum producing corporation for the year; or

(d) an oil refining corporation for the year;

"excluded expense amount" relating to a property, for a taxation year or a fiscal period, means

(a) where the property is a qualified property, the excluded expense amount relating to that property, determined in accordance with the first paragraph of section 1029.8.36.166.40 for the year or fiscal period;

(b) where the property is a specified property of a corporation, the lesser of

i. an amount that would be equal to the corporation's specified expenses in respect of the specified property for the taxation year, if the definition of "specified expenses" were read without reference to "the amount by which the excluded expense amount relating to the corporation's specified property for the particular year is exceeded by" in the portion of its paragraph *a* before subparagraph i, and

ii. an amount equal to the amount by which the exclusion threshold in respect of the specified property exceeds the aggregate of all amounts each of which is the excluded expense amount relating to that property for a preceding taxation year; or

(c) where the property is a specified property of a partnership, the lesser of

i. an amount that would be equal to the partnership's specified expenses in respect of the specified property for the fiscal period, if the definition of "specified expenses" were read without reference to "the amount by which the excluded expense amount relating to the partnership's specified property for the particular fiscal period is exceeded by" in the portion of its paragraph *b* before subparagraph i, and

ii. an amount equal to the amount by which the exclusion threshold in respect of the specified property exceeds the aggregate of all amounts each of which is the excluded expense amount relating to that property for a preceding fiscal period;

"excluded partnership" for a fiscal period means a partnership that, at any time in the fiscal period after 10 March 2020, carries on an aluminum producing business or an oil refining business;

"exclusion threshold" in respect of a specified property means, subject to the fourth paragraph,

(a) $5,000, in the case of a property referred to in subparagraph ii or v of paragraph *b* of the definition of "specified property"; or

(b) $12,500, in any other case;

"hydrometallurgy" means any processing of an ore or concentrate that produces a metal, metallic salt or metallic compound by carrying out a chemical reaction in an aqueous or organic solution;

"limit relating to an unused portion" of a corporation for a taxation year means the aggregate of its total taxes for the year and of the amount determined for the year in its respect under the second paragraph of section 1029.8.36.166.60.45;

"maximum tax credit amount" of a corporation for a taxation year means the sum obtained by adding the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.166.60.51 and the amount determined for the year in its respect under the first paragraph of section 1029.8.36.166.60.45;

"oil refining corporation" for a taxation year means a corporation that, at any time in the year after 10 March 2020, carries on an oil refining business or is the owner or lessee of property used in the carrying on of such a business by another corporation, a partnership or a trust, with which the corporation is associated;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation for the year, that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified management software package" means a property of a corporation or partnership that is a software package mainly enabling the management of one or more of the following elements:

(a) all of the operational processes of a business carried on by the corporation or partnership, as the case may be, by integrating all of the functions of the business;

(b) the interactions with the clients of the business carried on by the corporation or partnership, as the case may be, through multiple and interconnected communication channels; or

(c) a network of businesses carried on by the corporation or partnership, as the case may be, that are involved in the production of a product or the provision of a service required by the end client, to cover all movements of materials or information, from the point of origin to the point of consumption;

"qualified partnership" for a fiscal period means a partnership, other than an excluded partnership for the fiscal period, that, in the fiscal period, carries on a business in Québec and has an establishment in Québec;

"qualified property" of a corporation or a partnership has the meaning assigned by section 1029.8.36.166.40;

"recognized business" has the meaning assigned by the first paragraph of section 737.18.17.1;

"refining" means any processing of a product from a smelting or concentration operation to remove impurities, which produces very high grade metal;

"smelting" means any processing of an ore or concentrate in the course of which the charge is melted and chemically converted to produce a slag and a matte or metal containing impurities;

"specified expenses" of a corporation for a particular taxation year or of a partnership for a particular fiscal period, in respect of a specified property, means

(a) for a corporation, the amount by which the excluded expense amount relating to the corporation's specified property for the particular year is exceeded by the aggregate of the following expenses, except expenses incurred with a person with whom the corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation is not dealing at arm's length:

i. the expenses incurred by the corporation in the particular year to acquire the specified property that are included, at the end of that year, in the capital cost of the property and that are paid on or before the last day of the 18-month period following the end of that year, and

ii. the expenses incurred by the corporation to acquire the specified property in a preceding taxation year for which it was a qualified corporation that are included, at the end of the preceding year, in the capital cost of the property and that are paid in the particular year, but more than 18 months after the end of that preceding year; or

(b) for a partnership, the amount by which the excluded expense amount relating to the partnership's specified property for the particular fiscal period is exceeded by the aggregate of the following expenses, except expenses incurred with a corporation that is a member of the partnership or with a person with whom such a corporation, a specified shareholder of the corporation or, if the corporation is a cooperative, a specified member of the corporation is not dealing at arm's length:

i. the expenses incurred by the partnership in the particular fiscal period to acquire the specified property that are included, at the end of that fiscal period, in the capital cost of the property and that are paid on or before the last day of the 18-month period following the end of that fiscal period, and

ii. the expenses incurred by the partnership to acquire the specified property in a preceding fiscal period for which it was a qualified partnership that are included, at the end of the preceding fiscal period, in the capital cost of the property and that are paid in the particular fiscal period, but more than 18 months after the end of that preceding fiscal period;

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

"specified property" of a corporation or a partnership means a property, other than a property that is the subject of a valid election made in accordance with the second paragraph of section 1029.8.36.166.40, that meets the following conditions:

(a) the property is acquired by the corporation or partnership after 10 March 2020 and before 1 January 2025, but is not a property acquired pursuant to an obligation in writing entered into before 11 March 2020 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 10 March 2020;

(b) if no reference were made to section 93.6, the property would be

i. a property included in Class 43 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1),

ii. a property included in Class 50 of Schedule B to the Regulation respecting the Taxation Act,

iii. a property included in Class 53 of Schedule B to the Regulation respecting the Taxation Act,

iv. a property that would be included in Class 43 of Schedule B to the Regulation respecting the Taxation Act if subparagraphs i and ii of paragraph *b* of that class were read as follows:

"i. would be included in Class 10 under subparagraph *e* of the second paragraph of that class, if this schedule were read without reference to this paragraph and subparagraphs *a*, *b* and *e* of the first paragraph of Class 41, and

"ii. at the time of its acquisition, may reasonably be expected to be used entirely in Canada and primarily for the purposes of smelting, refining or hydrometallurgy activities in respect of ore (other than ore from a gold or silver mine) extracted from a mineral resource located in Canada.", or

v. a property that is included in Class 12 of Schedule B to the Regulation respecting the Taxation Act, pursuant to subparagraph *o* of its first paragraph, and that is a qualified management software package;

(c) the property begins to be used within a reasonable time after being acquired;

(d) the property is used mainly in Québec, where it is described in subparagraph v of paragraph *b*, or solely in Québec, in any other case, and mainly in the course of carrying on a business;

(e) the property is not used, or acquired to be used, in the course of carrying on a recognized business in connection with which a large investment project, within the meaning of the first paragraph of section 737.18.17.1, is carried out or is in the process of being carried out;

(e.1) the property is not a qualified property, within the meaning of the first paragraph of section 737.18.17.14;

(f) the property is not used in the course of operating an ethanol, biodiesel fuel, pyrolysis oil or biofuel plant;

(g) the property was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever; and

(h) the property is neither used to host or produce content comprising explicit sex scenes or graphic representations of such scenes, nor to enable the sharing of such content, unless

i. it is established to the Minister's satisfaction that reasonable measures have been taken by the corporation to ensure such property is not used to host, produce or share such content, or

ii. all or substantially all of the content that is hosted, produced or shared does not constitute such content;

"territory with high economic vitality" means a municipality mentioned in Schedule I to the Act respecting the Communauté métropolitaine de Montréal (chapter C-37.01) or Schedule A to the Act respecting the Communauté métropolitaine de Québec (chapter C-37.02);

"territory with intermediate economic vitality" means a territory situated in Québec that is neither a territory with high economic vitality nor a territory with low economic vitality;

"territory with low economic vitality" means

(a) one of the following regional county municipalities:

i. Municipalité régionale de comté d'Antoine-Labelle,

ii. Municipalité régionale de comté d'Argenteuil,

iii. Municipalité régionale de comté d'Avignon,

iv. Municipalité régionale de comté de Bonaventure,

v. Municipalité régionale de comté de Charlevoix-Est,

vi. *(subparagraph repealed);*

vii. Municipalité régionale de comté de La Haute-Côte-Nord,

viii. Municipalité régionale de comté de La Haute-Gaspésie,

ix. Municipalité régionale de comté de La Matanie,

x. Municipalité régionale de comté de La Matapédia,

xi. Municipalité régionale de comté de La Mitis,

xii. Municipalité régionale de comté de La Vallée-de-la-Gatineau,

xiii. Municipalité régionale de comté de Maria-Chapdelaine,

xiii.1. Municipalité régionale de comté de Maskinongé,

xiv. Municipalité régionale de comté de Matawinie,

xv. Municipalité régionale de comté de Mékinac,

xv.1. Municipalité régionale de comté de Papineau,

xvi. Municipalité régionale de comté de Pontiac,

xvi.1. Municipalité régionale de comté de Témiscamingue,

xvii. Municipalité régionale de comté de Témiscouata,

xviii. Municipalité régionale de comté des Appalaches,

xix. Municipalité régionale de comté des Basques,

xx. Municipalité régionale de comté des Etchemins,

xxi. Municipalité régionale de comté des Sources,

xxi.1. Municipalité régionale de comté du Domaine-du-Roy,

xxii. Municipalité régionale de comté du Golfe-du-Saint-Laurent, or

xxiii. Municipalité régionale de comté du Rocher-Percé;

(b) the urban agglomeration of La Tuque, as described in section 8 of the Act respecting the exercise of certain municipal powers in certain urban agglomerations (chapter E-20.001); or

(c) Ville de Shawinigan;

"total taxes" of a corporation for a taxation year means, subject to the third paragraph, the aggregate of its tax payable under this Part for the year and of its tax payable under Parts IV.1, VI and VI.1 for the year;

"unused portion of the tax credit" of a corporation for a taxation year means the amount by which the total amount that the corporation would be deemed to have paid to the Minister for that year under the first paragraph of sections 1029.8.36.166.60.48 and 1029.8.36.166.60.49 if no reference were made to their third paragraph, exceeds the corporation's maximum tax credit amount for the year.

For the purposes of the definition of "specified expenses" in the first paragraph, the following rules are taken into account:

(a) the expenses that are included, at the end of a taxation year or fiscal period, in the capital cost of a property do not include the expenses so included under section 180 or 182;

(b) the expenses incurred to acquire a property must be incurred before 1 January 2025; and

(c) the specified expenses in respect of a specified property for a taxation year or fiscal period must be reduced by the portion of those expenses that are eligible expenses within the meaning of the first paragraph of section 1029.8.36.166.60.19.

Where a corporation is, for a taxation year, deemed to have paid an amount to the Minister under this division, otherwise than under any of sections 1029.8.36.166.60.60 to 1029.8.36.166.60.62, and an amount under Division II.6.14.2, otherwise than under any of sections 1029.8.36.166.55 to 1029.8.36.166.57, the corporation's otherwise determined total taxes for the year are, for the purposes of this division, reduced by all or part of those amounts that the corporation takes into account in computing its total taxes for the year for the purposes of Division II.6.14.2.

Where a specified property is acquired in connection with a joint venture, the exclusion threshold in respect of the specified property for a corporation or partnership holding a share in the property as a party to such a venture is, for the purposes of the definition of "excluded expense amount" in the first paragraph, deemed to be equal to the amount obtained by multiplying the amount that would correspond to that threshold but for this paragraph by the proportion that corresponds to the share of the corporation or partnership, as the case may be, in the property.

2021, c. 14, s. 151; 2021, c. 36, s. 122; 2023, c. 2, s. 52; 2024, c. 11, ss. 119 and 198.

1029.8.36.166.60.37. An associated group, in a taxation year, means all the corporations that are associated with each other in the year.

For the purposes of the first paragraph, a business carried on by an individual, other than a trust, is deemed, at a particular time, to be carried on by a corporation all the voting shares in the capital stock of which are owned by the individual at that time.

2021, c. 14, s. 151.

1029.8.36.166.60.38. For the purposes of this division, the balance of a qualified corporation's cumulative specified expense limit for a particular taxation year is equal to

(a) where the qualified corporation is not a member of an associated group in the particular year, the amount by which $100,000,000 exceeds the total of

i. the aggregate of all amounts each of which is the corporation's specified expenses in respect of a specified property, for a taxation year (in this subparagraph *a* referred to as a "preceding year concerned") that ends in the 48-month period preceding the beginning of the particular year, in respect of which an amount would be deemed to have been paid to the Minister by the corporation for the preceding year concerned under section 1029.8.36.166.60.48 if no reference were made to its third paragraph and the excluded expense amount relating to the specified property were equal to zero,

ii. the aggregate of all amounts each of which is the corporation's share of a partnership's specified expenses in respect of a specified property, for a fiscal period of the partnership that ends in a preceding year

concerned, in respect of which an amount would be deemed to have been paid to the Minister by the corporation for the preceding year concerned under section 1029.8.36.166.60.49 if no reference were made to its third paragraph and the excluded expense amount relating to the specified property were equal to zero,

iii. the aggregate of all amounts each of which is the portion of the corporation's eligible expenses in respect of a qualified property, for the particular year or a preceding year concerned, that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.43 and in respect of which an amount would be deemed to have been paid to the Minister by the corporation for that year under that section if no reference were made to its third paragraph and the excluded expense amount relating to the qualified property were equal to zero, and

iv. the aggregate of all amounts each of which is the corporation's share of the portion of a partnership's eligible expenses in respect of a qualified property, for a fiscal period of the partnership that ends in the particular year or a preceding year concerned, that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.44 and in respect of which an amount would be deemed to have been paid to the Minister by the corporation for that year under that section if no reference were made to its third paragraph and the excluded expense amount relating to the qualified property were equal to zero; or

(b) where the qualified corporation is a member of an associated group in the particular year,

i. the amount attributed for the particular year to the corporation pursuant to the agreement described in the second paragraph and filed with the Minister in the prescribed form, or

ii. if no amount is attributed to the corporation pursuant to the agreement to which subparagraph i refers or in the absence of such an agreement but subject to section 1029.8.36.166.60.39, zero.

The agreement to which subparagraph i of subparagraph *b* of the first paragraph refers, in respect of a particular taxation year of the qualified corporation, is the agreement under which all the corporations that are members of the associated group in the particular taxation year attribute, for the purposes of this section, to one or more of the corporations that are members of the associated group, for the particular taxation year, one or more amounts the total of which is not greater than the amount by which $100,000,000 exceeds the total of

(a) the aggregate of all amounts each of which is the specified expenses of a corporation that is a member of the associated group in the particular year in respect of a specified property, for a taxation year (in this paragraph referred to as a "preceding year concerned") that ends in a 48-month period preceding the beginning of the particular year, in respect of which an amount would be deemed to have been paid to the Minister by the corporation for the preceding year concerned under section 1029.8.36.166.60.48 if no reference were made to its third paragraph and the excluded expense amount relating to the specified property were equal to zero;

(b) the aggregate of all amounts each of which is the share of a corporation that is a member of the associated group in the particular year of a partnership's specified expenses in respect of a specified property, for a fiscal period of the partnership that ends in a preceding year concerned of the corporation, in respect of which an amount would be deemed to have been paid to the Minister by the corporation for the preceding year concerned under section 1029.8.36.166.60.49 if no reference were made to its third paragraph and the excluded expense amount relating to the specified property were equal to zero;

(c) the aggregate of all amounts each of which is the portion of the eligible expenses of a corporation that is a member of the associated group in the particular year in respect of a qualified property, for a taxation year (in this paragraph referred to as a "specified year") that ends in the particular year or is a preceding year concerned, that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.43 and in respect of which an amount would be deemed to have been paid to the Minister by that corporation for the specified year under that section if no reference were made to its third paragraph and the excluded expense amount relating to the qualified property were equal to zero; and

(d) the aggregate of all amounts each of which is the share of a corporation that is a member of the associated group in the particular year of the portion of a partnership's eligible expenses in respect of a

qualified property, for a fiscal period of the partnership that ends in a specified year of the corporation, that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.44 and in respect of which an amount would be deemed to have been paid to the Minister by that corporation for the specified year under that section if no reference were made to its third paragraph and the excluded expense amount relating to the qualified property were equal to zero.

Where the aggregate of the amounts attributed, in respect of a taxation year, pursuant to an agreement described in the second paragraph and entered into with the corporations that are members of an associated group in the year is greater than the excess amount determined under that paragraph, the amount determined under subparagraph i of subparagraph *b* of the first paragraph in respect of each of those corporations for the taxation year is deemed, for the purposes of this section, to be equal to the amount obtained by multiplying that excess amount by the proportion that the amount that was attributed to the corporation in the agreement, in respect of the year, is of the aggregate of the amounts that were so attributed.

2021, c. 14, s. 151.

1029.8.36.166.60.39. Where corporations are part, in a taxation year, of an associated group and where a corporation that is a member of that group fails to file with the Minister the agreement to which subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.166.60.38 refers within 30 days after notice in writing by the Minister has been sent to such a corporation that such an agreement is required for the purposes of any assessment of tax under this Part or for the determination of another amount, the Minister shall, for the purposes of this division, attribute an amount to one or more of the corporations that are members of that group for the taxation year, which amount or the aggregate of which amounts, as the case may be, must be equal to the excess amount determined for the year under the second paragraph of section 1029.8.36.166.60.38, and, in such a case, the balance of the cumulative specified expense limit of each of those corporations, for the year, is equal to the amount so attributed to it.

2021, c. 14, s. 151.

1029.8.36.166.60.40. For the purposes of this division, the balance of a qualified partnership's cumulative specified expense limit for a particular fiscal period is equal to the amount by which $100,000,000 exceeds the total of

(a) the aggregate of all amounts each of which is its specified expenses, in respect of a specified property, for a fiscal period (in this section referred to as the "preceding fiscal period concerned") that ends in the 48-month period preceding the beginning of the particular fiscal period, in respect of which an amount would be deemed to have been paid to the Minister under section 1029.8.36.166.60.49 if no reference were made to its third paragraph and the excluded expense amount relating to the specified property were equal to zero; and

(b) the aggregate of all amounts each of which is the portion of its eligible expenses, in respect of a qualified property, for the particular fiscal period or a preceding fiscal period concerned, that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.44 and in respect of which an amount would be deemed to have been paid to the Minister under section 1029.8.36.166.44 if no reference were made to its third paragraph and the excluded expense amount relating to the qualified property were equal to zero.

2021, c. 14, s. 151.

1029.8.36.166.60.41. For the purposes of this division, the balance of a joint venture's cumulative specified expense limit for a particular fiscal period of the joint venture is equal to the amount by which $100,000,000 exceeds the total of

(a) the aggregate of all amounts each of which is the specified expenses incurred by a corporation or a partnership in respect of a specified property as a party to the joint venture, in a fiscal period of the joint venture (in this paragraph referred to as the "preceding fiscal period concerned") that ends in the 48-month period preceding the beginning of the particular fiscal period, in respect of which an amount would be deemed to have been paid to the Minister under section 1029.8.36.166.60.48 or 1029.8.36.166.60.49, as the

case may be, if no reference were made to its third paragraph and the excluded expense amount relating to the specified property were equal to zero; and

(b) the aggregate of all amounts each of which is the portion of the eligible expenses incurred by a corporation or a partnership in respect of a qualified property as a party to the joint venture, in the particular fiscal period or a preceding fiscal period concerned of the joint venture, that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.43 or 1029.8.36.166.44, as the case may be, and in respect of which an amount would be deemed to have been paid to the Minister under section 1029.8.36.166.43 or 1029.8.36.166.44 if no reference were made to its third paragraph and the excluded expense amount relating to the qualified property were equal to zero.

For the purposes of this section, a joint venture is deemed to be a partnership whose fiscal period ends on 31 December of a calendar year.

For the purposes of this division, the share of a corporation for a taxation year, or of a partnership for a fiscal period, of the balance of a joint venture's cumulative specified expense limit is equal,

(a) in the case of a corporation,

i. where its taxation year does not end on 31 December of a calendar year, to the aggregate of all amounts each of which is the proportion of its share, determined in accordance with the fourth paragraph, of the balance of the joint venture's cumulative specified expense limit for a fiscal period of the joint venture, a part of which is included in the taxation year, that the specified expenses incurred by the corporation as a party to the joint venture in that part of the fiscal period is of the aggregate of the specified expenses incurred by the corporation as a party to the joint venture in that fiscal period, or

ii. where its taxation year ends on 31 December of a calendar year, to its share, determined in accordance with the fourth paragraph, of the balance of the joint venture's cumulative specified expense limit for the joint venture's fiscal period whose end coincides with the end of the corporation's taxation year; and

(b) in the case of a partnership,

i. where its fiscal period does not end on 31 December of a calendar year, to the aggregate of all amounts each of which is the proportion of its share, determined in accordance with the fourth paragraph, of the balance of the joint venture's cumulative specified expense limit for the joint venture's fiscal period, a part of which is included in the partnership's fiscal period, that the specified expenses incurred by the partnership as a party to the joint venture in that part of the joint venture's fiscal period is of the aggregate of the specified expenses incurred by the partnership as a party to the joint venture in that fiscal period of the joint venture, or

ii. where its fiscal period ends on 31 December of a calendar year, to its share, determined in accordance with the fourth paragraph, of the balance of the joint venture's cumulative specified expense limit for the joint venture's fiscal period whose end coincides with the end of the partnership's fiscal period.

The share of a corporation or a partnership of the balance of a joint venture's cumulative specified expense limit for a fiscal period of the joint venture is equal to the proportion of that amount that the specified expenses incurred by the corporation or partnership, as the case may be, in that fiscal period as a party to the joint venture is of the aggregate of the specified expenses incurred in the joint venture's fiscal period.

2021, c. 14, s. 151; 2023, c. 2, s. 53.

1029.8.36.166.60.42. For the purposes of this division, the assets that apply to a corporation for a taxation year are those that are shown in its financial statements submitted to the shareholders or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been so prepared, for its preceding taxation year or, where the corporation is in its first fiscal period, at the beginning of that fiscal period.

However, where the corporation is a cooperative, the first paragraph is to be read as if "submitted to the shareholders" were replaced by "submitted to the members".

In computing the assets of a corporation, the amount of the surplus reassessment of its property and the amount of its incorporeal assets must be subtracted, to the extent that the amount shown exceeds the expenditure made in their respect.

Where all or part of an expenditure made in respect of incorporeal assets consists of shares of the corporation's or cooperative's capital stock, all or the part of the expenditure, as the case may be, is deemed to be nil.

Where, in a taxation year, a corporation is a member of an associated group, the assets that apply to the corporation for the year are equal to the amount by which the aggregate of the assets of the corporation and of those of each other corporation that is a member of the group, determined in accordance with this section, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

2021, c. 14, s. 151.

1029.8.36.166.60.43. Where, in relation to a taxation year, a qualified corporation or, where it is a member of an associated group in the year, another corporation that is a member of that group reduces its assets by any transaction and that reduction increases the amount that the qualified corporation would, but for this section, be deemed to have paid to the Minister under this division for that year, the assets are deemed not to have been so reduced unless the Minister decides otherwise.

2021, c. 14, s. 151.

1029.8.36.166.60.44. For the purposes of this division, the gross revenue that applies to a corporation for a taxation year is its gross revenue for the preceding taxation year.

Where a corporation is a member of an associated group in a taxation year, the gross revenue that applies to it for the year is the amount that would be the associated group's gross revenue for its preceding taxation year if it were computed on the basis of the consolidated income statement of the members of the associated group for the preceding year and each member of the group had an establishment in Québec.

For the purpose of preparing the consolidated income statement of the members of an associated group for a particular taxation year of a corporation, the income statements taken into account are that of the corporation for the particular year and those of the other corporations that are members of the group for their taxation year that ends in the particular year.

2021, c. 14, s. 151; 2023, c. 2, s. 54.

1029.8.36.166.60.45. The amount to which the definition of "maximum tax credit amount" in the first paragraph of section 1029.8.36.166.60.36 refers, in relation to a corporation for a taxation year, is equal to the product obtained by multiplying, by the proportion determined by the formula in the third paragraph, the amount by which the total amount that the corporation would be deemed to have paid to the Minister for the taxation year under sections 1029.8.36.166.60.48 and 1029.8.36.166.60.49 if no reference were made to their third paragraph exceeds the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.166.60.51.

The amount to which the definition of "limit relating to an unused portion" in the first paragraph of section 1029.8.36.166.60.36 refers, in relation to a corporation for a taxation year, is equal to the product obtained by multiplying, by the proportion determined by the formula in the third paragraph, the amount by which the aggregate of all amounts each of which is an excess amount described in subparagraph *a* of the first paragraph of section 1029.8.36.166.60.51 exceeds the corporation's total taxes for the year.

The formula to which the first and second paragraphs refer is

1 – [(A – $50,000,000)/$50,000,000].

In the formula in the third paragraph, A is the greater of

(a) $50,000,000; and

(b) the greater of the assets and the gross revenue that applies to the corporation for the taxation year, without exceeding $100,000,000.

2021, c. 14, s. 151.

1029.8.36.166.60.46. Where it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a taxation year is to cause a qualified corporation to be deemed to have paid an amount to the Minister under this division for that year or to increase an amount that such a corporation is deemed to have paid to the Minister under this division for that year, those corporations are deemed, for the purposes of this division, to be associated with each other in the year.

2021, c. 14, s. 151.

1029.8.36.166.60.47. For the purposes of this division, a corporation's share of a particular amount, in relation to a partnership of which the corporation is a member at the end of a fiscal period, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

2021, c. 14, s. 151.

§ 2. — *Credits*

2021, c. 14, s. 151.

1029.8.36.166.60.48. A qualified corporation for a taxation year that encloses the documents described in the fifth paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the fourth paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of all amounts each of which is the product obtained by multiplying a portion of its specified expenses for the year in respect of a specified property, such portion being referred to in section 1029.8.36.166.60.50, by the rate determined for the year, under that section, in relation to that portion of expenses, to the extent that that portion is paid and that the aggregate of those portions of expenses is established subject to the second paragraph and does not include the portion, determined by the qualified corporation, of its specified expenses incurred in the year as a party to a joint venture that exceeds its share for the year of the balance of the joint venture's cumulative specified expense limit.

The total of the specified expenses referred to in the first paragraph in respect of a corporation for a taxation year may not exceed the amount that is the amount by which the balance of its cumulative specified expense limit for the year exceeds the aggregate of all amounts each of which is its share of the specified expenses that would be referred to in the first paragraph of section 1029.8.36.166.60.49 for the year and in respect of which the corporation would be deemed to have paid an amount to the Minister for the year under section 1029.8.36.166.60.49 if no reference were made to its third paragraph and if the definition of "specified expenses" in the first paragraph of section 1029.8.36.166.60.36 were read without reference to "the amount by which the excluded expense amount relating to the partnership's specified property for the particular fiscal period is exceeded by" in the portion of its paragraph *b* before subparagraph i.

The total amount that the corporation is deemed to have paid to the Minister for the year under the first paragraph and, if applicable, under the first paragraph of section 1029.8.36.166.60.49 may not exceed the corporation's maximum tax credit amount for the year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the agreement described in section 1029.8.36.166.60.38, if applicable.

2021, c. 14, s. 151; 2021, c. 36, s. 123.

1029.8.36.166.60.49. A qualified corporation for a taxation year that is a member of a qualified partnership at the end of a particular fiscal period of the partnership that ends in the year and that encloses the documents described in the sixth paragraph with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the fourth paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of all amounts each of which is the product obtained by multiplying its share of a portion of the partnership's specified expenses for the particular fiscal period in respect of a specified property, such portion being referred to in section 1029.8.36.166.60.50, by the rate determined for the year, under that section, in relation to that portion of expenses, to the extent that that portion is paid and that its share of the aggregate of those portions of expenses is established subject to the second paragraph and includes neither its share of the portion, determined by the qualified corporation, of the qualified partnership's specified expenses for the particular fiscal period that exceeds the balance of the partnership's cumulative specified expense limit for the particular fiscal period, nor its share of the portion, determined by the qualified corporation, of such expenses incurred by the partnership in the particular fiscal period as a party to a joint venture that exceeds the partnership's share for the particular fiscal period of the balance of the joint venture's cumulative specified expense limit.

The total of all amounts each of which is a corporation's share of the specified expenses that are referred to in the first paragraph for a taxation year may not exceed the amount that is the amount by which the balance of its cumulative specified expense limit for the year exceeds the total of the specified expenses that would be referred to in the first paragraph of section 1029.8.36.166.60.48 for the year and in respect of which the corporation would be deemed to have paid an amount to the Minister for the year under section 1029.8.36.166.60.48 if no reference were made to its third paragraph and if the definition of "specified expenses" in the first paragraph of section 1029.8.36.166.60.36 were read without reference to "the amount by which the excluded expense amount relating to the corporation's specified property for the particular year is exceeded by" in the portion of its paragraph *a* before subparagraph i.

The total amount that the corporation is deemed to have paid to the Minister for the year under the first paragraph and, if applicable, under the first paragraph of section 1029.8.36.166.60.48 may not exceed the corporation's maximum tax credit amount for the year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

Despite the definition of "specified expenses" in the first paragraph of section 1029.8.36.166.60.36 and for the purpose of applying this section to a corporation referred to in the first paragraph, the specified expenses of a partnership of which the corporation is a member for a particular fiscal period, in respect of a specified property, do not include the expenses that would otherwise be such specified expenses because of subparagraph ii of paragraph *b* of that definition and that are incurred in a fiscal period of the partnership that ends in a taxation year for which the corporation was not a qualified corporation.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the agreement described in section 1029.8.36.166.60.38, if applicable.

2021, c. 14, s. 151; 2021, c. 36, s. 124.

1029.8.36.166.60.50. The rate to which the first paragraph of sections 1029.8.36.166.60.48 and 1029.8.36.166.60.49 refers, in relation to a portion of the specified expenses of a corporation or a partnership, in respect of a specified property, for a particular taxation year of the corporation or a corporation that is a member of the partnership is

(a) where the specified property is acquired to be used mainly in a territory with low economic vitality,

i. if the portion of the specified expenses represents expenses that are described in the fourth paragraph, 40%, or

ii. in any other case, 20%;

(b) where the specified property is acquired to be used mainly in a territory with intermediate economic vitality,

i. if the portion of the specified expenses represents expenses that are described in the fourth paragraph, 30%, or

ii. in any other case, 15%; or

(c) where the specified property is acquired to be used mainly in a territory with high economic vitality,

i. if the portion of the specified expenses represents expenses that are described in the fourth paragraph, 20%, or

ii. in any other case, 10%.

Where a specified property that is referred to in subparagraph v of paragraph *b* of the definition of that expression in the first paragraph of section 1029.8.36.166.60.36 is acquired by a qualified corporation or a qualified partnership to be used in several establishments of the corporation or partnership without it being possible to determine in which territory referred to in the first paragraph the property is to be mainly used, the property is, for the purposes of the first paragraph, deemed to be acquired to be so used

(a) in a territory with low economic vitality if, in the first taxation year or the first fiscal period, as the case may be, in which specified expenses were incurred for the acquisition of the property, the proportion that the aggregate of the salaries or wages paid by the corporation or partnership to its employees who report for work at one of its establishments situated in a territory with low economic vitality is of the aggregate of the salaries or wages it paid to its employees who report for work at one of its establishments situated in Québec exceeds 50%;

(b) in a territory with intermediate economic vitality if subparagraph *a* does not apply and if, in the first taxation year or the first fiscal period, as the case may be, in which specified expenses were incurred for the acquisition of the property, the proportion that the aggregate of the salaries or wages paid by the corporation or partnership to its employees who report for work at one of its establishments situated in a territory with intermediate economic vitality or in a territory with low economic vitality is of the aggregate of the salaries or wages it paid to its employees who report for work at one of its establishments situated in Québec exceeds 50%; or

(c) in any other case, in a territory with high economic vitality.

For the purposes of the second paragraph, the following rules are taken into account:

(a) where, in a taxation year or a fiscal period, an employee reports for work at an establishment of a corporation or partnership situated in Québec and at an establishment of the corporation or partnership situated outside Québec, the employee is deemed, for that period,

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the corporation or partnership situated outside Québec;

(b) where, in a taxation year or a fiscal period, an employee reports for work at several establishments of a corporation or partnership and those establishments are situated in territories referred to in the first paragraph that do not have the same level of economic vitality, the employee is deemed, for that period,

i. to report for work only at an establishment situated in a territory with low economic vitality if the employee reports for work mainly, during that period, at one or more establishments of the corporation or partnership situated in such a territory,

ii. to report for work only at an establishment situated in a territory with intermediate economic vitality if subparagraph i does not apply and the employee reports for work mainly, during that period, at one or more establishments of the corporation or partnership situated in such a territory or in a territory with low economic vitality, or

iii. in any other case, to report for work only at an establishment situated in a territory with high economic vitality; and

(c) where, in a taxation year or a fiscal period, an employee is not required to report for work at an establishment of a corporation or partnership and the employee's wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

The expenses referred to in subparagraph i of each of subparagraphs *a* to *c* of the first paragraph are those that are incurred in the particular period that begins on 26 March 2021 and ends on 31 December 2023, where

(a) the property is acquired in the particular period otherwise than pursuant to an obligation in writing entered into on or before 25 March 2021 and is not a property the construction of which, by or on behalf of the purchaser, had begun by that date; or

(b) the property is acquired after 31 December 2023 and before 1 April 2024 and either the acquisition is made pursuant to an obligation in writing entered into in the particular period, or the construction of the property, by or on behalf of the purchaser, began in that period.

2021, c. 14, s. 151; 2021, c. 36, s. 125; 2023, c. 2, s. 55.

1029.8.36.166.60.51. Subject to section 1029.8.36.166.60.54, a corporation that encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for a particular taxation year is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for the particular year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of all amounts each of which is the lesser of

(a) the amount by which the unused portion of the tax credit of the corporation for a taxation year (in subparagraph *b* referred to as the "original year") that is any of the 20 taxation years that precede the particular year exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister by the corporation under this section or section 1029.8.36.166.60.52, in respect of the unused portion of the tax credit, on account of its tax payable for a taxation year preceding the particular year; and

(b) the amount by which the corporation's limit relating to an unused portion for the particular year exceeds the aggregate of all amounts each of which is equal to the amount deemed to be paid by the corporation under this section, for the particular year, in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the original year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2021, c. 14, s. 151.

1029.8.36.166.60.52. Subject to section 1029.8.36.166.60.55, a corporation is deemed, for a particular taxation year ending after 10 March 2020, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file under section 1000 for a taxation year (in this section referred to as the "subsequent year") that is any of the three taxation years that follow the particular year, to have paid to the

Minister, in relation to the unused portion of the tax credit of the corporation for the subsequent year, on the day on which the form is filed with the Minister, an amount equal to the lesser of

(a) the amount by which the unused portion of the tax credit of the corporation for the subsequent year exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister by the corporation under this section, in respect of the unused portion, for a taxation year preceding the particular year; and

(b) the amount by which its total taxes for the particular year exceed the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for the particular year under any of sections 1029.8.36.166.60.48, 1029.8.36.166.60.49 and 1029.8.36.166.60.51, or under this section in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the subsequent year.

2021, c. 14, s. 151.

1029.8.36.166.60.53. No amount may be deemed to have been paid to the Minister by a qualified corporation for a particular taxation year under section 1029.8.36.166.60.48 or 1029.8.36.166.60.49, in relation to its specified expenses or its share of a qualified partnership's specified expenses, as the case may be, in respect of a specified property, where, at any time during the period described in the second paragraph, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used, where the property is referred to in subparagraph v of paragraph *b* of the definition of "specified property" in the first paragraph of section 1029.8.36.166.60.36, mainly in Québec or, in any other case, solely in Québec, to earn income from a business carried on

(a) by the first purchaser of the property, where the first purchaser owns it at the time referred to in the portion before this subparagraph; or

(b) by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, where the subsequent purchaser owns it at the time referred to in the portion before subparagraph *a*.

The period to which the first paragraph refers is the period that begins on the particular day on which the property begins to be used by its first purchaser or by a subsequent purchaser that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies and ends on the earlier of

(a) the 730th day following the particular day; and

(b) the qualified corporation's filing-due date for the particular taxation year or the last day of the six-month period following the end of the qualified partnership's fiscal period that ends in the particular year, as the case may be.

2021, c. 14, s. 151.

1029.8.36.166.60.54. Where, at any time, control of a corporation is acquired by a person or a group of persons, no amount may, for a particular taxation year ending after that time, be deemed, under section 1029.8.36.166.60.51, to have been paid to the Minister by the corporation in respect of its unused portion of the tax credit for a taxation year ending before that time.

However, subject to section 1029.8.36.166.60.53, the corporation may be deemed to have paid an amount to the Minister, for such a particular taxation year, in respect of the portion of the unused portion of the tax credit for a taxation year ending before that time that may reasonably be considered to be attributable to the carrying on of a business, if the corporation carried on the business throughout the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may be deemed to have paid to the Minister for the particular year under section 1029.8.36.166.60.51 in respect of the portion referred to in the second paragraph must be determined as if the total taxes used in establishing, for the particular year, the corporation's limit relating to an unused portion referred to in subparagraph *b* of the first paragraph of that section were the portion of such total taxes of the corporation for the particular year that may reasonably be attributed to the carrying on of that business and—if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time—of any other business all or substantially all of the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

2021, c. 14, s. 151; 2023, c. 2, s. 56.

1029.8.36.166.60.55. Where, at any time, control of a corporation is acquired by a person or a group of persons, no amount may, for a particular taxation year ending before that time, be deemed, under section 1029.8.36.166.60.52, to have been paid to the Minister by the corporation in respect of its unused portion of the tax credit for a taxation year ending after that time.

However, the corporation may be deemed to have paid an amount to the Minister, for such a particular taxation year, in respect of the portion of the unused portion of the tax credit for a taxation year ending after that time that may reasonably be considered to be attributable to the carrying on of a business, if the corporation carried on the business throughout that taxation year and in the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may be deemed to have paid to the Minister for the particular year under section 1029.8.36.166.60.52 in respect of the portion referred to in the second paragraph must be determined as if the reference to the total taxes in that section were a reference to the portion of the corporation's total taxes for the particular year that may reasonably be attributed to the carrying on of that business and — if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time — of any other business all or substantially all of the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

2021, c. 14, s. 151; 2023, c. 2, s. 57.

1029.8.36.166.60.56. For the purposes of this division, a corporation or partnership deemed to have acquired a property at a particular time under paragraph *b* of section 125.1 is deemed to have acquired the property at that time in consideration for expenses, incurred and paid at that time, that correspond to the fair market value of the property at that time, and to own the property from that time until the corporation or partnership is deemed to dispose of the property under paragraph *f* of section 125.1.

2021, c. 14, s. 151.

§ 3. — *Government assistance, non-government assistance and other particulars*

2021, c. 14, s. 151.

1029.8.36.166.60.57. For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.36.166.60.48 or 1029.8.36.166.60.49, the following rules apply:

(a) the amount of the specified expenses referred to in the first paragraph of section 1029.8.36.166.60.48 is to be reduced, if applicable, by the amount of any government assistance or non-government assistance, attributable to those expenses, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the taxation year; and

(b) the corporation's share of a partnership's specified expenses, referred to in the first paragraph of section 1029.8.36.166.60.49, for the partnership's fiscal period that ends in the taxation year is to be reduced, if applicable,

i. by the corporation's share of the amount of any government assistance or non-government assistance, attributable to those expenses, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the last day of the six-month period following the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance, attributable to those expenses, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the last day of the six-month period following the end of the fiscal period.

2021, c. 14, s. 151.

1029.8.36.166.60.58. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.51 for a particular taxation year in respect of its unused portion of the tax credit for a particular preceding taxation year, in relation to specified expenses of the corporation or of a partnership of which it was a member at the end of the partnership's fiscal period ending in the particular preceding year, the unused portion of the tax credit of the corporation, otherwise determined, is to be reduced by the amount determined under the second paragraph if

(a) in the particular year or a preceding taxation year, an amount relating to the corporation's specified expenses, other than an amount reducing those expenses in accordance with section 1029.8.36.166.60.57 or 1029.8.36.166.60.65, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) in a fiscal period of the partnership ending in the particular year or in a preceding taxation year and at the end of which the corporation is a member of the partnership, an amount relating to the partnership's specified expenses, other than an amount reducing those expenses in accordance with section 1029.8.36.166.60.57 or 1029.8.36.166.60.65, is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The amount to which the first paragraph refers is equal to the amount by which the unused portion of the tax credit of the corporation for the particular preceding year, otherwise determined, exceeds the amount that would be the amount of the unused portion of the tax credit of the corporation if

(a) any amount referred to in subparagraph *a* of the first paragraph that is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation were directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation in the particular preceding year; and

(b) any amount referred to in subparagraph *b* of the first paragraph that is, directly or indirectly, refunded or otherwise paid to the corporation or partnership or allocated to a payment to be made by the corporation or partnership were directly or indirectly, refunded or otherwise paid to the corporation or partnership or allocated to a payment to be made by the corporation or partnership in the partnership's fiscal period ending in the particular preceding year.

Where, in respect of the specified expenses referred to in the first paragraph, a person other than the corporation, or a partnership other than the partnership of which the corporation is a member, has obtained, at a particular time, a benefit or advantage that would have reduced those expenses in accordance with section 1029.8.36.166.60.65 if the person or partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the corporation's filing-due date for the particular preceding taxation year, or on or before the last day of the six-month period following the end of the fiscal period of the partnership of which the corporation is a member that ended in the particular preceding taxation year, the benefit or advantage is, for the purposes of the first and second paragraphs,

(a) if those expenses were incurred by the corporation, deemed to be an amount that is paid to the corporation at that time; or

(b) if those expenses were incurred by the partnership of which the corporation is a member, deemed to be

i. an amount that is paid to that partnership at that time, where that benefit or advantage has been obtained by another partnership or by a person other than the person referred to in subparagraph ii, or

ii. an amount that is paid to the corporation at that time, where that benefit or advantage has been obtained by a person with whom the corporation does not deal at arm's length.

2021, c. 14, s. 151.

1029.8.36.166.60.59. For the purpose of applying section 1029.8.36.166.60.58 to a corporation for a particular taxation year, the specified expenses, in respect of a specified property, of the corporation for a preceding taxation year or of a partnership for a fiscal period of the partnership that ends in that preceding year and at the end of which the corporation was a member of the partnership are deemed to be repaid to the corporation or partnership, as the case may be, at a particular time of the period described in the second paragraph, where the property ceases at that time, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used, where the property is referred to in subparagraph v of paragraph *b* of the definition of "specified property" in the first paragraph of section 1029.8.36.166.60.36, mainly in Québec or, in any other case, solely in Québec, to earn income from a business carried on

(a) by the first purchaser of the property, where the first purchaser owns it at the particular time; or

(b) by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, where the subsequent purchaser owns it at the particular time.

The period to which the first paragraph refers is the period that begins on the particular day on which the property begins to be used by its first purchaser or by a subsequent purchaser that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies, and that ends on the earlier of

(a) the 730th day following the particular day; and

(b) the last day of the particular taxation year or of the partnership's fiscal period that ends in that year, as the case may be.

The first paragraph does not apply to a corporation for a taxation year, in relation to specified expenses, in respect of a specified property, of the corporation for a particular preceding taxation year or of a partnership of which the corporation is a member for a fiscal period that ends in the particular preceding taxation year, if section 1029.8.36.166.60.53 applied, in relation to the specified expenses, for the particular preceding taxation year.

2021, c. 14, s. 151; 2023, c. 2, s. 58.

1029.8.36.166.60.60. Where a corporation pays, in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of paragraph *a* of section 1029.8.36.166.60.57, the corporation's specified expenses in respect of a specified property for a particular taxation year, for the purpose of computing the amount that it is deemed to have paid to the Minister under section 1029.8.36.166.60.48 for that particular year, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal

return it is required to file for the repayment year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is an amount that it would be deemed to have paid to the Minister, in respect of its specified expenses for the particular year, under section 1029.8.36.166.60.48 for the particular year, or under section 1029.8.36.166.60.51 or 1029.8.36.166.60.52 for another taxation year that precedes the repayment year, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in paragraph *a* of section 1029.8.36.166.60.57, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, in respect of those expenses, under section 1029.8.36.166.60.48 for the particular year, or under section 1029.8.36.166.60.51 or 1029.8.36.166.60.52 for another taxation year that precedes the repayment year; and

(b) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year, in respect of an amount of repayment of such assistance.

2021, c. 14, s. 151.

1029.8.36.166.60.61. Where a partnership pays, in a fiscal period (in this section referred to as the "fiscal period of repayment"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of paragraph *b* of section 1029.8.36.166.60.57, a corporation's share of the partnership's specified expenses in respect of a specified property for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.49 for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of its share of the partnership's specified expenses for the particular fiscal period, under section 1029.8.36.166.60.49 for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.166.60.51 or 1029.8.36.166.60.52 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of that share, under section 1029.8.36.166.60.49 for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.166.60.51 or 1029.8.36.166.60.52 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of such assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of paragraph *b* of section 1029.8.36.166.60.57; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2021, c. 14, s. 151.

1029.8.36.166.60.62. Where a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of paragraph *b* of section 1029.8.36.166.60.57, its share of the partnership's specified expenses in respect of a specified property for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.49 for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of its share of the partnership's specified expenses for the particular fiscal period, under section 1029.8.36.166.60.49 for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.166.60.51 or 1029.8.36.166.60.52 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of that share, under section 1029.8.36.166.60.49 for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.166.60.51 or 1029.8.36.166.60.52 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of such assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of paragraph *b* of section 1029.8.36.166.60.57; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2021, c. 14, s. 151.

1029.8.36.166.60.63. For the purposes of sections 1029.8.36.166.60.60 to 1029.8.36.166.60.62, an amount of assistance is deemed to be repaid, at a particular time, by a corporation or a partnership, as the case may be, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.166.60.57, specified expenses or the share of such expenses of a corporation that is a member of the partnership, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.166.60.48 or 1029.8.36.166.60.49;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership may reasonably expect to receive.

2021, c. 14, s. 151.

1029.8.36.166.60.64. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.51 for a particular taxation year in respect of its unused portion of the tax credit for a particular preceding taxation year, the unused portion of the tax credit of the corporation, otherwise determined, must, if the conditions set out in the second paragraph are met for the particular year or for a preceding taxation year (each of which is referred to in this section as a "year of increase"), be increased by the aggregate of all amounts each of which is the excess amount referred to in subparagraph *b* of the second paragraph for a year of increase.

For the purposes of the first paragraph, the conditions that must be met for a year of increase are as follows:

(a) any of sections 1029.8.36.166.60.60 to 1029.8.36.166.60.63 applies to the corporation for the year of increase in relation to a particular amount that may reasonably be considered to be a repayment, made in the year of increase or in a partnership's fiscal period ending in the year of increase, of government assistance or non-government assistance that reduced, because of section 1029.8.36.166.60.57, the corporation's specified expenses, in respect of a specified property, for the particular preceding year or the corporation's share of the partnership's specified expenses, in respect of a specified property, for a fiscal period of the partnership ending in the particular preceding year; and

(b) the total amount that the corporation would be deemed to have paid to the Minister for the particular preceding year under sections 1029.8.36.166.60.48 and 1029.8.36.166.60.49 if the assumptions set out in the third paragraph were taken into account exceeds the particular amount determined under the fourth paragraph.

The total amount to which subparagraph *b* of the second paragraph refers is to be computed as if

(a) no reference were made to the third paragraph of sections 1029.8.36.166.60.48 and 1029.8.36.166.60.49;

(b) where section 1029.8.36.166.60.61 or 1029.8.36.166.60.62 applies to the corporation for the year of increase, the agreed proportion, in respect of the corporation for the partnership's fiscal period ending in the particular preceding year, were the same as that for the fiscal period ending in the year of increase; and

(c) any particular amount referred to in subparagraph *a* of the second paragraph that may reasonably be considered to be a repayment of government assistance or non-government assistance referred to in that subparagraph reduced the amount of government assistance or non-government assistance.

The particular amount to which subparagraph *b* of the second paragraph refers is the aggregate of

(a) the total amount that would be determined under that subparagraph *b* if no reference were made to subparagraph *c* of the third paragraph; and

(b) the total amount that the corporation is deemed to have paid to the Minister for the year of increase under sections 1029.8.36.166.60.60 to 1029.8.36.166.60.62.

2021, c. 14, s. 151.

1029.8.36.166.60.65. Where, in relation to specified expenses of a qualified corporation or of a qualified partnership, in respect of a specified property, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the acquisition of the specified property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.166.60.48, the amount of the specified expenses is to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.166.60.49 by a qualified corporation that is a member of the qualified partnership, the corporation's share, for the partnership's fiscal period that ends in the taxation year, of the amount of the specified expenses, is to be reduced

i. by the corporation's share, for the fiscal period, of the amount of the benefit or advantage that the person or partnership, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain on or before the last day of the six-month period following the end of the fiscal period, and

ii. by the amount of the benefit or advantage that the qualified corporation or a person with whom it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the last day of the six-month period following the end of the fiscal period.

2021, c. 14, s. 151.

DIVISION II.6.14.3

CREDIT FOR INTERNATIONAL FINANCIAL CENTRES

2011, c. 1, s. 80.

1029.8.36.166.61. In this division,

"eligible contract" of a corporation for all or part of a taxation year means a contract of the corporation in respect of which a certificate is issued to the corporation for the year by the Minister of Finance for the purposes of this division, according to which the contract is an eligible contract for all or part of the year;

"eligible employee" of a corporation for all or part of a taxation year means an employee of the corporation in respect of whom a qualification certificate to the effect that the employee is an eligible employee for all or part of the year is issued to the corporation for the year by the Minister of Finance for the purposes of this division;

"qualified international financial transaction" has the meaning assigned by section 2.1 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1);

"qualified wages" incurred by a corporation in a taxation year in respect of an eligible employee for all or part of the taxation year means the lesser of

(a) the amount obtained by multiplying $75,000 by the proportion that the number of days in the taxation year during which the employee qualifies as an eligible employee of the corporation is of 365; and

(b) the amount by which the amount of the wages incurred in the year by the corporation in respect of the employee, while the employee qualifies as an eligible employee of the corporation, to the extent that that amount is paid, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such wages that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the taxation year, and

ii. the aggregate of all amounts each of which is the amount of a benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to the duties performed by the employee in the course of the operations of the business carried on by the corporation in the taxation year that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the

corporation's filing-due date for that taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner;

"wages" means the income computed under Chapters I and II of Title II of Book III.

2011, c. 1, s. 80; 2019, c. 14, s. 363.

1029.8.36.166.62. A corporation operating an international financial centre in a taxation year that holds for that year a valid qualification certificate issued by the Minister of Finance for the purposes of this division and that encloses with the fiscal return it is required to file for the year under section 1000 the documents described in the third paragraph is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 24% of the aggregate of

(a) the aggregate of all amounts each of which is the qualified wages incurred by the corporation in the year in respect of an eligible employee for all or part of that year, where the qualification certificate issued in respect of that employee is in relation to the carrying out of qualified international financial transactions; and

(b) the aggregate of all amounts each of which is 80% of the qualified wages incurred by the corporation in the year in respect of an eligible employee for all or part of that year, where the qualification certificate issued in respect of that employee is in relation to an eligible contract.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information;

(b) a copy of any qualification certificate that has been issued to the corporation for the taxation year by the Minister of Finance for the purposes of this division.

2011, c. 1, s. 80; 2015, c. 21, s. 467; 2019, c. 14, s. 364; 2022, c. 23, s. 115.

1029.8.36.166.63. If a corporation pays in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that was taken into account for the purpose of computing qualified wages incurred in a particular taxation year by the corporation in respect of an eligible employee and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.166.62 for the particular taxation year, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on its balance due-day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to

the Minister for the particular year in respect of the qualified wages under section 1029.8.36.166.62 if any amount of assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount determined under subparagraph i of paragraph *b* of the definition of "qualified wages" in section 1029.8.36.166.61, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.62 for the particular year in respect of the qualified wages; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

2011, c. 1, s. 80.

1029.8.36.166.64. For the purposes of section 1029.8.36.166.63, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of subparagraph i of paragraph *b* of the definition of "qualified wages" in section 1029.8.36.166.61, the amount of the wages referred to in that paragraph *b*, for the purpose of computing qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.166.62;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

2011, c. 1, s. 80.

DIVISION II.6.14.4

CREDIT FOR THE HIRING OF EMPLOYEES BY NEW FINANCIAL SERVICES CORPORATIONS

2013, c. 10, s. 123.

1029.8.36.166.65. In this division,

"eligibility period" of a corporation for a taxation year means all of the taxation year for which a certificate has been issued to the corporation for the purposes of this division or, if applicable, the part of that year specified in the certificate;

"eligible employee" of a corporation for all or part of a taxation year means an individual who meets the following conditions:

(1) the individual is an employee of the corporation; and

(2) the corporation obtains a certificate for the year in respect of the individual, for the purposes of this division, certifying that the employee is recognized as an eligible employee for that year or part of year;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192; or

(c) a corporation that carries on a personal services business in the year;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation, in respect of which all or part of the year is included in the period of validity specified in the qualification certificate it holds for the purposes of this division and that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified wages" incurred by a corporation in a taxation year in respect of an eligible employee means the lesser of

(a) the amount obtained by multiplying $100,000 by the proportion that the number of days in the taxation year during which the employee is recognized as an eligible employee of the corporation is of 365; and

(b) the amount by which the amount of the wages incurred by the corporation in its eligibility period for the taxation year in respect of the employee, while the employee is recognized as an eligible employee of the corporation, to the extent that that amount is paid, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such wages that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the taxation year, and

ii. the aggregate of all amounts each of which is the amount of a benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to the duties performed by the employee in the course of the operations of the business carried on by the corporation in the taxation year that a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the corporation's filing-due date for that taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner;

"wages" means the income computed under Chapters I and II of Title II of Book III.

2013, c. 10, s. 123; 2019, c. 14, s. 365.

1029.8.36.166.66. A qualified corporation that holds, for a taxation year, a certificate issued by the Minister of Finance for the purposes of this division and that encloses with the fiscal return it is required to file for the year under section 1000 a copy of the certificate as well as the documents described in the third paragraph is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 24% of the aggregate of all amounts each of which is the qualified wages incurred by the corporation in the year and after 20 March 2012 in respect of an eligible employee.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the following documents:

i. the qualification certificate issued to the corporation by the Minister of Finance for the purposes of this division, and

ii. any certificate issued to the corporation by the Minister of Finance for the year for the purposes of this division, in relation to an eligible employee.

2013, c. 10, s. 123; 2015, c. 21, s. 468.

1029.8.36.166.67. If a corporation pays in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that was taken into account for the purpose of computing qualified wages incurred in a particular taxation year by the corporation in respect of an eligible employee and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.166.66 for the particular taxation year, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on its balance due-day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year in respect of the qualified wages under section 1029.8.36.166.66 if any amount of assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount determined under subparagraph i of paragraph *b* of the definition of "qualified wages" in section 1029.8.36.166.65, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.66 for the particular year in respect of the qualified wages; and

(b) any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

2013, c. 10, s. 123.

1029.8.36.166.68. For the purposes of section 1029.8.36.166.67, an amount of assistance is deemed to be repaid by a corporation in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of subparagraph i of paragraph *b* of the definition of "qualified wages" in section 1029.8.36.166.65, the amount of the wages referred to in that paragraph *b*, for the purpose of computing qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.166.66;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

2013, c. 10, s. 123.

DIVISION II.6.14.5

CREDIT RELATING TO NEW FINANCIAL SERVICES CORPORATIONS

2013, c. 10, s. 123.

§ 1. — *Interpretation*

2013, c. 10, s. 123.

1029.8.36.166.69. In this division,

"eligibility period" of a corporation for a taxation year means all of the taxation year for which a certificate has been issued to the corporation for the purposes of this division or, if applicable, the part of that year specified in the certificate;

"eligible activities" of a corporation for a taxation year means the activities that the corporation carries on in the year and that are specified in the qualification certificate issued to it for the purposes of this division;

"excluded corporation" for a taxation year means

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192; or

(c) a corporation that carries on a personal services business in the year;

"qualified corporation" for a taxation year means a corporation, other than an excluded corporation, in respect of which all or part of the year is included in the period of validity specified in the qualification certificate it holds for the purposes of this division and that, in the year, carries on a business in Québec and has an establishment in Québec;

"qualified expenditure" of a corporation for a taxation year means the aggregate of all amounts each of which is an expenditure incurred by the corporation in the year, that is directly attributable to its eligible activities for the year carried on in an establishment of the corporation situated in Québec and is any of the following expenditures, provided it is wholly or partly attributable to its eligibility period for the year:

(a) the fees relating to the constitution of the initial regulatory file submitted to a recognized regulatory or self-regulatory organization of a financial market;

(b) the fees relating to the constitution of the initial file for participation in a stock exchange;

(c) the duties, dues and charges paid to a recognized regulatory or self-regulatory organization of a financial market;

(d) the duties and costs as a participant in a stock exchange;

(e) the connection and usage fees of an electronic trading solution for participation in a stock exchange;

(f) the subscription fees for a research or financial analysis tool or service;

(g) the fees relating to the constitution of a prospectus required by a recognized regulatory or self-regulatory organization of a financial market; or

(h) the fees paid to a compliance consultant to ensure compliance with the requirements of a recognized regulatory or self-regulatory organization of a financial market.

2013, c. 10, s. 123; 2019, c. 14, s. 366.

§ 2. — *Credit*

2013, c. 10, s. 123.

1029.8.36.166.70. A qualified corporation that holds, for a taxation year, a valid certificate issued by the Minister of Finance for the purposes of this division and that encloses with the fiscal return it is required to file for the year under section 1000 a copy of the certificate as well as the documents described in the third paragraph is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 32% of the lesser of

(a) the corporation's qualified expenditure for the year, to the extent that it is paid; and

(b) the corporation's qualified expenditure limit for the year.

For the purpose of computing the payments that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing prescribed information; and

(b) a copy of the following documents:

i. the qualification certificate issued to the corporation by the Minister of Finance for the purposes of this division, and

ii. the agreement referred to in section 1029.8.36.166.72, if applicable.

2013, c. 10, s. 123; 2015, c. 21, s. 469.

1029.8.36.166.71. In this division, the qualified expenditure limit of a corporation for a taxation year is equal to

(a) if the corporation is not a member of an associated group in the year, $375,000; or

(b) if the corporation is a member of an associated group in the year, an amount attributed for the year to the corporation pursuant to the agreement described in section 1029.8.36.166.72 and enclosed with the fiscal return the corporation is required to file for the year under section 1000 or, if no amount is attributed to the corporation under the agreement or in the absence of such an agreement, zero.

For the purposes of this section and sections 1029.8.36.166.72 to 1029.8.36.166.74, an associated group in a taxation year means all the corporations that are associated with each other in the year and are qualified corporations for the year.

2013, c. 10, s. 123.

1029.8.36.166.72. The agreement to which subparagraph *b* of the first paragraph of section 1029.8.36.166.71 refers is the agreement under which all the qualified corporations that are members of the associated group in the year attribute for the year, in the prescribed form, to one or more of their number, for the purposes of this division, one or more amounts the total of which does not exceed $375,000.

If the aggregate of the amounts attributed, in respect of a taxation year, pursuant to an agreement described in the first paragraph and entered into by the qualified corporations that are members of an associated group in the year exceeds $375,000, the amount determined under subparagraph *b* of the first paragraph of section 1029.8.36.166.71 in respect of each of those corporations for the taxation year is deemed, for the purposes of this division, to be equal to the proportion of $375,000 that that determined amount is of the aggregate of the amounts attributed for the year under the agreement.

2013, c. 10, s. 123.

1029.8.36.166.73. If a qualified corporation that is a member of an associated group referred to in subparagraph *b* of the first paragraph of section 1029.8.36.166.71 fails to file with the Minister an agreement described in that subparagraph within 30 days after notice in writing by the Minister has been sent to any of the corporations that are members of that group that such an agreement is required for the purposes of any assessment of tax under this Part or for the determination of another amount, the Minister shall, for the

purposes of this division, attribute an amount to one or more of those corporations for the taxation year, which amount or the aggregate of which amounts must be equal to $375,000, and in such a case, despite that subparagraph *b*, the qualified expenditure limit for the year of each of the corporations is equal to the amount so attributed to it.

2013, c. 10, s. 123.

1029.8.36.166.74. Despite sections 1029.8.36.166.71 to 1029.8.36.166.73, the following rules apply:

(a) if a corporation that is a member of an associated group (in this paragraph referred to as the "first corporation") has more than one taxation year ending in the same calendar year and is associated in two or more of those taxation years with another corporation that is a member of the group that has a taxation year ending in that calendar year, the qualified expenditure limit of the first corporation for each particular taxation year that ends in the calendar year in which it is associated with the other corporation and that ends after the first taxation year ending in that calendar year is, subject to paragraph *b*, an amount equal to the lesser of

i. its qualified expenditure limit for the first taxation year ending in the calendar year, determined without reference to this section, and

ii. its qualified expenditure limit for the particular taxation year ending in the calendar year, determined without reference to this section;

(b) if a corporation has a taxation year of fewer than 51 weeks, except in cases where paragraph *c* applies, the qualified expenditure limit of the corporation for the year is equal to that proportion of its qualified expenditure limit for the year, determined without reference to this paragraph, that the number of days in the year is of 365; and

(c) if the eligibility period of a corporation for a taxation year corresponds to a part of the taxation year, the qualified expenditure limit of the corporation for the year is equal to that proportion of its qualified expenditure limit for the year, determined without reference to this paragraph, that the number of days in that period is of the number of days in the taxation year.

2013, c. 10, s. 123.

1029.8.36.166.75. Where it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a taxation year is to cause a qualified corporation to be deemed to have paid an amount to the Minister under this division for that year or to increase an amount that a qualified corporation is deemed to have paid to the Minister under this division for that year, those corporations are deemed, for the purposes of this division, to be associated with each other in the year.

2013, c. 10, s. 123.

§ 3. — *Government assistance, non-government assistance and other particulars*

2013, c. 10, s. 123.

1029.8.36.166.76. For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a corporation under section 1029.8.36.166.70, the amount of the qualified expenditure of the corporation referred to in subparagraph *a* of the first paragraph of that section is to be reduced, if applicable, by the amount of any government assistance or non-government assistance, attributable to that expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that taxation year.

2013, c. 10, s. 123.

1029.8.36.166.77. If, in respect of a qualified expenditure of a qualified corporation, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the qualified expenditure, whether in the form

of a repayment, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the amount of the qualified expenditure of the qualified corporation for a taxation year is, for the purpose of computing the amount that is deemed to have been paid to the Minister for that year by the qualified corporation under section 1029.8.36.166.70, to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the qualified corporation's filing-due date for the taxation year.

2013, c. 10, s. 123.

1029.8.36.166.78. If a corporation pays, in a taxation year (in this section referred to as the "repayment year"), pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that was taken into consideration for the purpose of computing the qualified expenditure of the corporation for a particular taxation year in respect of which it is deemed to have paid an amount to the Minister under section 1029.8.36.166.70 for the particular year, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on its balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for the particular year, in respect of the qualified expenditure, under section 1029.8.36.166.70 if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.166.76, exceeds the aggregate of

(a) the amount that it is deemed to have paid to the Minister under section 1029.8.36.166.70 for the particular year in respect of the qualified expenditure; and

(b) any amount that it is deemed to have paid to the Minister for a taxation year preceding the repayment year under this section in respect of an amount of repayment of that assistance.

2013, c. 10, s. 123.

1029.8.36.166.79. For the purposes of section 1029.8.36.166.78, an amount of assistance is deemed to be repaid by a corporation at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.166.76, a qualified expenditure for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.166.70;

(b) was not received by the corporation; and

(c) ceased at the particular time to be an amount that the corporation could reasonably expect to receive.

2013, c. 10, s. 123.

DIVISION II.6.15

CREDIT RELATING TO MINING OR OTHER RESOURCES

2002, c. 40, s. 209; 2023, c. 2, s. 59.

§ 1. — *Interpretation and general*

2002, c. 40, s. 209.

1029.8.36.167. In this division,

"associated group" in a taxation year has the meaning assigned by section 1029.8.36.167.1;

"Canadian renewable and conservation expense in Canada" has the meaning assigned by section 399.7;

"eligible expenses" of a corporation for a taxation year or of a partnership for a fiscal period means expenses incurred, after 29 March 2001, by the corporation in the taxation year or by the partnership in the fiscal period and that consist of

(a) any Canadian exploration expense that is incurred before 1 April 2023 and that would be described in paragraph *a* or *b*.1 of section 395 if the reference therein to "Canada", wherever it appears, except in subparagraph iv of that paragraph *b*.1, were a reference to "Québec, but outside the northern exploration zone" and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(a.0.1*)* any Canadian exploration expense (other than that described in paragraph *a*.1) that would be described in paragraph *c* of section 395 if the reference therein to "mineral resource in Canada" were a reference to "mineral resource in Québec, but outside the northern exploration zone, other than coal," and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(a.0.2*)* any Canadian exploration expense (other than that described in paragraph *a*.1) that is incurred before 1 April 2023 and that would be described in paragraph *c* of section 395 if the reference therein to "mineral resource in Canada" were a reference to "mineral resource that is coal in Québec, but outside the northern exploration zone," and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(a.1*)* any Canadian exploration expense that is incurred after 20 August 2002 but before 1 January 2008 and that would be described in paragraph *c* of section 395 if the reference therein to "Canada" were a reference to "Québec, but outside the northern exploration zone," and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(b) any Canadian development expense that is incurred before 1 April 2023 and that would be described in paragraph *a* or *a*.1 of section 408 if the references therein to "Canada" and "Canada,", wherever they appear, were a reference to "Québec, but outside the northern exploration zone," and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(c) any Canadian exploration expense that is incurred before 1 April 2023 and that would be described in paragraph *a* or *b*.1 of section 395 if the reference therein to "in Canada", wherever it appears, except in subparagraph iv of that paragraph *b*.1, were a reference to "in the northern exploration zone" and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(c.0.1*)* any Canadian exploration expense that is incurred after 17 March 2016 and that would be described in paragraph *c* of section 395 if the reference therein to "mineral resource in Canada" were a reference to "mineral resource in the northern exploration zone, other than coal," and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(c.0.2*)* any Canadian exploration expense that is incurred after 17 March 2016 but before 1 April 2023 and that would be described in paragraph *c* of section 395 if the reference therein to "mineral resource in Canada" were a reference to "mineral resource in the northern exploration zone that is coal" and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(c.1*)* any Canadian exploration expense that is incurred after 20 August 2002 but before 1 January 2008 and that would be described in paragraph *c* of section 395 if the reference therein to "in Canada" were a reference to "in the northern exploration zone" and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(d) any Canadian development expense that is incurred before 1 April 2023 and that would be described in paragraph *a* or *a*.1 of section 408 if the reference therein to "in Canada", wherever it appears, were a

reference to "in the northern exploration zone" and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

(e) any Canadian renewable and conservation expense, to the extent that it is incurred in respect of work carried out by the corporation or partnership in Québec under a project related to a business carried on by the corporation or partnership in Québec;

(f) any Canadian exploration expense that would be described in paragraph *c* of section 395 if the reference therein to "mineral resource in Canada," were a reference to "natural resource in Québec, that is granite, sandstone, limestone, marble or slate, to the extent that the resources are used for the production of dimension stones, cemetery monuments, building stones, paving stones, curbing and roof tiles," and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership's fiscal period;

"northern exploration zone" has the meaning assigned by section 726.4.17.18;

"qualified corporation" for a taxation year means a corporation that, in the year, carries on a business in Québec and has an establishment in Québec, other than a corporation

(a) that is exempt from tax for the year under Book VIII; or

(b) that would be exempt from tax for the year under section 985, but for section 192;

"qualified partnership" for a fiscal period means a partnership that, in the fiscal period, carries on a business in Québec and has an establishment in Québec;

"total taxes" of a corporation for a taxation year means the aggregate of

(a) its tax payable for the year under this Part; and

(b) its tax that would be payable for the year under Part IV if that tax were computed without reference to sections 1135.1 and 1135.2;

"unused portion of the refundable tax credit" of a corporation for a taxation year means the amount by which the total amount that the corporation would be deemed to have paid to the Minister for that year under subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168 to 1029.8.36.171 if the second paragraph of sections 1029.8.36.168 and 1029.8.36.169 and the third paragraph of sections 1029.8.36.170 and 1029.8.36.171 were not taken into account exceeds the amount by which its total taxes for the year exceeds the amount it is deemed to have paid to the Minister for that year under section 1029.8.36.171.1.

The expenses referred to in the definition of "eligible expenses" in the first paragraph do not include

(a) an amount included in the Canadian exploration and development overhead expense of a taxpayer, within the meaning of section 360R2 of the Regulation respecting the Taxation Act (chapter I-3, r. 1);

(b) an amount relating to Canadian exploration expense or Canadian development expense renounced by a corporation in respect of a share under this Act; and

(c) an amount relating to financing, including expenses incurred before the beginning of the carrying on of a business.

2002, c. 40, s. 209; 2003, c. 8, s. 6; 2004, c. 21, s. 424; 2005, c. 1, s. 249; 2005, c. 38, s. 275; 2009, c. 15, s. 304; 2015, c. 21, s. 470; 2017, c. 1, s. 298; 2023, c. 2, s. 60.

1029.8.36.167.1. An associated group in a taxation year means all the corporations that are associated with each other at any given time in the year.

For the purposes of the first paragraph, the following rules apply:

(a) a business carried on by an individual, other than a trust, is deemed to be carried on by a corporation all the voting shares in the capital stock of which are owned at the given time by the individual;

(b) a partnership is deemed to be a corporation whose taxation year corresponds to the partnership's fiscal period and all the voting shares in the capital stock of which are owned at the given time by each member of the partnership in a proportion equal to the agreed proportion in respect of the member for the partnership's fiscal period that includes that time; and

(c) a trust is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this subparagraph *c* referred to as the "distribution date") and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) if such a beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and if the given time occurs before the distribution date, are owned at that time by the beneficiary, or

(2) if subparagraph 1 does not apply and the given time occurs before the distribution date, are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries,

ii. if a beneficiary's share of the accumulating income or of the capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at the given time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at the given time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at the given time by the person referred to in that section from whom property of the trust or property for which property of the trust was substituted was directly or indirectly received.

2015, c. 21, s. 471.

§ 2. — *Credits*

2002, c. 40, s. 209.

1029.8.36.168. A qualified corporation for a taxation year, other than such a corporation referred to in the second paragraph of section 1029.8.36.170, that encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the third paragraph, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) 12% of the eligible expenses of the corporation for the year that constitute such expenses by reason of any of paragraphs *a* to *b* and *f* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(b) 15% of the eligible expenses of the corporation for the year that constitute such expenses by reason of any of paragraphs *c*, *c*.1 and *d* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(b.1*)* 18.75% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *c*.0.1 or *c*.0.2 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(c) 24% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *e* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(d) subject to the second paragraph, 30% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *a*.1 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid; and

(e) subject to the second paragraph, 26.25% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *c*.1 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid.

The total amount that the qualified corporation is deemed to have paid to the Minister for the year under subparagraphs *d* and *e* of the first paragraph and subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.169 and 1029.8.36.171 shall not exceed the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.171.1.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2002, c. 40, s. 209; 2003, c. 9, s. 341; 2004, c. 21, s. 425; 2015, c. 21, s. 472; 2017, c. 1, s. 299; 2023, c. 2, s. 61.

1029.8.36.169. A qualified corporation for a taxation year that is a member of a qualified partnership, other than such a partnership referred to in the second paragraph of section 1029.8.36.171, at the end of a particular fiscal period of the partnership that ends in the year, and that encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the third paragraph, to have paid to the Minister on the qualified corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) 12% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of any of paragraphs *a* to *b* and *f* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(b) 15% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of any of paragraphs *c*, *c*.1 and *d* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

*(b.*1*)* 18.75% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *c*.0.1 or *c*.0.2 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(c) 24% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *e* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(d) subject to the second paragraph, 30% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *a*.1 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid; and

(e) subject to the second paragraph, 26.25% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *c*.1 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid.

The total amount that the qualified corporation is deemed to have paid to the Minister for the year under subparagraphs *d* and *e* of the first paragraph and subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168, 1029.8.36.170 and 1029.8.36.171 shall not exceed the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.171.1.

For the purpose of computing the payments that the qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for the qualified corporation's taxation year in which the particular fiscal period of the qualified partnership ends, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, a qualified corporation's share of an amount for a fiscal period of a qualified partnership is equal to the agreed proportion of the amount in respect of the qualified corporation for the partnership's fiscal period.

2002, c. 40, s. 209; 2003, c. 9, s. 342; 2004, c. 21, s. 426; 2009, c. 15, s. 305; 2015, c. 21, s. 473; 2017, c. 1, s. 300; 2023, c. 2, s. 62.

1029.8.36.170. A qualified corporation for a taxation year that is described in the second paragraph and that encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) 12% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *f* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(b) 28% of the eligible expenses of the corporation for the year that constitute such expenses by reason of any of paragraphs *a* to *b* and *e* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(c) 31% of the eligible expenses of the corporation for the year that constitute such expenses by reason of any of paragraphs *c*, *c*.1 and *d* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

*(c.*1*)* 38.75% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *c*.0.1 or *c*.0.2 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(d) subject to the third paragraph, 10% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *a*.1 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid; and

(e) subject to the third paragraph, 6.25% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *c*.1 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid.

The qualified corporation for a taxation year to which the first paragraph refers is a corporation that does not operate a mineral resource or an oil or gas well and that is not, in the year, a member of an associated group a member of which operates a mineral resource or an oil or gas well.

The total amount that the qualified corporation is deemed to have paid to the Minister for the year under subparagraphs *d* and *e* of the first paragraph and subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.169 and 1029.8.36.171 shall not exceed the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.171.1.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of this section, the operation of a mineral resource or an oil or gas well shall be interpreted as such an operation carried out in reasonable commercial quantities.

2002, c. 40, s. 209; 2003, c. 9, s. 343; 2004, c. 21, s. 427; 2005, c. 23, s. 224; 2015, c. 21, s. 474; 2017, c. 1, s. 301; 2023, c. 2, s. 63.

1029.8.36.171. A qualified corporation for a taxation year that is a member of a qualified partnership described in the second paragraph at the end of a particular fiscal period of the qualified partnership that ends in the year, and that encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) 12% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *f* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(b) 28% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of any of paragraphs *a* to *b* and *e* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(c) 31% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of any of paragraphs *c*, *c*.1 and *d* of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

*(c.*1*)* 38.75% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *c*.0.1 or *c*.0.2 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(d) subject to the third paragraph, 10% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *a*.1 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid; and

(e) subject to the third paragraph, 6.25% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *c*.1 of the definition of "eligible expenses" in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid.

The qualified partnership to which the first paragraph refers is a partnership that does not operate a mineral resource or an oil or gas well and no member of which operates, or is, in the taxation year of the qualified partnership referred to in that paragraph, a member of an associated group one of whose members operates, a mineral resource or an oil or gas well.

The total amount that the qualified corporation is deemed to have paid to the Minister for the year under subparagraphs *d* and *e* of the first paragraph and subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168 to 1029.8.36.170 shall not exceed the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.171.1.

For the purpose of computing the payments that the qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for the qualified corporation's taxation year in which the particular fiscal period of the qualified partnership ends, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of this section, the following rules apply:

(a) the operation of a mineral resource or an oil or gas well shall be interpreted as such an operation carried out in reasonable commercial quantities; and

(b) a qualified corporation's share of an amount for a fiscal period of a qualified partnership is equal to the agreed proportion of the amount in respect of the qualified corporation for the partnership's fiscal period.

2002, c. 40, s. 209; 2003, c. 9, s. 344; 2004, c. 21, s. 428; 2005, c. 23, s. 225; 2009, c. 15, s. 306; 2015, c. 21, s. 475; 2017, c. 1, s. 302; 2023, c. 2, s. 64.

1029.8.36.171.1. Subject to section 1029.8.36.171.3, a corporation that, for a particular taxation year ending after 20 August 2002, encloses the prescribed form containing the prescribed information with the

fiscal return the corporation is required to file under section 1000 for the particular year, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for the particular year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of all amounts each of which is the lesser of

(a) the amount by which the unused portion of the refundable tax credit of the corporation for a taxation year, in subparagraph *b* referred to as the "original year", that is any of the ten taxation years that precede the particular year, exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister by the corporation under this section or section 1029.8.36.171.2, in respect of the unused portion, on account of its tax payable for a taxation year preceding the particular year; and

(b) the amount by which the total taxes of the corporation for the particular year exceeds the aggregate of all amounts each of which is equal to the amount deemed to be paid by the corporation under this section, for the particular year, in respect of the unused portion of the refundable tax credit of the corporation for a taxation year preceding the original year.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2004, c. 21, s. 429; 2005, c. 23, s. 226.

1029.8.36.171.2. Subject to section 1029.8.36.171.4, a corporation is deemed, for a particular taxation year ending after 20 August 2002, if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file under section 1000 for a taxation year, in this section referred to as the "subsequent year", that is any of the three taxation years that follow the particular year, to have paid to the Minister for the particular year on the corporation's balance-due day for the subsequent year, in relation to the unused portion of the refundable tax credit of the corporation for the subsequent year, an amount equal to the lesser of

(a) the amount by which the unused portion of the refundable tax credit of the corporation for the subsequent year exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister by the corporation under this section, in respect of the unused portion, for a taxation year preceding the particular year; and

(b) the amount by which the total taxes of the corporation for the particular year exceeds the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for the particular year under subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168 to 1029.8.36.171 or section 1029.8.36.171.1, or under this section in respect of the unused portion of the refundable tax credit of the corporation for a taxation year preceding the subsequent year.

2004, c. 21, s. 429.

1029.8.36.171.3. Where, at any time, control of a corporation is acquired by a person or group of persons, no amount may, for a taxation year ending after that time, be deemed, under section 1029.8.36.171.1,

to have been paid to the Minister by the corporation in respect of the unused portion of the refundable tax credit of the corporation for a taxation year ending before that time.

However, the corporation may be deemed to have paid an amount to the Minister, for a particular taxation year ending after that time, in respect of the portion of an unused portion of the refundable tax credit for a taxation year ending before that time that may reasonably be considered to be attributable to the carrying on of a business, if the corporation carried on the business throughout the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may be deemed to have paid to the Minister for the particular year under section 1029.8.36.171.1 in respect of the portion referred to in the second paragraph must be determined as if the reference to the total taxes in that section were a reference to the portion of the total taxes of the corporation for the particular year that may reasonably be attributed to the carrying on of that business and, where the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time, of any other business substantially all the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

2004, c. 21, s. 429.

1029.8.36.171.4. Where, at any time, control of a corporation is acquired by a person or group of persons, no amount may, for a taxation year ending before that time, be deemed, under section 1029.8.36.171.2, to have been paid to the Minister by the corporation in respect of the unused portion of the refundable tax credit of the corporation for a taxation year ending after that time.

However, the corporation may be deemed to have paid an amount to the Minister, for a particular taxation year ending before that time, in respect of the portion of an unused portion of the refundable tax credit for a taxation year ending after that time that may reasonably be considered to be attributable to the carrying on of a business, if the corporation carried on the business throughout the taxation year and in the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may be deemed to have paid to the Minister for the particular year under section 1029.8.36.171.2 in respect of the portion referred to in the second paragraph must be determined as if the reference to the total taxes in that section were a reference to the portion of the total taxes of the corporation for the particular year that may reasonably be attributed to the carrying on of that business and, where the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time, of any other business substantially all the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

2004, c. 21, s. 429; 2007, c. 12, s. 192.

§ 3. — *Government assistance, non-government assistance and other particulars*

2002, c. 40, s. 209.

1029.8.36.172. For the purpose of computing the amount that is deemed to have been paid to the Minister by a qualified corporation, for a taxation year, under any of sections 1029.8.36.168 to 1029.8.36.171, the following rules apply:

(a) the amount of the eligible expenses referred to in any of subparagraphs *a* to *e* of the first paragraph of section 1029.8.36.168 or 1029.8.36.170, as the case may be, shall be reduced, where applicable, by the amount of any government assistance or non-government assistance attributable to the expenses that the qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for the year;

(b) the corporation's share of the eligible expenses of a qualified partnership, referred to in any of subparagraphs *a* to *e* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for a fiscal period of the partnership that ends in the taxation year, shall be reduced, where applicable,

i. by the corporation's share, for the fiscal period, of any amount of government assistance or non-government assistance attributable to the expenses that the partnership has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance attributable to the expenses that the qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, a qualified corporation's share of an amount for a fiscal period of a qualified partnership is equal to the agreed proportion of the amount in respect of the qualified corporation for the partnership's fiscal period.

2002, c. 40, s. 209; 2004, c. 21, s. 430; 2007, c. 12, s. 193; 2009, c. 15, s. 307.

1029.8.36.172.1. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister under section 1029.8.36.171.1 for a particular taxation year in respect of the unused portion of the refundable tax credit of the corporation for a particular preceding taxation year, in relation to eligible expenses incurred by the corporation or a partnership of which it is a member at the end of the fiscal period of the partnership ending in the particular preceding year, the unused portion of the refundable tax credit of the corporation, otherwise determined, shall be reduced by the amount determined under the second paragraph where

(a) in the particular year or a preceding taxation year, an amount relating to the eligible expenses of the corporation, other than an amount reducing those expenses in accordance with section 1029.8.36.172 or 1029.8.36.177, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) in a fiscal period of the partnership ending in the particular year or in a preceding taxation year and at the end of which the corporation is a member of the partnership, an amount relating to the eligible expenses of the partnership, other than an amount reducing those expenses in accordance with section 1029.8.36.172 or 1029.8.36.177, is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The amount to which the first paragraph refers is the amount by which the unused portion of the refundable tax credit of the corporation for the particular preceding year, otherwise determined, exceeds the amount that would be the amount of the unused portion of the refundable tax credit of the corporation if

(a) any amount referred to in subparagraph *a* or *b* of the first paragraph that is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation were directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation in the particular preceding year; and

(b) any amount referred to in subparagraph *b* of the first paragraph that is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership were directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership in the fiscal period of the partnership ending in the particular preceding year.

If, in respect of the eligible expenses referred to in the first paragraph, a person other than the corporation, or a partnership other than the partnership of which the corporation is a member, has obtained, at a particular time after 21 April 2005, a benefit or advantage that would have reduced those expenses in accordance with section 1029.8.36.177 if the person or partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the corporation's filing-due date for the particular preceding taxation year, or on or before the day that is six months after the end of the fiscal period of the

partnership of which the corporation is a member that ended in the particular preceding taxation year, the benefit or advantage is, for the purposes of the first and second paragraphs,

(a) if those expenses were incurred by the corporation, deemed to be an amount that is paid to the corporation at that time; or

(b) if those expenses were incurred by the partnership of which the corporation is a member, deemed to be

i. an amount that is paid to that partnership at that time, when that benefit or advantage has been obtained by another partnership or by a person other than the person referred to in subparagraph ii, or

ii. an amount that is paid to the corporation at that time, when that benefit or advantage has been obtained by a person with whom the corporation does not deal at arm's length.

2004, c. 21, s. 431; 2007, c. 12, s. 194; 2010, c. 5, s. 160.

1029.8.36.173. Where a corporation pays, in a taxation year, in this section referred to as the "repayment year", pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *a* of the first paragraph of section 1029.8.36.172, eligible expenses of the corporation, for the purpose of computing the amount that it is deemed to have paid to the Minister under section 1029.8.36.168 or 1029.8.36.170 in respect of the expenses, for a particular taxation year, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the repayment year under section 1000, an amount equal to the aggregate of

(a) the amount by which the amount that it would be deemed to have paid to the Minister for the particular year, in respect of the expenses, under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.168 or 1029.8.36.170, as the case may be, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.172, exceeds the aggregate of

i. the amount that the corporation is deemed to have paid to the Minister for the particular year under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.168 or 1029.8.36.170, as the case may be, in respect of the expenses, and

ii. any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this paragraph in respect of an amount of repayment of that assistance; and

(b) the amount by which the aggregate of all amounts each of which is an amount that it would be deemed to have paid to the Minister, in respect of the expenses, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.168 or 1029.8.36.170, as the case may be, for the particular year, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the repayment year, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.172, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, in respect of the expenses, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.168 or 1029.8.36.170, as the case may be, for the particular year, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the repayment year, and

ii. any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this paragraph in respect of an amount of repayment of that assistance.

2002, c. 40, s. 209; 2004, c. 21, s. 432.

1029.8.36.174. Where a partnership pays, in a fiscal period, in this section referred to as the "fiscal period of repayment", pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.172, a corporation's share of the eligible expenses of the partnership for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.169 or 1029.8.36.171, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the aggregate of

(a) the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends exceeds the aggregate of

i. the amount that the corporation would be deemed to have paid to the Minister under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, in respect of the eligible expenses of the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this subparagraph for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of the eligible expenses of the partnership, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this subparagraph for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amounts to which subparagraphs *a* and *b* of the first paragraph refer shall be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.172; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2002, c. 40, s. 209; 2004, c. 21, s. 433; 2006, c. 36, s. 190; 2009, c. 15, s. 308.

1029.8.36.175. Where a corporation is a member of a partnership at the end of a fiscal period of the partnership, in this section referred to as the "fiscal period of repayment", and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.172, its share of the eligible expenses of the partnership for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.169 or 1029.8.36.171, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation's balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the aggregate of

(a) the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

i. the amount that the corporation would be deemed to have paid to the Minister under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this subparagraph for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) the amount by which the aggregate of all amounts each of which is a particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister, in respect of the share, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of the share, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this subparagraph for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amounts to which subparagraphs *a* and *b* of the first paragraph refer shall be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.172; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

2002, c. 40, s. 209; 2004, c. 21, s. 434; 2006, c. 36, s. 191; 2009, c. 15, s. 309.

1029.8.36.176. For the purposes of sections 1029.8.36.173 to 1029.8.36.175, an amount of assistance is deemed to be repaid, at a particular time, by a corporation or a partnership, as the case may be, pursuant to a legal obligation, where that amount

(a) reduced, because of section 1029.8.36.172, eligible expenses or the share of such expenses of a corporation that is a member of the partnership, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.168 to 1029.8.36.171;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership may reasonably expect to receive.

2002, c. 40, s. 209.

1029.8.36.176.1. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister under section 1029.8.36.171.1 for a particular taxation year in respect of the unused portion of the refundable tax credit of the corporation for a particular preceding taxation year, the unused portion of the refundable tax credit of the corporation, otherwise determined, shall, where the conditions set out in the second paragraph are met for the particular year or for a preceding taxation year, each of which referred to in this section as a "year of increase", be increased by the aggregate of all amounts each of which is the excess amount referred to in subparagraph *b* of the second paragraph for a year of increase.

For the purposes of the first paragraph, the conditions that shall be met for a year of increase are as follows:

(a) paragraph *b* of section 1029.8.36.173 or subparagraph *b* of the first paragraph of section 1029.8.36.174 or 1029.8.36.175 applies for the year of increase to the corporation in relation to a particular amount that may reasonably be considered to be a repayment, made in the year of increase or in the fiscal period of a partnership ending in the year of increase, of government assistance or non-government assistance that reduced, because of section 1029.8.36.172, the eligible expenses of the corporation for the particular preceding year or the corporation's share of the eligible expenses of the partnership for a fiscal period of the partnership ending in the particular preceding year; and

(b) the amount determined under the third paragraph exceeds the amount determined under the fourth paragraph.

The first amount to which subparagraph *b* of the second paragraph refers is the total amount that the corporation would be deemed to have paid to the Minister for the particular preceding year under subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168 to 1029.8.36.171 if

(a) no reference were made to the second paragraph of sections 1029.8.36.168 and 1029.8.36.169 and to the third paragraph of sections 1029.8.36.170 and 1029.8.36.171;

(b) where subparagraph *b* of the first paragraph of section 1029.8.36.174 or 1029.8.36.175 applies for the year of increase to the corporation, the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the particular preceding year were the same as that for the year of increase; and

(c) any particular amount referred to in subparagraph *a* of the second paragraph that may reasonably be considered to be a repayment of government assistance or non-government assistance referred to in that subparagraph *a* reduced the amount of government assistance or non-government assistance.

The second amount to which subparagraph *b* of the second paragraph refers is the aggregate of

(a) the amount that would be determined under the third paragraph if no reference were made to subparagraph *c* of that paragraph; and

(b) the total amount that the corporation is deemed to have paid to the Minister for the year of increase under sections 1029.8.36.173 to 1029.8.36.175.

2004, c. 21, s. 435; 2006, c. 36, s. 192; 2009, c. 15, s. 310.

1029.8.36.177. Where, in respect of eligible expenses of a qualified corporation or a qualified partnership, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to work resulting from the eligible expenses, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.168 or 1029.8.36.170, as the case may be, the amount of the eligible expenses referred to in any of subparagraphs *a* to *e* of the first paragraph of that section 1029.8.36.168 or 1029.8.36.170 shall be reduced by the amount of the benefit or advantage relating to the eligible expenses that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the filing-due date of the qualified corporation for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.169 or 1029.8.36.171, as the case may be, by a qualified corporation that is a member of the qualified partnership referred to in that section, the share, referred to in any of subparagraphs *a* to *e* of the first paragraph of that section 1029.8.36.169 or 1029.8.36.171, of the qualified corporation, for a fiscal period of the partnership that ends in the taxation year, of the amount of the eligible expenses, shall be reduced

i. by its share, for the fiscal period, of the amount of the benefit or advantage relating to the eligible expenses that a person or partnership, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage relating to the eligible expenses that the qualified corporation or a person with which it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the share, for a fiscal period of a qualified partnership, of a qualified corporation that is a member of the qualified partnership of the amount of the benefit or advantage that the partnership, or a person referred to in that subparagraph i, has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the qualified corporation for the fiscal period.

2002, c. 40, s. 209; 2004, c. 21, s. 436; 2009, c. 15, s. 311.

1029.8.36.178. For the purposes of this Part and of the regulations, the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.168 to 1029.8.36.171.2 and 1029.8.36.173 to 1029.8.36.175, in respect of eligible expenses incurred before 13 June 2003, is deemed not to be assistance or an inducement received by the corporation from a government.

2002, c. 40, s. 209; 2004, c. 21, s. 437.

DIVISION II.7

Repealed, 1997, c. 85, s. 262.

1992, c. 1, s. 177; 1997, c. 85, s. 262.

§ 1. —

Repealed, 1997, c. 85, s. 262.

1992, c. 1, s. 177; 1997, c. 85, s. 262.

1029.8.37. *(Repealed).*

1992, c. 1, s. 177; 1994, c. 22, s. 322; 1997, c. 85, s. 262.

1029.8.38. *(Repealed).*

1992, c. 1, s. 177; 1997, c. 85, s. 262.

1029.8.39. *(Repealed).*

1992, c. 1, s. 177; 1997, c. 85, s. 262.

§ 2. —

Repealed, 1997, c. 85, s. 262.

1992, c. 1, s. 177; 1997, c. 85, s. 262.

1029.8.40. *(Repealed).*

1992, c. 1, s. 177; 1995, c. 63, s. 194; 1997, c. 31, s. 143; 1997, c. 85, s. 262.

1029.8.41. *(Repealed).*

1992, c. 1, s. 177; 1997, c. 85, s. 262.

1029.8.42. *(Repealed).*

1992, c. 1, s. 177; 1993, c. 19, s. 125; 1995, c. 63, s. 195; 1997, c. 85, s. 262.

1029.8.43. *(Repealed).*

1992, c. 1, s. 177; 1993, c. 19, s. 126; 1993, c. 64, s. 169; 1995, c. 1, s. 158; 1995, c. 63, s. 196; 1997, c. 14, s. 235; 1997, c. 85, s. 262.

1029.8.44. *(Repealed).*

1992, c. 1, s. 177; 1994, c. 22, s. 323; 1995, c. 63, s. 197; 1997, c. 14, s. 236; 1997, c. 85, s. 262.

1029.8.45. *(Repealed).*

1992, c. 1, s. 177; 1997, c. 85, s. 262.

1029.8.46. *(Repealed).*

1992, c. 1, s. 177; 1995, c. 63, s. 198; 1997, c. 85, s. 262.

1029.8.47. *(Repealed).*

1992, c. 1, s. 177; 1995, c. 63, s. 199; 1997, c. 85, s. 262.

1029.8.48. *(Repealed).*

1992, c. 1, s. 177; 1995, c. 63, s. 200; 1997, c. 85, s. 262.

§ 3. —

Repealed, 1995, c. 63, s. 201.

1992, c. 1, s. 177; 1995, c. 63, s. 201.

1029.8.49. *(Repealed).*

1992, c. 1, s. 177; 1993, c. 19, s. 127; 1993, c. 64, s. 170; 1995, c. 63, s. 201.

DIVISION II.8

CREDIT FOR THE REPAYMENT OF BENEFITS

1992, c. 1, s. 177.

1029.8.50. An individual who is resident in Québec on the last day of a particular taxation year and repays, in that year, all or part of an amount that is a benefit received by the individual under the Act respecting parental insurance (chapter A-29.011), the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act, or under the Unemployment Insurance Act (R.S.C. 1985, c. U-1) or the Employment Insurance Act (S.C.1996, c. 23) and included by the individual in computing the individual's income for one or more preceding taxation years, is deemed to have paid to the Minister on the individual's balance-due day for the particular taxation year, on account of the individual's tax payable for the particular year under this Part, the aggregate of all amounts each of which is an amount determined, for a preceding taxation year that is an eligible taxation year of the individual, within the meaning of section 766.2.2, to which the amount so repaid relates, in whole or in part, hereinafter called the "taxation year to which the averaging applies", by the formula

A − B.

However, the first paragraph does not apply

(a) in respect of an amount repaid by the individual in the particular year under Part VII of the Unemployment Insurance Act or Part VII of the Employment Insurance Act; and

(b) in respect of an individual who deducts an amount for the particular year under paragraph *d* of section 336 as a repayment of a benefit referred to in the first paragraph.

In the formula in the first paragraph,

(a) A is the total of the tax that would have been payable by the individual, for the taxation year to which the averaging applies, under this Part and, if the taxation year to which the averaging applies precedes the year 1998, under Part I.1, as it read for that year, if the aggregate of all amounts each of which is the portion of an amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies, except such an

amount that is a repayment referred to in the first paragraph that the individual makes in the particular year, had been included or deducted in computing the individual's taxable income for the taxation year to which the averaging applies; and

(b) B is the total of the tax that would have been payable by the individual, for the taxation year to which the averaging applies, under this Part and, if the taxation year to which the averaging applies precedes the year 1998, under Part I.1, as it read for that year, if the aggregate of all amounts each of which is the portion of an amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies, had been included or deducted in computing the individual's taxable income for the taxation year to which the averaging applies.

For the purposes of the third paragraph, "amount subject to an averaging mechanism", in relation to an individual for a taxation year, means an amount that is received or paid by the individual in the year and that is referred to in any of subparagraphs *a* to *c* of the first paragraph of section 766.2, or an amount paid by the individual in the year and in respect of which the first paragraph applies, except, in respect of a taxation year to which the averaging applies and that ends before 1 January 2003, such an amount received or paid in a taxation year that ends before 1 January 2004.

If the second paragraph of section 22 applies to an individual, the amount that the individual is deemed to have paid to the Minister for the year under the first paragraph shall not exceed such portion of that amount as is represented by the proportion determined in respect of the individual for the year under the second paragraph of section 22.

For the purposes of the first paragraph, if an individual dies or ceases to be resident in Canada in a taxation year, the last day of that taxation year is the day on which the individual died or the last day on which the individual was resident in Canada.

In addition, for the purpose of establishing the amount determined by the formula in the first paragraph in respect of a taxation year to which the averaging applies, the following rules apply:

(a) the proportion referred to in the second paragraph of section 22 for the taxation year to which the averaging applies is deemed to be equal to 1; and

(b) if an individual was resident in Canada outside Québec on the last day of the taxation year to which the averaging applies, the individual is deemed to have been resident in Québec on the last day of that year.

For the purpose of applying this Part to any taxation year,

(a) an amount that is otherwise deducted in computing an individual's taxable income or tax payable under this Part for a taxation year subsequent to the taxation year to which the averaging applies may not be taken into account for the purpose of establishing the amount determined in respect of the individual under subparagraph *a* or *b* of the third paragraph for the taxation year to which the averaging applies; and

(b) an amount that, under subparagraph *a* of the sixth paragraph of section 766.3.2, is deemed to be deducted in computing an individual's taxable income or tax payable under this Part for a taxation year to which the averaging applies, because it is deducted in that computation for the purpose of establishing the amount determined in respect of the individual under subparagraph *a* or *d* of the second paragraph of section 766.3.2 or subparagraph *b* of the third paragraph of that section for the taxation year to which the averaging applies, may not be taken into account for the purpose of establishing the amount determined in respect of the individual under subparagraph *a* or *b* of the third paragraph for the taxation year to which the averaging applies.

1992, c. 1, s. 177; 1993, c. 64, s. 171; 1995, c. 1, s. 159; 1995, c. 63, s. 202; 1997, c. 14, s. 290; 1997, c. 31, s. 118; 1997, c. 85, s. 263; 1998, c. 16, s. 251; 2000, c. 5, s. 268; 2001, c. 51, s. 190; 2003, c. 9, s. 345; 2005, c. 38, s. 276; 2009, c. 15, s. 312; 2011, c. 6, s. 191; 2015, c. 21, s. 476.

DIVISION II.8.1

Repealed, 2005, c. 23, s. 227.

1999, c. 83, s. 219; 2005, c. 23, s. 227.

1029.8.50.1. *(Repealed).*

1999, c. 83, s. 219; 2000, c. 39, s. 189; 2005, c. 23, s. 227.

DIVISION II.8.2

CREDIT RELATING TO THE TAX DEDUCTED OR WITHHELD IN RESPECT OF AN INCOME-AVERAGING ANNUITY RESPECTING INCOME FROM ARTISTIC ACTIVITIES

2005, c. 23, s. 228.

1029.8.50.2. An individual resident in Québec at the end of a taxation year is deemed to have paid to the Minister, on the individual's filing-due date for the year, on account of the individual's tax payable for the year under this Part, an amount equal to the aggregate of all amounts each of which is an amount deducted or withheld, under the second paragraph of section 1129.68, in respect of an income-averaging annuity payment respecting income from artistic activities, as defined in section 1129.67, to the extent that each of the amounts referred to in the definition of that expression is included in computing the individual's income for the year under paragraph *c* or *d*.1 of section 312.

For the purposes of the first paragraph, the following rules apply:

(a) if an individual dies or ceases to be resident in Canada in a taxation year, the last day of the individual's taxation year is the day of the individual's death or the last day on which the individual was resident in Canada; and

(b) if an amount is not deducted or withheld in accordance with the second paragraph of section 1129.68 in respect of an income-averaging annuity payment respecting income from artistic activities and the tax provided for in section 1129.68 is paid, in respect of the income-averaging annuity payment respecting income from artistic activities, by the individual referred to in the first paragraph of that section, or by the person referred to in the second paragraph of that section, the amount so paid is deemed to have been deducted or withheld in accordance with the second paragraph of section 1129.68 in respect of the income-averaging annuity payment respecting income from artistic activities.

For the purpose of computing the payments that an individual referred to in the first paragraph is required to make under section 1025 or 1026, the individual is deemed to have paid to the Minister, on account of the individual's tax payable for the year under this Part, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2005, c. 23, s. 228; 2009, c. 15, s. 313.

DIVISION II.8.3

CREDIT RELATING TO THE RETROACTIVE DETERMINATION OF CERTAIN BENEFITS

2005, c. 38, s. 277.

1029.8.50.3. If section 766.3.2 applies to an individual for a taxation year and the amount determined for that year by the formula in the first paragraph of section 766.3.2 is, without reference to section 7.5, less than zero, the negative amount so computed must be expressed as a positive amount that the individual is deemed to have paid, on the individual's balance-due day for that year, on account of the individual's tax payable for that year under this Part.

2005, c. 38, s. 277; 2015, c. 21, s. 477.

DIVISION II.9

Repealed, 1995, c. 1, s. 160.

1992, c. 1, s. 177; 1995, c. 1, s. 160.

§ 1. —

Repealed, 1995, c. 1, s. 160.

1992, c. 1, s. 177; 1995, c. 1, s. 160.

1029.8.51. *(Repealed).*

1992, c. 1, s. 177; 1993, c. 19, s. 128; 1995, c. 1, s. 160.

§ 2. —

Repealed, 1995, c. 1, s. 160.

1992, c. 1, s. 177; 1995, c. 1, s. 160.

1029.8.52. *(Repealed).*

1992, c. 1, s. 177; 1993, c. 19, s. 129; 1995, c. 1, s. 160.

1029.8.52.1. *(Repealed).*

1993, c. 19, s. 130; 1995, c. 1, s. 160.

DIVISION II.10

Repealed, 2003, c. 9, s. 346.

1993, c. 16, s. 335; 2003, c. 9, s. 346.

1029.8.53. *(Repealed).*

1993, c. 16, s. 335; 1996, c. 39, s. 273; 2003, c. 9, s. 346.

DIVISION II.11

Repealed, 2005, c. 38, s. 278.

1993, c. 19, s. 131; 2005, c. 38, s. 278.

§ 1. —

Repealed, 2005, c. 38, s. 278.

1993, c. 19, s. 131; 2005, c. 38, s. 278.

1029.8.54. *(Repealed).*

1993, c. 19, s. 131; 2001, c. 51, s. 191; 2005, c. 38, s. 278.

1029.8.55. *(Repealed).*

1993, c. 19, s. 131; 2005, c. 38, s. 278.

1029.8.56. *(Repealed).*

1993, c. 19, s. 131; 2003, c. 9, s. 347; 2005, c. 1, s. 250; 2005, c. 38, s. 278.

§ 2. —

Repealed, 2005, c. 38, s. 278.

1993, c. 19, s. 131; 2005, c. 38, s. 278.

1029.8.57. *(Repealed).*

1993, c. 19, s. 131; 1995, c. 1, s. 161; 1995, c. 63, s. 203; 1997, c. 31, s. 143; 2005, c. 38, s. 278.

1029.8.58. *(Repealed).*

1993, c. 19, s. 131; 2005, c. 1, s. 251; 2005, c. 38, s. 278.

1029.8.59. *(Repealed).*

1993, c. 19, s. 131; 2000, c. 5, s. 269; 2001, c. 53, s. 221; 2005, c. 1, s. 252; 2005, c. 38, s. 278.

1029.8.60. *(Repealed).*

1993, c. 19, s. 131; 1995, c. 63, s. 204; 2005, c. 38, s. 278.

1029.8.61. *(Repealed).*

1993, c. 19, s. 131; 1995, c. 63, s. 204; 2005, c. 38, s. 278.

DIVISION II.11.1

CREDIT FOR HOME SUPPORT FOR SENIORS

2013, c. 10, s. 124.

§ 1. — *Interpretation*

2000, c. 39, s. 190.

1029.8.61.1. In this division,

"dependant" of an eligible individual, at any time, means a person who is dependent on the eligible individual if, at that time, that person is, in respect of the eligible individual, a child or any other person related to the eligible individual by blood, marriage or adoption who ordinarily lives with the eligible individual;

"dependent person" at a particular time means a person who, at that time, according to a written certificate from a physician or specialized nurse practitioner within the meaning of section 752.0.18, depends and will continue to permanently depend, for a prolonged and indefinite period, on other people for most of the person's needs and personal care relating to hygiene, dressing, eating and mobility or transfers, or who needs constant supervision because of a severe mental disorder characterized by an irreversible breakdown in thought activity;

"dwelling unit" of an eligible individual means a self-contained domestic establishment or a room that is leased or subleased by the eligible individual or the eligible individual's spouse and that is the eligible individual's principal place of residence, other than

(a) a self-contained domestic establishment or a room situated in a public network facility;

(b) a room situated in a hotel establishment or rooming house, that is leased or subleased by the eligible individual or the eligible individual's spouse for a period of less than 60 consecutive days; or

(c) a room situated in a self-contained domestic establishment maintained by a person, or by the person's spouse, who is the owner, lessee or sublessee of the self-contained domestic establishment and who, in respect of the eligible individual occupying the room, is deemed to have paid an amount on account of tax payable, for the taxation year in which an eligible service is rendered or to be rendered in respect of the eligible individual, under section 1029.8.61.96.12, if the eligible individual is a person referred to in paragraph *a* of that section, or under section 1029.8.61.96.13;

"eligible expense" made by an eligible individual in a taxation year means, subject to section 1029.8.61.2, the portion of an amount paid in the year by the eligible individual or by the person who is the eligible individual's spouse at the time of the payment, that may reasonably be attributed to an eligible service rendered or to be rendered in respect of the eligible individual after the eligible individual has attained the age of 70 years, and that corresponds

(a) in the case of a service rendered or to be rendered by an employee of an eligible individual, to the aggregate of

i. the salary or wages of the employee in respect of the service,

ii. each of the amounts payable in respect of the employee in relation to the salary or wages referred to in subparagraph i under any of

(1) section 59 of the Act respecting parental insurance (chapter A-29.011),

(2) section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5),

(3) section 52 of the Act respecting the Québec Pension Plan (chapter R-9), or

(4) section 68 of the Employment Insurance Act (S.C. 1996, c. 23), and

iii. the expenses paid for a payroll processing service for the payment of the salary or wages referred to in subparagraph i; or

(b) in the case of a service rendered or to be rendered by a person, other than a person who is an employee of the eligible individual, or a partnership, each of which referred to in this division as the "service provider", to the amount that is the cost of the service, including, where applicable, the goods and services tax or the Québec sales tax in respect of the service;

"eligible individual" for a taxation year means an individual, other than a trust, who, at the end of 31 December of the year, is resident in Québec and has attained the age of 70 years;

"eligible rent" for a dwelling unit for a particular month means an amount that is equal to the lesser of the rent attributable to the particular month and specified in the lease of the dwelling unit or, in the case of an oral lease, in the written document that must be given to the lessee, to which is added, if applicable, the additional rent attributable to that month and specified in the schedule to the lease of the dwelling unit—taking into account, if the lease was renewed, the changes made to the rent for the dwelling unit and, if applicable, the changes made to the additional rent—and the amount paid or payable by the lessee, for the particular month, as rent for the dwelling unit;

"eligible service" in respect of an eligible individual means a home support service that is

(a) a personal support service that is a service described in the first paragraph of section 1029.8.61.3, rendered or to be rendered in Québec to the eligible individual by a person or a service provider who is not

i. the spouse of the eligible individual,

ii. a dependant of the eligible individual, or

iii. a person, or the spouse of that person, who is deemed, in respect of the eligible individual, to have paid an amount on account of the person's or spouse's tax payable under section 1029.8.61.96.12 or 1029.8.61.96.13 for the taxation year in which the service is rendered or to be rendered to the eligible individual; or

(b) a maintenance or supply service that is a service described in the second paragraph of section 1029.8.61.3, rendered or to be rendered in Québec by a person or a service provider who is neither the eligible individual's spouse nor a dependant of the eligible individual, in respect of a residential unit or dwelling unit of the eligible individual, or of land on which the unit is situated;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"family income" of an individual for a taxation year means the aggregate of the income of the individual for the year and the income, for the year, of the person who is the individual's eligible spouse for the year;

"private seniors' residence" for a particular month means a congregate residential facility, or a part of such a facility, in respect of which the operator holds, at the beginning of the particular month,

(a) a temporary or regular authorization granted under Division III of Chapter II of Title I of Part VI of the Act respecting the governance of the health and social services system (chapter G-1.021); or

(b) a temporary certificate of compliance or a certificate of compliance issued under subdivision 2.1 of Division II of Chapter I of Title I of Part III of the Act respecting health services and social services for the Inuit and Naskapi (chapter S-4.2);

"public network facility" means any of the following immovables:

(a) a facility in which a hospital centre, a residential and long-term care centre or a rehabilitation centre governed by the Act respecting the governance of the health and social services system or the Act respecting health services and social services for the Inuit and Naskapi is operated by a public institution or a private institution under agreement governed by either Act;

(b) a facility maintained by a hospital centre or a reception centre that is a public institution for the purposes of the Act respecting health services and social services for Cree Native persons (chapter S-5) or that entered into a contract or an agreement in accordance with section 176 or 177 of that Act; or

(c) a building or residential facility where are offered the services of an intermediate resource or a family-type resource within the meaning of the Act respecting the governance of the health and social services system or the Act respecting health services and social services for the Inuit and Naskapi, or the services of a foster family within the meaning of the Act respecting health services and social services for Cree Native persons;

"residential unit" of an eligible individual means a self-contained domestic establishment owned by the eligible individual or the eligible individual's spouse and that is the eligible individual's principal place of residence;

"salary or wages" means an amount that an employee receives for an eligible service rendered or to be rendered in respect of an eligible individual who is the employer of the employee;

"schedule to the lease" of a dwelling unit means the form that must be attached to the lease of the dwelling unit, in accordance with section 2 of the Regulation respecting mandatory lease forms and the particulars of a notice to a new lessee (chapter T-15.01, r. 3).

For the purposes of the definition of "eligible expense" in the first paragraph, the following rules apply:

(a) only the portion of an amount paid as rent that is determined in accordance with section 1029.8.61.2.1 or 1029.8.61.2.5 is an eligible expense made by an eligible individual in a taxation year;

(a.1) the amount obtained by multiplying the total of the amounts paid in a taxation year by the syndicate of co-owners as consideration for one or more eligible services rendered or to be rendered in respect of the common portions of an immovable, other than those for restricted use, by the share of the expenses arising from the co-ownership that relates to the fraction of the co-ownership owned by the eligible individual or the eligible individual's spouse, is an eligible expense made by an eligible individual in the year in respect of expenses arising from the divided co-ownership of the immovable;

(b) the amount of an expenditure in respect of an eligible service shall not be greater than the fair market value of the service;

(c) the amount of an expenditure in respect of an eligible service includes only the amount relating to the provision of the service, excluding the cost of the food, beverages, materials or other property acquired for or in connection with the provision of the service, and that amount must, to constitute an eligible expense, be reasonable and specifically identified in writing by the service provider;

(d) the amount of an expense in respect of an eligible service rendered in respect of an eligible individual before the eligible individual's death, paid by the legal representative on behalf of the deceased individual, is deemed to have been paid by the eligible individual in the year in which the eligible individual died; and

(e) an amount paid in respect of a dwelling unit of an eligible individual situated in a private seniors' residence for a particular month in a taxation year in addition to the eligible rent for that dwelling unit for the particular month is an eligible expense made by the eligible individual in the year, to the extent that the amount is paid

i. to the operator of the private seniors' residence or to a person related to the operator, as consideration for the provision of an eligible service described in subparagraph *a* or *e* of the first paragraph of section 1029.8.61.3, or

ii. to a person or partnership, other than the operator of the private seniors' residence or a person related to the operator, as consideration for the provision of any of the following eligible services:

(1) a service described in any of subparagraphs *a*, *b*, *c*.2 and *e* of the first paragraph of section 1029.8.61.3,

(2) a service described in subparagraph *a* of the second paragraph of section 1029.8.61.3, or

(3) a service described in subparagraph *b* of the second paragraph of section 1029.8.61.3, if it is rendered in the course of the provision of a service described in subparagraph *a* of that paragraph.

For the purposes of the definition of "eligible individual" in the first paragraph, an individual who was resident in Québec immediately before death is deemed to be resident in Québec at the end of 31 December of the year in which the individual died.

For the purposes of the definition of "family income" in the first paragraph, if an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the individual had been resident in Québec and in Canada throughout the year or, if the individual died in the year, throughout the period of the year preceding the time of death.

2000, c. 39, s. 190; 2001, c. 51, s. 192; 2002, c. 9, s. 114; 2004, c. 21, s. 438; 2005, c. 1, s. 253; 2005, c. 38, s. 279; 2006, c. 13, s. 171; 2006, c. 36, s. 193; 2007, c. 12, s. 195; 2009, c. 15, s. 314; 2011, c. 34, s. 93; 2013, c. 10, s. 125; 2021, c. 14, s. 152; 2021, c. 18, s. 130 ; 2023, c. 34, s. 1049.

1029.8.61.1.1. *(Repealed).*

2002, c. 9, s. 115; 2005, c. 1, s. 254; 2005, c. 38, s. 280; 2009, c. 15, s. 315.

1029.8.61.1.2. For the purposes of this division, the amount of an eligible expense made by an eligible individual in a taxation year in respect of a dwelling unit situated in a facility maintained by a private institution not under agreement that operates a residential and long-term care centre governed by the Act respecting the governance of the health and social services system (chapter G-1.021) or the Act respecting health services and social services for the Inuit and Naskapi (chapter S-4.2) must be determined as if the dwelling unit were situated in a private seniors' residence.

2013, c. 10, s. 126; 2023, c. 34, s. 1050.

1029.8.61.1.3. For the purposes of this division, the following rules apply:

(a) a congregate residential facility, or a part of such a facility, in respect of which the operator does not hold, at the beginning of a particular month that begins after 31 December 2012 and before 1 July 2013, either of the certificates referred to in the definition of "private seniors' residence" in the first paragraph of section 1029.8.61.1 and that was not entered in the register of private seniors' residences referred to in section 346.0.1 of the Act respecting health services and social services for the Inuit and Naskapi (chapter S-4.2) on 1 December 2012, is considered to be a private seniors' residence for the particular month if it was a residence for the elderly on 31 December 2012, within the meaning of section 1029.8.61.1 as it read on that date, unless the operator has been notified, before 30 June 2013, in accordance with section 346.0.12 of the Act respecting health services and social services for the Inuit and Naskapi, of the maximum period for terminating the activities of the residence, in which case the rule in paragraph *b* applies; and

(b) a congregate residential facility, or a part of such a facility, that, on 31 December 2012, is a residence for the elderly, within the meaning of section 1029.8.61.1 as it read on that date, whose activities cease as a consequence of the application of section 42 or 43 of the Act to amend various legislative provisions concerning health and social services in order, in particular, to tighten up the certification process for private seniors' residences (2011, chapter 27), is considered to be a private seniors' residence for any month subsequent to the month of December 2012 that precedes the month that follows the month in which the activities of the residence cease.

2013, c. 10, s. 126; 2023, c. 34, s. 1051.

1029.8.61.2. Subject to section 1029.8.61.2.7 and for the purposes of this division, an eligible expense, in respect of eligible services rendered or to be rendered in respect of an eligible individual, does not include, for a taxation year,

(a) any amount that was deducted in computing the income or taxable income of the eligible individual or the eligible individual's spouse for the year or a preceding taxation year under this Part;

(b) any amount that was taken into account in computing

i. an amount that was deducted in computing the tax payable by the eligible individual or the eligible individual's spouse for the year or a preceding taxation year under this Part, or

ii. an amount that is deemed to have been paid to the Minister on account of the tax payable by the eligible individual or the eligible individual's spouse for the year or a preceding taxation year under this Part, except an amount that is deemed, under this division, to have been paid to the Minister on account of the tax payable by the eligible individual or the eligible individual's spouse for the year under this Part; or

(c) any amount for which the eligible individual or the eligible individual's spouse or, as the case may be, the legal representative of either the eligible individual or the eligible individual's spouse, has received or is entitled to receive a refund, except to the extent that that amount is required to be included in computing the income of the eligible individual or the eligible individual's spouse under this Part and is not deductible in computing the income or taxable income of the eligible individual or the eligible individual's spouse.

2000, c. 39, s. 190; 2003, c. 2, s. 276; 2004, c. 21, s. 439; 2009, c. 15, s. 316.

1029.8.61.2.1. The portion of an amount paid for a particular month in a taxation year as rent for a dwelling unit of an eligible individual situated in a private seniors' residence that is an eligible expense made by the eligible individual in the year is equal to

(a) if, for the particular month, the eligible individual lives alone in the dwelling unit or only with a person to whom the eligible individual provides lodging, co-leases the dwelling unit with at least one person who is not the eligible individual's spouse, or lives in the dwelling unit with the eligible individual's spouse who, at the end of the particular month, is 69 years of age or under, the amount determined under section 1029.8.61.2.2; or

(b) if, for the particular month, the eligible individual shares the dwelling unit only with the eligible individual's spouse who, at the end of the particular month, is 70 years of age or over, the amount determined under section 1029.8.61.2.4.

2009, c. 15, s. 317; 2013, c. 10, s. 127.

1029.8.61.2.2. The amount that must be determined, for the purposes of paragraph *a* of section 1029.8.61.2.1, for a particular month in a taxation year, in respect of an eligible individual's dwelling unit is the lesser of

(a) the amount equal to 75% of the eligible rent for the dwelling unit for that month, if the eligible individual is a dependent person at the end of the particular month, and in any other case, to 65% of the eligible rent, to the extent that the eligible rent has been paid; and

(b) the amount determined by the formula

A + B + C + D + E + F.

In the formula in subparagraph *b* of the first paragraph,

(a) A is an amount equal to the greater of 15% of the eligible rent for the dwelling unit for the particular month and $150, but without exceeding $375;

(b) B is, if the eligible individual receives, for the particular month, a laundry service for the care of bedding or clothing at least once a week, as specified in the schedule to the lease of the dwelling unit, an amount equal to the greater of 5% of the eligible rent for the dwelling unit for that month and $50, but without exceeding $125;

(c) C is, if the eligible individual receives, for the particular month, a housekeeping service at least once every two weeks, as specified in the schedule to the lease of the dwelling unit, an amount equal to the greater of 5% of the eligible rent for the dwelling unit for that month and $50, but without exceeding $125;

(d) D is, if the eligible individual receives, for the particular month, a daily food service concerning the preparation or delivery of at least one of three meals (breakfast, lunch or supper), as specified in the schedule to the lease of the dwelling unit, an amount equal to

i. the greater of 10% of the eligible rent for the dwelling unit for that month and $100, but without exceeding $200, if the food service is provided in respect of one meal a day,

ii. the greater of 15% of the eligible rent for the dwelling unit for that month and $150, but without exceeding $300, if the food service is provided in respect of two meals a day, and

iii. the greater of 20% of the eligible rent for the dwelling unit for that month and $200, but without exceeding $400, if the food service is provided in respect of three meals a day;

(e) E is, if the eligible individual receives, for the particular month, a service providing for the presence of a person, who is a member of the Ordre des infirmières et infirmiers du Québec or of the Ordre des infirmières et infirmiers auxiliaires du Québec, for a period of at least three hours a day, as specified in the schedule to the lease of the dwelling unit, an amount equal to the greater of 10% of the eligible rent for the dwelling unit for that month and $100, but without exceeding $250; and

(f) F is, if the eligible individual receives, for the particular month, a service providing for the presence of a personal care attendant for a period of at least seven hours a day, as specified in the schedule to the lease of the dwelling unit, the aggregate of the following amounts:

i. the greater of 10% of the eligible rent for the dwelling unit for that month and $100, but without exceeding $350, and

ii. if the eligible individual is a dependent person at the end of the month, the greater of 10% of the eligible rent for the dwelling unit for that month and $100.

2009, c. 15, s. 317; 2011, c. 1, s. 81; 2013, c. 10, s. 128.

1029.8.61.2.3. *(Repealed).*

2009, c. 15, s. 317; 2011, c. 1, s. 82; 2013, c. 10, s. 129.

1029.8.61.2.4. The amount that must be determined, for the purposes of paragraph *b* of section 1029.8.61.2.1, for a particular month in a taxation year, in respect of an eligible individual's dwelling unit is the lesser of

(a) the amount equal to 80% of the eligible rent for the dwelling unit for that month, if the eligible individual or the eligible individual's spouse is a dependent person at the end of the particular month, and to 70% of the eligible rent, if neither the eligible individual nor the eligible individual's spouse is a dependent person at the end of the particular month, to the extent that the eligible rent has been paid; and

(b) the amount determined by the formula

A + B + C + D + E + F.

In the formula in subparagraph *b* of the first paragraph,

(a) A is an amount equal to the greater of 12% of the eligible rent for the dwelling unit for the particular month and $150, but without exceeding $375;

(b) B is, if the eligible individual or the eligible individual's spouse receives, for the particular month, a laundry service for the care of bedding or clothing at least once a week, as specified in the schedule to the lease of the dwelling unit, an amount equal to the greater of 5% of the eligible rent for the dwelling unit for that month and $75, but without exceeding $125;

(c) C is, if the eligible individual or the eligible individual's spouse receives, for the particular month, a housekeeping service at least once every two weeks, as specified in the schedule to the lease of the dwelling unit, an amount equal to the greater of 4% of the eligible rent for the dwelling unit for that month and $50, but without exceeding $125;

(d) D is, if the eligible individual or the eligible individual's spouse receives, for the particular month, a daily food service concerning the preparation or delivery of at least one of three meals (breakfast, lunch or supper), as specified in the schedule to the lease of the dwelling unit, an amount equal to

i. the greater of 14% of the eligible rent for the dwelling unit for that month and $200, but without exceeding $400, if the food service is provided in respect of one meal a day,

ii. the greater of 21% of the eligible rent for the dwelling unit for that month and $300, but without exceeding $600, if the food service is provided in respect of two meals a day, or

iii. the greater of 26% of the eligible rent for the dwelling unit for that month and $400, but without exceeding $800, if the food service is provided in respect of three meals a day;

(e) E is, if the eligible individual or the eligible individual's spouse receives, for the particular month, a service providing for the presence of a person, who is a member of the Ordre des infirmières et infirmiers du Québec or of the Ordre des infirmières et infirmiers auxiliaires du Québec, for a period of at least three hours a day, as specified in the schedule to the lease of the dwelling unit, an amount equal to the greater of 8% of the eligible rent for the dwelling unit for that month and $100, but without exceeding $250; and

(f) F is, if the eligible individual or the eligible individual's spouse receives, for the particular month, a service providing for the presence of a personal care attendant for a period of at least seven hours a day, as specified in the schedule to the lease of the dwelling unit, the aggregate of

i. the greater of 15% of the eligible rent for the dwelling unit for that month and $200, but without exceeding $600, and

ii. any of the following amounts:

(1) if either the eligible individual or the eligible individual's spouse is a dependent person at the end of the particular month, the greater of 10% of the eligible rent for the dwelling unit for that month and $200,

(2) if both the eligible individual and the eligible individual's spouse are dependent persons at the end of the particular month, the greater of 20% of the eligible rent for the dwelling unit for that month and $200, or

(3) if neither the eligible individual nor the eligible individual's spouse is a dependent person at the end of the particular month, zero.

2009, c. 15, s. 317; 2011, c. 1, s. 82; 2013, c. 10, s. 130.

1029.8.61.2.5. The portion of an amount paid for a particular month in a taxation year as rent for an eligible individual's dwelling unit, other than a dwelling unit situated in a private seniors' residence or in a facility maintained by a private institution not under agreement that operates a residential and long-term care centre governed by the Act respecting the governance of the health and social services system (chapter G-1.021) or the Act respecting health services and social services for the Inuit and Naskapi (chapter S-4.2), that is an eligible expense made by the eligible individual in the year is equal to the amount obtained by multiplying by 5% the greater of

(a) $600; and

(b) the lesser of the eligible rent for the dwelling unit for that month and $1,200.

If an eligible individual is co-leasing a dwelling unit with at least one person who is not the eligible individual's spouse, the amounts of $600 and $1,200 mentioned in the first paragraph are to be replaced, respectively, by the quotients obtained by dividing $600 and $1,200 by the number of co-lessees of the dwelling unit.

2009, c. 15, s. 317; 2013, c. 10, s. 131; 2021, c. 36, s. 126; 2023, c. 34, s. 1052.

1029.8.61.2.6. For the purposes of sections 1029.8.61.2.1 to 1029.8.61.2.5 and of this section, the following rules apply:

(a) if an eligible individual lives, in a particular month, in a dwelling unit that the eligible individual's spouse is co-leasing with one or more other persons, the eligible individual is deemed, for the particular month, to be a co-lessee of the dwelling unit;

(b) if an eligible individual is co-leasing a dwelling unit, the eligible rent for the dwelling unit for a particular month is deemed to be equal, in respect of the eligible individual, to the amount obtained by dividing the eligible rent for the dwelling unit for that month by the number of co-lessees of the dwelling unit; and

(c) if, in a particular month, an eligible individual shares, only with the eligible individual's spouse, a dwelling unit of which the eligible individual's spouse is a lessee, the eligible individual is deemed, for the particular month, to be a lessee of the dwelling unit and the eligible rent for the dwelling unit for that month is deemed to be equal, in respect of the eligible individual, to the eligible rent for the dwelling unit for that month.

2009, c. 15, s. 317.

1029.8.61.2.7. For the purposes of any of subparagraphs *b* to *f* of the second paragraph of section 1029.8.61.2.2 or 1029.8.61.2.4, the amount of a refund that the eligible individual or the eligible individual's spouse, or, if applicable, the legal representative of either of them, has received or is entitled to receive and that is attributable to a service described in any of those subparagraphs *b* to *f*, must reduce the amount determined in respect of the service under that subparagraph, up to the latter amount.

For the purposes of any of sections 1029.8.61.2.2 to 1029.8.61.2.6, the eligible rent for a dwelling unit for a particular month in respect of an eligible individual must be reduced by the amount of a refund attributable to that rent, other than an amount of refund referred to in the first paragraph, that the eligible individual or the eligible individual's spouse, or, if applicable, the legal representative of either of them, has received or is entitled to receive for that month.

2009, c. 15, s. 317; 2013, c. 10, s. 132.

1029.8.61.3. The personal support services rendered or to be rendered to an eligible individual, that are essential to the eligible individual's remaining at home or that enable the eligible individual to remain at home, and to which paragraph *a* of the definition of "eligible service" in the first paragraph of section 1029.8.61.1 refers are, subject to sections 1029.8.61.3.1 and 1029.8.61.4, the following services:

(a) a personal care service to assist the individual with hygiene, dressing, eating and mobility or transfers, if the individual does not have the autonomy required to care fully for himself or herself, because of the individual's condition;

(b) a meal preparation or delivery service;

(c) a non-specialized supervision service;

(c.1) a person-centered remote monitoring service;

(c.2) a service related to the use of a personal GPS locator;

(d) a support service to enable the individual to fulfil the individual's duties or civic obligations; and

(e) a service rendered or to be rendered by a person who is a member of the Ordre des infirmières et infirmiers du Québec or of the Ordre des infirmières et infirmiers auxiliaires du Québec.

The maintenance or supply services rendered or to be rendered in respect of an eligible individual's dwelling unit or residential unit, that are services required by an eligible individual so that tasks normally performed in respect of such a unit can be performed, and to which paragraph *b* of the definition of "eligible service" in the first paragraph of section 1029.8.61.1 refers, are, subject to sections 1029.8.61.3.1 and 1029.8.61.4, the following services:

(a) a housekeeping service;

(b) a clothing and household linen care service;

(c) a maintenance service consisting of minor maintenance work performed outside, including work to be performed usually at about the same date each year because of the change in seasons;

(c.1) a maintenance service consisting of minor maintenance work on a facility that is inside the dwelling unit or residential unit or, as the case may be, the building in which the unit is situated, and that could have been outside, by reason of its nature or intended use; and

(d) an everyday necessities supply service.

2000, c. 39, s. 190; 2002, c. 9, s. 116; 2005, c. 1, s. 255; 2006, c. 36, s. 194; 2009, c. 15, s. 318; 2013, c. 10, s. 133.

1029.8.61.3.1. For the purposes of subparagraph *b* of the first paragraph of section 1029.8.61.3, the following rules apply:

(a) a meal preparation service means a service that consists in helping an eligible individual to prepare the eligible individual's meals in a dwelling unit or residential unit of an eligible individual, or a meal preparation service rendered or to be rendered by a community organization established and operated exclusively for non-profit purposes; and

(b) a meal delivery service means such a service rendered or to be rendered by a community organization established and operated exclusively for non-profit purposes.

For the purposes of subparagraphs *c.1* and *c.2* of the first paragraph of section 1029.8.61.3, a person-centered remote monitoring service and a service related to the use of a personal GPS locator do not include the leasing of a device required for the provision of such a service.

The service, in respect of an eligible individual, described in subparagraph *b* of the second paragraph of section 1029.8.61.3 does not include a service rendered or to be rendered by a person or partnership whose principal business is the provision of dry cleaning, laundering or pressing services and other related services.

2006, c. 36, s. 195; 2009, c. 15, s. 319; 2013, c. 10, s. 134.

1029.8.61.4. The services in respect of an eligible individual that are described in section 1029.8.61.3 do not include

(a) a personal support service, which is a service described in any of subparagraphs *a* to *d* of the first paragraph of section 1029.8.61.3, rendered or to be rendered by a person who is a practitioner referred to in section 752.0.18;

(b) a service rendered or to be rendered by a person who is a member of a professional order referred to in the Professional Code (chapter C-26) and whose provision is governed by that professional order, except a service described in subparagraph *e* of the first paragraph of section 1029.8.61.3;

(c) a service relating to construction and repair work or which requires a licence issued under the Building Act (chapter B-1.1);

(d) a service rendered or to be rendered by an institutional or non-institutional residential resource referred to in section 765 of the Act respecting the governance of the health and social services system (chapter G-1.021) or section 512 of the Act respecting health services and social services for the Inuit and Naskapi (chapter S-4.2) to an eligible individual in respect of whom a contribution may be required under either of those sections, as the case may be;

(e) a service rendered or to be rendered by an institutional or non-institutional residential resource referred to in section 159 of the Act respecting health services and social services for Cree Native persons (chapter S-5) to an eligible individual in respect of whom a contribution may be required under that section; or

(f) a service consisting in completing a fiscal form, unless the form is the form referred to in section 1029.8.61.6.

2000, c. 39, s. 190; 2005, c. 1, s. 256; 2006, c. 36, s. 196; 2007, c. 12, s. 196; 2009, c. 15, s. 320; 2023, c. 34, s. 1053.

§ 2. — *Credit*

2000, c. 39, s. 190.

1029.8.61.5. Subject to section 1029.8.61.5.1, an eligible individual who, in a taxation year, makes an eligible expense and files, for the year, a fiscal return under section 1000 is deemed to have paid to the Minister, on the eligible individual's balance-due day for that taxation year, on account of the eligible individual's tax payable for the year under this Part, an amount equal to

(a) where neither the eligible individual nor, if section 1029.8.61.5.1 applies in respect of the eligible individual, the eligible individual's eligible spouse is a dependent person at the end of the year, the amount determined by the formula

$(A \times B) - (C + D)$; or

(b) in any other case, the amount determined by the formula

(35% × B) + E.

In the formulas in the first paragraph,

(a) A is

i. 36%, where the taxation year is the year 2022,

ii. 37%, where the taxation year is the year 2023,

iii. 38%, where the taxation year is the year 2024,

iv. 39%, where the taxation year is the year 2025, or

v. 40%, where the taxation year is a year subsequent to the year 2025;

(b) B is the aggregate of all amounts each of which is an eligible expense made by the eligible individual in the year;

(c) C is 3% of the amount by which the lesser of $100,000 and the eligible individual's family income for the year exceeds $60,135;

(d) D is 7% of the amount by which the eligible individual's family income for the year exceeds $100,000; and

(e) E is the amount determined by the formula

F − G.

In the formula in subparagraph *e* of the second paragraph,

(a) F is the product obtained by multiplying the aggregate described in subparagraph *b* of the second paragraph by

i. 1%, where the taxation year is the year 2022,

ii. 2%, where the taxation year is the year 2023,

iii. 3%, where the taxation year is the year 2024,

iv. 4%, where the taxation year is the year 2025, or

v. 5%, where the taxation year is a year subsequent to the year 2025; and

(b) G is 3% of the amount by which the eligible individual's family income for the year exceeds $60,135.

However, for the purposes of subparagraph *b* of the second paragraph, the aggregate of all amounts each of which is an eligible expense made by an eligible individual in a taxation year may not exceed

(a) $25,500, if the eligible individual is a dependent person at the end of the year; or

(b) $19,500, if subparagraph *a* does not apply to the eligible individual.

An eligible individual may be deemed to have paid an amount to the Minister under the first paragraph for a taxation year in respect of an eligible expense only if the eligible individual files with the Minister the prescribed form containing prescribed information and the following documents with the fiscal return filed for the year under section 1000, unless the documents have already been filed with the Minister in connection with an application for advance payments made under section 1029.8.61.6:

(a) if the eligible individual lives in a dwelling unit and the eligible expense includes a portion of the amount paid as rent, as determined under section 1029.8.61.2.1 or 1029.8.61.2.5,

i. a copy of the lease of the dwelling unit or of the written document that must be given to the lessee in the case of an oral lease,

ii. a copy of the schedule to the lease of the dwelling unit, if any, and

iii. a copy of any notice of change to the lease or of any judgment setting the rent for the dwelling unit; and

(b) if the eligible individual lives in an immovable under divided co-ownership and the eligible expense includes an amount in respect of the expenses arising from the co-ownership, a copy of the information return, in prescribed form, sent by the syndicate of co-owners.

2000, c. 39, s. 190; 2002, c. 9, s. 117; 2006, c. 36, s. 197; 2007, c. 12, s. 197; 2009, c. 15, s. 321; 2013, c. 10, s. 135; 2015, c. 21, s. 478; 2021, c. 36, s. 127; 2024, c. 11, s. 120.

1029.8.61.5.1. If, for a taxation year, an eligible individual is the eligible spouse of another eligible individual, the following rules apply:

(a) only one of those eligible individuals is deemed to have paid an amount to the Minister on account of that eligible individual's tax payable for the year under section 1029.8.61.5;

(b) the eligible expense made in the year by the eligible spouse of the eligible individual to whom paragraph *a* applies is deemed to be an eligible expense made in the year by that individual, to the extent that the amount of such an expense is not otherwise included in the aggregate of all amounts each of which is an eligible expense made in the year by the eligible individual; and

(c) the amount determined for the year under the fourth paragraph of section 1029.8.61.5 in respect of the eligible individual to whom paragraph *a* applies is to be increased by the amount that would be determined for the year under that paragraph in respect of the eligible individual's eligible spouse if this division were read without reference to this section.

2009, c. 15, s. 322; 2021, c. 36, s. 128.

1029.8.61.5.2. If, at a particular time in a taxation year, two eligible individuals who are spouses cease to live together because of a breakdown of their marriage and their separation lasts for a period of at least 90 days that includes the particular time, the aggregate of all amounts each of which is an eligible expense made by either eligible individual in the period of the year preceding the particular time and in which they were spouses may be apportioned between them in such manner as may be agreed by them or, in case of disagreement, as the Minister may determine.

2009, c. 15, s. 322.

1029.8.61.5.3. Where a fiscal return is filed under section 1000 for a taxation year by an eligible individual for the year, where no amount that is, under section 1029.8.61.2.5, an eligible expense made by the eligible individual in the year is included by the individual in the aggregate described in subparagraph *b* of the second paragraph of section 1029.8.61.5 for the year and where the Minister holds information allowing the

Minister to conclude that the eligible individual could have included such an amount in that aggregate, the following rules apply:

(a) that aggregate is deemed to include the total of all amounts each of which is the amount that would have been determined, under section 1029.8.61.2.5, as an eligible expense made by the eligible individual in the year if the greater of the amounts to which the first paragraph of section 1029.8.61.2.5 refers had been the amount of $600 specified in subparagraph *a* of that paragraph or the amount that replaces it in accordance with the second paragraph of that section, if applicable; and

(b) section 1029.8.61.5 is, in respect of an eligible expense the amount of which is included in that aggregate because of the application of paragraph *a*, to be read without reference to "the prescribed form containing prescribed information and" in the portion of its fifth paragraph before subparagraph *a* and without reference to subparagraph *a* of that fifth paragraph.

2021, c. 36, s. 129; 2024, c. 11, s. 121.

1029.8.61.6. If, on or before 1 December of a taxation year, an individual applies to the Minister, in the prescribed form containing the prescribed information, the Minister may pay, as an advance payment, on such terms and conditions as the Minister determines, an amount in respect of the amount that the individual considers to be the amount that the individual will be deemed to have paid to the Minister under the first paragraph of section 1029.8.61.5, on account of the individual's tax payable for the year, in respect of an eligible expense made by the individual in the year for eligible services if

(a) the individual is resident in Québec at the time the application is made;

(b) the individual has reached 70 years of age at the time the eligible services are rendered or to be rendered in respect of the individual; and

(c) the individual has agreed that the advance payments be made by direct deposit in a bank account held at a financial institution listed in Part I of Appendix I to Rule D4 – Institution Numbers and Clearing Agency/ Representative Arrangements of the Automated Clearing Settlement System Rules Manual, as amended from time to time, of the Canadian Payments Association.

If an application for advance payments referred to in the first paragraph is made in respect of an eligible expense that includes a portion of an amount paid as rent, the prescribed form used for the application must be accompanied by the documents described in subparagraphs i to iii of subparagraph *a* of the fifth paragraph of section 1029.8.61.5.

The individual who receives advance payments on a regular basis shall notify the Minister, with dispatch, of any change in the individual's situation that may affect the advance payments to which the individual is entitled.

If, at the time the application for advance payments referred to in the first paragraph is made, an individual has a spouse who satisfies the conditions set out in subparagraphs *a* and *b* of that paragraph, only one of them may make the application.

2000, c. 39, s. 190; 2006, c. 13, s. 172; 2006, c. 36, s. 198; 2007, c. 12, s. 198; 2009, c. 15, s. 323; 2011, c. 6, s. 192; 2011, c. 34, s. 94; 2021, c. 36, s. 130.

1029.8.61.6.1. The Minister may require from any individual who makes an application for advance payments referred to in the first paragraph of section 1029.8.61.6 a document or information other than those provided for in the first and second paragraphs of that section if the Minister considers the document or information necessary to evaluate the application.

2011, c. 6, s. 193.

1029.8.61.6.2. Despite the first paragraph of section 1029.8.61.6, the Minister is not required to grant an application for advance payments referred to in that paragraph for a particular taxation year if

(a) the individual, or the individual's spouse at the time of the application, received an amount the Minister paid in advance under section 1029.8.61.6 for a preceding taxation year and, at the time the application is processed, has not filed a fiscal return for the preceding year; and

(b) the application is processed after the filing-due date of the person referred to in paragraph *a* for the preceding year.

2011, c. 6, s. 193.

1029.8.61.6.3. The Minister may, at a particular time, cease to pay in advance, or suspend the payment of, an amount provided for in section 1029.8.61.6 to an individual for a particular taxation year if

(a) the individual, or the individual's spouse at the time of the application referred to in the first paragraph of section 1029.8.61.6 for the particular year, received an amount the Minister paid in advance under that section for a preceding taxation year and has not, as of the particular time, filed a fiscal return for the preceding year; and

(b) the particular time is subsequent to the filing-due date of the person referred to in paragraph *a* for the preceding year.

2011, c. 6, s. 193.

1029.8.61.6.4. The Minister may suspend the advance payment of, reduce or cease to pay an amount provided for in section 1029.8.61.6 if documents or information brought to the Minister's attention so warrant.

2011, c. 6, s. 193.

1029.8.61.7. An individual shall not be deemed to have paid an amount to the Minister under this division for a taxation year if the individual is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002).

2000, c. 39, s. 190; 2007, c. 12, s. 199; 2010, c. 31, s. 175.

§ 3. — *Financial compensation*

2009, c. 15, s. 324.

1029.8.61.7.1. The Minister may establish and implement a transitional financial compensation program for elderly persons who live in a dwelling unit.

The program mentioned in the first paragraph is a fiscal law within the meaning of the Tax Administration Act (chapter A-6.002).

2009, c. 15, s. 324; 2010, c. 31, s. 175.

DIVISION II.11.2

TAX CREDIT GRANTING AN ALLOWANCE TO FAMILIES

2005, c. 1, s. 257; 2019, c. 14, s. 667.

§ 1. — *Interpretation and general*

2005, c. 1, s. 257; 2006, c. 13, s. 173.

1029.8.61.8. In this division,

"base year" in relation to a particular month means

(a) where the particular month is any of the first six months of a calendar year, the taxation year that ended on 31 December of the second preceding calendar year; or

(b) where the particular month is any of the last six months of a calendar year, the taxation year that ended on 31 December of the preceding calendar year;

"cohabiting spouse" of an individual at any time means the person who at that time is the individual's spouse and who is not at that time living separate and apart from the individual;

"eligible dependent child" at any time means a person who at that time is under 18 years of age and

(a) is not a person in respect of whom an individual has deducted an amount under section 776.41.5 in computing the individual's tax otherwise payable under this Part for the base year in relation to the particular month that includes that time; and

(b) is not the subject of an order for placement in an alternative living environment until the person reaches majority according to the conclusions of a judgement rendered under the Youth Protection Act (chapter P-34.1);

"eligible individual", in respect of an eligible dependent child, at any time means an individual who at that time

(a) resides with the eligible dependent child;

(b) is the father or mother of the eligible dependent child;

(c) is resident in Québec or, where the individual is the cohabiting spouse of a person who is deemed to be resident in Québec throughout the taxation year that includes that time, other than a person who is exempt from tax for the year under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002), was resident in Québec in any preceding taxation year;

(d) is not exempt from tax for the taxation year that includes that time under section 982 or 983 or any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act; and

(e) is, or whose cohabiting spouse is,

i. a Canadian citizen,

ii. a permanent resident within the meaning of subsection 1 of section 2 of the Immigration and Refugee Protection Act (S.C. 2001, c. 27),

iii. a temporary resident or a holder of a temporary resident permit within the meaning of the Immigration and Refugee Protection Act, who was resident in Canada during the 18-month period preceding that time, or

iv. is a protected person within the meaning of the Immigration and Refugee Protection Act;

"family income" of an individual for a base year in relation to a particular month means the aggregate of the income of the individual for the base year and the income, for the base year, of the individual's cohabiting spouse at the beginning of the particular month.

2005, c. 1, s. 257; 2006, c. 13, s. 174; 2007, c. 12, s. 200; 2010, c. 31, s. 175; 2015, c. 20, s. 61; 2017, c. 29, s. 184; 2021, c. 36, s. 131.

1029.8.61.9. For the purposes of the definition of "cohabiting spouse" in section 1029.8.61.8, the following rules must be taken into consideration:

(a) a person shall not be considered to be living separate and apart from an individual at any time unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time;

(b) where an individual would, but for this paragraph, have more than one cohabiting spouse at any time, the individual is deemed, at that time, to have only one cohabiting spouse and to be the cohabiting spouse of that person only; and

(c) where a person would, but for this paragraph, be the cohabiting spouse of more than one individual at any time, Retraite Québec may designate which of the individuals is deemed to have that person as sole cohabiting spouse at that time and that person is deemed to be the cohabiting spouse at that time solely of the individual so designated.

2005, c. 1, s. 257; 2012, c. 8, s. 232; 2015, c. 20, s. 61.

1029.8.61.9.1. For the purposes of paragraph *a* of the definition of "eligible individual" in section 1029.8.61.8, an individual is presumed to reside, at any time, with an eligible dependent child who, at that time, is lodged or sheltered pursuant to the law if the individual was an eligible individual in respect of the child immediately before the child's being lodged or sheltered became effective pursuant to the law or, where there is no such eligible individual, if the individual is, at that time, a person having a bond of filiation with the child.

2021, c. 36, s. 132.

1029.8.61.10. *(Repealed).*

2005, c. 1, s. 257; 2006, c. 13, s. 175.

1029.8.61.11. If, at the beginning of a particular month, a person has a bond of filiation with an eligible dependent child with whom the person resides, other than a child who is the subject of shared custody at the beginning of the particular month, the person is deemed to fulfill the responsibility for the care and upbringing of the eligible dependent child at the beginning of the particular month, unless the person is the child's biological mother and, at the beginning of the particular month, has not reached 18 years of age and does not have a cohabiting spouse.

For the purposes of the first paragraph, an eligible dependent child who is the subject of shared custody at the beginning of a particular month means

(a) a child whose custody is shared between persons with whom the child has a bond of filiation, and in respect of whom each of those persons assumes at least 40% of custody time during the particular month; or

(b) a child whose custody is shared between a person with whom the child does not have a bond of filiation and a person with whom the child has such a bond, if the latter person assumes less than 50% of custody time during the particular month.

If a person is deemed, under the first paragraph, to fulfill the responsibility for the care and upbringing of an eligible dependent child at the beginning of a particular month, no person other than a person referred to in

the first paragraph may be considered to be fulfilling that responsibility in respect of that child at the beginning of the particular month.

2005, c. 1, s. 257; 2006, c. 13, s. 176.

1029.8.61.11.1. If, at the beginning of a particular month, persons have a bond of filiation with an eligible dependent child who is the subject of shared custody and in respect of whom each of those persons assumes at least 40% of custody time during the particular month, each of those persons is deemed to fulfill the responsibility for the care and upbringing of that child at the beginning of the particular month.

If persons are deemed, under the first paragraph, to fulfill the responsibility for the care and upbringing of an eligible dependent child at the beginning of a particular month, no person other than persons referred to in the first paragraph may be considered to be fulfilling that responsibility in respect of that child at the beginning of the particular month.

2006, c. 13, s. 177.

1029.8.61.11.2. If, at the beginning of a particular month, a person has a bond of filiation with an eligible dependent child who is the subject of shared custody and in respect of whom the person does not assume at least 40% of custody time during the particular month, that person and, where applicable, the person's cohabiting spouse at the beginning of the particular month, are deemed, despite section 1029.8.61.9.1, not to be residing with that child at the beginning of the particular month.

2006, c. 13, s. 177; 2021, c. 36, s. 133.

1029.8.61.12. For the purpose of determining whether a person fulfils the responsibility for the care and upbringing of an eligible dependent child, the following criteria must be taken into account:

(a) supervising the child's daily activities and providing for the child's daily needs;

(b) maintaining a safe environment in which the child resides;

(c) obtaining medical care for the child at regular intervals and as necessary, and transporting the child to the places where this care is given;

(d) organizing, for the child, educational, recreational or sports activities, or other similar activities, and provide for the child's participation in such activities and transportation for this purpose;

(e) providing for the child's needs when the child is sick or requires another person's assistance;

(f) seeing to the child's personal hygiene on a regular basis;

(g) in general, being present for the child and guiding the child; and

(h) the existence of a court order that is issued in respect of the child and valid where the child resides.

2005, c. 1, s. 257; 2006, c. 13, s. 178.

1029.8.61.12.1. If, at the beginning of a particular month and as a consequence of the application of section 1029.8.61.12, persons who are not married to each other or who, though married, do not live together, fulfill the responsibility for the care and upbringing of an eligible dependent child, that responsibility is deemed to be fulfilled by the person who primarily fulfills, at the beginning of the particular month, that responsibility and, where applicable, by the person who has a bond of filiation with that child and assumes at least 40% of custody time in respect of the child during the particular month.

2006, c. 13, s. 179.

1029.8.61.12.2. If, at the beginning of a particular month and as a consequence of the application of section 1029.8.61.12, responsibility for the care and upbringing of an eligible dependent child is shared equally between persons who are not married to each other or who, though married, do not live together, those persons must agree in determining which one of them is deemed to fulfill that responsibility at the beginning of the particular month, unless one of those persons has a bond of filiation with the child and assumes at least 40% of custody time in respect of the child, in which case each of those persons is deemed to fulfill that responsibility.

If the persons referred to in the first paragraph cannot agree, Retraite Québec shall determine which of them is deemed to fulfill the responsibility for the care and upbringing of the eligible dependent child at the beginning of the particular month.

2006, c. 13, s. 179; 2015, c. 20, s. 61.

1029.8.61.12.3. For the purposes of sections 1029.8.61.12.1 and 1029.8.61.12.2, two married persons are considered not to be living together at any time if, at that time, they have been living separate and apart, because of a breakdown of their marriage, for a period of at least 90 days that includes that time.

2006, c. 13, s. 179.

1029.8.61.13. For the purposes of the definition of "family income" in section 1029.8.61.8, where an individual was not resident in Canada throughout a particular base year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the individual had been resident in Québec and in Canada throughout the year.

2005, c. 1, s. 257; 2011, c. 6, s. 194.

1029.8.61.14. *(Repealed)*.

2005, c. 1, s. 257; 2006, c. 13, s. 180.

1029.8.61.15. *(Repealed)*.

2005, c. 1, s. 257; 2006, c. 13, s. 180.

1029.8.61.16. *(Repealed)*.

2005, c. 1, s. 257; 2006, c. 13, s. 180.

1029.8.61.17. Where an individual becomes a bankrupt in a particular calendar year, section 779 does not apply for the purpose of determining the individual's income for the year.

2005, c. 1, s. 257.

§ 2. — *Credit*

2005, c. 1, s. 257.

1029.8.61.18. Where an individual and, where applicable, the individual's cohabiting spouse at the beginning of a particular month included in a taxation year file the document referred to in section 1029.8.61.23 for the base year in relation to the particular month, an amount equal to the amount determined by the following formula is deemed, for the particular month, to be an overpayment of the tax payable by the individual under this Part (in this division referred to as the "family allowance"):

1/12 A + B + I + J.

In the formula provided for in the first paragraph,

(a) A is the greater of the amounts determined by the following formulas:

i. (C + D) − 4% (E − F), and

ii. G + H; and

(b) B is an amount, in this division referred to as the "supplement for handicapped children", equal to the product obtained by multiplying $198 by the number of eligible dependent children referred to in section 1029.8.61.19 in respect of whom the individual is, at the beginning of the particular month, an eligible individual;

(c) I is an amount (in this division referred to as the "supplement for handicapped children requiring exceptional care") equal to the aggregate of

i. the amount (in this division and the regulations referred to as the "amount for the first level") equal to the product obtained by multiplying $995 by the number of eligible dependent children referred to in subparagraph *a* of the first paragraph of section 1029.8.61.19.1 in respect of whom the individual is, at the beginning of the particular month, an eligible individual, and

ii. the amount (in this division and the regulations referred to as the "amount for the second level") equal to the product obtained by multiplying $663 by the number of eligible dependent children referred to in subparagraph *b* of the first paragraph of section 1029.8.61.19.1, without being referred to in subparagraph *a* of that paragraph, in respect of whom the individual is, at the beginning of the particular month, an eligible individual; and

(d) J is an amount (in this division referred to as the "supplement for the purchase of school supplies") equal to

i. where the particular month is July of the year, the product obtained by multiplying $104 by the number of eligible dependent children described in the first paragraph of section 1029.8.61.19.5 in respect of whom the individual is, at the beginning of the particular month, an eligible individual,

ii. where the particular month is January 2018, the product obtained by multiplying $100 by the number of eligible dependent children described in the second paragraph of section 1029.8.61.19.5 in respect of whom the individual is, at the beginning of the particular month, an eligible individual, or

iii. in any other case, zero.

In the formulas provided for in subparagraph *a* of the second paragraph,

(a) C is an amount equal to the product obtained by multiplying $2,515 by the number of eligible dependent children in respect of whom the individual is, at the beginning of the particular month, an eligible individual;

(b) D is an amount of $882, where the individual has no cohabiting spouse at the beginning of the particular month;

(c) E is the individual's family income for the base year in relation to the particular month;

(d) F is,

i. if the individual has a cohabiting spouse at the beginning of the particular month, the amount determined under the first paragraph of section 1029.8.61.22 that is applicable, for the particular month, in respect of such an individual, and

ii. if the individual has no cohabiting spouse at the beginning of the particular month, the amount determined under the second paragraph of section 1029.8.61.22 that is applicable, for the particular month, in respect of such an individual;

(e) G is an amount equal to the product obtained by multiplying $1,000 by the number of eligible dependent children in respect of whom the individual is, at the beginning of the particular month, an eligible individual; and

(f) H is an amount of $352, where the individual has no cohabiting spouse at the beginning of the particular month.

Where, at the beginning of a particular month, more than one eligible dependent child would, but for this paragraph, give entitlement to an amount in respect of a family allowance, as a consequence of the application of subparagraphs *a* and *e* of the third paragraph, only one of those eligible dependent children is deemed to give entitlement to such an amount.

The individual who, at the beginning of a particular month, is an eligible individual in respect of an eligible dependent child, or, where applicable, the individual's cohabiting spouse at the beginning of the particular month, shall, for this section to apply to the individual, fulfill the responsibility for the care and upbringing of the eligible dependent child.

2005, c. 1, s. 257; 2005, c. 38, s. 281; 2006, c. 13, s. 181; 2017, c. 29, s. 185; 2019, c. 14, s. 367; 2020, c. 16, s. 155.

1029.8.61.18.1. If, for a particular month included in a taxation year, two individuals, who are mutually cohabiting spouses at the beginning of the particular month, would, but for this section, be entitled to receive an amount in respect of a family allowance under section 1029.8.61.18, only the individual described in the second paragraph is entitled to receive that amount for the particular month.

The individual to which the first paragraph refers is

(a) in the case of an initial application filed by a family, other than a blended family,

i. the biological mother of the eligible dependent child if the application is deemed, in accordance with section 1029.8.61.24, to have been filed, and

ii. the first of the individuals referred to in the first paragraph who files an application, other than the application referred to in subparagraph i, in respect of an eligible dependent child;

(b) in the case of an initial application filed by a blended family,

i. the individual who has a bond of filiation with the largest number of eligible dependent children named in the application, and

ii. if each of the cohabiting spouses has a bond of filiation with an equal number of eligible dependent children named in the application, the individual who has a bond of filiation with the youngest child or, if that child has a bond of filiation with each of the cohabiting spouses, the mother; and

(c) in the case of a second application and of any subsequent application filed by a family, the individual who receives, at the time of the application, an amount in respect of a family allowance.

For the purposes of subparagraphs *a* and *b* of the second paragraph, a blended family means two single-parent families that combine to form a new family.

2006, c. 13, s. 182; 2010, c. 25, s. 179; 2019, c. 14, s. 666.

1029.8.61.18.2. If, at the beginning of a particular month, individuals, who are not mutually cohabiting spouses, are eligible individuals in respect of the same eligible dependent child, in this section referred to as the "child concerned", and each of them is deemed to fulfill, at the beginning of the particular month, the responsibility for the care and upbringing of the child concerned under any of sections 1029.8.61.11.1, 1029.8.61.12.1 and 1029.8.61.12.2, the amount determined in respect of each individual for the particular month under section 1029.8.61.18 is to be replaced by an amount equal to the aggregate of

(a) the amount that would be determined in respect of the individual, for the particular month, under section 1029.8.61.18 if the individual was not, at the beginning of the particular month, an eligible individual in respect of each child concerned; and

(b) the amount that is equal to 50% of the amount by which the amount determined in respect of the individual for the particular month under section 1029.8.61.18 exceeds the amount determined under paragraph *a* in respect of the individual.

2006, c. 13, s. 182.

1029.8.61.18.3. An eligible individual, in respect of an eligible dependent child, may, at any time, waive entitlement to receive an amount in respect of a family allowance in favour of another eligible individual, in respect of the eligible dependent child, who is the eligible individual's cohabiting spouse, provided Retraite Québec is so notified.

The waiver takes effect from the date, subsequent to the date of the notice to Retraite Québec, on which an amount is paid in respect of a family allowance.

2006, c. 13, s. 182; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.18.4. Retraite Québec may, in exceptional circumstances and if it is convinced that it is in the family's interest, pay an amount in respect of a family allowance that an eligible individual in respect of an eligible dependent child is entitled to receive to the eligible individual's cohabiting spouse if that spouse is also an eligible individual in respect of the eligible dependent child.

2006, c. 13, s. 182; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.19. An eligible dependent child to whom subparagraph *b* of the second paragraph of section 1029.8.61.18 refers is a child who, according to the prescribed rules, has an impairment or a mental function disability that substantially limits the child in performing the life habits of a child of his or her age during a foreseeable period of at least one year.

For the purpose of considering an amount in respect of the supplement for handicapped children under subparagraph *b* of the second paragraph of section 1029.8.61.18 for a particular month, an application must be filed with Retraite Québec no later than 11 months after the end of the particular month and be accompanied by the report of a member of a professional order assessing the child's condition for a period that precedes the application date by no more than 12 months.

There is an exemption from filing a new application and from filing a new report of a member of a professional order for the purpose of considering an amount in respect of the supplement for handicapped children under subparagraph *b* of the second paragraph of section 1029.8.61.18, where an individual becomes an eligible individual, in respect of an eligible child who already gives rise to entitlement to an amount in respect of the supplement for handicapped children and in respect of whom the individual has filed or is deemed to have filed an application under the first paragraph of section 1029.8.61.24.

Where divergent opinions exist concerning the assessment of the child's condition, Retraite Québec may require that the child be examined by the physician it designates or by any other member of a professional order. If valid grounds are presented to oppose the choice of the physician or the member of a professional order, Retraite Québec shall designate another physician or member of a professional order.

Retraite Québec may, at any time, require that the child's condition be reassessed.

Despite the first paragraph, the child is not considered to be an eligible dependent child to whom subparagraph *b* of the second paragraph of section 1029.8.61.18 refers if

(a) without a valid reason, the treatments or measures likely to improve the child's condition are not applied or continued; or

(b) there is refusal or omission to comply with a request for information or an examination to assess the child's condition.

2005, c. 1, s. 257; 2006, c. 13, s. 183; 2015, c. 20, s. 61; 2017, c. 29, s. 186.

1029.8.61.19.1. For the purposes of subparagraph *c* of the second paragraph of section 1029.8.61.18 and subject to sections 1029.8.61.19.2 to 1029.8.61.19.4,

(a) for the purpose of computing the amount for the first level, an eligible dependent child to whom subparagraph i of subparagraph *c* of the second paragraph of section 1029.8.61.18 refers is a child described in the first paragraph of section 1029.8.61.19 who is, according to the prescribed rules in the case of a situation described in subparagraph i or ii, in any of the following situations:

i. the child is two years of age or over at the beginning of the particular month and, during a foreseeable period of at least one year, has an impairment or a mental function disability entailing serious and multiple disabilities that prevent the child—to the extent prescribed for computing the amount for the first level—from independently performing the life habits of a child of his or her age,

ii. the child's state of health at the beginning of the particular month requires, during a foreseeable period of at least one year, specified complex medical care at home that is described in the first paragraph of section 1029.8.61.19.3 and, where the child is six years of age or over at the beginning of the particular month and the care is care described in subparagraph i or ii of subparagraph *a* of that paragraph, the child's state of health limits the child—to the extent prescribed—in performing the life habits of a child of his or her age, or

iii. the child is under two years of age at the beginning of the particular month and

(1) has an established serious chronic disease, without known treatment, and presents both serious, multiple and persistent disabilities, including very severe motor disabilities, and a significant and persistent daily symptomatology requiring multiple complex medical care, or

(2) has a neurogenetic, congenital or metabolic disease, without known treatment, that limits life expectancy to childhood and is associated with a very significant symptomatology from the first months of life due to serious, multiple and persistent disabilities; and

(b) for the purpose of computing the amount for the second level, an eligible dependent child to whom subparagraph ii of subparagraph *c* of the second paragraph of section 1029.8.61.18 refers is a child described in the first paragraph of section 1029.8.61.19 who is, according to the prescribed rules, in either of the following situations:

i. the child is two years of age or over at the beginning of the particular month and, during a foreseeable period of at least one year, has an impairment or a mental function disability entailing serious and multiple disabilities that prevent the child—to the extent prescribed for computing the amount for the second level—from independently performing the life habits of a child of his or her age, or

ii. the child's state of health at the beginning of the particular month requires, during a foreseeable period of at least one year, specified complex medical care at home that is described in the second paragraph of section 1029.8.61.19.3.

For the purpose of considering an amount in respect of the supplement for handicapped children requiring exceptional care under subparagraph *c* of the second paragraph of section 1029.8.61.18 for a particular month, an application must be filed with Retraite Québec no later than 11 months after the end of the particular month and be accompanied by pluridisciplinary reports made in respect of the child.

Where divergent opinions exist concerning the assessment of the child's condition, Retraite Québec may require that the child be examined by the physician it designates or by any other member of a professional order. If valid grounds are presented to oppose the choice of the physician or the member of a professional order, Retraite Québec shall designate another physician or member of a professional order.

An eligible individual, in respect of a child, who becomes aware that a change in the child's condition is likely to change the child's eligibility for the amount for the first or second level must file with Retraite Québec an application for the reassessment of the child's condition.

Retraite Québec may, at any time, require that the child's condition be reassessed.

Where the reassessment of the child's condition under the fourth or fifth paragraph has the effect of increasing or reducing an amount in respect of the supplement for handicapped children requiring exceptional care that an individual is entitled to receive, the following rules apply:

(a) if the reassessment has the effect of increasing the amount that the individual is entitled to receive, the amount is revised as of the particular month following the month in which the application for reassessment is received by Retraite Québec or, if the reassessment is required by Retraite Québec under the fifth paragraph, as of the particular month following the month in which the information required for the analysis of the child's condition is received by Retraite Québec; and

(b) if the reassessment has the effect of reducing the amount that the individual is entitled to receive or of causing the individual to no longer be entitled to such an amount, the amount is revised or is no longer paid, as the case may be, as of the particular month following the month in which the decision is rendered by Retraite Québec.

Despite the first paragraph, a child is not considered to be an eligible dependent child to whom subparagraph *c* of the second paragraph of section 1029.8.61.18 refers if

(a) without a valid reason, the treatments or measures likely to improve the child's condition are not applied or continued; or

(b) there is refusal or omission to comply with a request for information or an examination to assess the child's condition.

2017, c. 29, s. 187; 2019, c. 14, s. 368; 2020, c. 16, s. 156; 2024, c. 11, s. 122.

1029.8.61.19.2. An eligible dependent child to whom subparagraph *c* of the second paragraph of section 1029.8.61.18 refers does not include a person who is lodged or sheltered under the law or a person who benefits from personal home assistance under

(a) section 158 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001);

(b) section 79 of the Automobile Insurance Act (chapter A-25); or

(c) section 5 of the Crime Victims Compensation Act (chapter I-6) or under the Act to assist persons who are victims of criminal offences and to facilitate their recovery (chapter P-9.2.1).

2017, c. 29, s. 187; 2021, c. 13, s. 146.

1029.8.61.19.3. For the purposes of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.61.19.1, specified complex medical care at home is as follows:

(a) complex respiratory care, namely

i. non-invasive mechanical ventilation with bi-level positive airway pressure (BPAP) on a daily basis,

ii. care related to a tracheostomy without invasive mechanical ventilation, or

iii. care related to a tracheostomy with invasive mechanical ventilation;

(b) complex nutritional care, namely parenteral nutrition (intravenous hyperalimentation);

(c) complex cardiac care, namely

i. the intravenous administration of inotropes, and

ii. care related to a ventricular assist device (artificial heart pump); and

(d) complex renal care, namely peritoneal dialysis.

For the purposes of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.61.19.1, specified complex medical care at home is as follows:

(a) complex respiratory care, namely

i. oxygenotherapy or mechanical ventilation, on a daily basis and 24 hours a day, and

ii. where the child is six years of age or over at the beginning of the particular month, the care related to a tracheostomy without invasive mechanical ventilation;

(b) complex nutritional care, namely feeding through jejunal or gastro-jejunal tube; and

(c) daily skin care for extreme skin conditions affecting wide areas of the skin that are at high risk of developing pressure ulcers, synechiae or shrinkage.

2017, c. 29, s. 187; 2020, c. 16, s. 157.

1029.8.61.19.4. Subparagraph ii of each of subparagraphs *a* and *b* of the first paragraph of section 1029.8.61.19.1 applies in respect of a child only if

(a) the father or mother of the child, as the case may be, has begun to administer the specified complex medical care at home to the child;

(b) the father or mother of the child, as the case may be, has been trained beforehand in a specialized center to master the specific techniques for using the required equipment and to be able to respond to any change in the child's clinical condition that may endanger the life of the child; and

(c) the child cannot self-administer the specified complex medical care at home.

2017, c. 29, s. 187; 2020, c. 16, s. 158.

1029.8.61.19.4.1. For the purposes of subparagraph iii of subparagraph *a* of the first paragraph of section 1029.8.61.19.1, the following rules apply:

(a) a child presents very severe motor disabilities only if

i. the child has oral-motor disabilities that entail significant feeding issues, and

ii. the child has global motor abilities that remain lower than those of an average healthy child a quarter of the child's age, despite the application of recommended treatments;

(b) the complex medical care required by a significant and persistent daily symptomatology presented by a child is that which

i. is administered on a daily basis and for which the care routine presents a significant burden,

ii. is administered for the child's survival, as it compensates for the dysfunction of an organ or system,

iii. is not frequently administered to children in the child's age group, and

iv. requires specialized equipment or a person to be available at all times to respond to any change in the child's clinical condition; and

(c) a disease is considered as limiting life expectancy to childhood if the disease is associated with death occurring before the age of 18 years among the majority of children with this disease, despite optimal care.

In assessing, for the purposes of subparagraph *a* of the first paragraph, the condition of a child born prematurely in relation to the child's development, the child's age is adjusted by subtracting the number of weeks of prematurity, until the age of 36 months.

2024, c. 11, s. 123.

1029.8.61.19.5. An eligible dependent child to whom subparagraph i of subparagraph *d* of the second paragraph of section 1029.8.61.18 refers for a particular month is a child who, on 30 September following the particular month, is at least 4 years of age and at most

(a) 17 years of age, where the child is an eligible dependent child to whom subparagraph *b* of the second paragraph of section 1029.8.61.18 refers for the particular month; or

(b) 16 years of age, in any other case.

An eligible dependent child to whom subparagraph ii of subparagraph *d* of the second paragraph of section 1029.8.61.18 refers is a child who, on 30 September 2017, is at least 4 years of age and at most

(a) 17 years of age, where the child is an eligible dependent child to whom subparagraph *b* of the second paragraph of section 1029.8.61.18 refers for January 2018; or

(b) 16 years of age, in any other case.

2019, c. 14, s. 369.

1029.8.61.20. Each of the amounts referred to in the fourth paragraph shall, where it is to be used for a taxation year subsequent to the taxation year 2020, be adjusted annually in such a manner that the amount used for that taxation year is equal to the total of the amount used for the preceding taxation year and the product obtained by multiplying that amount so used by the factor determined by the formula

In the formula provided for in the first paragraph,

(a) A is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year preceding that for which an amount is to be adjusted; and

(b) B is the average all-items Consumer Price Index for Québec excluding alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on 30 September of the taxation year immediately before the year preceding that for which the amount is to be adjusted.

If the factor determined by the formula in the first paragraph has more than four decimal places, only the first four decimal digits are retained and the fourth is increased by one unit if the fifth is greater than 4.

The amounts to which the first paragraph refers are

(a) the amount of $198 mentioned in subparagraph *b* of the second paragraph of section 1029.8.61.18;

(a.1) the amounts of $995 and $663 mentioned in subparagraph *c* of the second paragraph of section 1029.8.61.18;

(a.2) the amount of $104 mentioned in subparagraph i of subparagraph *d* of the second paragraph of section 1029.8.61.18;

(b) the amount of $2,515 mentioned in subparagraph *a* of the third paragraph of section 1029.8.61.18;

(c) the amount of $882 mentioned in subparagraph *b* of the third paragraph of section 1029.8.61.18;

(d) the amount of $1,000 mentioned in subparagraph *e* of the third paragraph of section 1029.8.61.18; and

(e) the amount of $352 mentioned in subparagraph *f* of the third paragraph of section 1029.8.61.18.

2005, c. 1, s. 257; 2005, c. 38, s. 282; 2009, c. 5, s. 456; 2009, c. 15, s. 325; 2017, c. 29, s. 188; 2019, c. 14, s. 370; 2020, c. 5, s. 214; 2020, c. 16, s. 159.

1029.8.61.21. Where the amount that results from the adjustment provided for in section 1029.8.61.20 is not a multiple of $1, it shall be rounded to the nearest multiple of $1 or, if it is equidistant from two such multiples, to the higher thereof.

2005, c. 1, s. 257.

1029.8.61.22. The amount to which subparagraph i of subparagraph *d* of the third paragraph of section 1029.8.61.18 refers is the amount (in section 1029.8.61.22.1 referred to as the "family allowance reduction threshold"), applicable for a particular month included in a taxation year, that is equal to the amount starting at which the total income of an eligible individual for the year who has an eligible spouse for the year, and whose work income for the year is at least equal to the work premium reduction threshold referred to in subparagraph ii of subparagraph *b* of the second paragraph of section 1029.8.116.5 that is applicable for the year, causes the eligible individual to be deemed to have paid to the Minister an amount equal to zero on account of the eligible individual's tax payable for the year under the first paragraph of section 1029.8.116.5.

The amount to which subparagraph ii of subparagraph *d* of the third paragraph of section 1029.8.61.18 refers is the amount (in section 1029.8.61.22.1 referred to as the "family allowance reduction threshold"), applicable for a particular month included in a taxation year, that is equal to the amount starting at which the total income of an eligible individual for the year who does not have an eligible spouse for the year, and

whose work income for the year is at least equal to the work premium reduction threshold referred to in subparagraph i of subparagraph *b* of the second paragraph of section 1029.8.116.5 that is applicable for the year, causes the eligible individual to be deemed to have paid to the Minister an amount equal to zero on account of the eligible individual's tax payable for the year under the first paragraph of section 1029.8.116.5.

In this section, "eligible individual", "eligible spouse", "total income" and "work income" have the meaning assigned by section 1029.8.116.1.

2005, c. 1, s. 257; 2006, c. 13, s. 184; 2019, c. 14, s. 371.

1029.8.61.22.1. The Minister of Finance publishes annually in the *Gazette officielle du Québec* a notice setting out the amounts of the family allowance reduction thresholds that are determined for a taxation year in accordance with the first and second paragraphs of section 1029.8.61.22.

The notice described in the first paragraph becomes effective from 1 January of the year for which the amounts of the family allowance reduction thresholds are determined and may be subject to a review having retroactive effect to that date.

2006, c. 13, s. 185; 2019, c. 14, s. 372.

For the taxation year 2024, the amount of the family allowance reduction threshold applicable to an individual who does not have a cohabiting spouse at the beginning of a particular month of the year is changed from $40,168 to $42,136; the amount of the family allowance reduction threshold applicable to an individual who has a cohabiting spouse at the beginning of a particular month of the year is changed from $55,183 to $57,822.

See (2023) 155 G.O. 1, 795.

1029.8.61.23. The document to which the first paragraph of section 1029.8.61.18 refers is

(a) where the individual is resident in Québec on 31 December of the base year and in Canada throughout that year, the fiscal return the individual is required to file under section 1000 for that year;

(b) where the individual is not resident in Québec on 31 December of the base year but is resident in Canada throughout that year, the fiscal return the individual is required to file under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for that year or a statement of income for that year; and

(c) in any other case, a statement of income for the base year.

2005, c. 1, s. 257.

1029.8.61.24. An individual may be considered to be an eligible individual, in respect of an eligible dependent child, at the beginning of a particular month only if the individual files an application for a family allowance, in respect of that eligible dependent child, with Retraite Québec no later than 11 months after the end of the particular month.

An individual is deemed to have filed an application, in respect of an eligible dependent child, with Retraite Québec within the time prescribed in the first paragraph if the registrar of civil status provides Retraite Québec with the information required to establish the individual's eligibility.

There is an exemption from filing a new application, in respect of a child, where, no later than 12 months after the cessation of the entitlement to receive an amount in respect of a family allowance by reason of non-compliance with the conditions relating to the contribution that was payable under the Regulation respecting the application of the Act respecting health services and social services for Cree Native persons (chapter S-5, r. 1) in respect of the child who is lodged or sheltered pursuant to the law, Retraite Québec is informed that the

child is no longer lodged or sheltered at a particular time that is before 1 September 2021 or that those conditions have been satisfied before that date.

2005, c. 1, s. 257; 2005, c. 38, s. 283; 2006, c. 13, s. 244; 2015, c. 20, s. 61; 2017, c. 29, s. 189; 2019, c. 14, s. 373; 2021, c. 36, s. 134.

1029.8.61.24.1. An individual who did not file an application within the time prescribed in the second paragraph of section 1029.8.61.19 or 1029.8.61.19.1 or in the first paragraph of section 1029.8.61.24 may apply in writing to Retraite Québec for an extension, setting out the reasons why the application was not filed within the prescribed time.

The application must be granted if the individual demonstrates that it was impossible in fact for that individual to act and that the application was filed as soon as circumstances permitted.

The time for filing the application may be extended for a period not exceeding 24 months.

2017, c. 29, s. 190.

1029.8.61.25. An individual who receives an amount in respect of a family allowance and who ceases to be an eligible individual, in respect of an eligible dependent child, in a particular month, otherwise than because the child reaches 18 years of age, shall notify Retraite Québec thereof before the end of the first month that follows the particular month.

2005, c. 1, s. 257; 2006, c. 13, s. 186; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.26. An eligible individual, in respect of an eligible dependent child, at the beginning of a particular month shall notify Retraite Québec of any change in circumstances that may affect the individual's entitlement to receive an amount in respect of a family allowance.

The individual shall notify Retraite Québec before the end of the month that follows the month in which the change in circumstances occurs.

Retraite Québec may, where information is communicated by the Minister or the registrar of civil status with respect to an individual who receives an amount in respect of a family allowance or by the Minister of National Revenue with respect to an individual who receives a Canada child benefit under the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), consider that a change in circumstances has been communicated to it.

2005, c. 1, s. 257; 2005, c. 38, s. 284; 2006, c. 13, s. 245; 2015, c. 20, s. 61; 2019, c. 14, s. 374.

1029.8.61.26.1. If a change in circumstances has the effect of increasing an amount in respect of a family allowance that an individual is entitled to receive, the amount is revised from the beginning of the particular month that follows the month in which the change in circumstances occurs, provided that Retraite Québec is notified of the change at or before the end of the eleventh month following the particular month or, if Retraite Québec is notified of the change after that time, from the beginning of the eleventh month that precedes the month in which Retraite Québec is notified of the change.

2006, c. 13, s. 187; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.27. Retraite Québec shall notify the eligible individual who is entitled to receive an amount in respect of a family allowance of the amount set for each 12-month period that begins on 1 July of each calendar year in respect of a family allowance.

The amount fixed under the first paragraph shall be revised during the year when a change in circumstances has the effect of changing the amount and a new notice shall be sent by Retraite Québec to the eligible individual.

2005, c. 1, s. 257; 2006, c. 13, s. 188; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

§ 3. — *Payment and recovery by Retraite Québec*

2005, c. 1, s. 257; 2015, c. 20, s. 61.

1029.8.61.28. Retraite Québec shall pay to an eligible individual who is entitled to receive an amount in respect of a family allowance, in respect of an eligible dependent child, in the first 15 days of January, April, July and October of a taxation year, the amounts determined, in respect of the eligible individual, in respect of a family allowance for each month in that year, according to the following terms and conditions:

(a) the payment made in January shall include the amounts determined in respect of a family allowance for January, February and March of that year;

(b) the payment made in April shall include the amounts determined in respect of a family allowance for April, May and June of that year;

(c) the payment made in July shall include the amounts determined in respect of a family allowance for July, August and September of that year; and

(d) the payment made in October shall include the amounts determined in respect of a family allowance for October, November and December of that year.

Despite the first paragraph, Retraite Québec may, on application, pay an amount as or on account of a family allowance in the first 15 days of each month in a taxation year and such a payment shall include only the amount determined in respect of a family allowance for the month of that payment.

However, the payment made under the first or second paragraph of an amount determined in respect of a family allowance for a particular month that is either January 2018 or July of a year subsequent to the year 2017 does not include the portion of that amount that is attributable to the supplement for the purchase of school supplies, which portion is paid separately by Retraite Québec on or before the last day of the month following the particular month.

2005, c. 1, s. 257; 2006, c. 13, s. 189; 2015, c. 20, s. 61; 2019, c. 14, s. 375.

1029.8.61.29. At the request of the Minister of Employment and Social Solidarity, Retraite Québec shall deduct from the amount to be paid as or on account of a family allowance the amount repayable under section 90 of the Individual and Family Assistance Act (chapter A-13.1.1) and shall remit the amount so deducted to the Minister of Employment and Social Solidarity.

2005, c. 1, s. 257; 2006, c. 25, s. 13; 2007, c. 12, s. 201; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.30. Sections 1051 and 1052 and sections 28 and 30.1 of the Tax Administration Act (chapter A-6.002) do not apply in respect of an amount paid as or on account of a family allowance under section 1029.8.61.28.

Despite section 31 of the Tax Administration Act, where a person is a debtor under a fiscal law or about to become so, or is in debt to the State under an Act other than a fiscal law and referred to in a regulation made under the second paragraph of that section, the Minister may not allocate to the payment of the debt of that person any amount to be paid to the person by Retraite Québec under section 1029.8.61.28.

2005, c. 1, s. 257; 2010, c. 31, s. 175; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.31. The claim of an individual in respect of the payment of an amount in respect of a family allowance is prescribed by three years.

However, the prescription does not run where the payment made by Retraite Québec results from a new computation of the income taken into account in determining an amount in respect of a family allowance.

2005, c. 1, s. 257; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.32. An individual who receives an amount in respect of a family allowance without entitlement must notify Retraite Québec with dispatch.

2005, c. 1, s. 257; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.33. An individual who receives an amount in respect of a family allowance without entitlement must repay such an amount to Retraite Québec, except if the amount was paid as a result of an administrative error that the individual could not reasonably have noticed.

2005, c. 1, s. 257; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.34. An amount owing to Retraite Québec by an individual must be repaid to Retraite Québec in full from the date of the formal notice that Retraite Québec sends to the individual.

The formal notice shall state the grounds for the demand for repayment, the amount to be repaid, the right to apply for a review of the decision within the time limit provided for in section 1029.8.61.39 and, subject to the conditions set out in section 1029.8.61.41, the right to contest the review decision before the Administrative Tribunal of Québec.

The claim of Retraite Québec is prescribed by three years from the date on which the amount was paid without entitlement or, in the case of bad faith on the part of the individual who received the amount without entitlement, from the date on which Retraite Québec became aware of the fact that that amount had been paid without entitlement.

2005, c. 1, s. 257; 2005, c. 17, s. 36; 2015, c. 20, s. 61.

1029.8.61.35. If, for a particular month, Retraite Québec has paid to an individual, as or on account of a family allowance, an amount to which the individual was not entitled and that individual is the cohabiting spouse of an eligible individual, in respect of the eligible dependent child in respect of whom the amount has been paid, who was entitled to receive that amount, the eligible individual and the eligible individual's cohabiting spouse are solidarily liable in respect of the payment to Retraite Québec of that amount, to the extent that it may reasonably be considered that that amount relates to the application of section 1029.8.61.18 and that the individual was the eligible individual's cohabiting spouse at the time the payment was made.

2005, c. 1, s. 257; 2006, c. 13, s. 190; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.36. Retraite Québec may allocate any amount to be paid to an individual as or on account of a family allowance for a particular month to the payment of any amount of which the individual is a debtor as a consequence of the application of the following provisions, and give the individual notice thereof:

(a) the provisions of this division;

(b) the provisions of the Act respecting family benefits (chapter P-19.1), as they applied in respect of the debtor; and

(c) the provisions of the Act respecting family assistance allowances (chapter A-17), as they applied in respect of the debtor.

Where applicable, the allocation shall be made taking into account the fact that an individual receives a benefit under a financial assistance program provided for in any of Chapters I, II, V and VI of Title II of the Individual and Family Assistance Act (chapter A-13.1.1).

2005, c. 1, s. 257; 2007, c. 12, s. 202; 2015, c. 20, s. 61; 2019, c. 14, s. 376; 2023, c. 19, s. 110.

1029.8.61.37. Section 1037 and sections 12.1, 13, 15, 15.2, 28, 31.1.1 and 32 of the Tax Administration Act (chapter A-6.002) do not apply in respect of an amount owed by an individual under section 1029.8.61.34.

In addition, the Minister may not institute proceedings before a court or register a legal hypothec in respect of that amount.

2005, c. 1, s. 257; 2010, c. 31, s. 175.

1029.8.61.38. Retraite Québec shall notify the Minister where an amount owed by an individual under section 1029.8.61.34 has, after the expiration of the period in which that amount could be or was the subject of a review or of a contestation before the Administrative Tribunal of Québec, become uncollectible by Retraite Québec.

2005, c. 1, s. 257; 2015, c. 20, s. 61.

§ 4. — *Review and contestation proceedings*

2005, c. 1, s. 257.

1029.8.61.39. Retraite Québec may, on application, review any decision it has made.

An application for review must be made within 90 days after the decision has been sent, unless Retraite Québec grants an extension.

The application must set out briefly the grounds for review.

2005, c. 1, s. 257; I.N. 2016-01-01 (NCCP); 2015, c. 20, s. 61.

1029.8.61.40. Retraite Québec shall make a decision with dispatch and inform the individual concerned of the individual's right to contest the decision in the manner set out in section 1029.8.61.41.

Any unfavourable decision of Retraite Québec must include reasons.

2005, c. 1, s. 257; 2015, c. 20, s. 61.

1029.8.61.41. Any review decision may be contested before the Administrative Tribunal of Québec within 60 days after the decision has been sent.

Moreover, an individual may contest before the Tribunal the decision whose review the individual applied for if Retraite Québec does not make a decision within 90 days after the receipt of the application, subject to the following:

(a) if the individual who applied for the review requested more time to present observations or produce documents, the 90-day time limit runs from the time observations are presented or documents are produced; and

(b) if Retraite Québec considers it necessary, to allow it to make a decision, that an examination be conducted by a health professional or that documents be produced, the time limit is extended for 90 days; the individual who applied for the review must be notified of the extension.

2005, c. 1, s. 257; 2005, c. 17, s. 37; I.N. 2016-01-01 (NCCP); 2015, c. 20, s. 61.

1029.8.61.42. Any contestation in respect of the accuracy of information communicated to Retraite Québec by the Minister that relates to the computation of income, for the purpose of establishing the entitlement of an individual to the payment of an amount in respect of a family allowance, must be brought under the Tax Administration Act (chapter A-6.002).

2005, c. 1, s. 257; 2010, c. 31, s. 175; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

§ 5. — *Recovery by the Minister*

2005, c. 1, s. 257.

1029.8.61.43. Where Retraite Québec notifies the Minister in accordance with section 1029.8.61.38, the Minister shall send the individual a notice stating that the amount owing to Retraite Québec by the individual is payable without delay to the Minister upon the sending of the notice.

2005, c. 1, s. 257; 2015, c. 20, s. 61.

1029.8.61.44. Section 1029.8.61.37 does not apply in respect of an amount payable to the Minister under section 1029.8.61.43.

2005, c. 1, s. 257.

1029.8.61.45. Where, for a taxation year, Retraite Québec has paid an amount as or on account of a family allowance to an individual or has allocated an amount to another of the individual's liabilities, and that amount is greater than the amount that should have been paid or allocated, the individual and the person who, at the end of the year, is the individual's cohabiting spouse are solidarily liable in respect of the payment to the Minister of that excess amount, to the extent that it may reasonably be considered that the excess amount relates to the application of section 1029.8.61.18 and that the person was the individual's cohabiting spouse at the time the payment was made.

However, nothing in this section limits the liability of the individual or of the individual's cohabiting spouse for the year, where applicable, under any other provision of this Act.

2005, c. 1, s. 257; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.46. The Minister may at any time assess the cohabiting spouse of an individual in respect of an amount payable under section 1029.8.61.45, and this Book applies, with the necessary modifications, to that assessment as if it had been made under Title II.

2005, c. 1, s. 257; 2010, c. 25, s. 180.

1029.8.61.47. Where an individual and the individual's cohabiting spouse are, under section 1029.8.61.45, solidarily liable in respect of all or part of a liability of the individual, a payment by the individual affects the solidary liability of the cohabiting spouse only to the extent that the payment operates to reduce the individual's liability to an amount less than the amount in respect of which the cohabiting spouse is solidarily liable under section 1029.8.61.45.

2005, c. 1, s. 257.

§ 6. — *Penal provision*

2005, c. 1, s. 257.

1029.8.61.48. The following persons are liable to a fine of $250 to $1,500:

(a) every person who, in order to obtain the payment of an amount in respect of a family allowance, fails to provide information or provides information knowing it to be false or misleading, or misrepresents a material fact; and

(b) every person who assists or encourages another person to obtain or receive an amount in respect of a family allowance, knowing that the person is not entitled thereto.

Sections 72 to 78.2 of the Tax Administration Act (chapter A-6.002) do not apply in respect of the offence provided for in the first paragraph.

2005, c. 1, s. 257; 2010, c. 31, s. 175; 2019, c. 14, s. 666.

§ 7. — *Administrative provisions*

2005, c. 1, s. 257.

1029.8.61.49. Retraite Québec shall administer the payment of an amount in respect of a family allowance.

2005, c. 1, s. 257; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.50. For the purpose of administering the payment of an amount in respect of a family allowance, Retraite Québec acts under the responsibility of the Minister of Families, Seniors and the Status of Women.

For the purposes of such administration, Retraite Québec shall exercise the powers conferred on it by this division, the powers under the Act respecting Retraite Québec (chapter R-26.3) and the powers under the Act respecting the Québec Pension Plan (chapter R-9) as necessary, in particular the power of inquiry provided for under section 30 of that Act.

2005, c. 1, s. 257; 2006, c. 25, s. 14; 2015, c. 20, s. 37; 2019, c. 14, s. 666.

1029.8.61.51. Retraite Québec may require an individual receiving an amount in respect of a family allowance to provide it with documents or information so that it may ascertain whether the individual is entitled to receive that amount.

Retraite Québec may suspend the payment of an amount in respect of a family allowance until it has been provided with the required documents or information if the individual receiving the amount fails to provide the required documents or information before the expiry of 45 days after the date of the request.

Retraite Québec may also suspend the payment of an amount in respect of a family allowance for the duration of an inquiry on the individual's eligibility. Retraite Québec shall conduct the inquiry diligently.

Retraite Québec shall give written notice of the suspension of payment, setting out the reasons for the suspension.

2005, c. 1, s. 257; 2006, c. 13, s. 191; 2010, c. 25, s. 181; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.52. Retraite Québec may decide not to require the payment of an amount of less than $2 and is not bound to pay such an amount.

2005, c. 1, s. 257; 2015, c. 20, s. 61.

1029.8.61.53. Retraite Québec may enter into an agreement with any person, association, corporation or body, and with the Government, or a department or body of the Government.

It may also enter into an agreement with a government in Canada, or a department or agency of such a government.

2005, c. 1, s. 257; 2015, c. 20, s. 61.

1029.8.61.54. Retraite Québec may, as a body responsible for the payment of an amount in respect of a family allowance, borrow sums from the Minister of Finance out of the financing fund established under the Act respecting the Ministère des Finances (chapter M-24.01).

The Minister of Finance may advance sums from the Consolidated Revenue Fund to Retraite Québec, with the authorization of the Government and on the conditions it fixes.

2005, c. 1, s. 257; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.55. Retraite Québec must, on or before the last day of February of a year, send to the Minister a return containing the prescribed information in respect of any amount paid to an eligible individual for the preceding year as or on account of a family allowance.

Retraite Québec shall inform the Minister of any changes in such information.

2005, c. 1, s. 257; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.56. The Minister may remit all or part of a debt if the Minister considers that, in the circumstances, recovery of the debt would be inappropriate.

An employee of Retraite Québec, who is authorized by the Minister, may sign the documents required for the purposes of the first paragraph.

2005, c. 1, s. 257; 2011, c. 6, s. 195; 2015, c. 20, s. 61.

1029.8.61.57. The sums necessary for the payment of the amounts determined in respect of a family allowance under this division shall be taken out of the tax revenues collected under this Act.

2005, c. 1, s. 257; 2019, c. 14, s. 666.

1029.8.61.58. Retraite Québec must, on or before 30 June of each year, report on its administration of this division to the Minister of Families, Seniors and the Status of Women. The report of Retraite Québec must be tabled by the Minister of Families, Seniors and the Status of Women within 15 days before the National Assembly, or, if the Assembly is not sitting, within 15 days of resumption.

The report must contain all the information required by the Minister of Families, Seniors and the Status of Women.

2005, c. 1, s. 257; 2006, c. 25, s. 14; 2015, c. 20, s. 61.

1029.8.61.59. An advisory committee is formed of representatives from the Ministère de la Famille, des Aînés et de la Condition féminine, Retraite Québec and the Agence du revenu du Québec to oversee the administration of the payment of amounts in respect of a family allowance.

The advisory committee is composed of six members, of whom three are appointed by the Minister of Families, Seniors and the Status of Women and three by the Minister of Revenue.

Among the members appointed by the Minister of Families, Seniors and the Status of Women, two must be members of the personnel of Retraite Québec.

2005, c. 1, s. 257; 2006, c. 25, s. 14; 2010, c. 31, s. 175; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

1029.8.61.60. The administration of the payment of an amount in respect of a family allowance by Retraite Québec under this division is done on behalf of the Minister of Revenue.

2005, c. 1, s. 257; 2015, c. 20, s. 61; 2019, c. 14, s. 666.

DIVISION II.11.3

(Repealed).

2005, c. 38, s. 285; 2011, c. 34, s. 95; 2021, c. 14, s. 153.

§ 1. —

(Repealed).

2005, c. 38, s. 285; 2021, c. 14, s. 153.

1029.8.61.61. *(Repealed).*

2005, c. 38, s. 285; 2006, c. 36, s. 199; 2009, c. 5, s. 457; 2011, c. 34, s. 96; 2021, c. 14, s. 153.

1029.8.61.62. *(Repealed).*

2005, c. 38, s. 285; 2021, c. 14, s. 153.

1029.8.61.63. *(Repealed).*

2005, c. 38, s. 285; 2006, c. 36, s. 200; 2021, c. 14, s. 153.

§ 2. —

(Repealed).

2005, c. 38, s. 285; 2021, c. 14, s. 153.

1029.8.61.64. *(Repealed).*

2005, c. 38, s. 285; 2011, c. 34, s. 97; 2019, c. 14, s. 377; 2021, c. 14, s. 153.

1029.8.61.65. *(Repealed).*

2005, c. 38, s. 285; 2009, c. 5, s. 458; 2021, c. 14, s. 153.

1029.8.61.66. *(Repealed).*

2005, c. 38, s. 285; 2021, c. 14, s. 153.

1029.8.61.67. *(Repealed).*

2005, c. 38, s. 285; 2007, c. 12, s. 203; 2019, c. 14, s. 378; 2021, c. 14, s. 153.

1029.8.61.68. *(Repealed).*

2005, c. 38, s. 285; 2007, c. 12, s. 204; 2010, c. 31, s. 175; 2011, c. 34, s. 98; 2021, c. 14, s. 153.

1029.8.61.69. *(Repealed).*

2005, c. 38, s. 285; 2006, c. 36, s. 201; 2011, c. 34, s. 99; 2019, c. 14, s. 379; 2021, c. 14, s. 153.

1029.8.61.70. *(Repealed).*

2005, c. 38, s. 285; 2021, c. 14, s. 153.

DIVISION II.11.4

(Repealed).

2009, c. 5, s. 459; 2021, c. 14, s. 153.

§ 1. —

(Repealed).

2009, c. 5, s. 459; 2021, c. 14, s. 153.

1029.8.61.71. *(Repealed).*

2009, c. 5, s. 459; 2019, c. 14, s. 380; 2021, c. 14, s. 153.

1029.8.61.72. *(Repealed).*

2009, c. 5, s. 459; 2021, c. 14, s. 153.

§ 2. —

(Repealed).

2009, c. 5, s. 459; 2021, c. 14, s. 153.

1029.8.61.73. *(Repealed).*

2009, c. 5, s. 459; 2021, c. 14, s. 153.

1029.8.61.74. *(Repealed).*

2009, c. 5, s. 459; 2019, c. 14, s. 381; 2021, c. 14, s. 153.

1029.8.61.75. *(Repealed).*

2009, c. 5, s. 459; 2010, c. 31, s. 175; 2021, c. 14, s. 153.

DIVISION II.11.5

(Repealed).

2009, c. 15, s. 326; 2021, c. 14, s. 153.

§ 1. —

(Repealed).

2009, c. 15, s. 326; 2021, c. 14, s. 153.

1029.8.61.76. *(Repealed).*

2009, c. 15, s. 326; 2021, c. 14, s. 153.

1029.8.61.77. *(Repealed).*

2009, c. 15, s. 326; 2021, c. 14, s. 153.

1029.8.61.78. *(Repealed).*

2009, c. 15, s. 326; 2021, c. 14, s. 153.

1029.8.61.79. *(Repealed).*

2009, c. 15, s. 326; 2021, c. 14, s. 153.

§ 2. —

(Repealed).

2009, c. 15, s. 326; 2021, c. 14, s. 153.

1029.8.61.80. *(Repealed).*

2009, c. 15, s. 326; 2021, c. 14, s. 153.

1029.8.61.81. *(Repealed).*

2009, c. 15, s. 326; 2013, c. 10, s. 136; 2021, c. 14, s. 153.

1029.8.61.82. *(Repealed).*

2009, c. 15, s. 326; 2021, c. 14, s. 153.

DIVISION II.11.6

(Repealed).

2011, c. 34, s. 100; 2021, c. 14, s. 153.

§ 1. —

(Repealed).

2011, c. 34, s. 100; 2021, c. 14, s. 153.

1029.8.61.83. *(Repealed).*

2011, c. 34, s. 100; 2021, c. 14, s. 153.

1029.8.61.84. *(Repealed).*

2011, c. 34, s. 100; 2021, c. 14, s. 153.

§ 2. —

(Repealed).

2011, c. 34, s. 100; 2021, c. 14, s. 153.

1029.8.61.85. *(Repealed).*

2011, c. 34, s. 100; 2019, c. 14, s. 382; 2021, c. 14, s. 153.

1029.8.61.86. *(Repealed).*

2011, c. 34, s. 100; 2021, c. 14, s. 153.

1029.8.61.87. *(Repealed).*

2011, c. 34, s. 100; 2021, c. 14, s. 153.

1029.8.61.88. *(Repealed).*

2011, c. 34, s. 100; 2021, c. 14, s. 153.

1029.8.61.89. *(Repealed).*

2011, c. 34, s. 100; 2019, c. 14, s. 383; 2021, c. 14, s. 153.

1029.8.61.90. *(Repealed).*

2011, c. 34, s. 100; 2019, c. 14, s. 384; 2021, c. 14, s. 153.

DIVISION II.11.7

(Repealed).

2011, c. 34, s. 100; 2021, c. 14, s. 153.

§ 1. —

(Repealed).

2011, c. 34, s. 100; 2021, c. 14, s. 153.

1029.8.61.91. *(Repealed).*

2011, c. 34, s. 100; 2013, c. 10, s. 137; 2021, c. 14, s. 153.

1029.8.61.92. *(Repealed).*

2011, c. 34, s. 100; 2021, c. 14, s. 153.

§ 2. —

(Repealed).

2013, c. 10, s. 138; 2021, c. 14, s. 153.

1029.8.61.93. *(Repealed).*

2011, c. 34, s. 100; 2013, c. 10, s. 139; 2017, c. 1, s. 303; 2019, c. 14, s. 385; 2021, c. 14, s. 153.

1029.8.61.94. *(Repealed).*

2011, c. 34, s. 100; 2021, c. 14, s. 153.

1029.8.61.94.1. *(Repealed).*

2015, c. 21, s. 479; 2021, c. 14, s. 153.

1029.8.61.95. *(Repealed).*

2011, c. 34, s. 100; 2021, c. 14, s. 153.

1029.8.61.96. *(Repealed).*

2011, c. 34, s. 100; 2013, c. 10, s. 140; 2019, c. 14, s. 386; 2021, c. 14, s. 153.

DIVISION II.11.7.1

(Repealed).

2019, c. 14, s. 387; 2021, c. 14, s. 153.

§ 1. —

(Repealed).

2019, c. 14, s. 387; 2021, c. 14, s. 153.

1029.8.61.96.1. *(Repealed).*

2019, c. 14, s. 387; 2021, c. 14, s. 153.

1029.8.61.96.2. *(Repealed).*

2019, c. 14, s. 387; 2021, c. 14, s. 153.

§ 2. —

(Repealed).

2019, c. 14, s. 387; 2021, c. 14, s. 153.

1029.8.61.96.3. *(Repealed).*

2019, c. 14, s. 387; 2021, c. 14, s. 153.

1029.8.61.96.4. *(Repealed).*

2019, c. 14, s. 387; 2021, c. 14, s. 153.

1029.8.61.96.5. *(Repealed).*

2019, c. 14, s. 387; 2021, c. 14, s. 153.

1029.8.61.96.6. *(Repealed).*

2019, c. 14, s. 387; 2021, c. 14, s. 153.

1029.8.61.96.7. *(Repealed).*

2019, c. 14, s. 387; 2021, c. 14, s. 153.

1029.8.61.96.8. *(Repealed).*

2019, c. 14, s. 387; 2021, c. 14, s. 153.

1029.8.61.96.9. *(Repealed).*

2019, c. 14, s. 387; 2021, c. 14, s. 153.

DIVISION II.11.7.2

CREDIT FOR CAREGIVERS

2021, c. 14, s. 154.

§ 1. — *Interpretation and general rules*

2021, c. 14, s. 154.

1029.8.61.96.10. In this division,

"eligible carereceiver", in relation to an individual, means a person in respect of whom the following conditions are met:

(a) the person is

i. the child, grandchild, nephew, niece, brother, sister, father, mother, uncle, aunt, grandfather, grandmother, great-uncle or great-aunt of the individual or of the individual's spouse, or any other direct ascendant of the individual or of the individual's spouse,

ii. the individual's spouse, or

iii. any other person to whom the individual provides sustained assistance in performing a basic activity of daily living, as certified in the prescribed form provided for in subparagraph *e* of the first paragraph of section 1029.8.61.96.20;

(b) the person has a severe and prolonged impairment in mental or physical functions the effects of which are such that the person's ability to perform a basic activity of daily living is markedly restricted or that the person's ability to perform more than one basic activity of daily living is significantly restricted where the cumulative effect of those restrictions is equivalent to having a marked restriction in the ability to perform a basic activity of daily living;

(c) the person needs assistance to perform a basic activity of daily living because of the person's impairment; and

(d) the dwelling that is the person's principal place of residence is situated in Québec and is not an excluded dwelling;

"eligible senior relative" of an individual means a person who is the father, mother, uncle, aunt, grandfather, grandmother, great-uncle or great-aunt of the individual or of the individual's spouse, or any other direct ascendant of the individual or of the individual's spouse;

"excluded amount" means

(a) an amount in respect of which a taxpayer is or was entitled to a reimbursement, or another form of assistance, except to the extent that the amount is included in computing the income of any taxpayer and is not deductible in computing that taxpayer's income or taxable income;

(b) an amount that was taken into account in computing an amount deducted in computing an individual's tax payable under this Part; or

(c) an amount that is taken into account in computing an amount that an individual is deemed to have paid to the Minister on account of the individual's tax payable under this chapter, but otherwise than under this division;

"excluded dwelling" means a self-contained domestic establishment or a room that is situated in a private seniors' residence, in a facility maintained by a private institution not under agreement that operates a

residential and long-term care centre governed by the Act respecting the governance of the health and social services system (chapter G-1.021) or the Act respecting health services and social services for the Inuit and Naskapi (chapter S-4.2), or in a public network facility;

"minimum cohabitation period" of a person with an individual for a taxation year is a period of at least 365 consecutive days commencing in the year or in the preceding year throughout which the person ordinarily lives with the individual in a self-contained domestic establishment, other than an excluded dwelling, of which the individual or the person, or the spouse of either of them if the spouse lives with them, is, throughout the period, alone or jointly with another person, the owner, lessee or sublessee, where

(a) the period includes a period of at least 183 days in the year (in this definition referred to as the "particular period"), unless the person or the individual died in the year;

(b) if the person or the individual died in the year, the period of at least 365 consecutive days was completed at the time of the death;

(c) the person is 18 years of age or over in the particular period or, if the person or the individual died in the year, the person had reached that age at the time of the death; and

(d) throughout the period, the person is resident in Canada;

"minimum period of support" of a person by an individual for a taxation year means a period of at least 365 consecutive days commencing in the year or in the preceding year and during which the individual provides assistance to that person on a regular and constant basis by assisting that person in performing a basic activity of daily living where

(a) the period includes a period of at least 183 days in the year (in this definition referred to as the "particular period"), unless the person or the individual died in the year;

(b) if the person or the individual died in the year, the period of at least 365 consecutive days was completed at the time of the death;

(c) the person is 18 years of age or over in the particular period or, if the person or the individual died in the year, the person had reached that age at the time of the death; and

(d) throughout the period, the person is resident in Canada;

"private seniors' residence" has the meaning that would be assigned by section 1029.8.61.1 if the definition of that expression in the first paragraph of that section were read without reference to "for a particular month" and ", at the beginning of the particular month,";

"public network facility" has the meaning assigned by the first paragraph of section 1029.8.61.1;

"recognized diploma" means

(a) a diploma of vocational studies in home care assistance;

(b) a diploma of vocational studies in home care and family and social assistance;

(c) a diploma of vocational studies in assistance in health care establishments;

(d) a diploma of vocational studies in assistance to patients or residents in health care establishments;

(e) a diploma of vocational studies in health, assistance and nursing;

(f) a diploma of college studies in nursing;

(g) a bachelor's degree in nursing; or

(h) any other diploma that enables an individual to act as

i. a visiting homemaker,

ii. a home support worker,

iii. a family and social auxiliary,

iv. a nursing attendant,

v. a health care aide,

vi. a beneficiary care attendant,

vii. a nursing assistant, or

viii. a nurse;

"specialized respite services" means the services by which a person who holds a recognized diploma provides, in place of an individual, home care to another person who is an eligible carereceiver in relation to the individual.

For the purposes of the definitions of "eligible carereceiver" and "eligible senior relative" in the first paragraph, a person who, immediately before dying, was the spouse of an individual is deemed to be a spouse of the individual.

For the purposes of the definition of "specialized respite services" in the first paragraph, a person is deemed to have been awarded a recognized diploma if

(a) the care given to the eligible carereceiver by the person is in addition to care the person is required to give to the eligible carereceiver, in accordance with the direct allowance program administered by the Minister of Health and Social Services, within the framework of the person's participation in implementing an intervention plan or an individualized service plan developed, in respect of the eligible carereceiver, by an institution governed by the Act respecting the governance of the health and social services system, by an institution referred to in Title I of Part II of the Act respecting health services and social services for the Inuit and Naskapi or by an institution within the meaning of section 1 of the Act respecting health services and social services for Cree Native persons (chapter S-5); or

(b) the person holds employment with an entity that may be called upon to provide specialized respite services to an individual under an intervention plan or an individualized service plan developed by an institution referred to in subparagraph *a*.

2021, c. 14, s. 154; 2021, c. 36, s. 135; 2024, c. 11, s. 124; 2023, c. 34, s. 1054.

1029.8.61.96.11. The first and second paragraphs of section 752.0.17 apply for the purpose of determining whether a person has a severe and prolonged impairment in mental or physical functions the effects of which are such that the person's ability to perform a basic activity of daily living is markedly restricted or that the person's ability to perform more than one basic activity of daily living is significantly restricted where the cumulative effect of those restrictions is equivalent to having a marked restriction in the ability to perform a basic activity of daily living.

For the purpose of determining whether an individual is deemed to have paid an amount to the Minister under section 1029.8.61.96.12 for a taxation year in respect of an eligible carereceiver, any person referred to in section 1029.8.61.96.12 shall, on request in writing by the Minister for information with respect to the eligible carereceiver's impairment and its effect on the eligible carereceiver or with respect to the therapy that is, if applicable, required to be administered to the eligible carereceiver, provide the information so requested in writing.

2021, c. 14, s. 154.

§ 2. — *Credits*

2021, c. 14, s. 154.

1029.8.61.96.12. An individual who is resident in Québec at the end of 31 December of a taxation year and who, during the year, is not dependent upon another individual, is deemed to have paid to the Minister, on the individual's balance-due day for that taxation year, on account of the individual's tax payable under this Part for that taxation year, an amount equal, subject to sections 1029.8.61.96.16 and 1029.8.61.96.17, to the total of

(a) the aggregate of all amounts each of which is, in respect of each person who, throughout that person's minimum cohabitation period with the individual for the year, is an eligible carereceiver in relation to the individual, the total of

i. $1,250,

ii. the amount by which $1,250 exceeds 16% of the eligible carereceiver's income for the year that exceeds $22,180, and

iii. an amount equal to 30% of the lesser of

(1) the aggregate of all amounts, other than an excluded amount, each of which is paid by the individual in respect of expenses incurred in the year for specialized respite services provided to the eligible carereceiver, to the extent that the expenses are incurred at a time when the eligible carereceiver is 18 years of age or over, and

(2) $5,200; and

(b) the aggregate of all amounts each of which is, in respect of each person who is not a person to whom paragraph a applies and who, throughout the person's minimum period of support by the individual for the year, is an eligible carereceiver in relation to the individual, an amount equal to the amount by which $1,250 exceeds 16% of the eligible carereceiver's income for the year that exceeds $22,180.

2021, c. 14, s. 154.

1029.8.61.96.13. An individual who is resident in Québec at the end of 31 December of a taxation year and who, during the year, is not dependent upon another individual is deemed to have paid to the Minister, on the individual's balance-due day for that taxation year, on account of the individual's tax payable under this Part for that taxation year, an amount equal to the aggregate of all amounts each of which is, in respect of each person who has reached 70 years of age before the end of the year or, if the person died in the year, the person had reached that age at the time of the death and who, throughout that person's minimum cohabitation period with the individual for the year, is an eligible senior relative of the individual, an amount of $1,250.

2021, c. 14, s. 154; 2024, c. 11, s. 125.

1029.8.61.96.14. For the purposes of sections 1029.8.61.96.12 and 1029.8.61.96.13, an individual who was resident in Québec immediately before death is deemed to be resident in Québec at the end of 31 December of the year of the individual's death.

2021, c. 14, s. 154.

1029.8.61.96.15. For the purposes of sections 1029.8.61.96.12 and 1029.8.61.96.13, a person is dependent upon an individual during a taxation year if the individual is not the person's spouse and has deducted, for the year, in respect of the person, an amount under any of sections 752.0.1 to 752.0.7, 752.0.11 to 752.0.18.0.1 and 776.41.14.

2021, c. 14, s. 154.

1029.8.61.96.16. The amount determined under subparagraph i or ii of paragraph *a* of section 1029.8.61.96.12, in respect of each person who is an eligible carereceiver in relation to an individual and has reached 18 years of age in a taxation year, and taken into account for the purpose of computing the amount that the individual is deemed to have paid to the Minister under section 1029.8.61.96.12 for the year is to be replaced by an amount equal to the proportion of that amount that the number of months in the year that follow the month in which that person reaches 18 years of age is of 12.

2021, c. 14, s. 154.

1029.8.61.96.17. The amount determined under section 1029.8.61.96.12, in respect of a person who is an eligible carereceiver in relation to an individual, and taken into account for the purpose of computing the amount that the individual is deemed to have paid to the Minister under section 1029.8.61.96.12 for a taxation year is to be reduced by an amount that is the portion of a financial assistance benefit received in that year by the individual or, if applicable, by the individual's spouse for the year, in respect of that person, under any of Chapters I, II and V of Title II of the Individual and Family Assistance Act (chapter A-13.1.1), that is attributable to the amount of the increase for a dependent child of full age who is handicapped and attends an educational institution at the secondary level in general education provided for in the second paragraph of section 75 of the Individual and Family Assistance Regulation (chapter A-13.1.1, r. 1).

2021, c. 14, s. 154.

1029.8.61.96.18. No individual may be deemed to have paid an amount to the Minister under section 1029.8.61.96.12 or 1029.8.61.96.13 for a taxation year, in respect of a person, if

(a) the individual is an eligible senior relative or an eligible carereceiver in respect of whom another individual is deemed to have paid an amount to the Minister for the year under this division;

(b) the person is an eligible senior relative or an eligible carereceiver in respect of whom the individual is deemed to have paid an amount to the Minister for the year under another provision of this division; or

(c) the individual received, or may reasonably expect to receive, remuneration in any form whatsoever for the assistance the individual provides to the person.

2021, c. 14, s. 154.

1029.8.61.96.19. Where, in a taxation year, more than one individual, concomitantly or not, ordinarily lives for at least 90 days with the same person in a self-contained domestic establishment described in the definition of "minimum cohabitation period" in the first paragraph of section 1029.8.61.96.10 or provides assistance to that same person for at least 90 days in the manner described in the definition of "minimum period of support" in that paragraph, the following rules apply for the purpose of determining the amount each of those individuals is deemed to have paid to the Minister for the year under section 1029.8.61.96.12 or 1029.8.61.96.13 in respect of the person:

(a) for the purpose of computing the minimum periods of 365 consecutive days and of 183 days in the year that are provided for in each of those definitions in relation to the person, those individuals are deemed to be one and the same individual and, for greater certainty, the days during which those individuals concomitantly so live with the person or provide such assistance to the person are counted only once;

(b) the total of the amounts each of those individuals is deemed to have paid to the Minister under section 1029.8.61.96.12 or 1029.8.61.96.13 for the year, in respect of the person, may not exceed the particular amount that only one of those individuals would be deemed to have paid to the Minister for the year under either of those sections if the person were an eligible carereceiver or an eligible senior relative, as the case may be, only in relation to that individual; and

(c) where those individuals cannot agree as to what portion of the particular amount each is deemed to have paid to the Minister for the year under either of those sections, the Minister may determine what portion

of that amount is deemed paid by each individual under that section and, for the purposes of that determination, priority is given to a cohabitation period over a period of support.

2021, c. 14, s. 154; 2021, c. 36, s. 136.

1029.8.61.96.20. An individual may be deemed to have paid an amount to the Minister under section 1029.8.61.96.12 for a taxation year in respect of a person only if the individual files with the Minister the following documents together with the fiscal return the individual is required to file for the year under section 1000, or would be required to file if tax were payable by the individual for the year under this Part, unless the documents have already been filed with the Minister in connection with an application for advance payments made under section 1029.8.61.96.23:

(a) where the period referred to in section 1029.8.61.96.12 is a minimum cohabitation period of the person with the individual, the prescribed form containing prescribed information on which

i. the individual certifies that, throughout the person's minimum cohabitation period for the year, the individual ordinarily lived with that person in a self-contained domestic establishment, other than an excluded dwelling, and

ii. the individual certifies that, throughout the period referred to in subparagraph i, the individual or the person, or the spouse of either of them if the spouse lives with them, is, alone or jointly with another person, the owner, lessee or sublessee of the self-contained domestic establishment referred to in subparagraph i;

(b) where the period referred to in section 1029.8.61.96.12 is a minimum period of support of the person by the individual, the prescribed form containing prescribed information on which

i. the individual certifies that, during the person's minimum period of support by the individual for the year, the individual provided assistance to the person on a regular and constant basis by assisting the person in performing a basic activity of daily living, and

ii. the individual certifies that, throughout the person's minimum period of support by the individual for the year, the person was not living in an excluded dwelling;

(c) where the person's severe and prolonged impairment in mental or physical functions is an impairment whose effects are such that

i. the person's ability to perform a basic activity of daily living is markedly restricted, the prescribed form containing prescribed information on which a physician or a specialized nurse practitioner, within the meaning of section 752.0.18, or, where the person has a sight impairment, a physician, a specialized nurse practitioner or an optometrist, within the meaning of that section, or, where the person has a speech impairment, a physician, a specialized nurse practitioner or a speech-language pathologist, within the meaning of that section, or, where the person has a hearing impairment, a physician, a specialized nurse practitioner or an audiologist, within the meaning of that section, or, where the person has an impairment with respect to the person's ability in feeding or dressing himself or herself, a physician, a specialized nurse practitioner or an occupational therapist, within the meaning of that section, or, where the person has an impairment with respect to the person's ability in walking, a physician, a specialized nurse practitioner, an occupational therapist or a physiotherapist, within the meaning of that section, or, where the person has an impairment with respect to the person's ability in mental functions necessary for everyday life, a physician, a specialized nurse practitioner or a psychologist, within the meaning of that section, certifies that the person has such an impairment, or

ii. the person's ability to perform more than one basic activity of daily living is significantly restricted where the cumulative effect of those restrictions is equivalent to having a marked restriction in the ability to perform a basic activity of daily living, the prescribed form containing prescribed information on which a physician or a specialized nurse practitioner, within the meaning of section 752.0.18, or, where the person has an impairment with respect to the person's ability in walking or in feeding or dressing himself or herself, a

physician, a specialized nurse practitioner or an occupational therapist, within the meaning of that section, certifies that the person has such an impairment;

(d) the prescribed form containing prescribed information on which a health professional referred to in subparagraph *c* in respect of the person certifies that the person requires assistance to perform a basic activity of daily living because of the person's impairment;

(e) where the person is referred to in subparagraph iii of paragraph *a* of the definition of "eligible carereceiver" in the first paragraph of section 1029.8.61.96.10 and in the case of a taxation year described in the second paragraph, the prescribed form containing prescribed information on which

i. the eligible carereceiver designates the individual as a person who provides to the eligible carereceiver sustained assistance in performing a basic activity of daily living and specifies the date on which the eligible carereceiver began to receive the assistance, and

ii. a health and social services professional who is a member of a professional order referred to in the Professional Code (chapter C-26) certifies that the individual provides to the eligible carereceiver sustained assistance in performing a basic activity of daily living; and

(f) in respect of a particular amount referred to in subparagraph 1 of subparagraph iii of paragraph *a* of section 1029.8.61.96.12 that is paid in respect of expenses incurred in the year for specialized respite services, the receipts issued by the payee and containing, if the payee is an individual, the payee's Social Insurance Number.

The taxation years for which the prescribed form referred to in subparagraph *e* of the first paragraph is to be filed with the Minister by an individual in respect of a person are the following:

(a) the first taxation year for which the individual intends to have section 1029.8.61.96.12 apply in respect of the person;

(b) any taxation year in which a change occurs in the situation existing between the individual and the person; or

(c) the third taxation year following the last taxation year for which such a form was filed with the Minister by the individual in respect of the person.

2021, c. 14, s. 154.

1029.8.61.96.21. An individual may be deemed to have paid an amount to the Minister under section 1029.8.61.96.13 for a taxation year in respect of a person only if the individual files with the Minister, together with the fiscal return the individual is required to file for the year under section 1000, or would be required to file if tax were payable by the individual for the year under this Part, the prescribed form containing prescribed information on which

(a) the individual certifies that, throughout the person's minimum cohabitation period for the year, the individual ordinarily lived with that person in a self-contained domestic establishment, other than an excluded dwelling; and

(b) the individual certifies that, throughout the period referred to in paragraph *a*, the individual or the person, or the spouse of either of them if the spouse lives with them, is, alone or jointly with another person, the owner, lessee or sublessee of the self-contained domestic establishment referred to in paragraph *a*.

2021, c. 14, s. 154.

1029.8.61.96.22. No individual may be deemed to have paid an amount to the Minister under section 1029.8.61.96.12 or 1029.8.61.96.13 for a taxation year in respect of a particular person if the individual or the person who is the individual's spouse during the minimum cohabitation period or minimum period of support,

as the case may be, of the particular person for the year is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002).

2021, c. 14, s. 154.

§ 3. — *Advance payments*

2021, c. 14, s. 154.

1029.8.61.96.23. Where, on or before 1 December of a taxation year subsequent to the taxation year 2020, an individual applies to the Minister, in the prescribed form containing prescribed information, the Minister may pay in advance, according to the terms and conditions determined by the Minister, the amount determined in accordance with the second paragraph (in this subdivision referred to as the "amount of the advance") in respect of the amount the individual considers to be the amount that the individual will be deemed to have paid to the Minister under sections 1029.8.61.96.12 and 1029.8.61.96.13 on account of the individual's tax payable for the year, if

(a) at the time of the application,

i. the individual is resident in Québec,

ii. the individual is not dependent upon another individual, and

iii. the individual ordinarily lives with a person, who is an eligible carereceiver in relation to the individual or an eligible senior relative of the individual, in a self-contained domestic establishment, other than an excluded dwelling, of which the individual or the person, or the spouse of either of them if the spouse lives with them, is, alone or jointly with another person, the owner, lessee or sublessee; and

(b) the individual has agreed that the advance payments be made by direct deposit in a bank account held at a financial institution listed in Part I of Appendix I to Rule D4 – Institution Numbers and Clearing Agency/ Representative Arrangements of the Automated Clearing Settlement System Rules Manual, as amended from time to time, of the Canadian Payments Association.

The amount of the advance of an individual for a taxation year is equal to the aggregate of

(a) the amount the individual considers to be the amount that the individual would be deemed to have paid to the Minister under section 1029.8.61.96.12 on account of the individual's tax payable for the year, if that section were read without reference to subparagraphs ii and iii of its paragraph *a* and its paragraph *b*; and

(b) the amount the individual considers to be the amount that the individual will be deemed to have paid to the Minister under section 1029.8.61.96.13 on account of the individual's tax payable for the year.

The individual shall notify the Minister with dispatch of any event that may affect the amount of the advance.

2021, c. 14, s. 154.

1029.8.61.96.24. The Minister may require from any individual who makes an application for advance payments referred to in the first paragraph of section 1029.8.61.96.23 a document or information other than those provided for in that paragraph if the Minister considers the document or information necessary to evaluate the application.

2021, c. 14, s. 154.

1029.8.61.96.25. Despite the first paragraph of section 1029.8.61.96.23, the Minister is not required to grant an application for advance payments referred to in that paragraph for a particular taxation year if

(a) the individual received an amount the Minister paid in advance under section 1029.8.61.96.23 for a preceding taxation year and, at the time the application is processed, has not filed a fiscal return for the preceding year; and

(b) the application is processed after the individual's filing-due date for the preceding year.

2021, c. 14, s. 154.

1029.8.61.96.26. The Minister may, at a particular time, cease to pay in advance, or suspend the payment of, an amount provided for in section 1029.8.61.96.23 to an individual for a particular taxation year if

(a) the individual received an amount the Minister paid in advance under section 1029.8.61.96.23 for a preceding taxation year and has not, as of the particular time, filed a fiscal return for the preceding year; and

(b) the particular time is subsequent to the individual's filing-due date for the preceding year.

2021, c. 14, s. 154.

1029.8.61.96.27. The Minister may suspend the advance payment of, reduce or cease to pay an amount provided for in section 1029.8.61.96.23 if documents or information brought to the Minister's attention so warrant.

2021, c. 14, s. 154.

DIVISION II.11.8

CREDIT FOR A STAY IN A FUNCTIONAL REHABILITATION TRANSITION UNIT

2013, c. 10, s. 141.

1029.8.61.97. In this division,

"eligible individual" for a taxation year means an individual who, at the end of 31 December of the year, is 70 years of age or over and is resident in Québec or who, if the individual died in the year, had reached that age and was resident in Québec immediately before the death;

"functional rehabilitation transition unit" means a public or private resource offering accommodation and services focusing on re-education and rehabilitation for persons with decreasing independence who have a geriatric profile and present a potential for recovery with a view to returning home following hospitalization.

2013, c. 10, s. 141.

1029.8.61.98. An eligible individual for a taxation year is deemed to have paid to the Minister, on the individual's balance-due day for that year, on account of the individual's tax payable under this Part for that taxation year, an amount equal to 20% of the total of the amounts each of which is the aggregate of the expenses paid in the year by the individual, or by the person who is the individual's spouse at the time of payment, in respect of the individual's stay, begun in the year or the preceding year, in a functional rehabilitation transition unit to the extent of the portion of that aggregate that is attributable to a stay of no more than 60 days.

An eligible individual may be deemed to have paid to the Minister an amount under the first paragraph for a taxation year only if the individual files with the Minister, together with the fiscal return the individual is required to file under section 1000 for the year, or would be required to file if tax were payable under this Part by the individual for the year, a receipt or other voucher for the expenses mentioned in the first paragraph.

2013, c. 10, s. 141; 2015, c. 21, s. 480.

1029.8.61.99. For the purposes of section 1029.8.61.98, the expenses paid in the year in respect of a stay in a functional rehabilitation transition unit do not include

(a) an amount in respect of which a taxpayer is or was entitled to a reimbursement, or another form of assistance, except to the extent that the amount is included in computing the income of any taxpayer and is not deductible in computing that taxpayer's income or taxable income;

(b) an amount that was taken into account in computing an amount deducted in computing an individual's tax payable under this Part; and

(c) an amount that was taken into account in computing an amount that an individual is deemed to have paid to the Minister on account of the individual's tax payable under this chapter, but otherwise than under this division.

2013, c. 10, s. 141.

DIVISION II.11.9

CREDIT FOR THE ACQUISITION OR RENTAL OF PROPERTY INTENDED TO HELP SENIORS LIVE INDEPENDENTLY LONGER

2013, c. 10, s. 141.

1029.8.61.100. In this division,

"eligible individual" for a taxation year means an individual who, at the end of 31 December of the year, is 70 years of age or over and is resident in Québec or who, if the individual died in the year, had reached that age and was resident in Québec immediately before the death;

"qualified property" means

(a) a person-centered remote monitoring device or a personal GPS locator;

(b) a property designed to assist a person to get into or out of a bathtub or shower or to get on or off a toilet;

(c) a walk-in bathtub or a walk-in shower;

(d) a chair mounted on a rail designed exclusively to enable a person to ascend or descend a stairway mechanically;

(e) a hospital bed;

(f) an alert system for persons with a hearing impairment;

(g) a hearing aid;

(h) a walker;

(i) a rollator;

(j) a cane;

(k) crutches; or

(l) a non-motorized wheelchair.

2013, c. 10, s. 141; 2019, c. 14, s. 388.

1029.8.61.101. An eligible individual for a taxation year is deemed to have paid to the Minister, on the individual's balance-due day for that year, on account of the individual's tax payable under this Part for that taxation year, an amount equal to 20% of the amount by which $250 is exceeded by the aggregate of all amounts each of which is an amount paid in the year by the individual, or by the person who is the individual's spouse at the time of payment, for the acquisition or rental, including installation costs, of a qualified property intended for use in the individual's principal place of residence.

An eligible individual may be deemed to have paid to the Minister an amount under the first paragraph for a taxation year only if the individual files with the Minister, together with the fiscal return the individual is required to file under section 1000 for the year, or would be required to file if tax were payable under this Part by the individual for the year, a receipt or other voucher for the amounts mentioned in the first paragraph.

2013, c. 10, s. 141; 2015, c. 21, s. 481; 2019, c. 14, s. 389.

1029.8.61.102. For the purposes of section 1029.8.61.101, an amount paid in the year in respect of the acquisition or rental of a qualified property does not include

(a) an amount in respect of which a taxpayer is or was entitled to a reimbursement, or another form of assistance, except to the extent that the amount is included in computing the income of any taxpayer and is not deductible in computing that taxpayer's income or taxable income;

(b) an amount that was taken into account in computing an amount deducted in computing an individual's tax payable under this Part; and

(c) an amount that was taken into account in computing an amount that an individual is deemed to have paid to the Minister on account of the individual's tax payable under this chapter, but otherwise than under this division.

2013, c. 10, s. 141.

DIVISION II.11.10

CREDIT FOR SENIOR ASSISTANCE

2019, c. 14, s. 390.

§ 1. — *Interpretation and general rules*

2019, c. 14, s. 390.

1029.8.61.103. In this division,

"eligible individual" for a taxation year means an individual who, at the end of 31 December of the year or, if the individual died in the year, immediately before the death, is not an excluded individual for the year and

(a) is resident in Québec or, if the individual is the eligible spouse for the year of a person who is deemed to be resident in Québec throughout the taxation year, was resident in Québec in any preceding taxation year; and

(b) is, or whose eligible spouse for the year is,

i. a Canadian citizen,

ii. a permanent resident within the meaning of subsection 1 of section 2 of the Immigration and Refugee Protection Act (S.C. 2001, c. 27),

iii. a temporary resident or the holder of a temporary resident permit, within the meaning of the Immigration and Refugee Protection Act, who was resident in Canada during the 18-month period preceding that time, or

iv. a protected person within the meaning of the Immigration and Refugee Protection Act;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"excluded individual" for a taxation year means

(a) a person who is exempt from tax for the year under section 982 or 983 or any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002) or the eligible spouse of the person for the year; or

(b) a person who, at the end of 31 December of the year or, if the person died in the year, immediately before the death, is confined to a prison or a similar institution and has been so confined in the year for one or more periods totalling more than 183 days;

"family income" of an individual for a taxation year means the aggregate of the income of the individual for the year and the income, for the year, of the person who is the individual's eligible spouse for the year.

For the purposes of paragraph *b* of the definition of "excluded individual" in the first paragraph, a person who has been allowed, in a taxation year, to be temporarily absent from a prison or similar institution to which the person has been confined is deemed to be confined to that prison or similar institution during each day of the year during which the person has been so allowed to be temporarily absent.

For the purposes of the definition of "family income" in the first paragraph, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the individual had been resident in Québec and in Canada throughout the year or, if the individual died in the year, throughout the period of the year preceding the time of death.

2019, c. 14, s. 390.

§ 2. — *Credit*

2019, c. 14, s. 390.

1029.8.61.104. An eligible individual for a taxation year is deemed to have paid to the Minister, on the eligible individual's balance-due day for that year, on account of the eligible individual's tax payable under this Part for the year, if the eligible individual and, where applicable, the eligible individual's eligible spouse for the year file a fiscal return under section 1000 for the year, an amount equal to the amount determined by the formula

A − B.

In the formula in the first paragraph,

(a) A is the aggregate of

i. $2,000, where the eligible individual is at least 70 years of age at the end of 31 December of the year or, if the eligible individual died in the year, on the date of the death, and

ii. $2,000, where the eligible individual has an eligible spouse for the year who is both an eligible individual for the year and at least 70 years of age at the end of 31 December of the year or, if the eligible spouse died in the year, on the date of the death; and

(b) B is the amount obtained by multiplying, by the rate determined for the year under the third paragraph, the amount by which the eligible individual's family income for the year exceeds

i. $24,195, where the eligible individual does not have an eligible spouse for the year, or

ii. $39,350, where the eligible individual has an eligible spouse for the year.

The rate to which subparagraph *b* of the second paragraph refers for a taxation year is the result, expressed as a percentage, of the formula

4,000/(119,350 − C).

In the formula in the third paragraph, C is the amount mentioned in subparagraph ii of subparagraph *b* of the second paragraph which, with reference to section 1029.6.0.6, is applicable for the taxation year.

Where the result, expressed as a percentage, of the formula in the third paragraph has more than two decimal places, only the first two decimal digits are retained.

2019, c. 14, s. 390; 2022, c. 23, s. 116; 2023, c. 19, s. 111.

1029.8.61.105. Despite section 1029.8.61.104, where a particular eligible individual referred to in section 1029.8.61.104 has an eligible spouse for a taxation year who is an eligible individual for the year and the particular eligible individual files with the Minister, together with the particular eligible individual's fiscal return referred to in section 1029.8.61.104, the prescribed form containing prescribed information, the following rules apply:

(a) the amount the particular individual is deemed to have paid to the Minister for the year under section 1029.8.61.104, determined without reference to this section, is to be reduced by such portion of the amount as the particular individual and the particular individual's eligible spouse agree, in that prescribed form, to attribute to the eligible spouse for the year;

(b) the amount the eligible spouse is deemed to have paid to the Minister for the year under section 1029.8.61.104, determined without reference to this section, is to be reduced by the amount determined for the year under subparagraph *a* in respect of the particular individual; and

(c) the amount determined for the year under subparagraph *a* in respect of the particular individual and the amount determined for the year under subparagraph *b* in respect of the eligible spouse are deemed to be the amount the particular individual is deemed to have paid to the Minister for the year under section 1029.8.61.104 and the amount the eligible spouse is deemed to have so paid to the Minister for the year, respectively.

For the purposes of the first paragraph, only one prescribed form may be considered valid in respect of a taxation year.

2019, c. 14, s. 390.

1029.8.61.106. Section 1029.8.61.105 applies in respect of an eligible individual in relation to a taxation year only if the eligible individual files with the Minister, together with the fiscal return the eligible individual

files for the year under section 1000, a written statement from the eligible individual's eligible spouse for the year in the prescribed form referred to in section 1029.8.61.105.

2019, c. 14, s. 390.

1029.8.61.107. For the purposes of section 1029.8.61.104, where an eligible individual referred to in that section for a taxation year has an eligible spouse for the year who is an eligible individual for the year and neither the individual nor the spouse have filed with the Minister the prescribed form referred to in section 1029.8.61.105 for the year, the Minister shall determine the amount each is deemed to have paid under section 1029.8.61.104 for the year.

2019, c. 14, s. 390.

DIVISION II.12

CREDIT FOR ADOPTION EXPENSES

1993, c. 19, s. 131.

§ 1. — *Interpretation*

1993, c. 19, s. 131.

1029.8.62. In this division,

"certified organization" means an organization certified by the Minister of Health and Social Services whose certification is in effect;

"eligible expenses" in respect of the adoption of a person by an individual means the following expenses, to the extent that they are reasonable and paid after an application was made for registration with the Minister of Health and Social Services or a certified organization:

(a) judicial, extrajudicial or administrative expenses incurred to obtain a qualifying certificate or a qualifying judgment, as the case may be, in respect of the adoption of the person by the individual,

(b) expenses relating to the psychosocial assessment referred to in the third paragraph of section 71.7 of the Youth Protection Act (chapter P-34.1), made in view of the adoption of the person by the individual,

(c) expenses relating to the translation of documents pertaining to the adoption of the person by the individual,

(d) the travel expenses in respect of the adoption of the person, in this paragraph referred to as the "adopted child", by the individual of

i. the adopted child, if the travelling enables the child to be integrated into the self-contained domestic establishment of the individual or the individual's spouse, and

ii. the person escorting the adopted child at the time of the travelling referred to in subparagraph i, if neither the individual nor the individual's spouse accompanies the child while that child is being so escorted,

(e) the travel and living expenses, in respect of the adoption of the person by the individual, of the individual and, where applicable, the individual's spouse, to the extent that the travelling is necessary,

(f) the fees charged by a certified organization that takes steps on behalf of the individual with a view to the adoption of the person by the individual,

(g) the fees charged by a foreign institution that provides for the needs of the person during a period preceding the time at which the person ordinarily lives with the individual, and

(h) the expenses that result from a requirement imposed by a government authority in respect of the adoption of the person by the individual;

"qualifying certificate" in respect of the adoption of a person by an individual means a certificate of compliance with the Convention on Protection of Children and Co-operation in Respect of Intercountry Adoption issued by the competent authority of the State in which the adoption of the person by the individual took place, unless the Minister of Health and Social Services has referred it to the Court of Québec under the second paragraph of section 9 of the Act to implement the Convention on Protection of Children and Co-operation in Respect of Intercountry Adoption (chapter M-35.1.3);

"qualifying judgment" in respect of the adoption of a person by an individual means

(a) a judgment rendered by a court having jurisdiction in Québec in recognition of a decision rendered outside Québec authorizing the adoption of the person by the individual; or

(b) a judgment authorizing the adoption of the person by the individual, rendered by a court having jurisdiction in Québec.

For the purposes of this division, the following expenses shall not be regarded, for a taxation year, as eligible expenses in respect of the adoption of a person by an individual:

(a) expenses in respect of which an amount

i. was deducted in computing the income or taxable income of or tax payable by the individual or the individual's spouse for the year or a preceding taxation year under this Part, or

ii. is deemed to have been paid to the Minister by the individual or the individual's spouse on account of the tax payable by the individual or the individual's spouse for the year or a preceding taxation year under this Part, except an amount that is deemed under this division to have been paid to the Minister on account of the tax payable by the individual or the individual's spouse for the year under this Part;

(b) (subparagraph repealed);

(c) expenses for which the individual or the individual's spouse or, as the case may be, the legal representative of either the individual or the individual's spouse, has received or is entitled to receive a refund, except to the extent that the amount of the expenses is required to be included in computing the income of the individual or the individual's spouse under this Part and is not deductible in computing the income or the taxable income of the individual or the individual's spouse.

1995, c. 1, s. 162; 1995, c. 63, s. 205; 1997, c. 85, s. 264; 2003, c. 2, s. 277; 2004, c. 21, s. 440; 2006, c. 36, s. 202; 2015, c. 21, s. 482; I.N. 2016-01-01 (NCCP); 2017, c. 29, s. 191; 2021, c. 18, s. 132.

§ 2. — *Credit*

1995, c. 1, s. 162.

1029.8.63. An individual who is resident in Québec on 31 December of a year in which the individual is given or issued, as the case may be, a qualifying certificate or in which a qualifying judgment is rendered in the individual's favour, as the case may be, in respect of the adoption of a person by the individual, is deemed to have paid to the Minister, on the individual's balance-due day for the individual's taxation year the end of which coincides with that date, on account of the individual's tax payable pursuant to this Part for that taxation year, an amount, for the year, in respect of the adoption of the person by the individual, equal to the lesser of $10,000 and 50% of all of the eligible expenses paid by the individual and the individual's spouse in respect of the adoption.

For the purposes of this section, an individual who is resident in Québec immediately before his death is deemed to be resident in Québec on 31 December of the year of his death.

1995, c. 1, s. 162; 1995, c. 63, s. 206; 1997, c. 31, s. 143; 2000, c. 39, s. 191; 2001, c. 51, s. 193; 2002, c. 9, s. 118; 2006, c. 36, s. 203; 2009, c. 15, s. 327.

1029.8.64. An individual shall not be deemed to have paid to the Minister an amount under section 1029.8.63 for a taxation year in respect of the adoption of a person by the individual unless the individual files with the Minister, together with the fiscal return he is required to file under section 1000 for the year, or that he would be required to so file if tax were payable by the individual for the year under this Part, a copy of the qualifying certificate or qualifying judgment or, where the qualifying judgment has not been communicated to the individual, a writing from the Ministère de la Justice confirming the qualifying judgment, as the case may be, in respect of the adoption of the person by the individual.

1995, c. 1, s. 162; 1995, c. 63, s. 206.

1029.8.65. An individual shall not be deemed to have paid to the Minister an amount under section 1029.8.63 for a taxation year in respect of the adoption of a person by the individual if the individual or his spouse is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002).

1995, c. 1, s. 162; 1995, c. 63, s. 206; 2007, c. 12, s. 205; 2010, c. 31, s. 175.

1029.8.66. Where, for a taxation year, more than one individual could, but for this section, be deemed to have paid to the Minister an amount under section 1029.8.63 for the year in respect of the adoption of the same person by those individuals, no amount greater than the amount provided for in that section, for the year, in respect of the adoption of the person by those individuals, shall be deemed to have been paid to the Minister, for the year, under that section in respect of that adoption.

Where those individuals cannot agree as to what portion of the amount each would, but for this section, be deemed to have paid to the Minister, the Minister may determine that portion of the amount for the year.

1995, c. 1, s. 162; 1995, c. 63, s. 206.

DIVISION II.12.1

CREDIT FOR THE TREATMENT OF INFERTILITY

2001, c. 51, s. 194.

§ 1. — *Interpretation*

2017, c. 1, s. 304.

1029.8.66.1. In this division,

"eligible artificial insemination treatment" means an artificial insemination treatment in respect of which no cost for artificial insemination activities is paid on behalf of a person participating in the treatment, or for which the person may not be reimbursed, by the administrator of a universal health insurance plan;

"eligible expenses" of an individual means the expenses paid by the individual after 31 December 2014 in respect of an eligible in vitro fertilization treatment or after 14 November 2021 in respect of an eligible artificial insemination treatment, if

(a) the expenses are paid to enable the individual or a person participating with the individual in assisted procreation to have a child;

(b) where the expenses are incurred after 10 November 2015 and paid before 15 November 2021 in respect of an in vitro fertilization treatment,

i. neither the individual nor the person who is the other party to the parental project has a child before the beginning of the in vitro fertilization treatment,

ii. a physician certifies that neither the individual nor the person who is the other party to the parental project has undergone surgical sterilization by vasectomy or tubal ligation, as the case may be, for reasons that are not strictly medical, and

iii. the expenses are attributable to no more than one and the same in vitro fertilization cycle, in the case of a woman or person 36 years of age or under, and to no more than the same two in vitro fertilization cycles, in the case of a woman or person 37 years of age or over; and

(c) the expenses are paid

i. for an in vitro fertilization activity, or an artificial insemination activity, carried out in a centre for assisted procreation that holds a licence issued in accordance with the Act respecting clinical and research activities relating to assisted procreation (chapter A-5.01),

ii. for an in vitro fertilization activity, or an artificial insemination activity, carried out in an establishment situated outside Québec, unless, where the individual or the person who is the other party to the parental project began in vitro fertilization activities in respect of that treatment after 31 December 2014 or artificial insemination activities in respect of that treatment after 14 November 2021, the person who began such activities was domiciled in Québec at the time the expenses were incurred,

iii. for medications related to an in vitro fertilization activity or an artificial insemination activity that satisfy the following conditions:

(1) they can lawfully be acquired for use by a person only if prescribed by a physician,

(2) their purchase is recorded by a pharmacist, and

(3) they are not covered by an insurance plan,

iv. for expenses related to an assessment referred to in section 10.2 of the Act respecting clinical and research activities relating to assisted procreation of the individual or of the person who is the other party to the parental project, where such an assessment allowed the in vitro fertilization treatment or the artificial insemination treatment, as the case may be, to be undertaken or continued,

v. for travel expenses that, but for paragraph *a* of section 752.0.11.1.3, would be medical expenses referred to in paragraph *h* or *i* of section 752.0.11.1, or

vi. for reasonable travel and lodging expenses of a particular person and, if the particular person cannot travel unassisted, of the person accompanying the particular person for participation in an in vitro fertilization treatment or an artificial insemination treatment, as the case may be, at a centre for assisted procreation described in subparagraph i that is situated in Québec, if a physician certifies that no such centre for assisted procreation exists in Québec within 200 kilometres of the locality, in Québec, where the particular person lives and, if such is the case, that the person is unable to travel unassisted;

"eligible in vitro fertilization treatment" means a non-insured in vitro fertilization treatment during which

(a) a single embryo or, in accordance with the decision of a physician who has considered the quality of the embryos, a maximum of two embryos, in the case of a woman or person 36 years of age or under, or three embryos including no more than two blastocysts, in the case of a woman or person 37 years of age or over, are transferred into the woman or person before 11 November 2015; or

(b) a single embryo or, in accordance with the decision of a physician who has considered the quality of the embryos, a maximum of two embryos, in the case of a woman or person 37 years of age or over, are transferred into the woman or person after 10 November 2015 and before 15 November 2021; or

(c) a single embryo or, in accordance with the decision of a physician who acts in accordance with the guidelines provided for in section 10 of the Act respecting clinical and research activities relating to assisted procreation, a maximum of two embryos, are transferred into a woman or person after 14 November 2021;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"family income" of an individual for a taxation year means the aggregate of the income of the individual for the year and the income, for the year, of the person who is the individual's eligible spouse for the year;

"in vitro fertilization cycle" means a cycle that aims to obtain the formation of one or more embryos for transfer into a woman or person and that

(a) consists of the following steps:

i. egg retrieval or donation, which may be preceded by ovarian stimulation or ovulation induction,

ii. sperm retrieval or donation,

iii. in vitro fertilization and, if applicable, preservation of surplus embryos, and

iv. transfer into a woman or person, in one or more separate attempts, of the embryos obtained until a live birth results; or

(b) is a cycle that was interrupted because a quality embryo was not obtained for transfer into a woman or person;

"non-insured in vitro fertilization treatment" means an in vitro fertilization treatment in respect of which no cost for in vitro fertilization activities is paid on behalf of a person participating in the treatment, or for which the person may not be reimbursed, by the administrator of a universal health insurance plan;

"pre-existing expenses" of an individual means the individual's eligible expenses that were incurred before 11 November 2015 in respect of an in vitro fertilization treatment that was, at the time the expenses were incurred, a non-insured in vitro fertilization treatment;

"universal health insurance plan" means

(a) a plan established by or pursuant to a law of a province that establishes a health insurance plan that is a health care insurance plan within the meaning of section 2 of the Canada Health Act (R.S.C. 1985, c. C-6) or a plan established by or pursuant to a law of another jurisdiction that establishes a public health insurance plan; or

(b) a plan established by the Government of Canada that provides for health insurance protection for the members of the Canadian Forces.

For the purposes of this division, the following expenses shall not be considered, for a taxation year, to be eligible expenses of an individual:

(a) expenses in respect of which an amount

i. was deducted in computing the income or taxable income of or tax otherwise payable by the individual or the person who is the other party to the parental project for the year or a preceding taxation year under this Part, or

ii. is deemed to have been paid to the Minister by the individual or the person who is the other party to the parental project on account of the tax payable by the individual or the person who is the other party to the parental project for the year or a preceding taxation year under this Part, except an amount that is deemed under this division to have been paid to the Minister on account of the tax payable by the individual or the person who is the other party to the parental project for the year under this Part; and

(b) expenses in respect of which an individual or the person who is the other party to the parental project or, as the case may be, the legal representative of either the individual or the person who is the other party to the parental project, has received or is entitled to receive a refund, except to the extent that the amount of the expenses is required to be included in computing the income of the individual or the person who is the other

party to the parental project under this Part and is not deductible in computing the income or taxable income of the individual or the person who is the other party to the parental project.

For the purposes of subparagraphs i and vi of paragraph *c* of the definition of "eligible expenses" in the first paragraph, where an artificial insemination activity is carried out in Québec, at any time before 11 March 2022, in a centre for assisted procreation that does not, at that time, hold a licence issued in accordance with the Act respecting clinical and research activities relating to assisted procreation, the activity is deemed to be carried out in a centre for assisted procreation that holds such a licence, if the centre was in operation on 11 March 2021 and was not required, before that date, to hold such a licence to carry out the activity.

For the purposes of subparagraph ii of paragraph *c* of the definition of "eligible expenses" in the first paragraph, the following rules apply:

(a) a person is considered to have begun in vitro fertilization activities if

i. the person herself has received services required to retrieve eggs or ovarian tissue, or

ii. the person participating with her in the assisted procreation has received, as applicable, services required to retrieve sperm by means of medical intervention or services required to retrieve eggs or ovarian tissue; and

(b) a person is considered to have begun artificial insemination activities if the person herself or the person participating with her in the artificial insemination has received services required for intrauterine insemination.

For the purposes of the definition of "family income" in the first paragraph, where an individual has not been resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the individual had been resident in Québec and in Canada throughout the year or, if the individual died in the year, throughout the period of the year preceding the individual's death.

2001, c. 51, s. 194; 2004, c. 21, s. 441; 2005, c. 38, s. 286; 2010, c. 25, s. 182; 2011, c. 6, s. 196; 2017, c. 1, s. 305; 2017, c. 29, s. 192; 2022, c. 23, s. 117; 2024, c. 11, s. 126.

§ 2. — *Credit*

2017, c. 1, s. 306.

1029.8.66.2. An individual who is resident in Québec at the end of 31 December of a taxation year is deemed to have paid to the Minister, on the individual's balance-due day for that taxation year, on account of the individual's tax payable under this Part for that taxation year, an amount equal to the aggregate of

(a) the lesser of $10,000 and 50% of the individual's pre-existing expenses which the individual paid in the year; and

(b) the amount determined by the formula

$$A \times (B - C).$$

In the formula in the first paragraph,

(a) A is the appropriate percentage determined in section 1029.8.66.5.1 or 1029.8.66.5.2, as the case may be, in respect of the individual for the year;

(b) B is the lesser of $20,000 and the individual's eligible expenses which the individual paid in the year; and

(c) C is the individual's pre-existing expenses which the individual paid in the year.

For the purposes of this section, an individual who is resident in Québec immediately before the individual's death is deemed to be resident in Québec at the end of 31 December of the year of the individual's death.

2001, c. 51, s. 194; 2002, c. 9, s. 119; 2009, c. 15, s. 328; 2011, c. 6, s. 197; 2017, c. 1, s. 307.

1029.8.66.3. An individual shall not be deemed to have paid to the Minister an amount under section 1029.8.66.2 for a taxation year, unless the individual files with the Minister, together with the fiscal return the individual is required to file under section 1000 for the year, or that the individual would be required to so file if tax were payable by the individual for the year under this Part, the following documents:

(a) the prescribed form containing the prescribed information;

(b) a copy of all receipts providing evidence of the expenses referred to in any of subparagraphs i to v of paragraph *c* of the definition of "eligible expenses" in the first paragraph of section 1029.8.66.1; and

(c) a copy of the certificate referred to in subparagraph ii of paragraph *b* and subparagraph vi of paragraph *c* of the definition of "eligible expenses" in the first paragraph of section 1029.8.66.1 in prescribed form.

2001, c. 51, s. 194; 2011, c. 6, s. 198; 2017, c. 1, s. 308.

1029.8.66.4. An individual shall not be deemed to have paid to the Minister an amount under section 1029.8.66.2 for a taxation year if the individual or the individual's spouse is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002).

2001, c. 51, s. 194; 2007, c. 12, s. 206; 2010, c. 31, s. 175.

1029.8.66.5. Where, in a taxation year, eligible expenses in respect of the same parental project were paid by more than one individual, the total eligible expenses that may be taken into account for the purpose of computing the amount that each of those individuals is deemed to have paid to the Minister under section 1029.8.66.2 for the year may not be greater than the amount of eligible expenses that could be so taken into account for the year if only one of the individuals had paid all of the expenses.

Where those individuals cannot agree as to the amount of eligible expenses each individual may take into account for the purpose of computing the amount that that individual is deemed to have paid to the Minister under section 1029.8.66.2 for the year, the Minister may determine that amount for the year.

2001, c. 51, s. 194; 2017, c. 1, s. 309.

1029.8.66.5.1. The percentage to which subparagraph *a* of the second paragraph of section 1029.8.66.2 refers for a taxation year in respect of an individual who has an eligible spouse for the year is

(a) 80% if the individual's family income for the year does not exceed $50,000;

(b) 79% if the individual's family income for the year exceeds $50,000 but does not exceed $51,186;

(c) 78% if the individual's family income for the year exceeds $51,186 but does not exceed $52,373;

(d) 77% if the individual's family income for the year exceeds $52,373 but does not exceed $53,559;

(e) 76% if the individual's family income for the year exceeds $53,559 but does not exceed $54,746;

(f) 75% if the individual's family income for the year exceeds $54,746 but does not exceed $55,932;

(g) 74% if the individual's family income for the year exceeds $55,932 but does not exceed $57,119;

(h) 73% if the individual's family income for the year exceeds $57,119 but does not exceed $58,305;

(i) 72% if the individual's family income for the year exceeds $58,305 but does not exceed $59,492;

(j) 71% if the individual's family income for the year exceeds $59,492 but does not exceed $60,678;

(k) 70% if the individual's family income for the year exceeds $60,678 but does not exceed $61,864;

(l) 69% if the individual's family income for the year exceeds $61,864 but does not exceed $63,051;

(m) 68% if the individual's family income for the year exceeds $63,051 but does not exceed $64,237;

(n) 67% if the individual's family income for the year exceeds $64,237 but does not exceed $65,424;

(o) 66% if the individual's family income for the year exceeds $65,424 but does not exceed $66,610;

(p) 65% if the individual's family income for the year exceeds $66,610 but does not exceed $67,797;

(q) 64% if the individual's family income for the year exceeds $67,797 but does not exceed $68,983;

(r) 63% if the individual's family income for the year exceeds $68,983 but does not exceed $70,169;

(s) 62% if the individual's family income for the year exceeds $70,169 but does not exceed $71,356;

(t) 61% if the individual's family income for the year exceeds $71,356 but does not exceed $72,542;

(u) 60% if the individual's family income for the year exceeds $72,542 but does not exceed $73,729;

(v) 59% if the individual's family income for the year exceeds $73,729 but does not exceed $74,915;

(w) 58% if the individual's family income for the year exceeds $74,915 but does not exceed $76,102;

(x) 57% if the individual's family income for the year exceeds $76,102 but does not exceed $77,288;

(y) 56% if the individual's family income for the year exceeds $77,288 but does not exceed $78,475;

(z) 55% if the individual's family income for the year exceeds $78,475 but does not exceed $79,661;

(z.1) 54% if the individual's family income for the year exceeds $79,661 but does not exceed $80,847;

(z.2) 53% if the individual's family income for the year exceeds $80,847 but does not exceed $82,034;

(z.3) 52% if the individual's family income for the year exceeds $82,034 but does not exceed $83,220;

(z.4) 51% if the individual's family income for the year exceeds $83,220 but does not exceed $84,407;

(z.5) 50% if the individual's family income for the year exceeds $84,407 but does not exceed $85,593;

(z.6) 49% if the individual's family income for the year exceeds $85,593 but does not exceed $86,780;

(z.7) 48% if the individual's family income for the year exceeds $86,780 but does not exceed $87,966;

(z.8) 47% if the individual's family income for the year exceeds $87,966 but does not exceed $89,153;

(z.9) 46% if the individual's family income for the year exceeds $89,153 but does not exceed $90,339;

(z.10) 45% if the individual's family income for the year exceeds $90,339 but does not exceed $91,525;

(z.11) 44% if the individual's family income for the year exceeds $91,525 but does not exceed $92,712;

(z.12) 43% if the individual's family income for the year exceeds $92,712 but does not exceed $93,898;

(z.13) 42% if the individual's family income for the year exceeds $93,898 but does not exceed $95,085;

(z.14) 41% if the individual's family income for the year exceeds $95,085 but does not exceed $96,271;

(z.15) 40% if the individual's family income for the year exceeds $96,271 but does not exceed $97,458;

(z.16) 39% if the individual's family income for the year exceeds $97,458 but does not exceed $98,644;

(z.17) 38% if the individual's family income for the year exceeds $98,644 but does not exceed $99,831;

(z.18) 37% if the individual's family income for the year exceeds $99,831 but does not exceed $101,017;

(z.19) 36% if the individual's family income for the year exceeds $101,017 but does not exceed $102,203;

(z.20) 35% if the individual's family income for the year exceeds $102,203 but does not exceed $103,390;

(z.21) 34% if the individual's family income for the year exceeds $103,390 but does not exceed $104,576;

(z.22) 33% if the individual's family income for the year exceeds $104,576 but does not exceed $105,763;

(z.23) 32% if the individual's family income for the year exceeds $105,763 but does not exceed $106,949;

(z.24) 31% if the individual's family income for the year exceeds $106,949 but does not exceed $108,136;

(z.25) 30% if the individual's family income for the year exceeds $108,136 but does not exceed $109,322;

(z.26) 29% if the individual's family income for the year exceeds $109,322 but does not exceed $110,508;

(z.27) 28% if the individual's family income for the year exceeds $110,508 but does not exceed $111,695;

(z.28) 27% if the individual's family income for the year exceeds $111,695 but does not exceed $112,881;

(z.29) 26% if the individual's family income for the year exceeds $112,881 but does not exceed $114,068;

(z.30) 25% if the individual's family income for the year exceeds $114,068 but does not exceed $115,254;

(z.31) 24% if the individual's family income for the year exceeds $115,254 but does not exceed $116,441;

(z.32) 23% if the individual's family income for the year exceeds $116,441 but does not exceed $117,627;

(z.33) 22% if the individual's family income for the year exceeds $117,627 but does not exceed $118,814;

(z.34) 21% if the individual's family income for the year exceeds $118,814 but does not exceed $120,000; or

(z.35) 20% if the individual's family income for the year exceeds $120,000.

2017, c. 1, s. 310.

1029.8.66.5.2. The percentage to which subparagraph *a* of the second paragraph of section 1029.8.66.2 refers for a taxation year in respect of an individual who does not have an eligible spouse for the year is

(a) 80% if the individual's family income for the year does not exceed $25,000;

(b) 79% if the individual's family income for the year exceeds $25,000 but does not exceed $25,593;

(c) 78% if the individual's family income for the year exceeds $25,593 but does not exceed $26,186;

(d) 77% if the individual's family income for the year exceeds $26,186 but does not exceed $26,780;

(e) 76% if the individual's family income for the year exceeds $26,780 but does not exceed $27,373;

(f) 75% if the individual's family income for the year exceeds $27,373 but does not exceed $27,966;

(g) 74% if the individual's family income for the year exceeds $27,966 but does not exceed $28,559;

(h) 73% if the individual's family income for the year exceeds $28,559 but does not exceed $29,153;

(i) 72% if the individual's family income for the year exceeds $29,153 but does not exceed $29,746;

(j) 71% if the individual's family income for the year exceeds $29,746 but does not exceed $30,339;

(k) 70% if the individual's family income for the year exceeds $30,339 but does not exceed $30,932;

(l) 69% if the individual's family income for the year exceeds $30,932 but does not exceed $31,525;

(m) 68% if the individual's family income for the year exceeds $31,525 but does not exceed $32,119;

(n) 67% if the individual's family income for the year exceeds $32,119 but does not exceed $32,712;

(o) 66% if the individual's family income for the year exceeds $32,712 but does not exceed $33,305;

(p) 65% if the individual's family income for the year exceeds $33,305 but does not exceed $33,898;

(q) 64% if the individual's family income for the year exceeds $33,898 but does not exceed $34,492;

(r) 63% if the individual's family income for the year exceeds $34,492 but does not exceed $35,085;

(s) 62% if the individual's family income for the year exceeds $35,085 but does not exceed $35,678;

(t) 61% if the individual's family income for the year exceeds $35,678 but does not exceed $36,271;

(u) 60% if the individual's family income for the year exceeds $36,271 but does not exceed $36,864;

(v) 59% if the individual's family income for the year exceeds $36,864 but does not exceed $37,458;

(w) 58% if the individual's family income for the year exceeds $37,458 but does not exceed $38,051;

(x) 57% if the individual's family income for the year exceeds $38,051 but does not exceed $38,644;

(y) 56% if the individual's family income for the year exceeds $38,644 but does not exceed $39,237;

(z) 55% if the individual's family income for the year exceeds $39,237 but does not exceed $39,831;

(z.1) 54% if the individual's family income for the year exceeds $39,831 but does not exceed $40,424;

(z.2) 53% if the individual's family income for the year exceeds $40,424 but does not exceed $41,017;

(z.3) 52% if the individual's family income for the year exceeds $41,017 but does not exceed $41,610;

(z.4) 51% if the individual's family income for the year exceeds $41,610 but does not exceed $42,203;

(z.5) 50% if the individual's family income for the year exceeds $42,203 but does not exceed $42,797;

(z.6) 49% if the individual's family income for the year exceeds $42,797 but does not exceed $43,390;

(z.7) 48% if the individual's family income for the year exceeds $43,390 but does not exceed $43,983;

(z.8) 47% if the individual's family income for the year exceeds $43,983 but does not exceed $44,576;

(z.9) 46% if the individual's family income for the year exceeds $44,576 but does not exceed $45,169;

(z.10) 45% if the individual's family income for the year exceeds $45,169 but does not exceed $45,763;

(z.11) 44% if the individual's family income for the year exceeds $45,763 but does not exceed $46,356;

(z.12) 43% if the individual's family income for the year exceeds $46,356 but does not exceed $46,949;

(z.13) 42% if the individual's family income for the year exceeds $46,949 but does not exceed $47,542;

(z.14) 41% if the individual's family income for the year exceeds $47,542 but does not exceed $48,136;

(z.15) 40% if the individual's family income for the year exceeds $48,136 but does not exceed $48,729;

(z.16) 39% if the individual's family income for the year exceeds $48,729 but does not exceed $49,322;

(z.17) 38% if the individual's family income for the year exceeds $49,322 but does not exceed $49,915;

(z.18) 37% if the individual's family income for the year exceeds $49,915 but does not exceed $50,508;

(z.19) 36% if the individual's family income for the year exceeds $50,508 but does not exceed $51,102;

(z.20) 35% if the individual's family income for the year exceeds $51,102 but does not exceed $51,695;

(z.21) 34% if the individual's family income for the year exceeds $51,695 but does not exceed $52,288;

(z.22) 33% if the individual's family income for the year exceeds $52,288 but does not exceed $52,881;

(z.23) 32% if the individual's family income for the year exceeds $52,881 but does not exceed $53,475;

(z.24) 31% if the individual's family income for the year exceeds $53,475 but does not exceed $54,068;

(z.25) 30% if the individual's family income for the year exceeds $54,068 but does not exceed $54,661;

(z.26) 29% if the individual's family income for the year exceeds $54,661 but does not exceed $55,254;

(z.27) 28% if the individual's family income for the year exceeds $55,254 but does not exceed $55,847;

(z.28) 27% if the individual's family income for the year exceeds $55,847 but does not exceed $56,441;

(z.29) 26% if the individual's family income for the year exceeds $56,441 but does not exceed $57,034;

(z.30) 25% if the individual's family income for the year exceeds $57,034 but does not exceed $57,627;

(z.31) 24% if the individual's family income for the year exceeds $57,627 but does not exceed $58,220;

(z.32) 23% if the individual's family income for the year exceeds $58,220 but does not exceed $58,814;

(z.33) 22% if the individual's family income for the year exceeds $58,814 but does not exceed $59,407;

(z.34) 21% if the individual's family income for the year exceeds $59,407 but does not exceed $60,000; or

(z.35) 20% if the individual's family income for the year exceeds $60,000.

2017, c. 1, s. 310.

§ 3. — *Advance payments*

2017, c. 1, s. 310.

1029.8.66.5.3. Where, on or before 1 December of a taxation year, an individual applies to the Minister in the prescribed form containing prescribed information and the conditions set out in the third paragraph are met, the Minister may pay in advance, according to the terms and conditions the Minister determines and in respect of the amount that the individual considers to be the amount that the individual will be deemed to have paid to the Minister on account of the individual's tax payable for the year under the first paragraph of section 1029.8.66.2, an amount not exceeding the amount determined by the formula

$$A \times (B - C).$$

In the formula in the first paragraph,

(a) A is the appropriate percentage determined in section 1029.8.66.5.4 or 1029.8.66.5.5, as the case may be, in respect of the individual for the year;

(b) B is the lesser of $20,000 and the individual's eligible expenses which the individual paid in the year; and

(c) C is the individual's pre-existing expenses which the individual paid in the year.

The conditions to which the first paragraph refers are as follows:

(a) the individual is resident in Québec at the time of the application;

(b) the individual paid eligible expenses (other than pre-existing expenses) in the year and the prescribed form used for the application is accompanied by a receipt confirming their payment;

(c) the individual's estimated family income for the year does not exceed $97,458 if the individual has a spouse at the time of the application, or $48,729 if the individual does not;

(d) the amount that the individual considers to be the amount that the individual will be deemed to have paid to the Minister on account of the individual's tax payable for the year under the first paragraph of section 1029.8.66.2 is greater than $2,000; and

(e) the individual has consented to have the advance payments be made by direct deposit in a bank account held at a financial institution listed in Part I of Appendix I to Rule D4–Institution Numbers and Clearing Agency/ Representative Arrangements of the Automated Clearing Settlement System Rules Manual, as amended from time to time, of the Canadian Payments Association.

Where, at the time of the application, an individual has a spouse, only one of them may make this application for the year.

2017, c. 1, s. 310.

1029.8.66.5.4. The percentage to which subparagraph *a* of the second paragraph of section 1029.8.66.5.3 refers for a taxation year in respect of an individual who has a spouse at the time of the application referred to in the first paragraph of that section is

(a) 80% if the individual's estimated family income for the year does not exceed $50,000;

(b) 75% if the individual's estimated family income for the year exceeds $50,000 but does not exceed $55,932;

(c) 70% if the individual's estimated family income for the year exceeds $55,932 but does not exceed $61,864;

(d) 65% if the individual's estimated family income for the year exceeds $61,864 but does not exceed $67,797;

(e) 60% if the individual's estimated family income for the year exceeds $67,797 but does not exceed $73,729;

(f) 55% if the individual's estimated family income for the year exceeds $73,729 but does not exceed $79,661;

(g) 50% if the individual's estimated family income for the year exceeds $79,661 but does not exceed $85,593;

(h) 45% if the individual's estimated family income for the year exceeds $85,593 but does not exceed $91,525; or

(i) 40% if the individual's estimated family income for the year exceeds $91,525 but does not exceed $97,458.

2017, c. 1, s. 310.

1029.8.66.5.5. The percentage to which subparagraph *a* of the second paragraph of section 1029.8.66.5.3 refers for a taxation year in respect of an individual who does not have a spouse at the time of the application referred to in the first paragraph of that section is

(a) 80% if the individual's estimated family income for the year does not exceed $25,000;

(b) 75% if the individual's estimated family income for the year exceeds $25,000 but does not exceed $27,966;

(c) 70% if the individual's estimated family income for the year exceeds $27,966 but does not exceed $30,932;

(d) 65% if the individual's estimated family income for the year exceeds $30,932 but does not exceed $33,898;

(e) 60% if the individual's estimated family income for the year exceeds $33,898 but does not exceed $36,864;

(f) 55% if the individual's estimated family income for the year exceeds $36,864 but does not exceed $39,831;

(g) 50% if the individual's estimated family income for the year exceeds $39,831 but does not exceed $42,797;

(h) 45% if the individual's estimated family income for the year exceeds $42,797 but does not exceed $45,763; or

(i) 40% if the individual's estimated family income for the year exceeds $45,763 but does not exceed $48,729.

2017, c. 1, s. 310.

1029.8.66.5.6. The Minister may require from any individual who makes an application for advance payments referred to in the first paragraph of section 1029.8.66.5.3 a document or information other than those provided for in the first and third paragraphs of that section if the Minister considers the document or information necessary to evaluate the application.

2017, c. 1, s. 310.

1029.8.66.5.7. Despite the first paragraph of section 1029.8.66.5.3, the Minister is not required to grant an application for advance payments referred to in that paragraph for a particular taxation year if

(a) the individual, or the individual's spouse at the time of the application, received an amount the Minister paid in advance under section 1029.8.66.5.3 for a preceding taxation year and, at the time the application is processed, has not filed a fiscal return for the preceding year; and

(b) the application is processed after the filing-due date of the person referred to in paragraph *a* for the preceding year.

2017, c. 1, s. 310.

1029.8.66.5.8. The Minister may suspend the advance payment of, reduce or cease to pay an amount provided for in section 1029.8.66.5.3 if documents or information brought to the Minister's attention so warrant.

2017, c. 1, s. 310.

DIVISION II.12.2

CREDIT FOR CHILDREN'S ACTIVITIES

2015, c. 21, s. 483.

§ 1. — *Interpretation and general rules*

2015, c. 21, s. 483.

1029.8.66.6. In this division,

"artistic, cultural, recreational or developmental activity" means a supervised activity, including an activity adapted for a child with an impairment, that is suitable for children (other than a physical activity) and that

(a) is intended to contribute to a child's ability to develop creative skills or expertise, acquire and apply knowledge, or improve dexterity or coordination, in an artistic or cultural discipline including

i. literary arts,

ii. visual arts,

iii. performing arts,

iv. music,

v. media,

vi. languages,

vii. customs, and

viii. heritage;

(b) provides a substantial focus on wilderness and the natural environment;

(c) assists with the development and use of intellectual skills;

(d) includes structured interaction among children where supervisors teach or assist children to develop interpersonal skills; or

(e) provides enrichment or tutoring in academic subjects;

"child with an impairment" for a taxation year means a child in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the year;

"eligible child" of an individual for a taxation year means a child of the individual who, at the beginning of the year, is at least 5 years of age and has not reached 16 years of age or, if the child is a child with an impairment for the year, 18 years of age;

"eligible expense" of an individual for a taxation year in respect of an eligible child of the individual for the year means, subject to section 1029.8.66.7, an amount paid in the year by the individual to a person, other than a person who is, when the payment is made, the individual's spouse or under 18 years of age, or to a partnership, to the extent that the amount is attributable to the cost of registration or membership of the child in a recognized program of activities offered by the person or partnership;

"eligible expenses limit" applicable for a taxation year in respect of an individual's eligible child for the year means

(a) where the child is a child with an impairment for the year, an amount equal to

i. $200, for the taxation year 2013,

ii. $400, for the taxation year 2014,

iii. $600, for the taxation year 2015,

iv. $800, for the taxation year 2016, and

v. $1,000, for a taxation year subsequent to 2016; and

(b) in any other case, an amount equal to

i. $100, for the taxation year 2013,

ii. $200, for the taxation year 2014,

iii. $300, for the taxation year 2015,

iv. $400, for the taxation year 2016, and

v. $500, for a taxation year subsequent to 2016;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"excluded individual" for a taxation year means

(a) an individual whose family income for the year exceeds $130,000; or

(b) an individual who is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002) or that individual's eligible spouse for the year;

"family income" of an individual for a taxation year means the aggregate of the income of the individual for the year and the income, for the year, of the individual's eligible spouse for the year;

"physical activity" means a supervised activity that is suitable for children (other than an activity where a child rides on or in a motor vehicle as an essential component of the activity) and that

(a) where the child is a child with an impairment, enables the child to move around and observably expend energy in a recreational context; and

(b) in any other case, contributes to cardiorespiratory endurance and the development of any of the following aptitudes:

i. muscular strength,

ii. muscular endurance,

iii. flexibility, and

iv. balance;

"recognized program of activities" means

(a) a weekly program of a duration of eight or more consecutive weeks in which all or substantially all the activities include a significant amount of physical activity or artistic, cultural, recreational or developmental activity;

(b) a program of a duration of five or more consecutive days of which more than 50% of the daily activities include a significant amount of physical activity or artistic, cultural, recreational or developmental activity;

(c) a program of a duration of eight or more consecutive weeks, offered to children by a club, association or similar organization (in this definition referred to as an "entity") in circumstances where a participant in the program may select amongst a variety of activities if

i. more than 50% of the activities offered to children by the entity are activities that include a significant amount of physical activity or artistic, cultural, recreational or developmental activity, or

ii. more than 50% of the time scheduled for activities offered to children in the program is scheduled for activities that include a significant amount of physical activity or artistic, cultural, recreational or developmental activity;

(d) a membership in an entity of a duration of eight or more consecutive weeks if more than 50% of the activities offered to children by the entity include a significant amount of physical activity or artistic, cultural, recreational or developmental activity;

(e) a portion of a program (other than a program described in paragraph *c*) of a duration of eight or more consecutive weeks, offered to children by an entity in circumstances where a participant may select amongst a variety of activities

i. that is the percentage of the activities offered to children by the entity that are activities that include a significant amount of physical activity or artistic, cultural, recreational or developmental activity, or

ii. that is the percentage of the time scheduled for activities in the program that is scheduled for activities that include a significant amount of physical activity or artistic, cultural, recreational or developmental activity; or

(f) a portion of a membership in an entity (other than a membership described in paragraph *d*) of a duration of eight or more consecutive weeks that is the percentage of the activities offered to children by the entity that are activities that include a significant amount of physical activity or artistic, cultural, recreational or developmental activity.

For the purposes of the definition of "physical activity" in the first paragraph, horseback riding is deemed to be an activity that contributes to cardiorespiratory endurance and the development of the aptitudes listed in subparagraphs i to iv of paragraph *b* of that definition.

For the purposes of the definition of "eligible expense" in the first paragraph, the cost of registration or membership in a program offered by a person or a partnership includes the cost to the person or partnership with respect to the program's administration, courses, rental of required facilities, and uniforms and equipment that the participants in the program may not acquire for a price that is lower than their fair market value at the time, if any, they are so acquired, but does not include the cost of accommodation, travel, food or beverages.

For the purposes of the definition of "recognized program of activities" in the first paragraph, a child's participation in a program or a portion of a program and the child's membership in a club, association or similar organization must not be part of a school's curriculum.

For the purposes of the definition of "family income" in the first paragraph, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the individual had been resident in Québec and in Canada throughout the year or, if the individual died in the year, throughout the period of the year preceding the time of death.

2015, c. 21, s. 483.

1029.8.66.7. An individual's eligible expense for a taxation year does not include

(a) an amount that was deducted in computing a taxpayer's income or taxable income;

(b) an amount that was taken into account in computing

i. an amount deducted in computing an individual's tax payable under this Part, or

ii. an amount that an individual is deemed to have paid to the Minister on account of the individual's tax payable under this chapter, but otherwise than under this division; and

(c) an amount in respect of which a taxpayer is or was entitled to a reimbursement, or another form of assistance, except to the extent that the amount is included in computing the income of any taxpayer and is not deductible in computing that taxpayer's income or taxable income.

2015, c. 21, s. 483.

1029.8.66.8. If the aggregate of all eligible expenses for a particular taxation year, in respect of an eligible child who is, for the particular year, a child with an impairment, each of which is an amount paid at any time in the year by an individual or by the individual's spouse at that time, is at least equal to 25% of the amount specified for the particular year in paragraph *b* of the definition of "eligible expenses limit" in the first paragraph of section 1029.8.66.6, the individual may add to the individual's eligible expenses for the particular year in respect of the child, an amount not exceeding the amount specified in that paragraph for the particular year.

If, for a taxation year, more than one individual may add to the aggregate of their respective eligible expenses an amount under the first paragraph, in respect of the same eligible child, the total of the amounts those individuals may so include under that paragraph for the year may not exceed the amount specified for the year in paragraph *b* of the definition of "eligible expenses limit" in the first paragraph of section 1029.8.66.6.

If those individuals cannot agree as to what portion of the amount they each could, under this section, include in the aggregate of their respective eligible expenses, the Minister may determine that portion of the amount for the year.

2015, c. 21, s. 483.

§ 2. — *Credit*

2015, c. 21, s. 483.

1029.8.66.9. An individual who is resident in Québec at the end of 31 December of a taxation year, other than an excluded individual for the year, and who files a fiscal return under section 1000 for that year is deemed to have paid to the Minister, on the individual's balance-due day for that year, on account of the individual's tax payable for that year under this Part, an amount equal to 20% of the aggregate of all amounts each of which is, in respect of an eligible child of the individual for the year, the lesser of

(a) the aggregate of the individual's eligible expenses for the year and, if applicable, those of the individual's eligible spouse for the year, in respect of the child; and

(b) the eligible expenses limit that applies for the year in respect of the child.

For the purposes of this section, an individual who was resident in Québec immediately before the individual's death is deemed to be resident in Québec at the end of 31 December of the year in which the individual died.

An individual may be deemed to have paid an amount to the Minister under the first paragraph for a taxation year in respect of an eligible expense only if the individual holds a receipt, containing the prescribed information and constituting proof of payment of the expense, issued by the person or partnership who offered the eligible child a recognized program of activities.

2015, c. 21, s. 483.

1029.8.66.10. If, for a taxation year, more than one individual may be deemed to have paid an amount to the Minister under section 1029.8.66.9 in respect of the same eligible child, the total of the amounts each of those individuals would otherwise be deemed to have paid to the Minister under that section for the year, in relation to the eligible child, may not exceed the particular amount that only one of those individuals would be deemed to have paid to the Minister under that section for the year, in relation to the eligible child, if that individual's eligible expenses for the year were composed of all the eligible expenses, determined otherwise in respect of the eligible child, of all of those individuals for the year.

If those individuals cannot agree as to what portion of the particular amount each would be deemed to have paid to the Minister under section 1029.8.66.9, the Minister may determine what portion of that amount is deemed paid by each individual under that section.

2015, c. 21, s. 483.

DIVISION II.12.3

Repealed, 2023, c. 19, s. 112.

2015, c. 21, s. 483; 2023, c. 19, s. 112.

§ 1. —

(Repealed).

2015, c. 21, s. 483; 2023, c. 19, s. 112.

1029.8.66.11. *(Repealed).*

2015, c. 21, s. 483; 2023, c. 19, s. 112.

1029.8.66.12. *(Repealed).*

2015, c. 21, s. 483; 2023, c. 19, s. 112.

1029.8.66.13. *(Repealed).*

2015, c. 21, s. 483; 2023, c. 19, s. 112.

§ 2. —

(Repealed).

2015, c. 21, s. 483; 2023, c. 19, s. 112.

1029.8.66.14. *(Repealed).*

2015, c. 21, s. 483; 2023, c. 19, s. 112.

DIVISION II.13

CREDIT FOR CHILD CARE EXPENSES

1995, c. 1, s. 162.

§ 1. — *Interpretation*

1995, c. 1, s. 162.

1029.8.67. In this division,

"child care expense" of an individual for a taxation year means an expense that is neither prescribed nor excluded under section 1029.8.68 and that

(a) is incurred in the year for the purpose of providing child care services in Canada including baby sitting services, day nursery services or services provided at a boarding school or a camp for an eligible child of the individual for the year;

(b) is incurred to enable the individual, or, subject to the second paragraph of section 1029.8.81, the individual's eligible spouse for the year, who resides with the child at the time the expense is incurred,

i. to perform the duties of an office or employment,

ii. to carry on a business, either alone or as a partner actively engaged in the business,

iii. to carry on research or any similar work for which the individual or the individual's eligible spouse for the year received a grant,

iv. to take a course offered by a qualified educational institution or attend a secondary school, where the individual or the individual's eligible spouse for the year is enrolled in an educational program of not less than three consecutive weeks' duration that provides that each student in the program spend not less than 10 hours per week on courses or work in the program or not less than 12 hours per month on courses in the program, as the case may be, or

v. to actively seek employment; and

(c) is paid by the individual, or by the individual's eligible spouse for the year, for services provided in the year by a person resident in Canada other than, at the time the services are provided,

i. the child's father or mother,

ii. a person with whom the individual is living in a conjugal relationship,

iii. a person who resides with the individual and for whom the child in respect of whom the expense was incurred is an eligible child for the year,

iv. a person under 18 years of age related to the individual or to the person with whom the individual is living in a conjugal relationship, or

v. a person in respect of whom either the individual or a person who resides with the individual and for whom the child in respect of whom the expense was incurred is an eligible child for the year, deducts an amount in computing tax payable for the year under section 752.0.1 or 776.41.14;

"eligible child" of an individual for a taxation year means a child of the individual or of the individual's spouse, or a child who is a dependant of the individual or of the individual's spouse and whose income for the year does not exceed $12,638, if, in any case, at any time during the year, the child is under 16 years of age or is dependent on the individual or on the individual's spouse and has a mental or physical infirmity;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"family income" of an individual for a taxation year means the aggregate of the income of the individual for the year and the income, for the year, of the person who is the individual's eligible spouse for the year;

"qualified child care expense" of an individual for a taxation year means the lesser of

(a) an amount that, subject to section 1029.8.69 and the first paragraph of section 1029.8.81, is equal to the aggregate of the individual's child care expenses for the year; and

(b) the total of the product obtained when $14,605 is multiplied by the number of eligible children of the individual for the year each of whom is a person described in section 1029.8.76 and in respect of whom child care expenses referred to in paragraph *a* were incurred, the product obtained when $10,675 is multiplied by the number of eligible children of the individual for the year each of whom is under seven years of age on 31 December of that year, or would have been had the child then been living, and in respect of whom such expenses were incurred, and the product obtained when $5,375 is multiplied by the number of all other eligible children of the individual for the year in respect of whom such expenses were incurred;

"qualified educational institution" means an educational institution referred to in subparagraph i of paragraph *a* of section 752.0.18.10.

1995, c. 1, s. 162; 1997, c. 31, s. 119; 1997, c. 85, s. 265; 1998, c. 16, s. 233; 2000, c. 5, s. 270; 2001, c. 51, s. 195; 2001, c. 53, s. 222; 2002, c. 40, s. 210; 2003, c. 2, s. 278; 2003, c. 9, s. 348; 2005, c. 1, s. 258; 2005, c. 38, s. 287; 2007, c. 12, s. 207; 2009, c. 5, s. 460; 2009, c. 15, s. 329; 2015, c. 21, s. 484; 2017, c. 1, s. 311; 2017, c. 29, s. 193; 2019, c. 14, s. 391; 2021, c. 18, s. 133; 2022, c. 23, s. 118; 2023, c. 19, s. 113.

1029.8.67.1. For the purposes of this division, the child care expense of an individual for a taxation year includes, despite the definition of that expression in section 1029.8.67, the expense incurred to care for a child throughout the period of the year during which the individual, or the individual's eligible spouse for the year, receives benefits relating to a birth or an adoption under the Act respecting parental insurance (chapter A-29.011), the Employment Insurance Act (S.C., 1996, chapter 23) or a similar Act of a province other than Québec.

2009, c. 15, s. 330.

1029.8.68. For the purposes of the definition of "child care expense" in section 1029.8.67, the child care expenses of an individual for a taxation year do not include the amounts paid for an eligible child of the individual who attends, in the year, a boarding school or camp to the extent that the total of those amounts exceeds the product obtained when $275, if the child is a person described in section 1029.8.76, $200, if the child is under seven years of age on 31 December of that year, or would have been had the child then been living, or $125, in any other case, is multiplied by the number of weeks in the year during which the child attended the school or camp, nor the medical expenses described in sections 752.0.11 to 752.0.13.0.1 or any other amounts paid for medical or hospital care, clothing, transportation, general or specific education services, or board or lodging, other than such expenses described in that definition.

1995, c. 1, s. 162; 1997, c. 14, s. 237; 2000, c. 39, s. 192; 2001, c. 51, s. 196; 2003, c. 2, s. 279; 2009, c. 5, s. 461; 2017, c. 1, s. 312.

1029.8.68.1. For the purposes of applying this division to an individual for the taxation year 2020 or 2021, the definition of "child care expense" in section 1029.8.67 is, in relation to any period of the year in which the individual, or the individual's eligible spouse for the year, was entitled to amounts referred to in any of paragraphs *c*, *c*.1 and *e*.2 to *e*.6 of section 311, in respect of that year, to be read as if its paragraph *b* were replaced by the following paragraph:

"(*b*) is incurred at a time when the individual, or, subject to the second paragraph of section 1029.8.81, the individual's eligible spouse for the year, resides with the child; and".

2021, c. 36, s. 137.

1029.8.69. For the purpose of determining an individual's qualified child care expenses for a taxation year, the individual may include, in the aggregate of the individual's child care expenses for the year, an amount paid as such,

(a) only if, where paragraph *a*.1 does not apply, proof of payment of the amount is provided by filing with the Minister one or more receipts each of which was issued by the payee and contains, where the payee is an individual, the individual's Social Insurance Number;

(a.1*)* only if, where the amount was paid to a person required, under the regulations made under section 1086, to send, in respect of that amount, an information return to the individual or the individual's eligible spouse, the individual attaches a copy of the information return to the fiscal return the individual is required to file for the year under section 1000, or would be so required to file if the individual had tax payable for the year under this Part; and

(b) only to the extent that the amount

i. is not taken into account in computing the amount that another individual, except the individual's eligible spouse for the year, is deemed to have paid to the Minister under section 1029.8.79, and

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

1995, c. 1, s. 162; 1997, c. 14, s. 238; 2000, c. 39, s. 193; 2003, c. 9, s. 349; 2009, c. 5, s. 462.

1029.8.70. *(Repealed).*

1995, c. 1, s. 162; 1997, c. 14, s. 239; 1998, c. 16, s. 234; 2000, c. 39, s. 194; 2001, c. 53, s. 223; 2003, c. 2, s. 280; 2009, c. 5, s. 463.

1029.8.71. *(Repealed).*

1995, c. 1, s. 162; 1997, c. 14, s. 240; 1998, c. 16, s. 235; 2000, c. 39, s. 195; 2001, c. 53, s. 224; 2003, c. 2, s. 281; 2003, c. 9, s. 350; 2009, c. 5, s. 463.

1029.8.72. *(Repealed).*

1995, c. 1, s. 162; 2009, c. 5, s. 463.

1029.8.73. Where an individual is resident in Canada during part of a taxation year but is not resident in Canada during another part of the year, the definition of "child care expense" in section 1029.8.67 shall, for that year in respect of that individual, be read as though the reference to "services provided during the year" were replaced by a reference to "services provided during a period of the year during which the individual is resident in Canada".

1995, c. 1, s. 162; 2009, c. 5, s. 464.

1029.8.74. Where an individual is absent from Canada but resident in Québec for all or part of a taxation year,

(a) the definition of "child care expense" in section 1029.8.67, for that year in respect of that individual, is to be read without reference to ", in Canada" and "resident in Canada"; and

(b) paragraph *a* of section 1029.8.69, for that year in respect of that individual, if the expenses referred to in that paragraph were paid to a person not resident in Canada, is to be read without reference to "and contains, where the payee is an individual, the individual's Social Insurance Number".

1995, c. 1, s. 162; 2009, c. 5, s. 465.

1029.8.75. Where, in a taxation year, a person is resident in Canada, near the boundary between Canada and the United States and while so resident incurs expenses for child care that would be child care expenses if the definition of "child care expense" in section 1029.8.67 were read without reference to "in Canada" and to "resident in Canada",

(a) those expenses (other than amounts paid for a child's attendance at a boarding school or camp outside Canada) are deemed to be child care expenses of the person for the year for the purposes of this division if the child care services are provided at a place that is closer to the person's principal place of residence by a reasonably accessible road, in view of the circumstances, than any place in Canada where such child care services are available; and

(b) if the expenses are deemed under paragraph *a* to be child care expenses of the person for the year, paragraph *a* of section 1029.8.69, in respect of those expenses, is to be read without reference to "and contains, where the payee is an individual, the individual's Social Insurance Number".

1995, c. 1, s. 162; 2009, c. 5, s. 466.

1029.8.76. The person to whom paragraph *b* of the definition of "qualified child care expense" in section 1029.8.67 and section 1029.8.68 refer for a taxation year is an eligible child in respect of whom subparagraphs *a* to *d* of the first paragraph of section 752.0.14 apply for that year.

1995, c. 1, s. 162; 1997, c. 85, s. 266; 1998, c. 16, s. 236; 2005, c. 38, s. 288; 2009, c. 5, s. 467.

1029.8.77. *(Repealed).*

1995, c. 1, s. 162; 1997, c. 85, s. 267; 2000, c. 39, s. 196; 2003, c. 9, s. 351.

1029.8.77.1. For the purposes of the definition of "family income" in section 1029.8.67, the income for a taxation year of an individual who was not resident in Canada throughout the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the individual had been resident in Québec and in Canada throughout the year or, if the individual died in the year, throughout the period of the year preceding the time of death.

1997, c. 85, s. 268; 2001, c. 53, s. 225; 2003, c. 9, s. 352; 2009, c. 15, s. 331.

1029.8.78. *(Repealed).*

1995, c. 1, s. 162; 1997, c. 85, s. 269.

§ 2. — *Credit*

1995, c. 1, s. 162.

1029.8.79. An individual who either is resident in Québec on the last day of a taxation year, or is resident in Canada outside Québec on the last day of a taxation year and carried on a business in Québec at any time in the taxation year, is deemed to have paid to the Minister, on the individual's balance-due day for that taxation year, on account of the individual's tax payable for that year under this Part, an amount equal, for the year,

(a) if the individual is resident in Québec on the last day of the taxation year or, if the individual is resident in Canada outside Québec on the last day of the taxation year, carried on a business in Québec at any time in the year and has an eligible spouse for the year who is resident in Québec on the last day of the year, to the amount obtained by applying the appropriate percentage determined under section 1029.8.80 in respect of the individual for the year to the individual's qualified child care expenses for the year;

(b) if the individual is resident in Canada outside Québec on the last day of the taxation year, carried on a business in Québec at any time in the year and either does not have an eligible spouse for the year or the individual's eligible spouse for the year is, on the last day of the year, neither a person resident in Québec, nor a person resident in Canada outside Québec who carried on a business in Québec at any time in the year, to the product obtained by multiplying the proportion referred to in the second paragraph of section 25 by the amount obtained by applying the percentage referred to in paragraph *d* of section 750 to the individual's qualified child care expenses for the year; and

(c) if the individual and the individual's eligible spouse for the year are resident in Canada outside Québec on the last day of the taxation year and carried on a business in Québec at any time in the year, to the product obtained by multiplying the average of the proportions each of which is referred to in the second paragraph of section 25 and established in respect of the individual or the individual's eligible spouse for the year, by the amount obtained by applying the percentage referred to in paragraph *d* of section 750 to the individual's qualified child care expenses for the year.

For the purposes of this section, if an individual dies or ceases to be resident in Canada in a taxation year, the last day of the individual's taxation year is the day on which the individual died or the last day the individual was resident in Canada.

1995, c. 1, s. 162; 1995, c. 63, s. 207; 1997, c. 31, s. 143; 2000, c. 39, s. 197; 2003, c. 9, s. 353; 2006, c. 36, s. 204; 2009, c. 5, s. 468; 2015, c. 21, s. 485.

1029.8.80. The percentage to which the first paragraph of each of sections 1029.8.79 and 1029.8.80.2 refers in respect of an individual for a taxation year is

(a) 78%, if the individual's family income for the year does not exceed $21,555;

(b) 75%, if the individual's family income for the year exceeds $21,555 but does not exceed $38,010;

(c) 74%, if the individual's family income for the year exceeds $38,010 but does not exceed $39,415;

(d) 73%, if the individual's family income for the year exceeds $39,415 but does not exceed $40,830;

(e) 72%, if the individual's family income for the year exceeds $40,830 but does not exceed $42,220;

(f) 71%, if the individual's family income for the year exceeds $42,220 but does not exceed $43,635;

(g) 70%, if the individual's family income for the year exceeds $43,635 but does not exceed $104,170; or

(h) 67%, if the individual's family income for the year exceeds $104,170.

1995, c. 1, s. 162; 1997, c. 85, s. 270; 2001, c. 51, s. 197; 2005, c. 1, s. 259; 2009, c. 15, s. 332; 2019, c. 14, s. 392; 2022, c. 23, s. 119.

1029.8.80.0.1. Where, for a taxation year, a particular individual referred to in section 1029.8.79 has an eligible spouse for the year who is also an individual referred to in that section, the following rules apply:

(a) the amount the particular individual is deemed to have paid to the Minister for the year under section 1029.8.79, determined without reference to this section, shall be reduced by such portion of the amount as the particular individual and the eligible spouse agree to attribute to the eligible spouse for the year in the prescribed form filed with the Minister by the particular individual with the particular individual's fiscal return under this Part for the year;

(b) the amount the eligible spouse is deemed to have paid to the Minister for the year under section 1029.8.79, determined without reference to this section, shall be reduced by the amount determined for the year under paragraph *a* in respect of the particular individual;

(c) where the particular individual and the eligible spouse cannot agree on the portion of the amount that may be designated for the year in accordance with paragraph *a* in respect of the particular individual, the Minister may designate such portion and, for the purposes of paragraph *a*, the designation is deemed to have been made in prescribed form by the particular individual and the eligible spouse; and

(d) the amount determined for the year under paragraph *a* in respect of the particular individual and the amount determined for the year under paragraph *b* in respect of the eligible spouse are deemed to be the amount the particular individual is deemed to have paid to the Minister for the year under section 1029.8.79 and the amount the eligible spouse is deemed to have so paid to the Minister for the year, respectively.

2000, c. 39, s. 198; 2003, c. 9, s. 354; 2020, c. 16, s. 160.

1029.8.80.1. An individual who has an eligible spouse for a taxation year shall not be deemed to have paid to the Minister an amount under section 1029.8.79 for the year unless the individual files with the Minister, together with the fiscal return the individual is required to file for the year under section 1000, or would be required to so file if tax were payable by the individual for the year under this Part, a certificate from the eligible spouse in prescribed form.

1997, c. 85, s. 271; 2003, c. 9, s. 354.

§ 3. — *Advance payments and exceptional rule*

2005, c. 1, s. 260.

1029.8.80.2. Where, on or before 15 October of a taxation year, an individual applies to the Minister in the prescribed form containing prescribed information, the Minister may pay in advance, according to the terms and conditions provided for in the second paragraph and in respect of the amount that the individual considers to be the amount that the individual will be deemed to have paid to the Minister on account of the individual's tax payable for the year under the first paragraph of section 1029.8.79, an amount (in this subdivision referred to as the "amount of the advance relating to child care expenses") equal to the amount obtained by applying to the aggregate of the qualified child care expenses that the individual considers the individual is required to pay for the year the appropriate percentage determined in section 1029.8.80 in respect of the individual for the year, if

(a) the individual is resident in Québec at the time of the application;

(b) the individual is a Canadian citizen or a permanent resident within the meaning of the Immigration and Refugee Protection Act (S.C. 2001, c. 27) or a person who has been granted refugee protection in Canada by the competent Canadian authority in accordance with that Act;

(c) the individual is the father or mother of a child with whom the individual resides at the time of the application;

(d) at the time of the application, the individual is described in the portion of paragraph *c* of the definition of "child care expense" in section 1029.8.67 before subparagraph i;

(e) the person who cares for a child of the individual confirms the child care rate and the number of days during which the child will be cared for in the year;

(f) the amount that the individual considers to be the amount that the individual will be deemed, under the first paragraph of section 1029.8.79, to have paid to the Minister on account of the individual's tax payable for the year is greater than $1,000, unless the amount that the individual considers to be the amount that the individual will be deemed, under the first paragraph of section 1029.8.116.5 or 1029.8.116.5.0.1, to have paid to the Minister on account of the individual's tax payable for the year is greater than $500; and

(g) the individual has agreed that the advance payments be made by direct deposit in a bank account held at a financial institution listed in Part I of Appendix I to Rule D4 – Institution Numbers and Clearing Agency/ Representative Arrangements of the Automated Clearing Settlement System Rules Manual, as amended from time to time, of the Canadian Payments Association.

The terms and conditions of payment of the amount of the advance relating to child care expenses to which the first paragraph refers are the following:

(a) if the Minister receives from the individual the application referred to in the first paragraph not later than 1 December of the preceding year, the amount of the advance relating to child care expenses is payable in 12 equal advance payments made on or before the 15th day of each month of the year; and

(b) if the Minister receives from the individual the application referred to in the first paragraph after 1 December of the preceding year and not later than 15 October of the year, the amount of the advance relating to child care expenses is payable in equal advance payments made on or before the 15th day of each month of the year that is subsequent to the particular month in which the application is received, if the application is received on the first day of that month, or, in any other case, that is subsequent to the month that follows the particular month;

(c) (subparagraph repealed);

(d) (subparagraph repealed).

The individual shall notify the Minister with dispatch of any event which may affect the amount of the advance relating to child care expenses.

Where, at the time of the application referred to in the first paragraph, an individual has a spouse, only one of them may make this application for the year.

2005, c. 1, s. 260; 2009, c. 5, s. 469; 2009, c. 15, s. 333; 2011, c. 1, s. 83; 2011, c. 6, s. 199; 2011, c. 34, s. 101; 2012, c. 8, s. 233; 2022, c. 23, s. 120.

1029.8.80.3. *(Repealed).*

2005, c. 1, s. 260; 2009, c. 15, s. 334; 2019, c. 14, s. 393; 2022, c. 23, s. 121.

1029.8.80.4. The Minister may require from any individual who makes an application for advance payments referred to in the first paragraph of section 1029.8.80.2 a document or information other than those provided for in that paragraph if the Minister considers the document or information necessary to evaluate the application.

2011, c. 6, s. 200.

1029.8.80.5. Despite the first paragraph of section 1029.8.80.2, the Minister is not required to grant an application for advance payments referred to in that paragraph for a particular taxation year if

(a) the individual, or the individual's spouse at the time of the application, received a payment of the amount of the advance relating to child care expenses for a preceding taxation year and, at the time the application is processed, has not filed a fiscal return for the preceding year; and

(b) the application is processed after the filing-due date of the person referred to in paragraph *a* for the preceding year.

2011, c. 6, s. 200.

1029.8.80.6. The Minister may, at a particular time, cease to pay, or suspend the payment of, the amount of the advance relating to child care expenses to an individual for a particular taxation year if

(a) the individual, or the individual's spouse at the time of the application referred to in the first paragraph of section 1029.8.80.2 for the particular year, received a payment of the amount of the advance relating to child care expenses for a preceding taxation year and has not, as of the particular time, filed a fiscal return for the preceding year; and

(b) the particular time is subsequent to the filing-due date of the person referred to in paragraph *a* for the preceding year.

2011, c. 6, s. 200.

1029.8.80.7. The Minister may suspend the payment of, reduce or cease to pay the amount of the advance relating to child care expenses if documents or information brought to the Minister's attention so warrant.

2011, c. 6, s. 200.

1029.8.81. For the purposes of section 1029.8.79, for the purpose of determining the qualified child care expense of an individual for a taxation year, the aggregate of the individual's child care expenses for the year is deemed to be equal to zero, if the individual is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002).

For the purposes of paragraph *b* of the definition of "child care expense" in section 1029.8.67 and of subparagraphs *a* and *b* of the first paragraph of section 1029.8.79, a person is deemed not to be the eligible spouse of an individual for a taxation year if the person is exempt from tax for that year under any of the provisions referred to in the first paragraph.

1995, c. 1, s. 162; 1995, c. 63, s. 208; 2007, c. 12, s. 208; 2009, c. 5, s. 470; 2010, c. 31, s. 175.

1029.8.82. *(Repealed).*

1995, c. 1, s. 162; 1997, c. 14, s. 241.

DIVISION II.14

Repealed, 2005, c. 23, s. 229.

1995, c. 63, s. 209; 2005, c. 23, s. 229.

§ 1. —

Repealed, 2005, c. 23, s. 229.

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.83. *(Repealed).*

1995, c. 63, s. 209; 1998, c. 46, s. 65; 2000, c. 56, s. 158; 2005, c. 23, s. 229.

1029.8.84. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.85. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.86. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.87. *(Repealed).*

1995, c. 63, s. 209; 1998, c. 46, s. 65; 2005, c. 23, s. 229.

1029.8.88. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

§ 2. —

Repealed, 2005, c. 23, s. 229.

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.89. *(Repealed).*

1995, c. 63, s. 209; 1997, c. 31, s. 143; 2005, c. 23, s. 229.

1029.8.90. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.91. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.92. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

DIVISION II.15

Repealed, 2005, c. 23, s. 229.

1995, c. 63, s. 209; 2005, c. 23, s. 229.

§ 1. —

Repealed, 2005, c. 23, s. 229.

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.93. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

§ 2. —

Repealed, 2005, c. 23, s. 229.

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.94. *(Repealed).*

1995, c. 63, s. 209; 1997, c. 14, s. 242; 1997, c. 31, s. 143; 2005, c. 23, s. 229.

1029.8.95. *(Repealed).*

1995, c. 63, s. 209; 1997, c. 14, s. 243.

1029.8.96. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.97. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.98. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

1029.8.99. *(Repealed).*

1995, c. 63, s. 209; 1997, c. 14, s. 244; 2005, c. 23, s. 229.

1029.8.100. *(Repealed).*

1995, c. 63, s. 209; 2005, c. 23, s. 229.

DIVISION II.16

(Repealed).

1997, c. 85, s. 272; 2021, c. 14, s. 155.

§ 1. —

(Repealed).

1997, c. 85, s. 272; 2021, c. 14, s. 155.

1029.8.101. *(Repealed).*

1997, c. 85, s. 272; 2002, c. 40, s. 211; 2003, c. 9, s. 355; 2005, c. 1, s. 261; 2009, c. 5, s. 471; 2009, c. 15, s. 335; 2021, c. 14, s. 155.

1029.8.102. *(Repealed).*

1997, c. 85, s. 272; 2002, c. 40, s. 212; 2003, c. 9, s. 356; 2021, c. 14, s. 155.

1029.8.103. *(Repealed).*

1997, c. 85, s. 272; 2001, c. 53, s. 226; 2003, c. 9, s. 357; 2021, c. 14, s. 155.

1029.8.104. *(Repealed).*

1997, c. 85, s. 272; 2002, c. 40, s. 213; 2021, c. 14, s. 155.

§ 2. —

(Repealed).

1997, c. 85, s. 272; 2021, c. 14, s. 155.

1029.8.105. *(Repealed).*

1997, c. 85, s. 272; 2002, c. 40, s. 214; 2003, c. 9, s. 358; 2005, c. 1, s. 262; 2011, c. 1, s. 84; 2021, c. 14, s. 155.

1029.8.105.1. *(Repealed).*

2000, c. 39, s. 199; 2002, c. 40, s. 214; 2007, c. 12, s. 209; 2021, c. 14, s. 155.

1029.8.105.2. *(Repealed).*

2002, c. 40, s. 215; 2021, c. 14, s. 155.

1029.8.105.3. *(Repealed).*

2010, c. 5, s. 162; 2011, c. 1, s. 85; 2021, c. 14, s. 155.

1029.8.106. *(Repealed).*

1997, c. 85, s. 272; 2002, c. 40, s. 216; 2021, c. 14, s. 155.

1029.8.107. *(Repealed).*

1997, c. 85, s. 272; 2002, c. 40, s. 217; 2007, c. 12, s. 210; 2010, c. 31, s. 175; 2021, c. 14, s. 155.

1029.8.108. *(Repealed).*

1997, c. 85, s. 272; 2002, c. 40, s. 217; 2009, c. 15, s. 336; 2021, c. 14, s. 155.

1029.8.108.1. *(Repealed).*

2005, c. 1, s. 263; 2021, c. 14, s. 155.

1029.8.109. *(Repealed).*

1997, c. 85, s. 272; 2002, c. 40, s. 217; 2021, c. 14, s. 155.

1029.8.109.1. *(Repealed).*

2002, c. 40, s. 218; 2021, c. 14, s. 155.

DIVISION II.16.1

(Repealed).

2011, c. 1, s. 86; 2021, c. 14, s. 155.

§ 1. —

(Repealed).

2011, c. 1, s. 86; 2021, c. 14, s. 155.

1029.8.109.2. *(Repealed).*

2011, c. 1, s. 86; 2021, c. 14, s. 155.

§ 2. —

(Repealed).

2011, c. 1, s. 86; 2021, c. 14, s. 155.

1029.8.109.3. *(Repealed).*

2011, c. 1, s. 86; 2021, c. 14, s. 155.

1029.8.109.4. *(Repealed).*

2011, c. 1, s. 86; 2021, c. 14, s. 155.

1029.8.109.5. *(Repealed).*

2011, c. 1, s. 86; 2010, c. 31, s. 175; 2021, c. 14, s. 155.

1029.8.109.6. *(Repealed).*

2011, c. 1, s. 86; 2021, c. 14, s. 155.

DIVISION II.17

(Repealed).

1999, c. 83, s. 220; 2021, c. 14, s. 155.

§ 1. —

(Repealed).

1999, c. 83, s. 220; 2021, c. 14, s. 155.

1029.8.110. *(Repealed).*

1999, c. 83, s. 220; 2002, c. 40, s. 219; 2003, c. 9, s. 359; 2005, c. 1, s. 264; 2009, c. 5, s. 472; 2009, c. 15, s. 337; 2021, c. 14, s. 155.

1029.8.111. *(Repealed).*

1999, c. 83, s. 220; 2002, c. 40, s. 220; 2003, c. 9, s. 360; 2021, c. 14, s. 155.

1029.8.112. *(Repealed).*

1999, c. 83, s. 220; 2001, c. 53, s. 227; 2003, c. 9, s. 361; 2021, c. 14, s. 155.

1029.8.113. *(Repealed).*

1999, c. 83, s. 220; 2002, c. 40, s. 221; 2005, c. 1, s. 265; 2009, c. 5, s. 473; 2021, c. 14, s. 155.

§ 2. —

(Repealed).

1999, c. 83, s. 220; 2021, c. 14, s. 155.

1029.8.114. *(Repealed).*

1999, c. 83, s. 220; 2002, c. 40, s. 221; 2005, c. 1, s. 266; 2009, c. 5, s. 474; 2011, c. 1, s. 87; 2021, c. 14, s. 155.

1029.8.114.1. *(Repealed).*

2009, c. 5, s. 475; 2021, c. 14, s. 155.

1029.8.115. *(Repealed).*

1999, c. 83, s. 220; 2002, c. 40, s. 222; 2021, c. 14, s. 155.

1029.8.115.1. *(Repealed).*

2009, c. 5, s. 476; 2021, c. 14, s. 155.

1029.8.116. *(Repealed).*

1999, c. 83, s. 220; 2002, c. 40, s. 224; 2021, c. 14, s. 155.

1029.8.116.0.1. *(Repealed).*

2009, c. 5, s. 477; 2021, c. 14, s. 155.

DIVISION II.17.1

CREDITS TO INCREASE THE INCENTIVE TO WORK

2005, c. 1, s. 267; 2009, c. 15, s. 338.

§ 1. — *Interpretation*

2005, c. 1, s. 267.

1029.8.116.1. In this division,

"designated educational institution" means an educational institution that the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology designates for the purposes of the loans and bursaries program for full-time studies in vocational training at the secondary level and for full-time studies at the postsecondary level established under the Act respecting financial assistance for education expenses (chapter A-13.3);

"earned income" of an individual for a month means the aggregate of

(a) the individual's income from an office or employment, computed under Chapters I and II of Title II of Book III, that may reasonably be attributed to that month, other than such an income that is deductible in computing the individual's taxable income under paragraph *e* of section 725; and

(b) the individual's income from any business the individual carries on either alone or as a partner actively engaged in the business, that may reasonably be attributed to that month, other than such an income that is deductible in computing the individual's taxable income under paragraph *e* of section 725;

"eligible individual" for a taxation year means, subject to section 1029.8.116.2, an individual who, at the end of 31 December of the year or, where applicable, on the date of the individual's death, is an emancipated minor, is 18 years of age or over, is the spouse of another individual, or is the father or mother of a child with whom the individual resides, but who is not one of the following persons:

(a) a person in respect of whom another individual receives, for the year, an amount deemed under section 1029.8.61.18 to be an overpayment of the individual's tax payable, except if that person reaches 18 years of age before 1 December of the year;

(b) a person in respect of whom another individual, in computing the other individual's tax payable for the year, deducts an amount under section 752.0.1, as a consequence of the application of paragraph *d*, or under section 776.41.14;

(c) (paragraph repealed);

(d) a person who is a dependant of another individual for the year for the purposes of subparagraph *a* of the second paragraph of section 1029.8.116.5 or subparagraph *a* of the third paragraph of section 1029.8.116.5.0.1; or

(e) a person who, for the year, is a full-time student, unless, at the end of 31 December of the year or, where applicable, on the date of the person's death, the person is the father or mother of a child with whom the person resides;

"eligible spouse" of an eligible individual for a taxation year means the person who is the eligible individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4, unless, at the end of 31 December of the year or, if the person died in the year, immediately before the person's death,

(a) the person was not resident in Québec; or

(b) the person was confined to a prison or similar institution and had been so confined during the year for one or more periods totalling more than 183 days;

"full-time student" for a taxation year means a person who began, in the year, a recognized term of study at a designated educational institution where the person was enrolled in a recognized educational program;

"period of transition to work" of an individual means

(a) a period that begins on the first day of a particular month that is both subsequent to the month of March 2008 and recognized by the Minister of Employment and Social Solidarity as a month in which the individual ceases to receive a last resort financial assistance benefit under Chapter I or II of Title II of the Individual and Family Assistance Act (chapter A-13.1.1) because of earned income from employment as determined for the purposes of that Act, and that ends on the last day of the eleventh month that follows the particular month or, if it is earlier, the last day of the month that precedes the month in which the individual again receives such a benefit; or

(b) a period that begins on the first day of a particular month that is both subsequent to the month of March 2009 and recognized by the Minister of Employment and Social Solidarity as a month in which the individual ceases to receive a financial assistance benefit under Chapter III of Title II of the Individual and Family Assistance Act, as it read before being repealed, because of earned income from employment as determined for the purposes of that Act, and that ends on the last day of the eleventh month that follows the particular month or, if it is earlier, the last day of the month that precedes the month in which the individual begins to receive a benefit referred to in paragraph *a* or *c*; or

(c) a period that begins on the first day of a particular month that is both subsequent to the month of March 2018 and recognized by the Minister of Employment and Social Solidarity as a month in which the individual ceases to receive a financial assistance benefit under Chapter V of Title II of the Individual and Family Assistance Act because of earned income from employment as determined for the purposes of that Act, and that ends on the last day of the eleventh month that follows the particular month or, if it is earlier, the last day of the month that precedes the month in which the individual again receives such a benefit or begins to receive a benefit referred to in paragraph *a*;

"recognized educational program" means an educational program that provides that each student taking the program spend not less than nine hours per week on courses or work in the program and that is,

(a) if the educational institution is situated in Québec, an educational program recognized by the Minister of Education, Recreation and Sports or the Minister of Higher Education, Research, Science and Technology for the purposes of the loans and bursaries program for full-time studies in vocational training at the secondary level and for full-time studies at the postsecondary level established under the Act respecting financial assistance for education expenses; and

(b) if the educational institution is situated outside Québec, an educational program at the college level or at the university level or the equivalent;

"recognized term of study" means a term of study that is completed and during which a person was in full-time attendance at a designated educational institution;

"total income" of an eligible individual for a taxation year means the aggregate of the income for the year of the eligible individual and the income for the year of the eligible individual's eligible spouse for the year;

"work income" of an individual for a taxation year means the aggregate of

(a) the individual's income for the year from an office or employment computed under Chapters I and II of Title II of Book III, other than such an income that is deductible in computing the individual's taxable income under paragraph *e* of section 725;

(b) the individual's income for the year from a business the individual carries on either alone or as a partner actively engaged in the business, other than such an income that is deductible in computing the individual's taxable income under paragraph *e* of section 725; and

(c) the amount included in computing the individual's income for the year under paragraph *e*.6 of section 311 or paragraph *h* of section 312, other than such an amount that is deductible in computing the individual's taxable income under paragraph *e* of section 725.

2005, c. 1, s. 267; 2006, c. 36, s. 205; 2009, c. 5, s. 478; 2009, c. 15, s. 339; 2010, c. 5, s. 163; 2015, c. 24, s. 148; 2017, c. 1, s. 313; 2019, c. 14, s. 394; 2021, c. 14, s. 156.

1029.8.116.2. To qualify as an eligible individual for a taxation year, an individual must be

(a) a Canadian citizen;

(b) an Indian registered as an Indian under the Indian Act (Revised Statutes of Canada, 1985, chapter I-5);

(c) a permanent resident within the meaning of the Immigration and Refugee Protection Act (Statutes of Canada, 2001, chapter 27); or

(d) a person to whom asylum has been granted in Canada by the competent Canadian authority in accordance with the Immigration and Refugee Protection Act.

2005, c. 1, s. 267.

1029.8.116.2.0.1. For the purposes of this division, if a person has a major functional deficiency within the meaning of the Regulation respecting financial assistance for education expenses (chapter A-13.3, r. 1), and the person, for that reason, pursues studies on a part-time basis during a taxation year, the following rules apply:

(a) the person is deemed to be pursuing studies on a full-time basis during the year; and

(b) the definition of "recognized educational program" in section 1029.8.116.1 is to be read as if "spend not less than nine hours per week on courses or work in the program" were replaced by "receive a minimum of 20 hours of instruction per month".

2015, c. 24, s. 149.

1029.8.116.2.1. For the purposes of paragraph *a* of the definition of "work income" in section 1029.8.116.1, the income of an individual for a taxation year from a previous office or employment is deemed to be equal to zero, if each of the amounts that make up the income is the value of a benefit received or enjoyed by the individual in the year because of that office or employment.

2006, c. 36, s. 206; 2015, c. 21, s. 486.

1029.8.116.2.2. For the purposes of the definition of "period of transition to work" of an individual in section 1029.8.116.1, the Minister of Employment and Social Solidarity shall comply with the following rules:

(a) despite subparagraph *a* of paragraph 2 of section 55 of the Individual and Family Assistance Act (chapter A-13.1.1), if the individual is a member of a family, that Minister shall take into account only the income from employment earned by the individual and by the individual's spouse within the meaning of section 22 of that Act; and

(b) that Minister shall not consider an individual to have received, for a month, a financial assistance benefit under Title II of the Individual and Family Assistance Act if, for that month, the individual receives only a special benefit under section 48 of the Individual and Family Assistance Regulation (chapter A-13.1.1, r. 1).

2009, c. 15, s. 340; 2019, c. 14, s. 395.

1029.8.116.3. *(Repealed).*

2005, c. 1, s. 267; 2009, c. 15, s. 341.

1029.8.116.4. For the purposes of the definition of "total income" in section 1029.8.116.1, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the individual had been resident in Québec and in Canada throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death.

2005, c. 1, s. 267.

§ 2. — *Credits*

2005, c. 1, s. 267; 2009, c. 15, s. 342.

1029.8.116.5. An eligible individual for a taxation year who is resident in Québec at the end of 31 December of the year is deemed, subject to the third paragraph, to have paid to the Minister, on the individual's balance-due day for the year, on account of the individual's tax payable for the year, provided that the individual and, if applicable, the individual's eligible spouse for the year file a fiscal return under section 1000 for the year, the amount determined by the formula

$$(A \times B) - (10\% \times C).$$

In the formula provided for in the first paragraph,

(a) A is

i. in the case where the eligible individual does not have an eligible spouse for the year but has a dependant for the year, 30%,

ii. in the case where the eligible individual has an eligible spouse for the year and a dependant for the year, 25%, and

iii. in any other case,

(1) 9% for the taxation year 2016 or 2017,

(2) 9.4% for the taxation year 2018,

(3) 10.5% for the taxation year 2019,

(4) 10.8% for the taxation year 2020,

(5) 11.2% for the taxation year 2021, or

(6) 11.6% for a taxation year subsequent to the year 2021;

(b) B is

i. in the case where the eligible individual does not have an eligible spouse for the year, the amount by which the lesser of the work premium reduction threshold that is applicable for the year in respect of the eligible individual and the eligible individual's work income for the year exceeds $2,400, and

ii. in the case where the eligible individual has an eligible spouse for the year, the amount by which the lesser of the work premium reduction threshold that is applicable for the year in respect of the eligible individual and the aggregate of the eligible individual's work income for the year and the work income of the eligible individual's eligible spouse for the year exceeds $3,600; and

(c) C is the amount by which the eligible individual's total income for the year exceeds

i. the work premium reduction threshold that is applicable for the year in respect of an eligible individual who does not have an eligible spouse for the year, and

ii. the work premium reduction threshold that is applicable for the year in respect of an eligible individual who has an eligible spouse for the year.

For the purpose of computing the payments that an eligible individual for a taxation year is required to make under section 1025 or 1026, the individual is deemed to have paid to the Minister, on account of the individual's tax payable for the year under this Part, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the excess amount that corresponds to the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is an advance payment referred to in the second paragraph of section 1029.8.116.9 or 1029.8.116.9.0.1, that the eligible individual, or the eligible individual's eligible spouse for the year, has received, or may reasonably expect to receive, for the year, less the aggregate of all amounts each of which is the portion of that excess amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2005, c. 1, s. 267; 2006, c. 13, s. 193; 2009, c. 15, s. 343; 2017, c. 1, s. 314; 2019, c. 14, s. 396.

1029.8.116.5.0.1. An individual who, for a taxation year, is an eligible individual to whom the second paragraph applies and is resident in Québec at the end of 31 December of the year is deemed, subject to the fourth paragraph, to have paid to the Minister, on the individual's balance-due day for the year, on account of the individual's tax payable for the year, provided that the individual and, if applicable, the individual's eligible spouse for the year file a fiscal return under section 1000 for the year, the amount determined by the formula

$$(A \times B) - (10\% \times C).$$

This paragraph applies, for the year, to an eligible individual if

(a) the eligible individual receives in the year, or has received in any of the five preceding years, because of the individual's physical or mental condition, a social solidarity allowance under Chapter II of Title II of the Individual and Family Assistance Act (chapter A-13.1.1) or a basic income under Chapter VI of Title II of that Act, other than a special benefit paid under section 48 of the Individual and Family Assistance Regulation (chapter A-13.1.1, r. 1);

(b) the eligible individual's eligible spouse for the year receives in the year, or has received in any of the five preceding years, because of the spouse's physical or mental condition, an allowance or income referred to in subparagraph *a*; or

(c) the eligible individual or the eligible individual's eligible spouse for the year is a person in respect of whom subparagraphs *a* to *d* of the first paragraph of section 752.0.14 apply for the year.

In the formula in the first paragraph,

(a) A is

i. in the case where the eligible individual does not have an eligible spouse for the year but has a dependant for the year, 25%,

ii. in the case where the eligible individual has an eligible spouse for the year and a dependant for the year, 20%, and

iii. in any other case,

(1) 11% for the taxation year 2016 or 2017,

(2) 11.4% for the taxation year 2018,

(3) 12.5% for the taxation year 2019,

(4) 12.8% for the taxation year 2020,

(5) 13.2% for the taxation year 2021, or

(6) 13.6% for a taxation year subsequent to the year 2021;

(b) B is

i. in the case where the eligible individual does not have an eligible spouse for the year, the amount by which the lesser of the reduction threshold for the adjusted work premium, that is applicable for the year in respect of the eligible individual, and the eligible individual's work income for the year exceeds $1,200, and

ii. in the case where the eligible individual has an eligible spouse for the year, the amount by which the lesser of the reduction threshold for the adjusted work premium, that is applicable for the year in respect of the eligible individual, and the aggregate of the eligible individual's work income for the year and the work income for the year of the eligible individual's eligible spouse for the year exceeds $1,200; and

(c) C is the amount by which the eligible individual's total income for the year exceeds

i. the reduction threshold for the adjusted work premium, that is applicable for the year in respect of an eligible individual who does not have an eligible spouse for the year, and

ii. the reduction threshold for the adjusted work premium, that is applicable for the year in respect of an eligible individual who has an eligible spouse for the year.

For the purpose of computing the payments that an eligible individual for a taxation year is required to make under section 1025 or 1026, the individual is deemed to have paid to the Minister, on account of the individual's tax payable for the year under this Part, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the excess amount that corresponds to the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is an advance payment referred to in the second paragraph of section 1029.8.116.9 or 1029.8.116.9.0.1, that the eligible individual, or the eligible individual's eligible spouse for the year, has received, or may reasonably expect to receive, for the year, less the aggregate of all amounts each of which is the portion of that excess amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2009, c. 15, s. 344; 2017, c. 1, s. 315; 2019, c. 14, s. 397; 2021, c. 14, s. 157; 2023, c. 19, s. 114.

1029.8.116.5.0.2. An eligible individual who is resident in Québec at the end of 31 December of a taxation year is deemed, subject to the fourth paragraph, to have paid to the Minister, on the individual's balance-due day for the year, on account of the individual's tax payable for the year, provided that the individual and, if applicable, the individual's eligible spouse for the year file a fiscal return under section 1000

for the year, an amount equal to the product obtained by multiplying $200 by the total number of months in that year each of which is a month (in this section and section 1029.8.116.9.1 referred to as an "eligible month") for which the individual's earned income is equal to or greater than $200 and is a month included in a period of transition to work of the individual in respect of which the following conditions are met:

(a) the period of transition to work began in that year or in the preceding taxation year;

(b) the Minister of Employment and Social Solidarity confirms that during the 30-month period that precedes the first month of the individual's period of transition to work that includes the eligible month, the individual received, for at least 24 months, an amount that is

i. a last resort financial assistance benefit paid under Chapter I or II of Title II of the Individual and Family Assistance Act (chapter A-13.1.1), or

ii. a financial assistance benefit paid under Chapter V of Title II of the Individual and Family Assistance Act or Chapter III of that Title II, as it read before being repealed; and

(c) subject to the third paragraph, the Minister of Employment and Social Solidarity confirms that, for the first month of the individual's period of transition to work that includes the eligible month, the individual holds, under subparagraph 1 or 3 of the first paragraph of section 48 of the Individual and Family Assistance Regulation (chapter A-13.1.1, r. 1), a valid claim booklet issued by the Minister of Employment and Social Solidarity.

For the purpose of confirming that an individual meets the condition set out in subparagraph *b* of the first paragraph, the Minister of Employment and Social Solidarity shall not consider that the individual received, for a particular month, a financial assistance benefit under Title II of the Individual and Family Assistance Act if

(a) for that month, the individual was a dependent child for the purposes of the Individual and Family Assistance Act; or

(b) for that month, the individual received only a special benefit under section 48 of the Individual and Family Assistance Regulation.

Subparagraph *c* of the first paragraph does not apply in respect of an individual who receives a financial assistance benefit under Chapter III of Title II of the Individual and Family Assistance Act, as it read before being repealed, for the month that precedes the first month of the individual's period of transition to work that includes the eligible month.

For the purpose of computing the payments that an eligible individual for a taxation year is required to make under section 1025 or 1026, the individual is deemed, unless the individual elects to have section 1029.8.116.9.1 apply for the year, to have paid to the Minister, on account of the individual's tax payable for the year under this Part, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

2009, c. 15, s. 344; 2010, c. 5, s. 164; 2019, c. 14, s. 398; 2021, c. 14, s. 158.

1029.8.116.5.0.3. For the purposes of sections 1029.8.116.5 to 1029.8.116.5.0.2, an eligible individual who was resident in Québec immediately before the eligible individual's death is deemed to be resident in Québec at the end of 31 December of the year in which the eligible individual died.

2009, c. 15, s. 344.

1029.8.116.5.1. The Minister of Finance publishes annually in the *Gazette officielle du Québec* a notice setting out

(a) the amounts of the work premium reduction thresholds, referred to in subparagraphs i and ii of subparagraphs *b* and *c* of the second paragraph of section 1029.8.116.5, that are applicable for a taxation year and are determined according to the terms and conditions prescribed by regulation, and that are to be used in determining the amount that an eligible individual is deemed to have paid to the Minister on account of the individual's tax payable for the year under section 1029.8.116.5; and

(b) the amounts of the reduction thresholds for the adjusted work premium, referred to in subparagraphs i and ii of subparagraphs *b* and *c* of the third paragraph of section 1029.8.116.5.0.1, that are applicable for a taxation year and are determined according to the terms and conditions prescribed by regulation, and that are to be used in determining the amount that an eligible individual is deemed to have paid to the Minister on account of the individual's tax payable for the year under section 1029.8.116.5.0.1.

The notice described in the first paragraph becomes effective from 1 January of the year for which the amounts of the work premium reduction thresholds and of the reduction thresholds for the adjusted work premium are determined and may be subject to a review having retroactive effect to that date.

2006, c. 13, s. 194; 2009, c. 15, s. 345.

Note *For the taxation year 2024, the amount of the general work premium reduction threshold applicable to an individual who does not have an eligible spouse for the year is changed from $11,842 to $12,334; the amount of the general work premium reduction threshold applicable to an individual who has an eligible spouse for the year is changed from $18,338 to $19,092.*

See (2023) 155 G.O. 1, 795.

For the taxation year 2024, the amount of the adapted work premium reduction threshold applicable to an individual who does not have an eligible spouse for the year is changed from $16,654 to $17,378; the amount of the adapted work premium reduction threshold applicable to an individual who has an eligible spouse for the year is changed from $25,198 to $26,310.

See (2023) 155 G.O. 1, 795.

1029.8.116.5.2. An eligible individual may not be deemed to have paid an amount to the Minister under any of sections 1029.8.116.5 to 1029.8.116.5.0.2 for a taxation year if, at the end of 31 December of the year or, if the eligible individual died in the year, immediately before the eligible individual's death, the eligible individual was confined to a prison or similar institution and had been so confined during the year for one or more periods totalling more than 183 days.

2009, c. 15, s. 346; 2017, c. 1, s. 316.

1029.8.116.6. *(Repealed).*

2005, c. 1, s. 267; 2006, c. 13, s. 195.

1029.8.116.7. *(Repealed).*

2005, c. 1, s. 267; 2006, c. 13, s. 195.

1029.8.116.8. For the purposes of subparagraph *a* of the second paragraph of section 1029.8.116.5 or subparagraph *a* of the third paragraph of section 1029.8.116.5.0.1, an eligible individual for a taxation year has a dependant for the year if that person is, during the year, a child of the eligible individual or of the eligible individual's eligible spouse for the year and

(a) the eligible individual or the eligible individual's eligible spouse for the year receives in respect of that person, for the last month of the year, an amount deemed under section 1029.8.61.18 to be an overpayment of tax payable;

(b) that person is, at the end of the year, under 18 years of age, ordinarily resides with the eligible individual and is neither the father or the mother of a child with whom the person resides, nor an emancipated minor;

(c) the eligible individual or the eligible individual's eligible spouse for the year deducts an amount in computing the tax payable for the year in respect of that person under section 752.0.1, as a consequence of the application of paragraph *d* of that section, or could have deducted such an amount but for the person's income for the year; or

(d) that person is an eligible student for the year within the meaning of section 776.41.12.

For the purposes of subparagraph *b* of the first paragraph, where custody of a person is shared under an order or judgment of a competent tribunal or, if there is no such order or judgment, under a written agreement, that person is considered to ordinarily reside with the eligible individual at the end of a taxation year only if, pursuant to the order, judgment or written agreement, as the case may be, the eligible individual or the eligible individual's eligible spouse for the year must exercise at least 40% of custody time in respect of that person for the last month of the year.

2005, c. 1, s. 267; 2007, c. 12, s. 211; 2009, c. 5, s. 479; 2009, c. 15, s. 347; 2017, c. 1, s. 317; 2019, c. 14, s. 399.

1029.8.116.8.1. For the purposes of subparagraph *a* of the second paragraph of section 1029.8.116.5 and subparagraph *a* of the third paragraph of section 1029.8.116.5.0.1, an eligible individual for a taxation year may not consider a person as being a dependant for the year if, at the end of 31 December of the year or, if the person died in the year, immediately before the person's death, that person was confined to a prison or similar institution and had been so confined during the year for one or more periods totalling more than 183 days.

2009, c. 15, s. 348; 2017, c. 1, s. 318; 2019, c. 14, s. 400.

1029.8.116.8.2. For the purposes of the definition of "eligible spouse" in section 1029.8.116.1 and sections 1029.8.116.5.2 and 1029.8.116.8.1, a person who has been allowed, in a taxation year, to be temporarily absent from a prison or a similar institution to which the person has been confined is deemed to be confined to that prison or similar institution during each day of the year during which the person has been so allowed to be temporarily absent.

2009, c. 15, s. 348.

§ 3. — *Advance payments and exceptional rules*

2005, c. 1, s. 267.

1029.8.116.9. If, on or before 15 October of a taxation year, an individual applies to the Minister, in the prescribed form containing prescribed information, the Minister may pay in advance, according to the terms and conditions provided for in the second paragraph, an amount (in this subdivision referred to as the "amount of the advance relating to the work premium") equal to the product obtained by multiplying the percentage specified in the third paragraph by the amount the individual considers to be the amount that the individual will be deemed to have paid to the Minister, under the first paragraph of section 1029.8.116.5 or 1029.8.116.5.0.1, on account of the individual's tax payable for the year, if

(a) the individual is resident in Québec at the time of the application;

(b) the individual is not a person in respect of whom another individual is entitled, for the year, to an amount deemed under section 1029.8.61.18 to be an overpayment of the other individual's tax payable, unless the individual is 18 years of age or over on the first day of the month of the application;

(c) at the time of the application, the individual is described in any of paragraphs *a* to *d* of section 1029.8.116.2;

(d) at the time of the application, the individual performs the duties of an office or employment, or carries on a business, alone or as a partner actively engaged in the business;

(e) the amount that the individual considers to be the amount that the individual will be deemed to have paid to the Minister on account of the individual's tax payable for the year, under the first paragraph of either of sections 1029.8.116.5 and 1029.8.116.5.0.1, is greater than

i. if the individual has a dependant who meets the conditions set out in section 1029.8.116.8 for the purposes of subparagraph *a* of the second paragraph of section 1029.8.116.5 or subparagraph *a* of the third paragraph of section 1029.8.116.5.0.1, $500, and

ii. in any other case, $300; and

(f) the individual has agreed that the advance payments be made by direct deposit in a bank account held at a financial institution listed in Part I of Appendix I to Rule D4 – Institution Numbers and Clearing Agency/ Representative Arrangements of the Automated Clearing Settlement System Rules Manual, as amended from time to time, of the Canadian Payments Association.

The terms and conditions of payment of the amount of the advance relating to the work premium to which the first paragraph refers are the following:

(a) if the Minister receives from the individual the application referred to in the first paragraph not later than 1 December of the preceding year, the amount of the advance relating to the work premium is payable in 12 equal advance payments made on or before the 15th day of each month of the year; and

(b) if the Minister receives from the individual the application referred to in the first paragraph after 1 December of the preceding year and not later than 15 October of the year, the amount of the advance relating to the work premium is payable in equal advance payments made on or before the 15th day of each month of the year that is subsequent to the particular month in which the application is received, if the application is received on the first day of that month, or, in any other case, that is subsequent to the month that follows the particular month;

(c) (subparagraph repealed);

(d) (subparagraph repealed).

The percentage to which the first paragraph refers is 50% if subparagraph i of subparagraph *e* of that paragraph applies, and 75% in any other case.

2005, c. 1, s. 267; 2009, c. 15, s. 349; 2011, c. 1, s. 88; 2011, c. 6, s. 201; 2011, c. 34, s. 102; 2012, c. 8, s. 234; 2017, c. 1, s. 319; 2019, c. 14, s. 401.

1029.8.116.9.0.1. If, in a taxation year, an individual receives a financial assistance benefit paid under any of Chapters I, II, V and VI of Title II of the Individual and Family Assistance Act (chapter A-13.1.1) or Chapter III of that Title II, as it read before being repealed, if, on or before 15 October of that year, the individual applies to the Minister of Employment and Social Solidarity, in the prescribed form containing prescribed information, and if that Minister notifies the Minister of Revenue, the latter Minister may pay in advance, according to the terms and conditions provided for in the second paragraph, the amount determined

in accordance with the third paragraph in respect of a relevant month of the year (in this subdivision referred to as the "increased amount of the advance relating to the work premium") in respect of the amount the individual considers to be the amount that the individual will be deemed to have paid to the Minister, under the first paragraph of section 1029.8.116.5 or 1029.8.116.5.0.1, on account of the individual's tax payable for the year, if

(a) the individual is resident in Québec at the time of the application;

(b) the individual is not a person in respect of whom another individual is entitled, for the year, to an amount deemed under section 1029.8.61.18 to be an overpayment of the other individual's tax payable, unless the individual is 18 years of age or over on the first day of the month of the application;

(c) at the time of the application, the individual is described in any of paragraphs *a* to *d* of section 1029.8.116.2;

(d) at the time of the application, the individual performs the duties of an office or employment, or carries on a business, alone or as a partner actively engaged in the business; and

(e) the individual has agreed that the advance payments be made by direct deposit in a bank account held at a financial institution listed in Part I of Appendix I to Rule D4 – Institution Numbers and Clearing Agency/ Representative Arrangements of the Automated Clearing Settlement System Rules Manual, as amended from time to time, of the Canadian Payments Association.

The increased amount of the advance relating to the work premium in respect of a relevant month that is the month of the application or one of the months for which new information concerning the work income earned by the individual and, if applicable, by the individual's spouse is transmitted by the Minister of Employment and Social Solidarity is payable on or before the 15th day of the month of the year that follows the month in which the Minister of Revenue receives the application or the new information.

The increased amount of the advance relating to the work premium in respect of a relevant month of the taxation year is determined by the formula

$$(90\% \times A) - B.$$

In the formula in the third paragraph,

(a) A is the amount that the individual would be deemed to have paid to the Minister, under the first paragraph of section 1029.8.116.5 or 1029.8.116.5.0.1, on account of the individual's tax payable for the year, if the total of the individual's work income for the year and, where applicable, that of the individual's spouse at the time of the application or at the beginning of the relevant month, as the case may be, were the aggregate of the work income they earned, for the portion of that year that ends at the end of the month that precedes the relevant month, as those work incomes were determined by the Minister of Employment and Social Solidarity for the purposes of the Individual and Family Assistance Act; and

(b) B is the aggregate of the payments that the individual received in the year, under this section and section 1029.8.116.9, before the month in which the increased amount of the advance relating to the work premium determined in respect of the relevant month is paid.

For the purposes of this section, a relevant month of a taxation year is a month the first day of which is subsequent to the period, beginning at the beginning of that year, at the end of which the aggregate of the work incomes earned by the individual and, where applicable, by the individual's spouse at that time, as those

work incomes were determined by the Minister of Employment and Social Solidarity for the purposes of the Individual and Family Assistance Act, exceeds

(a) $2,400, where the individual considers that the individual will be deemed to have paid an amount to the Minister under the first paragraph of section 1029.8.116.5 and the individual does not have a spouse at that time;

(b) $3,600, where the individual considers that the individual will be deemed to have paid an amount to the Minister under the first paragraph of section 1029.8.116.5 and the individual has a spouse at that time; or

(c) $1,200, where the individual considers that the individual will be deemed to have paid an amount to the Minister under the first paragraph of section 1029.8.116.5.0.1.

2017, c. 1, s. 320; 2019, c. 14, s. 402; 2023, c. 19, s. 115.

1029.8.116.9.0.2. The individual shall notify the Minister with dispatch of any event which may affect the amount of the advance relating to the work premium or the increased amount of the advance relating to the work premium, as the case may be.

Where, at the time of the application referred to in the first paragraph of section 1029.8.116.9 or 1029.8.116.9.0.1, an individual has a spouse, only one of them may make an application under either of those sections for the year.

2017, c. 1, s. 320.

1029.8.116.9.0.3. The Minister shall cease to pay the amount of the advance relating to the work premium to an individual from the first month in which an increased amount of the advance relating to the work premium is paid to the individual or would be paid to the individual if that amount were greater than zero.

2017, c. 1, s. 320.

1029.8.116.9.0.4. Where an individual who has made an application referred to in the first paragraph of section 1029.8.116.9.0.1 for a taxation year either makes another, for the year, under the first paragraph of section 1029.8.116.9 or notifies the Minister that the individual intends to resume receiving payments under that latter section, and where the total of the payments that the individual received in that year under section 1029.8.116.9 or 1029.8.116.9.0.1 is less than the amount of the advance relating to the work premium, determined in respect of the individual for the year, the payments of the amount of that advance may be made or resume being made, according to the terms and conditions provided for in subparagraph *b* of the second paragraph of section 1029.8.116.9, subject to their being computed by subtracting the total of the payments received from the amount of that advance.

The Minister may not pay an increased amount of the advance relating to the work premium to an individual in a particular month in which a payment of the amount of the advance relating to the work premium in respect of which the first paragraph applies is made to the individual.

2017, c. 1, s. 320.

1029.8.116.9.1. If an individual applies to the Minister of Employment and Social Solidarity for a taxation year, in prescribed form containing prescribed information, and if that Minister, after being satisfied that the conditions set out in subparagraphs *b* and *c* of the first paragraph of section 1029.8.116.5.0.2 are met in respect of any of the individual's periods of transition to work that include an eligible month, notifies the Minister of Revenue, the latter Minister may pay in advance, according to the terms and conditions provided for in the second paragraph, an amount (in this subdivision referred to as the "amount of the advance relating to the supplement") equal to the amount that the individual considers to be the amount that the individual will be deemed to have paid to the Minister, under that first paragraph, on account of the individual's tax payable for a taxation year for which the application is made, if

(a) the individual is resident in Québec at the time of the application;

(b) the individual is not a person in respect of whom another individual is entitled, for the year, to an amount deemed under section 1029.8.61.18 to be an overpayment of the other individual's tax payable, unless the individual is 18 years of age or over on the first day of the month of the application;

(c) at the time of the application, the individual is described in any of paragraphs *a* to *d* of section 1029.8.116.2;

(d) at the time of the application, the individual is performing the duties of an office or employment, or is carrying on a business, alone or as a partner actively engaged in the business; and

(e) the individual has agreed that the advance payments be made by direct deposit in a bank account held at a financial institution listed in Part I of Appendix I to Rule D4 – Institution Numbers and Clearing Agency/ Representative Arrangements of the Automated Clearing Settlement System Rules Manual, as amended from time to time, of the Canadian Payments Association.

The terms and conditions of payment of the amount of the advance relating to the supplement to which the first paragraph refers are as follows:

(a) for any eligible month that precedes the month in which the individual filed the application, the Minister shall pay to the individual, on or before the 15th day of the month that follows the month in which the application was filed, an amount equal to the product obtained by multiplying $200 by the number of those eligible months; and

(b) for each of the other eligible months, the Minister shall pay to the individual an amount of $200 on or before the 15th day of the following month.

The Minister of Employment and Social Solidarity shall notify the Minister on becoming aware that the individual's period of transition to work has ended because the individual is receiving a last resort financial assistance benefit under Title II of the Individual and Family Assistance Act (chapter A-13.1.1) or a financial assistance benefit under Chapter V of that Title II.

In addition, the individual shall notify the Minister with dispatch of any event that may affect the amount of the advance relating to the supplement.

2009, c. 15, s. 350; 2011, c. 6, s. 202; 2011, c. 34, s. 103; 2019, c. 14, s. 403.

1029.8.116.9.1.1. The Minister may require from any individual who makes an application for advance payments referred to in the first paragraph of any of sections 1029.8.116.9, 1029.8.116.9.0.1 and 1029.8.116.9.1 a document or information other than those provided for in that paragraph if the Minister considers the document or information necessary to evaluate the application.

2011, c. 6, s. 203; 2017, c. 1, s. 321.

1029.8.116.9.1.2. The Minister is not required to grant, for a particular taxation year, an application for advance payments referred to in the first paragraph of any of sections 1029.8.116.9, 1029.8.116.9.0.1 and 1029.8.116.9.1 if

(a) the individual, or the individual's spouse at the time of the application, received for a preceding taxation year a payment of the amount of the advance relating to the work premium, of an increased amount of the advance relating to the work premium or of the amount of the advance relating to the supplement and, at the time the application is processed, has not filed a fiscal return for the preceding year; and

(b) the application is processed after the filing-due date of the person referred to in paragraph *a* for the preceding year.

2011, c. 6, s. 203; 2017, c. 1, s. 322.

1029.8.116.9.1.3. The Minister may, at a particular time, cease to pay, or suspend the payment of, the amount of the advance relating to the work premium, an increased amount of the advance relating to the work premium or the amount of the advance relating to the supplement to an individual for a particular taxation year if

(a) the individual, or the individual's spouse at the time of the application for advance payments, for the particular year, that is referred to in the first paragraph of section 1029.8.116.9, 1029.8.116.9.0.1 or 1029.8.116.9.1, as the case may be, received for a preceding taxation year a payment of any of those amounts and has not, as of the particular time, filed a fiscal return for the preceding year; and

(b) the particular time is subsequent to the filing-due date of the person referred to in paragraph *a* for the preceding year.

2011, c. 6, s. 203; 2017, c. 1, s. 323.

1029.8.116.9.1.4. The Minister may suspend the payment of, reduce or cease to pay the amount of the advance relating to the work premium, an increased amount of the advance relating to the work premium or the amount of the advance relating to the supplement if documents or information brought to the Minister's attention so warrant.

2011, c. 6, s. 203; 2017, c. 1, s. 324.

1029.8.116.9.2. No individual may be deemed to have paid an amount to the Minister for a taxation year under section 1029.8.116.5 if the individual or the individual's eligible spouse for the year is deemed to have paid an amount to the Minister for the year under section 1029.8.116.5.0.1.

2009, c. 15, s. 350.

1029.8.116.10. An eligible individual shall not be deemed to have paid an amount to the Minister under any of sections 1029.8.116.5 to 1029.8.116.5.0.2, for a taxation year, if the eligible individual or the eligible individual's eligible spouse for the year is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002).

2005, c. 1, s. 267; 2007, c. 12, s. 212; 2009, c. 15, s. 351; 2010, c. 31, s. 175.

1029.8.116.11. Where an eligible individual is the eligible spouse for a taxation year of another eligible individual, the total of the amounts that each of those individuals is deemed to have paid to the Minister for the year under section 1029.8.116.5 or 1029.8.116.5.0.1 may not exceed the amount that only one of those individuals would, but for this section, be deemed to have paid to the Minister for the year under that section.

Where those individuals cannot agree as to what portion of the amount each would, but for this section, be deemed to have paid to the Minister, the Minister may determine the portion of that amount for the year.

2005, c. 1, s. 267; 2009, c. 15, s. 352.

DIVISION II.17.2

SOLIDARITY CREDIT

2011, c. 1, s. 89.

§ 1. — *Interpretation and general*

2011, c. 1, s. 89.

1029.8.116.12. In this division,

"base year" relating to a particular payment period means the taxation year that ended on 31 December of the calendar year that precedes the beginning of that period;

"cohabiting spouse" of an individual at any time means the person who at that time is the individual's spouse and is not living separate and apart from the individual;

"eligible dwelling" of an eligible individual means a dwelling situated in Québec in which the individual ordinarily lives and that is the individual's principal place of residence, except

(a) a dwelling in low-rental housing within the meaning of article 1984 of the Civil Code;

(b) a dwelling situated in a facility in which a hospital centre, a residential and long-term care centre or a rehabilitation centre governed by the Act respecting the governance of the health and social services system (chapter G-1.021) or the Act respecting health services and social services for the Inuit and Naskapi (chapter S-4.2) is operated by a public institution or a private institution under agreement governed by either Act;

(c) a dwelling situated in a facility maintained by a hospital centre or a reception centre that is a public institution for the purposes of the Act respecting health services and social services for Cree Native persons (chapter S-5) or that entered into a contract or an agreement in accordance with section 176 or 177 of that Act;

(d) a dwelling situated in an immovable or residential facility where are offered the services of an intermediate resource or a family-type resource within the meaning of the Act respecting the governance of the health and social services system or the Act respecting health services and social services for the Inuit and Naskapi, or the services of a foster family within the meaning of the Act respecting health services and social services for Cree Native persons;

(e) a dwelling for which an amount is paid in discharge of rent under the National Housing Act (R.S.C. 1985, c. N-11);

(f) a room situated in the principal residence of the lessor, if less than three rooms are rented or offered for rent and if the room has neither a separate entrance from the outside nor sanitary facilities separate from those used by the lessor; and

(g) a room situated in a hotel establishment or rooming house, that is leased or subleased for a period of less than 60 consecutive days;

"eligible individual" in respect of a particular payment period means an individual who, at the end of the base year relating to that period,

(a) is either 18 years of age or over, or an emancipated minor, the spouse of another individual, or the father or mother of a child with whom the individual resides;

(b) is resident in Québec or, if the individual is the cohabiting spouse of a person who is deemed to be resident in Québec throughout that base year, other than a person who is exempt from tax for that year under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002), was resident in Québec in any preceding taxation year;

(c) is, or whose cohabiting spouse is,

i. a Canadian citizen,

ii. a permanent resident within the meaning of subsection 1 of section 2 of the Immigration and Refugee Protection Act (S.C. 2001, c. 27),

iii. a temporary resident or a holder of a temporary resident permit, within the meaning of the Immigration and Refugee Protection Act, who was resident in Canada during the 18-month period preceding that time, or

iv. a protected person within the meaning of the Immigration and Refugee Protection Act; and

(d) is not an excluded individual;

"excluded individual" at the end of a base year means

(a) a person in respect of whom another individual has received, for the last month of the base year, an amount deemed under section 1029.8.61.18 to be an overpayment of the other individual's tax payable, except where the person attained 18 years of age in that month;

(b) a person confined to a prison or a similar institution at the end of the base year and who was so confined throughout one or more periods, totalling more than 183 days, included in that year; or

(c) a person who is exempt from tax for the base year under section 982 or 983 or any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act, or the cohabiting spouse of such a person at the end of that year;

"family income" of an individual for the base year relating to a particular payment period means, subject to the third paragraph of section 1029.8.116.15, the aggregate of the income of the individual for that base year and the income, for that year, of the individual's cohabiting spouse at the end of that year;

"health services and social services network facility" means any of the following immovables:

(a) a facility in which a hospital centre, a residential and long-term care centre or a rehabilitation centre governed by the Act respecting the governance of the health and social services system or the Act respecting health services and social services for the Inuit and Naskapi is operated by a public institution or a private institution under agreement governed by either Act;

(b) a facility maintained by a hospital centre or a reception centre that is a public or private institution for the purposes of the Act respecting health services and social services for Cree Native persons; and

(c) an immovable or residential facility where are offered the services of an intermediate resource or a family-type resource within the meaning of the Act respecting the governance of the health and social services system or the Act respecting health services and social services for the Inuit and Naskapi, or the services of a foster family within the meaning of the Act respecting health services and social services for Cree Native persons;

"northern village" means a municipality established in accordance with the Act respecting Northern villages and the Kativik Regional Government (chapter V-6.1);

"payment month" of a particular payment period means any of the months included in that period that are determined, in respect of an individual, in accordance with the second paragraph of section 1029.8.116.26;

"payment period" means the period that begins on 1 July of a particular calendar year and ends on 30 June of the following calendar year.

For the purpose of applying this division to a particular month of the taxation year 2016 that precedes 1 July, the first paragraph, as it read in its application before that date, is to be read as follows:

(a) by replacing the definition of "base year" by the following definition:

""base year" relating to a particular month means the taxation year 2015;";

(b) by replacing the portion of the definition of "eligible individual" before paragraph *a* by the following:

““eligible individual” in respect of a particular month means an individual who, at the end of the base year relating to that month,”; and

(c) by replacing “at the beginning of the particular month” in the definition of “family income” by “at the end of that year”.

However, as regards an individual’s family income for the base year relating to any of the first six months of the year 2016, the following rules apply:

(a) for the purpose of determining that family income, the individual’s income and, if applicable, that of the individual’s cohabiting spouse at the end of the base year correspond to their respective incomes for the taxation year 2014;

(b) documents certifying the incomes that are filed for the taxation year 2014 are deemed to have been filed for the base year; and

(c) the first and second paragraphs of section 1029.8.116.15 and section 1029.8.116.19 are to be read as if any reference to the base year in those paragraphs and that section were a reference to the taxation year 2014.

2011, c. 1, s. 89; 2010, c. 31, s. 175; 2011, c. 34, s. 104; 2012, c. 8, s. 235; 2015, c. 36, s. 128; 2017, c. 1, s. 325; 2019, c. 14, s. 404; 2023, c. 34, s. 1056.

1029.8.116.13. For the purposes of the definition of “cohabiting spouse” in the first paragraph of section 1029.8.116.12, the following rules must be taken into consideration:

(a) a person shall not be considered to be living separate and apart from an individual at any time unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time;

(b) where an individual would, but for this paragraph, have more than one cohabiting spouse at any time, the individual is deemed, at that time, to have only one cohabiting spouse and to be the cohabiting spouse of that person only; and

(c) where a person would, but for this paragraph, be the cohabiting spouse of more than one individual at any time, the Minister may designate which of the individuals is deemed to have that person as sole cohabiting spouse at that time and that person is deemed to be the cohabiting spouse at that time solely of the individual so designated.

2011, c. 1, s. 89; 2012, c. 8, s. 236.

1029.8.116.14. For the purposes of this division, a person who has been allowed, on a particular day, to be temporarily absent from a prison or similar institution to which the person has been confined is deemed to be confined to that prison or similar institution throughout that day.

2011, c. 1, s. 89.

1029.8.116.15. For the purposes of the definition of “family income” in the first paragraph of section 1029.8.116.12, the following rules apply:

(a) (subparagraph repealed);

(b) if an individual was not resident in Canada throughout a particular base year, the individual’s income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the individual had been resident in Québec and in Canada throughout the year; and

(c) if an individual who was not resident in Québec on 31 December of a particular base year was resident in Canada throughout that year, the individual’s income for the year is deemed to be equal to the

individual's income for that year for the purposes of Part I of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(d) (subparagraph repealed).

If, in respect of a child, an individual receives for a month included in a particular payment period, or for a particular month preceding 1 July 2016, an amount deemed under section 1029.8.61.18 to be an overpayment of the individual's tax payable and the individual was not resident in Québec on 31 December of the base year relating to that payment period or to the particular month, as the case may be, for the purpose of determining for that base year the family income of the individual, the individual's income for the base year is, despite the first paragraph, the individual's income for that year for the purposes of Division II.11.2.

However, an individual's family income for the base year relating to a particular payment period, or to a particular month preceding 1 July 2016, is deemed to be equal to zero if, for the last month of that base year, the individual or the individual's cohabiting spouse at the end of that year is a recipient under a financial assistance program provided for in any of Chapters I, II, V and VI of Title II of the Individual and Family Assistance Act (chapter A-13.1.1) or Chapter III of Title II of that Act, as it read before being repealed.

2011, c. 1, s. 89; 2012, c. 8, s. 237; 2015, c. 36, s. 129; 2019, c. 14, s. 405; 2023, c. 19, s. 116.

§ 2. — *Credit*

2011, c. 1, s. 89.

1029.8.116.16. The amount that, subject to section 1029.8.116.17.1, is determined by the following formula is deemed, for a particular payment period, to be an overpayment of tax payable under this Part by an eligible individual in respect of that period, if the eligible individual makes an application to that effect in accordance with section 1029.8.116.18 and if the individual and, if applicable, the individual's cohabiting spouse at the end of the base year relating to that period file the document specified in section 1029.8.116.19 for that base year:

$$A + B + C - D.$$

In the formula in the first paragraph,

(a) A is the aggregate of

i. $329,

ii. $329 if, at the end of the base year relating to the particular payment period, the eligible individual has a cohabiting spouse resident in Québec who ordinarily lives with the individual and, subject to the fourth paragraph, is not confined to a prison or a similar institution, and

iii. $156 if, throughout that base year, the eligible individual ordinarily lives in a self-contained domestic establishment in which no other person 18 years of age or over ordinarily lives;

(b) B is an amount equal to zero, unless, at the end of the base year relating to the particular payment period, the eligible individual, or the individual's cohabiting spouse with whom the individual ordinarily lives, owns, leases or subleases the individual's eligible dwelling and the information described in section 1029.8.116.19.1 has been provided, in which case B is the aggregate of

i. $677 if, at the end of that base year, the eligible individual owns, leases or subleases the eligible dwelling and, at that time, neither the individual's cohabiting spouse, nor another eligible individual who owns, leases or subleases the dwelling with the individual, ordinarily lives in the dwelling,

ii. if, at the end of that base year, the eligible individual is not referred to in subparagraph i,

(1) $821 where, at the end of that base year, the eligible individual lives in the eligible dwelling with the individual's cohabiting spouse and, at that time, no other eligible individual who owns, leases or subleases the dwelling ordinarily lives in the dwelling, or

(2) in any other case, the particular amount that is the quotient obtained by dividing $821 by the number of persons who, at the end of that base year, own, lease or sublease the eligible dwelling and ordinarily live in the dwelling, or twice the particular amount where, at that time, the eligible individual and the individual's cohabiting spouse are such persons,

iii. the product obtained by multiplying $144 by the number of persons each of whom is a child, other than a child referred to in section 1029.8.61.18.2, in respect of whom the eligible individual, or the person who at the end of that base year is the individual's cohabiting spouse with whom the individual ordinarily lives, has received, for the last month of that year, an amount deemed under section 1029.8.61.18 to be an overpayment of tax payable, and

iv. 50% of the product obtained by multiplying $144 by the number of persons each of whom is a child referred to in section 1029.8.61.18.2 in respect of whom the eligible individual, or the person who at the end of that base year is the individual's cohabiting spouse with whom the individual ordinarily lives, has received, for the last month of that year, an amount deemed under section 1029.8.61.18 to be an overpayment of tax payable;

(c) C is an amount equal to zero, unless, at the end of the base year relating to the particular payment period, the eligible individual ordinarily lives in the territory of a northern village in which the individual's principal place of residence is situated, in which case C is the aggregate of

i. $1,935,

ii. $1,935 if, at the end of that base year, the eligible individual has a cohabiting spouse:

(1) who ordinarily lives in that territory with the eligible individual,

(2) whose principal place of residence is situated in that territory, and

(3) who, subject to the fourth paragraph, is not confined to a prison or a similar institution,

iii. the product obtained by multiplying $418 by the number of persons each of whom is a child in respect of whom the following conditions are met at the end of that base year:

(1) the child is not referred to in section 1029.8.61.18.2,

(2) the child ordinarily lives in that territory in which the child's principal place of residence is situated, and

(3) the eligible individual or the individual's cohabiting spouse has received in relation to that child, for the last month of that year, an amount deemed under section 1029.8.61.18 to be an overpayment of tax payable, and

iv. 50% of the product obtained by multiplying $418 by the number of persons each of whom is a child in respect of whom the following conditions are met at the end of that base year:

(1) the child is referred to in section 1029.8.61.18.2,

(2) the child ordinarily lives in that territory in which the child's principal place of residence is situated, and

(3) the eligible individual or the individual's cohabiting spouse has received in relation to that child, for the last month of that year, an amount deemed under section 1029.8.61.18 to be an overpayment of tax payable; and

(d) D is the amount determined by the formula

$$E \times (F - G).$$

In the formula in subparagraph *d* of the second paragraph,

(a) E is

i. 3%, if B and C in the formula in the first paragraph have a value equal to zero in respect of the eligible individual for the particular payment period, or

ii. 6%, in any other case;

(b) F is the eligible individual's family income for the base year relating to the particular payment period; and

(c) G is an amount of $39,160.

For the purposes of this section, a person is deemed not to be confined to a prison or similar institution at the end of a base year if

(a) the total number of days in the year during which the person was confined to the prison or similar institution is less than or equal to 183; and

(b) at that time, the person could reasonably be expected not to be confined to the prison or similar institution throughout the following taxation year.

Where a child is born or adopted in the last month of the base year relating to a particular payment period, or to a particular month preceding 1 July 2016, the eligible individual in respect of that period or that month, or the individual's cohabiting spouse at the end of that base year, as the case may be, is deemed, for the purposes of subparagraphs *b* and *c* of the second paragraph, to have received, in relation to the child, for the last month of that base year, an amount deemed under section 1029.8.61.18 to be an overpayment of tax payable, if it is reasonable to consider that that person will receive such an amount in relation to the child for the first month following that year.

2011, c. 1, s. 89; 2011, c. 34, s. 105; 2015, c. 21, s. 487; 2015, c. 36, s. 130; 2017, c. 1, s. 326; 2019, c. 14, s. 406; 2024, c. 11, s. 127.

1029.8.116.17. If section 1029.8.116.16, as it read in its application before 1 January 2012, applies in respect of a particular month included in the taxation year 2011, it is to be read

(a) as if "1/12" in the formula in the first paragraph were replaced by "1/6";

(b) as if "$265" and "$128" wherever they appear in subparagraph *a* of the second paragraph were replaced by "$220" and "$125", respectively;

(c) as if "$515", "$625" and "$110" wherever they appear in subparagraph *b* of the second paragraph were replaced by "$75", "$100" and "$25", respectively; and

(d) as if "$790" and "$339" wherever they appear in subparagraph *c* of the second paragraph were replaced by "$775" and "$332", respectively.

For the purpose of applying this division to a particular month of the taxation year 2016 that precedes 1 July, section 1029.8.116.16, as it read in its application before that date, is to be read as if

(a) "described in the fifth paragraph" and "the individual's cohabiting spouse at the beginning of the particular month" in the portion of the first paragraph before the formula were replaced by "described in the seventh paragraph" and "the individual's cohabiting spouse at the end of the base year relating to the particular month", respectively;

(b) "at the beginning of the particular month" were replaced by "at the end of the base year relating to the particular month" in the following provisions of the second paragraph:

i. subparagraph ii of subparagraph *a*,

ii. the portion of subparagraph *b* before subparagraph i,

iii. subparagraphs i to iii of subparagraph *b*,

iv. the portion of subparagraph *c* before subparagraph i, and

v. the portion of each of subparagraphs ii, iii and iv of subparagraph *c* before subparagraph 1;

(c) "at the beginning of the particular month" and "no other eligible individual" in subparagraph iii of subparagraph *a* of the second paragraph were replaced by "throughout the base year relating to the particular month" and "no other person 18 years of age or over", respectively;

(d) "and the information described in section 1029.8.116.19.1 has been provided" were inserted after "the individual's eligible dwelling" in the portion of subparagraph *b* of the second paragraph before subparagraph i;

(e) "but owns, leases or subleases the eligible dwelling" in subparagraph iii of subparagraph *b* of the second paragraph were replaced by "but the individual or the individual's cohabiting spouse owns, leases or subleases the eligible dwelling";

(f) "at that time" and "receives, for the particular month" in each of subparagraphs iv and v of subparagraph *b* of the second paragraph were replaced by "at the end of the base year relating to the particular month" and "has received, for the last month of that year", respectively;

(g) "receives in relation to that child, for the particular month" in subparagraph 3 of each of subparagraphs iii and iv of subparagraph *c* of the second paragraph were replaced by "has received in relation to that child, for the last month of that year"; and

(h) subparagraph *a* of the fourth paragraph were replaced by the following subparagraph:

"(*a*) 2, if, at the end of the base year relating to the particular month, the eligible individual and the individual's cohabiting spouse with whom the individual ordinarily lives in the eligible dwelling are such owners, lessees or sublessees; and".

2011, c. 1, s. 89; 2015, c. 21, s. 488; 2015, c. 36, s. 131.

1029.8.116.17.1. The amount determined under section 1029.8.116.16 for a particular payment period in respect of an eligible individual may not be less than the amount that would be determined in respect of the

eligible individual for that period if, in the formula in the first paragraph of that section, the amounts for B and C were each equal to zero.

2011, c. 34, s. 106; 2015, c. 36, s. 132.

1029.8.116.18. The application referred to in the first paragraph of section 1029.8.116.16 must be filed with the Minister no later than 31 December of the fourth year following the base year relating to the payment period in respect of which the application is made, by means of

(a) if the eligible individual is resident in Québec on 31 December of the base year, the prescribed form containing prescribed information which the individual encloses with the fiscal return the individual is required to file under section 1000 for that year, or would be required to file if the individual had tax payable for that year under this Part; or

(b) in any other case, the prescribed form containing prescribed information.

If, at the end of the base year relating to a particular payment period, or to a particular month preceding 1 July 2016, an eligible individual ordinarily lives with another eligible individual who is the individual's cohabiting spouse, the application of only one of them may be considered to be valid in respect of that period or that month, as the case may be.

The Minister may, at any time, extend the time for filing the application to which the first paragraph refers.

An application is considered validly made in accordance with this section only if the eligible individual and, if applicable, the individual's cohabiting spouse at the end of the base year concerned have filed the document required by the first paragraph of section 1029.8.116.16 with the Minister.

For the purposes of this section, an application is deemed to be filed with the Minister, at a particular time, by an eligible individual for a payment period where the individual and, if applicable, the individual's cohabiting spouse at the end of the base year relating to that period filed, at the particular time, a fiscal return under section 1000 for that year and where, in that respect, the amount deemed to be an overpayment of the eligible individual's tax payable in respect of that period is determined by the formula in the first paragraph of section 1029.8.116.16 as if the value of A did not include the amount specified in subparagraph iii of subparagraph *a* of the second paragraph of that section and the value of B and C were equal to zero.

2011, c. 1, s. 89; 2015, c. 36, s. 132; 2017, c. 1, s. 327; 2019, c. 14, s. 407.

1029.8.116.18.1. For the purposes of section 1029.8.116.16, an eligible individual is deemed to have validly made an application in accordance with section 1029.8.116.18 for a payment period if

(a) for the last month of the base year relating to that period, the eligible individual is a recipient under a financial assistance program provided for in any of Chapters I, II, V and VI of Title II of the Individual and Family Assistance Act (chapter A-13.1.1); and

(b) on 1 September of the year in which that period begins, the eligible individual had not filed a fiscal return under section 1000 for the base year in relation to that period.

The application referred to in the first paragraph is deemed to have been filed with the Minister on 1 September of the year in which the payment period begins.

2021, c. 14, s. 159; 2023, c. 19, s. 117.

1029.8.116.18.2. In respect of an application that an eligible individual is deemed to have validly made under section 1029.8.116.18.1 for a payment period, the following rules apply:

(a) section 1029.8.116.16 is to be read without reference to "and if the individual and, if applicable, the individual's cohabiting spouse at the end of the base year relating to that period file the document specified in section 1029.8.116.19 for that base year" in the portion before the formula in the first paragraph; and

(b) the amount that is deemed, for the payment period, to be an overpayment of the tax payable by the eligible individual is determined by the formula in the first paragraph of section 1029.8.116.16 as if

i. the amount represented by A were equal to the amount specified in subparagraph i of subparagraph *a* of the second paragraph of section 1029.8.116.16, unless the Minister holds, in respect of the eligible individual, the information necessary to determine the individual's eligibility for the amount specified in subparagraph ii or iii of that subparagraph *a*, as the case may be, and

ii. the amounts represented by B and C were each equal to zero.

2021, c. 14, s. 159.

1029.8.116.19. The document to which the first paragraph of section 1029.8.116.16 refers is

(a) if the individual is resident in Québec on 31 December of the base year, the fiscal return the individual is required to file under section 1000 for the year, or would be required to file if the individual had tax payable for the year under this Part;

(b) if the individual is not resident in Québec on 31 December of the base year but is resident in Canada throughout that year, the return of income the individual is required to file under Part I of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for that year or a statement of income for that year that the individual files by means of the prescribed form containing prescribed information; and

(c) in any other case, a statement of income for the base year that the individual files by means of the prescribed form containing prescribed information.

If, in respect of a child, an individual receives for a month included in a particular payment period, or for a particular month preceding 1 July 2016, an amount deemed under section 1029.8.61.18 to be an overpayment of the individual's tax payable and, for the base year relating to that payment period or to the particular month, as the case may be, the document that the individual is required to file is any of the documents specified in subparagraphs *b* and *c* of the first paragraph, the document is deemed to be filed by the individual if the corresponding document referred to in paragraph *b* or *c* of section 1029.8.61.23 has been sent to Retraite Québec.

2011, c. 1, s. 89; 2015, c. 36, s. 133; 2015, c. 20, s. 61.

1029.8.116.19.1. The information referred to in the portion of subparagraph *b* of the second paragraph of section 1029.8.116.16 before subparagraph i is

(a) where, at the end of the base year, the eligible individual or the individual's cohabiting spouse owns the individual's eligible dwelling, the roll number or the identification number shown on the account of property taxes relating to the dwelling for that base year or, in the absence of such an account of property taxes, the dwelling's identification number shown on the information return that the body having jurisdiction over the territory where the dwelling is situated is required to send to the eligible individual or the individual's cohabiting spouse under the regulations made under section 1086, and, if applicable, the number of persons who own it; or

(b) where, at the end of the base year, the eligible individual or the individual's cohabiting spouse leases or subleases the individual's eligible dwelling, the number identifying the dwelling as shown on the information return the owner of the immovable in which the dwelling is situated is required, under the

regulations made in accordance with section 1086, to send the individual or the spouse and, if applicable, the number of persons who lease or sublease it.

2015, c. 36, s. 134; 2017, c. 1, s. 328.

1029.8.116.20. If, at the end of the base year relating to a particular payment period or to a particular month preceding 1 July 2016, an eligible individual is not the owner, lessee or sublessee of the individual's eligible dwelling and the particular person who is the owner, lessee or sublessee of the dwelling is, at that time, either confined to a prison or a similar institution, or living in a dwelling that is the individual's principal place of residence and that is in a health services and social services network facility, and was, immediately before the beginning of being confined in the prison or similar institution or living in the dwelling, as the case may be, the cohabiting spouse of the individual with whom the particular person ordinarily lived, the eligible individual rather than the particular person is, for the purposes of subparagraph *b* of the second paragraph of section 1029.8.116.16, deemed, at the end of the base year, to be the owner, lessee or sublessee, as applicable, of the dwelling.

However, the first paragraph does not apply if, at the end of the base year, the particular person is not the cohabiting spouse of the individual.

2011, c. 1, s. 89; 2011, c. 34, s. 107; 2015, c. 36, s. 135.

1029.8.116.21. If, at the end of the base year relating to a particular payment period or to a particular month preceding 1 July 2016, an eligible individual is not the owner, lessee or sublessee of the individual's eligible dwelling and one or more particular persons who are the owners of the dwelling at that time are children in respect of whom the individual received, for the last month of the base year, an amount deemed under section 1029.8.61.18 to be an overpayment of the individual's tax payable and who have not reached 18 years of age in that month, the eligible individual rather than each of the particular persons is, for the purposes of subparagraph *b* of the second paragraph of section 1029.8.116.16, deemed, at the end of the base year, to be the owner of the dwelling.

2011, c. 1, s. 89; 2015, c. 36, s. 135.

1029.8.116.22. *(Repealed).*

2011, c. 1, s. 89; 2015, c. 36, s. 136.

1029.8.116.23. *(Repealed).*

2011, c. 1, s. 89; 2015, c. 36, s. 136.

1029.8.116.24. *(Repealed).*

2011, c. 1, s. 89; 2015, c. 36, s. 136.

1029.8.116.25. The Minister shall determine the amount that an eligible individual is entitled to receive for a particular payment period in respect of the amount deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable and shall send the individual a notice of determination in that respect.

The amount determined under the first paragraph is revised, if applicable, for the payment period or the first six months of the year 2016, to subtract from that amount any amount deemed, because of the application of section 1029.8.116.26.3, not to be an overpayment of the eligible individual's tax payable and a new notice giving an account of that revision is sent by the Minister to the individual.

2011, c. 1, s. 89; 2015, c. 36, s. 137.

§ 3. — *Payment*

2011, c. 1, s. 89.

1029.8.116.26. The Minister shall pay to an eligible individual who is entitled to receive, for a particular payment period, the amount deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable, at the beginning of any of the payment months specified in the second paragraph, all or a fraction, as the case may be, of the amount determined in respect of the individual for that period under the first paragraph of section 1029.8.116.25.

The payment of the amount so determined is made as follows:

(a) if the amount is equal to or greater than $800, one-twelfth of the amount is paid within the first five days of each of the months of the particular payment period;

(b) if the amount is greater than $240 but less than $800, one-quarter of the amount is paid within the first five days of each of the months of July, October, January and April of that period; or

(c) in any other case, all of the amount is paid within the first five days of the month of July of that period.

Despite the first paragraph, the Minister is not required to pay to an individual an amount referred to in that paragraph if the individual has not filed a document in which the individual consents to have the payment be made by direct deposit in a bank account held by the individual at a financial institution listed in Part I of Appendix I to Rule D4 – Institution Numbers and Clearing Agency/Representative Arrangements of the Automated Clearing Settlement System Rules Manual, as amended from time to time, of the Canadian Payments Association.

2011, c. 1, s. 89; 2015, c. 36, s. 138; 2017, c. 1, s. 329; 2021, c. 14, s. 160.

1029.8.116.26.1. An eligible individual is not entitled to receive, for a particular payment period or for a particular month preceding 1 July 2016, an amount, in respect of an amount deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable from the payment month or the particular month that follows the month of the individual's death or the month in which the individual ceases to be resident in Québec.

Similarly, an eligible individual is not entitled to receive, for a particular payment period or for a particular month preceding 1 July 2016, an amount, in respect of an amount deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable, if the individual is confined to a prison or similar institution immediately before the beginning of the month in which the payment of the amount would otherwise be made.

2015, c. 36, s. 139.

1029.8.116.26.2. The Minister may pay to a person who is the cohabiting spouse of an eligible individual at the end of the base year relating to a particular payment period or relating to a particular month preceding 1 July 2016 an amount that the individual would have been entitled to receive, had it not been for the application of section 1029.8.116.26.1, in respect of an amount that, under section 1029.8.116.16, is deemed for that period or month to be an overpayment of the individual's tax payable, if the person applies to the Minister to that effect on or before 31 December of the fourth year following that base year and is an eligible individual in respect of that period or month, and if none of the circumstances provided for in section 1029.8.116.26.1 applies to the person.

Despite the first paragraph, the person who is the cohabiting spouse of an eligible individual is not required to make the application referred to in that paragraph, where section 1029.8.116.26.1 applies in respect of the eligible individual because of the eligible individual's death.

The first paragraph does not apply to an amount that the eligible individual is not entitled to receive because the individual ceased to be resident in Québec.

The third paragraph of sections 1029.8.116.18 and 1029.8.116.26 apply to the first paragraph, with the necessary modifications.

2015, c. 36, s. 139; 2017, c. 1, s. 330; 2021, c. 14, s. 161.

1029.8.116.26.3. Every amount that an eligible individual is no longer entitled to receive for a particular payment period or for a paticular month preceding 1 July 2016 because of the application of section 1029.8.116.26.1, is deemed, despite section 1029.8.116.16, not to be an overpayment of the eligible individual's tax payable.

However, the first paragraph does not apply in respect of an amount that is paid in accordance with section 1029.8.116.26.2.

2015, c. 36, s. 139.

1029.8.116.27. In exceptional circumstances and if convinced that it is in the family's interest, the Minister may pay to a person who is the cohabiting spouse of an eligible individual at the end of the base year relating to a particular payment period or to a particular month preceding 1 July 2016 an amount that the individual is entitled to receive in respect of an amount deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable, if that person is also an eligible individual in respect of that period or particular month, as the case may be.

2011, c. 1, s. 89; 2015, c. 36, s. 140.

1029.8.116.28. The Minister may require that an individual who, for a particular payment period, applies for, or receives all or part of, the amount deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable provide the Minister with documents or information so that the Minister may ascertain whether the individual is entitled to receive that amount.

The Minister may suspend the payment of any amount in respect of the amount referred to in the first paragraph until the Minister has been provided with the required documents or information if the individual fails to provide the required documents or information before the expiry of 45 days after the date of the request.

Similarly, the Minister may suspend such payments for the duration of an inquiry on the individual's eligibility. The Minister shall conduct the inquiry diligently.

2011, c. 1, s. 89; 2015, c. 36, s. 140; 2017, c. 1, s. 331.

1029.8.116.29. Where the amount that is determined in respect of an eligible individual for a particular payment period in respect of the amount deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable is less than $2, the Minister is not bound to pay that amount or, where the eligible individual's application for the particular payment period is referred to in the fifth paragraph of section 1029.8.116.18, send a notice of determination in that respect, unless the eligible individual applies to the Minister to have the notice sent.

2011, c. 1, s. 89; 2015, c. 36, s. 140; 2019, c. 14, s. 408.

1029.8.116.29.1. If the Minister has not paid an amount deemed under section 1029.8.116.16 to be an overpayment of the tax payable by an individual because the individual or, if section 1029.8.116.26.2 applies, the person who is the individual's cohabiting spouse has not consented to have payments be made by direct deposit or has withdrawn such consent and, at a particular time, the individual or the person, as the case may be, files the document to which the third paragraph of section 1029.8.116.26 refers, the Minister shall pay the amount to the individual or the person, as the case may be, within 45 days after that time.

However, such an amount is deemed, despite section 1029.8.116.16, not to be an overpayment of the tax payable by the individual if the individual or, if section 1029.8.116.26.2 applies, the person who is the individual's cohabiting spouse has not consented or again consented to have payments be made by direct deposit on or before 31 December of the fourth year following the base year relating to the particular payment period to which the amount relates.

The Minister may, at any time, extend the time provided for in the second paragraph for consenting to have payments be made by direct deposit.

2017, c. 1, s. 332.

§ 4. — *Administrative provisions*

2011, c. 1, s. 89.

1029.8.116.30. If an amount is refunded to an individual, or allocated to one of the individual's liabilities, in respect of an amount that, for a particular payment period, is deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable, interest is to be paid to the individual on the amount for the period ending on the day the overpayment is refunded or allocated and beginning on the day that is the latest of

(a) the sixth day of the payment month to which that amount relates;

(b) the 46th day following the day on which the application referred to in the first paragraph of section 1029.8.116.16 has been filed with the Minister for the payment period;

(b.1) in the case provided for in the first paragraph of section 1029.8.116.29.1, the 46th day following the day the individual consented or again consented to have payments be made by direct deposit;

(c) (subparagraph repealed);

(d) in the case of an additional amount determined for the payment period following a written application to amend a fiscal return filed under this Part for the base year relating to that period, the 46th day following the day on which the Minister received the application; and

(e) in the case of an additional amount determined for the payment period following the amendment of a return of income filed under Part I of the Income Tax Act (R.S.C. 1985, c. 1, (5th Suppl.)) for the base year relating to that period or of an income statement filed by means of the prescribed form for that base year, the 46th day following the day on which the amendment has been brought to the attention of the Minister.

Similarly, if an amount is, in accordance with section 1029.8.116.26.2, refunded to a person who is the cohabiting spouse of an eligible individual at the end of the base year relating to a particular payment period or to a particular month preceding 1 July 2016, or allocated to one of the individual's liabilities, in respect of an amount that, for that payment period or for the particular month, as the case may be, is deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable for the taxation year to which it relates, interest is to be paid to the person on the amount for the period ending on the day the overpayment is refunded or allocated and beginning on the day that is the later of

(a) the sixth day of the payment month, determined in respect of the individual, or of the particular month, to which the amount relates;

(b) if the amount is an amount that the individual is no longer entitled to receive because of the application of the second paragraph of section 1029.8.116.26.1, the 46th day following the day on which the Minister received, in accordance with the first paragraph of section 1029.8.116.26.2, the person's application for the payment of the amount;

(b.1) if the amount is an amount that the individual is no longer entitled to receive because of the application of the first paragraph of section 1029.8.116.26.1 as a consequence of the individual's death, the 46th day following the day on which the Minister was informed of the death or, if it is earlier, the 46th day following the day on which the Minister received the person's application under the first paragraph of section 1029.8.116.26.2 for the payment of the amount, even though the person is not required to make such an application;

(c) in the case provided for in the first paragraph of section 1029.8.116.29.1, the 46th day following the day the person consented or again consented to have payments be made by direct deposit; and

(d) in the case of an additional amount that would be referred to in subparagraph *d* or *e* of the first paragraph but for section 1029.8.116.26.1, the 46th day following the day to which that subparagraph refers in relation to that additional amount.

However, the Minister is not bound to pay the total of the amounts of interest determined, for a particular payment period, under the first paragraph in respect of an individual or under the second paragraph in respect of a person, if the amount is less than $1.

The rule of the third paragraph applies to the total of the amounts of interest determined in respect of a person under the second paragraph for the first six months of the year 2016 and, for that purpose, the aggregate of those months is deemed to be a payment period.

2011, c. 1, s. 89; 2015, c. 36, s. 141; 2017, c. 1, s. 333; 2021, c. 14, s. 162.

1029.8.116.30.1. Despite the first paragraph of section 1029.8.116.30, no interest is payable to an individual on an amount refunded to the individual or allocated to one of the individual's liabilities, where the amount results from an application referred to in section 1029.8.116.18.1 and relates to the payment period beginning on 1 July 2019.

2021, c. 14, s. 163.

1029.8.116.31. The amount by which the amount that is paid to an individual in respect of the amount that, for a particular payment period, is deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable, exceeds the amount that should have been paid to the individual for that period, is deemed to be tax payable by the individual under this Part from the date of determination of that excess amount and bears interest from that date to the day of payment at the rate set under section 28 of the Tax Administration Act (chapter A-6.002).

2011, c. 1, s. 89; 2010, c. 31, s. 175; 2015, c. 36, s. 142.

1029.8.116.32. If, for a particular payment period or for a particular month preceding 1 July 2016, the Minister has refunded to an individual, or allocated to one of the individual's liabilities, an amount exceeding that to which the individual was entitled in respect of the amount that, for that period or for that month, as the case may be, is deemed under section 1029.8.116.16 to be an overpayment of the individual's tax payable, the individual and the person who at the end of the base year relating to that period or to that particular month, as the case may be, is the individual's cohabiting spouse with whom the individual ordinarily lives are solidarily liable for the payment of the excess amount.

However, nothing in this section limits the liability of the individual or of that person under any other provision of this Act.

2011, c. 1, s. 89; 2015, c. 36, s. 143.

1029.8.116.33. The Minister may at any time assess the cohabiting spouse of an individual in respect of an amount payable under section 1029.8.116.32, and this Book applies, with the necessary modifications, to that assessment as if it had been made under Title II.

2011, c. 1, s. 89.

1029.8.116.34. If a person is a debtor under a fiscal law or about to become so, or is in debt to the State under an Act, other than a fiscal law, referred to in a regulation made under the second paragraph of section 31 of the Tax Administration Act (chapter A-6.002), and the person is described in the second paragraph for a payment month (in this section referred to as the "particular month"), the Minister may not, despite that section 31, allocate to the payment of the debt of that person more than 50% of the amount to be paid to the person for the particular month in respect of the amount deemed under section 1029.8.116.16 to be an overpayment of the person's tax payable.

The person referred to in the first paragraph is

(a) a recipient under a financial assistance program provided for in any of Chapters I, II, V and VI of Title II of the Individual and Family Assistance Act (chapter A-13.1.1) or in Chapter III of Title II of that Act, as it read before being repealed, if the person's status as a recipient under such a program has been brought to the attention of the Minister at least 21 days before the date provided for the payment of the amount for the particular month; or

(b) a person whose family income for the base year relating to the payment period that includes the particular month is equal to or less than $23,750, according to the last notice of determination sent to the person.

2011, c. 1, s. 89; 2010, c. 31, s. 175; 2015, c. 21, s. 489; 2015, c. 36, s. 144; 2019, c. 14, s. 409; 2023, c. 19, s. 118; 2024, c. 11, s. 128.

1029.8.116.35. Any contestation in respect of the accuracy of information that is communicated to the Minister by Retraite Québec in relation to an individual who receives an amount deemed under section 1029.8.61.18 to be an overpayment of the individual's tax payable, to the person in respect of whom an individual receives the deemed amount or to the custody, shared or not, of that person, and that is used by the Minister for the purposes of this division, must be brought in accordance with sections 1029.8.61.39 to 1029.8.61.41.

Any contestation in respect of the accuracy of information that is communicated to the Minister by the Minister of Employment and Social Solidarity in relation to an individual's eligibility to a financial assistance program provided for in any of Chapters I, II, V and VI of Title II of the Individual and Family Assistance Act (chapter A-13.1.1) or Chapter III of Title II of that Act, as it read before being repealed, and that is used by the Minister for the purposes of this division, must be brought in accordance with Chapter III of Title III of that Act.

2011, c. 1, s. 89; 2012, c. 8, s. 238; 2015, c. 36, s. 145; 2015, c. 20, s. 61; 2019, c. 14, s. 410; 2023, c. 19, s. 119.

DIVISION II.17.3

CREDIT ESTABLISHING A FISCAL SHIELD

2015, c. 36, s. 146.

§ 1. — *Interpretation and general rules*

2015, c. 36, s. 146.

1029.8.116.36. In this division,

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"eligible work income" of an individual for a taxation year means the aggregate of

(a) subject to section 1029.8.116.37, the individual's income for the year from an office or employment computed under Chapters I and II of Title II of Book III;

(b) the amount by which the individual's income for the year from any business the individual carries on either alone or as a partner actively engaged in the business exceeds the aggregate of the individual's losses for the year from such businesses; and

(c) an amount included in computing the individual's income for the year under paragraph *e*.2 or *e*.6 of section 311 or paragraph *h* of section 312;

"family income" of an individual for a taxation year has the meaning assigned by section 1029.8.67;

"total income" of an individual for a taxation year has the meaning assigned by section 1029.8.116.1.

2015, c. 36, s. 146.

1029.8.116.37. For the purpose of computing an individual's eligible work income for a taxation year, no account is to be taken of an amount included in computing the individual's income for the year from a previous office or employment, if each of the amounts that make up the income is the value of a benefit received or enjoyed by the individual in the year because of that previous office or employment.

2015, c. 36, s. 146.

§ 2. — *Credit*

2015, c. 36, s. 146.

1029.8.116.38. An individual who is resident in Québec at the end of 31 December of a taxation year (in this section and section 1029.8.116.39 referred to as the "particular year") is deemed to have paid to the Minister on the individual's balance-due day for the particular year, on account of the individual's tax payable for the particular year, provided that the individual and, if applicable, the individual's eligible spouse for the particular year file a fiscal return under section 1000 for the particular year, the amount determined by the formula

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

For the purposes of the first paragraph, an individual who was resident in Québec immediately before death is deemed to be resident in Québec at the end of 31 December of the year of the individual's death.

In the formula in the first paragraph,

(a) A is the aggregate of the amount that the individual would be deemed to have paid to the Minister for the particular year under section 1029.8.116.5 or 1029.8.116.5.0.1 and, if applicable, the amount that the individual's eligible spouse for the particular year would be deemed to have paid to the Minister for the particular year under either of those sections if the individual's total income for the particular year or, as the case may be, that of the individual's eligible spouse for the particular year were the individual's modified total income for the particular year;

(b) B is the aggregate of the amount that the individual is deemed to have paid to the Minister for the particular year under section 1029.8.116.5 or 1029.8.116.5.0.1 and, if applicable, the amount that the

individual's eligible spouse for the particular year is deemed to have paid to the Minister for the particular year under either of those sections;

(c) C is the aggregate of the amount that the individual would be deemed to have paid to the Minister for the particular year under section 1029.8.79 and, if applicable, the amount that the individual's eligible spouse for the particular year would be deemed to have paid to the Minister for the particular year under that section if the individual's family income for the particular year or, as the case may be, that of the individual's eligible spouse for the particular year were the individual's modified family income for the particular year; and

(d) D is the aggregate of the amount that the individual is deemed to have paid to the Minister for the particular year under section 1029.8.79 and, if applicable, the amount that the individual's eligible spouse for the particular year is deemed to have paid to the Minister for the particular year under that section.

For the purposes of subparagraph *a* of the third paragraph and section 1029.8.116.39, "modified total income" of an individual for a particular year means an amount equal to the amount by which the individual's total income for the particular year exceeds 75% of the lesser of

(a) the amount equal to the amount by which the individual's total income for the particular year exceeds the aggregate of the individual's income for the taxation year that precedes the particular year (in this section and section 1029.8.116.39 referred to as the "preceding year") and, if applicable, the income for the preceding year of the individual's eligible spouse for the particular year; and

(b) the amount equal to the total of

i. the lesser of $4,000 and the amount by which the individual's eligible work income for the particular year exceeds the individual's eligible work income for the preceding year, and

ii. the lesser of $4,000 and the amount by which the eligible work income for the particular year of the individual's eligible spouse for the particular year exceeds the eligible work income for the preceding year of the individual's eligible spouse for the particular year.

For the purposes of subparagraph *c* of the third paragraph, "modified family income" of an individual for a particular year means an amount equal to the amount by which the individual's family income for the particular year exceeds 75% of the lesser of

(a) the amount equal to the amount by which the individual's family income for the particular year exceeds the aggregate of the individual's income for the preceding year and, if applicable, the income for the preceding year of the individual's eligible spouse for the particular year; and

(b) the amount determined in accordance with subparagraph *b* of the fourth paragraph.

2015, c. 36, s. 146; 2017, c. 1, s. 334; 2019, c. 14, s. 411.

1029.8.116.39. For the purpose of determining an individual's modified total income for a particular year, the following rules apply:

(a) the individual's eligible work income for the particular year or, if applicable, that of the individual's eligible spouse for the particular year is deemed to be equal to zero if, at the end of 31 December of the particular year or, if the individual died in the particular year, immediately before the individual's death, the individual or the eligible spouse, as the case may be,

i. is not resident in Québec, or

ii. is confined to a prison or similar institution and has been so confined during the particular year for one or more periods totalling more than 183 days; and

(b) the individual's income for the preceding year or, if applicable, that of the individual's eligible spouse for the particular year is deemed to be equal to zero if, at the end of 31 December of the preceding year, the individual or the eligible spouse, as the case may be,

i. is not resident in Québec, or

ii. is confined to a prison or similar institution and has been so confined during the preceding year for one or more periods totalling more than 183 days.

For the purposes of the first paragraph, a person who has been allowed, in a taxation year, to be temporarily absent from a prison or similar institution to which the person has been confined is deemed to be confined to that prison or similar institution during each day of the year during which the person has been so allowed to be temporarily absent.

2015, c. 36, s. 146; 2017, c. 1, s. 335.

1029.8.116.40. If two individuals are eligible spouses of each other for a taxation year, the total of the amounts that each of those individuals is deemed to have paid to the Minister on account of tax payable for the year under the first paragraph of section 1029.8.116.38 may not exceed the amount that only one of those individuals would, but for this section, be so deemed to have paid to the Minister for the year.

Where those individuals cannot agree as to what portion of the amount each would, but for this section, be so deemed to have paid to the Minister for the year, the Minister may determine the portion of that amount for the year.

2015, c. 36, s. 146; 2019, c. 14, s. 412.

DIVISION II.17.4

CREDIT GRANTING A ONE-TIME AMOUNT TO MITIGATE THE INCREASE IN THE COST OF LIVING

2022, c. 23, s. 122.

1029.8.116.41. In this division,

"eligible individual" means an individual, other than an excluded individual, who, at the end of 31 December 2021,

(a) is either 18 years of age or over, or an emancipated minor or a minor who is the father or mother of a child with whom the minor resides; and

(b) is, as the case may be,

i. a Canadian citizen,

ii. a permanent resident within the meaning of subsection 1 of section 2 of the Immigration and Refugee Protection Act (S.C. 2001, c. 27),

iii. a temporary resident or the holder of a temporary resident permit, within the meaning of the Immigration and Refugee Protection Act, who was resident in Canada during the 18-month period preceding that time, or

iv. a protected person within the meaning of the Immigration and Refugee Protection Act;

"excluded individual" means either

(a) a person who is exempt from tax for the taxation year 2021 under section 982 or 983 or any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002); or

(b) a person who, at the end of the taxation year 2021, is confined to a prison or a similar institution and has been so confined in the year for one or more periods totalling more than 183 days.

For the purposes of paragraph *b* of the definition of "excluded individual" in the first paragraph, a person who has been allowed, in the taxation year 2021, to be temporarily absent from a prison or similar institution to which the person has been confined is deemed to be confined to that prison or similar institution during each day of the year during which the person has been so allowed to be temporarily absent.

2022, c. 23, s. 122.

1029.8.116.42. An eligible individual who is resident in Québec at the end of 31 December of the taxation year 2021 and who files for that year a fiscal return under section 1000 is deemed to have paid to the Minister, on the eligible individual's balance-due day for that year, on account of the eligible individual's tax payable under this Part for that year, an amount equal to the amount determined by the formula

A − B.

In the formula in the first paragraph,

(a) A is an amount of $500; and

(b) B is 10% of the amount by which the eligible individual's income for the year exceeds $100,000.

2022, c. 23, s. 122.

1029.8.116.43. Despite section 1052, no interest is payable to an individual on an amount that is refunded to, or applied to another liability of, the individual and that arises because of section 1029.8.116.42.

2022, c. 23, s. 122.

DIVISION II.18

TAX CREDIT FOR MEDICAL EXPENSES

§ 1. — *Interpretation*

2000, c. 5, s. 271.

1029.8.117. In this division,

"eligible individual" for a taxation year means an individual, other than a trust,

(a) who is resident in Canada throughout the year or, if the individual dies in the year, throughout the portion of the year before the individual's death;

(b) who, before the end of the year, has attained the age of 18 years; and

(c) the aggregate of whose income for the year from all offices and employments, computed without reference to section 43, and from all businesses each of which is a business carried on by the individual either alone or as a partner actively engaged in the business, and of any amount included in computing the individual's income for the year under paragraph *e*.2 or *e*.6 of section 311, is at least $2,500;

"family income" of an individual for a taxation year means the aggregate of all amounts each of which is the income of the individual for the year and of the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4.

For the purposes of paragraph *c* of the definition of "eligible individual" in the first paragraph, the income of an individual for a taxation year from a previous office or employment is deemed to be equal to zero, if each of the amounts that make up the income is the value of a benefit received or enjoyed by the individual in the year because of that office or employment.

2000, c. 5, s. 271; 2002, c. 40, s. 224; 2003, c. 9, s. 362; 2006, c. 36, s. 207; 2010, c. 5, s. 165; 2015, c. 21, s. 490.

§ 2. — *Credit*

2000, c. 5, s. 271.

1029.8.118. An eligible individual, for a taxation year, who is resident in Québec on 31 December of that year and who files a fiscal return under section 1000 for that year is deemed to have paid to the Minister, on the eligible individual's balance-due day for that year, on account of the eligible individual's tax payable for the year under this Part, an amount equal to the amount determined by the formula

A − B.

In the formula provided for in the first paragraph,

(a) A is the lesser of $1,000 and the total of

i. the product obtained by multiplying by the factor specified in the third paragraph for the taxation year the amount determined in accordance with section 752.0.11 for the purpose of computing the tax payable under this Part by the eligible individual for the taxation year, and

ii. 25% of the aggregate of all amounts each of which is an amount deductible under section 358.0.1 in computing the income of the eligible individual for the taxation year; and

(b) B is 5% of the amount by which the individual's family income for the year exceeds $18,600.

The factor to which the second paragraph refers is

(a) 25/22, where the taxation year is the year 2000;

(b) 25/20.75, where the taxation year is the year 2001;

(c) 25/20, where the taxation year is the year 2002 or a subsequent taxation year.

For the purposes of this section, an individual who was resident in Québec immediately before the individual's death is deemed to be resident in Québec on 31 December of the year in which the individual died.

For the purposes of the definition of "family income" in the first paragraph of section 1029.8.117, where an individual was not resident in Canada throughout a taxation year, the individual's income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if the individual had been resident in Québec and in Canada throughout the year.

2000, c. 5, s. 271; 2001, c. 51, s. 198; 2001, c. 53, s. 228; 2003, c. 9, s. 363; 2005, c. 1, s. 268; 2005, c. 38, s. 289; 2006, c. 36, s. 208.

DIVISION II.19

CREDIT FOR TOP-LEVEL ATHLETES

2001, c. 51, s. 199.

1029.8.119. In this division, "eligible individual" means an individual who holds a certificate issued by the Minister of Education, Recreation and Sports for a taxation year, certifying that the individual is recognized as an athlete having achieved the "Excellence", "Élite" or "Relève" performance level, as the case may be, in respect of an individual sport or a team sport in which the individual participated in the year.

2001, c. 51, s. 199; 2003, c. 19, s. 251; 2005, c. 28, s. 196; 2010, c. 25, s. 183.

1029.8.120. An eligible individual resident in Québec at the end of 31 December of a taxation year who encloses the certificate issued to the eligible individual for the year by the Minister of Education, Recreation and Sports with the fiscal return the eligible individual is required to file under section 1000 for the year, or would be required to so file if tax were payable by the eligible individual for that year under this Part, is deemed to have paid to the Minister, on the eligible individual's balance-due day for the year, on account of the eligible individual's tax payable for that taxation year under this Part, an amount equal to the aggregate of

(a) the amount obtained by multiplying $4,000 by the proportion that the number of days in the year that is specified in the certificate, for which the eligible individual is recognized as having achieved the "Excellence" performance level in respect of an individual sport in which the eligible individual participated in the year, is of the number of days in the taxation year;

(b) the amount obtained by multiplying $4,000 by the proportion that the number of days in the year that is specified in the certificate, for which the eligible individual is recognized as having achieved the "Élite" performance level in respect of an individual sport in which the eligible individual participated in the year, is of the number of days in the taxation year;

(c) the amount obtained by multiplying $2,000 by the proportion that the number of days in the year that is specified in the certificate, for which the eligible individual is recognized as having achieved the "Relève" performance level in respect of an individual sport in which the eligible individual participated in the year, is of the number of days in the taxation year;

(d) the amount obtained by multiplying $2,000 by the proportion that the number of days in the year that is specified in the certificate, for which the eligible individual is recognized as having achieved the "Excellence" performance level in respect of a team sport in which the eligible individual participated in the year, is of the number of days in the taxation year;

(e) the amount obtained by multiplying $2,000 by the proportion that the number of days in the year that is specified in the certificate, for which the eligible individual is recognized as having achieved the "Élite" performance level in respect of a team sport in which the eligible individual participated in the year, is of the number of days in the taxation year; and

(f) the amount obtained by multiplying $1,000 by the proportion that the number of days in the year that is specified in the certificate, for which the eligible individual is recognized as having achieved the "Relève" performance level in respect of a team sport in which the eligible individual participated in the year, is of the number of days in the taxation year.

Where, in respect of a particular day of a taxation year, an amount is deemed, because of any of subparagraphs *a* to *f* of the first paragraph, to have been paid to the Minister by an eligible individual for the year, no amount may be deemed to have been paid to the Minister by that eligible individual, for the year, in respect of that particular day because of any other of those subparagraphs.

For the purposes of the first paragraph, an eligible individual who was resident in Québec immediately before the eligible individual's death is deemed to be resident in Québec at the end of 31 December of the

year in which the eligible individual died, and no amount shall be deemed to have been paid under the first paragraph to the Minister by the eligible individual in respect of a day that is after the day of death.

2001, c. 51, s. 199; 2003, c. 19, s. 251; 2005, c. 28, s. 196.

1029.8.121. An eligible individual shall not be deemed to have paid to the Minister an amount under this division for a taxation year if the eligible individual is exempt from tax for the year under section 982 or 983 or under any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the Tax Administration Act (chapter A-6.002).

2001, c. 51, s. 199; 2007, c. 12, s. 213; 2010, c. 31, s. 175.

DIVISION II.20

(Repealed).

2005, c. 1, s. 269; 2021, c. 14, s. 164.

§ 1. —

(Repealed).

2005, c. 1, s. 269; 2021, c. 14, s. 164.

1029.8.122. *(Repealed).*

2005, c. 1, s. 269; 2005, c. 24, s. 51; 2005, c. 28, s. 195; 2006, c. 13, s. 196; 2006, c. 36, s. 209; 2013, c. 28, s. 140; 2021, c. 14, s. 164.

1029.8.123. *(Repealed).*

2005, c. 1, s. 269; 2021, c. 14, s. 164.

§ 2. —

(Repealed).

2005, c. 1, s. 269; 2021, c. 14, s. 164.

1029.8.124. *(Repealed).*

2005, c. 1, s. 269; 2006, c. 36, s. 210; 2021, c. 14, s. 164.

1029.8.125. *(Repealed).*

2005, c. 1, s. 269; 2007, c. 12, s. 214; 2010, c. 31, s. 175; 2021, c. 14, s. 164.

DIVISION II.21

CREDIT TO PROMOTE EDUCATION SAVINGS

2009, c. 5, s. 480.

§ 1. — *Interpretation*

2009, c. 5, s. 480.

1029.8.126. In this division,

"amount of eligible contributions" in respect of a beneficiary under an education savings plan for a taxation year means the amount that is the aggregate of all contributions each of which is a contribution made to the plan in the year by or on behalf of a subscriber under the plan in respect of the beneficiary, provided that the contribution has not been withdrawn from the plan before the education savings incentive provided for in the first paragraph of section 1029.8.128 is paid for the year, and provided that the beneficiary is under 17 years of age at the end of the preceding year and, if the beneficiary is 16 or 17 years of age at the end of the year, that the beneficiary is an eligible beneficiary for the year;

"beneficiary" has the meaning assigned by section 890.15;

"brother" includes, without reference to section 1, a person who is the son of the spouse of the father or mother of the beneficiary;

"Canada learning bond" has the meaning assigned by subsection 1 of section 2 of the Canada Education Savings Act (S.C. 2004, c. 26);

"CES grant" has the meaning assigned by subsection 1 of section 2 of the Canada Education Savings Act;

"CLB account" has the meaning assigned by section 1 of the Canada Education Savings Regulations (SOR/2005-151) made under the Canada Education Savings Act;

"cohabiting spouse" has the meaning assigned by section 1029.8.61.8;

"designated provincial program" has the meaning assigned by section 890.15;

"education savings incentive account" of a registered education savings plan means an account that includes any amount received by a trust governed by the plan on account of an education savings incentive under section 1029.8.128;

"education savings incentive agreement" means the agreement described in section 1029.8.140;

"education savings plan" has the meaning assigned by section 890.15;

"educational assistance payment" has the meaning assigned by section 890.15;

"eligible beneficiary" for a taxation year means a beneficiary who is 16 or 17 years of age at the end of the year and in respect of whom a CES grant has been paid for the year in relation to a contribution made in the year in respect of the beneficiary to a registered education savings plan;

"grant account" has the meaning assigned by section 1 of the Canada Education Savings Regulations;

"increase amount" for a taxation year means, provided that an education savings plan has only one beneficiary or, if it has more than one, that those beneficiaries are brothers and sisters,

(a) if the applicable family income for the year in respect of the beneficiary is not more than $37,500, the lesser of $50 and 10% of the amount of eligible contributions in respect of the beneficiary under the plan for the year;

(b) if the applicable family income for the year in respect of the beneficiary is greater than $37,500 but does not exceed $75,000, the lesser of $25 and 5% of the amount of eligible contributions in respect of the beneficiary under the plan for the year; and

(c) in any other case, zero;

"promoter" has the meaning assigned by paragraph *b* of the definition of "education savings plan" in section 890.15;

"sister" includes, without reference to section 1, a person who is the daughter of the spouse of the father or mother of the beneficiary;

"subscriber" has the meaning assigned by section 890.15;

"trust" has the meaning assigned by section 890.15.

For the purposes of the definition of "amount of eligible contributions" in the first paragraph, a contribution made to an education savings plan in a taxation year does not include the portion of the

contribution that—if added to the other contributions made or deemed to be made, for the purposes of Part X.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), to registered education savings plans in respect of the beneficiary, in the year or a preceding taxation year—exceeds the RESP lifetime limit for the year, within the meaning assigned by subsection 1 of section 204.9 of that Act.

2009, c. 5, s. 480; 2010, c. 5, s. 166; 2011, c. 6, s. 204; 2021, c. 18, s. 134.

1029.8.127. For the purposes of the definition of "increase amount" in the first paragraph of section 1029.8.126, the applicable family income for a particular taxation year in respect of a beneficiary means

(a) if only one individual is entitled to receive, for the first month of the year that follows the particular taxation year and in respect of the beneficiary, an amount deemed under section 1029.8.61.18 to be an overpayment of the individual's tax payable, the aggregate of the individual's income for the taxation year that precedes the particular taxation year and the income, for that preceding taxation year, of the individual's cohabiting spouse at the beginning of that month; or

(b) if more than one individual is entitled to receive, for the first month of the year that follows the particular taxation year and in respect of the beneficiary, an amount deemed under section 1029.8.61.18 to be an overpayment of the individual's tax payable, one half of the aggregate of the income of each of those individuals for the taxation year that precedes the particular taxation year and the income, for that preceding taxation year, of each cohabiting spouse, at the beginning of that month, of each of those individuals.

For the purposes of the first paragraph, the applicable family income for a particular taxation year in respect of a beneficiary is deemed to be equal to zero if the beneficiary is lodged or sheltered pursuant to the law at the beginning of the first month of the year that follows the particular taxation year.

2009, c. 5, s. 480.

§ 2. — *Credit*

2009, c. 5, s. 480.

1029.8.128. Subject to sections 1029.8.131 to 1029.8.134, if a trust governed by an education savings plan is resident in Québec at the end of a taxation year and the conditions set out in the second paragraph are met, an amount equal to the aggregate of the following amounts is deemed, at the end of the year and in respect of each beneficiary under the plan who is resident in Québec at the end of the year, to be an overpayment of the trust's tax payable for that year under this Part (in this division referred to as the "education savings incentive"):

(a) the least of

i. 10% of the amount of eligible contributions in respect of the beneficiary for the year,

ii. $500, and

iii. the unused CES grant room for the beneficiary for the year; and

(b) the increase amount in respect of the beneficiary for the year.

The conditions to which the first paragraph refers are as follows:

(a) the trustee under the plan files with the Minister an application for the education savings incentive in the manner described in the education savings incentive agreement

i. on or before the 90th day that follows the end of the year,

ii. within such longer period as the Minister considers reasonable but not after 31 December of the third year that follows the year for which the education savings incentive is claimed, or

iii. on or before 31 March 2012, if the application is made in respect of contributions deemed to have been made in the year in respect of the beneficiary as a consequence of the application of section 1029.8.136.1; and

(b) at the time the application referred to in subparagraph *a* is made,

i. the plan is a registered education savings plan,

ii. the education savings incentive agreement is applicable in respect of the plan, and

iii. if the plan contract was entered into before 1 January 1999, it meets, at the end of the year, the registering conditions set out in section 895 that apply to a plan whose contract is entered into after 31 December 1998.

2009, c. 5, s. 480; 2011, c. 1, s. 90.

1029.8.129. For the purposes of sections 1029.8.128 and 1029.8.136.1, a trust governed by an education savings plan is deemed to be resident in Québec at the end of a taxation year if, at the end of that year, it is resident in Canada outside Québec and has as a trustee a person who has an establishment in Québec and if, at the time the application for the education savings incentive is made, the education savings incentive agreement that is applicable in respect of the plan provides that

(a) the agreement is subject in all respects to the legislation in force in Québec;

(b) the trustee undertakes to pay to the Minister, on or before the 90th day of the year that follows the year for which it is payable, any tax that the trust is required to pay under Part III.15.1;

(c) the trustee recognizes the exclusive jurisdiction of the courts of Québec for any matter relating to this division, the agreement or a tax payable by the trust under Part III.15.1; and

(d) any judgment rendered against the trustee in relation to a matter referred to in paragraph *c* may be executed against the trustee at an establishment of the trustee situated in Québec.

2009, c. 5, s. 480; 2011, c. 1, s. 91.

1029.8.130. For the purposes of subparagraph iii of subparagraph *a* of the first paragraph of section 1029.8.128, the unused CES grant room for a beneficiary for a particular taxation year is equal to the amount determined by the formula

($250 × A) - B.

In the formula in the first paragraph,

(a) A is the number of years included in the period that begins on 1 January 2007 and ends on 31 December of the particular taxation year and in which the beneficiary is alive, other than any year at the end of which the beneficiary was not resident in Québec; and

(b) B is the aggregate of all amounts each of which is equal to the amount that would be the amount of the education savings incentive in respect of the beneficiary for any taxation year preceding the particular taxation year if the increase amount were nil.

2009, c. 5, s. 480.

1029.8.131. The amount that a trust may receive on account of an education savings incentive under section 1029.8.128 in respect of a beneficiary for a particular taxation year may not be greater than the amount by which $3,600 exceeds the aggregate of all amounts each of which is the amount by which the aggregate of all amounts each of which is an amount that a particular trust received on account of an education savings incentive under that section in respect of the beneficiary for a taxation year preceding the particular taxation year exceeds the aggregate of all amounts each of which is a tax that the particular trust is required to pay under Part III.15.1 in respect of the beneficiary for the particular taxation year or a preceding taxation year.

2009, c. 5, s. 480.

1029.8.132. If, for a taxation year, more than one trust may receive an amount on account of an education savings incentive under section 1029.8.128 in respect of the same beneficiary, the aggregate of all amounts that may be so received by the trusts for the year under that section may not exceed the amount (in sections 1029.8.133 and 1029.8.134 referred to as the "maximum amount of the education savings incentive for the year in respect of the beneficiary") that could have been received for the year under section 1029.8.128 by a single trust if the aggregate of all amounts each of which is the amount of eligible contributions in respect of that beneficiary for the year had been made to a single registered education savings plan having only that beneficiary.

2009, c. 5, s. 480.

1029.8.133. If, for a taxation year, more than one trust files with the Minister an application for the education savings incentive, in the manner described in the education savings incentive agreement, within the time provided for in subparagraph i of subparagraph *a* of the second paragraph of section 1029.8.128, in respect of the same beneficiary, and the aggregate of all amounts each of which would be, but for section 1029.8.132, an amount that each of the trusts may receive on account of an education savings incentive under section 1029.8.128 in respect of that beneficiary, exceeds the maximum amount of the education savings incentive for the year in respect of the beneficiary, the following rules apply:

(a) the portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that is attributable, if applicable, to the increase amount must be apportioned among each of the trusts that is entitled to receive an amount deemed to be an overpayment of its tax payable on account of the increase amount in respect of the beneficiary for the year in the proportion that, for each trust, the amount of eligible contributions, up to $500, made for the year in respect of the beneficiary to the registered education savings plan that governs the trust is of the aggregate of all amounts each of which is the amount of eligible contributions, up to $500, made for the year in respect of the beneficiary to each of the registered education savings plans that governs each of those trusts; and

(b) the portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that exceeds the increase amount must be apportioned among each of the trusts in the proportion that, for each trust, the amount of the eligible contributions made for the year in respect of the beneficiary to the registered education savings plan that governs the trust is of the aggregate of all amounts each of which is the amount of eligible contributions made for the year in respect of the beneficiary to each of the registered education savings plans that governs each of those trusts.

2009, c. 5, s. 480.

1029.8.134. If, for a taxation year, a trust files with the Minister an application for the education savings incentive, in the manner described in the education savings incentive agreement, within the time provided for in subparagraph ii of subparagraph *a* of the second paragraph of section 1029.8.128, in respect of a beneficiary under more than one registered education savings plan, the amount that the trust may receive for

the year on account of an education savings incentive under that section in respect of that beneficiary may not exceed the aggregate of

(a) if the trust would be entitled to receive, but for this section, an amount deemed to be an overpayment of its tax payable on account of the increase amount, the amount by which the portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that is attributable, if applicable, to the increase amount, exceeds any amount that another trust having the same beneficiary has received, for the year and in respect of the beneficiary, and that is deemed to be an overpayment of tax payable on account of the increase amount; and

(b) the amount by which the portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that would have been received in respect of the beneficiary by the trust if the increase amount had been nil, exceeds any portion of the maximum amount of the education savings incentive for the year in respect of the beneficiary that would have been received in respect of the beneficiary by any other trust having the same beneficiary if the increase amount had been nil.

2009, c. 5, s. 480.

1029.8.135. If, in a taxation year, a beneficiary under a registered education savings plan (in this section referred to as the "former beneficiary") is replaced by another beneficiary (in this section referred to as the "new beneficiary") a contribution made to the plan in the year by or on behalf of a subscriber under the plan for the former beneficiary is considered to have been made for the new beneficiary if the replacement made in the year is a recognized replacement.

For the purposes of the first paragraph, a recognized replacement means the replacement, at a particular time, of a former beneficiary under a registered education savings plan by a new beneficiary, if

(a) the new beneficiary had not reached 21 years of age before the particular time and was, at that time, the brother or sister of the former beneficiary; or

(b) both beneficiaries were, at the particular time, connected by blood relationship or adoption to an original subscriber under the plan and neither of them had reached 21 years of age before the particular time.

2009, c. 5, s. 480; 2021, c. 18, s. 135.

1029.8.136. If, in a taxation year, a property held by a trust governed by a registered education savings plan (in this section and section 1029.8.137 referred to as the "transferor plan") is the subject of an authorized transfer to a trust governed by another registered education savings plan (in this section and section 1029.8.137 referred to as the "transferee plan"), the contributions that were made in the year to the transferor plan before the time of the authorized transfer are deemed to have been made in the year to the transferee plan by or on behalf of the subscriber under the plan in respect of a particular beneficiary, up to

(a) if the authorized transfer concerned the aggregate of the properties held by the trust governed by the transferor plan and the particular beneficiary is the only beneficiary under the transferee plan at the time of the transfer, the aggregate of the contributions made in the year and before the time of the transfer, in respect of any beneficiary under the transferor plan;

(b) if the authorized transfer concerned the aggregate of the properties held by the trust governed by the transferor plan and the transferee plan has more than one beneficiary at the time of the transfer, the particular beneficiary's share, established according to the apportionment provided for in the transferee plan, of the aggregate of the contributions made in the year and before the time of the transfer, in respect of any beneficiary under the transferor plan;

(c) if the authorized transfer concerned a portion of the properties held by the trust governed by the transferor plan, other than properties included in a CLB account or in any account of assistance paid under a designated provincial program that meets the requirement of section 1029.8.137.1, and if the particular beneficiary is the only beneficiary under the transferee plan at the time of the transfer, the proportion of the

aggregate of the contributions made in the year and before the time of the transfer, in respect of any beneficiary under the transferor plan, that, at the time of the transfer, the value of the properties transferred is of the value of all the properties held by the trust governed by the transferor plan, other than those included in a CLB account or in any account of assistance paid under a designated provincial program that meets the requirement of section 1029.8.137.1; and

(d) if the authorized transfer concerned a portion of the properties held by the trust governed by the transferor plan, other than properties included in a CLB account or in any account of assistance paid under a designated provincial program that meets the requirement of section 1029.8.137.1, and if the transferee plan has more than one beneficiary at the time of the transfer, the particular beneficiary's share, established according to the apportionment provided for in the transferee plan, in the proportion of the aggregate of the contributions made in the year and before the time of the transfer, in respect of any beneficiary under the transferor plan, that, at the time of the transfer, the value of the properties transferred is of the value of all the properties held by the trust governed by the transferor plan, other than those included in a CLB account or in any account of assistance paid under a designated provincial program that meets the requirement of section 1029.8.137.1.

For the purposes of the first paragraph, an authorized transfer means the transfer of properties held by a trust governed by a transferor plan to a trust governed by a transferee plan, if

(a) a beneficiary under the transferee plan

i. was, immediately before the transfer, a beneficiary under the transferor plan, or

ii. was, immediately before the transfer, the brother or sister of a beneficiary under the transferor plan and

(1) the transferee plan is a plan that allows more than one beneficiary at any one time, or

(2) where subparagraph 1 does not apply, the beneficiary under the transferee plan had not attained 21 years of age at the time the plan was entered into;

(b) at the time of the transfer

i. the transferee plan had only one beneficiary or, if it had more than one, every beneficiary was a brother or sister of every other beneficiary, or

ii. no amount deemed to be an overpayment of its tax payable on account of the increase amount had been received by the trust governed by the transferor plan;

(c) the transferee plan meets the conditions for registration set out in section 895 that apply to education savings plans whose contract was entered into after 31 December 1998; and

(d) an education savings incentive agreement is applicable at the time of the transfer in respect of the transferee plan.

For the purposes of the first paragraph, the contributions made in a year to the transferor plan do not include the contributions that were withdrawn from the plan in the year.

2009, c. 5, s. 480; 2011, c. 1, s. 92; 2012, c. 8, s. 239; 2021, c. 18, s. 136.

1029.8.136.1. If, in the calendar year 2011, all the property held by a trust that is resident in Québec and that is governed by a registered education savings plan (in this section referred to as the "transferor plan") is the subject of an authorized transfer, within the meaning of the second paragraph of section 1029.8.136, to a trust governed by another registered education savings plan (in this section referred to as the "transferee plan"), and if the conditions of the second paragraph are met, the contributions that were made in a taxation year preceding the year 2011 and after 20 February 2007 to the transferor plan are deemed to have been made

in that taxation year to the transferee plan by or on behalf of the subscriber under the plan in respect of a particular beneficiary, up to

(a) if the particular beneficiary is the only beneficiary under the transferee plan at the time of the authorized transfer, the aggregate of the contributions made in that taxation year and after 20 February 2007, in respect of any beneficiary under the transferor plan; and

(b) if the transferee plan has more than one beneficiary at the time of the authorized transfer, the particular beneficiary's share, established according to the apportionment provided for in the transferee plan, of the aggregate of the contributions made in that taxation year and after 20 February 2007, in respect of any beneficiary under the transferor plan.

The conditions to which the first paragraph refers are as follows:

(a) the trustee under the transferor plan did not file with the Minister, before 1 January 2011, an application for the education savings incentive in the manner described in an education savings incentive agreement in respect of a beneficiary under a registered education savings plan in respect of which the trustee under the transferor plan acted as a trustee; and

(b) an education savings incentive agreement has been entered into between the Minister and the trustee under the transferee plan before 1 January 2011 and the trustee under the transferee plan filed with the Minister, before that date, at least one application for the education savings incentive in the manner described in the agreement in respect of a beneficiary under a registered education savings plan in respect of which the trustee under the transferee plan acted as a trustee.

For the purposes of the first paragraph, the contributions made in a year to the transferor plan do not include the contributions that have been withdrawn from the plan in the year.

2011, c. 1, s. 93.

1029.8.137. If, in accordance with section 1029.8.136, there is an authorized transfer of properties held by a trust governed by a transferor plan to a trust governed by a transferee plan, the amount determined under the second paragraph must be, at the time of the authorized transfer, debited from the education savings incentive account of the transferor plan and credited to the education savings incentive account of the transferee plan by the trustee under each of those plans.

The amount to which the first paragraph refers is equal to

(a) if the authorized transfer is described in subparagraph *a* or *b* of the first paragraph of section 1029.8.136, the aggregate of the amounts held, at the time of the authorized transfer, in the trust governed by the transferor plan on account of the education savings incentive; and

(b) if the authorized transfer is described in subparagraph *c* or *d* of the first paragraph of section 1029.8.136, the proportion of the aggregate of the amounts held, at the time of the authorized transfer, in the trust governed by the transferor plan on account of the education savings incentive, that, at the time of the transfer, the value of the properties transferred is of the value of all the properties held by the trust governed by the transferor plan, other than those included in a CLB account or in any account of assistance paid under a designated provincial program that meets the requirement of section 1029.8.137.1.

If an amount is credited to the education savings incentive account of the transferee plan under this section, the amount is deemed to have been paid into the trust governed by the transferee plan.

2009, c. 5, s. 480; 2021, c. 18, s. 137.

1029.8.137.1. The requirement to which sections 1029.8.136, 1029.8.137 and 1029.8.138 refer in relation to a designated provincial program is the requirement that the legislation or regulations applicable to the program not contain any provision requiring that assistance paid under the program in a registered

education savings plan be transferred proportionally, where only a portion of the properties held by the trust governed by the registered education savings plan is transferred to a trust governed by another registered education savings plan.

2021, c. 18, s. 138.

1029.8.138. If, in a taxation year, a portion of the properties held by a trust governed by a registered education savings plan (in this section referred to as the "transferor plan"), other than properties included in a CLB account or in any account of assistance paid under a designated provincial program that meets the requirement of section 1029.8.137.1, is paid into another trust governed by another registered education savings plan by means of a transfer, the proportion of the aggregate of the contributions made in the year and before the time of the transfer, in respect of any beneficiary under the transferor plan, that, at the time of the transfer, the value of the properties transferred is of the value of all the properties held by the trust governed by the transferor plan, other than those included in a CLB account or in any account of assistance paid under a designated provincial program that meets the requirement of section 1029.8.137.1, is deemed to have been withdrawn from the transferor plan before the end of the year.

2009, c. 5, s. 480; 2021, c. 18, s. 139.

1029.8.139. In a particular taxation year, the withdrawal of contributions made to a registered education savings plan is deemed to be made in the following order:

(a) contributions made in the particular taxation year, in the order in which they were made;

(b) contributions that were made in a taxation year preceding the particular taxation year and that gave rise to entitlement to the education savings incentive, in the order in which they were made;

(c) contributions that were made after 20 February 2007 in a taxation year preceding the particular taxation year and that did not give rise to entitlement to the education savings incentive, in the order in which they were made; and

(d) contributions made before 21 February 2007.

2009, c. 5, s. 480; 2021, c. 18, s. 140.

§ 3. — *Administrative provisions*

2009, c. 5, s. 480.

1029.8.140. An education savings incentive agreement means a written agreement that must be entered into between the Minister and the trustee under a trust governed by an education savings plan and under which the trustee undertakes, in particular,

(a) to provide the Minister with the information that the Minister requires for the purposes of this division, including the name, address and social insurance number of each beneficiary;

(b) to maintain a record containing the information enabling the determination of any amount relating to the education savings incentive;

(c) to keep an education savings incentive account and to credit to that account any amount received by the trust on account of the education savings incentive;

(d) to allow the Minister access to any information relating to contributions made to the plan after 20 February 2007, withdrawals of contributions, transfers and replacements of beneficiaries made after that date;

(e) in the case of a transfer described in section 1029.8.136, to send to the trustee under the trust governed by the transferee plan the amount of the contributions made to the transferor plan in respect of each of the

beneficiaries for the period beginning, as the case may be, on 21 February 2007 if the year of the transfer is the year 2007 or on 1 January of the year of the transfer and ending on the date of the transfer;

(f) to make no apportionment of the education savings incentive and the income arising from it otherwise than among the beneficiaries under the plan;

(g) to make no distribution of the properties held by the trust governed by the plan, unless, immediately after the distribution, the fair market value of those properties is equal to or greater than the aggregate of the balances of the education savings incentive account, the grant account, the CLB account and any account of assistance paid under a designated provincial program, or unless the distribution consists in making an educational assistance payment to a beneficiary under the plan and all of the educational assistance payment is attributable to the education savings incentive, a CES grant and the Canada learning bond;

(h) to report to the Minister the portion of an educational assistance payment made under the plan that is attributable to the education savings incentive; and

(i) to charge no fees relating to the plan in respect of the balance of the education savings incentive account.

2009, c. 5, s. 480; 2011, c. 6, s. 205.

1029.8.141. For the purposes of an education savings incentive agreement, the Minister shall enter into a written agreement with the promoter of an education savings plan under which the promoter undertakes, in particular,

(a) to provide the plan's trustee with the information that the Minister requires for the purposes of this division, in particular, the name, address, date of birth, confirmation of the place of residence and social insurance number of each beneficiary under the plan; and

(b) to charge no fees relating to the plan in respect of the balance of the education savings incentive account.

2009, c. 5, s. 480.

1029.8.142. If an education savings incentive has been received by a trust under section 1029.8.128, the portion of an educational assistance payment made to a beneficiary under the registered education savings plan that is attributable to the education savings incentive is equal to the lesser of

(a) the amount determined by the formula

$A \times B/C$; and

(b) the amount by which $3,600 exceeds the aggregate of all amounts each of which is an amount determined under this section in respect of an educational assistance payment made previously by the promoter to the beneficiary under the plan.

In the formula in subparagraph *a* of the first paragraph,

(a) A is the amount of the educational assistance payment made to the beneficiary under the plan;

(b) B is the balance of the plan's education savings incentive account immediately before the educational assistance payment is made;

(c) C is the amount determined, in respect of the educational assistance payment, under subsection 2.2 of section 10 of the Canada Education Savings Regulations made under the Canada Education Savings Act (S.C. 2004, c. 26);

(d) (subparagraph repealed);

(e) (subparagraph repealed);

(f) (subparagraph repealed);

(g) (subparagraph repealed);

(h) (subparagraph repealed).

For the purposes of the first paragraph, the portion of an educational assistance payment made to a beneficiary under the plan that is attributable to the education savings incentive is deemed to be equal to zero if

(a) the beneficiary under the plan is not resident in Québec at the time the educational assistance payment is made; or

(b) in the case where the plan allows more than one beneficiary at any one time, the beneficiary under the plan became a beneficiary under the plan after reaching 21 years of age, unless, before reaching that age, the beneficiary was a beneficiary under another registered education savings plan that allowed more than one beneficiary at any one time.

2009, c. 5, s. 480; 2011, c. 6, s. 206; 2021, c. 18, s. 141.

1029.8.143. If a portion of an educational assistance payment made to a beneficiary under a registered education savings plan is attributable to an education savings incentive, the plan's trustee shall, at the time the educational assistance payment is made, debit the amount determined under section 1029.8.142 from the plan's education savings incentive account.

2009, c. 5, s. 480.

1029.8.144. The trustee under a registered education savings plan shall, at the time of the payment by a trust of a tax under Part III.15.1 in relation to the plan, debit the amount of the payment from the plan's education savings incentive account.

2009, c. 5, s. 480.

1029.8.144.1. Despite any inconsistent provision of any law, a trust governed by a registered education savings plan (in this section referred to as the "transferor plan") may, in a taxation year, assign the right to apply for an amount payable to it under this division for a preceding taxation year to a trust governed by another registered education savings plan (in this section referred to as the "transferee plan"), if the assignment is made in the course of an authorized transfer, within the meaning of the second paragraph of section 1029.8.136, of the aggregate of the properties held by the trust governed by the transferor plan to the trust governed by the transferee plan.

The assignment is not binding on the State and, as a result, the following rules apply:

(a) the Minister retains discretion to pay or not to pay the amount to the trust governed by the transferee plan;

(b) the assignment does not create any liability of the State to the trust governed by the transferee plan; and

(c) the rights of the trust governed by the transferee plan are subject to the rights conferred on the State by section 31 of the Tax Administration Act (chapter A-6.002) and any right to compensation of which the State may avail itself.

2010, c. 5, s. 167; 2011, c. 1, s. 94; 2010, c. 31, s. 175.

1029.8.145. Unless otherwise provided in this division, this Book applies, with the necessary modifications, to the application referred to in the second paragraph of section 1029.8.128 as if it were a fiscal return filed under Title I.

2009, c. 5, s. 480; 2010, c. 25, s. 184.

DIVISION II.22

(Repealed).

2010, c. 5, s. 168; 2021, c. 14, s. 165.

§ 1. —

(Repealed).

2010, c. 5, s. 168; 2021, c. 14, s. 165.

1029.8.146. *(Repealed).*

2010, c. 5, s. 168; 2021, c. 14, s. 165.

1029.8.147. *(Repealed).*

2010, c. 5, s. 168; 2011, c. 6, s. 207; 2021, c. 14, s. 165.

1029.8.148. *(Repealed).*

2010, c. 5, s. 168; 2021, c. 14, s. 165.

1029.8.149. *(Repealed).*

2010, c. 5, s. 168; 2021, c. 14, s. 165.

§ 2. —

(Repealed).

2010, c. 5, s. 168; 2021, c. 14, s. 165.

1029.8.150. *(Repealed).*

2010, c. 5, s. 168; 2015, c. 21, s. 491; 2021, c. 14, s. 165.

1029.8.151. *(Repealed).*

2010, c. 5, s. 168; 2021, c. 14, s. 165.

1029.8.152. *(Repealed).*

2010, c. 5, s. 168; 2021, c. 14, s. 165.

DIVISION II.23

CREDIT FOR ECO-FRIENDLY RENOVATION

2015, c. 21, s. 492.

§ 1. — *Interpretation and general rules*

2015, c. 21, s. 492.

1029.8.153. In this division,

"eco-friendly renovation agreement" entered into in respect of an individual's eligible dwelling means an agreement under which a qualified contractor undertakes to carry out recognized eco-friendly renovation work in respect of the individual's eligible dwelling that is entered into after 7 October 2013 and before 1 November 2014 between the qualified contractor and

(a) the individual;

(b) a person who, at the time the agreement is entered into, is either the individual's spouse, or another individual who is the owner of the eligible dwelling or the other individual's spouse; or

(c) where the individual's eligible dwelling is an apartment in an immovable under divided co-ownership, the syndicate of co-owners of the immovable;

"eco-friendly renovation expenditure" means an expenditure that is attributable to the carrying out of recognized eco-friendly renovation work provided for in an eco-friendly renovation agreement and that is

(a) the cost of a service supplied to carry out the work by a qualified contractor who is a party to the eco-friendly renovation agreement, including the amount of any goods and services tax and Québec sales tax applicable;

(b) the cost of a movable property that enters into the carrying out of the recognized eco-friendly renovation work provided for in the eco-friendly renovation agreement, including the amount of any goods and services tax and Québec sales tax applicable, provided that the movable property was acquired from the qualified contractor or a merchant holding a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1) and that it complies, where required, with the energy or environmental standards to which the definition of "recognized eco-friendly renovation work" refers in respect of the property; or

(c) the cost of a permit necessary to carry out the recognized eco-friendly renovation work, including the cost of studies carried out to obtain such a permit;

"eligible dwelling" of an individual means a dwelling that is located in Québec, other than an excluded dwelling, of which construction is completed before 1 January 2013 and of which the individual is the owner when the eco-friendly renovation expenditures are incurred and that is

(a) an individual house that is detached, semi-detached or a row house, a permanently installed manufactured home or mobile home, an apartment in an immovable under divided co-ownership or a unit in a multiple-unit residential complex that constitutes, at that time, the individual's principal place of residence; or

(b) is a cottage suitable for year-round occupancy that is normally occupied by the individual;

"excluded dwelling" means a dwelling that, before recognized eco-friendly renovation work was carried out, was the subject of

(a) a notice of expropriation or a notice of intention to expropriate;

(b) a reserve for public purposes; or

(c) a prior notice of the exercise of a hypothecary right registered in the registry office or any other procedure calling the individual's right of ownership of the dwelling into question;

“qualified contractor” in relation to an eco-friendly renovation agreement entered into in respect of an individual’s eligible dwelling means a person or a partnership meeting the following conditions:

(a) at the time the agreement is entered into, the person or partnership has an establishment in Québec and, if the person is an individual, is neither the owner of the eligible dwelling nor the spouse of one of the owners of the eligible dwelling; and

(b) at the time the recognized eco-friendly renovation work is being carried out and if required for the carrying out of such work, the person or partnership is the holder of the appropriate licence issued by the Régie du bâtiment du Québec, the Corporation des maîtres électriciens du Québec or the Corporation des maîtres mécaniciens en tuyauterie du Québec and, if applicable, has paid the licence security payable under the Building Act (chapter B-1.1);

“qualified expenditure” of an individual, in relation to an eligible dwelling of the individual, for a particular taxation year that is either the taxation year 2013 or the taxation year 2014 means the aggregate of all amounts each of which is an eco-friendly renovation expenditure of the individual that is paid, in relation to the eligible dwelling, by the individual or the individual’s legal representative, by a person who is the individual’s spouse at the time the payment is made, or by any other individual who, at the time the expenditure is incurred, owns the eligible dwelling, in either of the following periods:

(a) after 7 October 2013 and before 1 January 2014, where the particular year is the taxation year 2013; or

(b) after 31 December 2013 and before 1 May 2015, where the particular year is the taxation year 2014;

“recognized eco-friendly renovation work” in respect of a dwelling means work carried out in compliance with the rules set out in any Act, regulation or by-law of Canada, Québec or a municipality of Québec and the policies that apply according to the type of intervention, including necessary site restoration work, that is

(a) work relating to the insulation of the roof, exterior walls, foundations and exposed floors provided the work is made using insulation materials that do not contain urea formaldehyde or that have low levels of volatile organic compounds certified "GREENGUARD" or “EcoLogo environmental choice”, and that the insulation materials satisfy the following standards:

i. in the case of the insulation of the attic, the insulating value achieved must be R-41 (RSI 7.22) or more,

ii. in the case of the insulation of a flat roof or of a cathedral ceiling, the insulating value achieved must be R-28 (RSI 4.93) or more,

iii. in the case of the insulation of the exterior walls, the increase in the insulating value must be R-3.8 (RSI 0.67) or more,

iv. in the case of the insulation of the basement, including the header area,

(1) for the walls, the insulating value achieved must be R-17 (RSI 3.0) or more, and

(2) for the header area, the insulating value achieved must be R-20 (RSI 3.52) or more,

v. in the case of the insulation of the crawl space, including the header area,

(1) for the exterior walls, including the header area, the insulating value achieved must be R-17 (RSI 3.0) or more, and

(2) for the floor area above the crawl space, the insulating value achieved must be R-24 (RSI 4.23) or more, and

vi. in the case of the insulation of exposed floors, the insulating value achieved must be R-29.5 (RSI 5.20) or more;

(b) work relating to the water-proof sealing of the foundations or the air sealing of the envelope of the dwelling or of a portion of it, such as the walls, doors, windows and skylights;

(c) work relating to the replacement or addition of doors, windows and skylights with "ENERGY STAR" qualified models for the climate zone where the dwelling is located;

(d) work relating to the replacement of a propane or natural gas heating system appliance with one of the following appliances using the same fuel:

i. an "ENERGY STAR" qualified furnace with an Annual Fuel Utilization Efficiency (AFUE) of at least 95% and equipped with a brushless direct current (DC) motor,

ii. a zero-clearance furnace with an AFUE of at least 95%, if the dwelling is a mobile home, and

iii. an "ENERGY STAR" qualified boiler with an AFUE of at least 95%;

(e) work relating to the replacement of an indoor wood-burning system or appliance with one of the following:

i. an indoor wood-burning system or appliance that complies with the CSA-B415.1-10 standard or the 40 CFR Part 60 Subpart AAA standard of the Environmental Protection Agency (EPA) of the United States on wood-burning appliances; if the appliance is not tested by the EPA, it must be certified in accordance with the CSA-B415.1-10 standard,

ii. an indoor pellet-burning appliance, including stoves, furnaces and boilers that burn wood, corn, grain or cherry pits, and

iii. an indoor masonry heater;

(f) work relating to the replacement of a solid fuel-fired outdoor boiler with an outdoor wood-burning heating system that complies with the CAN/CSA-B415.1 standard or the Outdoor Wood-fired Hydronic Heater program of the EPA (OWHH Method 28, phase 1 or 2), provided the capacity of the new system is equal to or smaller than the capacity of the one it replaces;

(g) work relating to the installation of an "ENERGY STAR" qualified central split or ductless mini-split air-source heat pump including an outdoor unit and at least one indoor head per floor, excluding the basement, that has an Air-Conditioning, Heating, and Refrigeration Institute (AHRI) number and satisfies the following minimum requirements:

i. it has a Seasonal Energy Efficiency Ratio (SEER) of 14.5,

ii. it has an Energy Efficiency Ratio (EER) of 12.0,

iii. it has a Heating Seasonal Performance Factor (HSPF) of 7.1 for region V, and

iv. it has a heating capacity of 12,000 Btu/h;

(h) work relating to the installation of a geothermal system certified by the Canadian GeoExchange Coalition (CGC); for that purpose, only a CGC-certified business may install the heat pump in accordance with the CAN/CSA-C448 standard and the CGC must certify the system after installation;

(i) work relating to the replacement of the heat pump of an existing geothermal system; for that purpose, only a business certified by the CGC may install the heat pump in accordance with the CAN/CSA-C448 standard;

(j) work relating to the replacement of an oil heating system with a system using propane or natural gas or the replacement of a propane heating system with a system using natural gas, provided the new system uses one of the following heating appliances:

i. an "ENERGY STAR" qualified furnace with an Annual Fuel Utilization Efficiency (AFUE) of at least 95% and equipped with a brushless direct current (DC) motor,

ii. a zero-clearance furnace with an AFUE of at least 95%, if the dwelling is a mobile home, and

iii. an "ENERGY STAR" qualified boiler with an AFUE of at least 95%;

(k) work relating to the replacement of an oil, propane or natural gas heating system with a system using electricity;

(l) work relating to the replacement of an oil, propane, natural gas or electricity heating system with a qualified integrated mechanical system (IMS) that is CSA-P.10-07 certified and achieves the premium performance rating;

(m) work relating to the installation of solar thermal panels that comply with the CAN/CSA-F378 standard;

(n) work relating to the installation of combined photovoltaic-thermal solar panels that comply with the CAN/CSA-C61215-08 and CAN/CSA-F378 standards;

(o) work relating to the replacement of a window air-conditioning unit or central air-conditioning system with an "ENERGY STAR" qualified central split or ductless mini-split air-conditioning system including an outdoor unit and at least one indoor head per floor, excluding the basement, that has an Air-Conditioning, Heating, and Refrigeration Institute (AHRI) number and satisfies the minimum requirements specified in subparagraphs i and ii of paragraph *g*;

(p) work relating to the replacement of a central air-conditioning system with an "ENERGY STAR" qualified central split or ductless mini-split air-source heat pump including an outdoor unit and at least one indoor head per floor, excluding the basement, that has an Air-Conditioning, Heating, and Refrigeration Institute (AHRI) number and satisfies the minimum requirements specified in subparagraphs i to iv of paragraph *g*;

(q) work relating to the replacement of a propane or natural gas water heater with one of the following appliances using the same fuel:

i. an "ENERGY STAR" qualified instantaneous water heater that has an energy factor (EF) of at least 0.82,

ii. an "ENERGY STAR" qualified instantaneous condensing water heater that has an EF of at least 0.90, or

iii. a condensing storage-type water heater that has a thermal efficiency of 95% or more;

(r) work relating to the replacement of an oil-fired water heater with a water heater using propane or natural gas or the replacement of a propane-fired water heater with a water heater using natural gas, provided the new water heater is described in any of subparagraphs i to iii of paragraph *q*;

(s) work relating to the replacement of an oil, propane or natural gas water heater with a water heater using electricity;

(t) work relating to the installation of a solar hot water system that provides a minimum energy contribution of seven gigajoules per year and is CAN/CSA-F379 certified, provided such system appears on the CanmetENERGY Performance Directory of Solar Domestic Hot Water Systems;

(u) work relating to the installation of a drain-water heat recovery system;

(v) work relating to the installation of solar thermal panels that comply with the CAN/CSA-F378 standard;

(w) work relating to the installation of combined photovoltaic-thermal solar panels that comply with the CAN/CSA-C61215-08 and CAN/CSA-F378 standards;

(x) work relating to the installation of an "ENERGY STAR" qualified heat recovery ventilator or energy-recovery ventilator certified by the Home Ventilating Institute (HVI) and listed in Section 3 of its product directory (Certified Home Ventilating Products Directory) if, where the installation makes it possible to replace an older ventilator, the new appliance is more efficient than the older one;

(y) work relating to the installation of an underground rain water recovery tank;

(z) work relating to the construction, renovation, modification or rebuilding of a system for the discharge, collection and disposal of waste water, toilet effluents or grey water in accordance with the Regulation respecting waste water disposal systems for isolated dwellings(chapter Q-2, r. 22);

(z.1) work relating to the restoration of a buffer strip in accordance with the requirements of the Protection Policy for Lakeshores, Riverbanks, Littoral Zones and Floodplains (chapter Q-2, r. 35);

(z.2) work relating to the decontamination of fuel oil-contaminated soil in accordance with the requirements of the Soil Protection and Contaminated Sites Rehabilitation Policy of the Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs, available on that department's website;

(z.3) work relating to the construction of a green roof; for that purpose, a green roof is a roof that is fully or partially covered with vegetation and that includes a waterproof membrane, a drainage membrane and a growth medium to protect the roof and host vegetation;

(z.4) work relating to the installation of photovoltaic solar panels that comply with the CAN/CSA-C61215-08 standard; or

(z.5) work relating to the installation of a domestic wind turbine that complies with the CAN/CSA-C61400-2-08 standard.

2015, c. 21, s. 492.

1029.8.154. For the purposes of paragraph *b* of the definition of "eco-friendly renovation expenditure" in section 1029.8.153, a merchant is deemed to hold a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1) if the merchant is not a registrant for the purposes of that Act because the merchant is a small supplier within the meaning of section 1 of that Act.

2015, c. 21, s. 492.

1029.8.155. For the purposes of the definition of "eligible dwelling" in section 1029.8.153, the following rules apply:

(a) a dwelling that is a manufactured home or a mobile home is considered to be permanently installed only if

i. it is set on permanent foundations,

ii. it is served by a waterworks and sewer system, by an artesian well and a septic tank, or by a combination of these as necessary for the supply of drinking water and the drainage of waste water, and

iii. it is permanently connected to an electrical distribution system; and

(b) a dwelling is deemed to include the land subjacent to it and such portion of any contiguous land as can reasonably be regarded as contributing to the use and enjoyment of the dwelling.

2015, c. 21, s. 492.

1029.8.156. For the purpose of determining an individual's qualified expenditure for a taxation year in relation to an eligible dwelling, the following rules apply:

(a) the amount of the qualified expenditure is to be reduced by

i. an amount that is deductible in computing an individual's income from a business or property for the year or any other taxation year,

ii. an amount that is included in the capital cost of depreciable property,

iii. an amount that is taken into account in computing

(1) an amount that is deducted in computing the tax payable by an individual for the year or any other taxation year under this Part, or

(2) an amount that is deemed to have been paid to the Minister on account of the tax payable by an individual for the year or any other taxation year under this Part, except an amount that is deemed, under this division, to have been paid to the Minister on account of the tax payable by an individual under this Part, and

iv. an amount that is government assistance, non-government assistance, a reimbursement or any other form of assistance, including an indemnity paid under an insurance contract, attributable to the expenditure, that the individual or any other person (other than the person acting as a qualified contractor under the eco-friendly renovation agreement under which the expenditure is incurred) has received, is entitled to receive or may reasonably expect to receive in any taxation year, except to the extent that the amount has reduced the individual's qualified expenditure for a preceding taxation year;

(b) an amount paid under an eco-friendly renovation agreement in relation to recognized eco-friendly renovation work carried on by a qualified contractor may be included in the individual's qualified expenditure for a taxation year only if the qualified contractor certifies, in the prescribed form containing prescribed information, that the property used in carrying out the work complies, where required, with the energy or environmental standards to which the definition of "recognized eco-friendly renovation work" in section 1029.8.153 refers in respect of the property;

(c) where an eco-friendly renovation agreement entered into with a qualified contractor does not deal only with recognized eco-friendly renovation work, an amount paid under the agreement may be included in the individual's qualified expenditure for a taxation year only if the qualified contractor gives the individual a written statement showing the breakdown of the cost of the property and services the qualified contractor supplied among the various types of work carried on under the agreement; and

(d) where the individual's eligible dwelling is an apartment in an immovable under divided co-ownership, the individual's qualified expenditure for a taxation year is deemed to include the individual's share of an expenditure paid by the syndicate of co-owners if

i. it is reasonable to consider that the expenditure would be an eco-friendly renovation expenditure of an individual if the syndicate of co-owners were an individual and the immovable were an eligible dwelling of the individual, and

ii. the syndicate of co-owners notifies the individual in writing of the amount of the individual's share of the expenditure.

2015, c. 21, s. 492.

§ 2. — *Credits*

2015, c. 21, s. 492.

1029.8.157. An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2013 is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2013 on account of the individual's tax payable under this Part for that year, an amount equal to the lesser of $10,000 and the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the taxation year 2013 in relation to an eligible dwelling of the individual exceeds $2,500, if the individual files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information.

An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2014 is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2014 on account of the individual's tax payable under this Part for that year, if the individual files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required

to so file if tax were payable for the year, the prescribed form containing prescribed information, an amount equal to the lesser of

(a) the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the taxation year 2014, in relation to an eligible dwelling of the individual, exceeds the amount by which $2,500 exceeds the individual's qualified expenditure, in relation to the eligible dwelling, for the taxation year 2013; and

(b) the amount by which $10,000 exceeds the aggregate of all amounts each of which is an amount that the individual, or a person together with whom the individual owns the eligible dwelling, is deemed to have paid to the Minister under the first paragraph, in relation to the eligible dwelling.

For the purposes of this section, an individual who dies or ceases to be resident in Canada in a taxation year is deemed to be resident in Québec at the end of 31 December of that year if the individual was resident in Québec immediately before dying or, as the case may be, on the last day the individual was resident in Canada.

2015, c. 21, s. 492.

1029.8.158. If, for a taxation year, more than one individual could, but for this section, be deemed to have paid an amount to the Minister under section 1029.8.157 in relation to an eligible dwelling that the individuals jointly own, the following rules apply:

(a) if those individuals became owners of the eligible dwelling at the same time, the total of the amounts that each of those individuals may be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling may not exceed the particular amount that only one of those individuals could be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling if that individual were the sole owner of the eligible dwelling; and

(b) in any other case, the total of the amounts that each of those individuals may be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling may not exceed the particular amount that the individual from among those individuals who holds the oldest title of ownership or, if more than one of them holds such a title, one of those individuals, could be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling if that individual were the sole owner of the eligible dwelling.

If the individuals cannot agree as to what portion of the particular amount each would, but for this section, be deemed to have paid to the Minister under section 1029.8.157, the Minister may determine what portion of that amount is deemed to be paid to the Minister by each individual under that section.

2015, c. 21, s. 492.

DIVISION II.24

CREDIT FOR HOME RENOVATION

2015, c. 21, s. 492.

§ 1. — *Interpretation and general rules*

2015, c. 21, s. 492.

1029.8.159. In this division,

"eligible home" of an individual means a dwelling that is located in Québec, other than an excluded home, of which construction is completed before 1 January 2014 and of which the individual is the owner when the

home renovation expenditures are incurred, that constitutes, at that time, the individual's principal place of residence and that is

(a) an individual house that is detached, semi-detached or a row house;

(b) a permanently installed manufactured home or mobile home;

(c) an apartment in an immovable under divided co-ownership; or

(d) a unit in a residential duplex or triplex;

"excluded home" means a dwelling that, before the beginning of the carrying out of recognized home renovation work, was the subject of

(a) a notice of expropriation or a notice of intention to expropriate;

(b) a reserve for public purposes; or

(c) a prior notice of the exercise of a hypothecary right registered in the registry office or any other procedure calling the individual's right of ownership of the dwelling into question;

"home renovation agreement" entered into in respect of an individual's eligible home means an agreement under which a qualified contractor undertakes to carry out recognized home renovation work in respect of the individual's eligible home that is entered into after 24 April 2014 and before 1 July 2015 between the qualified contractor and

(a) the individual; or

(b) a person who, at the time the agreement is entered into, is either the individual's spouse, or another individual who is the owner of the eligible home or the other individual's spouse;

"home renovation expenditure" means an expenditure that is attributable to recognized home renovation work carried out by a qualified contractor pursuant to a home renovation agreement and that is

(a) the cost of a service supplied by the qualified contractor, including the amount of any goods and services tax and Québec sales tax applicable;

(b) the cost of a movable property, other than a household appliance, an electrical appliance or an electronic entertainment device, that is used in the carrying out of recognized home renovation work provided for in the home renovation agreement and described in any of subparagraphs i to xxvii of paragraph *a* of the definition of "recognized home renovation work", including the amount of any goods and services tax and Québec sales tax applicable, provided that the movable property was acquired, after 24 April 2014, from the qualified contractor or a merchant holding a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1) and that, after the carrying out of the work, the property

i. has been incorporated into the eligible home, has lost its individuality and ensures the utility of the home, or

ii. has been permanently physically attached or joined to the eligible home, without losing its individuality or being incorporated into the eligible home, and ensures the utility of the home;

(c) the cost of a movable property that is used in the carrying out of recognized home renovation work provided for in the home renovation agreement and described in any of paragraphs *a*, *c* to *z*.2, *z*.4 and *z*.5 of the definition of "recognized eco-friendly renovation work" in section 1029.8.153, including the amount of any goods and services tax and Québec sales tax applicable, provided that the movable property was acquired, after 24 April 2014, from the qualified contractor or a merchant holding a registration number assigned under the Act respecting the Québec sales tax; or

(d) the cost of a permit necessary to carry out the recognized home renovation work, including the cost of studies carried out to obtain such a permit;

"intergenerational home" means a single-family home in which an independent dwelling, allowing more than one generation of the same family to live together while preserving their privacy, is built;

"qualified contractor" in relation to a home renovation agreement entered into in respect of an individual's eligible home means a person or a partnership meeting the following conditions:

(a) at the time the agreement is entered into, the person or partnership has an establishment in Québec and, if the person is an individual, is neither the owner of the eligible home nor the spouse of one of the owners of the eligible home; and

(b) at the time the recognized home renovation work provided for in the agreement is being carried out and if required for the carrying out of such work, the person or partnership is the holder of the appropriate licence issued by the Régie du bâtiment du Québec, the Corporation des maîtres électriciens du Québec or the Corporation des maîtres mécaniciens en tuyauterie du Québec and, if applicable, has paid the licence security payable under the Building Act (chapter B-1.1);

"qualified expenditure" of an individual, in relation to an eligible home of the individual, for a particular taxation year that is either the taxation year 2014 or the taxation year 2015 means the aggregate of all amounts each of which is a home renovation expenditure of the individual that is paid in the particular year, in relation to the eligible home, by the individual or the individual's legal representative, by a person who is the individual's spouse at the time the payment is made, or by any other individual who, at the time the expenditure is incurred, owns the eligible home;

"recognized home renovation work" in respect of an eligible home means work, other than work excluded because of section 1029.8.162, that is carried out in compliance with the rules set out in any Act, regulation or by-law of Canada, Québec or a municipality of Québec and the policies that apply according to the type of intervention, including necessary site restoration work, that is,

(a) in respect of a home renovation agreement entered into before 1 November 2014, work relating to

i. the renovation of one or more rooms in the home,

ii. the division of rooms,

iii. the finishing of a basement, attic or an integrated garage or garage adjoining the home,

iv. the adaptation of the interior of the home to the needs of a handicapped person or a person suffering a loss of independence,

v. the replacement of the plumbing or electrical system,

vi. the installation or replacement of a lighting system,

vii. the refurbishing of floors,

viii. the replacement of floor coverings,

ix. the replacement of doors that do not give access to the exterior of the dwelling,

x. the modification of the covering of interior walls and ceilings,

xi. the replacement, building or modification of an interior stairway,

xii. the installation of permanently fixed blinds and shutters,

xiii. the installation of an alarm, security or home automation system,

xiv. the expansion of the living space of the home, including work relating to the envelope and mechanical systems of the additions to the home, if the property that is used in the carrying out of the work complies, where required, with the energy or environmental standards to which any of paragraphs *a* and *c* to *x* of the definition of "recognized eco-friendly renovation work" in section 1029.8.153 refers in respect of the property,

xv. the conversion of a single-dwelling home into an intergenerational home, including work relating to the envelope and mechanical systems of the additions to the home, if the property that is used in the carrying out of the work complies, where required, with the energy or environmental standards to which any of paragraphs *a* and *c* to *x* of the definition of "recognized eco-friendly renovation work" in section 1029.8.153 refers in respect of the property,

xvi. the replacement of weeping tiles, sanitary drain, fall pipe or foundation drain,

xvii. the repair of the foundation,

xviii. the waterproofing of the foundation,

xix. the air sealing of the envelope of the home or a portion of it,

xx. the pressure cleaning of the exterior siding,

xxi. the replacement of the exterior siding,

xxii. the painting of the envelope of the home,

xxiii. the replacement of swing shutters,

xxiv. the replacement of soffits and fascia,

xxv. the replacement of the roofing and eavestroughs,

xxvi. the repair of a chimney, or

xxvii. the replacement of a garage door for a garage integrated into or adjoining the home; or

(b) in respect of a home renovation agreement entered into after 31 October 2014, work described in any of subparagraphs i to xxvii of paragraph *a* and work described in any of paragraphs *a*, *c* to *z*.2, *z*.4 and *z*.5 of the definition of "recognized eco-friendly renovation work" in section 1029.8.153.

2015, c. 21, s. 492.

1029.8.160. For the purposes of paragraphs *b* and *c* of the definition of "home renovation expenditure" in section 1029.8.159, a merchant is deemed to hold a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1) if the merchant is not a registrant for the purposes of that Act because the merchant is a small supplier within the meaning of section 1 of that Act.

2015, c. 21, s. 492.

1029.8.161. For the purposes of the definition of "eligible home" in section 1029.8.159, the following rules apply:

(a) a dwelling that is a manufactured home or a mobile home is considered to be permanently installed only if

i. it is set on permanent foundations,

ii. it is served by a waterworks and sewer system, by an artesian well and a septic tank, or by a combination of these as necessary for the supply of drinking water and the drainage of waste water, and

iii. it is permanently connected to an electrical distribution system;

(b) a dwelling includes the land subjacent to it and such portion of any contiguous land as can reasonably be regarded as contributing to the use and enjoyment of the dwelling;

(c) a dwelling does not include a structure adjoining or accessory to the dwelling, other than a garage or carport if

i. the garage or carport shares, in whole or in part, a wall with the dwelling, or

ii. the roof of the garage or carport is connected to the dwelling; and

(d) a dwelling that is an apartment in an immovable under divided co-ownership includes only the portion of the apartment that consists of a private portion as well as the partitions or walls that are not part of the foundations and main walls of the immovable and that separate a private portion from a common portion or from another private portion.

2015, c. 21, s. 492.

1029.8.162. In respect of a home renovation agreement entered into before 1 November 2014, the following work is excluded:

(a) work consisting exclusively of annual, periodic or ongoing maintenance or repair work;

(b) work whose sole purpose is to refurbish any part of a dwelling following breakage, malfunction or loss;

(c) work relating to the envelope of the dwelling that is attributable to the insulation of the roof, exterior walls, foundations and exposed floors of the dwelling or to the replacement or addition of doors, windows or skylights, other than a garage door for a garage integrated into or adjoining the dwelling or work described in subparagraph xiv or xv of paragraph *a* of the definition of "recognized home renovation work" in section 1029.8.159;

(d) work relating to the mechanical systems of the dwelling, such as the heating system, air conditioning system, water heating system and ventilation system, other than work described in subparagraph xiv or xv of paragraph *a* of the definition of "recognized home renovation work" in section 1029.8.159; and

(e) work relating to the installation of solar panels.

In respect of a home renovation agreement entered into after 31 October 2014, work described in subparagraphs *a* and *b* of the first paragraph is excluded.

2015, c. 21, s. 492.

1029.8.163. For the purpose of determining an individual's qualified expenditure for a taxation year in relation to an eligible home, the following rules apply:

(a) an amount paid under a home renovation agreement, in relation to recognized home renovation work, may not be included in the individual's qualified expenditure for a taxation year if it is

i. an amount incurred to acquire property used by the individual before the acquisition under a contract of lease,

ii. an amount that is deductible in computing an individual's income from a business or property for the year or any other taxation year,

iii. an amount that is included in the capital cost of depreciable property,

iv. an amount that is taken into account in computing

(1) an amount that is deducted in computing the tax payable by an individual for the year or any other taxation year under this Part, or

(2) an amount that is deemed to have been paid to the Minister on account of the tax payable by an individual for the year or any other taxation year under this Part, except an amount that is deemed, under this division, to have been paid to the Minister on account of the tax payable by an individual under this Part,

v. an amount used to finance the cost of recognized home renovation work, or

vi. an amount attributable to property or services supplied by a person with whom the individual or any of the other owners of the eligible home is not dealing at arm's length, unless the person holds a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1);

(b) the individual's qualified expenditure must be reduced by the amount of any government assistance, non-government assistance, reimbursement or other form of assistance, including an indemnity paid under an insurance contract, attributable to the expenditure, that the individual or any other person (other than the person acting as a qualified contractor under the home renovation agreement under which the expenditure is incurred) has received, is entitled to receive or may reasonably expect to receive in any taxation year, except to the extent that the amount has reduced the individual's qualified expenditure for a preceding taxation year;

(c) an amount paid under a home renovation agreement may be included in the individual's qualified expenditure only if the qualified contractor carrying out the recognized home renovation work certifies, in the prescribed form referred to in the first or second paragraph of section 1029.8.164, that the property used in carrying out the work complies, where required, with the energy or environmental standards to which the definition of "recognized eco-friendly renovation work" in section 1029.8.153 refers in respect of the property; and

(d) where a home renovation agreement entered into with a qualified contractor does not deal only with recognized home renovation work, an amount paid under the agreement may be included in the individual's qualified expenditure only if the qualified contractor gives the individual a written statement showing the breakdown of the cost of the property and services the qualified contractor supplied among the various types of work carried on under the agreement.

2015, c. 21, s. 492.

§ 2. — *Credits*

2015, c. 21, s. 492.

1029.8.164. An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2014 is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2014 on account of the individual's tax payable under this Part for that year, an amount equal to the lesser of $2,500 and the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the taxation year 2014 in relation to an eligible home of the individual exceeds $3,000, if the individual files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information.

An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2015 is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2015 on account of the individual's tax payable under this Part for that year, if the individual files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information, an amount equal to the lesser of

(a) the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the taxation year 2015, in relation to an eligible home of the individual, exceeds the amount by which $3,000 exceeds the individual's qualified expenditure, in relation to the eligible home, for the taxation year 2014; and

(b) the amount by which $2,500 exceeds the aggregate of all amounts each of which is an amount that the individual, or a person together with whom the individual owns the eligible home, is deemed to have paid to the Minister under the first paragraph, in relation to the eligible home.

For the purposes of this section, an individual who dies or ceases to be resident in Canada in a taxation year is deemed to be resident in Québec at the end of 31 December of that year if the individual was resident in Québec immediately before dying or, as the case may be, on the last day the individual was resident in Canada.

2015, c. 21, s. 492.

1029.8.165. For the purpose of determining the amount that an individual is deemed to have paid to the Minister for a taxation year under section 1029.8.164 in relation to an eligible home of the individual, for any period between 24 April 2014 and 1 July 2015 throughout which the individual owns an intergenerational home that is the individual's principal place of residence, each independent dwelling built in the home is deemed to be a separate eligible home of the individual, if the individual so elects in the prescribed form referred to in the first or second paragraph of section 1029.8.164.

Where more than one individual owns an intergenerational home and the home is the principal place of residence of those individuals, the election referred to in the first paragraph and made by one of them is deemed to have been made by each of the other owners.

For the purposes of this section, an intergenerational home includes a home in respect of which work described in subparagraph xv of paragraph *a* of the definition of "recognized home renovation work" in section 1029.8.159 is carried out.

2015, c. 21, s. 492.

1029.8.166. Where, for a taxation year, more than one individual could, but for this section, be deemed to have paid an amount to the Minister under section 1029.8.164 in relation to an eligible home they own jointly, the following rules apply:

(a) where the individuals became owners of the eligible home at the same time, the total of the amounts that each of the individuals may be deemed to have paid to the Minister under that section for the year, in relation to the eligible home, may not exceed the particular amount that only one of the individuals could be deemed to have paid to the Minister under that section for the year, in relation to the eligible home, if the individual were the sole owner of the home; and

(b) in any other case, the total of the amounts that each of the individuals may be deemed to have paid to the Minister under that section for the year, in relation to the eligible home, may not exceed the particular amount that the individual who holds the oldest title of ownership or, if several of them hold such a title, one of them, could be deemed to have paid to the Minister under that section for the year, in relation to the eligible home, if the individual were the sole owner of the home.

If the individuals cannot agree as to what portion of the particular amount each would, but for this section, be deemed to have paid to the Minister under section 1029.8.164, the Minister may determine what portion of that amount is deemed to be paid to the Minister by each individual under that section.

2015, c. 21, s. 492.

DIVISION II.25

CREDIT FOR ECO-FRIENDLY RENOVATION (RÉNOVERT)

2017, c. 1, s. 336.

§ 1. — *Interpretation and general rules*

2017, c. 1, s. 336.

1029.8.167. In this division,

"eco-friendly renovation agreement" entered into in respect of an individual's eligible dwelling means an agreement under which a qualified contractor undertakes to carry out recognized eco-friendly renovation work in respect of the individual's eligible dwelling that is entered into after 17 March 2016 and before 1 April 2019 between the qualified contractor and

(a) the individual;

(b) a person who, at the time the agreement is entered into, is either the individual's spouse, or another individual who is the owner of the eligible dwelling or the other individual's spouse; or

(c) where the individual's eligible dwelling is an apartment in an immovable under divided co-ownership, the syndicate of co-owners of the immovable;

"eco-friendly renovation expenditure" means an expenditure that is attributable to the carrying out of recognized eco-friendly renovation work provided for in an eco-friendly renovation agreement and that is

(a) the cost of a service supplied to carry out the work by a qualified contractor who is a party to the eco-friendly renovation agreement, including the amount of any goods and services tax and Québec sales tax applicable;

(b) the cost of a movable property that enters into the carrying out of the recognized eco-friendly renovation work provided for in the eco-friendly renovation agreement, including the amount of any goods and services tax and Québec sales tax applicable, provided that the movable property was acquired after 17 March 2016 from the qualified contractor or a merchant holding a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1) and that it complies, where required, with the energy or environmental standards to which the definition of "recognized eco-friendly renovation work" refers in respect of the property; or

(c) the cost of a permit necessary to carry out the recognized eco-friendly renovation work, including the cost of studies carried out to obtain such a permit;

"eligible dwelling" of an individual means a dwelling that is located in Québec, other than an excluded dwelling, of which construction is completed before 1 January 2016 and of which the individual is the owner when the eco-friendly renovation expenditures are incurred and that is

(a) an individual house that is detached, semi-detached or a row house, a permanently installed manufactured home or mobile home, an apartment in an immovable under divided co-ownership or a unit in a multiple-unit residential complex that constitutes, at that time, the individual's principal place of residence; or

(b) is a cottage suitable for year-round occupancy that is normally occupied by the individual;

"excluded dwelling" means a dwelling that, before recognized eco-friendly renovation work began to be carried out, was the subject of

(a) a notice of expropriation or a notice of intention to expropriate;

(b) a reserve for public purposes; or

(c) a prior notice of the exercise of a hypothecary right registered in the registry office or any other procedure calling the individual's right of ownership of the dwelling into question;

"intergenerational home" means a single-family home in which an independent dwelling, allowing more than one generation of the same family to live together while preserving their privacy, is built;

"qualified contractor" in relation to an eco-friendly renovation agreement entered into in respect of an individual's eligible dwelling means a person or a partnership meeting the following conditions:

(a) at the time the agreement is entered into, the person or partnership has an establishment in Québec and, if the person is an individual, is neither the owner of the eligible dwelling nor the spouse of one of the owners of the eligible dwelling; and

(b) at the time the recognized eco-friendly renovation work is being carried out and if required for the carrying out of such work, the person or partnership is the holder of the appropriate licence issued by the Régie du bâtiment du Québec, the Corporation des maîtres électriciens du Québec or the Corporation des maîtres mécaniciens en tuyauterie du Québec and, if applicable, has paid the licence security payable under the Building Act (chapter B-1.1);

"qualified expenditure" of an individual, in relation to an eligible dwelling of the individual, for a particular taxation year that is any of the taxation years 2016 to 2019 means the aggregate of all amounts each of which is an eco-friendly renovation expenditure of the individual that is paid, in relation to the eligible dwelling, by the individual or the individual's legal representative, by a person who is the individual's spouse at the time the payment is made, or by any other individual who, at the time the expenditure is incurred, owns the eligible dwelling, in any of the following periods:

(a) after 17 March 2016 and before 1 January 2017, where the particular year is the taxation year 2016;

(b) after 31 December 2016 and before 1 January 2018, where the particular year is the taxation year 2017;

(c) after 31 December 2017 and before 1 January 2019, where the particular year is the taxation year 2018; or

(d) after 31 December 2018 and before 1 January 2020, where the particular year is the taxation year 2019;

"recognized eco-friendly renovation work" in respect of an eligible dwelling means, subject to the second and third paragraphs, work carried out in compliance with the rules set out in any Act, regulation or by-law of Canada, Québec or a municipality of Québec and the policies that apply according to the type of intervention, including necessary site restoration work, that is

(a) work relating to the insulation of the roof, exterior walls, foundations and exposed floors provided the work is made using insulation materials certified "GREENGUARD" or "EcoLogo", and that the insulation materials satisfy the following standards:

i. in the case of the insulation of the attic, the insulating value achieved must be R-41.0 (RSI 7.22) or more,

ii. in the case of the insulation of a flat roof or of a cathedral ceiling, the insulating value achieved must be R-28.0 (RSI 4.93) or more,

iii. in the case of the insulation of the exterior walls, the increase in the insulating value must be R-3.8 (RSI 0.67) or more,

iv. in the case of the insulation of the basement, including the header area,

(1) for the walls, the insulating value achieved must be R-17.0 (RSI 3.0) or more, and

(2) for the header area, the insulating value achieved must be R-20.0 (RSI 3.52) or more,

v. in the case of the insulation of the crawl space, including the header area,

(1) for the exterior walls, including the header area, the insulating value achieved must be R-17.0 (RSI 3.0) or more, and

(2) for the floor area above the crawl space, the insulating value achieved must be R-24.0 (RSI 4.23) or more, and

vi. in the case of the insulation of exposed floors, the increase in the insulating value must be R-29.5 (RSI 5.20) or more;

(b) work relating to the water-proof sealing of the foundations or the air sealing of the envelope of the dwelling or of a portion of it, such as the walls, doors, windows and skylights;

(c) work relating to the replacement or addition of doors, windows and skylights with "ENERGY STAR" qualified models for the climate zone where the dwelling is located;

(d) work relating to the installation of a living roof; for that purpose, a living roof is a roof that is fully or partially covered with vegetation and that includes a waterproof membrane, a drainage membrane and a growth medium to protect the roof and host vegetation;

(e) work relating to the replacement of a flat roof or a roof whose slope is less than 2 units vertical in 12 units horizontal (2:12) or 16.7% by a reflective roof; for that purpose, authorized roof coverings include materials that are white, painted white, covered with a reflective coating, covered with a white ballast or whose solar reflectance index (SRI) is at least 78 according to the manufacturer's specifications;

(f) work relating to the replacement of an indoor wood-burning system or appliance with one of the following:

i. an indoor wood-burning system or appliance that complies with the CSA-B415.1-10 standard or the 40 CFR Part 60 Subpart AAA standard of the Environmental Protection Agency (EPA) of the United States on wood-burning appliances; if the appliance is not tested by the EPA, it must be certified in accordance with the CSA-B415.1-10 standard,

ii. an indoor pellet-burning appliance, including stoves, furnaces and boilers that burn wood, corn, grain or cherry pits, and

iii. an indoor masonry heater;

(g) work relating to the replacement of a solid fuel-fired outdoor boiler with an outdoor wood-burning heating system that complies with the CAN/CSA-B415.1 standard or the Outdoor Wood-fired Hydronic Heater program of the EPA (OWHH Method 28, phase 1 or 2), provided the capacity of the new system is equal to or smaller than the capacity of the one it replaces;

(h) work relating to the installation of an "ENERGY STAR" qualified central split or ductless mini-split air-source heat pump including an outdoor unit and at least one indoor head per floor, excluding the basement, that has an Air-Conditioning, Heating, and Refrigeration Institute (AHRI) number and satisfies the following minimum requirements:

i. it has a Seasonal Energy Efficiency Ratio (SEER) of 15.0,

ii. it has an Energy Efficiency Ratio (EER) of 12.5,

iii. it has a Heating Seasonal Performance Factor (HSPF) of 7.4 for region V, and

iv. it has a heating capacity of 12,000 Btu/h;

(i) work relating to the installation of a geothermal system certified by the Canadian GeoExchange Coalition (CGC); for that purpose, only a CGC-certified business may install the heat pump in accordance with the CAN/CSA-C448-16 standard and the CGC must certify the system after installation;

(j) work relating to the replacement of the heat pump of an existing geothermal system; for that purpose, only a business certified by the CGC may install the heat pump in accordance with the CAN/CSA-C448-16 standard;

(k) work relating to the replacement of an oil heating system with a system using propane or natural gas, provided the new system uses one of the following heating appliances:

i. an "ENERGY STAR" qualified furnace with an Annual Fuel Utilization Efficiency (AFUE) of at least 95% and equipped with a brushless direct current (DC) motor,

ii. a zero-clearance furnace with an AFUE of at least 95%, if the dwelling is a mobile home, and

iii. an "ENERGY STAR" qualified boiler with an AFUE of at least 90%;

(l) work relating to the replacement of an oil, propane or natural gas heating system with a system using electricity;

(m) work relating to the replacement of an oil, propane, natural gas or electricity heating system with a qualified integrated mechanical system (IMS) that is CSA-P.10-07 certified and achieves the premium performance rating;

(n) work relating to the installation of solar thermal panels that comply with the CAN/CSA-F378-11 standard;

(o) work relating to the installation of combined photovoltaic-thermal solar panels that comply with the CAN/CSA-C61215-08 and CAN/CSA-F378-11 standards;

(p) work relating to the replacement of a window air-conditioning unit or central air-conditioning system with an "ENERGY STAR" qualified central split or ductless mini-split air-conditioning system including an outdoor unit and at least one indoor head per floor, excluding the basement, that has an Air-Conditioning, Heating, and Refrigeration Institute (AHRI) number and satisfies the minimum requirements specified in subparagraphs i and ii of paragraph *h*;

(q) work relating to the replacement of a central air-conditioning system with an "ENERGY STAR" qualified central split or ductless mini-split air-source heat pump including an outdoor unit and at least one indoor head per floor, excluding the basement, that has an Air-Conditioning, Heating, and Refrigeration Institute (AHRI) number and satisfies the minimum requirements specified in subparagraphs i to iv of paragraph *h*;

(r) work relating to the replacement of an oil-fired water heater with a water heater using propane or natural gas, provided the new water heater is one of the following:

i. an "ENERGY STAR" qualified instantaneous water heater that has an energy factor (EF) of at least 0.90, or

ii. a condensing storage-type water heater that has a thermal efficiency of 95% or more;

(s) work relating to the replacement of an oil, propane or natural gas water heater with a water heater using electricity;

(t) work relating to the installation of a solar hot water system that provides a minimum energy contribution of 7 gigajoules per year and is CAN/ CSA-F379-09 certified, provided such system appears on the CanmetENERGY Performance Directory of Solar Domestic Hot Water Systems;

(u) work relating to the installation of a drain-water heat recovery system;

(v) work relating to the installation of solar thermal panels that comply with the CAN/CSA-F378-11 standard;

(w) work relating to the installation of combined photovoltaic-thermal solar panels that comply with the CAN/CSA-C61215-08 and CAN/CSA-F378-11 standards;

(x) work relating to the installation of an "ENERGY STAR" qualified heat recovery ventilator or energy-recovery ventilator certified by the Home Ventilating Institute (HVI) and listed in Section 3 of its product directory (Certified Home Ventilating Products Directory) if, where the installation makes it possible to replace an older ventilator, the new appliance is more efficient than the older one;

(y) work relating to the installation of an underground rain water recovery tank;

(z) work relating to the construction, renovation, modification or rebuilding of a system for the discharge, collection or disposal of waste water, toilet effluents or grey water in accordance with the Regulation respecting waste water disposal systems for isolated dwellings (chapter Q-2, r. 22);

(z.1) work relating to the restoration of a buffer strip in accordance with the requirements of the Protection Policy for Lakeshores, Riverbanks, Littoral Zones and Floodplains (chapter Q-2, r. 35);

(z.2) work relating to the decontamination of fuel oil-contaminated soil in accordance with the requirements of the Soil Protection and Contaminated Sites Rehabilitation Policy of the Ministère du Développement durable, de l'Environnement et des Parcs, available on that department's website;

(z.3) work relating to the installation of photovoltaic solar panels that comply with the CAN/CSA-C61215-08 standard; or

(z.4) work relating to the installation of a domestic wind turbine that complies with the CAN/CSA-C61400-2-08 standard.

Where the definition of "recognized eco-friendly renovation work" in the first paragraph applies in respect of a dwelling described in paragraph *a* of the definition of "eligible dwelling" in the first paragraph in connection with an agreement entered into after 31 March 2017 and before 1 April 2019, it is to be read without reference to its paragraph *z*.

Where the definition of "recognized eco-friendly renovation work" in the first paragraph applies in respect of a dwelling described in paragraph *b* of the definition of "eligible dwelling" in the first paragraph, it is to be read without reference to its paragraphs *y* to *z*.1.

2017, c. 1, s. 336; 2017, c. 29, s. 194; 2019, c. 14, s. 413.

1029.8.168. For the purposes of paragraph *b* of the definition of "eco-friendly renovation expenditure" in the first paragraph of section 1029.8.167, a merchant is deemed to hold a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1) if the merchant is not a registrant for the purposes of that Act because the merchant is a small supplier within the meaning of section 1 of that Act.

2017, c. 1, s. 336.

1029.8.169. For the purposes of the definition of "eligible dwelling" in the first paragraph of section 1029.8.167, the following rules apply:

(a) a dwelling that is a manufactured home or a mobile home is considered to be permanently installed only if

i. it is set on permanent foundations,

ii. it is served by a waterworks and sewer system, by an artesian well and a septic tank, or by a combination of these as necessary for the supply of drinking water and the drainage of waste water, and

iii. it is permanently connected to an electrical distribution system;

(b) a dwelling is deemed to include the land subjacent to it and such portion of any contiguous land as can reasonably be regarded as contributing to the use and enjoyment of the dwelling; and

(c) a dwelling does not include a structure adjoining or accessory to the dwelling, except for a garage

i. that shares, in whole or in part, a wall with the dwelling, or

ii. whose roof is connected to the dwelling.

2017, c. 1, s. 336.

1029.8.170. For the purpose of determining an individual's qualified expenditure for a taxation year in relation to an eligible dwelling, the following rules apply:

(a) the amount of the qualified expenditure may not include

i. an amount that is used to finance the cost of recognized eco-friendly renovation work,

ii. an amount that is attributable to property or services supplied by a person not dealing at arm's length with the individual or with any of the other owners of the dwelling, unless the person holds a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1),

iii. an amount that is incurred to acquire property used by the individual before the acquisition under a contract of lease,

iv. an amount that is deductible in computing an individual's income from a business or property for the year or any other taxation year,

v. an amount that is included in the capital cost of depreciable property, and

vi. an amount that is taken into account in computing

(1) an amount that is deducted in computing the tax payable by an individual for the year or any other taxation year under this Part, or

(2) an amount that is deemed to have been paid to the Minister on account of the tax payable by an individual for the year or any other taxation year under this Part, except an amount that is deemed, under this division, to have been paid to the Minister on account of the tax payable by an individual under this Part;

(b) the qualified expenditure must be reduced by the amount of any government assistance, non-government assistance, reimbursement or other form of assistance, including an indemnity paid under an insurance contract, attributable to the expenditure, that the individual or any other person (other than the person acting as a qualified contractor under the eco-friendly renovation agreement under which the expenditure is incurred) has received, is entitled to receive or may reasonably expect to receive in any taxation year, except to the extent that the amount has reduced the individual's qualified expenditure for a preceding taxation year;

(c) an amount paid under an eco-friendly renovation agreement in relation to recognized eco-friendly renovation work carried on by a qualified contractor may be included in the individual's qualified expenditure only if the qualified contractor certifies, in the prescribed form containing prescribed information, that the property used in carrying out the work complies, where required, with the energy or environmental standards to which the definition of "recognized eco-friendly renovation work" in the first paragraph of section 1029.8.167 refers in respect of the property;

(d) where an eco-friendly renovation agreement entered into with a qualified contractor does not deal only with recognized eco-friendly renovation work, an amount paid under the agreement may be included in the individual's qualified expenditure only if the qualified contractor gives the individual a written statement showing the breakdown of the cost of the property and services the qualified contractor supplied among the various types of work carried on under the agreement; and

(e) where the individual's eligible dwelling is an apartment in an immovable under divided co-ownership, the individual's qualified expenditure is deemed to include the individual's share of an expenditure paid by the syndicate of co-owners if

i. it is reasonable to consider that the expenditure would be an eco-friendly renovation expenditure of an individual if the syndicate of co-owners were an individual and the immovable were an eligible dwelling of the individual, and

ii. the syndicate of co-owners provided the individual, in the prescribed form, with information relating to the work and the amount of the individual's share of the expenditure.

2017, c. 1, s. 336.

§ 2. — *Credits*

2017, c. 1, s. 336.

1029.8.171. An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2016 is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2016 on account of the individual's tax payable under this Part for that year an amount equal to the lesser of $10,000 and the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the taxation year 2016 in relation to an eligible dwelling of the individual exceeds $2,500, if the individual files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information.

An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2017 is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2017 on account of the individual's tax payable under this Part for that year, if the individual files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information, an amount equal to the lesser of

(a) the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the taxation year 2017, in relation to an eligible dwelling of the individual, exceeds the amount by which $2,500 exceeds the individual's qualified expenditure, in relation to the eligible dwelling, for the taxation year 2016; and

(b) the amount by which $10,000 exceeds the aggregate of all amounts each of which is an amount that the individual, or a person together with whom the individual owns the eligible dwelling, is deemed to have paid to the Minister under the first paragraph, in relation to the eligible dwelling.

An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2018 is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2018 on account of the individual's tax payable under this Part for that year, if the individual files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information, an amount equal to the lesser of

(a) the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the taxation year 2018, in relation to an eligible dwelling of the individual, exceeds the amount by which $2,500 exceeds the aggregate of all amounts each of which is the individual's qualified expenditure, in relation to the eligible dwelling, for each of the taxation years 2016 and 2017; and

(b) the amount by which $10,000 exceeds the aggregate of all amounts each of which is an amount that the individual, or a person together with whom the individual owns the eligible dwelling, is deemed to have paid to the Minister under the first or second paragraph, in relation to the eligible dwelling.

An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2019 is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2019 on account of the individual's tax payable under this Part for that year, if the individual files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information, an amount equal to the lesser of

(a) the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the taxation year 2019, in relation to an eligible dwelling of the individual, exceeds the amount by which $2,500 exceeds the aggregate of all amounts each of which is the individual's qualified expenditure, in relation to the eligible dwelling, for each of the taxation years 2016, 2017 and 2018; and

(b) the amount by which $10,000 exceeds the aggregate of all amounts each of which is an amount that the individual, or a person together with whom the individual owns the eligible dwelling, is deemed to have paid to the Minister under any of the first, second and third paragraphs, in relation to the eligible dwelling.

For the purposes of this section, an individual who dies or ceases to be resident in Canada in a taxation year is deemed to be resident in Québec at the end of 31 December of that year if the individual was resident in Québec immediately before dying or, as the case may be, on the last day the individual was resident in Canada.

2017, c. 1, s. 336; 2017, c. 29, s. 195; 2019, c. 14, s. 414.

1029.8.172. For the purpose of determining the amount that an individual is deemed to have paid to the Minister for a taxation year under section 1029.8.171 in relation to an eligible dwelling of the individual, for any period between 17 March 2016 and 1 April 2019 throughout which the individual owns an intergenerational home that is the individual's principal place of residence, each independent dwelling built in the home is deemed to be a separate eligible dwelling of the individual, if the individual so elects in the prescribed form referred to in any of the first, second, third and fourth paragraphs of section 1029.8.171.

Where more than one individual owns an intergenerational home and the home is the principal place of residence of those individuals, the election referred to in the first paragraph and made by one of them is deemed to have been made by each of the other owners.

2017, c. 1, s. 336; 2017, c. 29, s. 196; 2019, c. 14, s. 415.

1029.8.173. If, for a taxation year, more than one individual could, but for this section, be deemed to have paid an amount to the Minister under section 1029.8.171 in relation to an eligible dwelling that the individuals jointly own, the following rules apply:

(a) if those individuals became owners of the eligible dwelling at the same time, the total of the amounts that each of those individuals may be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling may not exceed the particular amount that only one of those individuals could be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling if that individual were the sole owner of the eligible dwelling; and

(b) in any other case, the total of the amounts that each of those individuals may be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling may not exceed the particular amount that the individual from among those individuals who holds the oldest title of ownership or, if more than one of them holds such a title, one of those individuals, could be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling if that individual were the sole owner of the eligible dwelling.

If the individuals cannot agree as to what portion of the particular amount each would, but for this section, be deemed to have paid to the Minister under section 1029.8.171, the Minister may determine what portion of that amount is deemed to be paid to the Minister by each individual under that section.

2017, c. 1, s. 336.

DIVISION II.26

CREDIT FOR THE REPAIR OF SEPTIC SYSTEMS

2017, c. 29, s. 197.

§ 1. — *Interpretation and general rules*

2017, c. 29, s. 197.

1029.8.174. In this division,

"eligible dwelling" of an individual means a dwelling that is located in Québec, other than an excluded dwelling, of which construction is completed before 1 January 2017, of which the individual is the owner when the septic system repair expenditures are incurred, that is an isolated dwelling in respect of which section 2 of the Regulation respecting waste water disposal systems for isolated dwellings applies or that is part of such a dwelling, and that is

(a) the individual's principal place of residence; or

(b) a cottage suitable for year-round occupancy that is normally occupied by the individual;

"excluded dwelling" means a dwelling that, before recognized work began to be carried out, was the subject of

(a) a notice of expropriation or a notice of intention to expropriate;

(b) a reserve for public purposes; or

(c) a prior notice of the exercise of a hypothecary right registered in the registry office or any other procedure calling the individual's right of ownership of the dwelling into question;

"qualified contractor" in relation to a service agreement entered into in respect of an individual's eligible dwelling means a person or a partnership meeting the following conditions:

(a) at the time the service agreement is entered into, the person or partnership has an establishment in Québec and is neither the owner of the eligible dwelling nor the spouse of one of the owners of the eligible dwelling; and

(b) at the time the recognized work is being carried out and if required for the carrying out of such work, the person or partnership is the holder of the appropriate licence issued by the Régie du bâtiment du Québec and, if applicable, has paid the licence security payable under the Building Act (chapter B-1.1);

"qualified expenditure" of an individual, in relation to an eligible dwelling of the individual, for a particular taxation year that is subsequent to the taxation year 2016 and precedes the taxation year 2028, means the aggregate of all amounts each of which is a septic system repair expenditure that is paid, in relation to the eligible dwelling, by the individual or the individual's legal representative, by a person who is the individual's spouse at the time the payment is made, or by any other individual who, at the time the expenditure is incurred, owns the eligible dwelling, in either of the following periods:

(a) after 31 March 2017 and before 1 January 2018, where the particular year is the taxation year 2017; or

(b) after 31 December of the year that precedes the particular year and on or before 31 December of the particular year, where the particular year is subsequent to the taxation year 2017 and precedes the taxation year 2028;

"recognized work" in respect of an eligible dwelling means work that is carried out in compliance with the rules set out in Québec legislation and regulations and in the applicable municipal by-laws, including necessary site restoration work, and that is work relating to the construction, renovation, modification, rebuilding, relocation or enlargement of a system for the discharge, collection or disposal of waste water, toilet effluents or grey water serving an eligible dwelling;

"septic system repair expenditure" means an expenditure that is attributable to the carrying out of recognized work provided for in a service agreement and that is

(a) the cost of a service supplied to carry out the work by a qualified contractor who is a party to the service agreement, including the amount of any goods and services tax and Québec sales tax applicable;

(b) the cost of a movable property that enters into the carrying out of recognized work provided for in the service agreement, including the amount of any goods and services tax and Québec sales tax applicable, provided that the movable property was acquired after 31 March 2017 from the qualified contractor or a merchant holding a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1) and that it complies, where required, with the standards prescribed by the Regulation respecting waste water disposal systems for isolated dwellings; or

(c) the cost of a permit necessary to carry out recognized work, including the cost of studies carried out to obtain such a permit;

"service agreement" entered into in respect of an individual's eligible dwelling means an agreement under which a qualified contractor undertakes to carry out recognized work in respect of the individual's eligible dwelling that is entered into after 31 March 2017 and before 1 April 2027 between the qualified contractor and

(a) the individual;

(b) a person who, at the time the agreement is entered into, is the individual's spouse, or another individual who is the owner of the eligible dwelling or that other individual's spouse; or

(c) where the individual's eligible dwelling is an apartment in an immovable under divided co-ownership, the syndicate of co-owners of the immovable.

2017, c. 29, s. 197; 2020, c. 16, s. 161; 2023, c. 2, s. 65.

1029.8.175. For the purposes of paragraph *b* of the definition of "septic system repair expenditure" in section 1029.8.174, a merchant is deemed to hold a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1) if the merchant is not a registrant for the purposes of that Act because the merchant is a small supplier within the meaning of section 1 of that Act.

2017, c. 29, s. 197.

1029.8.176. For the purpose of determining an individual's qualified expenditure for a particular taxation year in relation to an eligible dwelling, the following rules apply:

(a) the amount of the qualified expenditure may not include

i. an amount that is used to finance the cost of recognized work,

ii. an amount that is attributable to property or services supplied by a person not dealing at arm's length with the individual or with any of the other owners of the dwelling, unless the person holds a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1),

iii. an amount that is deductible in computing an individual's income from a business or property for the year or any other taxation year, and

iv. an amount that is included in the capital cost of depreciable property;

(b) the qualified expenditure must be reduced by the portion of the amount of any government assistance that exceeds $2,500, the amount of any non-government assistance, reimbursement or other form of assistance, including an indemnity paid under an insurance contract, attributable to the expenditure, that the individual or any other person (other than the person acting as a qualified contractor under the service agreement under which the expenditure is incurred) has received, is entitled to receive or may reasonably

expect to receive in any taxation year, except to the extent that the amount has reduced the individual's qualified expenditure for a preceding taxation year;

(c) an amount paid under a service agreement in relation to recognized work carried on by a qualified contractor may be included in the individual's qualified expenditure only if the qualified contractor certifies, in the prescribed form containing prescribed information, that the property used in carrying out the work complies, where required, with the standards prescribed by the Regulation respecting waste water disposal systems for isolated dwellings (chapter Q-2, r. 22);

(d) where a service agreement entered into with a qualified contractor does not deal only with recognized work, an amount paid under the agreement may be included in the individual's qualified expenditure only if the qualified contractor gives the individual a written statement showing the breakdown of the cost of the property and services the qualified contractor supplied among the various types of work carried on under the agreement; and

(e) where the individual's eligible dwelling is an apartment in an immovable under divided co-ownership, the individual's qualified expenditure is deemed to include the individual's share of an expenditure paid by the syndicate of co-owners if

i. it is reasonable to consider that the expenditure would be a septic system repair expenditure of an individual if the syndicate of co-owners were an individual and the immovable were an eligible dwelling of the individual, and

ii. the syndicate of co-owners provided the individual, in the prescribed form, with information relating to the work and the amount of the individual's share of the expenditure.

2017, c. 29, s. 197.

§ 2. — *Credits*

2017, c. 29, s. 197.

1029.8.177. An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2017 is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2017 on account of the individual's tax payable under this Part for that year an amount equal to the lesser of $5,500 and the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the taxation year 2017 in relation to an eligible dwelling of the individual exceeds $2,500, if the individual files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information.

An individual, other than a trust, who is resident in Québec at the end of 31 December of a particular taxation year that is subsequent to the taxation year 2017 and precedes the taxation year 2028 is deemed to have paid to the Minister on the individual's balance-due day for the particular year on account of the individual's tax payable under this Part for the particular year, if the individual files with the Minister, together with the fiscal return the individual is required to file for the particular year, or would be required to so file if tax were payable for the particular year, the prescribed form containing prescribed information, an amount equal to the lesser of

(a) the amount obtained by multiplying 20% by the amount by which the individual's qualified expenditure for the particular year, in relation to an eligible dwelling of the individual, exceeds the amount by which $2,500 exceeds the aggregate of all amounts each of which is the individual's qualified expenditure, in relation to the eligible dwelling, for a taxation year preceding the particular year; and

(b) the amount by which $5,500 exceeds the aggregate of all amounts each of which is an amount that the individual, or a person together with whom the individual owns the eligible dwelling, is deemed to have paid to the Minister under this section for a taxation year preceding the particular year.

For the purpose of determining the amount that an individual is deemed to have paid to the Minister for a particular taxation year under the first or second paragraph, in relation to an eligible dwelling the individual owns that is situated in an immovable under divided co-ownership or in another type of immovable that comprises more than one dwelling, the amounts of $2,500 and $5,500 mentioned in the first and second paragraphs must respectively be replaced by

(a) where the eligible dwelling is situated in an immovable under divided co-ownership, the amounts obtained by multiplying $2,500 and $5,500, as the case may be, by the individual's share of the common expenses of the immovable; and

(b) where the eligible dwelling is situated in another type of immovable that comprises more than one dwelling, the amounts obtained by multiplying $2,500 and $5,500, as the case may be, by the proportion that the area of the individual's eligible dwelling is of the total living area of the immovable.

For the purposes of this section, an individual who dies or ceases to be resident in Canada in a taxation year is deemed to be resident in Québec at the end of 31 December of that year if the individual was resident in Québec immediately before dying or, as the case may be, on the last day the individual was resident in Canada.

2017, c. 29, s. 197; 2023, c. 2, s. 66.

1029.8.178. If, for a taxation year, more than one individual could, but for this section, be deemed to have paid an amount to the Minister under section 1029.8.177 in relation to an eligible dwelling that the individuals jointly own, the following rules apply:

(a) if those individuals became owners of the eligible dwelling at the same time, the total of the amounts that each of those individuals may be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling may not exceed the particular amount that only one of those individuals could be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling if that individual were the sole owner of the eligible dwelling; and

(b) in any other case, the total of the amounts that each of those individuals may be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling may not exceed the particular amount that the individual from among those individuals who holds the oldest title of ownership or, if more than one of them holds such a title, one of those individuals, could be deemed to have paid to the Minister under that section for the year in relation to the eligible dwelling if that individual were the sole owner of the eligible dwelling.

If the individuals cannot agree as to what portion of the particular amount each would, but for this section, be deemed to have paid to the Minister under section 1029.8.177, the Minister may determine what portion of that amount is deemed to be paid to the Minister by each individual under that section.

2017, c. 29, s. 197.

DIVISION II.27

CREDIT FOR THE RESTORATION OF A SECONDARY RESIDENCE

2019, c. 14, s. 416.

§ 1. — *Interpretation and general rules*

2019, c. 14, s. 416.

1029.8.179. In this division,

"eligible dwelling" of an individual means a dwelling that is located in Québec, other than an excluded dwelling, and that meets the following conditions:

(a) the dwelling was damaged by flooding that occurred in a territory covered by the Special Financial Assistance Program Relating to Flooding that Occurred in Québec Municipalities from 5 April to 16 May 2017 established under the Civil Protection Act (chapter S-2.3);

(b) the individual owns the dwelling both at the time of the disaster and at the time the expenditures relating to site restoration are incurred; and

(c) at the time the expenditures relating to site restoration are incurred and at the time of the disaster, or immediately before the disaster where the dwelling became uninhabitable because of the damage it sustained, the dwelling is suitable for year-round occupancy and is normally occupied by the individual;

"excluded dwelling" of an individual means a dwelling that is eligible under the Special Financial Assistance Program Relating to Flooding that Occurred in Québec Municipalities from 5 April to 16 May 2017 or that, before recognized work began to be carried out, was the subject of

(a) a notice of expropriation or a notice of intention to expropriate;

(b) a reserve for public purposes; or

(c) a prior notice of the exercise of a hypothecary right registered in the registry office or any other procedure calling the individual's right of ownership of the dwelling into question;

"expenditure attributable to damage assessment services" in relation to an eligible dwelling means the amount paid to obtain the report of a damage assessment expert that describes the damage caused to the eligible dwelling by flooding that occurred in a territory covered by the Special Financial Assistance Program Relating to Flooding that Occurred in Québec Municipalities from 5 April to 16 May 2017, including the amount of any goods and services tax and Québec sales tax applicable;

"expenditure relating to site restoration" in relation to an eligible dwelling means an expenditure that is attributable to the carrying out of recognized work, in relation to the eligible dwelling, provided for in a service agreement and that is

(a) the cost of a service supplied to carry out the recognized work by a qualified contractor who is a party to the service agreement, including the amount of any goods and services tax and Québec sales tax applicable;

(b) the cost of a movable property that enters into the carrying out of recognized work, including the amount of any goods and services tax and Québec sales tax applicable, provided that the movable property was acquired after the beginning of the flooding that damaged the eligible dwelling from the qualified contractor or a merchant holding a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1); or

(c) the cost of a permit necessary to carry out the recognized work, including the cost of studies carried out to obtain such a permit;

"post-disaster clean-up work" in relation to an eligible dwelling includes water pumping, demolition of certain dwelling components, debris removal, site clean-up, disinfection, extermination and decontamination, and site drying and dehumidification;

"preservation work" in relation to an eligible dwelling means the work necessary to temporarily restore electrical service to the dwelling, achieve minimal insulation and board up openings in the dwelling to make it habitable prior to the carrying out of permanent work to repair the damage caused by the flooding that damaged the dwelling;

"qualified contractor" in relation to a service agreement entered into in respect of an individual's eligible dwelling means a person or a partnership meeting the following conditions:

(a) at the time the service agreement is entered into, the person or partnership has an establishment in Québec and, where the person is an individual, is neither an owner of the eligible dwelling nor the spouse of one of the owners of the eligible dwelling; and

(b) at the time the recognized work is being carried out and if required for the carrying out of such work, the person or partnership is the holder of the appropriate licence issued by the Régie du bâtiment du Québec,

the Corporation des maîtres électriciens du Québec or the Corporation des maîtres mécaniciens en tuyauterie du Québec and, if applicable, has paid the licence security payable under the Building Act (chapter B-1.1);

"qualified expenditure" of an individual, in relation to an eligible dwelling of the individual, for the taxation year 2017 or the taxation year 2018, means the aggregate of all amounts each of which is an expenditure relating to site restoration in relation to the eligible dwelling, or an expenditure attributable to damage assessment services in relation to the eligible dwelling, that is paid in the year by the individual or the individual's legal representative, by a person who is the individual's spouse at the time the payment is made, or by any other individual who, at the time the expenditure is incurred, jointly owns the eligible dwelling;

"recognized work" in relation to an eligible dwelling means work carried out in compliance with the rules set out in any Act, regulation or by-law of Canada, Québec or a municipality of Québec and the policies that apply according to the type of intervention, that is

(a) post-disaster clean-up work in relation to the eligible dwelling;

(b) preservation work in relation to the eligible dwelling; or

(c) repair work in relation to the eligible dwelling;

"repair work" in relation to an eligible dwelling means the work carried out to repair damage caused to the eligible dwelling that a damage assessment expert attributes to flooding that occurred in a territory covered by the Special Financial Assistance Program Relating to Flooding that Occurred in Québec Municipalities from 5 April to 16 May 2017 and that pertains to

(a) foundations, footings, support beams, loadbearing walls, concrete slabs, French drains, framing, carports and garages forming an integral part of the structure of a dwelling, and basement entryways;

(b) exterior cladding and chimneys;

(c) roofing materials;

(d) exterior doors, including doors of garages forming an integral part of the structure of a dwelling, and windows;

(e) structure, wall, ceiling and subfloor insulation;

(f) electrical lead, systems and connections;

(g) pipes, sewer connections, water connections and sanitary devices;

(h) subfloors and fixed floor coverings;

(i) gypsum board, plaster and paint on interior walls and ceilings, baseboards, ceiling mouldings and interior doors;

(j) cabinets and vanities, including counters, drawers, shelves and panels;

(k) interior stairway stringers, treads, risers and handrails;

(l) main and secondary heating systems (wood stoves among others), including conduits, firewood, air exchangers and their conduits, natural gas connections and tanks;

(m) pumps and wet wells, septic tanks, leaching beds, drinking water supply systems, drinking water filtration and treatment systems, hot water tanks and equipment for disabled persons;

(n) detached garages, sheds, porches, balconies, decks, patios and terraces;

(o) landscaping works such as driveways, walkways, fences, low walls and slabs on grade; and

(p) the portion of the land that may reasonably be considered as facilitating the use and enjoyment of the dwelling, the trees and the hedges;

"service agreement" entered into in respect of an individual's eligible dwelling means an agreement under which a qualified contractor undertakes to carry out recognized work in respect of the individual's eligible dwelling that is entered into between the qualified contractor and

(a) the individual;

(b) a person who, at the time the agreement is entered into, is the individual's spouse, another individual who jointly owns the eligible dwelling or that other individual's spouse; or

(c) where the individual's eligible dwelling is an apartment in an immovable under divided co-ownership, the syndicate of co-owners of the immovable.

For the purposes of the definition of "expenditure relating to site restoration" in the first paragraph, the portion of the expenditure relating to site restoration, in relation to an eligible dwelling of an individual, that is attributable to the carrying out of recognized work that is repair work to which paragraphs *n* to *p* of the definition of "repair work" in the first paragraph apply may not exceed

(a) for the taxation year 2017, an amount of $5,000; or

(b) for the taxation year 2018, the amount by which $5,000 exceeds the portion of that expenditure that was taken into account in determining the amount deemed to be paid to the Minister under this division for the taxation year 2017 on account of an individual's tax payable under this Part.

For the purposes of the definition of "eligible dwelling" in the first paragraph, a dwelling includes

(a) incidental structures of the dwelling such as detached garages, sheds, patios and balconies;

(b) landscaping works such as driveways, walkways and fences; and

(c) land subjacent to the dwelling and its landscaping.

For the purposes of the definition of "repair work" in the first paragraph, the following rules apply:

(a) work to replace property specified in any of paragraphs *a* to *p* of the definition of "repair work" in the first paragraph that is damaged because of flooding is deemed to be repair work where the property cannot be repaired; and

(b) where an individual's eligible dwelling is damaged because of flooding to such an extent that it is preferable to rebuild it, the work carried out to rebuild the eligible dwelling that pertains to components specified in any of paragraphs *a* to *p* of the definition of "repair work" in the first paragraph is deemed to be repair work in relation to the eligible dwelling.

2019, c. 14, s. 416.

1029.8.180. For the purposes of paragraph *b* of the definition of "expenditure relating to site restoration" in the first paragraph of section 1029.8.179, a merchant is deemed to hold a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1) if the merchant is not a registrant for the purposes of that Act because the merchant is a small supplier within the meaning of section 1 of that Act.

2019, c. 14, s. 416.

1029.8.181. For the purpose of determining an individual's qualified expenditure for a particular taxation year in relation to an eligible dwelling, the following rules apply:

(a) the amount of the qualified expenditure may not include

i. an amount that is used to finance the cost of the services supplied by a damage assessment expert or the cost of recognized work,

ii. an amount that is attributable to property or services supplied by a person not dealing at arm's length with the individual or with any of the other owners of the dwelling, unless the person holds a registration number assigned under the Act respecting the Québec sales tax (chapter T-0.1),

iii. an amount that is incurred to acquire property used by the individual before the acquisition under a contract of lease,

iv. an amount that is deductible in computing a taxpayer's income from a business or property for the year or any other taxation year,

v. an amount that is included in the capital cost of depreciable property, or

vi. an amount that is taken into account in computing

(1) an amount deducted in computing an individual's tax payable for the year or any other taxation year under this Part, or

(2) an amount deemed to have been paid to the Minister on account of an individual's tax payable for the year or any other taxation year under this Part, except an amount deemed under this division to have been paid to the Minister on account of an individual's tax payable under this Part;

(b) the qualified expenditure must be reduced by the amount of any government assistance, non-government assistance, reimbursement or other form of assistance, including an indemnity paid under an insurance contract, attributable to the expenditure, that the individual or any other person (other than the person acting as a qualified contractor under the service agreement under which the expenditure is incurred) has received, is entitled to receive or may reasonably expect to receive in any taxation year, except to the extent that the amount has reduced the individual's qualified expenditure for a preceding taxation year;

(c) where a service agreement entered into with a qualified contractor deals with repair work and post-disaster clean-up or preservation work, or does not deal only with recognized work, an amount paid under the agreement may be included in the individual's qualified expenditure only if the qualified contractor gives the individual a written statement showing the breakdown of the cost of the property and services the qualified contractor supplied among the various types of work carried out under the agreement; and

(d) where the individual's eligible dwelling is an apartment in an immovable under divided co-ownership, the individual's qualified expenditure is deemed to include the individual's share of an expenditure paid by the syndicate of co-owners if

i. it is reasonable to consider that the expenditure would be a qualified expenditure of an individual if the syndicate of co-owners were an individual and the immovable were an eligible dwelling of the individual, and

ii. the syndicate of co-owners provided the individual with information, in the prescribed form, relating to the services supplied by a damage assessment expert and the recognized work as well as the amount of the individual's share of the expenditure.

2019, c. 14, s. 416.

§ 2. — *Credits*

2019, c. 14, s. 416.

1029.8.182. An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2017 and files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2017 on account of the individual's tax payable under this Part for that year an amount equal to the aggregate of

(a) the lesser of $3,000 and the amount obtained by multiplying 30% by the amount by which $500 is exceeded by the portion of the individual's qualified expenditure for the taxation year 2017 that is attributable

to the carrying out of recognized work, in relation to an eligible dwelling of the individual, other than repair work; and

(b) the lesser of $15,000 and the amount obtained by multiplying 30% by the portion of the individual's qualified expenditure for the taxation year 2017, in relation to an eligible dwelling of the individual, that is either an expenditure attributable to damage assessment services or an expenditure attributable to the carrying out of recognized work that is repair work.

An individual, other than a trust, who is resident in Québec at the end of 31 December of the taxation year 2018 and files with the Minister, together with the fiscal return the individual is required to file for the year, or would be required to so file if tax were payable for the year, the prescribed form containing prescribed information is deemed to have paid to the Minister on the individual's balance-due day for the individual's taxation year 2018 on account of the individual's tax payable under this Part for that year an amount equal to the lesser of

(a) the amount obtained by multiplying 30% by the portion of the individual's qualified expenditure, in relation to an eligible dwelling of the individual that is either an expenditure attributable to damage assessment services or an expenditure attributable to the carrying out of recognized work that is repair work; and

(b) the amount by which $15,000 exceeds the aggregate of all amounts each of which is an amount that the individual, or a person together with whom the individual owns the eligible dwelling, is deemed to have paid to the Minister under subparagraph *b* of the first paragraph for the taxation year 2017.

For the purposes of this section, an individual who dies or ceases to be resident in Canada in a taxation year is deemed to be resident in Québec at the end of 31 December of that year if the individual was resident in Québec immediately before dying or, as the case may be, on the last day the individual was resident in Canada.

An individual is deemed to have paid an amount to the Minister under this section on account of the individual's tax payable under this Part for a taxation year only if the individual obtains from the municipality in which the individual's eligible dwelling is located a certificate confirming that the land subjacent to the eligible dwelling was hit by flooding that occurred in a territory covered by the Special Financial Assistance Program Relating to Flooding that Occurred in Québec Municipalities from 5 April to 16 May 2017 established under the Civil Protection Act (chapter S-2.3).

2019, c. 14, s. 416.

1029.8.183. Where, for a taxation year, more than one individual could, but for this section, be deemed to have paid an amount to the Minister under section 1029.8.182 in relation to the same eligible dwelling that the individuals jointly own, the total of the amounts that each of those individuals is deemed to have paid under that section in relation to the eligible dwelling may not exceed the particular amount that only one of those individuals would be deemed to have paid to the Minister under that section in relation to the eligible dwelling if the dwelling were an eligible dwelling in respect of that individual only.

Where the individuals cannot agree as to what portion of the particular amount each would be deemed to have paid to the Minister under section 1029.8.182, the Minister may determine what portion of that amount is deemed to be paid by each individual under that section.

2019, c. 14, s. 416.

§ 3. — *Advance payments and exceptional rules*

2019, c. 14, s. 416.

1029.8.184. Where, on or before 1 December of a taxation year, an individual applies to the Minister, in the prescribed form containing prescribed information, the Minister may pay, as an advance payment, on such

terms and conditions as the Minister determines, in respect of the amount that the individual considers to be the amount that the individual will be deemed to have paid to the Minister on account of the individual's tax payable for the year under the first or second paragraph of section 1029.8.182, an amount (in this subdivision referred to as the "amount of the advance relating to the restoration of a secondary residence"), in respect of an eligible expense paid by the individual or the individual's spouse in the year, in relation to an eligible dwelling the individual owns, if

(a) the individual is resident in Québec at the time the application is made;

(b) the individual obtained the certificate referred to in the fourth paragraph of section 1029.8.182 in relation to the eligible dwelling;

(c) where the application concerns an expenditure attributable to damage assessment services or a repair expenditure, the individual has obtained the report of a damage assessment expert that describes the damage caused to the eligible dwelling;

(d) the application is accompanied by a receipt confirming the payment of the qualified expenditure; and

(e) the individual has agreed that the advance payments be made by direct deposit in a bank account held at a financial institution listed in Part I of Appendix I to Rule D4–Institution Numbers and Clearing Agency/ Representative Arrangements of the Automated Clearing Settlement System Rules Manual, as amended from time to time, of the Canadian Payments Association.

Where, at the time the application referred to in the first paragraph is made, an individual has a spouse, only one of them may make the application for the year.

2019, c. 14, s. 416.

1029.8.185. The Minister may require from any individual who makes an application for advance payments referred to in the first paragraph of section 1029.8.184 a document or information other than those provided for in that paragraph if the Minister considers the document or information necessary to evaluate the application.

2019, c. 14, s. 416.

1029.8.186. Despite the first paragraph of section 1029.8.184, the Minister is not required to grant an application for advance payments referred to in that paragraph for the taxation year 2018 if

(a) the individual, or the individual's spouse at the time of the application, received a payment of the amount of the advance relating to the restoration of a secondary residence for the taxation year 2017 and, at the time the application is processed, has not filed a fiscal return for the taxation year 2017; and

(b) the application is processed after the filing-due date of the person referred to in paragraph *a* for the taxation year 2017.

2019, c. 14, s. 416.

1029.8.187. The Minister may suspend the payment of, reduce or cease to pay the amount of the advance relating to the restoration of a secondary residence if documents or information brought to the Minister's attention so warrant.

2019, c. 14, s. 416.

DIVISION III

CREDITS FOR HOLDERS OF A TAXI DRIVER'S OR OWNER'S PERMIT

1984, c. 35, s. 29; 2003, c. 9, s. 364.

§ 1. — *Interpretation*

2003, c. 9, s. 364.

1029.9. In this division,

"holder" means

(a) in respect of a taxi driver's permit, the person in whose name the taxi driver's permit is issued; and

(b) in respect of a taxi owner's permit, the person in whose name the taxi owner's permit is issued or, where such a permit is issued in the name of two or more persons, the person among them whom they designate;

"taxi driver's permit" means such a permit referred to in the Act respecting transportation services by taxi (chapter S-6.01), as it read before being repealed;

"taxi owner's permit" means such a permit referred to in the Act respecting transportation services by taxi, as it read before being repealed, including a limousine permit or other specialized taxi permit referred to in that Act.

1984, c. 35, s. 29; 1985, c. 25, s. 151; 1986, c. 15, s. 180; 1986, c. 72, s. 13; 1987, c. 67, s. 185; 1992, c. 1, s. 178; 1993, c. 19, s. 257; 1995, c. 63, s. 210; 1997, c. 14, s. 377; 2003, c. 9, s. 365; 2021, c. 18, s. 142.

§ 2. — *Credits*

2003, c. 9, s. 366.

1029.9.1. A taxpayer who is resident in Québec at the end of 31 December of a particular taxation year that is the taxation year 2019, 2020 or 2021, who is a taxpayer described in the second paragraph for the particular year and who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file for the particular year under section 1000 or would be required to so file if the taxpayer had tax payable for the particular year under this Part, is deemed to have paid to the Minister, on the taxpayer's balance-due day for the particular year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to

(a) where the particular year is the taxation year 2019, the lesser of $584 and the amount determined in respect of the taxpayer for the particular year under section 1029.9.3;

(b) where the particular year is the taxation year 2020, the lesser of $594 and the amount determined in respect of the taxpayer for the particular year under section 1029.9.3; or

(c) where the particular year is the taxation year 2021, the lesser of $301 and the amount that would be determined in respect of the taxpayer for the particular year under section 1029.9.3 if that section were read as if "2%" in the portion before paragraph *a* were replaced by "1%" and as if no reference were made to its paragraph *c*.

The taxpayer to whom the first paragraph refers for a particular taxation year is

(a) where the particular year is the taxation year 2019,

i. a taxpayer who, at any time in the particular year, is the holder of a taxi driver's permit and is not the holder of a taxi owner's permit on 31 December 2019, or

ii. a taxpayer who, at any time in the particular year, is the holder of a taxi driver's permit, is the holder of one or more taxi owner's permits on 31 December 2019 and has not assumed all or almost all of the fuel cost of bringing into service any motor vehicle attached to at least one of the taxi owner's permits of which the taxpayer is the holder;

(b) where the particular year is the taxation year 2020, a taxpayer who would be described in subparagraph i or ii of subparagraph *a* if those subparagraphs were read as if "31 December 2019" were replaced by "9 October 2020"; or

(c) where the particular year is the taxation year 2021, a taxpayer who was, on 9 October 2020, the holder of a taxi driver's permit in force, who has benefited from the presumption provided for in section 292 of the Act respecting remunerated passenger transportation by automobile (chapter T-11.2) and who is, at any time in the particular year, a driver authorized by the Société de l'assurance automobile du Québec under Division I of Chapter II of that Act.

For the purposes of this section, a taxpayer who was resident in Québec immediately before the taxpayer's death is deemed to be resident in Québec at the end of 31 December of the year in which the taxpayer died.

2003, c. 9, s. 366; 2019, c. 14, s. 417; 2021, c. 18, s. 143.

1029.9.1.1. *(Repealed).*

2019, c. 14, s. 418; 2021, c. 18, s. 144.

1029.9.2. A taxpayer who, on the date specified in the third paragraph that is included in a particular taxation year of the taxpayer that is either the taxpayer's last taxation year that began before 1 January 2020 or a taxation year that began after 31 December 2019 and before 10 October 2020, is the holder of one or more taxi owner's permits in force, who assumed during that particular year all or almost all of the fuel cost of bringing into service any motor vehicle attached to each of those permits and who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000 for that particular year or would be required to so file if the taxpayer had tax payable for that particular year under this Part, is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer's balance-due day for that particular year, on account of the taxpayer's tax payable for that year under this Part, an amount equal to

(a) where the particular year is the taxpayer's last taxation year that began before 1 January 2020, the lesser of

i. the amount determined in respect of the taxpayer for the particular year under section 1029.9.3, and

ii. the product obtained by multiplying $584 by the number of such permits of which the taxpayer is the holder on 31 December 2019; or

(b) where the particular year is a taxation year of the taxpayer that began after 31 December 2019 and before 10 October 2020, the lesser of

i. the amount that would be determined in respect of the taxpayer for the particular year under section 1029.9.3 if paragraphs *a* to *c* of that section were read as if "the portion of" were inserted at the beginning and as if ", which is attributable to the period of the year that precedes 10 October 2020" were inserted at the end, and

ii. the product obtained by multiplying $594 by the number of such permits of which the taxpayer is the holder on 9 October 2020.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate

of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The date to which the first paragraph refers is

(a) 31 December 2019, where the particular year is the taxpayer's last taxation year that began before 1 January 2020; or

(b) 9 October 2020, where the particular year is a taxation year of the taxpayer that began after 31 December 2019 and before 10 October 2020.

2003, c. 9, s. 366; 2019, c. 14, s. 419; 2021, c. 18, s. 145.

1029.9.2.1. Where, on the date specified in the third paragraph that is included in a particular fiscal period of a partnership that is either the partnership's last fiscal period that began before 1 January 2020 or a fiscal period that began after 31 December 2019 and before 10 October 2020, the partnership is the holder of one or more taxi owner's permits in force and the partnership assumed during the particular fiscal period all or almost all of the fuel cost of bringing into service any motor vehicle attached to each of those permits, each taxpayer who is a member of the partnership at the end of the particular fiscal period and who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000 for the taxpayer's taxation year in which the particular fiscal period ends, or would be required to so file if the taxpayer had tax payable for that taxation year under this Part, is deemed, subject to the second paragraph and section 1029.9.2.2, to have paid to the Minister, on the taxpayer's balance-due day for the year, on account of the taxpayer's tax payable for the year under this Part, an amount equal to

(a) where the particular fiscal period is the partnership's last fiscal period that began before 1 January 2020, the taxpayer's share of the lesser of

i. the amount determined in respect of the partnership for the particular fiscal period under section 1029.9.3.1, and

ii. the product obtained by multiplying $584 by the number of such permits of which the partnership is the holder on 31 December 2019; or

(b) where the particular fiscal period is a fiscal period of the partnership that began after 31 December 2019 and before 10 October 2020, the taxpayer's share of the lesser of

i. the amount that would be determined in respect of the partnership for the particular fiscal period under section 1029.9.3.1 if paragraphs *a* and *b* of that section were read as if "the portion of" were inserted at the beginning and as if ", which is attributable to the period of the fiscal period that precedes 10 October 2020" were inserted at the end, and

ii. the product obtained by multiplying $594 by the number of such permits of which the partnership is the holder on 9 October 2020.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they

refer to that subparagraph *a*, the taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

The date to which the first paragraph refers is

(a) 31 December 2019, where the particular fiscal period is the partnership's last fiscal period that began before 1 January 2020; or

(b) 9 October 2020, where the particular fiscal period is a fiscal period of the partnership that began after 31 December 2019 and before 10 October 2020.

For the purposes of the first paragraph, a taxpayer's share of an amount for a fiscal period of a partnership is equal to the agreed proportion of that amount in respect of the taxpayer for that fiscal period.

2019, c. 14, s. 420; 2021, c. 18, s. 146.

1029.9.2.2. No amount may be deemed to have been paid to the Minister under section 1029.9.2.1 by a taxpayer for a particular taxation year in which a fiscal period of a partnership ends where the taxpayer is

(a) an individual deemed, under section 1029.9.1, to have paid an amount to the Minister on account of the individual's tax payable for the particular year or, where the fiscal period ends before 31 December of the particular year, for the preceding taxation year;

(b) an individual who is not resident in Québec at the end of the particular year;

(c) a corporation that, at any time in the particular year, does not have an establishment in Québec; or

(d) a person exempt from tax under Book VIII for the particular year.

For the purposes of subparagraph *b* of the first paragraph, an individual who dies or ceases to be resident in Canada in a taxation year is deemed to be resident in Québec at the end of that year if the individual was resident in Québec immediately before dying or on the last day the individual was resident in Canada, as the case may be.

2019, c. 14, s. 420.

1029.9.3. The amount to which the first paragraph of sections 1029.9.1 and 1029.9.2 refers in respect of a taxpayer for a taxation year is equal to 2% of the aggregate of

(a) the taxpayer's income for the year from employment as a taxi driver, computed before any deduction under Chapter III of Title II of Book III;

(b) the taxpayer's gross revenue for the year from the taxpayer's business of providing transportation by taxi; and

(c) the taxpayer's gross revenue for the year from the leasing of any motor vehicle attached to a taxi owner's permit of which the taxpayer is the holder.

2003, c. 9, s. 366; 2019, c. 14, s. 421.

1029.9.3.1. The amount to which the first paragraph of section 1029.9.2.1 refers in respect of a partnership for a fiscal period is equal to 2% of the aggregate of

(a) the partnership's gross revenue for the fiscal period from its business of providing transportation by taxi; and

(b) the partnership's gross revenue for the fiscal period from the leasing of any motor vehicle attached to a taxi owner's permit of which the partnership is the holder.

2019, c. 14, s. 422.

1029.9.3.2. For the purposes of section 1029.9.2.1, the following rules must be taken into consideration in respect of a taxpayer if, for a given fiscal period of a given partnership, one or more partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between the taxpayer and the given partnership:

(a) the taxpayer is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the taxpayer's taxation year in which ends the fiscal period of the interposed partnership of which the taxpayer is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period (in this section referred to as the "interposed fiscal period") of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the taxpayer is a member, or deemed to be a member under this paragraph, of the interposed partnership described in subparagraph i at the end of the interposed partnership's interposed fiscal period; and

(b) for the purpose of determining the taxpayer's share in an amount in respect of the given partnership for the given fiscal period, the agreed proportion in respect of the taxpayer for that fiscal period of the given partnership is deemed to be equal to the product obtained by multiplying the agreed proportion in respect of the taxpayer for the interposed fiscal period of the interposed partnership of which the taxpayer is directly a member, by

i. if there is only one interposed partnership, the agreed proportion in respect of the interposed partnership for the given partnership's given fiscal period, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the agreed proportion in respect of an interposed partnership for the particular fiscal period of the particular partnership referred to in paragraph *a* of which the interposed partnership is a member at the end of that particular fiscal period.

2019, c. 14, s. 422.

1029.9.3.3. Section 1029.9.3.2 does not apply in respect of a taxpayer, in relation to a given partnership, if the Minister is of the opinion that the interposition, between the taxpayer and the given partnership, of one or more other partnerships is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to cause the taxpayer to be deemed to have paid to the Minister for a taxation year, under section 1029.9.2.1, an amount greater than the amount that would have been so deemed to have been paid to the Minister for that taxation year, but for that interposition.

2019, c. 14, s. 422.

1029.9.4. For the purposes of this Part and the regulations, the amount that a taxpayer is deemed to have paid to the Minister for a taxation year under any of sections 1029.9.1 to 1029.9.2.1 is deemed not to be an amount of assistance or an inducement received by the taxpayer from a government.

2003, c. 9, s. 366; 2019, c. 14, s. 423.

1029.10. *(Repealed).*

1989, c. 5, s. 214; 2003, c. 9, s. 367.

1029.11. *(Repealed).*

1988, c. 64, s. 587; 1989, c. 5, s. 214; 2003, c. 9, s. 367.

1029.12. *(Repealed).*

1989, c. 5, s. 214; 2003, c. 9, s. 367.

1029.13. *(Repealed).*

1989, c. 5, s. 214; 2003, c. 9, s. 367.

1029.14. *(Repealed).*

1992, c. 1, s. 179; 1997, c. 14, s. 245; 2003, c. 9, s. 367.

1029.15. *(Repealed).*

1992, c. 1, s. 179; 2003, c. 9, s. 367.

1029.16. *(Repealed).*

1992, c. 1, s. 179; 2003, c. 9, s. 367.

1029.17. *(Repealed).*

1992, c. 1, s. 179; 2003, c. 9, s. 367.

1029.18. *(Repealed).*

1992, c. 1, s. 179; 2003, c. 9, s. 367.

1029.19. *(Repealed).*

1992, c. 1, s. 179; 2003, c. 9, s. 367.

CHAPTER IV

PAYMENT FOLLOWING ASSESSMENT

1972, c. 23.

1030. *(Repealed).*

1972, c. 23, s. 758; 1983, c. 20, s. 5; 1983, c. 47, s. 5; 1983, c. 49, s. 54; 1986, c. 19, s. 190; 1990, c. 58, s. 1; 1995, c. 1, s. 163.

1031. *(Repealed).*

1973, c. 17, s. 117; 1974, c. 18, s. 33; 1995, c. 1, s. 164; 1995, c. 49, s. 229; 1997, c. 31, s. 120; 2010, c. 31, s. 175; 2015, c. 36, s. 147.

1031.1. Notwithstanding any other provision of a fiscal law, where a day determined under any of subparagraphs *a* to *c* of the first paragraph of section 653 in respect of a trust occurs in a taxation year of the trust and the trust is required to pay tax under this Part for that year the amount of which exceeds the amount that, but for those subparagraphs, would otherwise be payable, the trust may, if it so elects in prescribed manner and within the time prescribed and furnishes to the Minister security acceptable to the Minister for payment of any tax the payment of which is deferred by the election, pay all or any portion of such excess in such number, not exceeding ten, of equal consecutive annual instalments as is specified in its election.

The first instalment shall be paid on or before the day on which payment of the tax would, but for the election, have been required to be made and each subsequent instalment shall be paid on or before the anniversary of that day.

Interest at the rate fixed under section 28 of the Tax Administration Act (chapter A-6.002) shall be paid on every tax instalment so made, from the date on which payment of the tax would, but for the election, have been required to be made to the day of payment.

1994, c. 22, s. 324; 1995, c. 1, s. 165; 2010, c. 31, s. 175.

1032. Notwithstanding any other provision of a fiscal law, the legal representative of the individual contemplated by sections 429, 433 to 436, 439 and 444.1 who must pay for a taxation year tax exceeding that which would have been payable in the absence of the said sections may, if he furnishes to the Minister security the latter considers acceptable, elect, in the prescribed manner and within the prescribed time, to pay part or all of such excess in equal consecutive annual instalments, not exceeding ten, as is specified in his election and every payment shall be made on the conditions and at the rate of interest provided for in the second and third paragraphs of section 1031.1.

For the purposes of the first paragraph, the tax for the year shall include the tax that is payable owing to the election referred to in section 429.

1973, c. 17, s. 117; 1979, c. 18, s. 71; 1980, c. 11, s. 54; 1994, c. 22, s. 325; 1995, c. 1, s. 166; 1995, c. 63, s. 211; 2015, c. 36, s. 148.

1033. Where an amount is included in computing the income of an individual by virtue of paragraph *c* of section 46 of the Act respecting the application of the Taxation Act (chapter I-4) for the year of his death, section 1032 applies as though that amount were so included by virtue of section 429 or were deemed to have been received by him by virtue of section 436.

1975, c. 22, s. 237.

1033.1. Notwithstanding any other provision of a fiscal law, if a member institution furnishes adequate security to the Minister in relation to, or on behalf of, a deposit insurance corporation within the meaning assigned by sections 804 to 806, the Minister shall, until the day specified in the second paragraph, suspend the payment of the aggregate of

(a) the tax payable under this Part by the member institution for a taxation year to the extent that the amount of that tax exceeds the amount of tax that would be payable if no amount that the member institution is obliged to repay to the corporation were included, under subparagraph *a* or *b* of the first paragraph of section 814, in computing the member institution's income for the year; and

(b) interest payable under this Part by the member institution on the amount determined under paragraph *a*.

The day contemplated in the first paragraph is the earlier of the day on which the obligation referred to in paragraph *a* of the first paragraph to repay the amount to the corporation is settled or extinguished and the day that is ten years after the end of the year contemplated in such paragraph *a* .

1989, c. 77, s. 101; 1995, c. 1, s. 167; 1997, c. 3, s. 71.

CHAPTER IV.1

SECURITY FOR DEPARTURE FROM CANADA

2004, c. 8, s. 180.

1033.2. Where, at any particular time in a taxation year (in this section and sections 1033.3 and 1033.4 referred to as the "emigration year"), an individual is deemed by section 785.2 to have disposed of property, other than a right to a benefit under, or an interest in a trust governed by, an employee benefit plan, and the individual elects, in the prescribed form containing prescribed information, on or before the individual's balance-due day for the emigration year, that this section and sections 1033.3 to 1033.6 apply to the emigration year, the following rules apply:

(a) the Minister shall, until the individual's balance-due day for a particular taxation year that begins after the particular time, accept security satisfactory to the Minister and furnished by or on behalf of the individual on or before the individual's balance-due day for the emigration year for the lesser of

i. the amount determined by the formula

$$A - B - \{[(A - B) / A] \times C\}, \text{ and}$$

ii. if the particular year is the year that follows the emigration year, the amount determined under subparagraph i, and in any other case, the amount determined under this subparagraph in respect of the individual for the taxation year that precedes the particular year; and

(b) except for the purposes of the first, second and third paragraphs of section 1038, the following interest and penalties shall be computed as if the particular amount for which security satisfactory to the Minister has been accepted under this section were an amount paid by the individual on account of the particular amount:

i. interest payable under this Part for any period that ends on the individual's balance-due day for the particular year and throughout which security is accepted by the Minister, and

ii. penalties payable under this Part computed with reference to an individual's tax payable for the year that was, without reference to this subparagraph, unpaid.

In the formula provided for in subparagraph i of subparagraph *a* of the first paragraph,

(a) A is the amount of tax that would be payable by the individual under this Part for the emigration year if the exclusion from income or deduction of an amount referred to in the first paragraph of section 1044 were not taken into account;

(b) B is the amount of tax that would have been so payable by the individual under this Part if each property, other than a right to a benefit under, or an interest in a trust governed by, an employee benefit plan, deemed by section 785.2 to have been disposed of at the particular time, and that has not been subsequently disposed of before the beginning of the particular year, were not deemed by that section to have been disposed of by the individual at the particular time; and

(c) C is the aggregate of all amounts deemed under this or any other Act to have been paid on account of the individual's tax payable under this Part for the emigration year.

2004, c. 8, s. 180; 2015, c. 36, s. 149.

1033.3. For the purposes of section 1033.2, this section and sections 1033.4 to 1033.6, where an individual, other than a trust, elects under section 1033.2 that that section apply in respect of a taxation year,

the Minister is deemed to have accepted at any time after the election was made security satisfactory to the Minister for a total amount of tax payable under this Part by the individual for the emigration year equal to the lesser of

(a) the amount of tax that would be payable for the year by a trust to which section 768 applies that is resident in Québec on the last day of the year and whose taxable income for the year is $50,000; and

(b) the greatest amount for which the Minister is required to accept security furnished by or on behalf of the individual under section 1033.2 at the particular time in respect of the emigration year.

The security referred to in the first paragraph is deemed to have been furnished by the individual before the individual's balance-due day for the emigration year.

2004, c. 8, s. 180; 2012, c. 8, s. 240; 2013, c. 10, s. 142; 2017, c. 1, s. 337.

1033.4. Notwithstanding sections 1033.2 and 1033.3, the Minister is deemed at any time not to have accepted security under section 1033.2 in respect of an individual's emigration year for any amount greater than the amount by which the particular tax that would be payable by the individual under this Part for the year if the exclusion from income or deduction of an amount referred to in the first paragraph of section 1044, in respect of which the date determined in accordance with the second paragraph of that section is after that time, were not taken into account, exceeds the amount determined under the second paragraph.

The amount to which the first paragraph refers is equal to the particular tax that would be determined under that paragraph if this Act were read without reference to section 785.2.

2004, c. 8, s. 180.

1033.5. Subject to section 1033.11, if it is determined at any particular time that security accepted by the Minister under section 1033.2 is not adequate to secure the particular amount for which it was furnished by or on behalf of an individual, the following rules apply:

(a) subject to a subsequent application of this section, the security shall be considered after the particular time to secure only the amount for which it is security considered satisfactory at the particular time;

(b) the Minister shall notify the individual in writing of the determination and shall accept security satisfactory to the Minister, for all or any part of the particular amount, furnished by or on behalf of the individual within 90 days after the day of notification; and

(c) any security accepted in accordance with paragraph *b* is deemed to have been accepted by the Minister under section 1033.2 on account of the particular amount at the particular time.

2004, c. 8, s. 180.

1033.6. If in the opinion of the Minister it would be just and equitable to do so, the Minister may at any time extend

(a) the time for making an election under section 1033.2;

(b) the time for furnishing and accepting security under section 1033.2; or

(c) the 90-day period for the acceptance of security under paragraph *b* of section 1033.5.

2004, c. 8, s. 180.

1033.7. The rules in the second paragraph apply where

(a) solely because of the application of section 692, subparagraphs *a* to *c* of the first paragraph of section 688 do not apply to a distribution by a trust in a particular taxation year, in this section and section 1033.8 referred to as the "distribution year", of taxable Canadian property; and

(b) the trust elects, in prescribed manner on or before the trust's balance-due day for the distribution year, that this section and sections 1033.8 to 1033.10 apply in respect of the distribution year.

The rules to which the first paragraph refers are as follows:

(a) the Minister shall, until the trust's balance-due day for a subsequent taxation year, accept security satisfactory to the Minister and furnished by or on behalf of the trust on or before the trust's balance-due day for the distribution year for the lesser of

i. the amount determined by the formula

$$A - B - \{[(A - B) / A] \times C\}, \text{ and}$$

ii. if the subsequent year is the year that follows the distribution year, the amount determined under subparagraph i, and in any other case, the amount determined under this subparagraph in respect of the trust for the taxation year that precedes the subsequent year; and

(b) except for the purposes of the first, second and third paragraphs of section 1038, the following interest and penalties shall be computed as if the particular amount for which security satisfactory to the Minister has been accepted under this section were an amount paid by the trust on account of the particular amount:

i. interest payable under this Part for any period that ends on the trust's balance-due day for the subsequent year and throughout which security is accepted by the Minister, and

ii. penalties payable under this Part computed with reference to the trust's tax payable for the year that was, without reference to this subparagraph, unpaid.

In the formula provided for in subparagraph i of subparagraph *a* of the second paragraph,

(a) A is the amount of tax that would be payable by the trust under this Part for the distribution year if the exclusion from income or deduction of an amount referred to in the first paragraph of section 1044 were not taken into account;

(b) B is the amount of tax that would be so payable by the individual under this Part if the rules in section 688, other than the election referred to in that section, had applied to each distribution by the trust in the distribution year of property, other than property subsequently disposed of before the beginning of the subsequent year, to which subparagraph *a* of the first paragraph applies; and

(c) C is the aggregate of all amounts deemed under this or any other Act to have been paid on account of the trust's tax payable under this Part for the distribution year.

2004, c. 8, s. 180.

1033.8. Notwithstanding section 1033.7, the Minister is deemed at any time not to have accepted security under that section in respect of a trust's distribution year for any amount greater than the amount by which the particular tax that would be payable by the trust under this Part for the year if the exclusion from income or deduction of an amount referred to in the first paragraph of section 1044 in respect of which the date determined in accordance with the second paragraph of that section is after that time, were not taken into account, exceeds the amount determined under the second paragraph.

The amount to which the first paragraph refers is equal to the particular tax that would be determined under that paragraph if subparagraphs *a* to *c* of the first paragraph of section 688 had applied to each distribution by the trust in the year of property to which subparagraph *a* of the first paragraph of section 1033.7 applies.

2004, c. 8, s. 180.

1033.9. Subject to section 1033.11, if it is determined at any particular time that security accepted by the Minister under section 1033.7 is not adequate to secure the particular amount for which it was furnished by or on behalf of a trust, the following rules apply:

(a) subject to a subsequent application of this section, the security shall be considered after the particular time to secure only the amount for which it is security considered satisfactory at the particular time;

(b) the Minister shall notify the trust in writing of the determination and shall accept security satisfactory to the Minister, for all or any part of the particular amount, furnished by or on behalf of the trust within 90 days after the notification; and

(c) any security accepted in accordance with paragraph *b* is deemed to have been accepted by the Minister under section 1033.7 on account of the particular amount at the particular time.

2004, c. 8, s. 180.

1033.10. If in the opinion of the Minister it would be just and equitable to do so, the Minister may at any time extend

(a) the time for making an election under section 1033.7;

(b) the time for furnishing and accepting security under section 1033.7; or

(c) the 90-day period for the acceptance of security under paragraph *b* of section 1033.9.

2004, c. 8, s. 180.

1033.11. The Minister may, in respect of an election made by an individual under section 1033.2 or 1033.7, accept for any particular period of time security different from, or of lesser value than, that which the Minister would otherwise accept under that section, if, in respect of that period, the Minister determines that the individual cannot, without undue hardship, pay or reasonably arrange to have paid on the individual's behalf, an amount of tax to which security under that section would relate, and cannot, without undue hardship, furnish or reasonably arrange to have furnished on the individual's behalf, adequate security under that section.

2004, c. 8, s. 180.

1033.12. In making a determination under section 1033.11, the Minister shall ignore any transaction that is a disposition, lease, encumbrance, hypothec, mortgage or other voluntary restriction by a person or partnership of the person's or partnership's rights in respect of a property, if the transaction can reasonably be considered to have been entered into for the purpose of influencing the determination.

2004, c. 8, s. 180; 2005, c. 1, s. 270.

1033.13. The prescription provided for in the first paragraph of section 27.3 of the Tax Administration Act (chapter A-6.002) is suspended for the time during which a security is accepted or is deemed to be accepted by the Minister under this chapter.

2004, c. 8, s. 180; 2010, c. 31, s. 175.

CHAPTER IV.2

SECURITY IN RESPECT OF THE DEEMED DISPOSITION OF A SHARE OF A PUBLIC CORPORATION

2019, c. 14, s. 424.

DIVISION I

INTERPRETATION AND GENERAL RULES

2019, c. 14, s. 424.

1033.14. In this chapter,

"base total payroll in Québec" of a corporation for a particular taxation year has the meaning assigned by section 1033.15;

"eligible employee" of a corporation for a pay period means an employee of the corporation who, throughout that period, reports for work at an establishment of the corporation situated in Québec;

"eligible share" means

(a) a share forming part of a large block of shares or of a portion of a large block of shares of the capital stock of a qualified public corporation; or

(b) a share of the capital stock of a private corporation more than 50% of the fair market value of the assets of which is attributable to a large block of shares or a portion of a large block of shares of the capital stock of a qualified public corporation;

"large block of shares" of the capital stock of a corporation means a block of shares of the capital stock of the corporation that gives its owner more than 33 1/3% of the votes that could be cast under any circumstances at the annual meeting of shareholders of the corporation;

"portion of a large block of shares" of the capital stock of a corporation means one or more shares of the capital stock of the corporation owned by a member of a related group at a particular time if the following conditions are met at the particular time:

(a) each member of the related group owns shares of the capital stock of the corporation; and

(b) the related group owns a large block of shares of the capital stock of the corporation;

"qualified public corporation" at a particular time means a corporation that, in relation to a share owned by an individual,

(a) is a public corporation at that time;

(b) has its head office in Québec at that time; and

(c) unless the particular time corresponds to the time of the deemed disposition of the share by the individual under section 436 or 653, its base total payroll in Québec for its taxation year that includes the particular time is at least 75% of its base total payroll in Québec for the taxation year in which the deemed disposition occurred;

"total payroll in Québec" of a corporation for a taxation year means the aggregate of all amounts each of which is the salary or wages paid by the corporation in a pay period that ends in the year to an eligible employee of the corporation for the pay period.

For the purposes of the definition of "eligible employee" in the first paragraph,

(a) where, during a pay period included in a taxation year, an employee of a corporation reports for work at an establishment of the corporation situated in Québec and at an establishment of the corporation situated outside Québec, the employee is, for that period, deemed

i. unless subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the corporation situated outside Québec; and

(b) where, during a pay period included in a taxation year, an employee of a corporation is not required to report for work at an establishment of the corporation and the employee's salary or wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

2019, c. 14, s. 424; 2021, c. 14, s. 166.

1033.15. Subject to section 1033.16, a corporation's base total payroll in Québec for a particular taxation year means the amount determined by the formula

$$(A \times 365) / B.$$

In the formula in the first paragraph,

(a) A is the total of all amounts each of which is the corporation's total payroll in Québec for a taxation year of the corporation ended in the period of 1,095 consecutive days that ends at the end of the particular taxation year; and

(b) B is the total of the number of days included in each of the taxation years referred to in subparagraph *a*.

2019, c. 14, s. 424.

1033.16. The base total payroll in Québec for a particular taxation year of a corporation that is associated with another corporation in the particular year is equal to the aggregate of

(a) its base total payroll in Québec for the particular year; and

(b) the aggregate of all amounts each of which is the base total payroll in Québec of another corporation with which the corporation is associated in the particular year for the taxation year of the other corporation that ends in the particular year.

2019, c. 14, s. 424.

DIVISION II

SECURITY IN RESPECT OF CERTAIN DEEMED DISPOSITIONS OF ELIGIBLE SHARES

2019, c. 14, s. 424.

1033.17. Where, at a particular time in a taxation year (in this section and section 1033.20 referred to as the "year of disposition"), an individual is deemed under section 436 to have disposed of an eligible share of a particular class of the capital stock of a corporation and the individual's legal representative elects, in the prescribed form containing prescribed information, on or before the individual's balance-due day for the year of disposition, to have this chapter apply to the year of disposition, the following rules apply:

(a) the Minister shall, until the balance-due day of a particular person who is either the individual's succession or a beneficiary of the succession referred to in the fourth paragraph for a particular taxation year that begins after the particular time, accept security satisfactory to the Minister and furnished by the individual's legal representative on or before the individual's balance-due day for the year of disposition for the lesser of

i. the amount determined by the formula

$$120\% \{A - B - [(A - B)/A \times C]\} \times D, \text{ and}$$

ii. if the particular year is the year that follows the year of disposition, the amount determined under subparagraph i and, in any other case, the amount determined under this subparagraph *a* in respect of the particular person for the taxation year that precedes the particular year; and

(b) except for the purposes of the first, second and third paragraphs of section 1038, the following interest and penalties shall be computed as if the particular amount for which security satisfactory to the Minister has been accepted under this section were, on the one hand, equal to the amount that would be determined in accordance with subparagraph *a* if the formula in subparagraph i of that subparagraph were read as if "120%" were replaced by "100%" and, on the other hand, an amount paid by the individual or the particular person, as the case may be, on account of the particular amount:

i. interest payable under this Part for any period that begins on the individual's balance-due day for the year of disposition and ends on the particular person's balance-due day for the particular year and throughout which security is accepted by the Minister, and

ii. penalties payable under this Part computed with reference to an individual's tax payable for the year that was, without reference to this subparagraph *b*, unpaid.

In the formula in subparagraph i of subparagraph *a* of the first paragraph,

(a) A is the amount of tax that would be payable by the individual under this Part for the year of disposition if the exclusion from income or deduction of an amount referred to in the first paragraph of section 1044 were not taken into account;

(b) B is the amount of tax that would have been so payable by the individual under this Part if all the shares, each of which is an eligible share of the particular class deemed under section 436 to have been disposed of at the particular time, other than a share in respect of which one of the conditions in the third paragraph is met, were not deemed by that section to have been disposed of by the individual at the particular time;

(c) C is the aggregate of all amounts deemed under this or any other Act to have been paid on account of the individual's tax payable under this Part for the year of disposition; and

(d) D is

i. where the share that is deemed under section 436 to have been disposed of at the particular time is an eligible share of a private corporation described in paragraph *b* of the definition of "eligible share" in the first paragraph of section 1033.14, the proportion, expressed as a percentage, that the fair market value of the assets of the private corporation that is attributable to a large block of shares or a portion of a large block of shares of the capital stock of a qualified public corporation is, at the particular time, of the fair market value of the assets of the private corporation, or

ii. in any other case, 100%.

The conditions to which subparagraph *b* of the second paragraph refers in respect of a share are as follows:

(a) it is subsequently disposed of before the beginning of the particular year;

(b) it ceases, throughout a one-month period ending in the particular year, to be an eligible share of the particular person; and

(c) the twentieth anniversary of its deemed disposition occurs in the particular year.

Where an eligible share of the capital stock of a corporation owned by the individual at the particular time is transferred as a consequence of a distribution by the individual's succession to a beneficiary of the succession, where, immediately after the transfer, the share is an eligible share and where an agreement effecting novation is entered into between the Minister and the beneficiary under which the indebtedness represented by tax attributable to the deemed disposition of the share becomes the debt of the beneficiary, this chapter applies, with the necessary modifications, from the transfer, in respect of satisfactory security furnished by the beneficiary and accepted by the Minister, as if the beneficiary were the same person as and a continuation of the individual's succession.

Where the proportion described in subparagraph i of subparagraph *d* of the second paragraph is greater than 95%, it is deemed to be equal to 100%.

2019, c. 14, s. 424; 2021, c. 14, s. 167.

1033.18. Where, at a particular time in a taxation year (in this section and section 1033.20 referred to as the "year of disposition"), a trust is deemed under section 653 to have disposed of an eligible share of a particular class of the capital stock of a corporation and it elects, in the prescribed form containing prescribed information, on or before its balance-due day for the year of disposition, to have this chapter apply to the year of disposition, the following rules apply:

(a) the Minister shall, until the balance-due day of a particular person that is either the trust or a beneficiary referred to in the fourth paragraph for a particular taxation year that begins after the particular time, accept security satisfactory to the Minister and furnished by or on behalf of the trust on or before the trust's balance-due day for the year of disposition for the lesser of

i. the amount determined by the formula

$$120\% \{A - B - [(A - B)/A \times C]\} \times D, \text{ and}$$

ii. if the particular year is the year that follows the year of disposition, the amount determined under subparagraph i and, in any other case, the amount determined under this subparagraph *a* in respect of the particular person for the taxation year that precedes the particular year; and

(b) except for the purposes of the first, second and third paragraphs of section 1038, the following interest and penalties shall be computed as if the particular amount for which security satisfactory to the Minister has been accepted under this section were, on the one hand, equal to the amount that would be determined in accordance with subparagraph *a* if the formula in subparagraph i of that subparagraph were read as if "120%" were replaced by "100%" and, on the other hand, an amount paid by the particular person on account of the particular amount:

i. interest payable under this Part for any period that ends on the particular person's balance-due day for the particular year and throughout which security is accepted by the Minister, and

ii. penalties payable under this Part computed with reference to the particular person's tax payable for the year that was, without reference to this subparagraph *b*, unpaid.

In the formula in subparagraph i of subparagraph *a* of the first paragraph,

(a) A is the amount of tax that would be payable by the trust under this Part for the year of disposition if the exclusion from income or deduction of an amount referred to in the first paragraph of section 1044 were not taken into account;

(b) B is the amount of tax that would have been so payable by the trust under this Part if all the shares, each of which is an eligible share of the particular class deemed under section 653 to have been disposed of at the particular time, other than a share in respect of which one of the conditions in the third paragraph is met, were not deemed under that section to have been disposed of by the trust at the particular time;

(c) C is the aggregate of all amounts deemed under this or any other Act to have been paid on account of the trust's tax payable under this Part for the year of disposition; and

(d) D is

i. where the share that is deemed under section 653 to have been disposed of at the particular time is an eligible share of a private corporation described in paragraph *b* of the definition of "eligible share" in the first paragraph of section 1033.14, the proportion, expressed as a percentage, that the fair market value of the assets of the private corporation that is attributable to a large block of shares or a portion of a large block of shares of the capital stock of a qualified public corporation is, at the particular time, of the fair market value of the assets of the private corporation, or

ii. in any other case, 100%.

The conditions to which subparagraph *b* of the second paragraph refers in respect of a share are as follows:

(a) it is subsequently disposed of before the beginning of the particular year;

(b) it ceases, throughout a one-month period ending in the particular year, to be an eligible share of the particular person; and

(c) the twentieth anniversary of its deemed disposition occurs in the particular year.

Where an eligible share of the capital stock of a corporation owned by a trust at the particular time is transferred as a consequence of a distribution by the trust to a beneficiary of the trust, where, immediately after the transfer, the share is an eligible share and where an agreement effecting novation is entered into between the Minister and the beneficiary under which the indebtedness represented by tax attributable to the deemed disposition of the share becomes the debt of the beneficiary, this chapter applies, with the necessary modifications, from the transfer, in respect of satisfactory security furnished by the beneficiary and accepted by the Minister, as if the beneficiary were the same person as and a continuation of the trust.

Where the proportion described in subparagraph i of subparagraph *d* of the second paragraph is greater than 95%, it is deemed to be equal to 100%.

2019, c. 14, s. 424; 2021, c. 14, s. 168.

1033.19. For the purposes of subparagraph *b* of the third paragraph of sections 1033.17 and 1033.18, a month means a period that begins on a particular day in a calendar month and that ends

(a) on the day immediately before the day in the following calendar month that has the same calendar number as the particular day, or

(b) where the following calendar month does not have a day that has the same calendar number as the particular day, on the last day of the following month.

2019, c. 14, s. 424.

1033.20. Despite sections 1033.17 and 1033.18, the Minister is deemed at any time not to have accepted security under either of those sections in respect of the year of disposition of eligible shares of a particular class of the capital stock of a corporation owned by an individual or a trust for an amount greater than 120% of the amount by which the particular tax that would be payable by the individual or trust, as the case may be, under this Part for the year if the exclusion from income or deduction of an amount referred to in the first paragraph of section 1044 in respect of which the date determined in accordance with the second paragraph of that section is after that time, were not taken into account, exceeds the amount determined under the second paragraph.

The amount to which the first paragraph refers is equal to the particular tax that would be determined under that paragraph if the eligible shares referred to in the first paragraph were not deemed under section 436 or 653 to have been disposed of.

2019, c. 14, s. 424.

1033.21. Subject to section 1033.25, if it is determined at a particular time that security accepted by the Minister under section 1033.17 or 1033.18 is not adequate to secure the particular amount for which it was furnished by or on behalf of the individual's legal representative or the trust, as the case may be, the following rules apply:

(a) subject to a subsequent application of this section, the security shall be considered after the particular time to secure only the amount for which it is security considered satisfactory at the particular time;

(b) the Minister shall notify in writing the legal representative or trust, or the person referred to in the fourth paragraph of section 1033.17 or 1033.18, of the determination and shall accept security satisfactory to the Minister, for all or any part of the particular amount, furnished by the person concerned or on that person's behalf within 90 days after the notification;

(c) any security accepted in accordance with subparagraph *b* is deemed to have been accepted by the Minister under section 1033.17 or 1033.18, as the case may be, on account of the particular amount at the particular time; and

(d) if the person concerned fails to furnish, within the time prescribed in subparagraph *b*, security satisfactory to the Minister to secure the particular amount in its entirety, the portion of subparagraph *b* of the first paragraph of section 1033.17 or 1033.18 before subparagraph i is to be read, after the particular time and subject to a subsequent application of this section, as if "100%" were replaced by the percentage determined by the formula

$$100\,\% - [(120\,\% - A) / 120\,\%].$$

In the formula in subparagraph *d* of the first paragraph, A is the proportion, expressed as a percentage, that the value of the security at the particular time, determined in accordance with the first paragraph, is of the amount that would be determined by the formula in subparagraph i of subparagraph *a* of the first paragraph of section 1033.17 or 1033.18, as the case may be, if it were read without "120%".

2019, c. 14, s. 424.

1033.22. If in the opinion of the Minister it would be just and equitable to do so, the Minister may at any time extend

(a) the time for making an election under section 1033.17 or 1033.18;

(b) the time for furnishing and accepting security, provided for in section 1033.17 or 1033.18; or

(c) the 90-day period for the acceptance of security, provided for in subparagraph *b* of the first paragraph of section 1033.21.

2019, c. 14, s. 424.

DIVISION III

METHOD FOR CALCULATING SECURITY ON THE TWENTIETH ANNIVERSARY OF THE DEEMED DISPOSITION

2019, c. 14, s. 424.

1033.23. Despite sections 1033.17 and 1033.18, where the twentieth anniversary of the deemed disposition, because of section 436 or 653, of an eligible share of the capital stock of a corporation occurs in a particular taxation year of an individual and the fair market value of that eligible share on the twentieth anniversary of the deemed disposition is less than its fair market value at the time of the deemed disposition, section 1033.17 or 1033.18, as the case may be, is to be read, if the Minister is of the opinion that the reduction in value is not attributable to a distribution in any manner whatsoever, in relation to that eligible share and in respect of the individual's particular taxation year and a subsequent taxation year in respect of which section 1033.24 does not apply,

(a) as if the formula in subparagraph i of subparagraph *a* of the first paragraph were replaced by the formula

$$120\% \{A - B - [(A - B)/A \times C]\} \times D \times (1 - E);$$

(b) (subparagraph repealed);

(c) as if the following subparagraph were added at the end of the second paragraph:

"(*e*) E is the proportion, expressed as a percentage, that the fair market value of the eligible share on the twenty-second anniversary of the deemed disposition is of its fair market value at the time of the deemed disposition."; and

(d) as if subparagraph *c* of the third paragraph were struck out.

2019, c. 14, s. 424; 2021, c. 14, s. 169.

1033.24. Where section 1033.23 applied in respect of an eligible share of the capital stock of a corporation and the fair market value of that eligible share on the twenty-second anniversary of the deemed disposition is greater than its fair market value on the twentieth anniversary of the deemed disposition, section 1033.17 or 1033.18, as the case may be, is to be read, in relation to that eligible share and in respect of the individual's particular taxation year that includes the twenty-second anniversary and the individual's following taxation year,

(a) as if the formula in subparagraph i of subparagraph *a* of the first paragraph were replaced by the formula

$$120\% \{A – B – [(A − B)/A × C]\} × D × (1 – E);$$

(b) (subparagraph repealed);

(c) as if the following subparagraph were added at the end of the second paragraph:

"(*e*) E is the proportion, expressed as a percentage, that the fair market value of the eligible share on the twenty-second anniversary of the deemed disposition is of its fair market value at the time of the deemed disposition."; and

(d) as if subparagraph *c* of the third paragraph were struck out.

The first paragraph applies at successive two-year intervals following the twenty-second anniversary referred to in that paragraph, with the necessary modifications. However, if the fair market value of the eligible share on that subsequent anniversary is greater than its fair market value on the last anniversary in respect of which the first paragraph applied, subparagraph *e* of the second paragraph of section 1033.17 or 1033.18, as the case may be, enacted by subparagraph *c* of the first paragraph, is to be read as follows:

"(*e*) E is the proportion, expressed as a percentage, that the fair market value of the eligible share on the subsequent anniversary to which the second paragraph of section 1033.24 refers is of the fair market value of the eligible share at the time of the deemed disposition."

2019, c. 14, s. 424; 2021, c. 14, s. 170.

DIVISION IV

MISCELLANEOUS PROVISIONS

2019, c. 14, s. 424.

1033.25. The Minister may, in respect of an election made by an individual's legal representative or a trust under section 1033.17 or 1033.18, as the case may be, accept for a particular period of time security different from, or of lesser value than, that which the Minister would otherwise accept under that section if, in respect of that period, the Minister determines that the individual's succession or the trust cannot, without undue hardship, pay or reasonably arrange to have paid on its behalf an amount of tax to which security furnished under that section would relate and cannot, without undue hardship, furnish or reasonably arrange to have furnished on its behalf adequate security under that section.

2019, c. 14, s. 424.

1033.26. In making a determination under section 1033.25, the Minister shall ignore any transaction that is a disposition, lease, encumbrance, hypothec, mortgage or other voluntary restriction by a person or partnership of the person's or partnership's rights in respect of a property, if the transaction can reasonably be considered to have been entered into for the purpose of influencing the determination.

2019, c. 14, s. 424.

1033.27. The prescription provided for in the first paragraph of section 27.3 of the Tax Administration Act (chapter A-6.002) is suspended for the period during which a security is accepted or is deemed to be accepted by the Minister under this chapter.

2019, c. 14, s. 424.

CHAPTER V

SOLIDARY LIABILITY TO PAY TAX

1972, c. 23; 1980, c. 13, s. 104.

1034. Where a person transfers property, directly or indirectly, by means of a trust or by any means whatever to a person with whom he is not dealing at arm's length, a person who is under 18 years of age, or his spouse or a person who, after the transfer, becomes his spouse, the transferee and transferor are solidarily liable to pay a part of the transferor's tax for each taxation year equal to the amount by which the tax for the year is greater than it would have been if it were not for the operation of sections 456 to 458, 462.1 to 463 and 464 to 467.1, in respect of any income from, or gain from the disposition of, the property so transferred or property substituted therefor.

1972, c. 23, s. 759; 1984, c. 15, s. 234; 1987, c. 67, s. 186; 1989, c. 77, s. 102; 1995, c. 1, s. 168.

1034.0.0.1. Where a particular person or partnership is deemed under section 427.4 to have disposed of a property at any time, the person referred to in subparagraph i or ii of paragraph *a* of that section is solidarily liable with each other taxpayer to pay a part of the other taxpayer's liabilities under this Part for each taxation year equal to the amount determined by the formula

A − B.

In the formula provided for in the first paragraph,

(a) A is the total of amounts payable under this Part by the other taxpayer for the year; and

(b) B is the amount that would, if the particular person or partnership were not deemed under section 427.4 to have disposed of the property, be determined under subparagraph *a* in respect of the other taxpayer for the year.

However, nothing under this section is deemed to limit the liability of the other taxpayer under any other provision of this Act.

2000, c. 5, s. 272.

1034.0.0.2. Where an amount is required to be added under section 766.3.4 in computing a specified individual's tax otherwise payable under this Part for a taxation year and the specified individual has not attained the age of 24 years before the year, the following rules apply:

(a) subject to subparagraph *b*, any of the following persons is solidarily liable with the specified individual to pay that amount:

i. if the specified individual has not attained the age of 17 years before the year, the father or mother of the specified individual, and

ii. if the specified individual has attained the age of 17 years before the year, the source individual in respect of the specified individual where

(1) the amount was derived directly or indirectly from a related business in respect of the specified individual, with reference to paragraph *d* of section 766.3.3.1, and

(2) the source individual meets the conditions set out in any of paragraphs *a* to *c* of the definition of "related business" in the first paragraph of section 766.3.3 in respect of the related business; and

(b) the liability of any of the persons referred to in subparagraph *a* in respect of the specified individual for the year is to be determined as though the only amounts included in the specified individual's split income for the year are amounts derived from the related business referred to in subparagraph ii of subparagraph *a*.

However, nothing in this section limits the liability of the specified individual under any other provision of this Act or the liability of any of the persons referred to in subparagraph *a* of the first paragraph for the interest that the person is liable to pay under this Act on an assessment in respect of an amount that the person is liable to pay because of this section.

2001, c. 53, s. 229; 2015, c. 21, s. 493; 2020, c. 16, s. 162.

1034.0.0.3. If a transferor and a transferee, within the meaning assigned to those expressions by the first paragraph of section 336.8, make a joint election under Chapter II.1 of Title VI of Book III in respect of a split-retirement income amount for a taxation year, determined in their respect for the purposes of that chapter, they are solidarily liable for the tax payable by the transferee under this Part for the year to the extent that that tax payable is greater than it would have been if no amount had been added because of the first paragraph of section 313.11 in computing the income of the transferee under this Part for the year.

2009, c. 5, s. 483.

1034.0.0.4. If section 663.0.1 deems an amount to have become payable in a taxation year of a trust to an individual, the individual and the trust are solidarily liable for the tax payable by the individual under this Part for the individual's taxation year in which the individual dies to the extent that that tax payable is greater than it would have been if the amount were not included in computing the individual's income under this Part for the year.

2017, c. 1, s. 338.

1034.0.1. Notwithstanding section 1034, the rules mentioned in section 1034.0.2 apply where a taxpayer transfers property to his spouse under a decree, order or judgment of a competent tribunal or under a written separation agreement and where, at the time of the transfer, the taxpayer and his spouse are living apart because of the breakdown of their marriage.

However, nothing in section 1034.0.2 or in this section shall operate to reduce the taxpayer's liability under any other provision of this Act.

1986, c. 15, s. 181; 1995, c. 1, s. 169; 1995, c. 49, s. 236.

1034.0.2. The rules contemplated in section 1034.0.1 are the following:

(a) where the property is transferred after 15 February 1984, the transferee shall not be liable to pay under section 1034 any amount in respect of any income from, or gain from the disposition of, the property so transferred or property substituted therefor;

(b) where the property is transferred before 16 February 1984, and where the transferee would, but for this paragraph, be liable to pay an amount under this Act by virtue of section 1034, the transferee's liability in respect of that amount shall be deemed to have been discharged on 16 February 1984.

1986, c. 15, s. 181; 1989, c. 77, s. 103.

1034.1. (1) Where an amount is received out of or under a registered retirement savings plan by an individual other than an annuitant within the meaning of paragraph *b* of section 905.1 under the plan, and that

amount or part thereof would, but for subparagraph i of paragraph *a* of that section, be received by the individual as a benefit within the meaning of the said paragraph *a*, the individual and the last annuitant under the plan are solidarily liable to pay a part of the annuitant's tax under this Part for the year of his death equal to that proportion of the amount by which that tax exceeds the tax that would have been computed but for section 915.2 that the aggregate of all amounts received from the plan by the individual and that would, but for the said subparagraph i, be a benefit, within the meaning of the said paragraph *a*, received by the taxpayer, is of the amount included under section 915.2 in computing the income of the annuitant.

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

(2.0.1) If a taxpayer is deemed under section 467.2 to have received at any time an amount out of or under an annuity that is a qualifying trust annuity with respect to the taxpayer, the taxpayer, the annuitant under the annuity and the policyholder are solidarily liable to pay the part of the taxpayer's tax under this Part for the taxation year of the taxpayer that includes that time that is equal to the amount by which that tax exceeds the tax that would have been computed in respect of the taxpayer for the year if no amount were deemed under section 467.2 to have been received by the taxpayer out of or under the annuity in the year.

(2.0.2) Where an amount required to be included in the income of the holder of a first home savings account by virtue of Title IV.4 of Book VII is received by a taxpayer other than the holder, the taxpayer is solidarily liable with the holder to pay a part of the holder's tax under this Part for the taxation year in which the amount is received equal to the amount by which that tax exceeds the amount that would be the holder's tax for the year if the amount had not been received.

(2.1) Where an amount required to be included in the income of a taxpayer by virtue of paragraph *a* of section 890.9 is received by a person with whom the taxpayer is not dealing at arm's length, that person is solidarily liable with the taxpayer to pay a part of the taxpayer's tax under this Part for the taxation year in which the amount is received equal to the amount by which the taxpayer's tax for the year exceeds the amount that would be his tax for the year if the amount had not been received.

(3) However, this section does not free the annuitant under the plan or fund, the taxpayer or the holder, as the case may be, from liabilities under any other provision of this Act.

1980, c. 13, s. 105; 1988, c. 18, s. 115; 1989, c. 77, s. 104; 1991, c. 25, s. 168; 1995, c. 1, s. 199; 2009, c. 15, s. 353; 2020, c. 16, s. 163 ; 2023, c. 19, s. 120.

1034.2. Where property is transferred at any time by a corporation to a taxpayer with whom the corporation does not deal at arm's length at that time and the corporation is not entitled because of section 346.3 to deduct an amount under section 346.2 in computing its income for a taxation year because of the transfer or because of the transfer and one or more other transactions, the taxpayer is solidarily liable with the corporation to pay an amount of the corporation's tax under this Part for the year equal to the amount by which the fair market value of the property at that time exceeds the fair market value at that time of the consideration given for the property.

However, nothing in this section limits the liability of the corporation under any other provision of this Act.

1996, c. 39, s. 251; 1997, c. 3, s. 71.

1034.3. Where property is transferred at any time from a taxpayer, in this section referred to as the "transferor", to another taxpayer, in this section referred to as the "transferee", with whom the transferor does not deal at arm's length, the transferor is liable because of this section or section 1034.2, to pay an amount of the tax of another person, in this section referred to as the "debtor", under this Part, and it can reasonably be considered that one of the reasons of the transfer is to prevent the enforcement of this section or section 1034.2, the transferee is solidarily liable with the transferor and the debtor to pay an amount of the debtor's tax under this Part equal to the lesser of the amount of such tax that the transferor was liable to pay at that time and the amount by which the fair market value of the property at that time exceeds the fair market value at that time of the consideration given for the property.

However, nothing in this section limits the liability of the debtor or the transferor under any provision of this Act.

1996, c. 39, s. 251.

1034.3.1. For the purposes of sections 1034.2 and 1034.3, the fair market value at any time of an undivided right in a property is deemed to be equal to the proportion of the fair market value of the property at that time that the right is of all the undivided rights in the property.

2001, c. 53, s. 230; 2020, c. 16, s. 164.

1034.4. Where, for a taxation year, the Minister has refunded an amount to an individual or has applied an amount to another of the individual's liabilities, and that amount is greater than the amount that should have been refunded or applied, the individual and the person who, for the year, is the individual's eligible spouse are solidarily liable for payment of that excess amount, to the extent that the excess amount may reasonably be considered to relate to the application of section 1029.8.105, as it read before being repealed.

However, nothing in this section limits the liability of the individual or the individual's eligible spouse for the year, where applicable, under any other provision of this Act.

1997, c. 85, s. 273; 2021, c. 14, s. 171.

1034.5. For the purposes of section 1034.4 and of section 1035 where that section applies in respect of an eligible spouse of an individual in relation to an amount payable under section 1034.4, "eligible spouse" of an individual for a taxation year has the meaning assigned by section 1029.8.101, as it read before being repealed.

1997, c. 85, s. 273; 1999, c. 83, s. 221; 2021, c. 14, s. 172.

1034.6. Where, for a taxation year, the Minister has refunded an amount to an individual or has applied an amount to another of the individual's liabilities, and that amount is greater than the amount that should have been refunded or applied, the individual and the person who, for the year, is the individual's eligible spouse are solidarily liable for payment of that excess amount, to the extent that the excess amount may reasonably be considered to relate to the application of section 1029.8.114 or 1029.8.114.1, as it read before being repealed.

However, nothing in this section limits the liability of the individual or the individual's eligible spouse for the year, where applicable, under any other provision of this Act.

1999, c. 83, s. 222; 2009, c. 5, s. 484; 2021, c. 14, s. 173.

1034.7. For the purposes of section 1034.6 and of section 1035 where that section applies in respect of an eligible spouse of an individual in relation to an amount payable under section 1034.6, "eligible spouse" of an individual for a taxation year has the meaning assigned by section 1029.8.110, as it read before being repealed.

1999, c. 83, s. 222; 2021, c. 14, s. 174.

1034.8. If, for a taxation year, the Minister has refunded an amount to a trust governed by a registered education savings plan or has applied an amount to another of the trust's liabilities, and that amount is greater than the amount that should have been refunded or applied, a beneficiary in respect of whom an educational assistance payment has been made under the plan is solidarily liable with the trust for payment of the excess amount, to the extent that the excess amount may reasonably be considered to relate to the application of section 1029.8.128 and up to the portion of the educational assistance payment that may reasonably be attributed to the excess amount.

However, nothing in this section limits the liability of the trust or the beneficiary under any other provision of this Act.

2009, c. 5, s. 485.

1034.9. For the purposes of section 1034.8 and section 1035 when that section applies in respect of a beneficiary in relation to an amount payable under section 1034.8, "beneficiary", "educational assistance payment" and "trust" have the meaning assigned by section 890.15.

2009, c. 5, s. 485.

1034.10. If, in computing taxable income for a taxation year, a taxpayer is required to include an amount in respect of a disability assistance payment, within the meaning assigned by the first paragraph of section 905.0.3, that is deemed under subparagraph *b* or *c* of the first paragraph of section 905.0.20 to have been made at a particular time from a registered disability savings plan, the taxpayer and each holder, within the meaning assigned by the first paragraph of section 905.0.3, of the plan immediately after the particular time are solidarily liable to pay a part of the taxpayer's tax under this Part for that taxation year that is equal to the amount determined by the formula

A - B.

In the formula in the first paragraph,

(a) A is the amount of the taxpayer's tax under this Part for the year; and

(b) B is the amount that would be the taxpayer's tax under this Part for the year if no disability assistance payment were deemed by subparagraph *b* or *c* of the first paragraph of section 905.0.20 to have been made from a registered disability savings plan at a particular time.

However, this section limits neither the liability of the taxpayer under any other provision of this Act, nor the liability of any holder for the interest that the holder is liable to pay under this Act on an assessment in respect of an amount that the holder is liable to pay because of this section.

2009, c. 15, s. 354; 2015, c. 21, s. 494.

1035. The Minister may at any time assess a taxpayer in respect of any amount payable under any of sections 1034 to 1034.0.0.4, any of subsections 1 to 2.1 of section 1034.1 or any of sections 1034.2, 1034.3, 1034.4, 1034.6, 1034.8 and 1034.10, as the case may be, and this Book applies, with the necessary modifications, to an assessment made under this section as though it had been made under Title II.

1972, c. 23, s. 760; 1973, c. 17, s. 118; 1980, c. 13, s. 106; 1989, c. 77, s. 105; 1995, c. 63, s. 261; 1996, c. 39, s. 252; 1997, c. 85, s. 274; 1999, c. 83, s. 223; 2000, c. 5, s. 273; 2001, c. 53, s. 231; 2003, c. 9, s. 368; 2009, c. 5, s. 486; 2009, c. 15, s. 355; 2017, c. 1, s. 339; 2017, c. 29, s. 198.

1035.1. The Minister may at any time assess a taxpayer in respect of any amount payable under paragraph *g* of section 595 or section 597.0.15, and this Book applies, with the necessary modifications, to an assessment made under this section as though it had been made under Title II.

2015, c. 36, s. 150.

1036. If a particular taxpayer and another taxpayer are, under paragraph *g* of section 595 or any of sections 597.0.15, 1034 to 1034.0.0.4, 1034.1 to 1034.3, 1034.4, 1034.6, 1034.8 and 1034.10, as the case may be, solidarily liable in respect of all or part of a liability of the other taxpayer, the following rules apply:

(a) a payment by, and on account of the liability of, the particular taxpayer discharges, up to the amount of the payment, their solidary liability; and

(b) a payment by, and on account of the liability of, the other taxpayer discharges the liability of the particular taxpayer only to the extent that the payment operates to reduce the liability of the other taxpayer to an amount less than the amount in respect of which the particular taxpayer is solidarily liable under paragraph *g* of section 595 or any of sections 597.0.15, 1034 to 1034.0.0.4, 1034.1 to 1034.3, 1034.4, 1034.6, 1034.8 and 1034.10, as the case may be.

1972, c. 23, s. 761; 1980, c. 13, s. 106; 1988, c. 18, s. 116; 1989, c. 77, s. 106; 1995, c. 1, s. 199; 1996, c. 39, s. 253; 1997, c. 85, s. 275; 1999, c. 83, s. 224; 2000, c. 5, s. 274; 2001, c. 53, s. 232; 2009, c. 5, s. 486; 2009, c. 15, s. 356; 2015, c. 36, s. 151; 2017, c. 1, s. 340; 2017, c. 29, s. 199.

1036.1. *(Repealed).*

1987, c. 21, s. 73; 1990, c. 7, s. 170; 1992, c. 1, s. 180; 1995, c. 1, s. 170; 1995, c. 63, s. 261; 1996, c. 39, s. 254; 1997, c. 3, s. 71; 2017, c. 29, s. 200.

TITLE IV

INTEREST

1972, c. 23.

1037. Any tax that is unpaid by a taxpayer on the taxpayer's balance-due day for the year shall bear interest at the rate fixed under section 28 of the Tax Administration Act (chapter A-6.002), from the taxpayer's balance-due day to the day of payment.

1972, c. 23, s. 762; 1972, c. 26, s. 73; 1993, c. 19, s. 132; 1997, c. 31, s. 121; 2010, c. 31, s. 175.

1037.1. *(Repealed).*

1988, c. 4, s. 126; 1997, c. 31, s. 122; 1998, c. 16, s. 237.

1038. In addition to the interest payable under section 1037, the taxpayer liable to make a payment under sections 1025 to 1027 shall pay interest, on every payment or part of a payment which he has not made on or before the date of expiry of the time granted for making it, at the rate fixed in section 28 of the Tax Administration Act (chapter A-6.002), for the period extending from that date to the day of payment or to the day when he becomes liable to pay interest under section 1037, whichever is earlier.

For the purposes of this section and section 1040, any individual required to make a payment for a particular taxation year under section 1025 is deemed to have been liable to make a payment based on the least of

(a) the amount by which the tax payable by the individual for the particular year, determined without reference to the specified tax consequences for the particular year, section 313.11 and Chapter II.1 of Title VI of Book III, but with reference to the amount that the individual could deduct from the individual's tax

otherwise payable for the year under section 776.41.5 if the individual's eligible spouse for the year were not required to include an amount in computing income for the year under section 313.11, exceeds the aggregate of

i. the aggregate of all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual's income for the particular year,

ii. the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3.0.1, II.5.1, II.5.2, II.6.4 to II.6.4.2.1, II.11.1, II. 11.7.2, II.12.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, II.17.1 and II.27 of that chapter and sections 1029.9.2 and 1029.9.2.1 and any such amounts in respect of which section 1029.6.0.1.9 applies,

iii. the amount by which the amount the individual is deemed under Division II.11.1 of Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3,

iii.1. the amount by which the amount the individual is deemed under Division II.11.7.2 of Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3.5,

iv. the amount by which the amount the individual is deemed under Division II.12.1 of Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3.3; and

v. the amount by which the amount the individual is deemed under Division II.27 of Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3.4; and

(b) the individual's basic provisional account, established in accordance with the regulations made under section 1025, for the preceding taxation year, reduced by the aggregate of

i. the aggregate of all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual's income for the preceding taxation year,

ii. the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3.0.1, II.5.1, II.5.2, II.6.4 to II.6.4.2.1, II.11.1, II. 11.7.2, II.12.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, II.17.1 and II.27 of that chapter and sections 1029.9.2 and 1029.9.2.1 and any such amounts in respect of which section 1029.6.0.1.9 applies,

iii. the amount by which the amount the individual is deemed under Division II.11.1 of Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3,

iii.1. the amount by which the amount the individual is deemed under Division II.11.7.2 of Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3.5,

iv. the amount by which the amount the individual is deemed under Division II.12.1 of Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3.3; and

v. the amount by which the amount the individual is deemed under Division II.27 of Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3.4; and

(c) the amount stated to be the payment to be made by the individual for the particular year in the notice sent to the individual by the Minister.

For the purposes of this section and section 1040, any individual required to make a payment for a particular taxation year under section 1026 is deemed to have been liable to make payments based on a method described in that section 1026, whichever method gives rise to the least total amount required to be paid for the particular year on or before each of the dates referred to in that section 1026, computed in accordance with that method by reference to

(a) the amount by which the total, on the one hand, of the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual's tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II. 3.0.1, II.5.1, II.5.2, II.6.4 to II.6.4.2.1, II.11.1, II.11.7.2, II.12.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, II.17.1 and II.27 of that chapter and sections 1029.9.2 and 1029.9.2.1 and any such amounts in respect of which section 1029.6.0.1.9 applies, and, on the other hand, of the aggregate of the amount by which the amount the individual is deemed under Division II.11.1 of that chapter to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3, the amount by which the amount the individual is deemed under Division II.11.7.2 of that chapter to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3.5, the amount by which the amount the individual is deemed under Division II.12.1 of that chapter to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3.3 and the amount by which the amount the individual is deemed under Division II.27 of that chapter to have paid to the Minister on account of the individual's tax payable for the particular year exceeds the individual's tax payable for the particular year under Part I.3.4, is exceeded by any of the following amounts:

i. the tax payable by the individual for the particular year, determined without reference to the specified tax consequences for the particular year, section 313.11 and Chapter II.1 of Title VI of Book III, but with reference to the amount that the individual could deduct from the individual's tax otherwise payable for the year under section 776.41.5 if the individual's eligible spouse for the year were not required to include an amount in computing income for the year under section 313.11, reduced by all amounts deducted or withheld under section 1015, without reference to section 1017.2, in respect of the individual's income for the particular year,

ii. the individual's basic provisional account, established in accordance with the regulations made under section 1026, for the preceding taxation year, reduced by all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual's income for the preceding taxation year, and

iii. the individual's basic provisional account, established in accordance with the regulations made under section 1026, for the second preceding taxation year, reduced by all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual's income for the second preceding taxation year and the individual's basic provisional account, established in the same manner, for the preceding taxation year, reduced by all amounts deducted or withheld under section 1015, but without reference to section 1017.2, in respect of the individual's income for that preceding taxation year; or

(b) the amounts stated to be the amounts of instalments payable by the individual for the particular year in the notices sent to the individual by the Minister.

For the purposes of this section and section 1040, any corporation required to make a payment for a taxation year under section 1027 is deemed to have been liable to make payments based on a method described in subparagraph *a* of the first paragraph of the said section 1027, whichever method gives rise to the

least total amount required to be paid for the year on or before each of the dates referred to in the latter subparagraph, computed in accordance with that method by reference to

(a) the tax payable by the corporation for the year, determined without reference to the specified tax consequences for the year, or the corporation's first basic provisional account, within the meaning of the regulations under subparagraph i of the said subparagraph, for the year; or

(b) its second basic provisional account, within the meaning of the regulations under subparagraph ii of the said subparagraph, for the year and its first basic provisional account, within the meaning of the regulations under subparagraph i of the said subparagraph, for the year.

1972, c. 23, s. 763; 1972, c. 26, s. 74; 1973, c. 17, s. 119; 1982, c. 5, s. 186; 1986, c. 15, s. 182; 1986, c. 19, s. 191; 1987, c. 21, s. 74; 1991, c. 8, s. 83; 1992, c. 1, s. 181; 1993, c. 64, s. 172; 1995, c. 1, s. 171; 1995, c. 49, s. 230; 1995, c. 63, s. 212; 1997, c. 3, s. 71; 1997, c. 14, s. 246; 1998, c. 16, s. 238; 1999, c. 83, s. 225; 2000, c. 39, s. 200; 2002, c. 9, s. 120; 2002, c. 40, s. 225; 2002, c. 46, s. 2; 2003, c. 9, s. 369; 2005, c. 1, s. 271; 2007, c. 12, s. 215; 2009, c. 5, s. 487; 2010, c. 5, s. 169; 2010, c. 25, s. 185; 2010, c. 31, s. 175; 2015, c. 36, s. 152; 2017, c. 1, s. 341; 2019, c. 14, s. 425; 2021, c. 14, s. 175; 2022, c. 23, s. 123.

1038.1. Notwithstanding section 1038, the interest payable by a taxpayer under the said section shall not exceed the amount by which the interest that would be payable by the taxpayer under the said section if he had made no payments exceeds the amount obtained by computing interest at the rate fixed under the first paragraph of section 28 of the Tax Administration Act (chapter A-6.002) capitalized daily on each payment made by the taxpayer, for the period extending from the day of the payment to the taxpayer's balance-due day.

1988, c. 4, s. 127; 1997, c. 31, s. 123; 2006, c. 13, s. 197; 2010, c. 31, s. 175.

1039. For the purposes of section 1038, any payment made during a taxation year under section 1098 or 1100 by a person not resident in Canada or under section 1101 on his behalf by another person is deemed to have been made by that person not resident in Canada during the year as an instalment of tax on the first day on which he was required under this Part to pay such an instalment for the year.

For the purposes of section 1038, the amount deducted by an individual in computing his tax payable under this Part for a taxation year under section 776.17 in respect of his scientific research and experimental development tax credit for the year, within the meaning of paragraph *a* of section 776.6, is deemed to have been paid by the individual on the last day of the year where he filed, according to the modalities of section 1000, his fiscal return under this Part for the year, or on the day on which he files his fiscal return in other cases.

1975, c. 22, s. 238; 1986, c. 15, s. 183; 1997, c. 14, s. 247; 2005, c. 38, s. 290.

1040. Every taxpayer required to make a payment pursuant to sections 1025 to 1027 shall, in addition to interest payable under section 1038, pay additional interest at the rate of 10% per annum, for the period for which interest is payable under section 1038, on any unpaid payment or part of a payment.

The first paragraph does not apply where the amount paid by a taxpayer is

(a) where the taxpayer is a corporation, equal to or greater than 90% of the payment the taxpayer was required to make; and

(b) where the taxpayer is an individual, equal to or greater than 75% of the payment the taxpayer was required to make.

1972, c. 23, s. 764; 1972, c. 26, s. 74; 1973, c. 17, s. 120; 1977, c. 26, s. 114; 1986, c. 15, s. 184; 1989, c. 5, s. 215; 1992, c. 31, s. 2; 1993, c. 19, s. 133; 1993, c. 64, s. 173; 2002, c. 46, s. 3; 2003, c. 9, s. 370; 2005, c. 1, s. 272.

1040.1. Notwithstanding section 1040, the interest payable by a taxpayer under the said section shall not exceed the amount by which the interest that would be payable by the taxpayer under the said section if he had made no payments exceeds the amount obtained by computing interests at the rate of 10% capitalized

daily on each payment made by the taxpayer, for the period extending from the day of the payment to the taxpayer's balance-due day.

1988, c. 4, s. 128; 1989, c. 5, s. 215; 1993, c. 16, s. 336; 1997, c. 31, s. 124.

1041. *(Repealed).*

1972, c. 23, s. 765; 1993, c. 16, s. 337.

1042. *(Repealed).*

1972, c. 23, s. 766; 2021, c. 14, s. 176.

1042.1. Where the tax payable under this Part by a taxpayer for a particular taxation year is increased because of one of the following operations, no interest is payable, in respect of the amount of the increase, for the period specified in the second paragraph:

(a) an adjustment of an income or profits tax payable by the taxpayer to the government of a foreign country or political subdivision of a foreign country;

(b) a reduction in the amount of taxes that meet the conditions under subparagraphs *a* to *c* of the first paragraph of section 772.5.2, that is deductible under section 772.6 or 772.8 in computing the taxpayer's tax otherwise payable under this Part for the particular year, as a result of the application of section 772.5.2, or, in the case of a corporation, of subsection 4.2 of section 126 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), in respect of a share or debt obligation disposed of by the taxpayer in the taxation year following the particular year; or

(c) an adjustment of the income tax paid for a taxation year by a designated trust, within the meaning of the first paragraph of section 671.5, to the government of a province, other than Québec, in respect of which the taxpayer deducted, under section 772.15, an amount in computing the taxpayer's tax otherwise payable under this Part for the particular year, other than an adjustment that results from modifications made in computing the designated trust's income.

The period to which the first paragraph refers is the period

(a) that ends 90 days after the date on which the taxpayer is first notified of the amount of the adjustment, if subparagraph *a* of the first paragraph applies;

(b) before the date of the disposition, if subparagraph *b* of the first paragraph applies; and

(c) that ends 90 days after the date on which the designated trust is first notified of the amount of the adjustment, if subparagraph *c* of the first paragraph applies.

1984, c. 15, s. 235; 2001, c. 53, s. 233; 2004, c. 21, s. 442; 2011, c. 6, s. 208.

1042.2. *(Repealed).*

1995, c. 63, s. 213; 1997, c. 3, s. 71; 2000, c. 39, s. 201.

1043. Where the income of a taxpayer for a taxation year or part thereof is from sources in another country and the taxpayer by reason of monetary or exchange restrictions imposed by that country is unable to transfer it to Canada, the Minister may postpone the time of payment of the whole or part of the tax reasonably attributable to the income from sources in that country for a period which he determines, if he is satisfied that the payment of the whole tax for the year would impose extreme hardship on the taxpayer; in such case, no interest is exigible on the payment of tax so postponed for the period determined by the Minister.

However, the payment shall not be so postponed if such income has been, in whole or in part, transferred to Canada, used by the taxpayer for any purpose other than the payment of a tax on such income to the government of that country or has been disposed of by him.

1972, c. 23, s. 767.

1044. Where, for a particular taxation year, a taxpayer is entitled to exclude from the taxpayer's income under sections 294 to 298 an amount in respect of the exercise of an option in a subsequent taxation year, to exclude from the taxpayer's income or to deduct an amount by reason of the disposition in a subsequent taxation year of a work of art referred to in section 714.1 or 752.0.10.11.1 by a donee referred to in that section, to deduct an amount relating to a subsequent taxation year, or because of an event in a subsequent taxation year, and referred to in any of paragraphs *b* to *b*.1.0.1, *c* to *d*.1.0.0.4, *d*.1.1 and *f* to *h* of section 1012.1, to deduct an amount under any of sections 785.2.2 to 785.2.4 from the proceeds of disposition of a property because of an election made in a fiscal return for a subsequent taxation year or to reduce an amount included in computing the taxpayer's income under section 580 for the particular taxation year because of a reduction referred to in section 1012.2 in the foreign accrual property income of a foreign affiliate of the taxpayer for a taxation year of the foreign affiliate that ends in the particular taxation year, the tax payable under this Part by the taxpayer for the particular taxation year is deemed, for the purpose of computing interest payable under sections 1037 to 1040, to be equal to the tax that the taxpayer would have been required to pay if the consequences of the deduction, exclusion or reduction of those amounts were not taken into account.

However, the amount by which the tax payable under this Part by the taxpayer for the particular taxation year is reduced as a consequence of the exclusion from the income, the deduction or the reduction, as the case may be, of an amount described in the first paragraph is deemed, for the purpose of computing interest payable under sections 1037 to 1040, to have been paid by the taxpayer on account of the taxpayer's tax payable under this Part for the particular taxation year on the latest of

(a) the day on which an amended fiscal return of the taxpayer or a prescribed form was filed in accordance with any of sections 297, 716.0.1, 752.0.10.15, 1012, 1012.2, 1054, 1055.1.2 and 1055.1.3 so as to exclude from the taxpayer's income, to deduct or to reduce the amount for the particular taxation year;

(b) where, as a consequence of a request in writing, the Minister assessed the taxpayer's tax for the year so as to exclude from his income or deduct the amount for the particular taxation year, the day on which the request was made;

(c) the day immediately following the end of the subsequent taxation year relating to the amount excluded from the taxpayer's income or deducted for the particular taxation year; and

(d) the day on which the taxpayer or his legal representative files his fiscal return under this Part for the subsequent taxation year referred to in subparagraph *c*.

1972, c. 23, s. 768; 1983, c. 49, s. 16; 1985, c. 25, s. 152; 1986, c. 19, s. 192; 1987, c. 67, s. 187; 1988, c. 4, s. 129; 1991, c. 25, s. 169; 1993, c. 64, s. 174; 1995, c. 63, s. 214; 1997, c. 31, s. 125; 2000, c. 5, s. 275; 2002, c. 46, s. 4; 2004, c. 8, s. 181; 2005, c. 23, s. 230; 2005, c. 38, s. 291; 2007, c. 12, s. 216; 2009, c. 15, s. 357; 2011, c. 34, s. 108; 2015, c. 36, s. 153; 2017, c. 1, s. 342; 2021, c. 18, s. 147 .

1044.0.1. Where, for a particular taxation year, a taxpayer has included an amount in computing his income by reason of the disposition in a subsequent taxation year of a work of art referred to in section 714.1 or 752.0.10.11.1 by a donee referred to in either of those sections, his tax payable under this Part for the particular taxation year is deemed, for the purpose of computing interest payable under sections 1037 to 1040, to be equal to the tax that the taxpayer would have been required to pay had he not been entitled to so include that amount.

However, the amount by which the taxpayer's tax payable under this Part for the particular taxation year is increased by reason of the inclusion of an amount described in the first paragraph is deemed, for the purpose of computing interest payable under sections 1037 to 1040, to have so increased the taxpayer's tax payable

under this Part for the particular taxation year, from the taxpayer's filing-due date for the subsequent taxation year.

1995, c. 63, s. 215; 1997, c. 3, s. 71; 1997, c. 31, s. 143.

1044.0.2. Where the tax payable under this Part by a taxpayer for a taxation year is more than it otherwise would be because of a consequence for the year, described in paragraph *b* of the definition of "specified tax consequence" in section 1, in respect of an amount purported to be renounced in a calendar year by a corporation, for the purposes of the provisions of this Part, other than this section, relating to a determination of interest payable under this Part, an amount equal to the additional tax payable is deemed

(a) to have been paid on the taxpayer's balance-due day for the taxation year as partial payment of the taxpayer's tax payable under this Part for the year; and

(b) to be an excess amount referred to in section 32 of the Tax Administration Act (chapter A-6.002) that has been refunded to the taxpayer on account of the taxpayer's tax payable under this Part for the taxation year,

i. if section 359.8.1 applies in respect of expenses that the corporation incurred in the calendar year that follows that in which the corporation is purported to have renounced the amount, on 30 April of the calendar year that follows that subsequent calendar year, and

ii. in any other case, on 30 April of the calendar year that follows that in which the corporation is purported to have renounced the amount.

1998, c. 16, s. 239; 2009, c. 5, s. 488; 2010, c. 31, s. 175.

1044.1. *(Repealed).*

1989, c. 5, s. 216; 1994, c. 22, s. 326.

TITLE IV.1

OFFSET OF REFUND INTEREST AND ARREARS INTEREST

2001, c. 53, s. 234.

1044.2. In this Title,

"accumulated overpayment amount" of a corporation for a period means the aggregate of the overpayment amount of the corporation for the period and the refund interest that accrued in respect of the overpayment amount before the effective date for the allocation specified under paragraph *b* of section 1044.4 by the corporation in its allocation application for the period;

"accumulated underpayment amount" of a corporation for a period means the aggregate of the underpayment amount of the corporation for the period and the arrears interest that accrued in respect of the underpayment amount before the effective date for the allocation specified under paragraph *b* of section 1044.4 by the corporation in its allocation application for the period;

"arrears interest" means interest computed under section 1037 or paragraph *b* of section 1044.6;

"overpayment amount" of a corporation for a period means the amount referred to in subparagraph i of paragraph *a* of section 1044.3 that is refunded to the corporation or the amount referred to in subparagraph ii of paragraph *a* of section 1044.3 to which the corporation is entitled, other than an amount withheld by the Minister under section 30.1 of the Tax Administration Act (chapter A-6.002);

"refund interest" means interest computed under section 1052;

"underpayment amount" of a corporation for a period means the amount referred to in paragraph *b* of section 1044.3 that is payable by the corporation, on which arrears interest is computed.

2001, c. 53, s. 234; 2004, c. 4, s. 12; 2004, c. 21, s. 443; 2010, c. 31, s. 175.

1044.3. A corporation may apply in writing to the Minister for the allocation of an accumulated overpayment amount for a period that begins after 31 December 1999 on account of an accumulated underpayment amount for the period if, in respect of tax paid or payable by the corporation under this Part or Parts III.0.1 to III.3, III.6 to III.11, III.14 or VI.2 to VII or tax paid or payable by the corporation under Part IV, IV.1, VI or VI.1,

(a) refund interest for the period

i. is computed on an amount refunded to the corporation, or

ii. would be computed on an amount to which the corporation is entitled, other than an amount withheld by the Minister under section 30.1 of the Tax Administration Act (chapter A-6.002), if that amount were refunded to the corporation; and

(b) arrears interest for the period is computed on an amount that is payable by the corporation.

2001, c. 53, s. 234; 2004, c. 4, s. 13; 2004, c. 21, s. 444; 2010, c. 31, s. 175; 2013, c. 10, s. 143.

1044.4. A corporation's allocation application referred to in section 1044.3 for a period is deemed not to have been made unless

(a) it specifies the amount to be allocated, which shall not exceed the lesser of the corporation's accumulated overpayment amount for the period and its accumulated underpayment amount for the period;

(b) it specifies the effective date for the allocation, which shall not be earlier than the latest of

i. the date from which refund interest is computed on the corporation's overpayment amount for the period, or would be so computed if the overpayment amount were refunded to the corporation,

ii. the date from which arrears interest is computed on the corporation's underpayment amount for the period, and

iii. 1 January 2000; and

(c) it is made on or before the day that is 90 days after the latest of

i. the day of sending of the first notice of assessment giving rise to any portion of the corporation's overpayment amount to which the application relates,

ii. the day of sending of the first notice of assessment giving rise to any portion of the corporation's underpayment amount to which the application relates,

iii. if the corporation has filed a notice of objection to an assessment referred to in subparagraph i or ii, the day of mailing of the Minister's decision under section 93.1.6 of the Tax Administration Act (chapter A-6.002) in respect of the notice of objection,

iv. if the corporation has filed a contestation with or initiated an appeal before a court of competent jurisdiction regarding an assessment referred to in subparagraph i or ii, or has applied for leave to file a contestation or make an appeal regarding such an assessment before such a court, the day on which the court dismisses the application, the day on which the corporation discontinues its application, contestation or appeal or the day on which final judgment is rendered on the contestation or the appeal,

v. the day of sending of the first notice to the corporation indicating that the Minister has determined any portion of the corporation's overpayment amount to which the application relates, if the overpayment amount has not been determined as a result of a notice of assessment sent before that day, and

vi. 1 April 2001.

2001, c. 53, s. 234; 2004, c. 4, s. 14; 2010, c. 31, s. 175; I.N. 2016-01-01 (NCCP); 2020, c. 12, s. 126; 2021, c. 36, s. 138.

1044.5. The amount to be allocated that is specified by a corporation under paragraph *a* of section 1044.4 is deemed to have been refunded to the corporation and paid on account of an accumulated underpayment amount on the effective date for the allocation specified by the corporation under paragraph *b* of section 1044.4.

2001, c. 53, s. 234.

1044.6. If an allocation application in respect of a period is made by a corporation under section 1044.3 and a portion of the amount to be allocated has been refunded to the corporation, the following rules apply:

(a) a particular amount equal to the aggregate of the following amounts is deemed to have become payable by the corporation on the day on which the portion of the amount to be allocated was refunded to the corporation:

i. the portion of the amount to be allocated that was refunded to the corporation, and

ii. refund interest paid or credited to the corporation in respect of the portion of the amount to be allocated that was refunded to the corporation; and

(b) the corporation shall pay interest at the rate prescribed under section 28 of the Tax Administration Act (chapter A-6.002) on the particular amount referred to in paragraph *a* from the day referred to in that paragraph to the date of payment.

2001, c. 53, s. 234; 2010, c. 31, s. 175.

1044.7. If a particular allocation of an accumulated overpayment amount under section 1044.5 results in a new accumulated overpayment amount of the corporation for a period, the new accumulated overpayment amount shall not be allocated under this Title unless the corporation so applies in its allocation application for the particular allocation.

2001, c. 53, s. 234.

1044.8. Notwithstanding sections 1010 to 1011, the Minister shall make such assessments, reassessments or additional assessments of tax, interest and penalties payable by the corporation as are necessary for any taxation year to take into account the allocation of amounts under this Title.

2001, c. 53, s. 234.

TITLE V

PENALTIES

1972, c. 23.

CHAPTER I

FALSE STATEMENTS OR OMISSIONS

2001, c. 51, s. 200.

1045. Every person who fails to make a fiscal return on the prescribed form and within the prescribed time, in accordance with section 1000, 1001, 1003 or 1004, incurs a penalty equal to 5% of the tax unpaid at the time when the return must be filed and an additional penalty of 1% of that unpaid tax for each complete month, not exceeding 12 months, in the period that begins at the time the return must be filed and ends at the time it is actually filed.

For the purposes of the first paragraph, the unpaid tax of an individual shall be reduced by the amount of reimbursement or refund to which the individual is entitled for the year under section 220.3 of the Act respecting municipal taxation (chapter F-2.1), section 78 of the Act respecting the Québec Pension Plan (chapter R-9), section 70 of the Act respecting parental insurance (chapter A-29.011), the Act respecting property tax refund (chapter R-20.1) and section 358 of the Act respecting the Québec sales tax (chapter T-0.1) and for the following year under section 210.7 of the Act respecting municipal taxation.

1972, c. 23, s. 769; 1979, c. 38, s. 26; 1982, c. 5, s. 187; 1983, c. 49, s. 17; 1990, c. 7, s. 171; 1992, c. 31, s. 3; 1993, c. 64, s. 175; 1994, c. 22, s. 327; 1997, c. 14, s. 248; 1999, c. 40, s. 258; 2001, c. 9, s. 129; 2002, c. 46, s. 5; 2004, c. 21, s. 445; 2017, c. 1, s. 343; 2019, c. 14, s. 426.

1045.0.1. Despite section 1045, where the failure referred to in that section results solely from the inclusion, in computing an individual's income for a particular taxation year, of an amount by reason of the disposition in a subsequent taxation year of a work of art referred to in section 752.0.10.11.1 by a donee referred to in that section, and by reason of the designation, referred to in subparagraph *b* of the first paragraph of section 752.0.10.13, of an amount in relation to the particular taxation year, the penalty of 5% provided for in the first paragraph of section 1045 applies to the tax unpaid on the individual's filing-due date for the subsequent taxation year in which the disposition was made and the penalty of 1% provided for in that first paragraph applies to that unpaid tax for each complete month, not exceeding 12 months, in the period that begins on that filing-due date and ends at the time the fiscal return referred to in section 1045 is actually filed.

1995, c. 63, s. 216; 1997, c. 31, s. 126; 2009, c. 5, s. 489; 2019, c. 14, s. 427.

1045.0.1.1. Every person or partnership who makes, or participates in, assents to or acquiesces in the making of, a false statement or omission in respect of information relating to a claim preparer required to be included in a scientific research and experimental development form solidarily incurs, together with the claim preparer, a penalty of $1,000.

However, a person or partnership, as the case may be, may not incur, in respect of the same false statement or omission, both the penalty provided for in the first paragraph and the penalty provided for in section 59.0.2 of the Tax Administration Act (chapter A-6.002).

2015, c. 21, s. 495.

1045.0.1.2. A claim preparer of a scientific research and experimental development form does not incur the penalty provided for in section 1045.0.1.1 in respect of a false statement or omission if the claim preparer

has exercised the degree of care, diligence and skill to prevent the making of the false statement or omission that a reasonably prudent person would have exercised in comparable circumstances.

2015, c. 21, s. 495.

1045.0.1.3. For the purposes of this section and sections 1045.0.1.1 and 1045.0.1.2,

"claim preparer", of a scientific research and experimental development form, means a person or partnership who agrees to accept consideration to prepare or assist in the preparation of the form, but does not include an employee who prepares or assists in the preparation of the form in the course of performing the duties of the employee's employment;

"claim preparer information" means prescribed information regarding

(a) the identity of the claim preparer of a scientific research and experimental development form; and

(b) the arrangement under which the claim preparer agrees to accept consideration in respect of the preparation of the scientific research and experimental development form;

"scientific research and experimental development form" means the prescribed form required to be filed under section 230.0.0.4.1.

2015, c. 21, s. 495.

1045.0.1.4. Where a partnership incurs a penalty under section 1045.0.1.1, sections 1005 to 1014, 1034 to 1034.0.2, 1035 to 1044.0.2 and 1051 to 1055.1 apply, with the necessary modifications, in respect of the penalty as if the partnership were a corporation.

2015, c. 21, s. 495.

1045.0.2. *(Repealed).*

2005, c. 1, s. 273; 2007, c. 12, s. 217.

1045.1. *(Repealed).*

1989, c. 5, s. 217; 1994, c. 22, s. 328.

1045.2. *(Repealed).*

1992, c. 1, s. 182; 1997, c. 3, s. 71; 2002, c. 46, s. 6.

1046. *(Repealed).*

1972, c. 23, s. 770; 2001, c. 7, s. 148; 2002, c. 46, s. 6.

1047. *(Repealed).*

1972, c. 23, s. 771; 1990, c. 59, s. 346.

1048. *(Repealed).*

1972, c. 23, s. 780; 1983, c. 49, s. 18.

1049. Every person who, knowingly or under circumstances amounting to gross negligence, has made or has participated in or acquiesced in the making of, a false statement or omission in a return, certificate, statement or answer, in this section referred to as a "return", made or filed in respect of a taxation year for the purposes of this Act, incurs a penalty equal to the greater of $100 and 50% of the amount by which

(a) the aggregate of

i. the tax for the year that would be payable by the person under this Act if

(1) the person's taxable income for the year, determined on the basis of the information provided in the return, were computed by adding that portion of the amount determined in the second paragraph that may reasonably be attributed to the false statement or omission, and

(2) the person's taxable income for the year were computed by subtracting from the aggregate of all deductions from the tax otherwise payable by the person for the year such portion of any such deduction as may reasonably be attributed to the false statement or omission, and by adding to that aggregate any amount not deducted from the tax otherwise payable by the person for the year and that is deductible under Book V, if the amount that entitles the person to that deduction is wholly applicable to an amount that was not reported by the person in the return and that was required to be included in computing the person's income for the year, and

ii. the amount that would be deemed under Divisions II to III of Chapter III.1 of Title III, except Division II.11.2 of that Chapter III.1, to have been paid for the year by the person to the Minister had that amount been determined on the basis of the information provided in the person's return for the year; exceeds

(b) the aggregate of

i. the tax for the year that would have been payable by the person under this Act had it been determined on the basis of the information provided in the person's return for the year, and

(ii) the amount that would be deemed under Divisions II to III of Chapter III.1 of Title III, except Division II.11.2 of that Chapter III.1, to have been paid for the year by the person to the Minister had that amount been determined on the basis of the information provided in the person's return for the year but without reference to the false statement or omission.

The amount to which subparagraph 1 of subparagraph i of subparagraph *a* of the first paragraph refers in respect of the person is the aggregate of

(a) the amount by which the aggregate of the amounts that were not reported by the person in the return and that were required to be included in computing the person's income for the year exceeds the aggregate of

i. the aggregate of the amounts, other than those provided for in section 130, that were not deducted by the person in computing the person's income for the year reported by the person in the return, were deductible by the person in computing the person's income under this Act and were wholly attributable to the amounts that were required to be so included in computing the person's income, and

ii. the aggregate of the amounts that were not deducted by the person in computing the person's taxable income for the year reported by the person in the return, were deductible by the person in computing the person's taxable income under this Act and consist specifically in all or a fraction of the portion of the person's income for the year represented by the amounts that were required to be so included in computing the person's taxable income;

(b) the amount by which the aggregate of amounts deducted by him in computing his income for the year indicated by him in his return exceeds the aggregate of such amounts deductible in computing such income under this Act; and

(c) the amount by which the aggregate of amounts, other than those provided for in sections 727 to 737, deducted by him in computing his taxable income for the year indicated by him in his return exceeds the aggregate of amounts, other than those provided for in sections 727 to 737, deductible in computing his taxable income for the year under this Act.

For the purposes of the first paragraph, the taxable income of a person for a taxation year, determined on the basis of the information provided in the person's return, is deemed not to be less than nil.

For the purpose of determining the amount referred to in the second paragraph in respect of a person for a taxation year, the following rules apply:

(a) the amount otherwise deductible under Division IV of Chapter IV of Title IV of Book III in respect of the person's precious property loss for a subsequent taxation year is deemed not to be deductible in computing the person's income for the year;

(b) the amount that may otherwise be excluded from the person's income by reason of Division XI of Chapter IV of Title IV of Book III in respect of the exercise of any option in a subsequent taxation year is deemed not to be excluded from the person's income for the year;

(b.1) any amount that may otherwise be deducted under section 965.0.3 in computing the person's income for the year because of the application of section 965.0.4.1 as a consequence of the person's death in the subsequent taxation year, is deemed not to be deductible in computing the person's income for the year;

(c) the amount otherwise deductible in computing the person's income for the year because of subparagraph *a* or *b* of the first paragraph of section 1054 or section 1055.1.2 or 1055.1.3 is deemed not to be deductible in computing the person's income for the year.

1972, c. 23, s. 773; 1978, c. 26, s. 206; 1979, c. 18, s. 72; 1990, c. 59, s. 347; 1993, c. 16, s. 338; 2000, c. 5, s. 276; 2000, c. 39, s. 202; 2001, c. 7, s. 149; 2001, c. 51, s. 201; 2003, c. 9, s. 371; 2005, c. 1, s. 274; 2005, c. 38, s. 292; 2006, c. 13, s. 198; 2007, c. 12, s. 218; 2009, c. 5, s. 490; 2011, c. 34, s. 109; 2017, c. 1, s. 344.

1049.0.1. Every person who, knowingly or under circumstances amounting to gross negligence, makes, or acquiesces or participates in the making of, a false statement or omission in any renunciation that was to have been effective at a particular time and that is purported to have been made under section 359.2, 359.2.1, 359.4, 381, 406, 417 or 418.13, otherwise than because of the application of section 359.8, incurs a penalty of 25% of the amount by which the amount set out in the renunciation in respect of Canadian exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses exceeds the amount in respect of Canadian exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, as the case may be, that the corporation was entitled under the applicable section to renounce as of that particular time.

In the first paragraph, a reference to section 381, 406, 417 or 418.13 is a reference to that section as it read in respect of the renunciation.

1988, c. 18, s. 117; 1995, c. 49, s. 231; 1997, c. 3, s. 71; 1998, c. 16, s. 240.

1049.0.1.0.1. Every person who, knowingly or under circumstances amounting to gross negligence, makes, or acquiesces or participates in the making of, a false statement or omission in a statement required to be filed under section 359.15 in respect of a renunciation purported to have been made because of the application of section 359.8 or who fails to file the statement on or before the day that is 24 months after the day on or before which it was required to be filed incurs, in addition to the penalty under section 59 of the Tax Administration Act (chapter A-6.002), a penalty equal to 25% of the amount by which the portion of the excess referred to in section 359.15 that was known or that ought to have been known by the person, exceeds

(a) where this section applies otherwise than because of the person's failure to file the statement on or before the day that is 24 months after the day on or before which it was required to be filed, the portion of the excess referred to in section 359.15 that is identified in the statement; and

(b) in any other case, zero.

1998, c. 16, s. 241; 2010, c. 31, s. 175.

1049.0.1.1. Every person who, knowingly or under circumstances amounting to gross negligence, makes, or participates or acquiesces in the making of, a false statement or omission in a prescribed form required to

be filed under section 359.11.1 or 359.12.0.1 incurs a penalty of 25% of the amount by which the assistance required to be reported in respect of a person or partnership in the prescribed form exceeds the assistance reported in the prescribed form in respect of the person or partnership, as the case may be.

1993, c. 16, s. 339; 1997, c. 3, s. 71.

1049.0.2. *(Repealed).*

1990, c. 59, s. 348; 1993, c. 19, s. 134; 1999, c. 83, s. 226; 2000, c. 5, s. 277.

CHAPTER II

MISREPRESENTATION OF A TAX MATTER BY A THIRD PARTY

2001, c. 51, s. 202.

1049.0.3. In this chapter,

"culpable conduct" means an act or a failure to act that

(a) is tantamount to intentional conduct;

(b) shows indifference towards compliance with this Act, the Cooperative Investment Plan Act (chapter R-8.1.1) or the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) where it applies in respect of the deduction in respect of the second cooperative investment plan, within the meaning assigned to that expression by section 5.1 of Schedule C to that Act; or

(c) shows a wilful, reckless or wanton disregard of this Act, of the Cooperative Investment Plan Act or the Act respecting the sectoral parameters of certain fiscal measures where it applies in respect of the deduction in respect of the second cooperative investment plan, within the meaning assigned to that expression by section 5.1 of Schedule C to that Act;

"false statement" includes a statement that is misleading because of an omission from the statement;

"gross compensation" of a particular person at any time, in respect of a false statement that could be used by or on behalf of another person, means all amounts that the particular person, or any person not dealing at arm's length with the particular person, is entitled, either absolutely or contingently and either before or after that time, to receive or to obtain in respect of the statement;

"person" includes a partnership;

"subordinate", in respect of a particular person, includes any other person over whose activities the particular person has direction, supervision or control whether or not the other person is an employee of the particular person or of another person.

For the purposes of the definition of "subordinate" in the first paragraph, if the particular person is a member of a partnership, the other person is not a subordinate of the particular person solely because the particular person is a member of the partnership.

2001, c. 51, s. 202; 2006, c. 37, s. 41; 2012, c. 1, s. 64.

1049.0.4. For the purposes of this chapter, any reference to a person's participation includes

(a) the fact of causing a subordinate to act or to omit information; and

(b) the fact of knowing of, and not making a reasonable attempt to prevent, the participation of a subordinate in an act or an omission of information.

2001, c. 51, s. 202.

1049.0.5. Every person who makes a statement to another person or assents to, acquiesces in or participates in the making of a statement by or on behalf of the other person, that the person knows, or would reasonably be expected to know but for circumstances amounting to culpable conduct, is a false statement that could be used by or on behalf of the other person for a purpose of this Act, except sections 965.39.1 to 965.39.7 incurs a penalty in respect of the false statement equal to the greater of $1,000 and the lesser of

(a) the penalty that the other person would incur under section 1049 if the other person had made the statement in a return filed for the purposes of this Act, except sections 965.39.1 to 965.39.7, and had known that the statement was false; and

(b) the aggregate of $100,000 and the person's gross compensation, at the time the notice of assessment of the penalty is sent to the person, in respect of the false statement that could be used by or on behalf of the other person.

2001, c. 51, s. 202; 2001, c. 53, s. 235; 2006, c. 37, s. 42; 2011, c. 1, s. 95.

1049.0.5.1. Every person who makes a statement to another person or assents to, acquiesces in or participates in the making of a statement by or on behalf of the other person, that the person knows, or would reasonably be expected to know but for circumstances amounting to culpable conduct, is a false statement that could be used by or on behalf of the other person for a purpose of the Cooperative Investment Plan Act (chapter R-8.1.1), of the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) where it applies in respect of the deduction in respect of the second cooperative investment plan, within the meaning assigned to that expression by section 5.1 of Schedule C to that Act or of sections 965.39.1 to 965.39.7 incurs a penalty in respect of the false statement equal to,

(a) if the statement is made in the course of planning, selling or promoting an arrangement in relation to the application of the Cooperative Investment Plan Act, the greater of $1,000 and the person's gross compensation, at the time the notice of assessment of the penalty is sent to the person, in respect of the false statement that could be used by or on behalf of the other person; and

(b) in any other case, $1,000.

2006, c. 37, s. 43; 2011, c. 1, s. 96; 2012, c. 1, s. 65.

1049.0.6. For the purposes of sections 1049.0.5 and 1049.0.5.1, a person (in this section referred to as the "advisor") who acts on behalf of the other person referred to in either of those sections is not considered to have acted in circumstances amounting to culpable conduct in respect of the false statement referred to in either of those sections solely because the advisor relied, in good faith, on information provided to the advisor by or on behalf of the other person or, because of such reliance, failed to verify, correct or investigate the information.

2001, c. 51, s. 202; 2006, c. 37, s. 44; 2011, c. 1, s. 97.

1049.0.7. For the purposes of this chapter, a person is not considered to have made or furnished, or assented to, acquiesced in or participated in the furnishing of a false statement solely because the person provided clerical services, other than bookkeeping services, or secretarial services in respect of the statement.

2001, c. 51, s. 202.

1049.0.8. For the purposes of this chapter, if a person is assessed a penalty that is referred to in section 1049.0.5 or 1049.0.5.1, the person's gross compensation at any time in respect of the false statement that could be used by or on behalf of the other person referred to in that section does not include the aggregate of all amounts each of which is the amount of a penalty, other than a penalty the assessment of which is deemed

to be null because of section 1049.0.9, determined under section 1049.0.5 or 1049.0.5.1, to the extent that the false statement was used by or on behalf of that other person, and for which a notice of assessment was sent to the person before that time.

2001, c. 51, s. 202; 2006, c. 37, s. 45; 2011, c. 1, s. 98.

1049.0.9. For the purposes of this Act, if an assessment of a penalty under section 1049.0.5 or 1049.0.5.1 is vacated, the assessment is deemed to be null from the time it was made.

2001, c. 51, s. 202; 2006, c. 37, s. 46.

1049.0.10. If an employee, other than a specified employee, works for the other person referred to in section 1049.0.5 or 1049.0.5.1, the following rules apply:

(a) sections 1049.0.5 and 1049.0.5.1 do not apply to the employee to the extent that the false statement could be used by or on behalf of the other person for a purpose of this Act; and

(b) the conduct of the employee is deemed to be that of the other person for the purpose of applying section 1049 to the other person.

2001, c. 51, s. 202; 2004, c. 21, s. 446; 2006, c. 37, s. 47; 2011, c. 1, s. 99.

1049.0.11. Where a partnership incurs a penalty under section 1049.0.5 or 1049.0.5.1, sections 1005 to 1014, 1034 to 1034.0.2, 1035 to 1044.0.2 and 1051 to 1055.1 apply, with the necessary modifications, in respect of the penalty as if the partnership were a corporation.

2001, c. 51, s. 202; 2006, c. 37, s. 48; 2010, c. 31, s. 175; 2017, c. 1, s. 345.

CHAPTER III

OTHER PENALTIES AND THEIR APPLICATION

2001, c. 51, s. 202.

1049.1. *(Repealed).*

1979, c. 14, s. 5; 1983, c. 44, s. 44; 1985, c. 25, s. 153; 1986, c. 15, s. 185; 1987, c. 21, s. 75; 1988, c. 4, s. 130; 1990, c. 7, s. 172; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.1.0.1. *(Repealed).*

1990, c. 7, s. 173; 1997, c. 3, s. 71; 1997, c. 85, s. 276; 1999, c. 83, s. 273; 2017, c. 29, s. 201.

1049.1.0.2. *(Repealed).*

1990, c. 7, s. 173; 1997, c. 3, s. 71; 1997, c. 85, s. 276; 1999, c. 83, s. 273; 2017, c. 29, s. 201.

1049.1.0.3. *(Repealed).*

1992, c. 1, s. 183; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.1.0.4. *(Repealed).*

1992, c. 1, s. 183; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.1.0.5. *(Repealed).*

1992, c. 1, s. 183; 1993, c. 64, s. 176; 1997, c. 3, s. 71; 2003, c. 9, s. 372; 2017, c. 29, s. 201.

1049.1.1. *(Repealed).*

1988, c. 4, s. 130; 1990, c. 7, s. 174; 1997, c. 3, s. 71; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2017, c. 29, s. 201.

1049.1.2. *(Repealed).*

1990, c. 7, s. 175; 1997, c. 3, s. 71; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2017, c. 29, s. 201.

1049.1.3. *(Repealed).*

1992, c. 1, s. 184; 1997, c. 3, s. 71; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2017, c. 29, s. 201.

1049.1.4. *(Repealed).*

1997, c. 85, s. 277; 1999, c. 83, s. 273; 2001, c. 7, s. 169; 2017, c. 29, s. 201.

1049.1.4.1. *(Repealed).*

1999, c. 83, s. 227; 2001, c. 7, s. 169; 2017, c. 29, s. 201.

1049.2. *(Repealed).*

1986, c. 15, s. 185; 1987, c. 21, s. 76; 1988, c. 4, s. 131; 1990, c. 7, s. 176; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.0.1. *(Repealed).*

1990, c. 7, s. 177; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.0.2. *(Repealed).*

1992, c. 1, s. 185; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.1. *(Repealed).*

1987, c. 21, s. 76; 1988, c. 4, s. 132; 1989, c. 5, s. 218; 1997, c. 3, s. 71; 2003, c. 9, s. 373.

1049.2.2. *(Repealed).*

1987, c. 21, s. 76; 1988, c. 4, s. 132; 1989, c. 5, s. 219; 1997, c. 3, s. 71; 2003, c. 9, s. 373.

1049.2.2.0.1. *(Repealed).*

1989, c. 5, s. 220; 1990, c. 7, s. 178; 2017, c. 29, s. 201.

1049.2.2.1. *(Repealed).*

1988, c. 4, s. 132; 1989, c. 5, s. 221; 1990, c. 7, s. 179; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.2.2. *(Repealed).*

1988, c. 4, s. 132; 1989, c. 5, s. 222; 1990, c. 7, s. 180; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.2.3. *(Repealed).*

1988, c. 4, s. 132; 1992, c. 1, s. 186; 1997, c. 3, s. 71; 2003, c. 9, s. 374; 2017, c. 29, s. 201.

1049.2.2.4. *(Repealed).*

1988, c. 4, s. 132; 1992, c. 1, s. 187; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.2.5. *(Repealed).*

1988, c. 4, s. 132; 1989, c. 5, s. 223; 1990, c. 7, s. 181; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.2.5.1. *(Repealed).*

1992, c. 1, s. 188; 1997, c. 3, s. 71; 1997, c. 85, s. 278; 1999, c. 83, s. 228; 2017, c. 29, s. 201.

1049.2.2.5.2. *(Repealed).*

1992, c. 1, s. 188; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.2.5.3. *(Repealed).*

1997, c. 85, s. 279; 1999, c. 83, s. 273; 2017, c. 29, s. 201.

1049.2.2.5.4. *(Repealed).*

1997, c. 85, s. 279; 1999, c. 83, s. 273; 2017, c. 29, s. 201.

1049.2.2.6. *(Repealed).*

1988, c. 4, s. 132; 1997, c. 3, s. 71; 2001, c. 7, s. 150; 2003, c. 9, s. 375; 2017, c. 29, s. 201.

1049.2.2.7. *(Repealed).*

1988, c. 4, s. 132; 1989, c. 5, s. 224; 1997, c. 3, s. 71; 2001, c. 7, s. 151; 2003, c. 9, s. 376; 2017, c. 29, s. 201.

1049.2.2.8. *(Repealed).*

1988, c. 4, s. 132; 1997, c. 3, s. 71; 2003, c. 9, s. 377; 2017, c. 29, s. 201.

1049.2.2.9. *(Repealed).*

1988, c. 4, s. 132; 1990, c. 7, s. 182; 1997, c. 3, s. 71; 2003, c. 9, s. 378; 2017, c. 29, s. 201.

1049.2.2.10. *(Repealed).*

1988, c. 4, s. 132; 1989, c. 5, s. 225; 1990, c. 7, s. 183; 1992, c. 1, s. 189; 1997, c. 3, s. 71; 1997, c. 85, s. 280; 2003, c. 9, s. 379; 2017, c. 29, s. 201.

1049.2.2.11. *(Repealed).*

1990, c. 7, s. 184; 1992, c. 1, s. 189; 1997, c. 85, s. 281; 2003, c. 9, s. 380; 2017, c. 29, s. 201.

1049.2.3. *(Repealed).*

1987, c. 21, s. 76; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.4. *(Repealed).*

1987, c. 21, s. 76; 1988, c. 4, s. 133; 1990, c. 7, s. 185; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.4.1. *(Repealed).*

1990, c. 7, s. 186; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.4.2. *(Repealed).*

1992, c. 1, s. 190; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.2.5. *(Repealed).*

1988, c. 4, s. 133; 1989, c. 5, s. 226; 1990, c. 59, s. 349; 2017, c. 29, s. 201.

1049.2.6. *(Repealed).*

1988, c. 4, s. 133; 1991, c. 8, s. 84; 1992, c. 1, s. 191; 1993, c. 19, s. 135; 1997, c. 85, s. 282; 1999, c. 83, s. 273; 2005, c. 23, s. 231; 2017, c. 29, s. 201.

1049.2.7. *(Repealed).*

1988, c. 4, s. 133; 1989, c. 5, s. 227; 1992, c. 1, s. 192; 1993, c. 19, s. 136; 2005, c. 23, s. 232; 2017, c. 29, s. 201.

1049.2.7.1. *(Repealed).*

1991, c. 8, s. 85; 1992, c. 1, s. 193; 1993, c. 19, s. 137; 1997, c. 85, s. 283; 1999, c. 83, s. 273; 2017, c. 29, s. 201.

1049.2.7.1.1. *(Repealed).*

1993, c. 19, s. 138; 1997, c. 85, s. 284; 1999, c. 83, s. 273; 2017, c. 29, s. 201.

1049.2.7.2. *(Repealed).*

1991, c. 8, s. 85; 1992, c. 1, s. 194; 1993, c. 19, s. 139; 1997, c. 85, s. 285; 1999, c. 83, s. 273; 2017, c. 29, s. 201.

1049.2.7.3. *(Repealed).*

1991, c. 8, s. 85; 1992, c. 1, s. 195; 1993, c. 19, s. 140; 1997, c. 85, s. 286; 1999, c. 83, s. 273; 2017, c. 29, s. 201.

1049.2.7.4. *(Repealed).*

1991, c. 8, s. 85; 1992, c. 1, s. 195; 2017, c. 29, s. 201.

1049.2.7.5. *(Repealed).*

1991, c. 8, s. 85; 1992, c. 1, s. 195; 2017, c. 29, s. 201.

1049.2.7.6. *(Repealed).*

1992, c. 1, s. 196; 1997, c. 3, s. 71; 1997, c. 85, s. 287; 2017, c. 29, s. 201.

1049.2.8. *(Repealed).*

1990, c. 7, s. 187; 1997, c. 3, s. 71; 2002, c. 45, s. 521; 2004, c. 37, s. 90; 2017, c. 29, s. 201.

1049.2.9. *(Repealed).*

1990, c. 7, s. 187; 1992, c. 1, s. 197; 1997, c. 3, s. 71; 2002, c. 45, s. 521; 2003, c. 9, s. 381; 2004, c. 37, s. 90; 2017, c. 29, s. 201.

1049.2.10. *(Repealed).*

1990, c. 7, s. 187; 1992, c. 1, s. 197; 1997, c. 3, s. 71; 2003, c. 9, s. 382; 2017, c. 29, s. 201.

1049.2.11. *(Repealed).*

1990, c. 7, s. 187; 1997, c. 3, s. 71; 2017, c. 29, s. 201.

1049.3. Every corporation that was a Québec business investment company, at any time after 7 September 1985, duly registered within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), whose registration is revoked under the said Act incurs a penalty equal to 40% of the amount of an investment that is or would be a qualified investment within the meaning of the said Act if the registration were valid, made after the seven hundred and thirtieth day preceding the date of revocation.

1986, c. 15, s. 185; 1987, c. 21, s. 76; 1997, c. 3, s. 71; 2000, c. 39, s. 203.

1049.4. Every corporation that was at any time after 7 September 1985 a Québec business investment company duly registered within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), and that makes a qualified investment in a year and does not hold the entire investment for at least 24 months after the acquisition of the investment incurs a penalty equal to 40% of the total amount of the investment.

The first paragraph does not apply, however, to a replacement, for which the only consideration was a share, as a result of a transaction referred to in section 544, of a share that forms part of a qualified investment, where the replacement occurs

(a) in the 24 months following the acquisition of the investment, if the share issued in replacement is a qualified investment; or

(b) after the expiry of 12 months following the day on which the investment was acquired, where the transaction involves the corporation and the qualified legal person, within the meaning of the Act respecting Québec business investment companies, which benefited from the investment and the body designated under section 1 of that Act authorizes the transaction for the purposes of this section.

1986, c. 15, s. 185; 1987, c. 21, s. 76; 1990, c. 7, s. 188; 1997, c. 3, s. 71; 2000, c. 39, s. 204; 2002, c. 40, s. 226; 2010, c. 37, s. 109.

1049.4.1. Where a particular share of the capital stock of a qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), that forms part of a qualified investment, or a share substituted therefor, may be purchased or redeemed by the qualified legal person as a result of a transaction occurring, after 26 April 1990, during the 60 months following the acquisition of the particular share that forms part of a qualified investment, the qualified legal person incurs a penalty, in respect of the particular share or the share substituted therefor, equal to 40% of the lesser of

(a) the amount obtained by applying the percentage determined in section 965.31.1 in respect of the qualified investment to the amount that would be the amount of purchase or redemption of the particular share or the share substituted therefor, as the case may be, if the purchase or redemption were made immediately after the transaction, and

(b) the quotient obtained by dividing, by the number of shares that form part of the qualified investment, the amount obtained by applying the percentage referred to in paragraph *a* to the total amount of the qualified investment.

The first paragraph does not apply where a particular share, or a share substituted therefor, that may be purchased or redeemed as a result of a transaction occurring, after 9 March 1999, during the 60 months following the acquisition of the particular share that forms part of a qualified investment, satisfies the conditions set out in subparagraphs 1 to 3 of the first paragraph of section 21 of the Québec Business Investment Companies Regulation (chapter S-29.1, r. 1).

1991, c. 8, s. 86; 2000, c. 39, s. 205; 2006, c. 13, s. 199.

1049.5. Every qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), that purchases or redeems a particular share of its capital stock that forms part of a qualified investment or a share substituted therefor, after 26 April 1990, during the 60 months following the acquisition of the particular share that forms part of the qualified investment, incurs a penalty, in respect of the particular share or the share substituted therefor, equal to 40% of the lesser of

(a) the amount obtained by applying the percentage determined in section 965.31.1 in respect of the qualified investment to the amount of purchase or redemption of the particular share or the share substituted therefor, as the case may be, and

(b) the quotient obtained by dividing by the number of shares that form part of the qualified investment the amount obtained by applying the percentage referred to in paragraph *a* to the total amount of the qualified investment.

1986, c. 15, s. 185; 1991, c. 8, s. 87; 2000, c. 39, s. 206.

1049.5.1. The Minister may cancel or reduce the amount of a penalty that, but for this section, would be determined under any of sections 1049.4 to 1049.5 in respect of a transaction, if he considers that, having regard to the circumstances, the amount would be otherwise excessive.

1991, c. 8, s. 88; 1992, c. 1, s. 198.

1049.5.2. For the purposes of this Part, except section 1049.5.1 and this section, where the Minister reduces to a particular amount the amount of the penalty determined under any of sections 1049.4 to 1049.5 in respect of a transaction, the particular amount is deemed to be the amount determined under that section in respect of the transaction.

1992, c. 1, s. 199.

1049.6. Every qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), incurs a penalty equal to 40% of the amount of a qualified investment made by a Québec business investment company in the qualified legal person, where the qualified legal person uses funds, during the 24 months following the date of that qualified investment and without the approval of the body designated under section 1 of that Act, to

(a) repay a creditor who is a shareholder of the Québec business investment company or of the qualified legal person or a person with whom the creditor does not deal at arm's length or a corporation that is associated with the qualified legal person;

(b) make a loan;

(c) purchase parcels of land with the intention of selling them;

(d) make investments outside Québec not directly related to the operations of the corporation;

(e) purchase or acquire shares of other corporations or all or substantially all of the assets of a business;

(f) purchase or redeem shares of its capital stock except a purchase or redemption referred to in section 1049.5.

1986, c. 15, s. 185; 1987, c. 21, s. 77; 1988, c. 4, s. 134; 1989, c. 5, s. 228; 1990, c. 7, s. 189; 1997, c. 3, s. 63; 1997, c. 14, s. 249; 1998, c. 17, s. 64; 2000, c. 39, s. 207; 2001, c. 69, s. 12; 2010, c. 37, s. 110.

1049.7. Every qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), that declares or pays a dividend in respect of shares of its capital

stock that form part of a qualified investment during the 24 months following the acquisition of the shares as such incurs a penalty equal to 40% of the total amount of the investment.

1986, c. 15, s. 185; 2000, c. 39, s. 208.

1049.8. Every qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), that pays an amount referred to in section 23 of the Québec Business Investment Companies Regulation (chapter S-29.1, r. 1) to a Québec business investment company during the 60 months following the acquisition of a share that forms part of a qualified investment by that Québec business investment company incurs a penalty equal to 40% of the amount so paid but not in excess of 40% of the total amount of the investment.

1986, c. 15, s. 185; 1997, c. 85, s. 288; 2000, c. 39, s. 209; 2006, c. 13, s. 200.

1049.9. Where a qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), other than a corporation referred to in section 1049.9.1, no longer operates primarily in one of the sectors of activity prescribed in the regulations made under paragraph 4 of section 16 of that Act during the 24 months following the date of a qualified investment, without the approval of the body designated under section 1 of that Act, the qualified legal person incurs a penalty equal to 40% of the total amount of the investment.

1986, c. 15, s. 185; 1990, c. 7, s. 190; 1997, c. 3, s. 64; 1997, c. 14, s. 250; 1998, c. 17, s. 64; 2000, c. 39, s. 210; 2001, c. 69, s. 12; 2010, c. 37, s. 111.

1049.9.1. Where a qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), ceases, as a consequence of financial problems, to carry on its business during the 24 months following the date of a qualified investment without the approval of the body designated under section 1 of that Act, the qualified legal person incurs a penalty of 40% of the total amount of the investment.

1990, c. 7, s. 191; 1998, c. 17, s. 64; 2000, c. 39, s. 211; 2001, c. 69, s. 12; 2010, c. 37, s. 112.

1049.10. Where a qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1) makes a considerable cash outflow in favour of one of its shareholders, a shareholder of a Québec business investment company which is not a Québec business investment company referred to in section 4.1 of that Act, or a person related to any such shareholder during the 24 months preceding the date of a qualified investment in the qualified legal person made by the Québec business investment company or during the 60 months following the date of such an investment, without the approval of the body designated under section 1 of that Act, the qualified legal person incurs a penalty equal to 40% of the amount of the cash outflow, but not in excess of 40% of the total amount of the investment.

1986, c. 15, s. 185; 1987, c. 21, s. 78; 1990, c. 7, s. 192; 1997, c. 14, s. 251; 1998, c. 17, s. 64; 2000, c. 39, s. 212; 2001, c. 69, s. 12; 2010, c. 37, s. 113.

1049.10.1. Where a qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), makes a considerable cash outflow to acquire all or substantially all of the assets of a corporation a shareholder of which is also a shareholder of a Québec business investment company or a person related to any such shareholder during the 24 months preceding the date of a qualified investment in the qualified legal person made by the Québec business investment company or during the 60 months following the date of such an investment, without the approval of the body designated under section 1 of that Act, the qualified legal person incurs a penalty equal to 40% of the amount of the cash outflow, but not in excess of 40% of the amount of the investment.

1990, c. 7, s. 193; 1997, c. 3, s. 64; 1997, c. 14, s. 252; 1998, c. 17, s. 64; 2000, c. 39, s. 213; 2001, c. 69, s. 12; 2010, c. 37, s. 114.

1049.10.2. For the purposes of sections 1049.6, 1049.10 and 1049.10.1, where a shareholder of a Québec business investment company, within the meaning of paragraph *f* of section 965.29, is a trust governed by a registered retirement savings plan or a registered retirement income fund, the annuitant, within the meaning of

paragraph *b* of section 905.1 or paragraph *d* of section 961.1.5, as the case may be, under the plan or fund is deemed to be also a shareholder of the company.

1991, c. 8, s. 89.

1049.11. Where a qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1) does not deal at arm's length, within the meaning assigned to that expression for the purposes of section 12 of that Act, with a Québec business investment company during the 24 months following the date of a qualified investment made by the company in the qualified legal person, without the approval of the body designated under section 1 of that Act, the qualified legal person incurs a penalty equal to 40% of the total amount of the investment.

1986, c. 15, s. 185; 1988, c. 4, s. 135; 1990, c. 7, s. 194; 1998, c. 17, s. 64; 2000, c. 39, s. 214; 2001, c. 69, s. 12; 2010, c. 37, s. 115.

1049.11.1. Every qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), is liable to a penalty equal to 40% of the total amount of a qualified investment where

(a) in the 12 months preceding the date of the qualified investment or in the months preceding that date in the case of a corporation that has been in operation for less than 12 months, not more than 50%, or a lower percentage determined under paragraph 3 of section 13.2 of the Act respecting Québec business investment companies by the body designated under section 1 of that Act, of the wages paid to its employees and of the wages paid to the employees of corporations with which it is associated, were paid to employees of an establishment situated in Québec; or

(b) in the 12 months following the date of such an investment, not more than 50% of the wages paid to its employees and of the wages paid to the employees of corporations with which it is associated, were paid to employees of an establishment situated in Québec.

1987, c. 21, s. 79; 2000, c. 39, s. 215; 2002, c. 40, s. 227; 2006, c. 13, s. 201; 2010, c. 37, s. 116.

1049.11.1.1. *(Repealed).*

1990, c. 7, s. 195; 1997, c. 14, s. 253; 1999, c. 83, s. 229.

1049.11.1.2. Where a qualified legal person, within the meaning of the Act respecting Québec business investment companies (chapter S-29.1), benefits from a qualified investment referred to in section 12.1 of that Act and, at the expiry of the time limit fixed in paragraph 2 of that section 12.1 or, as the case may be, extended by the body designated under section 1 of that Act under paragraph 2 of section 13.2 of that Act, it does not operate in a sector of activity prescribed in the regulations made under paragraph 4 of section 16 of that Act, the qualified legal person incurs a penalty equal to 40% of the total amount of the investment.

1990, c. 7, s. 195; 1997, c. 14, s. 253; 1998, c. 17, s. 64; 2000, c. 39, s. 216; 2001, c. 69, s. 12; 2010, c. 37, s. 117.

1049.11.1.3. For the purpose of determining the amount of a penalty provided for in sections 1049.3 to 1049.11.1.2, the total amount of a qualified investment is deemed to include the portion, attributable under section 965.31.5 to the qualified investment, of the amount the Québec business investment company having made the qualified investment has renounced under the said section 965.31.5 in respect of a share issue the proceeds of which have been used to make the qualified investment.

1992, c. 1, s. 200.

1049.11.2. *(Repealed).*

1987, c. 21, s. 79; 1990, c. 7, s. 196; 1999, c. 83, s. 230.

1049.11.3. *(Repealed).*

1988, c. 4, s. 136; 2002, c. 40, s. 228.

1049.11.4. *(Repealed).*

1990, c. 7, s. 197; 1993, c. 64, s. 177.

1049.12. Every qualified cooperative, within the meaning of the cooperative investment plan adopted under the Act respecting the Ministère de l'Économie et de l'Innovation (chapter M-14.1), whose equity, within the meaning of the plan, before redemption of the issued shares, is reduced to less than 80% of its equity on 23 April 1985 by a reduction of its capital stock other than a redemption of common shares belonging to a member who is deceased, disabled, under tutorship or under a protection mandate incurs a penalty equal to 50% of the part of the reduction that reduces the equity to less than 80% of the equity on 23 April 1985.

1986, c. 15, s. 185; 1987, c. 21, s. 80; 1988, c. 41, s. 89; 1989, c. 54, s. 176; 1994, c. 16, s. 51; 1999, c. 8, s. 20; 2003, c. 29, s. 139; 2006, c. 8, s. 31; 2019, c. 29, s. 1; 2020, c. 11, s. 193.

1049.12.1. Every qualified cooperative or qualified federation of cooperatives, within the meaning of section 965.39.1, whose equity, within the meaning of section 2 of the Cooperative Investment Plan Act (chapter R-8.1.1), before the redemption or repayment of the issued shares, is reduced to less than 80% of its equity on 23 April 1985 by reason of a reduction of its capital stock otherwise than by reason of a repayment of common shares belonging to a member who is deceased, disabled, under tutorship or under a protection mandate incurs a penalty equal to 30% of the part of the reduction that reduces the equity to less than 80% of the equity on 23 April 1985.

2006, c. 37, s. 49; 2020, c. 11, s. 194.

1049.13. Every qualified cooperative, within the meaning of the cooperative investment plan adopted under the Act respecting the Ministère de l'Économie et de l'Innovation (chapter M-14.1), that issues qualifying securities without holding a valid qualification certificate as prescribed in the plan or whose certificate is revoked and that asserts that such securities are qualifying securities under the cooperative investment plan incurs a penalty equal to 50% of the amount of the securities sold while it did not hold a valid qualification certificate or after the date of revocation of the certificate.

1986, c. 15, s. 185; 1987, c. 21, s. 80; 1988, c. 41, s. 89; 1994, c. 16, s. 51; 1999, c. 8, s. 20; 2003, c. 29, s. 139; 2006, c. 8, s. 31; 2019, c. 29, s. 1.

1049.13.1. Every qualified cooperative or qualified federation of cooperatives, within the meaning of section 965.39.1, that issues shares without holding a valid qualification certificate as prescribed in section 6 of the Cooperative Investment Plan Act (chapter R-8.1.1) or while its certificate is revoked and that asserts that such shares are qualifying securities under that Act incurs a penalty equal to 50% of the amount of the shares issued while it did not hold a valid qualification certificate or after the date of revocation of the certificate.

2006, c. 37, s. 50; 2012, c. 1, s. 66.

1049.14. Every qualified cooperative, within the meaning of the cooperative investment plan adopted under the Act respecting the Ministère de l'Économie et de l'Innovation (chapter M-14.1), that redeems a qualifying security before 24 June 2009 without complying with the requirements of the plan incurs a penalty equal to 50% of the amount of the qualifying securities so redeemed, unless the redemption is an exchange operation described in the second paragraph.

The exchange operation to which the first paragraph refers is a conversion of securities, an amalgamation or a reorganization of the capital stock, at the end of which a qualifying security is exchanged for consideration consisting only of preferred shares or fractions of such shares that meet the requirements set out in paragraphs 3 and 5 of section 6 of the plan.

1986, c. 15, s. 185; 1987, c. 21, s. 80; 1988, c. 41, s. 89; 1994, c. 16, s. 51; 1999, c. 8, s. 20; 2003, c. 29, s. 139; 2006, c. 8, s. 31; 2009, c. 15, s. 358; 2010, c. 25, s. 186; 2019, c. 29, s. 1.

1049.14.0.1. Every qualified cooperative or qualified federation of cooperatives, within the meaning of section 965.39.1, that redeems or repays a qualifying security, within the meaning of that section, before 24 June 2009 without complying with the period specified in paragraph 4 of section 6 of the Cooperative Investment Plan Act (chapter R-8.1.1) incurs a penalty equal to 30% of the amount of the qualifying securities so redeemed or repaid, unless the redemption or repayment is an allowable redemption or repayment that complies with the rules set out in sections 2 and 7 of that Act or an exchange operation described in the third paragraph.

If the redemption or repayment referred to in the first paragraph occurs as part of the winding-up or dissolution of a cooperative or federation of cooperatives, the penalty specified in the first paragraph is replaced by a penalty equal to 30% of the amount obtained by applying, to the amount of the qualifying securities so redeemed or repaid, the percentage obtained by dividing by 1,826 the amount by which 1,826 exceeds the number of days included in the period that begins on the day of issue of the qualifying securities and ends on the day on which they are redeemed or repaid.

The exchange operation to which the first paragraph refers is a conversion of securities, an amalgamation or a reorganization of the capital stock, at the end of which a qualifying security is exchanged for consideration consisting only of preferred shares or fractions of such shares that meet the requirements set out in paragraphs 3 and 4 of section 6 of that Act.

2006, c. 37, s. 51; 2009, c. 15, s. 359; 2010, c. 25, s. 187.

1049.14.0.2. Every qualified cooperative or qualified federation of cooperatives, within the meaning of section 965.39.1, that, in respect of a fiscal period ended in a particular calendar year in which it issued qualifying securities, within the meaning of that section, or in the 12-month period that precedes the particular year, pays, otherwise than in the form of shares, a patronage dividend greater than 33 1/3% of its operating surplus or surplus earnings, incurs a penalty equal to the lesser of

(a) 30% of the proceeds of the issue of qualifying securities for the particular year; and

(b) the aggregate of

i. 30% of the portion of the patronage dividend, otherwise than in the form of shares, that exceeds 33 1/3% of the operating surplus or surplus earnings, such portion being in this subparagraph *b* referred to as the "excess patronage dividend", paid in respect of a fiscal period that ended in the particular year,

ii. in the case where no qualifying securities were issued in the 12-month period that precedes the particular year, 30% of the excess patronage dividend paid in respect of a fiscal period that ended in the 12-month period that precedes the particular year, and

iii. in any other case, the amount by which 30% of the excess patronage dividend paid in respect of a fiscal period that ended in the 24-month period that precedes the particular year exceeds the aggregate of the penalties relating to the payment of a patronage dividend incurred under this section in respect of the issue of qualifying securities in the 24-month period that precedes the particular year, up to 30% of the excess patronage dividend paid in respect of a fiscal period that ended in the 12-month period that precedes the particular year.

2006, c. 37, s. 51; 2007, c. 12, s. 219.

1049.14.1. *(Repealed).*

1990, c. 7, s. 198; 2005, c. 23, s. 233.

1049.14.2. If a corporation stipulates falsely, in its final prospectus relating to a share issue, that the issued shares may be included in a stock savings plan II described in section 965.56, it incurs a penalty equal to 25% of the adjusted cost that would be determined under section 965.123 if the stipulation of the

corporation were true, of each share of the issue distributed in Québec to an individual or to a qualified mutual fund.

If a corporation stipulates, in a final prospectus relating to a share issue, in respect of shares that may be included in a stock savings plan II described in section 965.56, an adjusted cost other than that determined under section 965.123, it incurs a penalty equal to 25% of the amount by which the adjusted cost so stipulated in respect of each share of the public issue distributed in Québec to an individual or to a qualified mutual fund exceeds the adjusted cost determined under section 965.123 in respect of each such share.

2006, c. 13, s. 202; 2010, c. 5, s. 170.

1049.14.3. If a corporation makes a public issue of shares with the stipulation that they can be included in a stock savings plan II and if the shares are not listed on a designated stock exchange located in Canada within 60 days of the date of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of their issue, the corporation incurs a penalty equal to 25% of the adjusted cost, determined under section 965.123, of each share of the issue distributed in Québec to an individual or to a qualified mutual fund.

2006, c. 13, s. 202; 2010, c. 5, s. 171.

1049.14.4. If a corporation issues, at a particular time, a share of its capital stock with the stipulation that it can be included in a stock savings plan II or issues a share in replacement of a share issued at a particular time with such a stipulation or issued in replacement of a share issued in substitution for such a share and purchases or redeems in any manner whatever, directly or indirectly, in the year including the particular time but after that time or in the two years following that year, a share of a class of its capital stock other than a share described in section 965.106 or other than a share that has been the subject of a particular transaction referred to in section 965.113 in respect of which the corporation is not bound to meet the requirement set out in the second paragraph of section 965.105, it incurs a penalty equal to the amount determined under the second paragraph.

The amount of the penalty prescribed in the first paragraph in respect of a purchase or redemption is equal to the lesser of

(a) 25% of the amount obtained by multiplying the amount of the purchase or redemption by the proportion that the adjusted cost of the aggregate of the shares of the capital stock of the corporation that were issued, in the year of the purchase or redemption but before the time of the purchase or redemption or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec and of the shares of the capital stock of the corporation issued in replacement of shares issued with such a stipulation, that were issued in the year of the purchase or redemption but before the time of the purchase or redemption or in the two years preceding that year and distributed in Québec or in replacement of shares issued in substitution for such shares, is of the paid-up capital at the time of the issue in respect of the aggregate of such shares of the corporation; and

(b) 25% of the adjusted cost of the aggregate of

i. the shares of the capital stock of the corporation that were issued, in the year of the purchase or redemption but before the time of the purchase or redemption or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund,

ii. the shares of the capital stock of the corporation issued in replacement of shares that are not described in subparagraph i, that were issued, in the year of the purchase or redemption but before the time of the purchase or redemption or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund, and

iii. the shares of the capital stock of the corporation issued in replacement of shares, other than shares described in subparagraph ii, issued in substitution for shares, other than shares described in subparagraph i, that were issued, in the year of the purchase or redemption or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund.

2006, c. 13, s. 202; 2010, c. 5, s. 172.

1049.14.5. If shares of the capital stock of a corporation, other than shares that have been the subject of a particular transaction referred to in section 965.113 in respect of which the corporation is not bound to meet the requirement set out in the second paragraph of section 965.107, were, at a particular time, the subject of a transaction or operation or of a series of transactions or operations and if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or the series of transactions or operations is equivalent to the redemption of a share of its capital stock other than a share described in section 965.108, the corporation incurs a penalty equal to the amount determined under the second paragraph if it issued, in the year including the particular time but before that time or in the two years preceding that year, a share of its capital stock with the stipulation that it could be included in a stock savings plan II or issued a share of its capital stock in replacement of a share issued with such a stipulation in the year including the particular time but before that time or in the two years preceding that year or in replacement of a share issued in substitution for such a share.

The amount of the penalty prescribed in the first paragraph in respect of a transaction or operation or of a series of transactions or operations is equal to the lesser of

(a) 25% of the amount obtained by multiplying the amount determined under section 965.109 in respect of the transaction or operation or of the series of transactions or operations by the proportion that the adjusted cost of the aggregate of the shares of the capital stock of the corporation that were issued, in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec and of the shares of the capital stock of the corporation issued in replacement of shares issued with such a stipulation, that were issued in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years preceding that year and distributed in Québec, is of the paid-up capital at the time of the issue in respect of the aggregate of such shares of the corporation; and

(b) 25% of the adjusted cost of the aggregate of

i. the shares of the capital stock of the corporation that were issued, in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund,

ii. the shares of the capital stock of the corporation issued in replacement of shares that are not described in subparagraph i, that were issued, in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund, and

iii. the shares of the capital stock of the corporation issued in replacement of shares, other than shares described in subparagraph ii, issued in substitution for shares, other than shares described in subparagraph i, that were issued, in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years

preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund.

2006, c. 13, s. 202; 2010, c. 5, s. 173.

1049.14.6. If a corporation issues a share of its capital stock with the stipulation that it can be included in a stock savings plan II, or issues a share of its capital stock in replacement of a share issued with such a stipulation or in replacement of a share issued in substitution for such a share, and the corporation's net shareholders' equity is affected in any manner whatever, directly or indirectly, in the year the share issued with such a stipulation was issued but after the time of the issue or in the two years following that year, following a transaction or operation or a series of transactions or operations other than that referred to in section 965.112 or a particular transaction referred to in section 965.113 in respect of which the corporation is not bound to meet the requirement set out in the second paragraph of section 965.110, it incurs a penalty equal to the amount determined under the second paragraph if, in the opinion of the Minister, it is reasonable to believe that the transaction or operation or the series of transactions or operations is equivalent to the redemption of a share of a class of its capital stock other than a share described in section 965.111.

The amount of the penalty prescribed in the first paragraph in respect of a transaction or operation or of a series of transactions or operations is equal to the lesser of

(a) 25% of the amount obtained by multiplying the amount determined under the second paragraph of section 965.110 in respect of the transaction or operation or of the series of transactions or operations by the proportion that the adjusted cost of the aggregate of the shares of the capital stock of the corporation that were issued, in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec and of the shares of the capital stock of the corporation issued in replacement of shares issued with such a stipulation, that were issued in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years preceding that year and distributed in Québec, is of the paid-up capital at the time of the issue in respect of the aggregate of such shares of the corporation; and

(b) 25% of the adjusted cost of the aggregate of

i. the shares of the capital stock of the corporation that were issued, in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund,

ii. the shares of the capital stock of the corporation issued in replacement of shares that are not described in subparagraph i, that were issued, in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund, and

iii. the shares of the capital stock of the corporation issued in replacement of shares, other than shares described in subparagraph ii, issued in substitution for shares, other than shares described in subparagraph i, that were issued, in the year of the transaction or operation or of the series of transactions or operations but before the time of the transaction or operation or of the series of transactions or operations or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund.

2006, c. 13, s. 202; 2010, c. 5, s. 174.

1049.14.7. The Minister may stay the imposition of a penalty under any of sections 1049.14.4 to 1049.14.6 in respect of a corporation that plans to carry out or has already carried out a transaction referred to

in any of those sections, if the corporation has applied to the Minister to that effect and undertakes to comply with any of the conditions set out in section 1049.14.8.

The Minister may at any time revoke the stay provided for in the first paragraph if the Minister is of the opinion that the undertaking of the corporation is compromised.

2006, c. 13, s. 202.

1049.14.8. The conditions to be complied with by a corporation referred to in section 1049.14.7 are that the corporation must issue shares of its capital stock that meet the requirement set out in paragraph *b* of section 965.74 and are not qualifying shares, or that shares of its capital stock must be the subject of a transaction or operation or of a series of transactions or operations that, in the opinion of the Minister, can reasonably be believed to be equivalent to the issue of shares of the capital stock of the corporation that meet the requirement set out in that paragraph *b*, for an amount equal to or greater than the amount of the purchase or redemption referred to in the first paragraph of section 1049.14.4 or an amount determined under section 965.109 or the second paragraph of section 965.110 in respect of a transaction referred to in section 1049.14.5 or 1049.14.6, on or before the expiry of a period of two years that begins on the day after the day of the beginning of the transaction to which section 1049.14.7 refers.

2006, c. 13, s. 202.

1049.14.9. Despite sections 1049.14.4 to 1049.14.6, if the Minister, under section 1049.14.7, stays the imposition of a penalty in respect of a corporation for a particular transaction and the corporation fulfills, to the satisfaction of the Minister, its undertaking under section 1049.14.7, the corporation incurs no penalty for the transaction.

2006, c. 13, s. 202.

1049.14.10. Despite sections 1049.14.4 to 1049.14.6, if the amount of a particular penalty under any of those sections is greater than the excess amount determined under the second paragraph, the amount of the particular penalty is to be reduced to that excess amount.

The excess amount to which the first paragraph refers in respect of a particular penalty relating to a transaction referred to in any of the sections referred to in that paragraph is the amount by which the amount determined under the third paragraph exceeds the amount determined under the fourth paragraph.

The amount determined under this paragraph is equal to 25% of the aggregate of the adjusted cost of

(a) the shares of the capital stock of the corporation that were issued, in the year of the transaction but before the time of the transaction or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund;

(b) the shares of the capital stock of the corporation issued in replacement of shares that are not described in subparagraph *a*, that were issued, in the year of the transaction but before the time of the transaction or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund; and

(c) the shares of the capital stock of the corporation issued in replacement of shares, other than shares described in subparagraph *b*, issued in substitution for shares, other than shares described in subparagraph *a*, that were issued, in the year of the transaction but before the time of the transaction or in the two years preceding that year, with the stipulation that they could be included in a stock savings plan II, and distributed in Québec to an individual or to a qualified mutual fund.

The amount determined under this paragraph is equal to the aggregate of the penalties incurred by the corporation under sections 1049.14.4 to 1049.14.6 before the imposition of the particular penalty in respect of the shares of its capital stock that are described in the third paragraph.

2006, c. 13, s. 202; 2010, c. 5, s. 175.

1049.14.11. The Minister may cancel or reduce the amount of a penalty that would, but for this section, be determined under any of sections 1049.14.4 to 1049.14.6 in respect of a corporation, if the Minister considers that, under the circumstances, the amount would otherwise be excessive.

2006, c. 13, s. 202.

1049.14.12. For the purposes of this Part, except section 1049.14.11 and this section, if the Minister reduces to a particular amount the amount of a penalty determined under any of sections 1049.14.4 to 1049.14.6 in respect of a transaction, the particular amount is deemed to be the amount determined under that section in respect of the transaction.

2006, c. 13, s. 202.

1049.14.13. If a mutual fund states falsely in its final prospectus that the issued securities can be included in a stock savings plan II described in paragraph *b* of section 965.56, the mutual fund manager or trustee incurs a penalty equal to 25% of the adjusted cost that would be determined under section 965.124 if the statement of the mutual fund were true, of each security of the issue distributed in Québec to an individual.

2006, c. 13, s. 202; 2010, c. 5, s. 176.

1049.14.14. If, in a year, as a result of the administration of a qualified mutual fund by a manager or trustee, the qualified mutual fund is unable to fulfill its undertaking under subparagraph *a* of the first paragraph of section 965.119 in respect of a public security issue made by the qualified mutual fund in the year and if, in the final prospectus relating to the issue, a percentage is stipulated to determine the adjusted cost of securities that are qualifying securities, the manager or trustee incurs a penalty equal to 25% of the amount by which the adjusted cost of the aggregate of the qualifying securities issued by the manager or trustee in the year as part of the public security issue that are valid qualifying securities exceeds the adjusted cost of the qualifying shares acquired by the qualified mutual fund during the year with the proceeds of the issue of such qualifying securities.

2006, c. 13, s. 202.

1049.14.15. If, on 31 December in a year, as a result of the administration of a qualified mutual fund by a manager or trustee, the qualified mutual fund is unable to fulfill its undertaking under subparagraph *b* of the first paragraph of section 965.119 in respect of a public security issue made by the qualified mutual fund in the year, the manager or trustee incurs a penalty equal to 25% of the amount by which the adjusted cost of the aggregate of the qualifying securities issued by the manager or trustee in the year and in the preceding two years as part of the public security issue that have not been redeemed by the qualified mutual fund on or before 31 December in the year exceeds the adjusted cost of the qualifying shares or valid shares owned by the qualified mutual fund on 31 December in the year.

2006, c. 13, s. 202; 2010, c. 5, s. 177.

1049.14.16. If, on 31 December in a particular year, as a result of the administration of a qualified mutual fund by a manager or trustee, the qualified mutual fund is unable to fulfill its undertaking under paragraph *a* of section 965.121 in respect of a public security issue made by the qualified mutual fund in the year preceding the particular year, the manager or trustee incurs a penalty equal to 25% of the proportion of the amount by which the portion, which is the subject of the undertaking under that paragraph *a*, of the proceeds for the year preceding the particular year, of the public security issue exceeds the greater of the particular amount referred to in paragraph *c* of that section in respect of the year preceding the particular year and the cost, determined without reference to the borrowing costs, brokerage or custody fees or other similar costs, to the qualified mutual fund, of the aggregate of the qualifying shares described in that paragraph *a* acquired by

the qualified mutual fund during the particular year or the year preceding that year with the proceeds of the public security issue, other than any such qualifying shares having already been used, in respect of the particular year or the year preceding that year, for the purposes of paragraph *c* of section 965.121, as is represented by the ratio that the portion of the proceeds, for the year preceding the particular year, of the public security issue derived from the issue of qualifying securities is of the proceeds of the issue.

2006, c. 13, s. 202.

1049.14.17. If, on 31 December in a particular year, as a result of the administration of a qualified mutual fund by a manager or trustee, the qualified mutual fund is unable to fulfill its undertaking under paragraph *b* of section 965.121 in respect of a public security issue made by the qualified mutual fund in the year preceding the particular year, the manager or trustee incurs a penalty equal to 25% of the proportion of the amount by which the adjusted cost of the aggregate of the qualifying shares described in paragraph *a* of that section that should have been acquired by the qualified mutual fund in the particular year and in the year preceding that year with the proceeds, for the year preceding the particular year, of the public security issue for the undertaking to be fulfilled, exceeds the greater of the particular amount referred to in paragraph *c* of that section in respect of the year preceding the particular year and the adjusted cost of the aggregate of the qualifying shares described in that paragraph *a* acquired by the qualified mutual fund during the particular year or the year preceding that year with the proceeds of the public security issue, other than any such qualifying shares having already been used, in respect of the particular year or the year preceding that year, for the purposes of paragraph *c* of section 965.121, as is represented by the ratio that the portion of the proceeds, for the year preceding the particular year, of the public security issue derived from the issue of qualifying securities is of the proceeds of the issue.

2006, c. 13, s. 202.

1049.14.18. If, in a year, as a result of the administration of a qualified mutual fund by a manager or trustee, the qualified mutual fund is unable to fulfill its undertaking under paragraph *c* of section 965.121 in respect of a public security issue made by the qualified mutual fund in the year and, in the final prospectus relating to the issue, a percentage has been stipulated to determine the adjusted cost of securities that are qualifying securities, the manager or trustee incurs a penalty equal to 25% of the amount by which the amount determined under the second paragraph exceeds the amount determined under the third paragraph.

The amount determined under this paragraph is equal to the amount by which the adjusted cost of the aggregate of the qualifying securities issued in the year that are valid qualifying securities exceeds the particular amount referred to in paragraph c of section 965.121 in respect of the year.

The amount determined under this paragraph is equal to the adjusted cost of the qualifying shares acquired by the qualified mutual fund during the year with the portion of the proceeds of the issue of valid qualifying securities issued in the year that exceeds the particular amount referred to in paragraph c of section 965.121 in respect of the year, other than qualifying shares having already been used, in respect of the year, for the purposes of paragraph *d* of section 965.121.

2006, c. 13, s. 202.

1049.14.19. If, in a particular year, as a result of the administration of a qualified mutual fund by a manager or trustee, the qualified mutual fund is unable to fulfill its undertaking under paragraph *d* of section 965.121 in respect of a public security issue made by the qualified mutual fund in the year preceding the particular year, the manager or trustee incurs a penalty equal to 25% of the amount by which the particular amount referred to in paragraph *c* of that section in respect of the year preceding the particular year, exceeds the adjusted cost of the qualifying shares described in paragraph *a* of that section, acquired by the qualified mutual fund during the particular year or the year preceding that year with the proceeds of the public security issue, other than any such qualifying shares having already been used, in respect of the particular year or the year preceding that year, for the purposes of paragraph *c* of section 965.121.

2006, c. 13, s. 202.

1049.14.20. If, on 31 December in a year, as a result of the administration of a qualified mutual fund by a manager or trustee, the qualified mutual fund is unable to fulfill its undertaking under paragraph *e* of section 965.121, the manager or trustee incurs a penalty equal to 25% of the amount by which the adjusted cost of the qualifying shares or valid shares owned by the qualified mutual fund on 31 December in the year, other than qualifying shares or valid shares having already been used, in respect of the year, for the purposes of paragraph *f* of that section, is exceeded by the amount by which the adjusted cost of the aggregate of the qualifying securities issued in the year and the preceding two years that have not been redeemed by the qualified mutual fund on or before 31 December in the year exceeds the aggregate of all amounts each of which is a particular amount referred to in paragraph *c* of section 965.121 in respect of the year or any of the preceding two years.

2006, c. 13, s. 202; 2010, c. 5, s. 178.

1049.14.21. If, on 31 December in a year, as a result of the administration of a qualified mutual fund by a manager or trustee, the qualified mutual fund is unable to fulfill its undertaking under paragraph *f* of section 965.121, the manager or trustee incurs a penalty equal to 25% of the amount by which the aggregate of the amounts each of which is a particular amount referred to in paragraph *c* of that section in respect of any of the preceding three years, exceeds the adjusted cost of the qualifying shares or valid shares owned by the qualified mutual fund on 31 December in the year, other than qualifying shares or valid shares having already been used, in respect of the year, for the purposes of paragraph *e* of section 965.121.

2006, c. 13, s. 202.

1049.14.22. If, on 31 December in a year, as a result of the administration of a qualified mutual fund by a manager or trustee, the qualified mutual fund is unable to fulfill its undertaking under subparagraph *c* of the first paragraph of section 965.119 or paragraph *g* of section 965.121 in respect of a public security issue made by the qualified mutual fund in the year, the manager or trustee incurs a penalty equal to 25% of the amount that would be computed under section 965.129 if that section were applicable to the qualified mutual fund.

2006, c. 13, s. 202.

1049.14.23. If a corporation fails to send a copy of the report referred to in paragraph *d* of section 965.76 to the Minister within the prescribed time, in accordance with that paragraph, the corporation incurs a penalty of $25 a day for every day the omission continues, up to $10,000.

2006, c. 13, s. 202; 2010, c. 25, s. 188.

1049.14.24. If a corporation obtains a designation of eligibility under section 965.88 on false representations, the corporation incurs a penalty of $100,000.

2006, c. 13, s. 202.

1049.14.25. For the purposes of this section and sections 1049.14.26 to 1049.14.31,

"authorized investment certificate" has the meaning assigned by section 776.1.36;

"balance of the penalty account payable" of a corporation, at any time, in relation to an authorized investment certificate means an amount equal to the amount by which its penalty account payable in relation to the certificate at that time exceeds the aggregate of all amounts each of which is the amount determined under subparagraph *b* of the second paragraph of any of sections 1049.14.26 to 1049.14.29 in relation to the certificate at a time preceding that time;

"eligible investment" has the meaning assigned by section 776.1.36;

"penalty account payable" of a corporation, at any time, in relation to an authorized investment certificate, means the aggregate of all amounts each of which is equal to the amount by which the amount that would be deductible by another corporation under section 776.1.38 in computing its tax payable for the particular taxation year in which it acquires shares of the capital stock of the corporation in relation to the certificate if the other corporation were a qualified investor for the particular year and if it had sufficient tax payable under this Part for that particular year exceeds the amount that would be deductible by the other corporation under

section 776.1.38 in computing its tax payable for that particular year if it were a qualified investor for the particular year, if it had sufficient tax payable under this Part for the particular year and if no reference were made to

(a) an eligible investment made by the other corporation in relation to the certificate, where the corporation and the other corporation are associated with each other at a time that precedes the time referred to in the portion before this paragraph and that occurs in the particular year or in a taxation year that begins in the 48-month period following the end of the particular year; or

(b) the shares acquired by the other corporation in connection with an eligible investment in relation to the certificate that are disposed of or exchanged at a time that precedes the time referred to in the portion before paragraph *a* and that occurs before the end of the 60-month period that begins on the day they are issued, otherwise than by reason of the other corporation's or the corporation's bankruptcy or insolvency, the unilateral redemption of the share by the corporation, or the redemption of the share by the corporation at the other corporation's request where the law confers on it the right to demand that all its shares be redeemed;

"qualified investor" has the meaning assigned by section 776.1.36.

2021, c. 18, s. 148.

1049.14.26. Where a corporation has received an amount for the issue of a share of its capital stock in relation to an authorized investment certificate and any of the conditions provided for in the third paragraph is met, the corporation incurs a penalty equal to the amount determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is 30% of the aggregate of all amounts each of which is the amount received by the corporation for the issue of a share of its capital stock in relation to the authorized investment certificate, to the extent that that amount was not taken into account in determining the amount of a penalty imposed on the corporation under the first paragraph or any of sections 1049.14.27 to 1049.14.29; and

(b) B is the corporation's balance of the penalty account payable in relation to the authorized investment certificate at the time the penalty is determined.

The conditions to which the first paragraph refers are as follows:

(a) at any time in the particular taxation year that includes the day on which the certificate is applied for or in a taxation year that begins in the 48-month period following the end of the particular year, the corporation is not a Canadian-controlled private corporation;

(b) at no time in a year referred to in subparagraph *a* does the corporation carry on a business in Québec or have an establishment in Québec; and

(c) at least 50% of the salaries or wages paid by the corporation in a year referred to in subparagraph *a* is paid to employees who are not, within the meaning of the regulations made under section 771, employees of an establishment situated in Québec.

2021, c. 18, s. 148.

1049.14.27. Where the aggregate of the amounts assigned by a corporation in relation to an authorized investment certificate held by the corporation exceeds the amount of the authorized investment specified in the certificate, the corporation incurs a penalty equal to the amount determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is 30% of the aggregate of all amounts each of which is the amount received by the corporation for the issue of a share of its capital stock in relation to the excess of the amount assigned, to the extent that the amount received was not taken into account in determining the amount of a penalty imposed on the corporation under any of sections 1049.14.26, 1049.14.28 and 1049.14.29; and

(b) B is the corporation's balance of the penalty account payable in relation to the authorized investment certificate at the time the penalty is determined.

2021, c. 18, s. 148.

1049.14.28. Where the amount of the authorized investment specified in an authorized investment certificate held by a corporation is reduced for the purposes of Title III.6 of Book V, the corporation incurs a penalty equal to the amount determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is 30% of the amount by which the aggregate of all amounts each of which is the amount received by the corporation for the issue of a share of its capital stock in relation to the certificate exceeds the amount of the authorized investment so reduced that is specified in the certificate, to the extent that that excess amount was not taken into account in determining the amount of a penalty imposed on the corporation under the first paragraph or any of sections 1049.14.26, 1049.14.27 and 1049.14.29; and

(b) B is the corporation's balance of the penalty account payable in relation to the authorized investment certificate at the time the penalty is determined.

2021, c. 18, s. 148.

1049.14.29. Where an authorized investment certificate held by a corporation is revoked, the corporation incurs a penalty equal to the amount determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is 30% of the aggregate of all amounts each of which is the amount received by the corporation for the issue of a share of its capital stock in relation to the authorized investment certificate, to the extent that that amount was not taken into account in determining the amount of a penalty imposed on the corporation under any of sections 1049.14.26 to 1049.14.28; and

(b) B is the corporation's balance of the penalty account payable in relation to the authorized investment certificate at the time the penalty is determined.

2021, c. 18, s. 148.

1049.14.30. Where a corporation has made, at a particular time, an eligible investment for a taxation year in another corporation in relation to an authorized investment certificate held by the other corporation and it is reasonable to believe that one of the corporation's directors or officers knew, at the particular time, that the aggregate of the amounts assigned by the other corporation in relation to the certificate was exceeding the amount of the authorized investment specified in the certificate, the corporation is solidarily liable, with the other corporation, to pay any penalty imposed on the other corporation under section 1049.14.27 in relation to that excess amount, up to the maximum amount that the corporation could have deducted under section 776.1.38 for that year, in respect of the eligible investment, if it had had sufficient tax payable under this Part for the year.

2021, c. 18, s. 148.

1049.14.31. Where a corporation has made, at a particular time, an eligible investment for a taxation year in another corporation in relation to an authorized investment certificate held by the other corporation, the certificate is revoked because of a false statement or omission referred to in subparagraph 2 of the third paragraph of section 15 of the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) and it is reasonable to believe that one of the corporation's directors or officers was aware, at the particular time, of that false statement or omission, the corporation is solidarily liable, with the other corporation, to pay any penalty imposed on the other corporation under section 1049.14.29 in relation to the certificate, up to the maximum amount that the corporation could have deducted under section 776.1.38 for that year, in respect of the eligible investment, if it had had sufficient tax payable under this Part for the year.

2021, c. 18, s. 148.

1049.14.32. The Minister may at any time assess a corporation in respect of an amount payable under section 1049.14.30 or 1049.14.31, and this Book applies, with the necessary modifications, to that assessment as if it had been made under Title II.

2021, c. 18, s. 148.

1049.14.33. Where a particular corporation and another corporation are, under section 1049.14.30 or 1049.14.31, solidarily liable in respect of all or part of a liability of the other corporation, the following rules apply:

(a) a payment by, and on account of the liability of, the particular corporation discharges, up to the amount of the payment, their solidary liability; and

(b) a payment by, and on account of the liability of, the other corporation discharges the liability of the particular corporation only to the extent that the payment operates to reduce the liability of the other corporation to an amount less than the amount in respect of which the particular corporation is solidarily liable under section 1049.14.30 or 1049.14.31, as the case may be.

2021, c. 18, s. 148.

1049.15. Where the corporation governed by the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) (chapter F-3.2.1) purchases a class "A" share by agreement under section 8 of that Act, it incurs a penalty equal to 15% of the amount paid for the share by the first purchaser or, where the amount paid by the first purchaser relates to such a share purchased by him before 10 May 1996, to 20% of that amount.

Similarly, where the corporation governed by the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (chapter F-3.1.2) purchases a

class “A” share by agreement under section 9 of that Act, it incurs a penalty equal to the following percentage of the amount paid by the first purchaser for the share or for the class “B” share that was exchanged for the class “A” share under section 8 of that Act:

(a) 20%, where the amount paid by the first purchaser relates to such a share purchased by the first purchaser before 10 May 1996;

(b) 25%, where the amount paid by the first purchaser relates to such a share purchased by the first purchaser in the period that begins on 1 June 2009 and ends on 31 May 2015;

(b.1) 20%, where the amount paid by the first purchaser relates to such a share purchased by the first purchaser in the period that begins on 1 June 2015 and ends on 31 May 2021; and

(c) 15%, in any other case.

The first and second paragraphs do not apply, however, to any purchase made by a corporation in a fiscal period, in circumstances other than those described in the second paragraph of section 776.1.5.0.1 or 776.1.5.0.6, as the case may be, to the extent that the aggregate of the amount of the purchase and of all previous purchases made by the corporation in the fiscal period is, in such circumstances, less than 2% of the amount of paid-up capital in respect of shares of its capital stock which, under the conditions for their issue, cannot be, either partially or totally, purchased or redeemed by the corporation or purchased by any person, in any manner whatever, directly or indirectly.

Similarly, the first and second paragraphs do not apply to any purchase made by a corporation in a fiscal period, in the circumstances described in the second paragraph of section 776.1.5.0.1 or 776.1.5.0.6, as the case may be.

1988, c. 4, s. 137; 1989, c. 5, s. 229; 1995, c. 63, s. 217; 1997, c. 3, s. 71; 1997, c. 14, s. 254; 2001, c. 53, s. 236; 2010, c. 5, s. 179; 2013, c. 10, s. 144; 2017, c. 1, s. 346; 2019, c. 14, s. 428; 2024, c. 11, s. 129.

1049.16. *(Repealed).*

1988, c. 4, s. 137; 1989, c. 5, s. 230.

1049.17. *(Repealed).*

1988, c. 4, s. 137; 1989, c. 5, s. 231; 1995, c. 1, s. 172; 1995, c. 63, s. 218.

1049.18. *(Repealed).*

1988, c. 4, s. 137; 1989, c. 5, s. 231; 1995, c. 1, s. 173; 1995, c. 63, s. 218.

1049.19. *(Repealed).*

1988, c. 4, s. 137; 1989, c. 5, s. 231; 1995, c. 63, s. 218.

1049.20. *(Repealed).*

1989, c. 5, s. 232; 1990, c. 7, s. 199; 1991, c. 8, s. 90; 1993, c. 64, s. 178.

1049.21. *(Repealed).*

1990, c. 7, s. 200; 1993, c. 64, s. 178.

1049.22. *(Repealed).*

1990, c. 7, s. 200; 1993, c. 64, s. 178.

1049.23. *(Repealed).*

1990, c. 7, s. 200; 1993, c. 64, s. 178.

1049.24. *(Repealed).*

1990, c. 7, s. 200; 1991, c. 25, s. 170; 1993, c. 64, s. 178.

1049.25. *(Repealed).*

1990, c. 7, s. 200; 1993, c. 64, s. 178.

1049.26. *(Repealed).*

1990, c. 7, s. 200; 1993, c. 64, s. 178.

1049.27. *(Repealed).*

1990, c. 7, s. 200; 1993, c. 64, s. 178.

1049.28. *(Repealed).*

1991, c. 8, s. 91; 1995, c. 1, s. 174.

1049.29. *(Repealed).*

1992, c. 1, s. 201; 1993, c. 64, s. 179; 1994, c. 21, s. 50; 1995, c. 1, s. 199; 1997, c. 3, s. 71; 1997, c. 14, s. 255.

1049.30. *(Repealed).*

1992, c. 1, s. 201; 1993, c. 64, s. 180; 1995, c. 1, s. 199; 1997, c. 3, s. 71; 1997, c. 14, s. 255.

1049.31. *(Repealed).*

1992, c. 1, s. 201; 1993, c. 64, s. 181; 1995, c. 1, s. 199; 1997, c. 3, s. 71; 1997, c. 14, s. 255.

1049.32. *(Repealed).*

1992, c. 1, s. 201; 1995, c. 1, s. 175; 1995, c. 63, s. 219; 1997, c. 3, s. 71; 1998, c. 17, s. 64; 2001, c. 69, s. 12; 2011, c. 6, s. 209.

1049.33. Every employer who refuses to receive a written report made by an individual pursuant to section 1019.4 incurs, in respect of each such report, a penalty of $100 for each pay period in respect of which the employer so refuses to receive such a report.

1997, c. 85, s. 289.

1049.34. Every employee who fails to provide the employer with a copy of the logbook referred to in section 41.1.4 within the time specified in that section incurs a penalty of $200.

2005, c. 23, s. 234.

1050. Where a contestation is filed or an appeal is initiated under the Tax Administration Act (chapter A-6.002) and the contestation or appeal pertains to a penalty, the burden of establishing the facts referred to in sections 1049 to 1049.34 is on the Minister.

1972, c. 23, s. 774; 1979, c. 14, s. 6; 1982, c. 5, s. 188; 1983, c. 49, s. 19; 1986, c. 15, s. 186; 1988, c. 4, s. 138; 1989, c. 5, s. 233; 1990, c. 7, s. 201; 1991, c. 8, s. 92; 1992, c. 1, s. 202; 1997, c. 85, s. 290; 2005, c. 23, s. 235; 2010, c. 31, s. 175; 2020, c. 12, s. 127; 2021, c. 36, s. 139; 2022, c. 23, s. 124.

TITLE VI

REFUNDS

1972, c. 23.

1051. Where a taxpayer has filed a fiscal return for a taxation year and has paid as tax, interest or a penalty for that year an amount greater than the amount that was exigible, the Minister may refund the overpayment to the taxpayer on mailing the notice of assessment for that year.

However, the Minister shall make the refund referred to in the first paragraph, if application is made for it by the taxpayer

(a) within three years following the end of the taxation year concerned;

(b) within the four years following the end of the taxation year concerned where the taxpayer is, at the end of that year, a mutual fund trust or a corporation other than a Canadian-controlled private corporation;

(c) within the six years or seven years, as the case may be, following the taxation year concerned where paragraph *a*.1 of subsection 2 of section 1010 applies;

(d) within the three years following the day on which the information return described in section 1079.7 is filed, in relation to a claim or deduction made by the taxpayer in respect of a tax shelter, where paragraph *a*. 2 of subsection 2 of section 1010 applies;

(e) within the three years following the day on which the documents described in the first paragraph of section 1010.0.0.2 are filed, where that section applies in relation to the disposition of an immovable property by the taxpayer or by a partnership of which the taxpayer is a member.

1972, c. 23, s. 775; 1982, c. 5, s. 189; 1983, c. 49, s. 20; 1985, c. 25, s. 154; 1986, c. 15, s. 187; 1990, c. 7, s. 202; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1999, c. 83, s. 231; 2015, c. 24, s. 150; 2021, c. 14, s. 177.

1051.1. Section 1051.2 applies to a taxpayer for a taxation year if, at any time after the beginning of the year,

(a) the taxpayer has paid, in respect of the taxpayer's tax payable for the year under this Part and of the taxpayer's tax payable for the year under Parts IV, IV.1, VI and VI.1, one or more provisional accounts under section 1025 or 1026, subparagraph a of the first paragraph of section 1027 or any of sections 1145, 1159.7, 1175 and 1175.19, if they refer to that subparagraph *a*;

(b) it is reasonable to conclude that the total amount of those provisional accounts exceeds the total amount of the tax that will be payable by the taxpayer for the year under those Parts; and

(c) the Minister is of the opinion that the payment of those provisional accounts has caused or will cause undue hardship to the taxpayer.

2010, c. 5, s. 180.

1051.2. The Minister may refund to a taxpayer to whom this section applies for a taxation year all or part of the excess referred to in paragraph *b* of section 1051.1.

2010, c. 5, s. 180.

1051.3. For the purposes of the interest and penalties computed under this Part, a provisional account is deemed not to have been paid to the extent that all or part of the provisional account can reasonably be considered to have been refunded under section 1051.2.

2010, c. 5, s. 180.

1052. Where the amount of an overpayment by a taxpayer, otherwise than as a consequence of the application of Division II.17.2 or II.21 of Chapter III.1 of Title III or of section 1029.8.36.166.47 or 1029.8.36.166.60.52, is refunded to, or applied to another liability of, the taxpayer, interest thereon shall be paid to the taxpayer for the period ending on the day the overpayment is refunded or applied, and beginning on the day that is the latest of

(a) the day on which the overpayment was made following a notice of assessment;

(b) the 46th day following the day on which the overpayment was made otherwise than following a notice of assessment;

(c) the 46th day following the balance-due day in the case of an individual, or following the filing-due date in the case of a corporation;

(d) the 46th day following the day on which the fiscal return giving rise to the overpayment was filed under sections 1000 to 1003;

(e) where an overpayment is determined for a taxation year pursuant to an application to amend the fiscal return filed under sections 1000 to 1003 for that year, the 46th day following the day on which the Minister receives the application in writing; and

(f) if an overpayment is determined for a taxation year as a result of information sent by the Government of Canada or of a province, other than Québec, the 46th day following

i. the day on which the Minister receives the information from that government, or

ii. if it precedes the day mentioned in subparagraph i, the day on which the Minister receives the information from the taxpayer.

1972, c. 23, s. 776; 1981, c. 12, s. 13; 1982, c. 38, s. 14; 1983, c. 49, s. 21; 1985, c. 25, s. 155; 1986, c. 19, s. 193; 1989, c. 5, s. 234; 1991, c. 8, s. 93; 1992, c. 31, s. 4; 1997, c. 31, s. 127; 1997, c. 85, s. 291; 1999, c. 83, s. 232; 2007, c. 12, s. 220; 2009, c. 5, s. 491; 2009, c. 15, s. 360; 2011, c. 1, s. 100; 2021, c. 14, s. 178.

1053. For the purposes of section 1052, the portion of any overpayment of the tax payable by a taxpayer for a taxation year that arose as a consequence of the exclusion of an amount from the taxpayer's income under sections 294 to 298 in respect of the exercise of an option in a subsequent taxation year, as a consequence of the exclusion of an amount from the taxpayer's income, or of the deduction of an amount, by reason of the disposition, in a subsequent taxation year, of a work of art referred to in section 714.1 or 752.0.10.11.1 by a donee referred to in that section, as a consequence of the deduction of an amount relating to a subsequent taxation year, or because of an event in a subsequent taxation year, and referred to in any of paragraphs *b* to *b*.1.0.1, *c* to *d*.1.0.0.4, *d*.1.1 and *f* to *h* of section 1012.1, as a consequence of the deduction of an amount under any of sections 785.2.2 to 785.2.4 from the proceeds of disposition of a property because of an election made in a fiscal return for a subsequent taxation year, as a consequence of the reduction of an amount included in computing the taxpayer's income under section 580 for the taxation year because of a reduction referred to in section 1012.2 in the foreign accrual property income of a foreign affiliate of the taxpayer for a taxation year of the foreign affiliate that ends in the taxation year, or as a consequence of the deduction of an amount relating to a preceding taxation year and referred to in any of sections 727 to 737 where that deduction is claimed after the expiry of the time limit provided for in section 1000 applicable to the taxation year, is deemed to have been paid to the Minister on the latest of

(a) the 46th day following the day on which an amended fiscal return of the taxpayer or a prescribed form was filed in accordance with any of sections 297, 716.0.1, 752.0.10.15, 1012, 1012.2, 1054, 1055.1.2 and 1055.1.3 so as to exclude from the taxpayer's income, to deduct or to reduce the amount for the taxation year;

(b) where, as a consequence of a request in writing, the Minister assessed the taxpayer's tax for the year so as to exclude from his income or deduct the amount for the taxation year, the 46th day following the day on which the request was made;

(c) the 46th day following the day immediately following the end of the subsequent taxation year relating to the amount excluded from the taxpayer's income or deducted for the taxation year;

(d) the 46th day following the day on which the taxpayer or his legal representative files his fiscal return under this Part for the subsequent taxation year referred to in paragraph *c*.

1972, c. 23, s. 777; 1983, c. 49, s. 22; 1985, c. 25, s. 156; 1986, c. 19, s. 194; 1987, c. 67, s. 188; 1988, c. 4, s. 139; 1989, c. 5, s. 235; 1990, c. 7, s. 203; 1991, c. 25, s. 171; 1992, c. 31, s. 5; 1993, c. 64, s. 182; 1995, c. 63, s. 220; 1997, c. 31, s. 128; 1999, c. 83, s. 233; 2000, c. 5, s. 278; 2004, c. 8, s. 182; 2005, c. 23, s. 236; 2005, c. 38, s. 293; 2007, c. 12, s. 221; 2011, c. 34, s. 110; 2015, c. 36, s. 154; 2017, c. 1, s. 347; 2021, c. 18, s. 149.

1053.0.1. Where, for a particular taxation year, a taxpayer has included an amount in computing his income by reason of the disposition in a subsequent taxation year of a work of art referred to in section 714.1 or 752.0.10.11.1 by a donee referred to in either of those sections, and an overpayment of tax was refunded to him or was applied to another liability, his tax payable under this Part for the particular taxation year is deemed, for the purpose of computing interest payable under section 1052, to be equal to the tax that the taxpayer would have been required to pay had he not been entitled to so include that amount.

However, the amount by which the taxpayer's tax payable under this Part for the particular taxation year is increased by reason of the inclusion of an amount described in the first paragraph is deemed, for the purpose of computing interest payable under section 1052, to have so increased the taxpayer's tax payable under this Part for the particular taxation year, from the taxpayer's filing-due date for the subsequent taxation year.

1995, c. 63, s. 221; 1997, c. 3, s. 71; 1997, c. 31, s. 143.

1053.0.1.1. If the amount of an overpayment by a corporation for a taxation year, as a consequence of the application for the year of section 1029.8.36.166.47 or 1029.8.36.166.60.52 in relation to the unused portion of the tax credit of the corporation for a subsequent year, is refunded to, or applied to another liability of, the corporation, interest on the overpayment is to be paid to the corporation for the period ending on the day the overpayment is refunded or applied and beginning on the forty-sixth day following the day the prescribed form referred to in that section is filed with the Minister.

2009, c. 15, s. 361; 2021, c. 14, s. 179.

1053.0.2. *(Repealed).*

1997, c. 85, s. 292; 1999, c. 83, s. 234; 2009, c. 5, s. 492; 2021, c. 14, s. 180.

1053.0.3. *(Repealed).*

1997, c. 85, s. 292; 1999, c. 83, s. 235; 2009, c. 5, s. 493; 2021, c. 14, s. 180.

1053.0.4. If the amount of an overpayment by a trust for a particular taxation year as a consequence of the application, for the particular year, of Division II.21 of Chapter III.1 of Title III, is refunded to, or applied to another liability of, the trust, interest on the overpayment is to be paid to the trust for the period ending on the day the overpayment is refunded or applied, and beginning

(a) if the particular taxation year is the year 2007,

i. on 15 May 2008 if the application referred to in subparagraph *a* of the second paragraph of section 1029.8.128 was filed with the Minister on or before 30 June 2008, and

ii. in any other case, on the 46th day following the date on which the Minister received the application referred to in subparagraph *a* of the second paragraph of section 1029.8.128; and

(b) if the particular taxation year is subsequent to the year 2007, on the 46th day following the later of

i. the 90th day following the end of the particular year, and

ii. the date on which the Minister received the application referred to in subparagraph *a* of the second paragraph of section 1029.8.128 for the particular year.

2009, c. 5, s. 494.

1053.1. *(Repealed).*

1989, c. 5, s. 236; 1994, c. 22, s. 329.

1053.2. Where, as a consequence of the application of section 771.5.1, the amount of an overpayment for a taxation year by a qualified corporation within the meaning of sections 771.5 to 771.7 is refunded to, or applied to another liability of, the qualified corporation, the qualified corporation's tax payable under this Part for the taxation year is, for the purpose of computing interest to be paid pursuant to section 1052 in respect of that part of the period referred to therein preceding the time the corporation filed the return referred to therein in accordance with section 771.5.1, deemed to be equal to the tax that the corporation would have been required to pay had it not been a qualified corporation within the meaning of sections 771.5 to 771.7.

1990, c. 7, s. 204; 1995, c. 63, s. 261; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1999, c. 83, s. 236.

1054. If the legal representative referred to in section 1055 disposes, in the circumstances described in that section, of one or more properties of the succession of the deceased taxpayer, the following rules apply despite any other provision of this Part:

(a) except for the purposes of section 741 and this subparagraph, the portion, corresponding, subject to the second paragraph, to the lesser of the following amounts, of a capital loss from the disposition of a particular capital property referred to in paragraph *a* of section 1055 is deemed to be a capital loss of the deceased taxpayer from the disposition of the particular capital property by the taxpayer in the taxpayer's last taxation year and not to be a capital loss of the succession from the disposition of that capital property:

i. the total of

(1) the amount of the valid election made after 19 December 2006 by the legal representative under paragraph *c* of subsection 6 of section 164 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) in relation to the disposition of the particular capital property, and

(2) if the total of the amounts of the valid elections made by the legal representative under paragraph *c* of subsection 6 of section 164 of the Income Tax Act in relation to the aggregate of the dispositions of properties of the succession corresponds to the maximum total of the amounts that the legal representative may then elect in accordance with that paragraph *c* in relation to the aggregate of those dispositions, the portion—that is specified by the legal representative, in the prescribed documents required under subparagraph *d*, in relation to the capital loss from the disposition of the particular capital property and that is not so specified in relation to another capital loss—of the portion of the excess amount referred to in paragraph *a* of section 1055 that is greater than the amount by which the maximum total of the amounts that the legal representative may then elect in accordance with that paragraph *c* in relation to the aggregate of the dispositions of properties of the succession exceeds the aggregate of all amounts each of which is the amount by which the amount referred to in subparagraph 1 in relation to a disposition of a capital property referred to in paragraph *a* of section 1055 exceeds the amount referred to in subparagraph ii in relation to that disposition, and

ii. the amount of the capital loss otherwise determined from the disposition of the particular capital property;

(b) the portion, corresponding, subject to the third paragraph, to the lesser of the following amounts, of a deductible amount described in paragraph *b* of section 1055 from the disposition of all the depreciable properties of a particular prescribed class of the succession is deductible in computing the income of the deceased taxpayer for the year in which the taxpayer died and is not deductible in computing a loss of the succession for its first taxation year:

i. the total of

(1) the amount of the valid election made after 19 December 2006 by the legal representative under paragraph *d* of subsection 6 of section 164 of the Income Tax Act in relation to the disposition of depreciable properties of the particular prescribed class, and

(2) if the total of the amounts of the valid elections made by the legal representative under paragraph *d* of subsection 6 of section 164 of the Income Tax Act in relation to the aggregate of the dispositions of properties of the succession corresponds to the maximum total of the amounts that the legal representative may then elect in accordance with that paragraph *d* in relation to the aggregate of those dispositions, the portion—that is specified by the legal representative, in the prescribed documents required under subparagraph *d*, in relation to the deductible amount described in paragraph *b* of section 1055 from the disposition of all the depreciable properties of the particular prescribed class and that is not so specified in relation to another deductible amount described in that paragraph *b*—of the amount by which the amount described in the fourth paragraph exceeds the portion of the maximum total of the amounts that the legal representative may then elect in accordance with that paragraph *d* in relation to the aggregate of the dispositions of properties of the succession that is greater than the aggregate of all amounts each of which is the amount by which the amount referred to in subparagraph 1 in relation to the deductible amount described in paragraph *b* of section 1055 from the disposition of all the depreciable properties of a prescribed class of the succession exceeds the amount referred to in subparagraph ii in relation to that deductible amount, and

ii. the deductible amount described in paragraph *b* of section 1055, otherwise determined, from the disposition of all the depreciable properties of the particular prescribed class;

(c) in computing the taxable income of the deceased taxpayer for a taxation year preceding the year in which he died, no amount may be deducted in respect of an amount referred to in subparagraph *a* or *b*;

(d) the legal representative shall, within the prescribed time, file with the Minister an amended fiscal return in the name of the deceased taxpayer for the taxation year in which the taxpayer died and the prescribed documents.

However, if the aggregate of the amounts determined under subparagraph *a* of the first paragraph in relation to the disposition of the capital properties referred to in paragraph *a* of section 1055 would, but for this paragraph, be greater than the excess amount referred to in paragraph *a* of that section, the amount otherwise determined under subparagraph *a* of the first paragraph in respect of such a capital property must, if applicable, be reduced to the amount specified in relation to that capital property by the legal representative of the deceased taxpayer in the prescribed documents required under subparagraph *d* of the first paragraph or, if no amount is so specified, by the Minister, so that the aggregate is equal to the excess amount referred to in paragraph *a* of section 1055.

In addition, if the aggregate of the amounts determined under subparagraph *b* of the first paragraph in relation to the deductible amounts described in paragraph *b* of section 1055 would, but for this paragraph, be greater than the amount described in the fourth paragraph, the amount otherwise determined under subparagraph *b* of the first paragraph in respect of such a deductible amount must, if applicable, be reduced to the amount specified in relation to that deductible amount by the legal representative of the deceased taxpayer in the prescribed documents required under subparagraph *d* of the first paragraph or, if no amount is so specified, by the Minister, so that the aggregate is equal to the amount described in the fourth paragraph.

The amount referred to in subparagraph 2 of subparagraph i of subparagraph *b* of the first paragraph and the third paragraph is equal to the amount that would, but for this section, represent the total of the non-capital loss and the farm loss of the succession for its first taxation year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 6 of section 164 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

1972, c. 23, s. 778; 1974, c. 18, s. 34; 1985, c. 25, s. 157; 1987, c. 67, s. 189; 1988, c. 18, s. 125; 1998, c. 16, s. 251; 2001, c. 7, s. 152; 2009, c. 5, s. 495.

1055. Section 1054 applies if, in the course of the administration of the succession of a deceased taxpayer that is a graduated rate estate, the legal representative of the deceased taxpayer disposes, within the first taxation year of the succession,

(a) of the capital properties of the succession with the result that capital losses exceed capital gains; or

(b) of all the depreciable properties of a prescribed class of the succession the undepreciated capital cost of which, at the end of the first taxation year of the succession, is deductible under section 130.1 or the regulations made under paragraph *a* of section 130 in computing the income of the succession for that year.

1972, c. 23, s. 779; 1972, c. 26, s. 75; 1974, c. 18, s. 35; 1975, c. 22, s. 239; 1978, c. 26, s. 207; 1987, c. 67, s. 190; 1988, c. 18, s. 126; 1998, c. 16, s. 251; 2009, c. 5, s. 496; 2017, c. 1, s. 348.

1055.1. Despite any other provision of this Act, if, within the first taxation year of the succession of a deceased taxpayer that is a graduated rate estate, a right to acquire a security, as defined in section 47.18, under an agreement in respect of which a benefit was deemed by section 52.1 to have been received by the taxpayer is exercised or disposed of by the taxpayer's legal representative and the taxpayer's legal representative makes an election in prescribed manner and within the prescribed time, the following rules apply:

(a) the taxpayer is deemed to have incurred a loss from an office or employment for the year in which he died equal to the amount by which the amount of the benefit deemed under section 52.1 to have been received by him in respect of the right exceeds the aggregate of

i. the amount by which the value of the right immediately before the time it was exercised or disposed of exceeds the amount paid by the taxpayer to acquire the right, and

ii. where an amount has been deducted under section 725.2 in computing the taxpayer's taxable income for the year in which the taxpayer died in respect of the benefit deemed under section 52.1 to have been received by the taxpayer in that year in respect of that right, 1/4 of the amount by which the amount of the benefit deemed under section 52.1 to have been received by the taxpayer in respect of that right exceeds the amount determined under subparagraph i;

(b) the amount of the loss that would be determined under paragraph *a* if that paragraph were read without reference to subparagraph ii thereof, shall be deducted in computing the adjusted cost base to the succession of the right at any time; and

(c) the legal representative shall, on or before the date prescribed for making the election under this section, file an amended fiscal return for the taxpayer for the year in which the taxpayer died to give effect to paragraph *a*.

1994, c. 22, s. 330; 1998, c. 16, s. 251; 2001, c. 53, s. 237; 2003, c. 2, s. 282; 2006, c. 36, s. 211; 2017, c. 1, s. 349.

1055.1.1. For the purposes of subparagraph ii of paragraph *a* of section 1055.1, if an amount was deducted under section 725.2, as a consequence of the application of section 725.2.0.1 or 725.2.0.1.1, in computing a taxpayer's taxable income for the year in which the taxpayer died, that subparagraph ii is to be read as if "1/4" were replaced by "50%".

2009, c. 15, s. 362; 2019, c. 14, s. 429.

1055.1.2. Despite any other provision of this Act, if the legal representative of a deceased taxpayer pays, in any taxation year (in this section referred to as the "repayment year"), an amount that would be deductible under section 78.1, but for this section, in computing, for the repayment year, the income of the succession that is a graduated rate estate, the amount is deemed to have been paid by the taxpayer in the taxpayer's last taxation year and not to have been so paid by the legal representative.

The first paragraph applies only if the following conditions are met on or before the succession's filing-due date for the repayment year:

(a) the legal representative elects to have the first paragraph apply in respect of the amount paid; and

(b) the legal representative files with the Minister an amended fiscal return in the name of the taxpayer for the taxation year in which the taxpayer died.

2011, c. 34, s. 111; 2017, c. 1, s. 350.

1055.1.3. Despite any other provision of this Act, if the legal representative of a deceased taxpayer repays, in a particular taxation year of the succession of the taxpayer that is a graduated rate estate, an amount that is a benefit received by the taxpayer under the Act respecting parental insurance (chapter A-29.011), the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act, the Unemployment Insurance Act (R.S.C. 1985, c. U-1) or the Employment Insurance Act (S.C. 1996, c. 23), and included by the taxpayer in computing the taxpayer's income for one or more taxation years, the amount is deemed to have been repaid by the taxpayer in the taxpayer's last taxation year and not to have been repaid by the legal representative.

The first paragraph applies only if the following conditions are met on or before the succession's filing-due date for the particular taxation year:

(a) the legal representative elects to have the first paragraph apply in respect of the repaid amount; and

(b) the legal representative files with the Minister an amended fiscal return in the name of the taxpayer for the taxation year in which the taxpayer died.

2011, c. 34, s. 111; 2017, c. 1, s. 351.

1055.2. Despite any inconsistent provision of any law, a corporation may assign or hypothecate the right to claim an amount payable to it under this Act.

The assignment or hypothec is not binding on the State and, as a result, the following rules apply:

(a) the Minister retains discretion to pay or not to pay the amount to the assignee or creditor;

(b) the assignment or hypothec does not create any liability of the State to the assignee or creditor; and

(c) the rights of the assignee or creditor are subject to the rights conferred on the State by section 31 of the Tax Administration Act (chapter A-6.002) and any right to compensation of which the State may avail itself.

2000, c. 39, s. 217; 2006, c. 36, s. 212; 2010, c. 31, s. 175.

1056. *(Repealed).*

1972, c. 23, s. 780; 1972, c. 26, s. 76; 1974, c. 18, s. 36; 1975, c. 22, s. 240; 1985, c. 25, s. 158; 1987, c. 67, s. 191.

TITLE VI.1

Repealed, 1997, c. 85, s. 293.

1986, c. 103, s. 12; 1997, c. 85, s. 293.

1056.1. *(Repealed).*

1986, c. 103, s. 12; 1989, c. 4, s. 11; 1997, c. 85, s. 293.

1056.2. *(Repealed).*

1986, c. 103, s. 12; 1989, c. 4, s. 11; 1997, c. 85, s. 293.

1056.3. *(Repealed).*

1986, c. 103, s. 12; 1989, c. 4, s. 11; 1997, c. 85, s. 293.

TITLE VI.2

ELECTION

1993, c. 16, s. 340.

1056.4. The Minister may extend the time for making a prescribed election or grant permission to amend or revoke such an election if

(a) the election was required to be made by a taxpayer or by a partnership on or before a particular day in a taxation year of the taxpayer or a fiscal period of the partnership; and

(b) the taxpayer or the partnership applies, on or before the day that is ten calendar years after the end of the taxation year or the fiscal period, to the Minister for that extension or permission.

1993, c. 16, s. 340; 1997, c. 3, s. 71; 2005, c. 38, s. 294.

1056.4.0.1. On a written application by a taxpayer, the Minister may extend the time for making an election under Chapter II.1 of Title VI of Book III or grant permission for such an election made previously to be amended or revoked if

(a) the application is made on or before the day that is three calendar years after the taxpayer's filing-due date for the taxation year for which the election applies; and

(b) the taxpayer is resident in Canada at the time of the application or, if the taxpayer is deceased at that time, at the time that is immediately before the taxpayer's death.

The first paragraph does not apply to an election described in the definition of "joint election" in the first paragraph of section 336.8, enacted by the first paragraph of section 336.9.

However, if, in accordance with paragraph 3.201 of section 220 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), the Minister of National Revenue extends the time for making an election referred to in the second paragraph or grants permission for such an election made previously to be amended or revoked, the Minister is deemed, for the purposes of this Title, to have so extended the time for making the election or so granted permission for such an election to be amended or revoked, under the first paragraph.

The third paragraph does not apply if the taxpayer who applied for an extension of the time for making an election referred to in the second paragraph for a particular taxation year, or the other taxpayer with whom the election must be made, was a transferor who was resident in Québec at the end of that year or, if the transferor died in that year, at the time that is immediately before the transferor's death, and who made a joint election within the meaning of the first paragraph of section 336.8 with the transferor's eligible spouse for the particular year within the meaning of sections 776.41.1 to 776.41.4 that has not been revoked in accordance with a permission obtained under the first paragraph.

2009, c. 5, s. 497.

1056.4.1. For the purposes of section 1056.4, the following rules apply:

(a) a designation made in the prescribed form and provided for in section 274 or 274.0.1, subparagraph *j* of the first paragraph of section 485.3 or any of sections 485.6 to 485.11 and 485.40 is deemed to be a prescribed election;

(a.1) a specification made under any of sections 279, 280.3 and 1054 in a fiscal return or other document is deemed to be a prescribed election; and

(b) an allocation under section 1121.12 is deemed to be a prescribed election.

1996, c. 39, s. 255; 2001, c. 53, s. 238; 2009, c. 5, s. 498; 2010, c. 5, s. 181; 2021, c. 14, s. 181.

1056.5. The Minister shall, with dispatch, examine each application filed with him under section 1056.4 and, where the application is granted by the Minister, determine the penalty payable and send a notice of assessment in that respect to the taxpayer or the partnership.

1993, c. 16, s. 340; 1997, c. 3, s. 71.

1056.6. Where an application made under section 1056.4 is granted by the Minister, the taxpayer or the partnership incurs, in respect of the election or of the amended or revoked election, a penalty equal to $100 for each complete month from the day on or before which the election was required to be made to the day on which the application is made, up to $5,000.

1993, c. 16, s. 340; 1997, c. 3, s. 71.

1056.7. Where the Minister has extended the time for making an election or granted permission to amend an election, the election or amended election is deemed to have been made in the form in which and on or before the day on or before which the election was required to be made.

In addition, where the Minister has granted permission to amend or revoke an election, the election is deemed never to have been made.

1993, c. 16, s. 340.

1056.8. Despite section 1010, where the Minister extends the time for making an election or grants permission to amend or revoke an election, the Minister shall make a reassessment and redetermine the tax, interest and penalties for any taxation year to take into account the election or the amended or revoked election.

The same rule applies where a provision of an Act or regulation allows the making of an election in respect of a taxation year prior to the date of coming into force of that provision.

1993, c. 16, s. 340; 1995, c. 1, s. 176; 2011, c. 34, s. 112.

TITLE VII

Repealed, 1997, c. 85, s. 294.

1997, c. 85, s. 294.

1057. *(Repealed).*

1972, c. 23, s. 781; 1982, c. 5, s. 190; 1988, c. 21, s. 66; 1992, c. 31, s. 6; 1995, c. 1, s. 177; 1995, c. 36, s. 3; 1997, c. 31, s. 129; 1997, c. 85, s. 294.

1057.0.1. *(Repealed).*

1995, c. 63, s. 222; 1997, c. 3, s. 71; 1997, c. 85, s. 294.

1057.1. *(Repealed).*

1992, c. 31, s. 7; 1995, c. 36, s. 4; 1997, c. 85, s. 294.

1057.2. *(Repealed).*

1995, c. 36, s. 4; 1997, c. 85, s. 294.

1057.3. *(Repealed).*

1996, c. 31, s. 4; 1997, c. 85, s. 294.

1058. *(Repealed).*

1972, c. 23, s. 782; 1975, c. 83, s. 84; 1995, c. 36, s. 5.

1059. *(Repealed).*

1972, c. 23, s. 783; 1974, c. 18, s. 37; 1975, c. 83, s. 84; 1995, c. 36, s. 6; 1997, c. 85, s. 294.

1060. *(Repealed).*

1972, c. 23, s. 784; 1982, c. 5, s. 191; 1982, c. 38, s. 15; 1985, c. 25, s. 159; 1986, c. 15, s. 188; 1990, c. 7, s. 205; 1996, c. 31, s. 5; 1997, c. 85, s. 294.

1060.1. *(Repealed).*

1986, c. 103, s. 13; 1993, c. 16, s. 341; 1994, c. 22, s. 331; 1995, c. 63, s. 223; 1997, c. 85, s. 294.

1061. *(Repealed).*

1972, c. 23, s. 785; 1985, c. 25, s. 159; 1986, c. 15, s. 188; 1990, c. 7, s. 206; 1997, c. 85, s. 294.

1062. *(Repealed).*

1972, c. 23, s. 786; 1974, c. 18, s. 38; 1995, c. 36, s. 7.

TITLE VIII

REVOCATION OF CERTAIN REGISTRATIONS

1972, c. 23; 1978, c. 26, s. 208; 2021, c. 18, s. 150.

1063. The Minister may revoke the registration of a charity, of a Canadian amateur athletic association, of a Québec amateur athletic association or of a journalism organization the registration of which has been recognized or authorized by this Part or by regulation, if such charity, association or organization

(a) applies therefor;

(b) fails to comply with the conditions imposed by this Part or the regulations for the maintenance of its registration;

(c) fails to file an information return as and when required under this Part or a regulation;

(d) issues a receipt for a gift otherwise than in accordance with this Part and the regulations or that contains false information;

(e) fails to comply with or contravenes section 34 of the Tax Administration Act (chapter A-6.002); or

(f) accepts a gift the granting of which was expressly or implicitly conditional on the charity, association or organization making a gift to another person, association, organization, society or club other than a qualified donee.

1972, c. 23, s. 787; 1978, c. 26, s. 208; 1995, c. 49, s. 236; 1997, c. 14, s. 256; 2005, c. 23, s. 237; 2010, c. 31, s. 175; 2015, c. 21, s. 496; 2021, c. 18, s. 151; 2023, c. 2, s. 67.

1064. The Minister shall, before revoking the registration of an organization or association referred to in section 1063, give notice of the Minister's intention by registered mail except if the revocation is effected upon the application of the organization or association.

1972, c. 23, s. 788; 1975, c. 83, s. 84; 1978, c. 26, s. 208; 1997, c. 14, s. 257; 1999, c. 83, s. 273; 2021, c. 18, s. 152.

1065. (1) The revocation shall be by means of the publication of a notice for that purpose given by the Minister in the *Gazette officielle du Québec*.

(2) The Minister may publish such notice without delay in the case provided for in paragraph *a* of section 1063; in all other cases, the Minister may publish it upon the expiry of the time limit specified in section 93.1.10.1 or 93.1.15 of the Tax Administration Act (chapter A-6.002) for contesting if the decision has not been contested or after final judgment if it has.

1972, c. 23, s. 789; 1978, c. 26, s. 208; 1995, c. 63, s. 224; 1997, c. 85, s. 295; 2005, c. 38, s. 295; 2010, c. 31, s. 175; 2020, c. 12, s. 128.

1065.0.1. Despite sections 1063 to 1065, the registration of a qualified donee is revoked as of the date on which it became a listed terrorist entity for the purposes of Chapter III.1 of Title I of Book VIII.

2021, c. 36, s. 140.

1065.1. Despite sections 1063 to 1065, if the registration of a charity is, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), revoked under paragraph *c* of subsection 4 of section 149.1 of that Act or under subsection 3 of section 168 of that Act, or annulled under subsection 23 of section 149.1 of that Act, the registration of that charity is deemed to be revoked or annulled for the purposes of this Act and the regulations.

2003, c. 2, s. 283; 2005, c. 38, s. 296; 2009, c. 15, s. 363.

BOOK X

Repealed, 1997, c. 85, s. 296.

1988, c. 21, s. 66; 1997, c. 85, s. 296.

1066. *(Repealed).*

1972, c. 23, s. 790; 1982, c. 38, s. 16; 1988, c. 21, s. 66; 1991, c. 12, s. 1; 1995, c. 63, s. 225; 1997, c. 3, s. 71; 1997, c. 14, s. 258; 1997, c. 85, s. 296.

1066.1. *(Repealed).*

1982, c. 5, s. 192; 1982, c. 38, s. 17; 1985, c. 25, s. 160; 1986, c. 15, s. 189; 1990, c. 7, s. 207; 1997, c. 85, s. 296.

1066.2. *(Repealed).*

1993, c. 16, s. 342; 1994, c. 22, s. 332; 1995, c. 63, s. 226; 1997, c. 85, s. 296.

1067. *(Repealed).*

1972, c. 23, s. 791; 1982, c. 5, s. 193; 1988, c. 21, s. 66; 1995, c. 36, s. 8; 1996, c. 31, s. 6; 1997, c. 85, s. 296.

1068. *(Repealed).*

1972, c. 23, s. 792; 1997, c. 85, s. 296.

1069. *(Repealed).*

1972, c. 23, s. 793; 1975, c. 21, s. 26; 1978, c. 26, s. 209; 1979, c. 18, s. 73; 1986, c. 15, s. 190; 1988, c. 21, s. 66; 1991, c. 25, s. 172; 1995, c. 36, s. 9; 1995, c. 49, s. 236; 1996, c. 31, s. 7; 1996, c. 39, s. 256; 1997, c. 14, s. 259; 1997, c. 85, s. 296.

1070. *(Repealed).*

1972, c. 23, s. 794; 1986, c. 15, s. 191; 1997, c. 85, s. 296.

1071. *(Repealed).*

1972, c. 23, s. 795; 1975, c. 83, s. 84; 1982, c. 5, s. 194; 1983, c. 47, s. 6; 1988, c. 21, s. 66; 1992, c. 31, s. 8; 1997, c. 85, s. 296.

1072. *(Repealed).*

1972, c. 23, s. 796; 1982, c. 5, s. 195; 1983, c. 47, s. 7; 1992, c. 31, s. 9; 1997, c. 85, s. 296.

1073. *(Repealed).*

1972, c. 23, s. 797; 1977, c. 26, s. 115; 1988, c. 21, s. 66; 1997, c. 85, s. 296.

1074. *(Repealed).*

1972, c. 23, s. 798; 1986, c. 19, s. 195; 1997, c. 85, s. 296.

1075. *(Repealed).*

1972, c. 23, s. 799; 1997, c. 85, s. 296.

1076. *(Repealed).*

1972, c. 23, s. 800; 1975, c. 83, s. 84; 1988, c. 21, s. 66; 1997, c. 85, s. 296.

1077. *(Repealed).*

1972, c. 23, s. 801; 1975, c. 22, s. 241; 1988, c. 21, s. 66; 1997, c. 85, s. 296.

1078. *(Repealed).*

1972, c. 23, s. 802; 1983, c. 47, s. 8; 1997, c. 85, s. 296.

1079. *(Repealed).*

1972, c. 23, s. 803; 1984, c. 35, s. 30; 1992, c. 31, s. 10; 1997, c. 85, s. 296.

BOOK X.1

IDENTIFICATION NUMBER FOR A TAX SHELTER

1990, c. 59, s. 350; 2000, c. 5, s. 279.

TITLE I

DEFINITIONS AND INTERPRETATION

1990, c. 59, s. 350.

1079.1. In this Book,

"gifting arrangement" means any arrangement under which it may reasonably be considered, having regard to statements or representations made or proposed to be made in connection with the arrangement, that if a person were to enter into the arrangement, the person would

(a) make a gift to a qualified donee, or a contribution referred to in the first paragraph of section 776, of property acquired by the person under the arrangement; or

(b) incur a limited-recourse debt that may reasonably be considered to relate to a gift to a qualified donee or a contribution referred to in the first paragraph of section 776;

"limited-recourse debt" in respect of a gift or a contribution described in the first paragraph of section 776 of a taxpayer, at the time the gift or contribution is made, means an amount equal to the aggregate of

(a) each limited-recourse amount at that time, determined under Title VIII of Book VI, of the taxpayer and of any other taxpayer not dealing at arm's length with the taxpayer, that can reasonably be considered to relate to the gift or contribution;

(b) each limited-recourse amount at that time, determined under Title VIII of Book VI when that Title VIII is applied to any other taxpayer dealing at arm's length with and holds, directly or indirectly, an interest in the taxpayer, that can reasonably be considered to relate to the gift or contribution; and

(c) each amount that is the unpaid amount at that time of any other indebtedness, of any taxpayer referred to in paragraph *a* or *b*, that can reasonably be considered to relate to the gift or contribution if there is a guarantee, security or similar covenant in respect of that or any other indebtedness;

"person" includes a partnership;

"promoter" in respect of a tax shelter means a person who, in the course of a business,

(a) issues or sells, or promotes the issuance, sale or acquisition of, the tax shelter;

(b) acts as a mandatary or adviser in respect of the issuance or sale, or the promotion of the issuance, sale or acquisition, of the tax shelter; or

(c) accepts consideration in respect of the tax shelter;

"tax shelter" means

(a) a gifting arrangement described in paragraph *b* of the definition of "gifting arrangement"; and

(b) a gifting arrangement described in paragraph *a* of the definition of "gifting arrangement", or a property, including any right to income, other than a flow-through share or a prescribed property, in respect of which it may reasonably be considered, having regard to statements or representations made or proposed to be made in connection with the gifting arrangement or the property, that, if a person were to enter into the gifting arrangement or acquire an interest in the property, the amount referred to in the second paragraph would, at the end of a particular taxation year that ends within four years after the day on which the gifting arrangement is entered into or the interest is acquired, equal or exceed the amount by which the cost to the person of the property acquired under the gifting arrangement, or of the interest in the property at the end of the particular year, determined without reference to Title VIII of Book VI, would exceed the aggregate of all amounts each

of which is the amount of any prescribed benefit that is expected to be received or enjoyed, directly or indirectly, in respect of the property acquired under the gifting arrangement, or of the interest in the property, by the person or any person with whom the person does not deal at arm's length;

"trust account number" has the meaning assigned by subsection 1 of section 248 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

"trust tax identification number" has the meaning assigned by the second paragraph of section 58.1.1 of the Tax Administration Act (chapter A-6.002).

The amount to which the definition of "tax shelter" in the first paragraph refers is, for the particular taxation year referred to in that definition, the aggregate of all amounts each of which is

(a) an amount, or a loss in the case of a partnership interest, represented to be deductible in computing the person's income for the particular year or any preceding taxation year in respect of the gifting arrangement or the interest in the property, including, if the property is a right to income, an amount or loss in respect of that right that is stated or represented to be so deductible; or

(b) any other amount stated or represented to be deemed under this Part to be paid on account of the person's tax payable, or to be deductible in computing the person's income, taxable income or tax payable under this Part, for the particular year or any preceding taxation year in respect of the gifting arrangement or the interest in the property, other than an amount so stated or represented that is included in computing a loss described in subparagraph *a*.

In this Book, more than one person may act as a tax shelter promoter in respect of the same tax shelter.

1990, c. 59, s. 350; 2000, c. 5, s. 280; 2001, c. 7, s. 153; 2005, c. 1, s. 275; 2009, c. 5, s. 499; 2012, c. 8, s. 241; 2021, c. 36, s. 141.

TITLE II

GENERALITIES

1990, c. 59, s. 350.

1079.2. A promoter in respect of a tax shelter shall apply to the Minister in prescribed form for an identification number for the tax shelter, unless an application therefor has already been made in respect of the tax shelter.

1990, c. 59, s. 350; 2000, c. 5, s. 293.

1079.3. Upon receipt of an application under section 1079.2 for an identification number for a tax shelter, together with prescribed information, the amount of $200 and an undertaking satisfactory to the Minister that records in respect of the tax shelter will be kept and retained at a place that is satisfactory to the Minister, the Minister shall issue an identification number for the tax shelter.

1990, c. 59, s. 350; 1992, c. 31, s. 11; 1996, c. 39, s. 257; 2000, c. 5, s. 293; 2000, c. 25, s. 1.

1079.4. A person may, at any time, sell or issue, or accept consideration in respect of, a tax shelter only if

(a) the Minister has issued before that time an identification number for the tax shelter; and

(b) that time is during the calendar year designated by the Minister as being applicable to the identification number.

1990, c. 59, s. 350; 2000, c. 5, s. 281; 2013, c. 10, s. 145.

1079.5. Every promoter in respect of a tax shelter shall

(a) make reasonable efforts to ensure that all persons who acquire or otherwise invest in the tax shelter are provided with the identification number issued by the Minister for the tax shelter;

(b) prominently display on the upper right-hand corner of any statement of earnings prepared by or on behalf of the promoter in respect of the tax shelter the identification number issued for the tax shelter; and

(c) on every written statement that refers either directly or indirectly and either expressly or implicitly to the issuance by the Minister of an identification number for the tax shelter, as well as on the copy of the portion of the information return to be forwarded pursuant to section 1079.7.3, prominently display

i. the following French text:

"Le numéro d’identification attribué à cet abri fiscal doit figurer dans toute déclaration d’impôt sur le revenu produite par l’investisseur. L’attribution de ce numéro n’est qu’une formalité administrative et ne confirme aucunement le droit de l’investisseur aux avantages fiscaux découlant de cet abri fiscal.", or

ii. the following French and English texts:

"Le numéro d’identification attribué à cet abri fiscal doit figurer dans toute déclaration d’impôt sur le revenu produite par l’investisseur. L’attribution de ce numéro n’est qu’une formalité administrative et ne confirme aucunement le droit de l’investisseur aux avantages fiscaux découlant de cet abri fiscal.

The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter."

1990, c. 59, s. 350; 2000, c. 5, s. 281; 2015, c. 21, s. 497.

TITLE III

DEDUCTION

1990, c. 56, s. 350.

1079.6. No amount may be deducted or claimed by a person in respect of a tax shelter unless the person files with the Minister the prescribed form containing prescribed information and, where the person was an individual resident in Québec at the time the person acquired or otherwise invested in the tax shelter, the identification number for the tax shelter, and, in other cases, either that identification number or the identification number issued under subsection 3 of section 237.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) by the Minister of Revenue of Canada for the tax shelter.

1990, c. 59, s. 350; 1993, c. 16, s. 343; 1993, c. 19, s. 141; 2000, c. 5, s. 281.

1079.6.1. No amount may be deducted, claimed or deemed to have been paid by any person for any taxation year in respect of a tax shelter of the person where any person incurs a penalty under section 1049.0.2, as it applied before its repeal, or 1079.7.4 in respect of the tax shelter or interest on the penalty and the penalty or interest has not been paid.

2000, c. 5, s. 282.

TITLE IV

ADMINISTRATION

1990, c. 59, s. 350.

1079.7. Every promoter in respect of a tax shelter who accepts consideration in respect of the tax shelter from an individual resident in Québec at the time of the acceptance or who acts as a mandator or mandatary in respect of such an acceptance in a calendar year shall, in prescribed form and manner, file an information return for the year, unless such a return in respect of the tax shelter has already been filed in accordance with this section, containing

(a) the name, address and either the Social Insurance Number or the trust account number and trust tax identification number of each individual who so acquired or otherwise invested in the tax shelter in the year and was resident in Québec at the time of the acquisition or investment;

(b) the amount paid in respect of the tax shelter by each individual referred to in paragraph *a*; and

(c) such other information as is required by the prescribed form.

1990, c. 59, s. 350; 1993, c. 19, s. 142; 2000, c. 5, s. 283; 2021, c. 14, s. 182; 2021, c. 36, s. 142.

1079.7.1. An information return required under section 1079.7 to be filed in respect of the acquisition of a tax shelter in a calendar year or an investment in a tax shelter in the year shall be filed with the Minister on or before the last day of February of the following calendar year.

2000, c. 5, s. 284.

1079.7.2. Notwithstanding section 1079.7.1, where a person is required under section 1079.7 to file an information return in respect of a business or activity and the person discontinues that business or activity, the return shall be filed on or before the earlier of

(a) the day referred to in section 1079.7.1; and

(b) the day that is 30 days after the day on which the person discontinues the business or activity, as the case may be.

2000, c. 5, s. 284.

1079.7.3. Every person required to file an information return under section 1079.7 shall, on or before the day on or before which the return is required to be filed with the Minister, forward to each person to whom the return relates a copy of the portion of the return relating to that person.

2000, c. 5, s. 284; 2015, c. 21, s. 498.

1079.7.4. Every person who files false or misleading information with the Minister in an application under section 1079.2 or issues, sells or accepts consideration in respect of a tax shelter before the Minister has issued an identification number for the tax shelter incurs a penalty equal to the proportion determined under the second paragraph of the greater of

(a) $500; and

(b) 25% of the greater of

i. the aggregate of all amounts each of which is the consideration received or receivable from a person in respect of the tax shelter before the correct information is filed with the Minister or the identification number is issued, as the case may be, and

ii. the aggregate of all amounts each of which is an amount stated or represented to be the value of property that a particular person who acquires or otherwise invests in the tax shelter could donate to a qualified donee, if the tax shelter is a gifting arrangement and consideration has been received or is receivable from the particular person in respect of the tax shelter before the correct information is filed with the Minister or the identification number is issued, as the case may be.

The proportion to which the first paragraph refers is the proportion that the amount of the aggregate of all amounts each of which is a consideration received or receivable from an individual who, before the time referred to in subparagraph *b* of the first paragraph, acquired or otherwise invested in the tax shelter referred to in that subparagraph *b* and who was resident in Québec at the time of the acquisition or investment is of the aggregate of all amounts each of which is a consideration received or receivable from a person who, before the time referred to in that subparagraph *b*, acquired or otherwise invested in the tax shelter.

2000, c. 5, s. 284; 2013, c. 10, s. 146.

1079.7.4.1. Every person who is required under section 1079.7 to file an information return and who fails to comply with a demand under section 39 of the Tax Administration Act (chapter A-6.002) to file the return, or to report in the return information required under paragraphs *a* and *b* of section 1079.7, incurs a penalty equal to 25% of the greater of

(a) the aggregate of all amounts each of which is the consideration received or receivable by the person in respect of the tax shelter from a particular person in respect of whom information required under paragraphs *a* and *b* of section 1079.7 had not been reported at or before the time that the demand was issued or the return was filed, as the case may be; and

(b) if the tax shelter is a gifting arrangement, the aggregate of all amounts each of which is an amount stated or represented to be the value of property that the particular person referred to in paragraph *a* could donate to a qualified donee.

2013, c. 10, s. 147.

1079.7.5. Where a partnership incurs a penalty under section 1079.7.4 or 1079.7.4.1, sections 1005 to 1014, 1034 to 1034.0.2, 1035 to 1044.0.2 and 1051 to 1055.1 apply, with the necessary modifications, in respect of the penalty as if the partnership were a corporation.

2000, c. 5, s. 284; 2010, c. 31, s. 175; 2013, c. 10, s. 148; 2017, c. 1, s. 352.

1079.8. Where an application for an identification number for a tax shelter has been made under section 1079.2, sections 38 to 40.1 of the Tax Administration Act (chapter A-6.002) apply, with the necessary modifications and without restricting the generality thereof, for the purposes of permitting the Minister to verify or ascertain any information in respect of the tax shelter.

The first paragraph applies, notwithstanding that a fiscal return has not been filed by any taxpayer under section 1000 for the taxation year of the taxpayer in which an amount is claimed as a deduction in respect of the tax shelter.

1990, c. 59, s. 350; 1995, c. 63, s. 261; 2000, c. 5, s. 293; 2010, c. 31, s. 175.

BOOK X.2

DISCLOSURE OF TRANSACTIONS

2010, c. 25, s. 189.

TITLE I

DEFINITIONS AND INTERPRETATION

2010, c. 25, s. 189.

1079.8.1. In this Book,

"adviser" in respect of a transaction means a person or partnership that provides help, assistance or advice regarding the design or implementation of the transaction, or that commercializes or promotes it;

"confidential transaction", carried out by a taxpayer or by a partnership of which a taxpayer is a member, means a transaction under which the taxpayer or partnership retained the services of an adviser in respect of the transaction and under which the contract between the taxpayer and the adviser or between the partnership and the adviser, as the case may be, includes, in relation to the transaction, an undertaking of confidentiality of the taxpayer or partnership towards other persons or towards an income taxation authority in Canada or elsewhere;

"promoter" has the meaning assigned by section 1079.9;

"specified transaction" carried out by a taxpayer or a partnership means a transaction whose form and substance of the facts specific to the taxpayer or the partnership are significantly similar to the form and the substance of the facts of a transaction determined by the Minister and published in the *Gazette officielle du Québec*;

"tax benefit" means a reduction, avoidance or deferral of the tax or of another amount payable under this Act or an increase in a refund of tax or of another amount under this Act, including a reduction, avoidance or deferral of the tax or of another amount that would be payable under this Act but for a tax agreement, and an increase in a refund of tax or of another amount under this Act that results from a tax agreement;

"transaction" includes an arrangement or event, and a series of transactions;

"transaction involving conditional remuneration", carried out by a taxpayer or by a partnership of which a taxpayer is a member, means, subject to the second paragraph, a transaction in relation to which the remuneration of an adviser in respect of the transaction takes on any of the following forms:

(a) all or part of the remuneration is conditional on obtaining a tax benefit resulting from the transaction or is determined, in whole or in part, on the basis of the tax benefit;

(b) all or part of the remuneration may be refunded, in any manner whatever, if the expected tax benefit from the transaction fails to materialize;

(c) all or part of the remuneration is earned by the adviser only after the expiry of a prescription period that is provided for in a law and that applies to the taxpayer's taxation year or taxation years in which the transaction takes place;

"transaction with contractual protection" carried out by a taxpayer or a partnership of which a taxpayer is a member means a transaction in respect of which the taxpayer has protection consisting of an insurance (other than standard professional liability insurance) or another form of protection, including an indemnity, compensation or guarantee, and designed to

(a) protect the taxpayer against a failure of the transaction to achieve any tax benefit from the transaction;

(b) pay for or reimburse any amount incurred by the taxpayer as an expense, fee, tax, interest, penalty or similar amount in the course of a dispute with a tax authority in Canada or elsewhere in respect of a tax benefit from the transaction; or

(c) help or represent the taxpayer, protect the taxpayer's rights or provide any other form of assistance to the taxpayer in the course of a dispute with a tax authority in Canada or elsewhere in respect of a tax benefit from the transaction.

For the purposes of the definition of "transaction involving conditional remuneration" in the first paragraph, the following transactions are excluded:

(a) (subparagraph repealed);

(a.1*)* any request related to the payment to a taxpayer of an amount the taxpayer is deemed to have paid to the Minister on account of the taxpayer's tax payable under this Part for a taxation year;

(b) any request related to the analysis and review of an amount of interest payable by a taxpayer under this Act, following an assessment, a reassessment or an additional assessment for a taxation year;

(c) any request related to the review of a fiscal return of a taxpayer for a taxation year following its filing under this Act; and

(d) a transaction in respect of which an agreement has been entered into with a person who is a member of a professional order and under which the result obtained by the person is one of the factors taken into consideration in determining the person's remuneration, in accordance with a provision of the code of ethics adopted by the professional order under the authority of which the person practises the profession.

For the purposes of the definition of "confidential transaction" in the first paragraph, it is understood that an undertaking of confidentiality towards other persons does not include a clause providing that an adviser's professional liability exists only towards the adviser's client and according to which a third party may not, for that party's own purposes, rely on the opinion given by the adviser to the client.

For the purposes of this Book, in relation to a transaction determined by the Minister under the definition of "specified transaction" in the first paragraph, the Minister also determines and publishes in the *Gazette officielle du Québec* which taxpayers will be required to disclose a specified transaction in accordance with section 1079.8.6.2 and which will be the partnerships whose members will be subject to that obligation, if applicable, as well as the day from which the obligation to disclose specified transactions will apply.

The obligations provided for in this Book apply in respect of a specified transaction only if the carrying out of the specified transaction begins after the date of publication in the *Gazette officielle du Québec* of the transaction determined by the Minister to which the specified transaction relates; in that respect, section 1.5 does not apply for the purpose of determining the date on which a specified transaction begins to be carried out.

2010, c. 25, s. 189; 2017, c. 1, s. 353; 2020, c. 16, s. 165; 2022, c. 23, s. 125.

1079.8.2. For the purposes of the definition of "confidential transaction" in the first paragraph of section 1079.8.1, the following rules apply:

(a) if a contract with an adviser is entered into by a corporation associated with, or a person related to, at the time at which the contract is entered into, the taxpayer or the partnership, the contract is deemed to have been entered into by the taxpayer or the partnership, as the case may be; and

(b) if an undertaking of confidentiality is made with an adviser by a corporation associated with, or a person related to, at the time at which the undertaking is made, the taxpayer or the partnership, the undertaking is deemed to have been made by the taxpayer or the partnership, as the case may be.

2010, c. 25, s. 189.

1079.8.3. For the purposes of this Book, the following rules apply:

(a) if a person is a member, or is deemed because of the application of this paragraph to be a member, of a partnership that is a member of another partnership, the person is deemed to be a member of the other partnership;

(b) for the purpose of determining whether a corporation is associated with, or whether a person is related to, a partnership at a particular time, the partnership is deemed to be a corporation whose taxation year corresponds to the partnership's fiscal period and all the voting shares in the capital stock of which are owned at that time by each member of the partnership in a proportion equal to the agreed proportion that would be determined in respect of the member for the partnership's fiscal period if the fiscal period ended at that time; and

(c) for the purpose of determining whether a person is related to a taxpayer or a partnership at a particular time, a trust is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this paragraph referred to as the "distribution date") and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) are owned at that time by such a beneficiary, if that beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a discretionary power, and if that time occurs before the distribution date, or

(2) are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries, if subparagraph 1 does not apply and that time occurs before the distribution date,

ii. if a beneficiary's share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a discretionary power, are owned at that time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at that time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at that time by the person referred to in that section from whom property of the trust or property for which property of the trust was substituted was directly or indirectly received.

2010, c. 25, s. 189.

1079.8.4. For the purposes of sections 1079.8.5 to 1079.8.6.1, the following rules apply:

(a) the amount of the impact on a taxpayer's income for a taxation year, resulting from a particular transaction referred to in either of those sections, is to be determined by the formula

A + B; and

(b) the amount of the impact on a particular partnership's income for a fiscal period, resulting from a particular transaction referred to in either of those sections, is to be determined by the formula

C + D.

In the formulas in subparagraphs *a* and *b* of the first paragraph,

(a) A is the amount by which the taxpayer's income that would be determined for the taxation year if the particular transaction were not taken into account, exceeds the taxpayer's income for the taxation year;

(b) B is the amount by which the aggregate of all amounts each of which is the taxpayer's non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss for the taxation year, exceeds the aggregate of all amounts each of which would be the taxpayer's non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss for the taxation year if the particular transaction were not taken into account;

(c) C is the amount by which the amount that would be the particular partnership's income for the fiscal period if the particular transaction were not taken into account, exceeds the particular partnership's income for the fiscal period; and

(d) D is the amount by which the aggregate of all amounts each of which would have been the particular partnership's non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss for the fiscal period if the particular partnership were a taxpayer whose taxation year coincides with the fiscal period, exceeds the aggregate determined under the third paragraph.

The aggregate to which subparagraph *d* of the second paragraph refers is the aggregate of all amounts each of which would be the particular partnership's non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss for the fiscal period if the particular partnership were a taxpayer whose taxation year coincides with the fiscal period and if the particular transaction were not taken into account.

2010, c. 25, s. 189; 2017, c. 1, s. 354.

TITLE II

MANDATORY DISCLOSURE

2010, c. 25, s. 189.

1079.8.5. A taxpayer who carries out a transaction involving conditional remuneration or who is a member of a partnership that carries out such a transaction shall, in an information return filed in accordance with section 1079.8.9 and within the time limit provided for in section 1079.8.10, disclose the transaction to the Minister if, but for Title I of Book XI, the transaction would result, directly or indirectly,

(a) in a tax benefit of $25,000 or more for the taxpayer, or in an impact on the income of the taxpayer of $100,000 or more, for a taxation year; or

(b) in an impact on the income of the partnership of $100,000 or more for a fiscal period.

Despite the first paragraph, the obligation to disclose provided for in that paragraph applies, in the case of a limited partnership, to all of its general partners and to them only.

2010, c. 25, s. 189; 2017, c. 1, s. 355.

1079.8.6. A taxpayer who carries out a confidential transaction or who is a member of a partnership that carries out such a transaction shall, in an information return filed in accordance with section 1079.8.9 and

within the time limit provided for in section 1079.8.10, disclose the transaction to the Minister if, but for Title I of Book XI, the transaction would result, directly or indirectly,

(a) in a tax benefit of $25,000 or more for the taxpayer, or in an impact on the income of the taxpayer of $100,000 or more, for a taxation year; or

(b) in an impact on the income of the partnership of $100,000 or more for a fiscal period.

Despite the first paragraph, the obligation to disclose provided for in that paragraph applies, in the case of a limited partnership, to all of its general partners and to them only.

2010, c. 25, s. 189; 2017, c. 1, s. 356.

1079.8.6.1. A taxpayer who carries out a transaction with contractual protection or who is a member of a partnership that carries out such a transaction shall, in an information return filed in accordance with section 1079.8.9 and within the time limit provided for in section 1079.8.10, disclose the transaction to the Minister if, but for Title I of Book XI, the transaction would result, directly or indirectly,

(a) in a tax benefit of $25,000 or more for the taxpayer, or in an impact on the income of the taxpayer of $100,000 or more, for a taxation year; or

(b) in an impact on the income of the partnership of $100,000 or more for a fiscal period.

Despite the first paragraph, the obligation to disclose provided for in that paragraph applies, in the case of a limited partnership, to all of its general partners and to them only.

2017, c. 1, s. 357.

1079.8.6.2. A taxpayer who carries out a specified transaction or who is a member of a partnership that carries out such a transaction shall, in an information return filed in accordance with the first paragraph of section 1079.8.9 and within the time limit provided for in section 1079.8.10.1, disclose the transaction to the Minister.

The first paragraph applies to a taxpayer who carries out the specified transaction or who is a member of a partnership that carries out the transaction only if the taxpayer is, in accordance with the Minister's determination under the fourth paragraph of section 1079.8.1, subject to the obligation to disclose the transaction.

Despite the first paragraph, the obligation to disclose provided for in that paragraph applies, in the case of a limited partnership, to all of its general partners and to them only.

2020, c. 16, s. 166.

1079.8.6.3. An adviser or a promoter who commercializes a transaction or promotes it, or if the adviser or promoter is a partnership, any of its members, shall—if the form and the substance of the facts of the transaction are significantly similar to the form and the substance of the facts of a transaction determined by the Minister and published in the *Gazette officielle du Québec* and if the transaction did not have to be significantly altered in its form and substance to be suitable for implementation with respect to various taxpayers or partnerships—file an information return in accordance with the second paragraph of section 1079.8.9 and within the time limit provided for in section 1079.8.10.2 in respect of the transaction.

2020, c. 16, s. 166.

1079.8.6.4. A taxpayer who is a party to a nominee contract entered into in the course of a transaction having tax consequences under this Act or who is a member of a partnership that is a party to such a contract shall, in an information return sent to the Minister under separate cover by registered mail and in the

prescribed form, disclose the contract and the transaction to the Minister on or before the 90th day after the date on which the contract was entered into.

The information return must contain the following information:

(a) the date the nominee contract was entered into;

(b) the identity of the parties to the nominee contract;

(c) a complete description of the facts of the transaction that is sufficiently detailed to allow the Minister to analyze it and have a proper understanding of the tax consequences;

(d) the identity of any other person or entity in respect of which the transaction has tax consequences; and

(e) such other information as is required by the prescribed form.

A disclosure made in accordance with the first paragraph by a party to a nominee contract is deemed to be such a disclosure made by any other party to the nominee contract.

Despite the first paragraph, the obligation to disclose provided for in that paragraph applies, in the case of a limited partnership, to all of its general partners and to them only.

2020, c. 16, s. 166.

TITLE III

PREVENTIVE DISCLOSURE

2010, c. 25, s. 189.

1079.8.7. A taxpayer may disclose to the Minister, in an information return that must be filed in accordance with section 1079.8.9 and within the time limit provided for in section 1079.8.10, any transaction that began to be carried out in a taxation year or fiscal period, as the case may be, by the taxpayer or a partnership of which the taxpayer is a member.

2010, c. 25, s. 189.

1079.8.7.1. A person who is an enterprise or a member of an enterprise, where the enterprise is a partnership, who is a shareholder of an enterprise, where the enterprise is a corporation, the shareholder is not an enterprise and the shareholder is an associate of an enterprise within the meaning of the second paragraph of section 21.2 of the Act respecting contracting by public bodies (chapter C-65.1), or who is a director or officer of an enterprise registered in the register provided for in section 21.45 of that Act, where the enterprise is a corporation or a partnership, may disclose to the Minister, in the period that begins on 18 September 2019 and ends on 21 April 2020, in an information return that must be filed in accordance with section 1079.8.9, any transaction that began to be carried out in a taxation year or fiscal period, as the case may be, by the enterprise, shareholder, director or officer, as the case may be, and has not been disclosed in accordance with sections 1079.8.5 to 1079.8.6.2 and 1079.8.7.

For the purposes of the first paragraph, “enterprise” has the meaning assigned by section 13.1 of the Act respecting contracting by public bodies and “director” and “officer” mean a director or an officer, as the case may be, referred to in subparagraph 3 of the first paragraph of section 21.26 of that Act.

Despite the first paragraph, a transaction may not be disclosed on or after the start day of an audit or investigation by Revenu Québec or the Canada Revenue Agency in respect of that transaction.

For the purposes of the third paragraph, the start date of an audit or investigation of a person or partnership, in respect of a transaction, means the day that the person, one of the person's shareholders, officers or directors or one of the partnership's members or officers may reasonably be considered to have known or to ought to have known that Revenu Québec or the Canada Revenue Agency was about to undertake or had begun an audit or investigation regarding the transaction.

2020, c. 2, s. 44; 2020, c. 16, s. 167.

TITLE IV

ADDITIONAL RULES

2010, c. 25, s. 189.

1079.8.8. For the purposes of this Book, a disclosure made by a member of a partnership is deemed to have been made by each other member of the partnership.

2010, c. 25, s. 189.

1079.8.9. An information return, in respect of a transaction, whose filing is provided for in any of sections 1079.8.5 to 1079.8.6.2, 1079.8.7 and 1079.8.7.1 must be sent to the Minister under separate cover by registered mail, in the prescribed form, and contain the following information:

(a) the identity of all the parties involved in the transaction and their relationship to each other during the time the transaction was carried out;

(b) a complete description of the facts relating to the transaction;

(c) a statement of the tax consequences resulting from the transaction; and

(d) such other information as is required by the prescribed form.

An information return, in respect of a transaction, whose filing is provided for in section 1079.8.6.3 must be sent to the Minister under separate cover by registered mail, in the prescribed form, and contain the following information:

(a) a complete description of the facts of the transaction; and

(b) such other information as is required by the prescribed form.

The description of the facts and the statement of the tax consequences must be sufficiently detailed to allow the Minister to analyze the transaction and have a fair understanding of the tax consequences.

The Minister shall acknowledge receipt of the information return referred to in the first paragraph.

2010, c. 25, s. 189; 2020, c. 2, s. 45; 2020, c. 16, s. 168.

1079.8.10. Subject to the second paragraph, the information return, in respect of a transaction, whose filing is provided for in any of sections 1079.8.5 to 1079.8.6.1 and 1079.8.7 must be sent to the Minister on or before the filing-due date of the taxpayer who carried out the transaction for the taxation year referred to in that section or, if the transaction is carried out by a partnership, on or before the day, determined in accordance with section 1086R80 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), on which the partnership return provided for in section 1086R78 of that Regulation is required to be filed for the partnership's fiscal period referred to in any of sections 1079.8.5 to 1079.8.6.1 and 1079.8.7, as the case may be, or would be required to be so filed but for section 36.1 of the Tax Administration Act (chapter A-6.002).

For the purposes of sections 1079.8.5 to 1079.8.6.1, the following rules apply:

(a) in the case where the tax benefit resulting from a transaction referred to in any of those sections consists of an amount deemed to have been paid to the Minister on account of the tax payable by a taxpayer under this Part for a taxation year, the information return must be sent to the Minister on or before the expiry of the time limit for filing the prescribed form containing prescribed information in respect of that deemed amount for the year; and

(b) in any other case, where a transaction referred to in any of those sections is carried out after the date or day, as the case may be, referred to in the first paragraph, the information return is deemed to have been filed within the time limit provided for in the first paragraph, in relation to the transaction, if it is filed on or before the date on which the transaction is carried out.

2010, c. 25, s. 189; 2010, c. 31, s. 175; 2017, c. 1, s. 358; 2020, c. 16, s. 169.

1079.8.10.1. An information return, in respect of a specified transaction, whose filing is provided for in section 1079.8.6.2 must be sent to the Minister on or before the later of

(a) the 60th day after the day determined by the Minister, under the fourth paragraph of section 1079.8.1, from which the obligation to disclose the specified transaction applies; and

(b) the 120th day after the day of the publication in the *Gazette officielle du Québec* of the transaction determined by the Minister to which the specified transaction relates.

2020, c. 16, s. 170.

1079.8.10.2. An information return, in respect of a particular transaction, whose filing is provided for in section 1079.8.6.3 must be sent to the Minister by an adviser or a promoter on or before the later of

(a) the 60th day after the day on which the adviser or the promoter commercializes the particular transaction or promotes it for the first time; and

(b) the 120th day after the day of the publication in the *Gazette officielle du Québec* of the transaction determined by the Minister to which the particular transaction relates.

2020, c. 16, s. 170.

1079.8.11. An information return, in respect of a transaction, whose filing is provided for in any of sections 1079.8.5 to 1079.8.6.3, 1079.8.7 and 1079.8.7.1 and that is sent to the Minister is deemed to have been sent to the Minister in accordance with section 1079.8.9 if, within 120 days after the day on which it was sent, the Minister does not communicate with the person who filed the return in order to obtain additional information in relation to the transaction or the tax consequences resulting from the transaction.

2010, c. 25, s. 189; 2020, c. 2, s. 46; 2020, c. 16, s. 171.

1079.8.12. For the purposes of Title I of Book XI, the disclosure under this Book of a transaction may not be considered to be an admission with respect to the application of the rules of that Title I to the transaction so disclosed.

2010, c. 25, s. 189.

TITLE V

FAILURE TO DISCLOSE

2010, c. 25, s. 189.

1079.8.13. If, in relation to a transaction to which any of sections 1079.8.5 to 1079.8.6.1 applies, the taxpayer who carried out the transaction or a member of the partnership that carried out the transaction fails to send, in accordance with that section, an information return within the time limit provided for in section 1079.8.10 in respect of the transaction, the taxpayer or the partnership, as the case may be, incurs a penalty of up to $100,000 comprising a penalty of $10,000 and a penalty of $1,000 a day, as of the second day, for every day the failure continues.

However, the taxpayer or the partnership, as the case may be, may not incur, in respect of the same failure, both the penalty provided for in the first paragraph and the penalty provided for in section 59 of the Tax Administration Act (chapter A-6.002).

2010, c. 25, s. 189; 2010, c. 31, s. 175; 2017, c. 1, s. 359; 2020, c. 16, s. 172.

1079.8.13.1. If, in relation to a specified transaction to which section 1079.8.6.2 applies and that is carried out by a taxpayer or a partnership, the taxpayer or a member of the partnership fails to send, in accordance with that section, an information return within the time limit provided for in section 1079.8.10.1 in respect of the transaction, the taxpayer or the partnership, as the case may be, incurs a penalty of up to $100,000 comprising a penalty of $10,000 and an additional penalty of $1,000 a day, as of the second day, for every day the failure continues.

In the case of a failure described in the first paragraph, the taxpayer or the partnership that carries out the specified transaction also incurs a penalty equal to 50% of the tax benefit that, but for Title I of Book XI, would result, directly or indirectly, from the transaction for any taxation year.

However, the taxpayer or the partnership, as the case may be, may not incur,

(a) in respect of the same failure, both the penalty provided for in the first paragraph and the penalty provided for in section 59 of the Tax Administration Act (chapter A-6.002); or

(b) in respect of the same transaction, both the penalty provided for in the first paragraph and the penalty provided for in section 1079.8.13.

2020, c. 16, s. 173.

1079.8.13.2. If, in relation to a transaction to which section 1079.8.6.3 applies, an adviser or a promoter who commercializes the transaction or promotes it or, if the adviser or promoter is a partnership, any of its members fails to send, in accordance with that section, an information return within the time limit provided for in section 1079.8.10.2 in respect of the transaction, the promoter or adviser, as the case may be, incurs a penalty of up to $100,000 comprising a penalty of $10,000 and an additional penalty of $1,000 a day, as of the second day, for every day the failure continues.

The promoter or adviser also incurs a penalty equal to 100% of the aggregate of all amounts each of which is a consideration that the promoter or adviser, or a person or partnership related to or associated with the promoter or adviser, has received or is entitled to receive, directly or indirectly, from any person or partnership for the implementation of the transaction so commercialized or promoted.

However, the promoter or adviser may not incur, in respect of the same failure, both the penalty provided for in the first paragraph and the penalty provided for in section 59 of the Tax Administration Act (chapter A-6.002).

2020, c. 16, s. 173.

1079.8.13.3. If a taxpayer who is a party to a nominee contract entered into in the course of a transaction to which section 1079.8.6.4 applies or a member of a partnership that is a party to such a contract fails to send, in accordance with that section, an information return in respect of the contract and the transaction, the taxpayer or the partnership, as the case may be, incurs, solidarily with the other parties to the contract, a penalty of up to $5,000 comprising a penalty of $1,000 and an additional penalty of $100 a day, as of the second day, for every day the failure continues.

However, the taxpayer or the partnership, as the case may be, may not incur, in respect of the same failure, both the penalty provided for in the first paragraph and the penalty provided for in section 59 of the Tax Administration Act (chapter A-6.002).

2020, c. 16, s. 173.

1079.8.14. If a partnership incurs a penalty under any of sections 1079.8.13 to 1079.8.13.3, sections 1005 to 1014, 1034 to 1034.0.2, 1035 to 1044.0.2 and 1051 to 1055.1 apply, with the necessary modifications, in respect of the penalty as if the partnership were a corporation.

2010, c. 25, s. 189; 2010, c. 31, s. 175; 2017, c. 1, s. 360; 2020, c. 16, s. 174.

1079.8.15. If, in relation to a taxation year of a particular taxpayer described in the second paragraph for which tax consequences under this Act result from a transaction with contractual protection, a transaction involving conditional remuneration, a confidential transaction or a specified transaction, a taxpayer who carried out the transaction or a member of the partnership that carried out the transaction fails to send, in accordance with any of sections 1079.8.5 to 1079.8.6.2, an information return within the time limit provided for in section 1079.8.10 or 1079.8.10.1, as the case may be, in respect of the transaction, the Minister may, despite the expiry of the time limits provided for in section 1010, redetermine the tax, interest and penalties or any other amount, under this Act, and make a redetermination, reassessment or additional assessment for the taxation year in respect of the particular taxpayer

(a) on or before the day that is three years after the day on which an information return containing the information required by section 1079.8.9 is sent to the Minister in respect of the transaction, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the period referred to in paragraph *a* of subsection 2 of section 1010;

(b) on or before the day that is four years after the day referred to in subparagraph *a*, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the period referred to in paragraph *a*.0.1 of subsection 2 of section 1010;

(c) on or before the day that is six years after the day referred to in subparagraph *a*, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the first period referred to either in paragraph *a*.1 of subsection 2 of section 1010 if any of the conditions in subparagraphs i to vii of that paragraph *a*.1 is applicable in respect of the transaction, or in paragraph *a*.1.1 of that subsection 2 if the conditions in that paragraph *a*.1.1 are applicable in respect of the transaction; or

(d) on or before the day that is seven years after the day referred to in subparagraph *a*, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the second period referred to either in paragraph *a*.1 of subsection 2 of section 1010 if any of the conditions in subparagraphs i to vii of that

paragraph *a*.1 is applicable in respect of the transaction, or in paragraph *a*.1.1 of that subsection 2 if the conditions in that paragraph *a*.1.1 are applicable in respect of the transaction.

The particular taxpayer to which the first paragraph refers, in relation to a taxation year for which tax consequences under this Act result from a transaction referred to in that paragraph, is

(a) the taxpayer who carried out the transaction;

(b) each taxpayer who is a member of the partnership that carried out the transaction, at the end of the partnership's fiscal period that ends in the taxation year;

(c) a corporation that is associated with the taxpayer or the partnership that carried out the transaction, at the time the transaction is carried out;

(d) a corporation that is associated with a taxpayer who is a member of the partnership that carried out the transaction, at the time the transaction is carried out;

(e) a person who is related to the taxpayer or the partnership that carried out the transaction, at the time the transaction is carried out; or

(f) a person who is related to a taxpayer who is a member of the partnership that carried out the transaction, at the time the transaction is carried out.

However, the Minister may, in respect of a taxation year for which tax consequences under this Act result from a transaction referred to in the first paragraph, make a reassessment or an additional assessment under the first paragraph only to the extent that the reassessment or additional assessment may reasonably be considered to relate to those tax consequences.

2010, c. 25, s. 189; 2017, c. 1, s. 361; 2020, c. 16, s. 175; 2021, c. 14, s. 183.

1079.8.15.1. If a particular taxpayer is a party to a nominee contract entered into in the course of a transaction or is a member of a partnership that is a party to such a contract and if, in relation to a taxation year of the particular taxpayer for which tax consequences under this Act result from the transaction, the particular taxpayer fails to send, in accordance with section 1079.8.6.4, an information return in respect of the contract and the transaction, the Minister may, despite the expiry of the time limits provided for in section 1010, redetermine the tax, interest and penalties or any other amount, under this Act and make a redetermination, reassessment or additional assessment for the taxation year in respect of the particular taxpayer

(a) on or before the day that is three years after the day on which an information return containing the information required by section 1079.8.6.4 is sent to the Minister in respect of the transaction, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the period referred to in paragraph *a* of subsection 2 of section 1010;

(b) on or before the day that is four years after the day referred to in subparagraph *a*, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the period referred to in paragraph *a*.0.1 of subsection 2 of section 1010;

(c) on or before the day that is six years after the day referred to in subparagraph *a*, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the first period referred to either in paragraph *a*.1 of subsection 2 of section 1010 if any of the conditions in subparagraphs i to vii of that paragraph *a*.1 is applicable in respect of the transaction, or in paragraph *a*.1.1 of that subsection 2 if the conditions in that paragraph *a*.1.1 are applicable in respect of the transaction; or

(d) on or before the day that is seven years after the day referred to in subparagraph *a*, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the second period referred to either in paragraph *a*.1 of subsection 2 of section 1010 if any of the conditions in subparagraphs i to vii of that paragraph *a*.1 is applicable in respect of the transaction, or in paragraph *a*.1.1 of that subsection 2 if the conditions in that paragraph *a*.1.1 are applicable in respect of the transaction.

However, the Minister may, in respect of a taxation year for which tax consequences under this Act result from a transaction referred to in the first paragraph, make a reassessment or an additional assessment under the first paragraph only to the extent that the reassessment or additional assessment may reasonably be considered to relate to those tax consequences.

2020, c. 16, s. 176; 2021, c. 14, s. 184.

BOOK X.2.1

REPORTING OF UNCERTAIN TAX TREATMENTS

2024, c. 11, s. 130.

TITLE I

DEFINITIONS

2024, c. 11, s. 130.

1079.8.15.2. In this Title, unless the context indicates a different meaning,

"tax treatment" has the meaning assigned by subsection 1 of section 237.5 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

"transaction" includes an arrangement or event;

"uncertain tax treatment" of a corporation for a taxation year means a reportable uncertain tax treatment of the corporation for the year, to which section 237.5 of the Income Tax Act applies.

2024, c. 11, s. 130.

TITLE II

REPORTING

2024, c. 11, s. 130.

1079.8.15.3. A corporation that is liable to pay tax under this Part for a taxation year and required to file for the year an information return in respect of an uncertain tax treatment under subsection 2 of section 237.5 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) must, on or before the corporation's filing-due date for the year, report the uncertain tax treatment in the prescribed form containing prescribed information filed with a copy of the information return and of every document sent to the Minister of National Revenue in respect of the uncertain tax treatment for the year.

2024, c. 11, s. 130.

1079.8.15.4. A return concerning an uncertain tax treatment that is filed with the Minister by a corporation as required under section 1079.8.15.3 may not be considered to be an admission from the

corporation that the tax treatment is not in accordance with this Act or the regulations made under it or that any transaction is part of a series of transactions.

2024, c. 11, s. 130.

TITLE III

FAILURE TO REPORT

2024, c. 11, s. 130.

1079.8.15.5. A corporation that fails to report an uncertain tax treatment as required under section 1079.8.15.3, in relation to a taxation year, incurs a penalty of $100 a day, as of the second day, for every day the omission continues, up to $5,000.

2024, c. 11, s. 130.

1079.8.15.6. A corporation required to file a return in respect of an uncertain tax treatment does not incur the penalty provided for in section 1079.8.15.5 if the corporation has exercised the degree of care, diligence and skill to prevent the failure to file that a reasonably prudent person would have exercised in the same circumstances.

2024, c. 11, s. 130.

1079.8.15.7. Where a corporation is required to file a return in respect of an uncertain tax treatment under section 1079.8.15.3 for a taxation year, sections 38 to 40.1 of the Tax Administration Act (chapter A-6.002) apply, with the necessary modifications and without restricting the generality of those sections, for the purpose of permitting the Minister to verify or ascertain any information in respect of the uncertain tax treatment, including any information relating to a transaction, or series of transactions, to which the tax treatment that is an uncertain tax treatment relates.

The first paragraph applies even if a fiscal return has not been filed by the corporation under section 1000 for the taxation year.

2024, c. 11, s. 130.

BOOK X.3

CERTIFICATE FROM REVENU QUÉBEC

2015, c. 8, s. 89.

TITLE I

CONSTRUCTION CONTRACT

2015, c. 8, s. 89.

1079.8.16. In this Title,

"construction contract" means a contract performed in Québec that provides for construction work in respect of which the person carrying it out must hold a licence required under Chapter IV of the Building Act (chapter B-1.1);

"contractor" means a person that has an establishment in Québec and carries on a business in Québec, and causes to be carried out, in whole or in part, construction work for which the person must hold a licence required under Chapter IV of the Building Act;

"person" includes a partnership and a consortium;

"subcontractor" means a person that has an establishment in Québec and carries on a business in Québec in the course of which the person carries out construction work for which the person must hold a licence required under Chapter IV of the Building Act.

2015, c. 8, s. 89.

1079.8.17. A subcontractor must, at any time in a calendar year and in the period that begins on the date a bid for a particular construction contract with a contractor is submitted and ends on the seventh day after the date the construction work arising from the contract begins, where the total cost of either the particular contract and the construction contracts the subcontractor and the contractor entered into previously in the calendar year or the cost of such contracts they entered into in a previous calendar year is equal to or greater than $25,000, hold a valid certificate from Revenu Québec and give a copy to the contractor.

If the subcontractor is a partnership or a consortium, each member, other than a specified member, of the partnership or each member of the consortium must also, at the time referred to in the first paragraph, hold a valid certificate from Revenu Québec, and the subcontractor must, at such a time, give a copy to the contractor.

For the purposes of the first paragraph, the following rules apply:

(a) the cost of a construction contract is determined without reference to the Québec sales tax or the goods and services tax in respect of the contract; and

(b) no account is to be taken of a construction contract entered into before 1 March 2016.

For the purposes of the first and second paragraphs, if the subcontractor or, where the subcontractor is a partnership or a consortium, one of the partnership's or consortium's members holds, at the time referred to in the first paragraph, a valid certificate from Revenu Québec of which a copy has already been given to the contractor in accordance with this section because the certificate applies in respect of another construction contract the subcontractor and the contractor have entered into, the subcontractor is deemed to have given that copy of the certificate to the contractor at that time.

The first paragraph does not apply in respect of a particular construction contract that must be entered into because of an emergency that threatens human safety or property.

2015, c. 8, s. 89.

1079.8.18. A contractor must, at any time in the period that begins on the date a bid for a construction contract referred to in section 1079.8.17 with a subcontractor is submitted and ends on the seventh day after the date the construction work arising from the contract begins, obtain from the subcontractor a copy of a Revenu Québec certificate referred to in section 1079.8.17, ensure that it is valid and, not later than the tenth day after the date the work begins, verify its authenticity with Revenu Québec in the prescribed manner.

For the purposes of the first paragraph, if the contractor has already obtained from the subcontractor a copy of a Revenu Québec certificate that is valid at the time referred to in the first paragraph, and has ensured that it is valid and verified its authenticity in accordance with that paragraph because the certificate applies in respect of another construction contract they have entered into, the contractor is deemed, at that time, to have obtained a copy of that certificate, ensured that it was valid and verified its authenticity in accordance with the first paragraph.

2015, c. 8, s. 89.

1079.8.19. Applications for a certificate from Revenu Québec must be made in the prescribed manner.

A certificate from Revenu Québec is issued to a person that, on the date specified in the certificate, has filed the returns and reports required under fiscal laws and has no overdue amount payable under such laws; this is the case, in particular, where recovery of such an amount has been legally suspended or, if arrangements have been made with the person to ensure payment of the amount, the person has not defaulted on the payment arrangements.

A certificate is valid until the end of the three-month period following the month in which it was issued.

2015, c. 8, s. 89.

1079.8.20. A person that fails to comply with an obligation under section 1079.8.17 in relation to a construction contract incurs a penalty equal to the greatest of

(a) $500;

(b) 1% of the cost of the contract, without exceeding $2,500; and

(c) $2,500 if it is not possible to determine the cost of the contract.

A person that incurs a penalty under the first paragraph incurs an additional penalty equal to the greatest of the following amounts if the person, or a partnership or consortium of which the person is a member, has received an amount for the performance of obligations under the contract without having remedied any failure referred to in the first paragraph:

(a) $250;

(b) 2% of the amount received, if the cost of the contract is less than $100,000, without exceeding $2,000; and

(c) 5% of the amount received, if the cost of the contract is equal to or greater than $100,000 or if it is not possible to determine the cost, without exceeding $5,000.

2015, c. 8, s. 89.

1079.8.21. A contractor that fails to obtain a copy of a certificate or ensure that it is valid in accordance with section 1079.8.18 in relation to a construction contract incurs a penalty equal to the greatest of

(a) $500;

(b) 1% of the cost of the contract, without exceeding $2,500; and

(c) $2,500 if it is not possible to determine the cost of the contract.

A contractor that incurs a penalty under the first paragraph and has paid an amount for the performance of obligations under the contract without having remedied any failure referred to in the first paragraph incurs an additional penalty equal to the greatest of

(a) $250;

(b) 2% of the amount paid, if the cost of the contract is less than $100,000, without exceeding $2,000; and

(c) 5% of the amount paid, if the cost of the contract is equal to or greater than $100,000 or if it is not possible to determine the cost, without exceeding $5,000.

2015, c. 8, s. 89.

1079.8.22. A contractor that fails to verify the authenticity of a certificate in accordance with section 1079.8.18 in relation to a construction contract incurs a penalty equal to the greater of

(a) $250; and

(b) 0.5% of the cost of the contract, without exceeding $1,250.

2015, c. 8, s. 89.

1079.8.23. A person incurs a penalty under any of sections 1079.8.20 to 1079.8.22 only if a notice from the Minister has been sent to the person, by registered mail, concerning a failure to comply with an obligation under this Title.

2015, c. 8, s. 89.

1079.8.24. In the case of a subsequent failure during the three years after the date on which a notice of assessment imposing a penalty under any of sections 1079.8.20 to 1079.8.22 is sent, the amount of the penalty that would otherwise be determined under any of those sections in respect of the subsequent failure is doubled.

2015, c. 8, s. 89; 2017, c. 29, s. 202.

TITLE II

(Repealed).

2015, c. 8, s. 89; 2021, c. 15, s. 2.

1079.8.25. *(Repealed).*

2015, c. 8, s. 89; I.N. 2017-11-01; 2021, c. 15, s. 2.

1079.8.26. *(Repealed).*

2015, c. 8, s. 89; 2021, c. 15, s. 2.

1079.8.27. *(Repealed).*

2015, c. 8, s. 89; 2021, c. 15, s. 2.

1079.8.28. *(Repealed).*

2015, c. 8, s. 89; 2021, c. 15, s. 2.

1079.8.29. *(Repealed).*

2015, c. 8, s. 89; 2021, c. 15, s. 2.

1079.8.30. *(Repealed).*

2015, c. 8, s. 89; 2021, c. 15, s. 2.

1079.8.31. *(Repealed).*

2015, c. 8, s. 89; 2021, c. 15, s. 2.

1079.8.32. *(Repealed).*

2015, c. 8, s. 89; 2021, c. 15, s. 2.

1079.8.33. *(Repealed).*

2015, c. 8, s. 89; 2021, c. 15, s. 2.

1079.8.34. *(Repealed).*

2015, c. 8, s. 89; 2017, c. 29, s. 203; 2021, c. 15, s. 2.

TITLE II.1

BUSINESSES PERFORMING MAINTENANCE WORK IN PUBLIC BUILDINGS

2020, c. 5, s. 15.

1079.8.34.1. In this Title,

"maintenance work" means maintenance work to which the Decree respecting building service employees in the Montréal region (chapter D-2, r. 15) or the Decree respecting building service employees in the Québec region (chapter D-2, r. 16) applies;

"maintenance work business" means a person who has an establishment in Québec and causes maintenance work to be performed, in whole or in part, by a subcontractor, except a person who is the owner, lessee or administrator of the public building in which the maintenance work is to be performed;

"maintenance work contract" means a contract or part of a contract that is entered into between a maintenance work business and a subcontractor, is carried out in Québec and provides for maintenance work;

"person" includes a partnership;

"subcontractor" means a person who has an establishment in Québec and performs maintenance work.

For the purposes of this Title, the following rules apply:

(a) the cost of a maintenance work contract is determined without reference to the Québec sales tax or the goods and services tax in respect of the contract;

(b) except for determining, for the purposes of subparagraph *b* of the first paragraph of section 1079.8.34.2, the cost of the maintenance work contracts entered into between a subcontractor and a maintenance work business in a calendar year, every contract entered into between a maintenance work business and a subcontractor, while the subcontractor is holding a valid certificate referred to in section 1079.8.34.2 because of another maintenance work contract entered into between them, is deemed to be the same contract as that other contract; and

(c) where the portion of the cost of a maintenance work contract entered into before 1 January 2021 that is attributable to maintenance work performed after 31 December 2020 is equal to or greater than $10,000, or where under an indeterminate-term maintenance work contract entered into before 1 January 2021, maintenance work is performed after 31 December 2020, the following rules apply:

i. the contract is deemed to have been entered into on 1 January 2021 and, if the maintenance work provided for in the contract began before that date, is deemed to have begun on that date, and

ii. the first amount that the maintenance work business is required to report under the second paragraph of section 1079.8.34.3, in relation to the maintenance work contract, must include any amount that has been

billed to it by the subcontractor before 1 January 2021 for maintenance work provided for in the contract and performed after 31 December 2020.

2020, c. 5, s. 15.

1079.8.34.2. A subcontractor must hold a valid certificate from Revenu Québec throughout the period that begins on the date of the beginning of the maintenance work provided for in a particular maintenance work contract entered into by the subcontractor in a calendar year and after 31 December 2020 with a maintenance work business and that ends on the date of the end of the maintenance work provided for in the contract, where

(a) the particular maintenance work contract is an indeterminate-term contract;

(b) the total cost of the particular maintenance work contract and of the maintenance work contracts they entered into with each other previously in the calendar year, or the total cost of such contracts they entered into in a previous calendar year, is equal to or greater than $10,000; or

(c) the subcontractor and the maintenance work business have previously entered into a contract with each other in respect of which this section has applied because of subparagraph *a*.

A subcontractor who entered into a maintenance work contract with a maintenance work business must give the business a copy of each certificate the subcontractor is required to hold under the first paragraph, on or before the day on which the maintenance work provided for in the contract begins or, in the case of a subsequent certificate, the day that follows the last day of the period of validity of the preceding certificate.

This section does not apply to a subcontractor who, on the day the maintenance work provided for in the contract begins, does not hold a registration certificate issued under Title I of the Act respecting the Québec sales tax (chapter T-0.1).

However, where the subcontractor becomes, after the day referred to in the third paragraph and before the day on which the maintenance work provided for in the contract ends, the holder of a registration certificate under Title I of the Act respecting the Québec sales tax, the following rules apply:

(a) the contract is deemed to have been entered into on the particular date that is 30 days after the date on which the subcontractor became the holder of such a certificate and the maintenance work provided for in the contract is deemed to have begun on the particular date; and

(b) the first amount that the maintenance work business is required to report under the second paragraph of section 1079.8.34.3, in relation to the maintenance work contract, must include any amount that was billed to it by the subcontractor before the particular date for maintenance work provided for in the contract and performed after that date.

For the purposes of subparagraph *b* of the first paragraph, no reference is to be made to the portion of the cost of a maintenance work contract attributable to maintenance work performed before 1 January 2021.

2020, c. 5, s. 15.

1079.8.34.3. A maintenance work business that has entered into a particular maintenance work contract with a subcontractor must obtain from the subcontractor a copy of each certificate that the subcontractor is required to hold under the first paragraph of section 1079.8.34.2 because of that contract, ensure that it is valid and verify its authenticity in the prescribed manner, on or before the day on which the maintenance work provided for in the contract begins or, in the case of a subsequent certificate, the day that follows the last day of the period of validity of the preceding certificate.

The maintenance work business described in the first paragraph must also, on or before the day provided for in the third paragraph, report, in the prescribed manner, an amount that is the aggregate of the amounts

that it was billed by the subcontractor in relation to the maintenance work provided for in the particular maintenance work contract, in each of the quarters ending on 31 March, 30 June, 30 September and 31 December in a year.

The day to which the second paragraph refers is the last day of the month following the month in which the quarter referred to in that paragraph ends.

The first amount that the maintenance work business must report under the second paragraph must also include any amount billed in respect of the particular contract before the beginning of the maintenance work.

This section does not apply to a maintenance work business that, on the day the maintenance work provided for in a contract begins, does not hold a registration certificate issued under Title I of the Act respecting the Québec sales tax (chapter T-0.1).

However, where the maintenance work business becomes, after the day referred to in the fifth paragraph and before the day on which the maintenance work provided for in the contract ends, the holder of a registration certificate under Title I of the Act respecting the Québec sales tax, this section applies to the maintenance work business as if the maintenance work provided for in the contract has begun on the date that is 30 days after the date on which the business became the holder of such a certificate.

2020, c. 5, s. 15.

1079.8.34.4. Applications for a certificate from Revenu Québec must be made in the manner provided for in section 1079.8.19.

A certificate from Revenu Québec is issued to a person who, on the date specified in the certificate, has filed the returns and reports required under fiscal laws and has no overdue amount payable under such laws; this is the case, in particular, where recovery of such an amount has been legally suspended or, if arrangements have been made with the person to ensure payment of the amount, the person has not defaulted on the payment arrangements.

Where a partnership is registered with Revenu Québec as an employer, a certificate is issued to it only if, on the date specified in the certificate, it meets the conditions of the second paragraph and has performed, as at that date, all the obligations of a fiscal law imposed on its members, as employers.

A certificate is valid until the end of the three-month period (in this Title referred to as the "period of validity") following the month in which it was issued.

2020, c. 5, s. 15.

1079.8.34.5. A subcontractor who fails to comply with any of the obligations provided for in section 1079.8.34.2, in relation to a particular maintenance work contract entered into with a maintenance work business, incurs—for each of the quarters that end on 31 March, 30 June, 30 September and 31 December in a year and in which the subcontractor failed to comply with such an obligation—a penalty equal to the greater of

(a) $175; and

(b) the lesser of

i. the product obtained by multiplying the amount that is 0.2% of the aggregate of the amounts billed under the particular contract, without reference to the Québec sales tax or the goods and services tax, by the subcontractor to the maintenance work business in that quarter by the number of days of non-compliance included in that quarter, and

ii. $950.

2020, c. 5, s. 15.

1079.8.34.6. A maintenance work business that fails to comply with any of the obligations provided for in section 1079.8.34.3, in relation to a particular maintenance work contract entered into with a subcontractor, incurs—for each particular quarter referred to in the second paragraph of section 1079.8.34.3 in which the business failed to comply with an obligation provided for in the first paragraph of that section or in respect of which the business failed to comply with the obligation provided for in the second paragraph of that section—a penalty equal to the greater of

(a) $350; and

(b) the lesser of

i. the product obtained by multiplying the amount that is 0.4% of the aggregate of the amounts billed under the particular contract, without reference to the Québec sales tax or the goods and services tax, by the subcontractor to the maintenance work business in the particular quarter by the greater of

(1) the number of days during which the non-compliance of an obligation referred to in the first paragraph of section 1079.8.34.3 continues and that are included in the particular quarter, and

(2) the number of days during which the non-compliance of an obligation referred to in the second paragraph of section 1079.8.34.3 in respect of the particular quarter continues, up to 90, and

ii. $2,850.

However, the maintenance work business may not incur, in respect of the same failure to comply, both the penalty provided for in the first paragraph and the penalty provided for in section 59 of the Tax Administration Act (chapter A-6.002).

2020, c. 5, s. 15.

1079.8.34.7. In the case of a subsequent failure during the three years after the date on which a notice of assessment imposing a penalty provided for in section 1079.8.34.5 or 1079.8.34.6 is sent, the amount of the penalty that would otherwise be determined under either of those sections in respect of the subsequent failure is doubled.

2020, c. 5, s. 15.

TITLE III

OFFENCES AND ADMINISTRATION

2015, c. 8, s. 89.

1079.8.35. Any person that

(a) makes a false Revenu Québec certificate,

(b) falsifies or alters a Revenu Québec certificate,

(c) obtains or attempts to obtain, in any manner, a Revenu Québec certificate, knowing that the person or another person is not entitled to such a certificate,

(d) uses a document referred to in any of subparagraphs *a* to *c*, or any other related document,

(e) assents to or acquiesces in an offence referred to in any of subparagraphs *a* to *d*, or

(f) conspires with a person to commit an offence referred to in any of subparagraphs *a* to *e*,

is guilty of an offence and liable to a fine of $5,000 to $30,000 in the case of a natural person and $15,000 to $100,000 in any other case.

For a subsequent offence within five years, the minimum and maximum fines set out in the first paragraph are doubled.

2015, c. 8, s. 89.

1079.8.36. A person found guilty of an offence under section 1079.8.35 does not incur the penalty provided for in any of sections 1079.8.20 to 1079.8.22, 1079.8.34.5 and 1079.8.34.6 unless it was imposed on the person before proceedings were instituted against the person under section 1079.8.35.

2015, c. 8, s. 89; 2020, c. 5, s. 16; 2021, c. 15, s. 3.

1079.8.37. Penal proceedings for an offence under section 1079.8.35 are prescribed by eight years from the date the offence was committed.

2015, c. 8, s. 89; 2022, c. 23, s. 126.

1079.8.38. Sections 38 and 39.2 of the Tax Administration Act (chapter A-6.002) apply, with the necessary modifications, to this Book.

2015, c. 8, s. 89.

1079.8.39. If a partnership or a consortium incurs a penalty under any of sections 1079.8.20 to 1079.8.22, 1079.8.34.5 and 1079.8.34.6, the following provisions apply, with the necessary modifications, in respect of the penalty as though the partnership or consortium were a corporation:

(a) sections 1005 to 1014, 1034 to 1034.0.2, 1035 to 1044.0.2 and 1051 to 1055.1; and

(b) sections 14, 14.4 to 14.6, Division II.1 of Chapter III and Chapters III.1 and III.2 of the Tax Administration Act (chapter A-6.002).

2015, c. 8, s. 89; 2020, c. 5, s. 17; 2021, c. 15, s. 4.

1079.8.40. Sections 12.0.2 and 12.0.3 of the Tax Administration Act (chapter A-6.002) do not apply in respect of an amount resulting from a notice of assessment issued as a consequence of the application of this Book.

2015, c. 8, s. 89.

1079.8.41. An affidavit of an employee of the Agence du revenu du Québec attesting that the employee is entrusted with the appropriate registers and that, having carefully analyzed them, the employee found it impossible to determine whether a person either holds a certificate from Revenu Québec or has verified its authenticity, is proof, in the absence of proof to the contrary, that the person does not hold a certificate from Revenu Québec or has not verified its authenticity, as applicable.

2015, c. 8, s. 89; 2021, c. 15, s. 5.

1079.8.42. When proof is provided under section 1079.8.41 by an affidavit of an employee of the Agence du revenu du Québec, it is not necessary to prove the employee’s signature or status as an employee, and the

address of the office of the Agence du revenu du Québec being the usual place of work of the signatory is a sufficient indication of the signatory's address.

2015, c. 8, s. 89.

BOOK XI

TAX EVASION

1972, c. 23.

TITLE I

TAX AVOIDANCE

1972, c. 23; 1987, c. 67, s. 192.

1079.9. For the purposes of this Title and section 1006.1,

"promoter" of a transaction or a series of transactions means a person or a partnership in respect of which the following conditions are met:

(a) the person or partnership commercializes the transaction or series of transactions, promotes it or otherwise supports its development or the interest it generates;

(b) the person or partnership receives or is entitled to receive, directly or indirectly, a consideration for the commercialization, promotion or support, or another person or partnership related to, or associated with, the person or partnership receives or is entitled to so receive such a consideration; and

(c) it is reasonable to consider that the person or partnership assumes an important role in the commercialization, promotion or support;

"tax benefit" means

(a) a reduction, avoidance or deferral of tax or of another amount payable under this Act, including a reduction, avoidance or deferral of tax or of another amount that would be payable under this Act but for a tax agreement;

(b) an increase in a refund of tax or of another amount under this Act, including an increase in a refund of tax or of another amount under this Act that results from a tax agreement; or

(c) a reduction, increase or preservation of an amount that could at a subsequent time

i. be relevant for the purpose of computing an amount referred to in paragraph *a* or *b*, and

ii. result in any of the effects described in paragraph *a* or *b*;

"tax consequences" to a person means the amount, determined under this Act, of income, taxable income or taxable income earned in Canada of, or tax or other amount payable by, or refundable to the person under this Act, or any other amount that is, or could at a subsequent time be, relevant for the purpose of computing that amount;

"transaction" includes an arrangement or event.

The definition of "tax agreement" in section 1 is deemed, for the purposes of this Title, to have effect from 13 September 1988.

For the purposes of paragraph *c* of the definition of "promoter" in the first paragraph, the following rules apply in respect of an employee of a person or partnership:

(a) the employee, other than a specified employee, is not considered to assume an important role in the person's or partnership's commercialization of, promotion of or support of the development of or interest in a transaction or series of transactions; and

(b) the conduct of the employee is deemed to be the conduct of the person or partnership.

1990, c. 59, s. 351; 2006, c. 13, s. 203; 2010, c. 25, s. 190; 2023, c. 19, s. 121.

1079.9.1. For the purposes of the definition of "promoter" in the first paragraph of section 1079.9 and section 1079.13.2, the following rules apply:

(a) for the purpose of determining whether, at a particular time, a person or a partnership is associated with, or related to, another person or partnership, a partnership is deemed to be a corporation whose taxation year corresponds to its fiscal period and all the voting shares in the capital stock of which are owned at that time by each of its members in a proportion equal to the agreed proportion that would be determined in respect of the member for the partnership's fiscal period if the fiscal period ended at that time; and

(b) for the purpose of determining whether, at a particular time, a person or a partnership is related to another person or partnership, a trust is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries (in this paragraph referred to as the "distribution date") and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) are owned at that time by such a beneficiary, if that beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and if that time occurs before the distribution date, or

(2) are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries, if subparagraph 1 does not apply and that time occurs before the distribution date,

ii. if a beneficiary's share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at that time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at that time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at that time by the person referred to in that section from whom property of the trust or property for which property of the trust was substituted was directly or indirectly received.

2010, c. 25, s. 191.

1079.10. Where a transaction is an avoidance transaction, the tax consequences to a person shall be determined as is reasonable in the circumstances in order to deny a tax benefit that, but for this Title, would result, directly or indirectly, from that transaction or from a series of transactions that includes that transaction.

1990, c. 59, s. 351.

1079.11. An avoidance transaction is any transaction that, but for this Title, would result, directly or indirectly, in a tax benefit or that is part of a series of transactions, which series, but for this Title, would result, directly or indirectly, in a tax benefit, unless the transaction in either case may reasonably be considered to have been undertaken or arranged primarily for bona fide purposes.

For the purposes of the first paragraph, the following purposes of a transaction or a combination of them are not considered as bona fide purposes:

(a) the obtainment of a tax benefit;

(b) the reduction, avoidance or deferral of tax or of another amount payable as tax or in respect of tax under an Act of Canada or of a province, other than this Act; and

(c) the increase of a refund of tax or of another amount as tax or in respect of tax under an Act of Canada or of a province, other than this Act.

1990, c. 59, s. 351; 1996, c. 39, s. 258; 2010, c. 25, s. 192.

1079.12. Section 1079.10 applies to a transaction only if it may reasonably be considered that

(a) but for this Title, the transaction would directly or indirectly result in a misuse of the provisions of one or more of

i. this Act,

ii. the Act respecting the application of the Taxation Act (chapter I-4),

iii. the Regulation respecting the Taxation Act (chapter I-3, r. 1),

iv. a tax agreement, or

v. any other legislative or regulatory provision that is relevant for computing the tax or another amount payable by a person or refundable to a person under this Act, or for determining an amount that is to be taken into account in that computation; or

(b) the transaction would directly or indirectly result in an abuse having regard to the provisions referred to in paragraph *a*, other than this Title, read as a whole.

1990, c. 59, s. 351; 2006, c. 13, s. 204.

1079.13. Without restricting the generality of section 1079.10 and despite any other legislative or regulatory provision, in determining the tax consequences to a person as is reasonable in the circumstances in order to deny a tax benefit that, but for this Title, would result, directly or indirectly, from an avoidance transaction,

(a) any deduction, exemption or exclusion in computing income, taxable income, taxable income earned in Canada or tax payable or any part thereof may be allowed or disallowed in whole or in part;

(b) any deduction, exemption or exclusion referred to in paragraph *a*, any income, loss or other amount or part thereof may be allocated to any person;

(c) the nature of any payment or other amount may be recharacterized;

(d) the tax effects that would otherwise result from the application of other provisions of this Act may be ignored.

1990, c. 59, s. 351; 2006, c. 13, s. 205.

1079.13.1. If, as a consequence of the application of section 1079.10 in respect of a transaction, the tax consequences to a person are determined as is reasonable in the circumstances in order to deny a tax benefit, the person incurs a penalty equal to 50% of the amount of the tax benefit denied.

However, the first paragraph does not apply if the person filed an information return in respect of the transaction, or series of transactions that includes the transaction, in accordance with any of sections 1079.8.5 to 1079.8.6.2, 1079.8.7 and 1079.8.7.1.

For the purposes of the first paragraph, a tax benefit that results from the application of paragraph *c* of the definition of "tax benefit" in the first paragraph of section 1079.9 is deemed to be nil.

2010, c. 25, s. 193; 2019, c. 14, s. 430; 2020, c. 2, s. 47; 2020, c. 16, s. 177; 2024, c. 11, s. 131.

1079.13.2. If, as a consequence of the application of section 1079.10 in respect of a transaction, the tax consequences to a person (in this section referred to as the "particular person") are determined as is reasonable in the circumstances in order to deny a tax benefit, the promoter of the transaction, or of the series of transactions that includes the transaction, incurs a penalty equal to 100% of

(a) if the transaction or series of transactions is carried out by the particular person, the aggregate of all amounts each of which is a consideration that the promoter, or a person or partnership related to, or associated with, the promoter, has received or is entitled to receive, directly or indirectly, from any person or partnership in respect of the transaction; or

(b) if the transaction or series of transactions is carried out by a partnership of which the particular person is a member, the amount that is the agreed proportion of the aggregate referred to in subparagraph *a* in respect of the particular person for the partnership's fiscal period in which the transaction or series of transactions is carried out.

2010, c. 25, s. 193; 2019, c. 14, s. 431; 2020, c. 12, s. 148; 2021, c. 36, s. 143.

1079.13.3. For the purposes of paragraph *b* of section 1079.13.2, the following rules apply if a particular person is a member, or is deemed because of the application of this section to be a member, of a partnership (in this section referred to as the "interposed partnership") at the end of a fiscal period of the interposed partnership (in this section referred to as the "interposed fiscal period"), and the interposed partnership is itself a member of a given partnership at the end of the given partnership's given fiscal period that ends in the interposed fiscal period:

(a) the particular person is deemed to be a member of the given partnership at the end of the given fiscal period; and

(b) the agreed proportion in respect of the particular person for the given partnership's given fiscal period is deemed to be equal to the product obtained by multiplying the agreed proportion in respect of the particular person for the interposed partnership's interposed fiscal period by the agreed proportion in respect of the interposed partnership for the given partnership's given fiscal period.

2010, c. 25, s. 193; 2021, c. 36, s. 144.

1079.13.4. If a partnership incurs a penalty under section 1079.13.2, sections 1005 to 1014, 1034 to 1034.0.2, 1035 to 1044.0.2 and 1051 to 1055.1 apply, with the necessary modifications, in respect of the penalty as if the partnership were a corporation.

2010, c. 25, s. 193; 2010, c. 31, s. 175; 2017, c. 1, s. 362.

1079.14. Where a notice of assessment, reassessment or additional assessment involving the application of section 1079.10 with respect to a transaction has been sent to a person, or a notice of determination pursuant to section 1006.1 has been sent to a person with respect to a transaction, any person other than a person to whom any such notice has been sent to shall be entitled, within 180 days after the day of sending of

the notice, to request in writing that the Minister make an assessment, reassessment or additional assessment applying section 1079.10 or make a determination applying section 1006.1 with respect to that transaction.

However, where the person making the request was physically unable to act or to give a mandate to act in his name within the period fixed and not more than one year has passed since the date of sending of the notice, he may apply to a judge of the Court of Québec to extend the period for a period that may not go beyond the fifteenth day following the date of the judgment granting such extension.

1990, c. 59, s. 351; 2004, c. 4, s. 15.

1079.15. Notwithstanding any other provision of this Act, the tax consequences to any person, following the application of this Title, shall only be determined through a notice of assessment, reassessment or additional assessment or through a notice of determination pursuant to section 1006.1 involving the application of this Title.

1990, c. 59, s. 351.

1079.15.1. If section 1079.10 applies to a person in relation to a transaction and the person did not file an information return in accordance with any of sections 1079.8.5 to 1079.8.6.2 and 1079.8.7, in respect of the transaction or series of transactions that includes the transaction, the Minister may, despite the expiry of the time limit provided for, in respect of the person, in paragraph *a* or *a*.0.1 of subsection 2 of section 1010, determine the tax consequences to the person, the interest and the penalties, under this Act, and make a reassessment or an additional assessment,

(a) on or before the day that is six years after the day referred to, for the taxation year concerned, in paragraph *a* of subsection 2 of section 1010 or, if the transaction or series of transactions must be disclosed as required by any of sections 1079.8.5 to 1079.8.6.2, the day, if it is later, on which the information return containing the information required by section 1079.8.9 is sent to the Minister in respect of the transaction or series of transactions; or

(b) on or before the day that is seven years after the day determined in subparagraph *a* if, at the end of the taxation year concerned, the person is a mutual fund trust or a corporation other than a Canadian-controlled private corporation.

However, the Minister may make a reassessment or an additional assessment beyond the period that, in respect of a person, is referred to in paragraph *a* or *a*.0.1 of subsection 2 of section 1010, because of the application of section 1079.10 to the person in relation to a transaction, only to the extent that the reassessment or additional assessment may reasonably be considered to relate to the transaction.

2010, c. 25, s. 194; 2017, c. 1, s. 363; 2020, c. 16, s. 178.

1079.15.1.1. Despite section 1079.15.1, if section 1079.10 applies to a person in relation to a transaction and the person was not required to file an information return referred to in any of sections 1079.8.5 to 1079.8.6.2, in respect of the transaction or series of transactions that includes the transaction, did not file an information return referred to in section 1079.8.7, in respect of the transaction or series of transactions, and filed an information return in accordance with section 1079.8.7.1, in respect of the transaction or series of transactions, the Minister may, despite the expiry of the time limit provided for, in respect of the person, in paragraph *a* or *a*.0.1 of subsection 2 of section 1010, determine the tax consequences to the person, the interest and the penalties, under this Act, and make a reassessment or an additional assessment on or before the day determined under section 1079.15.1, in respect of the person and in relation to the transaction or series of transactions, or the day, if it is later, that is one year after the day on which the information return referred to in section 1079.8.7.1 is sent by the person to the Minister in relation to the transaction or series of transactions.

However, the Minister may make a reassessment or an additional assessment beyond the period that, in respect of a person, is referred to in paragraph *a* or *a*.0.1 of subsection 2 of section 1010, because of the

application of section 1079.10 to the person in relation to a transaction, only to the extent that the reassessment or additional assessment may reasonably be considered to relate to the transaction.

2020, c. 2, s. 48; 2020, c. 16, s. 179.

1079.15.2. Where section 1079.10 applies to a taxpayer in relation to a transaction and where a formal demand relating to an amount that may be owed by the taxpayer under this Act, taking into account the application of section 1079.10, for a taxation year has been notified in accordance with the third paragraph of section 39 of the Tax Administration Act (chapter A-6.002) to a person regarding the filing of information, additional information or documents, the time limit described in paragraph *a* or *a*.0.1 of subsection 2 of section 1010 or in section 1079.15.1, as the case may be, for determining the tax consequences to the taxpayer, the interest and the penalties and for making a reassessment or an additional assessment, in respect of the taxation year concerned, is suspended for the period that begins on the day the application for authorization provided for in the third paragraph of that section 39 is filed and ends on the day on which that application is finally settled and on which, where the validity of the formal demand is confirmed, the information, additional information or documents, as the case may be, are filed in accordance with that section 39.

However, the Minister may, after applying the first paragraph, make a reassessment or an additional assessment beyond the period that, in respect of the taxpayer, is referred to in paragraph *a* or *a*.0.1 of subsection 2 of section 1010, because of the application of section 1079.10 to the taxpayer in relation to a transaction, only to the extent that the reassessment or additional assessment may reasonably be considered to relate to the transaction.

2019, c. 14, s. 432.

1079.16. Upon receipt of a request by a person under section 1079.14, the Minister shall, with all due dispatch, consider the request and, notwithstanding section 1010, assess, reassess or make an additional assessment or determination pursuant to section 1006.1 with respect to that person.

However, an assessment, reassessment, additional assessment or determination may be made under this section only to the extent that it may reasonably be regarded as relating to the transaction referred to in section 1079.14.

1990, c. 59, s. 351.

1080. *(Repealed).*

1972, c. 23, s. 804; 1990, c. 59, s. 352.

1080.1. *(Repealed).*

1987, c. 67, s. 193; 1990, c. 59, s. 352.

1081. *(Repealed).*

1972, c. 23, s. 805; 1973, c. 17, s. 121; 1987, c. 21, s. 81; 1990, c. 59, s. 352.

1082. *(Repealed).*

1972, c. 23, s. 806; 1986, c. 15, s. 192.

TITLE I.0.1

SHAM TRANSACTION

2020, c. 16, s. 180.

1082.0.1. For the purposes of sections 1082.0.1 to 1082.0.5,

"adviser" has the meaning assigned by section 1079.8.1;

"promoter" has the meaning assigned by section 1079.9;

"transaction" has the meaning assigned by section 1079.8.1.

For the purposes of this Title, the rules set out in section 1079.9.1 apply for the purpose of determining whether, at a particular time, a person or a partnership is associated with, or related to, another person or partnership.

2020, c. 16, s. 180.

1082.0.2. Where the Minister determines or redetermines the tax payable under this Act by a person for a taxation year for which tax consequences under this Act result from a sham transaction and makes an assessment, a reassessment or an additional assessment in respect of the taxation year concerned, the person incurs a penalty equal to the greater of $25,000 and 50% of the excess amount that would be determined for the year, in respect of the person, under the first paragraph of section 1049 if a reference, in that first paragraph, to a false statement or an omission were replaced by a reference to a sham transaction.

2020, c. 16, s. 180.

1082.0.3. Where the Minister determines or redetermines the tax payable under this Act by a particular person for a taxation year for which tax consequences under this Act result from a sham transaction and makes an assessment, a reassessment or an additional assessment in respect of the taxation year concerned, the promoter of the transaction, or the adviser in respect of the transaction, incurs a penalty equal to 100% of

(a) if the transaction is carried out by the particular person, the aggregate of all amounts each of which is a consideration that the promoter or adviser, or a person or partnership related to or associated with the promoter or adviser, has received or is entitled to receive, directly or indirectly, from any person or partnership in respect of the transaction; or

(b) if the transaction is carried out by a partnership of which the particular person is a member, the amount that is the agreed proportion of the aggregate referred to in subparagraph *a* in respect of the particular person for the partnership's fiscal period in which the transaction is carried out.

Where an assessment, a reassessment or an additional assessment referred to in the first paragraph is cancelled in consequence of an objection, an appeal or a summary appeal, as the case may be, the Minister shall, despite the expiry of the time limits provided for in section 1010, make a reassessment and redetermine the interest and penalties payable by the promoter or the adviser of the transaction, under the first paragraph, in order to take the decision or judgment into account.

Section 1079.13.3 applies, with the necessary modifications, to the determination of a penalty incurred under this section in respect of a sham transaction.

Where a partnership incurs a penalty under this section, sections 1005 to 1014, 1034 to 1034.0.2, 1035 to 1044.0.2 and 1051 to 1055.1 apply, with the necessary modifications, in respect of the penalty as if the partnership were a corporation.

2020, c. 16, s. 180.

1082.0.4. The Minister may, despite the expiry of the time limit provided for in paragraph *a* or *a*.0.1 of subsection 2 of section 1010, in respect of a person described in the second paragraph, redetermine the tax, interest and penalties payable under this Act, and make a reassessment or an additional assessment, in respect of that person, for a taxation year for which tax consequences under this Act result from a sham transaction,

(a) on or before the day that is six years after the day referred to, for the taxation year concerned, in paragraph *a* of subsection 2 of section 1010; or

(b) on or before the day that is seven years after the day determined in subparagraph *a* if, at the end of the taxation year concerned, the person is a mutual fund trust or a corporation other than a Canadian-controlled private corporation.

The person to whom the first paragraph refers is

(a) a person who is a party to the sham transaction;

(b) a person who is a member of a partnership that is a party to the sham transaction, at the end of the partnership's fiscal period that ends in the taxation year;

(c) a corporation that is associated with the person described in subparagraph *a* or with the partnership described in subparagraph *b*, at the time the sham transaction is carried out;

(d) a corporation that is associated with a person who is a member of a partnership that is a party to the sham transaction, at the time the transaction is carried out;

(e) a person who is related to the person described in subparagraph *a* or to the partnership described in subparagraph *b*, at the time the sham transaction is carried out; or

(f) a person who is related to a person who is a member of a partnership that is a party to the sham transaction, at the time the transaction is carried out.

However, the Minister may, in respect of a taxation year for which tax consequences under this Act result from a sham transaction, make a reassessment or an additional assessment, under the first paragraph, only to the extent that the reassessment or additional assessment may reasonably be considered to relate to the transaction.

2020, c. 16, s. 180.

1082.0.5. Where tax consequences under this Act result, for a taxation year of a taxpayer, from a sham transaction and a formal demand relating to an amount that may be owed by a taxpayer under this Act, in respect of the transaction, has been notified in accordance with the third paragraph of section 39 of the Tax Administration Act (chapter A-6.002) to a person regarding the filing of information, additional information or documents, the time limit described in paragraph *a* or *a*.0.1 of subsection 2 of section 1010 or in section 1082.0.4, as the case may be, for determining or redetermining the tax, interest and penalties and for making *a* reassessment or an additional assessment, in respect of the taxation year concerned, in relation to the tax consequences to the taxpayer that are attributable to the sham transaction, is suspended for the period that begins on the day the application for authorization provided for in the third paragraph of that section 39 is filed and ends on the day on which that application is finally settled and on which, where the validity of the formal demand is confirmed, the information, additional information or documents, as the case may be, are filed in accordance with that section 39.

However, the Minister may, after applying the first paragraph, make a reassessment or an additional assessment beyond the period that, in respect of a taxpayer, is referred to in paragraph *a* or *a*.0.1 of subsection 2 of section 1010 or in section 1082.0.4, because of the sham transaction in relation to the taxpayer, only to

the extent that the reassessment or additional assessment may reasonably be considered to relate to the transaction.

2020, c. 16, s. 180.

TITLE I.1

BENEFIT CONFERRED ON A TAXPAYER

1990, c. 59, s. 353.

1082.1. Where, at any time, a person confers a benefit, either directly or indirectly, by any means whatever, on a taxpayer, the amount of the benefit shall be included in computing the taxpayer's income or taxable income earned in Canada under this Part or Part II, respectively, for the taxation year that includes that time, to the extent that it is not otherwise included in computing the taxpayer's income or taxable income earned in Canada under this Part or Part II, respectively, and would be included in computing his income if the amount of the benefit were a payment made directly by the person to the taxpayer and if the taxpayer were resident in Canada.

1990, c. 59, s. 353.

1082.2. Where it is established that a transaction was entered into by persons dealing at arm's length, *bona fide* and not pursuant to, or as part of, any other transaction and not to effect payment, in whole or in part, of an existing or future obligation, no party to the transaction is deemed, for the purposes of section 1082.1, to have conferred a benefit on the party with whom he was so dealing.

1990, c. 59, s. 353.

TITLE I.2

TRANSFER PRICING

2001, c. 7, s. 154.

1082.3. In this Title,

"tax benefit" has the meaning assigned by section 1079.9;

"transaction" includes an arrangement or event;

"transfer pricing capital adjustment" of a taxpayer for a taxation year means

(a) an amount by which the adjusted cost base to the taxpayer of a capital property (other than a depreciable property) is reduced in the year because of an adjustment made under section 1082.4, or an amount by which the capital cost to the taxpayer of a depreciable property is reduced in the year because of an adjustment made under section 1082.4; or

(b) the product obtained when the proportion that the taxpayer's share of the income or loss of a partnership for a fiscal period that ends in the year is of the income or loss of the partnership for that fiscal period is multiplied by the amount by which the adjusted cost base to the partnership of a capital property (other than a depreciable property) is reduced in the fiscal period because of an adjustment made under section 1082.4 or by the amount by which the capital cost to the partnership of a depreciable property is reduced in the fiscal period because of an adjustment made under section 1082.4;

"transfer pricing income adjustment" of a taxpayer for a taxation year means the amount by which an adjustment made under section 1082.4, other than an adjustment included in determining a transfer pricing capital adjustment of the taxpayer for a taxation year, would result in an increase in the taxpayer's income for the year or a decrease in a loss of the taxpayer for the year from a source if that adjustment were the only adjustment made under section 1082.4.

For the purposes of the definition of "transfer pricing capital adjustment" in the first paragraph, where the income and loss of a partnership for a fiscal period are nil, it shall be assumed that the income of the partnership for that fiscal period is equal to $1,000,000.

2001, c. 7, s. 154; 2003, c. 2, s. 284; 2004, c. 8, s. 183; 2005, c. 1, s. 276; 2006, c. 13, s. 206; 2019, c. 14, s. 433.

1082.4. The rule set out in the second paragraph applies where a taxpayer or a partnership and a person not resident in Canada with whom the taxpayer or the partnership, or a member of the partnership, does not deal at arm's length, or a partnership of which the person not resident in Canada is a member, are participants in a transaction or a series of transactions and

(a) the terms and conditions made or imposed, in respect of the transaction or series of transactions, between any of the participants in the transaction or series of transactions differ from those that would have been made between persons dealing at arm's length; or

(b) the transaction or series of transactions would not have been entered into between persons dealing at arm's length and can reasonably be considered not to have been entered into primarily for *bona fide* purposes other than to obtain a tax benefit.

Where the conditions set out in the first paragraph are met, any amounts (in section 1082.4.1 referred to as the "initial amounts") that would be determined for the purposes of this Act (if this Act were read without reference to this Title and sections 1079.9 to 1079.16) in respect of the taxpayer or the partnership for a taxation year or fiscal period, as the case may be, are to be adjusted to the quantum or nature of the amounts (in section 1082.4.1 referred to as the "adjusted amounts") that would have been determined if,

(a) where only subparagraph *a* of the first paragraph applies, the terms and conditions made or imposed, in respect of the transaction or series of transactions, between the participants in the transaction or series of transactions had been those that would have been made between persons dealing at arm's length; or

(b) where subparagraph *b* of the first paragraph applies, the transaction or series of transactions entered into between the participants had been the transaction or series of transactions that would have been entered into between persons dealing at arm's length, under terms and conditions that would have been made between persons dealing at arm's length.

2001, c. 7, s. 154; 2021, c. 36, s. 145.

1082.4.1. For the purpose of applying section 1082.4 in accordance with the other provisions of this Act, the following steps are to apply in the following order:

(a) the determination of each of the initial amounts;

(b) the adjustments, if any, to each of the initial amounts; and

(c) the use of the adjusted amounts in accordance with the provisions of this Act, except section 1082.4, but including, for greater certainty, sections 1079.9 to 1079.16.

2021, c. 36, s. 146.

1082.5. *(Repealed).*

2001, c. 7, s. 154; 2004, c. 8, s. 184.

1082.6. *(Repealed).*

2001, c. 7, s. 154; 2004, c. 8, s. 184.

1082.7. *(Repealed).*

2001, c. 7, s. 154; 2004, c. 8, s. 184.

1082.8. *(Repealed).*

2001, c. 7, s. 154; 2004, c. 8, s. 184.

1082.9. For the purposes of this Title, where a person is a member of a partnership that is a member of another partnership, the following rules apply:

(a) the person is deemed to be a member of the other partnership; and

(b) the person's share of the income or loss of the other partnership is deemed to be equal to the amount of that income or loss to which the person is directly or indirectly entitled.

2001, c. 7, s. 154.

1082.10. Where, in a taxation year of a corporation resident in Canada, a person not resident in Canada owes an amount to the corporation, the person not resident in Canada is a controlled foreign affiliate of the corporation for the purposes of Division VII of Chapter II of Title III of Book III throughout the period in the year during which the amount is owing and it is established that the amount owing is an amount owing described in paragraph *a* or *b* of section 127.13, section 1082.4 does not apply to adjust the amount of interest paid, payable or accruing in the year on the amount owing.

2001, c. 7, s. 154; 2001, c. 53, s. 239.

1082.10.1. Section 1082.4 does not apply to adjust an amount of consideration paid, payable or accruing to a corporation resident in Canada (in this section referred to as the "parent") in a taxation year of the parent for the provision of a guarantee to a person or a partnership (in this section referred to as the "lender") for the repayment, in whole or in part, of a particular amount owing to the lender by a person not resident in Canada, if

(a) the person not resident in Canada is a controlled foreign affiliate of the parent for the purposes of Division VII of Chapter II of Title III of Book III throughout the period in the year during which the particular amount is owing; and

(b) it is established that the particular amount would be an amount owing described in paragraph *a* or *b* of section 127.13 if it were owed to the parent.

2015, c. 24, s. 151.

1082.11. *(Repealed).*

2001, c. 7, s. 154; 2021, c. 36, s. 147.

1082.12. *(Repealed).*

2001, c. 7, s. 154; 2004, c. 8, s. 184.

1082.13. An adjustment, other than an adjustment that results in or increases a transfer pricing capital adjustment or a transfer pricing income adjustment of a taxpayer for a taxation year, shall not be made under section 1082.4 unless, in the opinion of the Minister, the circumstances are such that it would be appropriate that the adjustment be made.

2001, c. 7, s. 154.

TITLE II

Repealed, 1990, c. 59, s. 354.

1990, c. 59, s. 354.

1083. *(Repealed).*

1972, c. 23, s. 807; 1987, c. 67, s. 194; 1990, c. 59, s. 354.

1084. *(Repealed).*

1972, c. 23, s. 808; 1973, c. 17, s. 122; 1987, c. 67, s. 195; 1990, c. 59, s. 354.

1085. *(Repealed).*

1972, c. 23, s. 809; 1987, c. 67, s. 196; 1990, c. 59, s. 354.

BOOK XII

REGULATIONS

1972, c. 23.

1086. The Government may make regulations to:

(a) prescribe the proof required for establishing facts pertinent to assessments;

(b) facilitate assessment of tax when the deductions or exemptions of a taxpayer have varied in the taxation year;

(c) provide for the retention by way of deduction or compensation of the amount of a taxpayer's income tax or other indebtedness under a fiscal law out of any amount that may be payable by the State in respect of salary or wages;

(d) define the classes of persons who may be deemed dependents for the purposes of this Part;

(e) establish classes of property for the purposes of section 130;

(e.1) (subparagraph repealed);

(e.2) require any person included in one of the classes of persons it determines to file any return it may prescribe relating to any information necessary for the establishment of an assessment provided for in this Act and to send, where applicable, a copy of the return or of a part thereof to any person to whom the return or part thereof relates and to whom it indicates in the regulation;

(e.3) require any person included in one of the classes of persons it determines to make information available to the public for the purpose of filing any return it may prescribe relating to any information necessary for the establishment of an assessment provided for in this Act;

(e.4) allow a person who is required to file a return in accordance with the regulations made under subparagraph *e*.2 to send by electronic means, if the person meets the conditions determined by the Minister, a copy of such a return prescribed by the Government or of a part thereof to any person to whom the return or part thereof relates and to whom it indicates in the regulation; and

(f) generally prescribe the measures required for the application of this Act.

The regulations made under this section and all those made under the other provisions of this Act shall come into force on the date of their publication in the *Gazette officielle du Québec* or on any later date fixed therein; they may also, once published and if they so provide, apply to a period prior to their publication, but not prior to the taxation year 1972.

1972, c. 23, s. 810; 1972, c. 26, s. 77; 1974, c. 18, s. 39; 1988, c. 18, s. 118; 1990, c. 59, s. 355; 1995, c. 63, s. 227; 1998, c. 16, s. 242; 2010, c. 5, s. 182; I.N. 2016-12-01; 2019, c. 14, s. 434.

PART I.1

Repealed, 1997, c. 85, s. 297.

1993, c. 64, s. 183; 1997, c. 85, s. 297.

BOOK I

Repealed, 1997, c. 85, s. 297.

1993, c. 64, s. 183; 1997, c. 85, s. 297.

1086.1. *(Repealed).*

1993, c. 64, s. 183; 1995, c. 1, s. 178; 1997, c. 14, s. 290; 1997, c. 85, s. 297.

BOOK II

Repealed, 1997, c. 85, s. 297.

1993, c. 64, s. 183; 1997, c. 85, s. 297.

1086.2. *(Repealed).*

1993, c. 64, s. 183; 1997, c. 85, s. 297.

1086.3. *(Repealed).*

1993, c. 64, s. 183; 1995, c. 1, s. 179; 1995, c. 63, s. 228; 1997, c. 85, s. 297.

BOOK III

Repealed, 1997, c. 85, s. 297.

1993, c. 64, s. 183; 1997, c. 85, s. 297.

1086.4. *(Repealed).*

1993, c. 64, s. 183; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 1997, c. 14, s. 260; 1997, c. 85, s. 297.

PART I.2

Repealed, 2005, c. 1, s. 277.

1995, c. 1, s. 180; 2005, c. 1, s. 277.

BOOK I

Repealed, 2005, c. 1, s. 277.

1995, c. 1, s. 180; 2005, c. 1, s. 277.

1086.5. *(Repealed).*

1995, c. 1, s. 180; 1997, c. 14, s. 290; 2001, c. 51, s. 203; 2005, c. 1, s. 277.

BOOK II

Repealed, 2005, c. 1, s. 277.

1995, c. 1, s. 180; 2005, c. 1, s. 277.

1086.6. *(Repealed).*

1995, c. 1, s. 180; 2000, c. 39, s. 218; 2004, c. 21, s. 447; 2005, c. 1, s. 277.

BOOK III

Repealed, 2005, c. 1, s. 277.

1995, c. 1, s. 180; 2005, c. 1, s. 277.

1086.7. *(Repealed).*

1995, c. 1, s. 180; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 2005, c. 1, s. 277.

1086.8. *(Repealed).*

1995, c. 1, s. 180; 1997, c. 31, s. 130; 2005, c. 1, s. 277.

PART I.3

TAX IN RESPECT OF ADVANCE PAYMENTS OF THE CREDIT FOR HOME SUPPORT FOR SENIORS

2000, c. 39, s. 219; 2013, c. 10, s. 149.

1086.9. In this Part,

"balance-due day" has the meaning assigned by section 1;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"individual" has the meaning assigned by section 1;

"taxation year" has the meaning that would be assigned by Part I if it were read without reference to section 779.

2000, c. 39, s. 219; 2001, c. 53, s. 240; 2006, c. 36, s. 213; 2007, c. 12, s. 304; 2009, c. 15, s. 364.

1086.10. An individual shall pay, for a taxation year, a tax equal to the aggregate of all amounts each of which is an amount paid in advance by the Minister to the individual for that year under section 1029.8.61.6.

If applicable, the individual and the individual's eligible spouse for the year are solidarily liable for the payment of the tax payable under the first paragraph and, in that respect, a payment by the individual affects the liability of the eligible spouse only to the extent that the payment operates to reduce the individual's liability to an amount less than the amount in respect of which the eligible spouse is solidarily liable under this paragraph.

2000, c. 39, s. 219; 2006, c. 13, s. 207; 2006, c. 36, s. 214; 2009, c. 15, s. 365.

1086.11. An individual shall pay to the Minister, for a taxation year, on or before the individual's balance-due day for the year, the individual's tax under this Part as estimated for the year under section 1004.

2000, c. 39, s. 219.

1086.12. Unless otherwise provided in this Part, sections 1000 to 1014, 1035 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2000, c. 39, s. 219; 2017, c. 1, s. 364.

PART I.3.1

TAX RELATING TO ADVANCE PAYMENTS OF THE CREDITS TO INCREASE THE INCENTIVE TO WORK

2005, c. 1, s. 278; 2009, c. 15, s. 366.

1086.12.1. In this Part,

"balance-due day" has the meaning assigned by section 1;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4 and who, at the end of 31 December of the year or, if the person died in the year, immediately before the person's death, was resident in Québec and had not been confined to a prison or similar institution during the year for one or more periods totalling more than 183 days;

"individual" has the meaning assigned by section 1;

"taxation year" has the meaning that would be assigned by Part I if it were read without reference to section 779.

2005, c. 1, s. 278; 2007, c. 12, s. 304; 2009, c. 15, s. 367; 2015, c. 21, s. 499; 2017, c. 1, s. 365.

1086.12.2. An individual shall pay, for a taxation year, a tax equal to the aggregate of all amounts each of which is an amount paid in advance by the Minister to the individual for that year under any of sections 1029.8.116.9, 1029.8.116.9.0.1 and 1029.8.116.9.1.

Where applicable, the individual and the individual's eligible spouse for the year are solidarily liable for the payment of the tax payable under the first paragraph and, in that respect, a payment by the individual affects the liability of the eligible spouse only to the extent that the payment operates to reduce the

individual's liability to an amount less than the amount in respect of which the eligible spouse is solidarily liable under this paragraph.

2005, c. 1, s. 278; 2009, c. 15, s. 368; 2017, c. 1, s. 366.

1086.12.3. An individual shall pay to the Minister, for a taxation year, on or before the individual's balance-due day for the year, the individual's tax under this Part as estimated for the year under section 1004.

2005, c. 1, s. 278.

1086.12.4. Except where inconsistent with this Part, sections 1000 to 1014, 1035 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2005, c. 1, s. 278.

PART I.3.2

TAX IN RESPECT OF ADVANCE PAYMENTS OF THE CREDIT FOR CHILD CARE EXPENSES

2005, c. 1, s. 278.

1086.12.5. In this Part,

"balance-due day" has the meaning assigned by section 1;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"individual" has the meaning assigned by section 1;

"taxation year" has the meaning that would be assigned by Part I if it were read without reference to section 779.

2005, c. 1, s. 278; 2007, c. 12, s. 304.

1086.12.6. An individual shall pay, for a taxation year, a tax equal to the aggregate of all amounts each of which is an amount paid in advance by the Minister to the individual for that year under section 1029.8.80.2.

Where applicable, the individual and the individual's eligible spouse for the year are solidarily liable for the payment of the tax payable under the first paragraph and, in that respect, a payment by the individual affects the liability of the eligible spouse only to the extent that the payment operates to reduce the individual's liability to an amount less than the amount in respect of which the eligible spouse is solidarily liable under this paragraph.

2005, c. 1, s. 278.

1086.12.7. An individual shall pay to the Minister, for a taxation year, on or before the individual's balance-due day for the year, the individual's tax under this Part as estimated for the year under section 1004.

2005, c. 1, s. 278.

1086.12.8. Except where inconsistent with this Part, sections 1000 to 1014, 1035 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2005, c. 1, s. 278.

PART I.3.3

TAX IN RESPECT OF ADVANCE PAYMENTS OF THE CREDIT FOR THE TREATMENT OF INFERTILITY

2017, c. 1, s. 367.

1086.12.9. In this Part,

"balance-due day" has the meaning assigned by section 1;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"individual" has the meaning assigned by section 1;

"taxation year" has the meaning that would be assigned by Part I if it were read without reference to section 779.

2017, c. 1, s. 367.

1086.12.10. An individual shall pay, for a taxation year, a tax equal to the aggregate of all amounts each of which is an amount paid in advance by the Minister to the individual for that year under section 1029.8.66.5.3.

Where applicable, the individual and the individual's eligible spouse for the year are solidarily liable for the payment of the tax payable under the first paragraph and, in that respect, a payment by the individual affects the liability of the eligible spouse only to the extent that the payment operates to reduce the individual's liability to an amount less than the amount in respect of which the eligible spouse is solidarily liable under this paragraph.

2017, c. 1, s. 367.

1086.12.11. An individual shall pay to the Minister, for a taxation year, on or before the individual's balance-due day for the year, the individual's tax under this Part as estimated for the year in accordance with section 1004.

2017, c. 1, s. 367.

1086.12.12. Unless otherwise provided in this Part, sections 1000 to 1014, 1035 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2017, c. 1, s. 367.

PART I.3.4

TAX IN RESPECT OF ADVANCE PAYMENTS OF THE CREDIT FOR THE RESTORATION OF A SECONDARY RESIDENCE

2019, c. 14, s. 435.

1086.12.13. In this Part,

"balance-due day" has the meaning assigned by section 1;

"eligible spouse" of an individual for a taxation year means the person who is the individual's eligible spouse for the year within the meaning of sections 776.41.1 to 776.41.4;

"individual" has the meaning assigned by section 1;

"taxation year" has the meaning that would be assigned by Part I if it were read without reference to section 779.

2019, c. 14, s. 435.

1086.12.14. An individual shall pay, for a taxation year, a tax equal to the aggregate of all amounts each of which is an amount paid in advance by the Minister to the individual for that year under section 1029.8.184.

Where applicable, the individual and the individual's eligible spouse for the year are solidarily liable for the payment of the tax payable under the first paragraph and, in that respect, a payment by the individual affects the liability of the eligible spouse only to the extent that the payment operates to reduce the individual's liability to an amount less than the amount in respect of which the eligible spouse is solidarily liable under this paragraph.

2019, c. 14, s. 435.

1086.12.15. An individual shall pay to the Minister, for a taxation year, on or before the individual's balance-due day for the year, the individual's tax under this Part as estimated for the year in accordance with section 1004.

2019, c. 14, s. 435.

1086.12.16. Unless otherwise provided in this Part, sections 1000 to 1014, 1035 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2019, c. 14, s. 435.

PART I.3.5

TAX IN RESPECT OF ADVANCE PAYMENTS OF THE CREDIT FOR CAREGIVERS

2021, c. 14, s. 185.

1086.12.17. In this Part,

"balance-due day" has the meaning assigned by section 1;

"individual" has the meaning assigned by section 1;

"taxation year" has the meaning that would be assigned by Part I if it were read without reference to section 779.

2021, c. 14, s. 185.

1086.12.18. An individual shall pay, for a taxation year, a tax equal to the aggregate of all amounts each of which is an amount paid in advance by the Minister to the individual for that year under section 1029.8.61.96.23.

2021, c. 14, s. 185.

1086.12.19. An individual shall pay to the Minister, for a taxation year, on or before the individual's balance-due day for the year, the individual's tax under this Part as estimated for the year in accordance with section 1004.

2021, c. 14, s. 185.

1086.12.20. Unless otherwise provided in this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2021, c. 14, s. 185.

PART I.4

TAX IN RESPECT OF THE ACQUISITION OF REPLACEMENT SHARES ON THE REDEMPTION OF SHARES IN ORDER TO PARTICIPATE IN THE HOME BUYERS' PLAN

2001, c. 53, s. 241.

BOOK I

DEFINITIONS

2001, c. 53, s. 241.

1086.13. In this Part, unless the context indicates a different meaning,

"completion date" has the meaning assigned by section 776.1.5.0.1;

"eligible amount" has the meaning assigned by section 776.1.5.0.1;

"individual" has the meaning assigned by section 1;

"original share" has the meaning assigned by section 776.1.5.0.1;

"participation period" has the meaning assigned by section 776.1.5.0.1;

"replacement share" has the meaning assigned by section 776.1.5.0.1;

"taxation year" has the meaning assigned by Part I.

2001, c. 53, s. 241; 2005, c. 38, s. 297; 2007, c. 12, s. 304.

BOOK II

LIABILITY FOR AND AMOUNT OF TAX

2001, c. 53, s. 241.

1086.14. Where in a particular taxation year or within the first 60 days after the end of the year that is included in a participation period of the individual, an individual did not acquire replacement shares for an amount at least equal to the amount determined under section 776.1.5.0.2 for the year in respect of the individual, the individual shall pay, except in the case provided for in section 1086.18, tax equal to the amount determined under section 1086.15 for the year in respect of the individual.

2001, c. 53, s. 241.

1086.15. The amount of tax to which section 1086.14 refers is equal to the amount determined by the formula

{[(A − B)/(15 − C)] − D} × 15%.

In the formula provided for in the first paragraph,

(a) A is

i. an amount equal to zero where

(1) the individual died or ceased to be resident in Canada in the particular taxation year referred to in section 1086.14, or

(2) the completion date in respect of an eligible amount of the individual is in the particular taxation year referred to in section 1086.14, and

ii. in any other case, the aggregate of all eligible amounts of the individual received by the individual in preceding taxation years that are included in the particular participation period referred to in section 1086.14;

(b) B is the aggregate of all amounts each of which is

i. an amount paid by the individual on the acquisition of replacement shares in a taxation year preceding the particular taxation year referred to in section 1086.14 or within 60 days after the end of that preceding year that is included in the particular participation period referred to in section 1086.14, or

ii. 100/15 of an amount that the individual is required to pay under section 1086.14 for a taxation year that precedes the particular taxation year referred to in section 1086.14 and that is included in the particular participation period referred to in section 1086.14 in respect of replacement shares that have not been acquired by the individual;

(c) C is the lesser of 14 and the number of taxation years of the individual that end in the period that begins on 1 January of the first calendar year beginning after the completion date in respect of an eligible amount of the individual and that ends at the beginning of the particular taxation year referred to in section 1086.14; and

(d) D is the aggregate of all amounts paid by the individual on the acquisition of replacement shares in the particular taxation year referred to in section 1086.14 or within the first 60 days after the end of that year that is included in the particular participation period referred to in section 1086.14.

2001, c. 53, s. 241; 2005, c. 38, s. 298; 2011, c. 1, s. 101.

1086.16. Where at a particular time in a taxation year an individual ceases to be resident in Canada, and the individual has not acquired replacement shares, for the period in the year during which the individual was resident in Canada, for an amount at least equal to the amount determined under section 776.1.5.0.3 for the year in respect of the individual, the individual shall pay, except in the case provided for in section 1086.18, tax equal to 15% of the amount by which the amount paid for that period by the individual under section 776.1.5.0.3 exceeds the amount determined under that section 776.1.5.0.3 for that period in respect of the individual.

2001, c. 53, s. 241; 2005, c. 38, s. 299.

1086.17. Except in the case where section 776.1.5.0.5 applies, where an individual dies at a particular time in a taxation year, and replacement shares were not acquired, in the year, for an amount at least equal to the amount determined under section 776.1.5.0.4 for the year in respect of the individual, there shall be paid, except in the case provided for in section 1086.18, tax equal to 15% of the amount by which the amount paid

in the year by the individual under section 776.1.5.0.4 exceeds the amount determined under that section 776.1.5.0.4 for the year in respect of the individual.

2001, c. 53, s. 241; 2005, c. 38, s. 300.

1086.17.1. For the purposes of sections 1086.14 to 1086.17, the amount of tax payable by an individual for a taxation year under any of sections 1086.15 to 1086.17, in respect of replacement shares that were not acquired by that individual, is to be determined, if any of the replacement shares that were not acquired relates to an original share described in paragraph *b* of section 776.1.1 and acquired by the individual in a period specified in the second paragraph of section 776.1.1.1 or 776.1.1.2, as if,

(a) in the case of tax computed under section 1086.15, the amount of that tax were equal to the aggregate of

i. the amount that would be determined by the formula in the first paragraph of section 1086.15 if

(1) A, described in the second paragraph of section 1086.15, represented, in the cases where subparagraph i of subparagraph *a* of that second paragraph did not apply, only the portion of the aggregate of the eligible amounts described in subparagraph ii of subparagraph *a* of that second paragraph, determined in respect of the individual, that may reasonably be attributed to shares each of which is a share other than such an original share,

(2) the only replacement shares whose acquisition is considered for the purposes of subparagraph i of subparagraph *b* of the second paragraph of section 1086.15 and subparagraph *d* of that second paragraph were the replacement shares that may reasonably be considered to relate to shares other than such original shares, and

(3) the only replacement shares whose non-acquisition is considered for the purposes of subparagraph ii of subparagraph *b* of the second paragraph of section 1086.15 were the replacement shares that may reasonably be considered to relate to shares other than such original shares,

ii. the amount that would be determined by the formula in the first paragraph of section 1086.15 if

(1) A, described in the second paragraph of section 1086.15, represented, in the cases where subparagraph i of subparagraph *a* of that second paragraph does not apply, only the portion of the aggregate of the eligible amounts described in subparagraph ii of subparagraph *a* of that second paragraph, determined in respect of the individual, that may reasonably be attributed to shares each of which is such an original share acquired by the individual in the period specified in the second paragraph of section 776.1.1.1,

(2) the only replacement shares whose acquisition is considered for the purposes of subparagraph i of subparagraph *b* of the second paragraph of section 1086.15 and subparagraph *d* of that second paragraph were the replacement shares that may reasonably be considered to relate to such original shares acquired by the individual in the period specified in the second paragraph of section 776.1.1.1,

(2.1) the only replacement shares whose non-acquisition is considered for the purposes of subparagraph ii of subparagraph *b* of the second paragraph of section 1086.15 were the replacement shares that may reasonably be considered to relate to such original shares acquired by the individual in the period specified in the second paragraph of section 776.1.1.1,

(2.2) the fraction “100/15” provided for in subparagraph ii of subparagraph *b* of the second paragraph of section 1086.15 were replaced by a percentage of 400%, and

(3) the percentage of 15% were replaced by a percentage of 25%; and

iii. the amount that would be determined by the formula in the first paragraph of section 1086.15 if

(1) A, described in the second paragraph of section 1086.15, represented, in the cases where subparagraph i of subparagraph *a* of that second paragraph does not apply, only the portion of the aggregate of the eligible amounts described in subparagraph ii of subparagraph *a* of that second paragraph, determined in respect of the individual, that may reasonably be attributed to shares each of which is such an original share acquired by the individual in the period specified in the second paragraph of section 776.1.1.2,

(2) the only replacement shares whose acquisition is considered for the purposes of subparagraph i of subparagraph *b* of the second paragraph of section 1086.15 and subparagraph *d* of that second paragraph were the replacement shares that may reasonably be considered to relate to such original shares acquired by the individual in the period specified in the second paragraph of section 776.1.1.2,

(3) the only replacement shares whose non-acquisition is considered for the purposes of subparagraph ii of subparagraph *b* of the second paragraph of section 1086.15 were the replacement shares that may reasonably be considered to relate to such original shares acquired by the individual in the period specified in the second paragraph of section 776.1.1.2,

(4) the fraction "100/15" provided for in subparagraph ii of subparagraph *b* of the second paragraph of section 1086.15 were replaced by a percentage of 500%, and

(5) the percentage of 15% were replaced by a percentage of 20%;

(b) in the case of tax computed under section 1086.16 or 1086.17, the percentage of 15% provided for in that section were replaced

i. by a percentage of 25% in respect of the portion of the excess amount referred to in section 1086.16 or 1086.17, determined in respect of the individual, that may reasonably be attributed to shares each of which is such an original share acquired by the individual in the period specified in the second paragraph of section 776.1.1.1, or

ii. by a percentage of 20% in respect of the portion of the excess amount referred to in section 1086.16 or 1086.17, determined in respect of the individual, that may reasonably be attributed to shares each of which is such an original share acquired by the individual in the period specified in the second paragraph of section 776.1.1.2.

2010, c. 5, s. 183; 2011, c. 1, s. 102; 2017, c. 1, s. 368.

1086.18. Sections 1086.14, 1086.16 and 1086.17 do not apply in respect of an individual for a particular taxation year other than a taxation year described in the second paragraph if, not later than 60 days after the end of the particular year, the individual may make a request for the redemption of original shares issued to the individual, otherwise than under Division II of Chapter III of Title III of Book V of Part I.

The taxation year to which the first paragraph refers is a taxation year for which the individual may deduct an amount from the individual's tax otherwise payable under section 776.1.1 or section 776.1.2 in relation to an amount paid in a preceding taxation year of the individual, or within 60 days after the end of that preceding taxation year, in which the individual had to acquire replacement shares for an amount at least equal to the amount determined under section 776.1.5.0.2 for the preceding year in respect of the individual.

2001, c. 53, s. 241; 2011, c. 1, s. 103.

BOOK III

MISCELLANEOUS PROVISIONS

2003, c. 9, s. 383.

1086.18.1. An individual shall pay to the Minister, for a taxation year, on or before the individual's balance-due day, within the meaning of section 1, for the year, the individual's tax under this Part for the year.

2003, c. 9, s. 383.

1086.18.2. Except where inconsistent with this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2003, c. 9, s. 383.

PART I.5

TAX IN RESPECT OF THE ACQUISITION OF REPLACEMENT SHARES ON THE REDEMPTION OF SHARES IN ORDER TO PARTICIPATE IN THE LIFELONG LEARNING INCENTIVE PLAN

2001, c. 53, s. 241.

BOOK I

DEFINITIONS

2001, c. 53, s. 241.

1086.19. In this Part, unless the context indicates a different meaning,

"eligible amount" has the meaning assigned by section 776.1.5.0.6;

"individual" has the meaning assigned by section 1;

"original share" has the meaning assigned by section 776.1.5.0.6;

"participation period" has the meaning assigned by section 776.1.5.0.6;

"repayment period" has the meaning assigned by section 776.1.5.0.6;

"replacement share" has the meaning assigned by section 776.1.5.0.6;

"taxation year" has the meaning assigned by Part I.

2001, c. 53, s. 241; 2005, c. 38, s. 301; 2007, c. 12, s. 304.

BOOK II

LIABILITY FOR AND AMOUNT OF TAX

2001, c. 53, s. 241.

1086.20. Where in a particular taxation year or within the first 60 days after the end of the year that is included in a participation period of the individual, an individual did not acquire replacement shares for an

amount at least equal to the amount determined under section 776.1.5.0.7 for the year in respect of the individual, the individual shall pay, except in the case provided for in section 1086.24, tax equal to the amount determined under section 1086.21 for the year in respect of the individual.

2001, c. 53, s. 241.

1086.21. The amount of tax to which section 1086.20 refers is equal to the amount determined by the formula

$$\{[(A - B)/(10 - C)] - D\} \times 15\%.$$

In the formula provided for in the first paragraph,

(a) A is

i. an amount equal to zero where

(1) the individual died or ceased to be resident in Canada in the particular taxation year referred to in section 1086.20, or

(2) the beginning of the particular taxation year referred to in section 1086.20 is not included in a repayment period of the individual, and

ii. in any other case, the aggregate of all eligible amounts of the individual received by the individual in taxation years preceding the particular taxation year referred to in section 1086.20, other than taxation years included in participation periods of the individual that ended before the particular taxation year referred to in section 1086.20;

(b) B is the aggregate of all amounts each of which is

i. an amount paid by the individual on the acquisition of replacement shares in a taxation year preceding the particular taxation year referred to in section 1086.20 or within 60 days after the end of that preceding year, other than a taxation year included in a participation period of the individual that ended before the particular taxation year referred to in section 1086.20, or

ii. 100/15 of an amount that the individual is required to pay under section 1086.20 for a taxation year preceding the particular taxation year referred to in section 1086.20 in respect of replacement shares that have not been acquired by the individual, other than a taxation year included in a participation period of the individual that ended before the particular taxation year referred to in section 1086.20;

(c) C is the lesser of nine and the number of taxation years of the individual that end in the period that begins at the beginning of the last repayment period of the individual that began at or before the beginning of the particular taxation year and that ends at the beginning of the particular taxation year referred to in section 1086.20; and

(d) D is the aggregate of all amounts paid by the individual on the acquisition of replacement shares in the particular taxation year referred to in section 1086.20 or within the first 60 days after the end of that year, other than a taxation year included in a participation period of the individual that ended before the particular taxation year referred to in section 1086.20.

2001, c. 53, s. 241; 2005, c. 38, s. 302; 2011, c. 1, s. 104.

1086.22. Where at a particular time in a taxation year an individual ceases to be resident in Canada, and the individual has not acquired replacement shares, for the period in the year during which the individual was

resident in Canada, for an amount at least equal to the amount determined under section 776.1.5.0.8 for that period in respect of the individual, the individual shall pay, except in the case provided for in section 1086.24, tax equal to 15% of the amount by which the amount paid for that period by the individual under section 776.1.5.0.8 exceeds the amount determined under that section 776.1.5.0.8 for that period in respect of the individual.

2001, c. 53, s. 241; 2005, c. 38, s. 303.

1086.23. Except in the case where section 776.1.5.0.10 applies, where an individual dies at a particular time in a taxation year, and replacement shares were not acquired, in the year, for an amount at least equal to the amount determined under section 776.1.5.0.9 for the year in respect of the individual, there shall be paid, except in the case provided for in section 1086.24, tax equal to 15% of the amount by which the amount paid in the year by the individual under section 776.1.5.0.9 exceeds the amount determined under that section 776.1.5.0.9 for the year in respect of the individual.

2001, c. 53, s. 241; 2005, c. 38, s. 304.

1086.23.1. For the purposes of sections 1086.20 to 1086.23, the amount of tax payable by an individual for a taxation year under any of sections 1086.21 to 1086.23, in respect of replacement shares that were not acquired by that individual, is to be determined, if any of the replacement shares that were not acquired relates to an original share described in paragraph *b* of section 776.1.1 and acquired by the individual in a period specified in the second paragraph of section 776.1.1.1 or 776.1.1.2, as if,

(a) in the case of tax computed under section 1086.21, the amount of that tax were equal to the aggregate of

i. the amount that would be determined by the formula in the first paragraph of section 1086.21 if

(1) A, described in the second paragraph of section 1086.21, represented, in the cases where subparagraph i of subparagraph *a* of that second paragraph did not apply, only the portion of the aggregate of the eligible amounts described in subparagraph ii of subparagraph *a* of that second paragraph, determined in respect of the individual, that may reasonably be attributed to shares each of which is a share other than such an original share,

(2) the only replacement shares whose acquisition is considered for the purposes of subparagraph i of subparagraph *b* of the second paragraph of section 1086.21 and subparagraph *d* of that second paragraph were the replacement shares that may reasonably be considered to relate to shares other than such original shares, and

(3) the only replacement shares whose non-acquisition is considered for the purposes of subparagraph ii of subparagraph *b* of the second paragraph of section 1086.21 were the replacement shares that may reasonably be considered to relate to shares other than such original shares,

ii. the amount that would be determined by the formula in the first paragraph of section 1086.21 if

(1) A, described in the second paragraph of section 1086.21, represented, in the cases where subparagraph i of subparagraph *a* of that second paragraph does not apply, only the portion of the aggregate of the eligible amounts described in subparagraph ii of subparagraph *a* of that second paragraph, determined in respect of the individual, that may reasonably be attributed to shares each of which is such an original share acquired by the individual in the period specified in the second paragraph of section 776.1.1.1,

(2) the only replacement shares whose acquisition is considered for the purposes of subparagraph i of subparagraph *b* of the second paragraph of section 1086.21 and subparagraph *d* of that second paragraph were the replacement shares that may reasonably be considered to relate to such original shares acquired by the individual in the period specified in the second paragraph of section 776.1.1.1,

(2.1) the only replacement shares whose non-acquisition is considered for the purposes of subparagraph ii of subparagraph *b* of the second paragraph of section 1086.21 were the replacement shares that may reasonably be considered to relate to such original shares acquired by the individual in the period specified in the second paragraph of section 776.1.1.1,

(2.2) the fraction "100/15" provided for in subparagraph ii of subparagraph *b* of the second paragraph of section 1086.21 were replaced by a percentage of 400%, and

(3) the percentage of 15% were replaced by a percentage of 25%; and

iii. the amount that would be determined by the formula in the first paragraph of section 1086.21 if

(1) A, described in the second paragraph of section 1086.21, represented, in the cases where subparagraph i of subparagraph *a* of that second paragraph does not apply, only the portion of the aggregate of the eligible amounts described in subparagraph ii of subparagraph *a* of that second paragraph, determined in respect of the individual, that may reasonably be attributed to shares each of which is such an original share acquired by the individual in the period specified in the second paragraph of section 776.1.1.2,

(2) the only replacement shares whose acquisition is considered for the purposes of subparagraph i of subparagraph *b* of the second paragraph of section 1086.21 and subparagraph *d* of that second paragraph were the replacement shares that may reasonably be considered to relate to such original shares acquired by the individual in the period specified in the second paragraph of section 776.1.1.2,

(3) the only replacement shares whose non-acquisition is considered for the purposes of subparagraph ii of subparagraph *b* of the second paragraph of section 1086.21 were the replacement shares that may reasonably be considered to relate to such original shares acquired by the individual in the period specified in the second paragraph of section 776.1.1.2,

(4) the fraction "100/15" provided for in subparagraph ii of subparagraph *b* of the second paragraph of section 1086.21 were replaced by a percentage of 500%, and

(5) the percentage of 15% were replaced by a percentage of 20%; and

(b) in the case of tax computed under section 1086.22 or 1086.23, the percentage of 15% provided for in that section were replaced

i. by a percentage of 25% in respect of the portion of the excess amount referred to in section 1086.22 or 1086.23, determined in respect of the individual, that may reasonably be attributed to shares each of which is such an original share acquired by the individual in the period specified in the second paragraph of section 776.1.1.1, or

ii. by a percentage of 20% in respect of the portion of the excess amount referred to in section 1086.22 or 1086.23, determined in respect of the individual, that may reasonably be attributed to shares each of which is such an original share acquired by the individual in the period specified in the second paragraph of section 776.1.1.2.

2010, c. 5, s. 184; 2011, c. 1, s. 105; 2017, c. 1, s. 369.

1086.24. Sections 1086.20, 1086.22 and 1086.23 do not apply in respect of an individual for a particular taxation year other than a taxation year described in the second paragraph if, not later than 60 days after the end of the particular year, the individual may make a request for the redemption of original shares issued to the individual, otherwise than under Division III of Chapter III of Title III of Book V of Part I.

The taxation year to which the first paragraph refers is a taxation year for which the individual may deduct an amount from the individual's tax otherwise payable under section 776.1.1 or section 776.1.2 in relation to an amount paid in a preceding taxation year of the individual, or within 60 days after the end of that preceding

taxation year, in which the individual had to acquire replacement shares for an amount at least equal to the amount determined under section 776.1.5.0.7 for the preceding year in respect of the individual.

2001, c. 53, s. 241; 2011, c. 1, s. 106.

BOOK III

MISCELLANEOUS PROVISIONS

2003, c. 9, s. 384.

1086.25. An individual shall pay to the Minister, for a taxation year, on or before the individual's balance-due day, within the meaning of section 1, for the year, the individual's tax under this Part for the year.

2003, c. 9, s. 384.

1086.26. Except where inconsistent with this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2003, c. 9, s. 384.

PART I.6

TAX IN RESPECT OF SECURITY OPTION BENEFIT DEFERRAL

2011, c. 34, s. 113.

1086.27. In this Part,

"filing-due date" has the meaning assigned by section 1;

"individual" has the meaning assigned by section 1;

"net capital loss" has the meaning assigned by section 730;

"proceeds of disposition" has the meaning assigned by section 251;

"qualified corporation" has the meaning assigned by section 725.1.3;

"qualifying person" has the meaning assigned by section 47.18;

"security" has the meaning assigned by section 47.18;

"taxation year" has the meaning assigned by section 1.

2011, c. 34, s. 113.

1086.28. Where, in a particular taxation year preceding the taxation year 2015, an individual has disposed of or exchanged a security of a qualifying person in respect of which the individual made a valid election under paragraph *b* of section 58.0.1, as it read before being repealed, and the individual makes an election, in the manner and within the time specified in the second paragraph, for the particular year in relation to the security, the following rules apply:

(a) the percentage specified in section 725.2 in relation to the benefit deemed to be received by the individual under section 49 for the particular year in respect of the security is to be replaced by

i. 75%, where the security has been disposed of or exchanged after 30 March 2004,

ii. 87.5%, where the security has been disposed of or exchanged after 12 June 2003 and before 31 March 2004, or

iii. 100%, where the security has been disposed of or exchanged before 13 June 2003, or acquired under a right provided for in an agreement referred to in section 48 and entered into after 13 March 2008, from a qualifying person that is a qualified corporation for a particular calendar year including the time at which the individual acquired the security;

(b) for the purposes of Part I, the individual is deemed to have realized a capital gain for the particular year equal to the lesser of the amount of the benefit that the individual is deemed to have received in the particular year under section 49 in respect of the security and the capital loss determined under Part I and derived from the disposition of the security;

(c) the individual is liable to pay a tax for the particular year equal to 50% of the proceeds of disposition of the security;

(d) where the time limit provided for in paragraph *a* of subsection 2 of section 1010 has expired in respect of the particular year, the Minister may, for the purposes of Part I, make a reassessment and redetermine the tax, interest and penalties for the particular year in order to take the election into account; and

(e) despite section 1010 and as the circumstances require, the Minister shall redetermine the individual's net capital loss for the particular year and reassess any taxation year in which an amount has been deducted under section 729.

An individual makes the election referred to in the first paragraph for a particular taxation year by filing with the Minister the prescribed form containing prescribed information

(a) on or before the individual's filing-due date for the taxation year 2010 where the security has been disposed of or exchanged before 1 January 2010; or

(b) on or before the individual's filing-due date for the particular year in which the security has been disposed of or exchanged, in any other case.

2011, c. 34, s. 113; I.N. 2018-06-05.

1086.29. Unless otherwise provided in this Part, sections 1002, 1004 to 1014, 1025, 1026 to 1026.2 and 1031.1 to 1079.16 apply to this Part, with the necessary modifications.

2011, c. 34, s. 113; 2015, c. 36, s. 155.

PART II

INCOME EARNED IN QUÉBEC BY PERSONS NOT RESIDENT IN QUÉBEC

1972, c. 23.

TITLE I

GENERAL RULES

1972, c. 23.

1087. Part I applies for computing the income of persons not resident in Québec, subject to this Part.

1972, c. 23, s. 811.

1088. The income earned in Québec, for a taxation year, by an individual contemplated in section 25 is equal to the part of the income from businesses which he carries on that is attributed in prescribed manner to an establishment in Québec, less the part of the losses of the said businesses that is attributed to such establishment.

1972, c. 23, s. 812; 1973, c. 17, s. 123.

1089. The income earned in Québec, for a taxation year, by an individual contemplated in section 26 is his income as determined under section 28, taking into account only the following:

(a) the amount by which the aggregate of the income from the duties of offices or employments performed by the individual in Québec and the income from the duties of offices or employments performed by the individual outside Canada if the individual was resident in Québec at the time the individual performed the duties exceeds the aggregate of the amounts that, if the individual is a foreign researcher within the meaning of section 737.19, a foreign researcher on a postdoctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign specialist within the meaning of section 737.22.0.1 or 737.22.0.4.1, a foreign professor within the meaning of section 737.22.0.5 or a foreign farm worker within the meaning of section 737.22.0.12, would be deductible in computing the individual's taxable income for the year under any of sections 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7 and 737.22.0.13 if the taxable income were determined under Part I;

(b) income from businesses carried on by him in Canada that is attributable, in prescribed manner, to an establishment in Québec;

(c) the taxable capital gains and allowable capital losses from dispositions of taxable Québec property, other than

i. property described in paragraph *c* or *d* of section 1094, and

ii. tax-agreement-protected property, within the meaning of section 1;

(d) the portion that is reasonably attributable to the disposition of a Québec resource property within the meaning of the regulations or to expenses incurred in Québec of the amount by which the amount required by paragraph *e* of section 330 to be included in computing his income for the year exceeds any portion of that amount that was included in computing his income from a business carried on by him in Canada;

(e) the portion that is reasonably attributable to the disposition of a Québec timber resource property within the meaning of the regulations of the amount by which the amounts that are required by sections 93 to 104 to be included in computing his income for the year in respect of the disposition of a timber resource property exceed any portion of those amounts that was included in computing his income from a business carried on by him in Canada;

(e.0.1*)* the amounts that the individual received under the incentive program for farm workers established under the Act respecting the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (chapter M-14) according to the terms of the agreement referred to in Orders in Council 457-2020 dated 15 April 2020 and 517-2020 dated 13 May 2020 and that the individual would be required to include under paragraph *e*.2 of section 311 in computing the individual's income for the year if the individual had been resident in Québec throughout the year;

(e.1*)* the amount that the individual would be required to include under paragraph *e*.6 of section 311 in computing the individual's income for the year if the individual had been resident in Québec throughout the year, up to the portion of that amount that may reasonably be attributed to the duties of an office or employment performed by the individual in Québec;

(f) the excess of the amount which must, under section 684, be included in computing his income for the year in respect of the disposition of an income interest in a trust resident in Québec over the amount that

would be deductible under section 665 in computing his income if he had been resident in Canada throughout the year;

(g) the amount by which the income determined under paragraphs *b* and *c* of section 1092 in respect of the individual exceeds the aggregate of the amounts that, if the individual is a foreign researcher within the meaning of section 737.19, a foreign researcher on a postdoctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign specialist within the meaning of section 737.22.0.1 or 737.22.0.4.1 or a foreign professor within the meaning of section 737.22.0.5, would be deductible in computing the individual's taxable income for the year under any of sections 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7 and 737.22.0.7 if the individual's taxable income were determined under Part I;

(h) the amount, which is attributable in prescribed manner to an establishment of a partnership in Québec, by which the amount required by section 610 to be included in computing the income of the individual for the year as proceeds of the disposition of a right to a share of the income or loss of the partnership under an agreement mentioned therein exceeds the amount that would be deductible in that respect under section 611 in computing his income if he had been resident in Canada throughout the year;

(i) the losses from duties of an office or employment performed by the individual in Québec and the losses from businesses carried on by the individual in Canada, other than tax-agreement-protected businesses, within the meaning of section 1, which are attributable in prescribed manner to an establishment in Québec;

(j) where, in the year, he carried on a business in Canada described in paragraphs *a* to *g* of section 363, the amounts in respect of any Québec resource property within the meaning of paragraph *d* that the individual would be required to include in computing his income for the year under Part I if he were resident in Québec, to the extent that such amounts are not already included in computing his income under paragraph *b* or *d*;

(k) the amount that, if the individual had been resident in Québec throughout the year, would be included under section 968 or 968.1 in computing his income in respect of an interest in a life insurance policy issued or subscribed by an insurer, on the life of a person resident in Québec at the time of the issue or subscription; and

(l) where the individual has been carrying on business in Canada in the year, the amounts relating to a Québec resource property within the meaning of subparagraph *d*, except where an amount in respect of the disposition of such property is deducted under section 412 or 418.6, to a Québec timber resource property within the meaning of subparagraph *e*, other than depreciable property, or to property, other than capital property, that is an immovable situated in Québec, to the extent that such amounts are not already included under subparagraph *b*, *d*, *e* or *j* in computing his income.

However, the income earned in Québec for a taxation year by an individual who is a foreign specialist, within the meaning of section 737.18.6, who is an eligible individual, within the meaning of section 737.22.0.9, or who is described in section 66 of the Act respecting international financial centres (chapter C-8.3) is the amount by which the particular amount that is determined in respect of the individual for the year under the first paragraph exceeds the aggregate of

(a) the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year;

(b) the product obtained by multiplying the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of a specified period of the individual, established under the fourth paragraph of section 65 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined in subparagraph 1 of the second paragraph of that section 65 in respect of that period; and

(c) (subparagraph repealed);

(d) the portion of the particular amount that is included in the amount determined in respect of the individual for the year under section 737.22.0.10.

For the purposes of the first paragraph, the amount that is determined in respect of an individual for a taxation year under the first paragraph is to be increased by the amount that would be included in computing the individual's taxable income for the year under any of sections 726.43 to 726.43.2 if the taxable income were determined under Part I.

For the purposes of subparagraph *a* of the first paragraph, in the case of an individual employed as an aircraft pilot, the individual's income from the duties of that employment performed by the individual in Québec, in relation to the individual's income that is attributable to a flight (including a leg of a flight) and paid directly or indirectly by a person resident in Canada, is

(a) all of the income attributable to the flight if the flight departs from a location in Québec and arrives at a location in Québec;

(b) one-half of the income attributable to the flight if the flight departs from a location in Québec and arrives at a location outside Québec;

(c) one-half of the income attributable to the flight if the flight departs from a location outside Québec and arrives at a location in Québec; or

(d) none of the income attributable to the flight if the flight departs from a location outside Québec and arrives at a location outside Québec.

1972, c. 23, s. 813; 1973, c. 17, s. 124; 1975, c. 22, s. 242; 1978, c. 26, s. 210; 1982, c. 5, s. 196; 1984, c. 15, s. 236; 1986, c. 19, s. 196; 1987, c. 21, s. 82; 1988, c. 4, s. 140; 1993, c. 16, s. 344; 1994, c. 22, s. 333; 1995, c. 1, s. 181; 1997, c. 3, s. 71; 1997, c. 85, s. 298; 1999, c. 83, s. 237; 1999, c. 86, s. 86; 2000, c. 39, s. 220; 2001, c. 53, s. 242; 2002, c. 40, s. 229; 2003, c. 9, s. 385; 2004, c. 8, s. 185; 2004, c. 21, s. 448; 2005, c. 38, s. 305; 2006, c. 36, s. 215; 2010, c. 5, s. 185; 2011, c. 6, s. 214; 2010, c. 3, s. 295; 2013, c. 10, s. 150; 2015, c. 24, s. 152; 2017, c. 29, s. 204; 2021, c. 14, s. 186; 2021, c. 36, s. 148; 2022, c. 23, s. 127.

1090. The income earned in Canada by an individual contemplated in section 26, for a taxation year, shall be his income as determined under section 28 by taking into account only the following:

(a) the amount by which the aggregate of the income from the duties of offices or employments performed by the individual in Canada and the income from the duties of offices or employments performed by the individual outside Canada if the individual was resident in Canada at the time the individual performed the duties exceeds the aggregate of the amounts that, if the individual is a foreign researcher within the meaning of section 737.19, a foreign researcher on a postdoctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign specialist within the meaning of section 737.22.0.1 or 737.22.0.4.1, a foreign professor within the meaning of section 737.22.0.5 or a foreign farm worker within the meaning of section 737.22.0.12, would be deductible in computing the individual's taxable income for the year under any of sections 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7 and 737.22.0.13 if the taxable income were determined under Part I;

(b) income from businesses that he has carried on in Canada that is attributable in prescribed manner to an establishment in Canada;

(c) the taxable capital gains and allowable capital losses from dispositions of taxable Canadian property, other than tax-agreement-protected property, within the meaning of section 1;

(d) the amount by which the amount required by paragraph *e* of section 330 to be included in computing his income for the year exceeds any portion of that amount that was included in computing his income from a business carried on by him in Canada;

(e) the amount by which the amounts required by sections 93 to 104 to be included in computing his income for the year in respect of the disposition of a timber resource property exceed any portion of those amounts that was included in computing his income from a business carried on by him in Canada;

(e.0.1*)* the amounts that the individual received under the incentive program for farm workers established under the Act respecting the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (chapter M-14) according to the terms of the agreement referred to in Orders in Council 457-2020 dated 15 April 2020 and 517-2020 dated 13 May 2020 and that the individual would be required to include under paragraph *e*.2 of section 311 in computing the individual's income for the year if the individual had been resident in Canada throughout the year;

(e.1*)* the amount that the individual would be required to include under paragraph *e*.6 of section 311 in computing the individual's income for the year if the individual had been resident in Canada throughout the year;

(f) the excess of the amount which must, under section 684, be included in computing his income for the year in respect of the disposition of an income interest in a trust resident in Canada over the amount that would be deductible under section 665 in computing his income if he had been resident in Canada throughout the year;

(g) the amount by which the income that would be determined under paragraphs *b* and *c* of section 1092 in respect of the individual if the word "Québec", in sections 1092 and 1093, were replaced, wherever it appears, by the word "Canada", exceeds the aggregate of the amounts that, if the individual is a foreign researcher within the meaning of section 737.19, a foreign researcher on a postdoctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign specialist within the meaning of section 737.22.0.1 or 737.22.0.4.1 or a foreign professor within the meaning of section 737.22.0.5, would be deductible in computing the individual's taxable income for the year under any of sections 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7 and 737.22.0.7 if the individual's taxable income were determined under Part I;

(h) the amount by which the amount required by section 610 to be included in computing his income for the year as proceeds of the disposition of a right to a share of the income or loss of a partnership under an agreement mentioned therein exceeds the amount that would be deductible in that respect under section 611 in computing his income if he had been resident in Canada throughout the year;

(i) the losses from duties of an office or employment performed by the individual in Canada and the losses from businesses carried on by the individual in Canada, other than tax-agreement-protected businesses, within the meaning of section 1, which are attributable in prescribed manner to an establishment in Canada;

(j) where, in the year, he has carried on a business in Canada described in paragraphs *a* to *g* of section 363, the amounts in respect of any Canadian resource property that he would be required to include in computing his income for the year under Part I if he were resident in Canada at any time in the year to the extent that such amounts are not already included in computing his income under paragraph *b* or *d*;

(k) the amount that, under section 968 or 968.1, would be included in computing his income in respect of an interest in a life insurance policy in Canada if he had been resident in Canada throughout the year; and

(l) where the individual has been carrying on business in Canada in the year, the amounts relating to a Canadian resource property, except where an amount in respect of the disposition of such property is deducted under section 412 or 418.6, to a timber resource property, other than depreciable property, or to property, other than capital property, that is an immovable situated in Canada, to the extent that those amounts are not already included under subparagraph *b*, *d*, *e* or *j* in computing his income.

However, the income earned in Canada for a taxation year by an individual who is a foreign specialist, within the meaning of section 737.18.6, who is an eligible individual, within the meaning of section 737.22.0.9, or who is described in section 66 of the Act respecting international financial centres (chapter

C-8.3) is the amount by which the particular amount that is determined in respect of the individual for the year under the first paragraph exceeds the aggregate of

(a) the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year;

(b) the product obtained by multiplying the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of a specified period of the individual, established under the fourth paragraph of section 65 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined in subparagraph 1 of the second paragraph of that section 65 in respect of that period; and

(c) (subparagraph repealed);

(d) the portion of the particular amount that is included in the amount determined in respect of the individual for the year under section 737.22.0.10.

For the purposes of the first paragraph, the amount that is determined in respect of an individual for a taxation year under the first paragraph is to be increased by the amount that would be included in computing the individual's taxable income for the year under any of sections 726.43 to 726.43.2 if the taxable income were determined under Part I.

For the purposes of subparagraph *a* of the first paragraph, in the case of an individual employed as an aircraft pilot, the individual's income from the duties of that employment performed by the individual in Canada, in relation to the individual's income that is attributable to a flight (including a leg of a flight) and paid directly or indirectly by a person resident in Canada, is

(a) all of the income attributable to the flight if the flight departs from a location in Canada and arrives at a location in Canada;

(b) one-half of the income attributable to the flight if the flight departs from a location in Canada and arrives at a location outside Canada;

(c) one-half of the income attributable to the flight if the flight departs from a location outside Canada and arrives at a location in Canada; or

(d) none of the income attributable to the flight if the flight departs from a location outside Canada and arrives at a location outside Canada.

1972, c. 23, s. 814; 1973, c. 17, s. 125; 1975, c. 22, s. 243; 1978, c. 26, s. 211; 1982, c. 5, s. 197; 1984, c. 15, s. 237; 1986, c. 19, s. 197; 1987, c. 21, s. 83; 1988, c. 4, s. 141; 1993, c. 16, s. 345; 1994, c. 22, s. 334; 1995, c. 1, s. 182; 1995, c. 49, s. 232; 1997, c. 3, s. 71; 1997, c. 85, s. 299; 1999, c. 83, s. 238; 1999, c. 86, s. 87; 2000, c. 39, s. 221; 2001, c. 53, s. 243; 2002, c. 40, s. 230; 2003, c. 9, s. 386; 2004, c. 8, s. 186; 2004, c. 21, s. 449; 2005, c. 38, s. 306; 2006, c. 36, s. 216; 2010, c. 5, s. 186; 2010, c. 3, s. 296; 2013, c. 10, s. 151; 2015, c. 24, s. 153; 2017, c. 29, s. 205; 2021, c. 14, s. 187; 2021, c. 36, s. 149; 2022, c. 23, s. 128.

1090.1. For the purposes of this Part, where an individual referred to in section 26 or a corporation referred to in the first paragraph of section 27 disposes, in a taxation year, of property referred to in subparagraph *l* of the first paragraph of either of section 1089 or 1090, the individual or the corporation is deemed, in respect of such disposition, to have been carrying on business in Canada during the year.

1993, c. 16, s. 346; 1994, c. 22, s. 335; 1997, c. 3, s. 71; 1997, c. 14, s. 261; 2001, c. 53, s. 244.

1090.2. For the purposes of subparagraph *l* of the first paragraph of sections 1089 and 1090, and section 1090.1, property that is an immovable or a timber resource property includes, at a particular time, a right in

the property and an option in respect of the property, even if, in the case of an immovable, the property is not in existence at that time.

1993, c. 16, s. 346; 2020, c. 16, s. 181.

1091. The taxable income earned in Canada by an individual referred to in section 26 is equal to the amount by which the aggregate of the income referred to in section 1090 and the amount that, had the individual been resident in Québec throughout the year, would be included under section 313.8 in computing the individual's income for the year, exceeds the aggregate of

(a) the deductions permitted by sections 725, 725.1.2 and 725.2 to 725.4, to the extent that they relate to amounts included in computing the individual's income earned in Canada under section 1090;

(b) such of the deductions permitted by sections 727, 728.1, 729, 731 and 733.0.0.1 as may reasonably be considered to be applicable to the services the individual rendered in an office or employment in Canada, to an establishment in Canada of a business carried on by the individual in Canada or to a disposition of property, any income or gain on which would have been required to be included in computing the individual's income earned in Canada under section 1090;

(b.1) the deduction permitted by section 1091.0.1; and

(c) where all or substantially all of the individual's income for the year, as determined under section 28, is included in computing the individual's taxable income earned in Canada for the year, determined with reference to the second paragraph, such of the other deductions from income, except the deductions described in sections 737.16, 737.18.10, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.4.7, 737.22.0.7, 737.22.0.10 and 737.22.0.13, permitted for the purpose of computing the individual's taxable income as may reasonably be considered wholly applicable.

For the purposes of subparagraph *c* of the first paragraph, the taxable income earned in Canada by an individual for a taxation year is determined as if section 1090 were read for the year without reference to its second and third paragraphs and as if subparagraph *a* of the first paragraph of that section were replaced, for the year, by the following subparagraph:

"(*a*) the aggregate of the income from the duties of offices or employments performed by the individual in Canada and the income from the duties of offices or employments performed by the individual outside Canada if the individual was resident in Canada at the time the individual performed the duties;".

1972, c. 23, s. 815; 1984, c. 15, s. 238; 1985, c. 25, s. 161; 1986, c. 19, s. 198; 1987, c. 21, s. 84; 1987, c. 67, s. 197; 1988, c. 4, s. 142; 1989, c. 5, s. 237; 1989, c. 77, s. 107; 1993, c. 64, s. 184; 1995, c. 1, s. 183; 1996, c. 39, s. 259; 1997, c. 85, s. 300; 1999, c. 83, s. 239; 1999, c. 86, s. 88; 2000, c. 39, s. 264; 2001, c. 53, s. 245; 2002, c. 40, s. 231; 2003, c. 9, s. 387; 2004, c. 8, s. 187; 2006, c. 36, s. 217; 2010, c. 25, s. 195; 2013, c. 10, s. 152; 2015, c. 36, s. 156; 2021, c. 14, s. 188; 2022, c. 23, s. 129.

1091.0.1. Where an individual ceases at any time after 27 February 2000 to be resident in Canada, a taxation year, in this section referred to as the "particular year", of the individual ends after that time and the individual was not resident in Canada throughout the period that begins at that time and ends at the end of the particular year, the following rules apply:

(a) in computing the individual's taxable income earned in Canada for the particular year, the individual may deduct each amount that would be permitted to be deducted in computing the individual's income for the particular year under section 371 or 418.1.10 if

i. section 371 were read with the reference to "who is resident in Canada throughout a taxation year may deduct, in computing the taxpayer's income for that year" in the portion before paragraph *a* thereof replaced by "may deduct, in computing the taxpayer's income for a taxation year",

ii. the amount determined under paragraph *b* of section 374 were equal to zero,

iii. section 418.1.10 were read with the reference to "for a taxation year throughout which the taxpayer is resident in Canada" in the portion before paragraph a thereof replaced by "for a taxation year", and

iv. each of the amounts determined under subparagraph ii of paragraph *a* of section 418.1.10 and paragraph *b* of that section were equal to zero; and

(b) an amount deducted under this section in computing the individual's taxable income earned in Canada for the particular year is deemed, for the purpose of applying section 371 or 418.1.10, as the case may be, to a subsequent taxation year, to have been deducted in computing the individual's income for the particular year.

2004, c. 8, s. 188.

1091.1. *(Repealed).*

1986, c. 15, s. 193; 1987, c. 21, s. 85.

TITLE I.1

INVESTMENT SERVICES PROVIDED TO FOREIGNERS

2001, c. 53, s. 246.

1091.2. In this Title,

"Canadian investor", at any time in relation to a person not resident in Canada, means a person that the person not resident in Canada knows, or ought to know after reasonable inquiry, is at that time resident in Canada;

"Canadian service provider" means a corporation or a trust resident in Canada or a Canadian partnership;

"designated investment services" provided to a person or partnership means any one or more of the services described in the following paragraphs:

(a) investment management or advice with respect to qualified investments, regardless of whether the manager has discretionary authority to buy or sell;

(b) purchasing or selling qualified investments, exercising rights incidental to the ownership of qualified investments such as voting, conversion or exchange;

(c) entering into or executing agreements with respect to services referred to in paragraph *b*;

(d) investment administration services, such as receiving, delivering and having custody of investments, calculating and reporting investment values, receiving subscription amounts from, and paying distributions and proceeds of disposition to, investors in or beneficiaries of the person or partnership, record keeping, accounting and reporting to the person or partnership and its investors and beneficiaries; and

(e) if the service is provided to a corporation, trust or partnership the only undertaking of which is the investing of its funds in qualified investments, marketing shares of its capital stock or interests in itself to investors not resident in Canada;

"promoter" of a corporation, trust or partnership means a particular person or partnership that initiates or directs the founding, organization or substantial reorganization of the corporation, trust or partnership, and a person or partnership that is affiliated with the particular person or partnership;

"qualified investment" of a person or partnership means

(a) a share of the capital stock of a corporation, or an interest in a partnership, trust, entity, organization or fund, other than a share or an interest

i. that is either a security not listed on a designated stock exchange, or listed on such a stock exchange, if the person or partnership, together with all persons with whom the person or partnership does not deal at arm's length, owns 25% or more of the issued shares of any class of the capital stock of the corporation or of the total value of interests in the partnership, trust, entity, organization or fund, as the case may be, and

ii. of which more than 50% of the fair market value is derived from one or more of the following properties:

(1) an immovable situated in Canada,

(2) Canadian resource property, and

(3) timber resource property;

(b) indebtedness;

(c) annuities;

(d) commodities or commodities futures purchased or sold, directly or indirectly in any manner whatever, on a commodities or commodities futures exchange;

(e) currency; and

(f) options, interests, rights and forward and futures agreements in respect of property described in any of paragraphs *a* to *e* or this paragraph, and agreements under which obligations are derived from interest rates, from the price of property described in any of those paragraphs, from payments made in respect of such a property by its issuer to holders of the property, or from an index reflecting a composite measure of such rates, prices or payments, whether or not the agreement creates any rights in or obligations regarding the referenced property itself.

2001, c. 53, s. 246; 2004, c. 8, s. 189; 2010, c. 5, s. 187.

1091.3. For the purposes of Part I and this Part, a person not resident in Canada is not considered to be carrying on a business in Canada at any particular time solely because of the provision to the person, or to a partnership of which the person is a member, at the particular time of designated investment services by a Canadian service provider if

(a) in the event that the person not resident in Canada is an individual other than a trust, the person is not affiliated at the particular time with the Canadian service provider;

(b) in the event that the person not resident in Canada is a corporation or trust,

i. the person has not, before the particular time, directly or through a mandatary, sold a share of its capital stock or an interest in itself, such a share and such an interest in this section referred to as an "investment", that is outstanding at the particular time to a person who was a Canadian investor at the time of the sale and who is a Canadian investor at the particular time, nor directed any promotion of investments in itself principally at Canadian investors,

ii. the person has not, before the particular time, directly or through a mandatary, filed any document with a public authority in Canada in accordance with the securities legislation of Canada or of any province in order to permit the distribution of investments in the person to persons resident in Canada, and

iii. where the particular time is more than one year after the time at which the person was created, the total of the fair market value, at the particular time, of investments in the person that are beneficially owned by a person or partnership that is affiliated with the Canadian service provider and is not a designated entity in respect of the Canadian service provider, does not exceed 25% of the fair market value, at the particular time, of all investments in the person; and

(c) in the event that the person not resident in Canada is a member of a partnership,

i. the particular time is within one year after the time the partnership was formed,

ii. where the person not resident in Canada is, or is affiliated with, a person or partnership described in subparagraph 1 or 2, the fair market value, at the particular time, of all interests in the partnership is not less than four times the total of the fair market value of each interest in the partnership that is beneficially owned at the particular time by

(1) a particular person or a particular partnership (other than a designated entity in respect of the Canadian service provider), where persons or partnerships (other than designated entities in respect of the Canadian service provider) that are affiliated with the Canadian service provider are beneficial owners of more than 25% of the fair market value, at the particular time, of all shares of the particular person or all interests in the particular partnership, as the case may be, or

(2) a person or a partnership (other than a designated entity in respect of the Canadian service provider) that is affiliated with the Canadian service provider, or

iii. at the particular time, the person not resident in Canada is affiliated neither with the Canadian service provider nor with any person or partnership (other than the partnership to which the services are provided) described in subparagraph 1 or 2 of subparagraph ii.

For the purposes of this paragraph and subparagraph iii of subparagraph *b* and subparagraph ii of subparagraph *c* of the first paragraph,

(a) the fair market value of an investment in a corporation or trust or an interest in a partnership shall be determined without regard to any voting rights attaching to that investment; and

(b) a person or partnership is, at a particular time, a designated entity in respect of a Canadian service provider if the total of the fair market value, at the particular time, of investments in the designated entity or interests in the partnership, as the case may be, that are beneficially owned by a person or partnership that is affiliated with the Canadian service provider and is not another designated entity in respect of the Canadian service provider, does not exceed 25% of the fair market value, at the particular time, of all investments in the entity or of such interests, as the case may be.

2001, c. 53, s. 246; 2004, c. 8, s. 190; 2015, c. 24, s. 154.

1091.4. For the purposes of Title I.2 of Book XI of Part I, where section 1091.3 applies to a person that is a corporation or trust or to a partnership, if the Canadian service provider referred to in that section does not deal at arm's length with the promoter of the person or of the partnership, the Canadian service provider is deemed not to deal at arm's length with the person or partnership.

2001, c. 53, s. 246; 2004, c. 8, s. 190.

TITLE II

STUDENTS, PROFESSORS AND EMPLOYEES

1972, c. 23; 1994, c. 22, s. 350; 1994, c. 22, s. 652.

1092. A student, a professor or an employee not resident in Canada and contemplated in section 1093:

(a) is deemed to have been employed in Québec during the year for the purposes of section 26;

(b) has an income, for the purposes of paragraph *g* of each of sections 1089 and 1090, equal to the aggregate:

i. of the remuneration which he has received in the year in respect of an office or employment that was paid to him directly or indirectly by a person resident in Canada, except to the extent that such remuneration

is attributable to the duties performed by him outside Canada and was subject to an income or profits tax imposed by the government of a country other than Canada, or was paid in connection with the selling of property, the negotiating of contracts or the rendering of services for his employer, a foreign affiliate of his employer or for another person with whom his employer does not deal at arm's length, in the ordinary course of a business carried on by his employer, that foreign affiliate or that other person;

ii. of amounts which, under paragraphs *i* of section 311 and *g* and *h* of section 312, would be included in computing his income for the year if he had been resident in Québec throughout the year, to the extent that such amounts are derived from a Canadian source; and

iii. of amounts described in paragraph *e* of section 1093 received by him in the year, except to the extent that they are otherwise required to be included in computing his income earned in Québec for the year;

iv. *(subparagraph repealed)*;

(c) may deduct, in computing their income for the year, an amount that would be deductible under sections 348 to 350 if

i. paragraph *a* of section 349.1 were read as follows:

"(*a*) the relocation occurs to enable the individual to be a student in full-time attendance enrolled in a program at a post-secondary level at a location of a university, college or other educational institution, that institution being in this chapter referred to as "the new work location" ;", and

ii. the amounts mentioned in subparagraph ii of paragraph *c* of section 348 were those mentioned in subparagraph ii of paragraph *b*.

1972, c. 23, s. 816; 1973, c. 17, s. 126; 1975, c. 22, s. 245; 1979, c. 18, s. 74; 1984, c. 15, s. 239; 1986, c. 15, s. 194; 1993, c. 64, s. 185; 1994, c. 22, s. 350; 1995, c. 49, s. 233; 2001, c. 53, s. 247; 2015, c. 21, s. 500.

1093. Section 1092 applies to an individual not resident in Canada who, in a taxation year, is:

(a) a student attending on a full-time basis in Québec a university, college or other institution providing courses at a post-secondary level;

(b) a student attending courses, or a professor teaching in a university, college or other institution providing courses at the post-secondary level situated outside Canada, if such student or professor, during a previous taxation year, has ceased to be a resident of Québec in the course of attending that institution or teaching there as the case may be;

(c) an individual who, during a previous taxation year, has ceased to be a resident of Québec in order to carry on research or a similar work under a grant which he has received for that purpose;

(d) an individual

i. who has, in any previous taxation year, ceased to be resident in Québec,

ii. who receives, in the year, salary or wages or other remuneration in respect of an office or employment that is paid to the individual directly or indirectly by a person resident in Canada, and

iii. who is, under a tax agreement, within the meaning of section 1, with one or more countries, entitled to an exemption from an income tax otherwise payable in any of those countries in respect of the salary or wages or other remuneration referred to in subparagraph ii; or

(e) an individual who receives in the year an amount, under a contract, that is or will be deductible in computing the income of a taxpayer subject to tax under Part I and that can, irrespective of the contract, reasonably be regarded as having been received, in whole or in part

i. as remuneration from an office or employment or compensation for services rendered in Québec; or

ii. as consideration for entering into a contract of service or an agreement to render such service in Québec, or for undertaking not to enter into such a contract or agreement with a third party.

1972, c. 23, s. 817; 1973, c. 17, s. 127; 1984, c. 15, s. 240; 1994, c. 22, s. 350; 2001, c. 53, s. 248.

TITLE III

TAXABLE QUÉBEC PROPERTY

1972, c. 23.

1094. For the purposes of this Part, taxable Québec property of a taxpayer at a particular time in a taxation year means

(a) an immovable property situated in Québec;

(b) property used in Québec by the taxpayer in carrying on a business, property used in Québec and included in Class 14.1 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1) in relation to a business, or property used in Québec and included in the inventory of a business, other than

i. property used in carrying on an insurance business, and

ii. where the taxpayer is not resident in Canada, ships and aircraft used principally in international traffic and movable property pertaining to their operation if the country in which the taxpayer is resident does not impose tax on gains of persons resident in Canada from dispositions of such property;

(b.1) any capital property used or held in Québec by an insurer in the year that is its designated insurance property, within the meaning of section 818, for the year;

(c) a share of the capital stock of a corporation (other than a mutual fund corporation) that is not listed on a designated stock exchange, an interest in a partnership or an interest in a trust (other than a unit of a mutual fund trust or an income interest in a trust resident in Canada), if, at any time during the 60-month period that ends at the particular time, more than 50% of the fair market value of the share or interest, as the case may be, was derived directly or indirectly (otherwise than through a corporation, partnership or trust the shares or interests in which were not themselves taxable Québec property) from one or any combination of

i. an immovable property situated in Québec,

ii. a Québec resource property within the meaning of subparagraph *d* of the first paragraph of section 1089,

iii. a Québec timber resource property within the meaning of subparagraph *e* of the first paragraph of section 1089, and

iv. a right in or an option in respect of a property described in any of subparagraphs i to iii, whether or not the property exists; and

(c.1) (paragraph repealed);

(d) a share of the capital stock of a corporation that is listed on a designated stock exchange, a share of the capital stock of a mutual fund corporation or a unit of a mutual fund trust, if, at any time during the 60-month period that ends at the particular time,

i. 25% or more of the issued shares of any class of shares of the capital stock of the corporation, or 25% or more of the issued units of the trust, as the case may be, were owned by or belonged to one or any

combination of the taxpayer, persons with whom the taxpayer did not deal at arm's length and partnerships in which the taxpayer or a person with whom the taxpayer did not deal at arm's length holds an interest directly or indirectly through one or more other partnerships, and

ii. more than 50% of the fair market value of the share or unit, as the case may be, was derived directly or indirectly from one or any combination of properties described in subparagraphs i to iv of paragraph *c*;

(e) (paragraph repealed);

(f) (paragraph repealed);

(g) (paragraph repealed);

(h) (paragraph repealed);

(h.1) (paragraph repealed);

(i) (paragraph repealed).

1972, c. 23, s. 818; 1973, c. 17, s. 128; 1973, c. 18, s. 29; 1975, c. 22, s. 246; 1984, c. 15, s. 241; 1986, c. 19, s. 199; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1998, c. 16, s. 243; 2001, c. 7, s. 155; 2004, c. 8, s. 191; 2005, c. 1, s. 279; 2010, c. 5, s. 188; 2011, c. 6, s. 215; 2015, c. 24, s. 155; 2017, c. 1, s. 370; 2019, c. 14, s. 436.

1095. For the purposes of this Part, the expression "taxable Canadian property" has the meaning that would be assigned by the definition of "taxable Québec property" in section 1094 if

(a) section 1094 were read as if "Québec property" and "Québec" were replaced, wherever they appear except in subparagraphs ii and iii of paragraph *c*, by "Canadian property" and "Canada", respectively;

(b) subparagraph ii of paragraph *c* of section 1094 were read as if "Québec resource property within the meaning of subparagraph *d* of the first paragraph of section 1089" were replaced by "Canadian resource property"; and

(c) subparagraph iii of paragraph *c* of section 1094 were read as if "Québec timber resource property within the meaning of subparagraph *e* of the first paragraph of section 1089" were replaced by "timber resource property".

1972, c. 23, s. 819; 2019, c. 14, s. 437.

1096. For the purposes of sections 1094 and 1095, a property is deemed to include, at a particular time, a right in or an option in respect of the property, whether or not the property exists at that time.

1975, c. 22, s. 247; 1986, c. 19, s. 200; 1993, c. 16, s. 347; 1997, c. 3, s. 71; 2001, c. 7, s. 156; 2011, c. 6, s. 216.

1096.1. If, in a taxation year, a person not resident in Canada ceases at any particular time to carry on a business described in paragraphs *a* to *g* of section 363 that the person was carrying on immediately before such cessation in one or more fixed places of business in Canada and either the person does not, after that time and during the same year, resume carrying on such a business at a fixed place of business in Canada or the person disposes of Canadian resource property at any time in the year during which the person was not carrying on such a business at a fixed place of business in Canada,

(a) in the case where the person is a corporation or a succession that is a graduated rate estate, a new taxation year is deemed to begin immediately after the particular time; and

(b) in the case where the person is an individual, other than a succession that is a graduated rate estate, the person's taxation year is deemed to end at the particular time and a new taxation year is deemed to begin immediately after that time.

1982, c. 5, s. 198; 1986, c. 19, s. 201; 1996, c. 39, s. 260; 2009, c. 5, s. 501; 2017, c. 1, s. 371.

1096.2. For the purposes of computing the income earned in Québec or the income earned in Canada by a person contemplated in section 1096.1 for the taxation year that ends at the particular time referred to in section 1096.1 or that begins immediately thereafter, such person or any partnership, other than a prescribed partnership, of which he is a member immediately after the particular time, is deemed, in the first case, to have disposed immediately before that time of each Canadian resource property that was owned by the person or partnership immediately after that time and to have received proceeds of disposition therefor, immediately before that time, equal to its fair market value at that time and, in the second case, to have reacquired, immediately after the particular time, each of such properties at a cost equal to the proceeds of disposition that the person or partnership is deemed to have received therefor.

1982, c. 5, s. 198; 1986, c. 19, s. 201; 1997, c. 3, s. 71; 2009, c. 5, s. 502.

1097. An individual not resident in Canada who proposes to dispose of any taxable Québec property other than property described in section 1102.1, property described in paragraph *c* or *d* of section 1094, or an excluded property may, before the disposition, send to the Minister a notice setting out

(a) the name and address of the proposed purchaser;

(b) a description of the property sufficiently precise to recognize it;

(c) the estimated amount of the proceeds of disposition to be received by him for such property; and

(d) the amount of the adjusted cost base of such property on the date of such notice.

The same rule applies in the case of a corporation not resident in Canada which proposes to dispose of a taxable Québec property which would be referred to in the first paragraph if that paragraph were read without reference to ", property described in paragraph *c* or *d* of section 1094,".

1972, c. 23, s. 820; 1973, c. 17, s. 129; 1982, c. 5, s. 199; 1984, c. 35, s. 31; 1996, c. 39, s. 261; 1997, c. 3, s. 71; 2001, c. 7, s. 157; 2004, c. 8, s. 192; 2011, c. 6, s. 217.

1098. The Minister shall issue without delay to the person contemplated in section 1097 and to the proposed purchaser upon receipt of the notice provided for in the said section and upon payment, on account of tax payable by such person, of an amount equal to 12.875% of the excess of the amount mentioned in subparagraph *c* of the first paragraph of section 1097 over that mentioned in subparagraph *d* of the said paragraph or upon the furnishing of a surety acceptable to the Minister in that respect, a certificate in prescribed form fixing the amount which such person proposes to receive from the disposition in accordance with subparagraph *c* of the said paragraph.

1972, c. 23, s. 821; 1973, c. 18, s. 30; 1986, c. 15, s. 195; 1991, c. 25, s. 173; 2003, c. 2, s. 285; 2005, c. 23, s. 238; 2015, c. 21, s. 501.

1099. Every person not resident in Canada shall, when the disposition of a property contemplated in section 1097 is made, give notice thereof to the Minister within ten days, by registered mail, where:

(a) the notice provided for in the said section has not been sent;

(b) the purchaser is not the proposed purchaser mentioned in the notice;

(c) the estimated amount mentioned in the notice provided for in section 1097 is less than the actual proceeds of disposition of such property;

(d) the amount of the adjusted cost base mentioned in the notice provided for in section 1097 in respect of such property exceeds its adjusted cost base immediately before its disposition.

Such notice must contain the information mentioned in subparagraphs *a* and *b* of the first paragraph of section 1097 and indicate the actual proceeds of disposition of the property and the amount of its adjusted cost base immediately before the disposition.

1972, c. 23, s. 822; 1975, c. 83, s. 84; 1986, c. 15, s. 196; 1997, c. 14, s. 290; 1999, c. 83, s. 273.

1100. The Minister shall issue without delay to the person contemplated in section 1099 and to the purchaser, upon receipt of the notice sent under the said section and upon payment, on account of tax payable by such person, of an amount equal to 12.875% of the excess of the proceeds of disposition of the property over its adjusted cost base immediately before its disposition or upon furnishing of a surety acceptable to the Minister in that respect, a certificate in prescribed form attesting such facts.

1972, c. 23, s. 823; 1991, c. 25, s. 174; 2003, c. 2, s. 296; 2005, c. 23, s. 239; 2015, c. 21, s. 502.

1101. Where a person, in this section referred to as the "purchaser", acquires a taxable Québec property contemplated in section 1097 from a person not resident in Canada, in this section referred to as the "vendor", the following rules apply:

(a) the purchaser is liable to pay to the Minister, as tax on behalf of the vendor, an amount equal to 12.875% of the amount by which the purchase price of the property to the purchaser exceeds, as the case may be, the amount set forth in the certificate issued under section 1098 in respect of the disposition of the property by the vendor to the purchaser;

(b) the purchaser is entitled to deduct from any amount which he pays to the vendor or to withhold from any amount which he credits him or to recover from him in any other manner the amount which he has paid under paragraph *a*;

(c) (subparagraph repealed);

(d) the purchaser shall within the 30 days after the end of the month in which he acquires the property, pay to the Minister the amount for which he is liable under subparagraph *a*.

The first paragraph does not apply to a purchaser if

(a) a certificate has been issued to the purchaser by the Minister under section 1100 in respect of the property;

(b) section 1101.1 applies to the acquisition; or

(c) after reasonable inquiry, the purchaser had no reason to believe that the vendor was not resident in Canada.

1972, c. 23, s. 824; 1973, c. 18, s. 31; 1975, c. 22, s. 248; 1984, c. 35, s. 32; 1991, c. 25, s. 175; 1997, c. 14, s. 290; 2003, c. 2, s. 287; 2009, c. 15, s. 369; 2015, c. 21, s. 503.

1101.1. This section applies to the acquisition of a property by a person (in this section referred to as the "purchaser") from a person not resident in Canada (in this section referred to as the "vendor") if

(a) the purchaser concludes after reasonable inquiry that the vendor is, under a tax agreement, within the meaning of section 1, that Canada has with a particular country, a person resident in the particular country;

(b) the property would be tax-agreement-protected property, within the meaning of section 1, of the vendor if the vendor were, under the tax agreement referred to in paragraph *a*, a person resident in the particular country; and

(c) the purchaser provides notice in accordance with section 1101.2 in respect of the acquisition.

2009, c. 15, s. 370.

1101.2. A person (in this section referred to as the "purchaser") who acquires a property from a person not resident in Canada (in this section referred to as the "vendor") provides notice in accordance with this section if the purchaser sends to the Minister, on or before the day that is 30 days after the date of the acquisition, a notice setting out

(a) the date of the acquisition of the property;

(b) the name and address of the vendor;

(c) a description of the property sufficient to identify it;

(d) the amount paid or payable by the purchaser for the property; and

(e) the name of the country with which Canada has entered into a tax agreement, within the meaning of section 1, under which the property is a tax-agreement-protected property, within the meaning of that section, for the purposes of section 1101.1 or 1102.5.

2009, c. 15, s. 370.

1102. Where a person not resident in Canada disposes or proposes to dispose of a property, other than excluded property, that is a life insurance policy described in subparagraph *k* of the first paragraph of section 1089, a Québec resource property within the meaning of subparagraph *d* of the first paragraph of section 1089 or a taxable Québec property, to a person with whom the person not resident in Canada was not dealing at arm's length, for no consideration or for consideration less than the fair market value at the time the person not resident in Canada so disposes of it or proposes to dispose of it, as the case may be, or to any person by way of gift *inter vivos*, the following rules apply:

(a) subparagraph *c* of the first paragraph of section 1097 must be read as a reference to "the amount he considers to be the fair market value of the property at the time he proposes to dispose of it";

(b) the reference in section 1098 to the amount which such person proposes to receive from the disposition must be read as a reference to the amount that such person considers to be the fair market value of the property;

(c) the references in sections 1099 and 1100 to the proceeds or actual proceeds of disposition of the property must be read as references to the fair market value of the property immediately before it was disposed of; and

(d) the references in sections 1101 and 1102.2 to the purchase price of the property must be read as references to its fair market value at the time it was acquired.

The first paragraph does not apply when, by reason of the death of a person, a property is transferred or distributed on or after his death.

1975, c. 22, s. 249; 1982, c. 5, s. 200; 1984, c. 15, s. 242; 1986, c. 15, s. 197; 1986, c. 19, s. 202; 2001, c. 7, s. 158; 2004, c. 8, s. 193; 2009, c. 15, s. 371.

1102.1. Where a person not resident in Canada disposes or proposes to dispose to a taxpayer, in a taxation year, property (other than excluded property) that is a life insurance policy described in subparagraph *k* of the first paragraph of section 1089, a Québec resource property within the meaning of subparagraph *d* of the first paragraph of section 1089, a Québec timber resource property within the meaning of subparagraph *e* of the first paragraph of section 1089, property (other than capital property) that is immovable property situated in Québec or depreciable property that is a taxable Québec property and the person not resident in Canada pays to the Minister, on account of tax payable for the year by the person not resident in Canada such an amount as

is reasonable to the Minister in respect of the disposition or proposed disposition of the property or furnishes the Minister with security acceptable to the Minister in respect of the disposition or proposed disposition of the property, the Minister shall forthwith issue to the person not resident in Canada and to the taxpayer a certificate in prescribed form fixing therein the amount of the proceeds of disposition or proposed disposition of the property or such other amount as is reasonable in the circumstances.

Property described in the first paragraph includes, at a particular time, any right, interest or option in respect of the property, whether or not the property exists at that time.

1982, c. 5, s. 201; 1984, c. 15, s. 243; 1986, c. 19, s. 203; 1993, c. 16, s. 348; 2001, c. 7, s. 159; 2004, c. 8, s. 194; 2009, c. 5, s. 504; 2015, c. 24, s. 156; 2019, c. 14, s. 438.

1102.2. Where in a taxation year a taxpayer acquires from a person not resident in Canada property referred to in section 1102.1, the following rules apply:

(a) the taxpayer shall pay, as tax on behalf of such person, an amount equal to 30% of the amount by which his purchase price of the property exceeds the amount indicated in the certificate referred to in section 1102.1;

(b) the taxpayer is entitled to deduct or withhold from any amount paid or credited by him to such person or to otherwise recover from such person the amount paid by him under subparagraph *a*; and

(c) the taxpayer shall, within 30 days after the end of the month in which he acquired the property, remit to the Minister the amount for which he is liable under subparagraph *a*.

The first paragraph does not apply to a taxpayer if section 1101.1 applies to the acquisition or if, after reasonable inquiry, the taxpayer had no reason to believe that the person from whom the taxpayer acquired the property was not resident in Canada.

1982, c. 5, s. 201; 2009, c. 15, s. 372.

1102.3. Where a person not resident in Canada has disposed of a life insurance policy referred to in paragraph *k* of section 1089, by virtue of section 967 or of a surrender, a policy loan, the dissolution of an interest in the policy by virtue of the maturity of the policy or a particular payment referred to in paragraph *a* of section 966, the insurer is, for the purposes of sections 1102.1 and 1102.2, deemed to be the taxpayer who acquired the property for an amount equal to the proceeds of disposition as determined under sections 966 to 977.1.

1984, c. 15, s. 244; 2001, c. 53, s. 249.

1102.4. For the purposes of sections 1097, 1102 and 1102.1, excluded property of a person not resident in Canada means

(a) a property that is taxable Québec property solely because a provision of this Act deems it to be a taxable Québec property;

(a.1) property, other than an immovable property situated in Québec, a Québec resource property within the meaning of subparagraph *d* of the first paragraph of section 1089 or a Québec timber resource property within the meaning of subparagraph *e* of the first paragraph of that section, that is used in Québec by the person and included in the inventory of a business;

(b) a security listed on a recognized stock exchange, that is

i. a share of a class of shares of the capital stock of a corporation, or

ii. an investment in a SIFT wind-up entity;

(c) a unit of a mutual fund trust;

(d) a bond, debenture, bill, note, hypothecary claim, mortgage or similar obligation;

(e) property of an insurer not resident in Canada that

i. is licensed or otherwise authorized under the laws of Canada or a province to carry on an insurance business in Canada, and

ii. carries on an insurance business, within the meaning of section 817, in Canada;

(f) property of an authorized foreign bank that carries on a Canadian banking business;

(g) an option in respect of property referred to in any of paragraphs *a* to *f* whether or not such property is in existence;

(h) an interest in property referred to in any of paragraphs *a* to *g*; and

(i) a property that is, at the time of its disposition, a tax-agreement-exempt property, within the meaning of section 1102.5, of the person.

2001, c. 7, s. 160; 2004, c. 8, s. 195; 2005, c. 1, s. 280; 2009, c. 5, s. 505; 2009, c. 15, s. 373; 2010, c. 5, s. 189; 2010, c. 25, s. 196.

1102.5. For the purposes of paragraph *i* of section 1102.4, a property is a tax-agreement-exempt property of a person not resident in Canada, at the time of that person's disposition of the property to another person (in this section referred to as the "purchaser"), if

(a) it is, at that time, a tax-agreement-protected property, within the meaning of section 1, of the person not resident in Canada; and

(b) if the purchaser and the person not resident in Canada are related at that time, the purchaser provides notice in accordance with section 1101.2 in respect of the disposition.

2009, c. 15, s. 374.

PART III

INVESTMENT INSTITUTIONS

1972, c. 23.

BOOK I

INVESTMENT CORPORATIONS

1972, c. 23; 1997, c. 3, s. 71.

1103. An investment corporation may, for the purpose of computing the tax contemplated in subsection 1 of section 771 for a taxation year, deduct from its taxable income for the year its taxed capital gains for the year.

1972, c. 23, s. 825; 1976, c. 18, s. 17; 1994, c 22, s. 336; 1997, c. 3, s. 71.

1104. For the purposes of this Book, a corporation is an investment corporation throughout any taxation year in respect of which the expression is being applied if it complies with the following conditions:

(a) it was throughout the year a Canadian corporation that was a public corporation;

(b) not less than 80% of its property throughout the year consisted of shares, bonds, marketable securities or cash;

(c) not less than 95% of its income, determined without reference to section 295, for the year was derived from, or from dispositions of, property described in paragraph *b*;

(d) not less than 85% of its gross revenue for the year was from sources in Canada;

(e) not more than 25% of its gross revenue for the year was from interest;

(f) at no time in the year did more than 10% of its property consist of shares, bonds or other securities of any one corporation or debtor other than the State or Her Majesty in right of Canada or a province, within the meaning of section 1, other than Québec, or other than a Canadian municipality;

(g) no person would have been a specified shareholder of the corporation in the year if

i. section 21.17 were read as if "not less than 10%" were replaced by "more than 25%" and without reference to "of any other corporation that is related to the corporation",

ii. paragraph *a* of section 21.18 were read as if "with whom the taxpayer does not deal at arm's length" were replaced by "related to the taxpayer",

iii. section 21.18 were read without reference to paragraph *d* of that section, and

iv. paragraph *a* of subsection 1 of section 19 were read as follows:

"(*a*) an individual and

i. the individual's child, as defined in subparagraph *d* of the first paragraph of section 451, who is under 19 years of age, or

ii. the individual's spouse;"; and

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

1972, c. 23, s. 828; 1973, c. 17, s. 130; 1973, c. 18, s. 32; 1976, c. 18, s. 19; 1980, c. 13, s. 107; 1982, c. 5, s. 202; 1993, c. 16, s. 349; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1998, c. 16, s. 251; 2001, c. 7, s. 161; 2017, c. 1, s. 372.

1104.0.1. In this Book, "taxed capital gains" of a corporation for a taxation year means the amount by which its taxable capital gains for the year from the disposition of property exceed the aggregate of its allowable capital losses for the year from the disposition of property and the amount deducted under section 729 for the purpose of computing its taxable income for the year.

1994, c. 22, s. 337; 1997, c. 3, s. 71.

1104.1. Where a corporation so elects in the fiscal return it is required to file under this Act for a taxation year, each property of the corporation that is a share or indebtedness of another Canadian corporation that is, at any time in the year, a subsidiary wholly-owned corporation of the corporation is deemed, for the purposes of paragraphs *b* and *f* of section 1104 not to be owned by the corporation at that time, and each property owned by the other corporation at that time is deemed, for the purposes of the said paragraphs, to be owned by the corporation at that time.

1993, c. 16, s. 350; 1997, c. 3, s. 71.

1105. The aggregate to which paragraph *h* of section 1104 refers in respect of the corporation contemplated therein is the aggregate of the following amounts:

(a) 66 2/3% of the amount by which its taxable income for the year exceeds its taxed capital gains for the year; and

(b) the amount by which the taxable dividends received by the corporation during the year, to the extent that such dividends are deductible from its income for the year under sections 738 to 749, exceeds the amount that the corporation's non-capital losses for the year would be if the amount determined in paragraph *b* of section 28 in respect of the corporation for the year was nil.

1976, c. 18, s. 20; 1982, c. 5, s. 203; 1994, c. 22, s. 338; 1997, c. 3, s. 71.

1106. Where at any particular time a dividend becomes payable by a corporation that is an investment corporation throughout the taxation year during which the dividend becomes payable, the corporation may elect in prescribed manner, in respect of the full amount of the dividend, that the following rules apply:

(a) the dividend is deemed to be a capital gains dividend payable out of the corporation's capital gains dividend account, within the meaning of the regulations, to the extent that it does not exceed the corporation's capital gains dividend account at that time;

(b) despite any other provision of this Act, where an amount is received by a taxpayer in a taxation year as the dividend, the amount

i. shall not be included in computing the taxpayer's income for the year as income from a share of the capital stock of the corporation, and

ii. is deemed to be a capital gain of the taxpayer from the disposition by the taxpayer of a capital property in the year.

1972, c. 23, s. 829; 1974, c. 18, s. 40; 1976, c. 18, s. 21; 1982, c. 5, s. 204; 1988, c. 4, s. 143; 1990, c. 59, s. 356; 1994, c. 22, s. 339; 1996, c. 39, s. 262; 1997, c. 3, s. 71; 2003, c. 2, s. 288; 2017, c. 29, s. 206.

1106.0.1. *(Repealed).*

2003, c. 2, s. 289; 2017, c. 29, s. 207.

1106.0.2. *(Repealed).*

2003, c. 2, s. 289; 2017, c. 29, s. 207.

1106.0.3. *(Repealed).*

2003, c. 2, s. 289; 2017, c. 29, s. 207.

1106.0.4. *(Repealed).*

2003, c. 2, s. 289; 2017, c. 29, s. 207.

1106.0.5. *(Repealed).*

2003, c. 2, s. 289; 2017, c. 29, s. 207.

1106.1. Notwithstanding any other provision of this Act, an investment corporation that at any time would, but for this section, be a restricted financial institution is deemed not to be a restricted financial institution at that time, if before that time it has made the election prescribed in subsection 10 of section 131 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

An investment corporation that has made the election referred to in the first paragraph shall transmit to the Minister, at or before the time the election was made, a copy of the documents it is required to file under subsection 10 of section 131 of the Income Tax Act.

1990, c. 59, s. 357; 1997, c. 3, s. 71.

1106.2. Division XIII of Chapter IV of Title IV of Book III of Part I and Chapters IV to VI of Title IX of that Book III do not apply to a taxpayer who holds a share (in this section referred to as the "old share") of a class of shares of the capital stock, that is recognized under securities legislation as or as part of an investment fund, of an investment corporation if the taxpayer exchanges or otherwise disposes of the old share for another share (in this section referred to as the "new share") of an investment corporation, unless

(a) if the exchange or disposition occurs in the course of a transaction, event or series of transactions or events described in section 541 or in subsections 1 and 2 of section 544,

i. all shares of the class (determined without reference to section 1.3) that includes the old share at the time of the exchange or disposition are exchanged for shares of the class that includes the new share,

ii. the old share and the new share derive their value in the same proportion from the same property or group of properties, and

iii. the transaction, event or series of transactions or events was undertaken solely for bona fide purposes and not to cause this section to apply; or

(b) if the old share and the new share are shares of the same class (determined without reference to section 1.3) of shares of the same investment corporation,

i. the old share and the new share derive their value in the same proportion from the same property or group of properties held by the corporation that is allocated to that class, and

ii. that class is recognized under securities legislation as or as part of a single investment fund.

2019, c. 14, s. 439.

1107. Unless otherwise provided in this Book, Part I applies, with the necessary modifications, to an investment corporation.

1972, c. 23, s. 830; 1995, c. 63, s. 261; 1997, c. 3, s. 71.

BOOK II

MORTGAGE INVESTMENT CORPORATIONS

1974, c. 18, s. 41; 1997, c. 3, s. 71.

1108. In this Book,

"mortgage investment corporation" has the meaning assigned by the regulations;

"taxed capital gains" has the meaning assigned by section 1104.0.1.

1974, c. 18, s. 41; 1985, c. 25, s. 162; 1994, c. 22, s. 340; 1995, c. 49, s. 234; 1996, c. 39, s. 263; 1997, c. 3, s. 65.

1109. A mortgage investment corporation may deduct in computing its income the taxable dividends, other than capital gains dividends, which it pays during the year or within the 90 days following the end of such year.

However, such deduction may be made only to the extent that such dividends were not deductible by the corporation in computing its income for the preceding year.

1974, c. 18, s. 41; 1978, c. 26, s. 212; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

1110. A mortgage investment corporation may also deduct in computing its income, subject to the second paragraph, 1/2 of the capital gains dividends which it pays during the period beginning 91 days after the commencement of the year and ending 90 days after the end of such year.

However, where the year includes 28 February 2000 or 17 October 2000, or begins after 28 February 2000 and ends before 17 October 2000, the reference to the fraction "1/2" in the first paragraph shall be read as a reference to the fraction in paragraphs *a* to *d* of section 231.0.1 that applies to the corporation for the year.

1974, c. 18, s. 41; 1990, c. 59, s. 358; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2003, c. 2, s. 290.

1111. A mortgage investment corporation cannot make any deduction under sections 738 to 745.

1974, c. 18, s. 41; 1975, c. 22 s. 250; 1997, c. 3, s. 71.

1112. For the purposes of this Act, any amount received by a shareholder of a mortgage investment corporation as a taxable dividend other than a capital gains dividend, is deemed to have been received as interest on a bond issued by the corporation after 1971, where such dividend has been paid in a taxation year during the whole of which the corporation was a mortgage investment corporation or within the 90 days following the end of such year.

1974, c. 18, s. 41; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

1113. Where a dividend is paid at any particular time during the period referred to in the first paragraph of section 1110, the mortgage investment corporation may elect in prescribed manner, in respect of the full amount of the dividend, that the following rules apply:

(a) the dividend is deemed to be a capital gains dividend to the extent that, subject to the second paragraph, it does not exceed the amount by which twice the taxed capital gains of the corporation for the year exceeds the aggregate of all dividends, and parts of dividends, paid by the corporation during the period and before the particular time that are deemed under this paragraph to be capital gains dividends; and

(b) despite any other provision of this Act, where an amount is received by a taxpayer in a taxation year as the dividend, the amount

i. shall not be included in computing the taxpayer's income for the year as income from a share of the capital stock of the corporation, and

ii. is deemed to be a capital gain of the taxpayer from the disposition by the taxpayer of a capital property in the year.

1974, c. 18, s. 41; 1986, c. 19, s. 204; 1987, c. 67, s. 198; 1990, c. 59, s. 359; 1994, c. 22, s. 341; 1996, c. 39, s. 264; 1997, c. 3, s. 71; 2003, c. 2, s. 291; 2017, c. 29, s. 208.

1113.1. *(Repealed).*

2003, c. 2, s. 292; 2017, c. 29, s. 209.

1113.2. *(Repealed).*

2003, c. 2, s. 292; 2017, c. 29, s. 209.

1113.3. *(Repealed).*

2003, c. 2, s. 292; 2017, c. 29, s. 209.

1113.4. *(Repealed).*

2003, c. 2, s. 292; 2017, c. 29, s. 209.

1114. For the purposes of this Act, a mortgage investment corporation is deemed to be a public corporation.

1974, c. 18, s. 41; 1997, c. 3, s. 71.

1115. Unless otherwise provided in this Book, Part I applies, with the necessary modifications, to a mortgage investment corporation.

1974, c. 18, s. 41; 1995, c. 63, s. 261; 1997, c. 3, s. 71.

BOOK III

MUTUAL FUND CORPORATIONS

1972, c. 23; 1996, c. 39, s. 265.

1116. Where at any particular time a dividend becomes payable by a corporation that is a mutual fund corporation throughout the taxation year during which the dividend becomes payable, the corporation may elect in prescribed manner, in respect of the full amount of the dividend, that the following rules apply:

(a) the dividend is deemed to be a capital gains dividend payable out of the corporation's capital gains dividend account, within the meaning of the regulations, to the extent that it does not exceed the corporation's capital gains dividend account at that time;

(b) despite any other provision of this Act, where an amount is received by a taxpayer in a taxation year as the dividend, the amount

i. shall not be included in computing the taxpayer's income for the year as income from a share of the capital stock of the corporation, and

ii. is deemed to be a capital gain of the taxpayer from the disposition by the taxpayer of a capital property in the year.

1972, c. 23, s. 831; 1974, c. 18, s. 42; 1976, c. 18, s. 22; 1982, c. 5, s. 205; 1987, c. 67, s. 199; 1990, c. 59, s. 360; 1994, c. 22, s. 342; 1996, c. 39, s. 266; 1997, c. 3, s. 71; 2003, c. 2, s. 293; 2017, c. 29, s. 210.

1116.1. *(Repealed).*

2003, c. 2, s. 294; 2017, c. 29, s. 211.

1116.2. *(Repealed).*

2003, c. 2, s. 294; 2017, c. 29, s. 211.

1116.3. *(Repealed).*

2003, c. 2, s. 294; 2017, c. 29, s. 211.

1116.4. *(Repealed).*

2003, c. 2, s. 294; 2017, c. 29, s. 211.

1116.5. *(Repealed).*

2003, c. 2, s. 294; 2017, c. 29, s. 211.

1117. Subject to section 1117.1, a corporation is a mutual fund corporation at any time in a taxation year if, at that time, it is a prescribed corporation or:

(a) it is a Canadian corporation which is a public corporation;

(b) its only undertaking is

i. the investing of its funds in property, other than immovable property or a right in immovable property,

ii. the acquiring, holding, maintaining, improving, leasing or managing of any immovable property, or any right in immovable property, that is capital property of the corporation, or

iii. any combination of the activities described in subparagraphs i and ii;

(c) the issued shares of its capital stock include, for a value at least equal to 95% of the fair market value of all the issued shares, without regard to the voting rights:

i. shares including conditions requiring the corporation to redeem, upon application of the holder and at the price fixed and payable according to the conditions, the said shares, in whole or in part, if they are fully paid-up; or

ii. shares meeting the conditions prescribed as to their redemption.

1972, c. 23, s. 832; 1993, c. 16, s. 351; 1996, c. 39, s. 267; 1997, c. 3, s. 71; 2001, c. 7, s. 162; 2020, c. 16, s. 182.

1117.0.1. A corporation is deemed to be a mutual fund corporation from the date it was incorporated until 31 December 2017 or, if it is earlier, the date the corporation meets the conditions to qualify as a mutual fund corporation under section 1117, if it has made a valid election under paragraph *d* of subsection 8.01 of section 131 of the Income Tax Act (R.S.C. 1985, c. 1, 5th (Suppl.)).

2019, c. 14, s. 440.

1117.1. Where, at any time, it may reasonably be considered that a corporation, having regard to all the circumstances, including the terms and conditions of the shares of the capital stock of the corporation, was established or exists primarily for the benefit of persons not resident in Canada, the corporation is deemed not to be a mutual fund corporation after that time unless

(a) throughout the period that begins on the later of 21 February 1990 and the day of its incorporation and ends at that time, all or substantially all of its property consisted of property other than property that would be taxable Canadian property if section 1094 were read without reference to paragraph *b* thereof; or

(b) the corporation has not issued a share, other than a share issued as a stock dividend, of its capital stock after 20 February 1990 and before that time to a person that, after reasonable inquiry, it had reason to believe was not resident in Canada, except where the share was issued to that person pursuant to an agreement in writing entered into before 21 February 1990.

1993, c. 16, s. 352; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 2004, c. 8, s. 196.

1118. The presumption provided in sections 504 to 510 in respect of the payment or receipt of a dividend does not apply if the corporation, at the time where such presumption would apply, is a mutual fund corporation.

1972, c. 23, s. 833; 1975, c. 22, s. 251; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

1118.1. Notwithstanding any other provision of this Act, a mutual fund corporation that at any time would, but for this section, be a restricted financial institution is deemed not to be a restricted financial institution at that time, if before that time it has made the election contemplated in subsection 10 of section 131 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

A mutual fund corporation that has made the election referred to in the first paragraph shall transmit to the Minister, at or before the time the election was made, a copy of the documents it is required to file under subsection 10 of section 131 of the Income Tax Act.

1990, c. 59, s. 361; 1996, c. 39, s. 273.

1118.2. Division XIII of Chapter IV of Title IV of Book III of Part I and Chapters IV to VI of Title IX of that Book III do not apply to a taxpayer who holds a share (in this section referred to as the "old share") of a class of shares of the capital stock, that is recognized under securities legislation as or as part of an investment fund, of a mutual fund corporation if the taxpayer exchanges or otherwise disposes of the old share for another share (in this section referred to as the "new share") of a mutual fund corporation, unless

(a) if the exchange or disposition occurs in the course of a transaction, event or series of transactions or events described in section 541 or in subsections 1 and 2 of section 544,

i. all shares of the class (determined without reference to section 1.3) that includes the old share at the time of the exchange or disposition are exchanged for shares of the class that includes the new share,

ii. the old share and the new share derive their value in the same proportion from the same property or group of properties, and

iii. the transaction, event or series of transactions or events was undertaken solely for bona fide purposes and not to cause this section to apply;

(b) if the old share and the new share are shares of the same class (determined without reference to section 1.3) of shares of the same mutual fund corporation,

i. the old share and the new share derive their value in the same proportion from the same property or group of properties held by the corporation that is allocated to that class, and

ii. that class is recognized under securities legislation as or as part of a single investment fund; or

(c) the exchange is made as a consequence of the application of section 11.1 of the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1) in respect of the taxpayer.

2019, c. 14, s. 441.

1119. Section 1103 applies, with the necessary modifications, in respect of a taxation year, to a corporation which was a mutual fund corporation throughout the year and, unless otherwise provided in this Book, Part I applies, with the necessary modifications, to a mutual fund corporation.

1972, c. 23, s. 834; 1976, c. 18, s. 23; 1995, c. 63, s. 229; 1996, c. 39, s. 273; 1997, c. 3, s. 71.

BOOK IV

MUTUAL FUND TRUST

1972, c. 23; 1996, c. 39, s. 273.

1120. Subject to section 1120.1, a trust is a mutual fund trust at any time if, at that time,

(a) it was a unit trust resident in Canada;

(b) its only undertaking was

i. the investing of its funds in property, other than immovable property or an interest in immovable property,

ii. the acquiring, holding, maintaining, improving, leasing or managing of any immovable property, or interest in immovable property, that is capital property of the trust, or

iii. any combination of the activities described in subparagraphs i and ii; and

(c) it complied with the prescribed conditions.

1972, c. 23, s. 835; 1973, c. 17, s. 131; 1993, c. 16, s. 353; 1996, c. 39, s. 273; 1997, c. 31, s. 131; 2001, c. 7, s. 163; 2009, c. 5, s. 506.

1120.0.0.1. Where an amount (in this section and section 1120.0.0.2 referred to as the "allocated amount") is paid or became payable to a beneficiary, in a taxation year, by a trust that is a mutual fund trust throughout the year, for the redemption of a unit of the trust that is owned by the beneficiary and where the beneficiary's proceeds from the disposition of the unit do not include the allocated amount, in computing the trust's income for the year no deduction may be made in respect of

(a) the portion of the allocated amount that would be, but for paragraph *a* of section 657, an amount paid out of the income (other than taxable capital gains) of the trust; and

(b) the portion of the allocated amount determined by the formula

$$A - 0.5 (B + C - D).$$

In the formula in subparagraph *b* of the first paragraph,

(a) A is the portion of the allocated amount that would be, but for paragraph *a* of section 657, an amount paid out of the taxable capital gains of the trust;

(b) B is the beneficiary's proceeds from the disposition of the unit on the redemption;

(c) C is the allocated amount; and

(d) D is the amount determined by the trustee to be the beneficiary's cost amount of the unit, the trustee being required to use reasonable efforts to obtain the information required to determine the cost amount.

2022, c. 23, s. 130; 2023, c. 19, s. 122.

1120.0.0.2. The following rules apply in respect of the redemption of units of a mutual fund trust in a taxation year referred to in section 1120.0.0.1:

(a) where all of the units offered in the taxation year by the mutual fund trust are listed on a designated stock exchange located in Canada and are in continuous distribution (in this section referred to as "exchange traded fund units"), subparagraph *b* of the first paragraph of section 1120.0.0.1 does not apply and no deduction may be made by the trust in computing its income for the taxation year in respect of the amount determined by the formula

A – [B/(C + B) × D]; and

(b) where the units offered by the mutual fund trust include exchange traded fund units and units that are not exchange traded fund units (in this section referred to as "non-exchange traded fund units"), the following rules apply:

i. in respect of redemptions of exchange traded fund units, subparagraph *b* of the first paragraph of section 1120.0.0.1 does not apply, subparagraph *a* applies and the second paragraph is to be read

(1) as if subparagraph 2 of subparagraph ii of subparagraph *b* were replaced by the following subparagraph:

"(2) the portion of the net asset value of the trust at the end of the previous taxation year that relates to the exchange traded fund units;",

(2) as if subparagraph *c* were replaced by the following subparagraph:

"(*c*) C is the portion of the net asset value of the trust at the end of the taxation year that relates to the exchange traded fund units;", and

(3) as if subparagraph *d* were replaced by the following subparagraph:

"(*d*) D is the amount determined by the formula

E/C × F;", and

ii. in respect of redemptions of non-exchange traded fund units, in addition to the limitation provided for in subparagraph *b* of the first paragraph of section 1120.0.0.1, the aggregate of all amounts deductible in computing the trust's income for the taxation year in respect of the portion of the allocated amounts determined under subparagraph *a* of the second paragraph of section 1120.0.0.1, in respect of non-exchange traded fund units, may not exceed the amount determined by the formula

G/C × F.

In the formulas in the first paragraph,

(a) A is the portion of the aggregate of all allocated amounts for the taxation year in respect of redemptions of exchange traded fund units of the trust owned by beneficiaries of the trust during that taxation year that would be, but for paragraph *a* of section 657, amounts paid out of the trust's taxable capital gains;

(b) B is the lesser of

i. the aggregate of the amounts paid for redemptions of exchange traded fund units in the taxation year, and

ii. the greater of

(1) the amount determined under subparagraph *c*, and

(2) the net asset value of the trust at the end of the previous taxation year;

(c) C is the net asset value of the trust at the end of the taxation year;

(d) D is the amount that would be, but for paragraph *a* of section 657, the trust's net taxable capital gains determined under section 668.3 for the taxation year;

(e) E is the portion of the net asset value of the trust at the end of the taxation year that relates to the exchange traded fund units;

(f) F is the amount that would be, but for paragraph *a* of section 657, the trust's net taxable capital gains determined under section 668.3 for the taxation year; and

(g) G is the portion of the net asset value of the trust at the end of the taxation year that relates to the non-exchange traded fund units.

For the purposes of this section, "net asset value" has the meaning assigned by National Instrument 81-102 Investment Funds, as amended from time to time and published by the Canadian Securities Administrators.

2023, c. 19, s. 123.

1120.0.1. If a trust becomes a mutual fund trust at any particular time before the 91st day after the end of its first taxation year, and the trust makes a valid election under subsection 6.1 of section 132 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) after 19 December 2006, the trust is deemed to have been a mutual fund trust from the beginning of that year until the particular time.

Chapter V.2 of Title II of Book I of Part I applies in relation to an election made under subsection 6.1 of section 132 of the Income Tax Act or in relation to an election made under this section before 20 December 2006.

2001, c. 7, s. 164; 2001, c. 53, s. 250; 2009, c. 5, s. 507.

1120.0.2. A trust is deemed to be a mutual fund trust throughout a calendar year where

(a) at any time in the year, the trust would, but for this section, have ceased to be a mutual fund trust

i. because the condition described in paragraph *a* of section 649 ceased to be satisfied,

ii. because of the application of paragraph *c* of section 1120, or

iii. because the trust ceased to exist;

(b) the trust was a mutual fund trust at the beginning of the year; and

(c) the trust would, throughout the portion of the year throughout which it was in existence, have been a mutual fund trust if

i. in the case where the condition described in paragraph *a* of section 649 was satisfied at any time in the year, that condition was satisfied throughout the year,

ii. section 1120 were read without reference to paragraph *c* thereof, and

iii. this Book were read without reference to this section.

2003, c. 2, s. 295.

1120.1. Where, at any time, it may reasonably be considered that a trust, having regard to all the circumstances, including the terms and conditions of the units of the trust, was established or exists primarily for the benefit of persons not resident in Canada, the trust is deemed not to be a mutual fund trust after that time unless

(a) at that time, all or substantially all of its property is property other than property that would be taxable Canadian property of the trust if section 1094 was read without reference to its paragraph *b*; or

(b) the trust has not issued any units, other than units referred to in the second paragraph, after 20 February 1990 and before that time to a person who, after reasonable inquiry, it had reason to believe was not resident in Canada, except where the units were issued to that person under an agreement in writing entered into before 21 February 1990.

The units to which subparagraph *b* of the first paragraph refers are the following:

(a) a unit issued to a person as a payment of an amount out of the trust's income determined before the application of sections 657 and 657.1, or out of the trust's capital gains; or

(b) a unit issued to a person in consideration for the person's right to enforce payment of an amount out of the trust's income or capital gains referred to in subparagraph *a*.

1993, c. 16, s. 354; 1996, c. 39, s. 273; 2004, c. 8, s. 197; 2009, c. 5, s. 508.

1121. Part I applies to a mutual fund trust except that in section 667 the expression "dividend other than a taxable dividend" must be replaced by the expression "capital dividend".

1972, c. 23, s. 836; 1996, c. 39, s. 273.

1121.1. For the purposes of Part I, where a trust in its fiscal return filed under this Part for a taxation year throughout which it was a mutual fund trust designates a particular amount, established for the year under section 1121.2, in respect of a particular unit of the trust owned by a taxpayer at any time in the year, the following rules apply:

(a) the particular amount shall, subject to section 1121.4, be deductible in computing the income of the trust for the year;

(b) the particular amount shall be included in computing the income of the taxpayer for his taxation year in which the year of the trust ends, except that where the particular unit was owned by two or more taxpayers during the year, such part of the particular amount as the trust may determine shall, if the aggregate of all such parts is equal to that particular amount, be included in computing the income of each such taxpayer for his taxation year in which the year of the trust ends.

1990, c. 59, s. 362; 1996, c. 39, s. 273.

1121.2. The particular amount referred to in section 1121.1 for a taxation year of a mutual fund trust in respect of a particular unit thereof is equal to the aggregate of

(a) such amount as the trust may determine in respect of the particular unit for the year not exceeding the amount by which the aggregate of all amounts determined by it under section 670, as that section read before

being repealed, for its taxation years commencing before 1 January 1988 exceeds the aggregate of those determined by it under this paragraph for the year or a preceding taxation year in respect of all its units, except the amount determined by it in respect of the particular unit for the year under this paragraph;

(b) such amount as the trust may determine in respect of the particular unit for the year not exceeding the amount by which the aggregate of all amounts described in subparagraph i.1 of paragraph *n* of section 257 that became payable by the trust after 31 December 1987 and before the year exceeds the aggregate of those determined by it under this paragraph for the year or a preceding taxation year in respect of all its units, except the amount determined by it in respect of the particular unit for the year under this paragraph.

1990, c. 59, s. 362; 1996, c. 39, s. 273; 1997, c. 31, s. 132.

1121.3. A taxpayer shall add, in computing, at any time in his taxation year, the adjusted cost base to him of a unit in a mutual fund trust, that part of the amount included in computing his income under section 1121.1 that is reasonably attributable to the amount determined under paragraph *b* of section 1121.2 by the trust for its taxation year ending in the year in respect of the unit owned by the taxpayer.

1990, c. 59, s. 362; 1996, c. 39, s. 273.

1121.4. The aggregate of amounts deductible under paragraph *a* of section 1121.1 in computing the income of a trust for a taxation year shall not exceed the amount that would be the income of the trust for the year if no deductions were allowed under paragraph *a* of section 657 and section 1121.1.

1990, c. 59, s. 362.

1121.5. For the purposes of paragraph *a* of section 1121.1 and section 1121.4, the amount by which the aggregate of all amounts each of which is an amount designated by a trust for a particular taxation year under section 1121.1 exceeds the amount deductible under section 1121.1 in computing its income for the particular year is deemed to be an amount designated by the trust under section 1121.1 for its taxation year following the particular year.

1990, c. 59, s. 362.

1121.6. For the purposes of paragraph *a* of section 1121.1, a particular amount designated under the said section for a taxation year of a mutual fund trust in respect of a unit of the trust owned at any time in the year by a taxpayer who was a person exempt from tax under this Part by reason of Book VIII of Part I shall have no effect where it is reasonable to conclude that an amount determined by the trust under paragraph *a* or *b* of section 1121.2 for the year in respect of the unit or, in respect of the amount designated, under paragraph *b* of section 1121.1 differs from the amount that would have been so determined for the year in respect of the taxpayer had he not been such a person.

1990, c. 59, s. 362; 1996, c. 39, s. 273.

1121.7. Despite any other provision of this Act and subject to the second paragraph, if a trust has made a valid election under subsection 1 of section 132.11 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), other than an election in respect of which the rules set out in subsection 1.1 of section 132.11 of that Act apply as a result of an application made by the trust under that subsection 1.1 and granted by the Minister of National Revenue before 20 December 2006, the following rules apply:

(a) if a taxation year of the trust (determined for the purposes of the Income Tax Act) ends, because of paragraph *a* of subsection 1 of section 132.11 of that Act, on 15 December of a particular calendar year, the trust's taxation year (determined for the purposes of this Act) that includes that date is deemed to end on that date; and

(b) if a taxation year of the trust (determined for the purposes of the Income Tax Act) ends, because of paragraph *a* of subsection 1 of section 132.11 of that Act, on 15 December of a particular calendar year, each of its taxation years (determined for the purposes of this Act) that end after that date is deemed, subject to section 1121.7.1, to be the period that begins on 16 December of a calendar year and ends on 15 December of

the following calendar year or at such earlier time as is determined under paragraph *a* or *b* of section 6.2, paragraph *a*.1 of section 785.1, paragraph *b* of section 785.5 or paragraph *a*.1 of section 851.22.23.

If, because of a particular election made under subsection 1 of section 132.11 of the Income Tax Act, a particular taxation year of a trust (determined for the purposes of that Act) ended on 15 December 2006 and if a taxation year of the trust (determined for the purposes of this Act) ended on 31 December 2005, the following rules apply:

(a) if paragraph *a* of subsection 1.1 of section 132.11 of that Act does not apply in respect of the taxation year of the trust that follows the particular taxation year,

i. subparagraph *b* of the first paragraph does not apply in respect of a taxation year of the trust (determined for the purposes of this Act) that began before 16 December 2007, and

ii. the taxation year of the trust (determined for the purposes of this Act) that includes 15 December 2007 is deemed to end on that date and a new taxation year of the trust (determined for the purposes of this Act) is deemed to begin immediately after that date; and

(b) if paragraph *a* of subsection 1.1 of section 132.11 of that Act applies in respect of the taxation year of the trust that follows the particular taxation year, the first paragraph applies as if the particular election had not been made.

Chapter V.2 of Title II of Book I of Part I applies in relation to an election made under subsection 1 of section 132.11 of the Income Tax Act.

2001, c. 53, s. 251; 2004, c. 8, s. 198; 2009, c. 5, s. 509; 2017, c. 29, s. 212.

1121.7.1. If, for the purposes of this Act, a particular taxation year of a trust ends on 15 December of a calendar year because of an election referred to in section 1121.7 or because of the second paragraph of that section, if the trust applies to the Minister of National Revenue, in accordance with subsection 1.1 of section 132.11 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), to have that subsection 1.1 apply in relation to its taxation years that follow the particular year, and if the Minister of National Revenue grants the application after 19 December 2006, the following rules apply:

(a) the trust's taxation year following the particular year is deemed to begin immediately after the end of the particular year and end at the end of that calendar year; and

(b) each subsequent taxation year of the trust is deemed to be determined as if that election had not been made.

Chapter V.2 of Title II of Book I of Part I applies in relation to an application made under subsection 1.1 of section 132.11 of the Income Tax Act and granted by the Minister of National Revenue.

2004, c. 8, s. 199; 2009, c. 5, s. 510.

1121.8. Where a trust is a member of a partnership a fiscal period of a business or property of which ends in a calendar year after 15 December of the year and a particular taxation year of the trust ends on 15 December of the year because of section 1121.7, each amount otherwise determined under paragraph *f* or *g* of section 600 to be the trust's income or loss for a taxation year subsequent to that year is deemed to be the trust's income or loss determined under that paragraph for the particular year and not for the subsequent year.

2001, c. 53, s. 251.

1121.9. Where a particular trust is a beneficiary under another trust a taxation year of which, in this section referred to as the "other year", ends in a calendar year after 15 December of the year and a particular taxation year of the particular trust ends on 15 December of the year because of section 1121.7, each amount otherwise determined or designated under section 663, 666, 668, 669.3 or 671 for the other year that would

otherwise be included, or taken into account, in computing the income of the particular trust for a taxation year subsequent to that year shall be included, or taken into account, in computing the particular trust's income for the particular year and not be included, or taken into account, in computing the particular trust's income for the subsequent year.

2001, c. 53, s. 251.

1121.10. For the purposes of subparagraph *e* of the second paragraph of section 248, section 306, paragraph *a* of section 657 and sections 657.1, 663, 1121.11 and 1121.12 and despite section 652, each amount that is paid, or that becomes payable, by a trust to a beneficiary after the end of a particular taxation year of the trust that ends on 15 December of a calendar year because of section 1121.7 and before the end of that calendar year is deemed to have been paid or to have become payable, as the case may be, to the beneficiary at the end of the particular taxation year.

2001, c. 53, s. 251; 2015, c. 36, s. 157.

1121.11. Where an amount is deemed by section 1121.10 to have been paid or to have become payable on 15 December of a calendar year by a trust to a beneficiary who was not a beneficiary under the trust at that time, the following rules apply:

(a) notwithstanding any other provision of this Act, where the beneficiary did not exist at that time, except for the purposes of this paragraph, the first taxation year of the beneficiary is deemed to include the period that begins at that time and ends immediately before the beginning of the first taxation year of the beneficiary;

(b) the beneficiary is deemed to exist throughout the period described in paragraph *a*; and

(c) where the beneficiary was not a beneficiary under the trust at that time, the beneficiary is deemed to have been a beneficiary under the trust at that time.

2001, c. 53, s. 251.

1121.12. Where a particular amount is designated under this section by a trust in its fiscal return for a particular taxation year that ends on 15 December because of section 1121.7 or throughout which the trust was a mutual fund trust and the trust does not designate an amount in accordance with the first paragraph of sections 663.1 and 663.2 for the particular year, the following rules apply:

(a) the particular amount shall be added in computing the trust's income for the particular year; and

(b) for the purposes of paragraph *a* of section 657 and sections 657.1 and 663, each portion of the particular amount that is allocated under this paragraph to a beneficiary under the trust in the trust's fiscal return for the particular year in respect of an amount paid or payable to the beneficiary in the particular year shall be considered to be additional income of the trust for the particular year, determined without reference to paragraph *a* of section 657 and section 657.1, that was paid or payable, as the case may be, to the beneficiary at the end of the particular year;

(c) (paragraph repealed).

2001, c. 53, s. 251; 2004, c. 8, s. 200; 2006, c. 13, s. 208.

1121.13. Subject to section 1121.14, the lesser of the amount designated under section 1121.12 by a trust for a taxation year and the aggregate of all amounts each of which is allocated by the trust under paragraph *b* of section 1121.12 in respect of the year shall be deducted in computing the trust's income for the subsequent taxation year.

2001, c. 53, s. 251.

1121.14. Section 1121.13 does not apply in computing the income of a trust for a taxation year where it is reasonable to consider that the designation under section 1121.12 for the preceding taxation year was part of a series of transactions or events that includes a change in the composition of beneficiaries under the trust.

2001, c. 53, s. 251.

BOOK V

NON-RESIDENT OWNED INVESTMENT CORPORATIONS

1972, c. 23; 1997, c. 3, s. 71.

1122. A non-resident owned investment corporation is a corporation incorporated in Canada which, throughout the period comprised between 18 June 1971 or the date of its incorporation, if the latter date is later than the first, and the last day of the taxation year for which the expression is relevant, has met the following requirements:

(a) the aggregate of its issued shares, bonds, debentures and other long-term liabilities

i. belonged to persons not resident in Canada other than a foreign affiliate of a taxpayer resident in Canada,

ii. belonged to a trustee who held them for a beneficiary not resident in Canada or for a child to be born to such beneficiary, or

iii. belonged to another non-resident owned investment corporation whose issued shares, bonds, debentures and other long-term liabilities were those described in subparagraphs i and ii or belonged to two or more corporations of that kind;

(b) its income, for each taxation year of the period, was derived from

i. the ownership of or trading in bonds, shares, debentures, bills, notes, hypothecary claims, mortgages or other similar property, or an interest therein,

ii. lending money, with or without security,

iii. rents, the leasing of movable property, fees or remuneration from charter-parties, annuities, royalties, interest or dividends,

iv. a succession or a trust, or

v. the disposition of capital property;

(c) not more than 10 per cent of its gross revenue, for each taxation year of the period, was derived from rents, the rental of movable property, fees or remuneration from charter-parties; and

(d) its principal business did not consist, for each taxation year of the period, in lending money or trading in the property contemplated in subparagraph i of paragraph *b* or of an interest therein.

1972, c. 23, s. 837; 1996, c. 39, s. 268; 1997, c. 3, s. 71; 1997, c. 14, s. 262; 1998, c. 16, s. 251; 2005, c. 1, s. 281.

1122.1. Notwithstanding section 1122, a corporation is not a non-resident-owned investment corporation in any taxation year that ends after the earlier of,

(a) the first time after 27 February 2000 at which the corporation effects an increase in capital; and

(b) the end of the corporation's last taxation year that begins before 1 January 2003.

For the purposes of subparagraph *a* of the first paragraph, an increase in capital in respect of a corporation means a transaction, other than a transaction carried out pursuant to an agreement in writing made before 28 February 2000 and referred to in this paragraph as a "specified transaction", in the course of which the corporation issues additional shares of its capital stock or incurs indebtedness, if the transaction has the effect of increasing the aggregate of the corporation's liabilities and the fair market value of all the shares of its capital stock to an amount that is substantially greater than that aggregate would have been on 27 February 2000 if all specified transactions had been carried out before that date.

2004, c. 8, s. 201.

1123. A non-resident owned investment corporation qualifies as such for a taxation year only if it meets the prescribed conditions.

1972, c. 23, s. 838; 1976, c. 18, s. 24; 1997, c. 3, s. 71.

1124. Notwithstanding section 1122, a new corporation, within the meaning given to it by section 544, formed by the amalgamation after 18 June 1971, of two or more replaced corporations shall qualify as a corporation contemplated in section 1122 only if the replaced corporations were themselves non-resident owned investment corporations immediately before the amalgamation.

1972, c. 23, s. 839; 1997, c. 3, s. 71.

1125. Except for the purposes of sections 544 and 566 to 568, a non-resident owned investment corporation which would, but for this section, be a Canadian corporation, a taxable Canadian corporation or a private corporation, is nevertheless deemed not to be such a corporation.

1972, c. 23, s. 840; 1973, c. 17, s. 132; 1978, c. 26, s. 213; 1986, c. 19, s. 205; 1997, c. 3, s. 71.

1125.1. If a non-resident-owned investment corporation makes, at a particular time, a valid election for the purposes of subsection 1 of section 134.2 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)), a new taxation year of the corporation is deemed to begin at that time.

Where an election to which the first paragraph refers was made, the prescribed form, together with a copy of every document transmitted to the Minister of Revenue of Canada in connection with that election, shall be transmitted to the Minister.

2004, c. 8, s. 202; 2009, c. 5, s. 511.

1126. Except for the purposes of section 1122, the income for a taxation year of a non-resident owned investment corporation having an establishment in Québec at any time during the year must be computed by taking into account only the taxable capital gains and allowable capital losses of the corporation for the year resulting from the disposition of taxable Canadian property within the meaning of section 1095.

1976, c. 18, s. 25; 1997, c. 3, s. 71; 2004, c. 8, s. 203.

1127. The taxable income for a taxation year of the corporation contemplated in section 1126 is its income for the year determined in accordance with the said section from which the corporation may deduct no amount other than that prescribed for the year under section 729 in respect of the disposition of property contemplated in section 1126.

1976, c. 18, s. 25; 1985, c. 25, s. 163; 1997, c. 3, s. 71.

1128. A non-resident owned investment corporation which does not have, at any time in a taxation year, an establishment in Canada and which disposes of a taxable Québec property within the meaning of paragraphs *a* and *b* of section 1094 must pay tax for the year at the rate established in subsection 1 of section 771 on the amount by which its taxable capital gains for the year resulting from the disposition of such property exceed the aggregate of its allowable capital losses for the year resulting from the disposition of such

property and the net capital losses incurred by it in respect of the disposition of such property during the preceding taxation years and the three taxation years following the taxation year.

However, such tax shall not exceed that which the corporation would have to pay for the year if the expression "taxable Québec property within the meaning of paragraphs *a* and *b* of section 1094" contained in the first paragraph were replaced by the expression "taxable Canadian property within the meaning of section 1095" to the extent that such section refers to paragraphs *a* and *b* of section 1094.

1976, c. 18, s. 25; 1987, c. 21, s. 86; 1991, c. 8, s. 94; 1992, c. 1, s. 203; 1997, c. 3, s. 71; 2004, c. 8, s. 204.

1129. Except where otherwise provided in this Book, Part I applies, with the necessary modifications, to a non-resident owned investment corporation.

1972, c. 23, s. 842; 1976, c. 18, s. 27; 1995, c. 63, s. 261; 1997, c. 3, s. 71.

PART III.0.0.1

RULES AND DEFINITIONS APPLICABLE TO CERTAIN SPECIAL TAXES

2001, c. 51, s. 204; 2007, c. 12, s. 222.

1129.0.0.1. In Parts III.0.1, III.1 to III.1.0.5, III.1.1, III.1.1.2, III.1.1.3, III.1.1.7, III.10 and III.10.1 to III.10.2, "government assistance" and "non-government assistance" have the meaning assigned by the first paragraph of section 1029.6.0.0.1.

However, an amount of government assistance or non-government assistance referred to in any of Parts III.0.1, III.1 to III.1.0.5, III.1.1, III.1.1.2, III.1.1.3, III.1.1.7, III.10 and III.10.1 to III.10.2, does not include an amount that, in accordance with the second paragraph of section 1029.6.0.0.1, is not government assistance or non-government assistance, as the case may be, for the purposes of the division of Chapter III.1 of Title III of Book IX of Part I to which that Part relates.

In this Part and in Parts III.0.1 to III.2.8, III.6.3 to III.6.7, III.7.1 to III.13 and III.15 to III.16,

"filing-due date" has the meaning assigned by section 1;

"fiscal period" has the meaning assigned by Part I;

"individual" has the meaning assigned by section 1;

"person" has the meaning assigned by section 1;

"taxation year" has the meaning assigned by Part I;

"taxpayer" has the meaning assigned by section 1.

2001, c. 51, s. 204; 2002, c. 9, s. 121; 2002, c. 40, s. 232; 2007, c. 12, s. 223; 2009, c. 5, s. 512; 2010, c. 25, s. 197; 2013, c. 10, s. 153; 2015, c. 21, s. 504; 2017, c. 1, s. 373; 2021, c. 18, s. 153.

1129.0.0.2. If, at a particular time after 21 April 2005, a person or partnership has obtained a benefit or advantage that, for the purpose of computing an amount that a taxpayer is deemed to have paid to the Minister for any given taxation year under a particular provision of Chapter III.1 of Title III of Book IX of Part I other than a provision of any of Divisions II.6 to II.6.0.0.5 of that chapter, or deemed to have overpaid to the Minister in relation to any given taxation year, under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), would have been taken into account in computing a cost, an expenditure or expenses, or the taxpayer's share of a cost, an expenditure or expenses, if the person or partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the taxpayer's filing-due date for the given taxation year or on or before the day that is six months after the end of the fiscal period of a particular partnership of which the taxpayer is a member that ends in the given

taxation year, the benefit or advantage is, for the purposes of the Part among Parts III.0.1 to III.0.3, III.1.0.6 to III.1.7, III.7.1 to III.10.10 and III.12.1 that relates to the particular provision,

(a) if the cost, expenditure or expenses were incurred by the taxpayer, deemed to be an amount relating to the cost, expenditure or expenses that is paid to the taxpayer at that time;

(b) if the cost, expenditure or expenses were incurred by the particular partnership, deemed to be

i. an amount relating to the cost, expenditure or expenses that is paid to the particular partnership at that time, when the benefit or advantage was obtained by a partnership or by a person other than a person referred to in subparagraph ii, or

ii. an amount relating to the cost, expenditure or expenses or relating to the taxpayer's share of the cost, expenditure or expenses that is paid to the taxpayer at that time, when the benefit or advantage was obtained by the taxpayer or by a person with whom the taxpayer does not deal at arm's length; and

(c) if the cost, expenditure or expenses were incurred by any corporation other than the taxpayer, deemed to be an amount relating to the cost, expenditure or expenses that is paid to the corporation at that time.

However, when the first paragraph applies to any of the Parts mentioned in the following subparagraphs, it is to be read as if

(a) in the case of Part III.0.1, the portion before subparagraph *a* was read without reference to "or on or before the day that is six months after the end of the fiscal period of a particular partnership of which the taxpayer is a member that ends in the given taxation year";

(b) in the case of any of Parts III.0.1, III.7.1 and III.10.2, subparagraph *b* was replaced by the following subparagraph:

"(*b*) if the cost, expenditure or expenses were incurred by the particular partnership, deemed to be an amount relating to the cost, expenditure or expenses that is paid to the particular partnership at that time; and"; and

(c) in the case of Part III.10.2, subparagraph *c* was replaced by the following subparagraph:

"(*c*) if the cost, expenditure or expenses were incurred by a person other than the taxpayer or by a partnership other than the particular partnership, deemed to be an amount relating to the cost, expenditure or expenses that is paid to the person or partnership at that time."

2007, c. 12, s. 224.

1129.0.0.3. If, at a particular time after 21 April 2005, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage that, for the purpose of computing an amount that a taxpayer is deemed to have paid to the Minister for any given taxation year under a particular provision of any of Divisions II.6 to II.6.0.0.5 of Chapter III.1 of Title III of Book IX of Part I, would have been taken into account in computing an expenditure or expenses if the person or partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the taxpayer's filing-due date for the given taxation year, the benefit or advantage is deemed, for the purposes of the Part among Parts III.1 to III.1.0.5 that relates to the particular provision, to be non-government assistance that the taxpayer has received, is entitled to receive or may reasonably expect to receive, as the case may be, at that particular time.

2007, c. 12, s. 224.

1129.0.0.4. If, at a particular time after 21 April 2005, a person or partnership pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be the repayment of a benefit or advantage that, for the purpose of computing an amount (in this section referred to as the "credit amount")

that a taxpayer is deemed to have paid to the Minister for any given taxation year under a particular provision of any of Divisions II.6.0.1.7 and II.6.6.1 to II.6.7 of Chapter III.1 of Title III of Book IX of Part I, was taken into account in computing an expenditure or the taxpayer's share of an expenditure, the following rules have effect, where applicable, for the purposes of the Part among Parts III.1.1.7 and III.10.1.2 to III.10.2 that relates to the particular provision:

(a) if the expenditure was incurred by the taxpayer, the provision of that Part that applies in respect of the repayment by the taxpayer of an amount of government assistance or non-government assistance relating to the expenditure also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the taxpayer at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the expenditure, was received by the taxpayer;

(b) if the expenditure was incurred by a particular partnership of which the taxpayer is a member, the provision of that Part that applies in respect of the repayment by the partnership of an amount of government assistance or non-government assistance relating to the expenditure also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the particular partnership at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the expenditure, was received by the particular partnership;

(c) if the expenditure was incurred by any corporation other than the taxpayer, the provision of that Part that applies in respect of the repayment by the corporation of an amount of government assistance or non-government assistance relating to the expenditure also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the corporation at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the expenditure, was received by the corporation; and

(d) the assumptions that, because of the application of any of subparagraphs *a* to *c*, were made in respect of the benefit or advantage must be taken into account for the purpose of applying, in relation to the taxpayer, the provision to which that subparagraph refers, in respect of the repayment, after that time, of government assistance or non-government assistance or of another benefit or advantage, relating to the expenditure or to such an expenditure.

However, for the purposes of Part III.10.2, subparagraph *c* of the first paragraph is to be read as follows:

"(*c*) if the expenditure was incurred by a person other than the taxpayer or by a partnership other than the particular partnership to which subparagraph *b* refers, the provision of that Part that applies in respect of the repayment by the person or partnership of an amount of government assistance or non-government assistance relating to the expenditure also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the person or partnership at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the expenditure, was received by the person or partnership."

2007, c. 12, s. 224; 2010, c. 25, s. 198; 2021, c. 18, s. 154.

1129.0.0.4.1. In Parts III.0.1 to III.10.10, the following rules apply in respect of a taxpayer for a taxation year if one or more partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between the taxpayer and a given partnership for a given fiscal period of the given partnership, and if the taxpayer is deemed to have paid an amount to the Minister for a preceding taxation year under Chapter III.1 of Title III of Book IX of Part I, in respect of a cost, an expenditure or expenses incurred by that given partnership in a fiscal period of that given partnership that precedes the given fiscal period (in this section referred to as the "preceding fiscal period"):

(a) the taxpayer is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the taxpayer's taxation year in which ends the fiscal period of the interposed partnership of which the taxpayer is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period (in this section referred to as the "interposed fiscal period") of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the taxpayer is a member, or deemed to be a member under this paragraph, of the interposed partnership described in subparagraph i at the end of the interposed partnership's interposed fiscal period;

(b) the agreed proportion in respect of the taxpayer for the given partnership's given fiscal period is deemed to be equal to the product obtained by multiplying the agreed proportion in respect of the taxpayer for the interposed fiscal period of the interposed partnership of which the taxpayer is directly a member, by

i. if there is only one interposed partnership, the agreed proportion in respect of the interposed partnership for the given partnership's given fiscal period, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the agreed proportion in respect of an interposed partnership for the particular fiscal period of the particular partnership referred to in paragraph *a* of which the interposed partnership is a member at the end of that particular fiscal period; and

(c) if, at a particular time in the given fiscal period, an amount relating to a cost, an expenditure or expenses that the given partnership has incurred in the preceding fiscal period is, or is deemed to be under this subparagraph, directly or indirectly, refunded or otherwise paid to an interposed partnership, or allocated to a payment to be made by it, the share in that amount of each of the members of that interposed partnership at the end of the interposed partnership's interposed fiscal period, that is equal to the agreed proportion of that amount in respect of that member for the interposed partnership's interposed fiscal period, is deemed to be, at the particular time, so refunded or paid to that member or allocated to a payment to be made by that member.

2009, c. 15, s. 375.

1129.0.0.4.2. If, at any time in a taxation year, a certificate, qualification certificate or other similar document is revoked or replaced and, as a result, a person is required to pay a tax under a provision of any of Parts III.1 to III.1.7 and III.10.1.1.1 to III.10.9.1, the Minister may make, as of that time and despite any other provision of this Act, an assessment for the year in respect of the person, in relation to the tax.

For the purposes of section 1037 in respect of the tax, the person's balance-due day for that taxation year is deemed to be the date on which the notice of assessment is sent, unless that date is later than the balance-due day.

Sections 1000 to 1000.3 and 1002 to 1004 do not apply in relation to a tax that may be the subject of an assessment made under the first paragraph, despite any provision to the contrary in the Part under which the tax is payable.

2012, c. 8, s. 242.

1129.0.0.5. Unless otherwise provided, sections 6 and 17 to 21 apply, with the necessary modifications, to this Part.

2007, c. 12, s. 224.

1129.0.0.6. In every provision of this Part and Parts III.0.1, III.0.1.1, III.0.3, III.1.0.6 to III.1.1.1, III.1.1.6, III.1.1.7, III.1.3 to III.1.7, III.2.7, III.7.1, III.8, III.10.0.1, III.10.1.1 to III.10.1.1.2, III.10.1.2 to III.10.1.7, III.10.1.8, III.10.2 to III.10.9.1 and III.12.1, a reference to any of the repealed divisions of Chapter III.1 of Title III of Book IX of Part I, or to any section of those divisions, is a reference to that division or to that section, as the case may be, as it read for the taxation year concerned.

2007, c. 12, s. 224; 2009, c. 5, s. 513; 2010, c. 5, s. 190; 2010, c. 25, s. 199; 2012, c. 8, s. 243; 2021, c. 18, s. 155.

PART III.0.1

SPECIAL TAX RELATING TO VARIOUS SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT TAX CREDITS

1999, c. 83, s. 240.

1129.0.1. In this Part,

"consideration" has the meaning assigned by Division II of Chapter III.1 of Title III of Book IX of Part I;

"contract payment" has the meaning assigned by paragraph *c* of section 1029.8.17;

"eligible amount" of a corporation for a taxation year has the meaning assigned by the first paragraph of section 1029.8.16.2;

"eligible fee" has the meaning assigned by section 1029.8.9.0.2;

"eligible fee balance" has the meaning assigned by section 1029.8.9.0.2;

"eligible research contract" has the meaning assigned by paragraph *a*.2 of section 1029.8.1;

"qualified expenditure" has the meaning assigned by paragraph *d*.1 of section 1029.8.1 or section 1029.8.9.1 or 1029.8.16.1.1, as the case may be;

"scientific research and experimental development" has the meaning assigned by section 1;

"university research contract" has the meaning assigned by paragraph *b* of section 1029.8.1;

"wages" has the meaning assigned by Division II of Chapter III.1 of Title III of Book IX of Part I.

1999, c. 83, s. 240; 2000, c. 39, s. 222; 2001, c. 51, s. 205; 2002, c. 40, s. 233; 2007, c. 12, s. 225; 2009, c. 5, s. 514.

1129.0.2. Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.7, on account of the taxpayer's tax payable under Part I, in relation to scientific research and experimental development, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the "repayment year") in which

(a) an amount relating to wages or a portion of a consideration paid in respect of the research and development, or in respect of work relating to the research and development, is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by a person or partnership and the contract payment or assistance would have reduced, in accordance with subparagraph i or ii of subparagraph *c* of the first paragraph of section 1029.8.18, the amount of a portion of a consideration paid in respect of the research and development, or in respect of work relating to the research and development, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the taxpayer's filing-due date for the taxation year in which the research and development was undertaken.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister under section 1029.7, in relation to the research and development, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, in relation to the research and development, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to wages or a portion of a consideration paid by the taxpayer in respect of the research and development, or in respect of work relating to the research and development, were refunded, paid or allocated in the taxation year in which the scientific research and experimental development to which the wages or portion of the consideration relate was undertaken, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the taxation year in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the research and development.

1999, c. 83, s. 240; 2002, c. 40, s. 234; 2009, c. 5, s. 515.

1129.0.3. Every taxpayer who is a member of a particular partnership and who is deemed to have paid an amount to the Minister, under section 1029.8, on account of the taxpayer's tax payable under Part I, in relation to scientific research and experimental development, shall pay the tax computed under the second paragraph for the taxation year in which ends a fiscal period of the particular partnership (in this section referred to as the "fiscal period of repayment") in which

(a) an amount relating to wages or a portion of a consideration paid in respect of the research and development, or in respect of work relating to the research and development, is, directly or indirectly, refunded or otherwise paid to the particular partnership or taxpayer or allocated to a payment to be made by the particular partnership or taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by a person or another partnership and the contract payment or assistance would have reduced, in accordance with subparagraph i or ii of subparagraph *c* of the first paragraph of section 1029.8.18, the amount of a portion of a consideration paid in respect of the research and development, or in respect of work relating to the research and development, if the person or the other partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the day that is six months after the end of the particular partnership's fiscal period in which the research and development was undertaken.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year

under section 1029.8, in relation to the research and development, if the agreed proportion in respect of the taxpayer for the particular partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, for a taxation year, in relation to the research and development, if the agreed proportion in respect of the taxpayer for the particular partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment and if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to wages or a portion of a consideration that the particular partnership paid in respect of the research and development, or in respect of work relating to the research and development, were refunded, paid or allocated in the particular partnership's fiscal period in which the scientific research and experimental development to which the wages or portion of the consideration relate was undertaken, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or another partnership at or before the end of the fiscal period of repayment, were received in the particular partnership's fiscal period in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the research and development, if the agreed proportion in respect of the taxpayer for the particular partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the particular partnership or allocated to a payment to be made by the particular partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

1999, c. 83, s. 240; 2000, c. 39, s. 223; 2002, c. 40, s. 234; 2006, c. 36, s. 218; 2009, c. 5, s. 516; 2009, c. 15, s. 376.

1129.0.4. Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.6, on account of the taxpayer's tax payable under Part I, in relation to a university research contract or an eligible research contract under which scientific research and experimental development was undertaken, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the "repayment year") in which

(a) an amount relating to a qualified expenditure paid in respect of the contract is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by an eligible university entity, an eligible public research centre or an eligible research consortium, within the meaning of paragraph *f*, *a*.1 or *a*.1.1 of section 1029.8.1, as the case may be, and the contract payment or assistance would have reduced, in accordance with subparagraph iii of subparagraph *c* of the first paragraph of section 1029.8.18, all or part of the amount of a qualified expenditure paid in respect of the contract, if the eligible university entity, the eligible public research centre or the eligible research consortium had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the taxpayer's filing-due date for the taxation year in which the scientific research and experimental development was undertaken.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.6, in relation to the contract, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, in relation to the contract, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to the amount of a qualified expenditure paid by the taxpayer in respect of the contract, were refunded, paid or allocated in the taxation year in which the scientific research and experimental development to which the expenditure relates was undertaken, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by an eligible university entity, an eligible public research centre or an eligible research consortium, as the case may be, at or before the end of the repayment year, were received in the taxation year in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the contract.

1999, c. 83, s. 240; 2002, c. 40, s. 234; 2009, c. 5, s. 517.

1129.0.5. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.7, on account of the taxpayer's tax payable under Part I, in relation to a university research contract or an eligible research contract under which scientific research and experimental development was undertaken, shall pay the tax computed under the second paragraph for the taxation year in which ends a fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which

(a) an amount relating to a qualified expenditure paid in respect of the contract is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by an eligible university entity, an eligible public research centre or an eligible research consortium, within the meaning of paragraph *f*, *a*.1 or *a*.1.1 of section 1029.8.1, as the case may be, and the contract payment or assistance would have reduced, in accordance with subparagraph iii of subparagraph *c* of the first paragraph of section 1029.8.18, all or part of the amount of a qualified expenditure paid in respect of the contract, if the eligible university entity, the eligible public research centre or the eligible research consortium had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the day that is six months after the end of the partnership's fiscal period in which the scientific research and experimental development was undertaken.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year under section 1029.8.7, in relation to the contract, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, for a taxation year, in relation to the contract, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment and if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to the amount of a qualified expenditure paid by the partnership in respect of the

contract, were refunded, paid or allocated in the partnership's fiscal period in which the scientific research and experimental development to which the expenditure relates was undertaken, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by an eligible university entity, an eligible public research centre or an eligible research consortium, as the case may be, at or before the end of the fiscal period of repayment, were received in the partnership's fiscal period in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the contract, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

1999, c. 83, s. 240; 2000, c. 39, s. 224; 2002, c. 40, s. 234; 2006, c. 36, s. 219; 2009, c. 5, s. 518; 2009, c. 15, s. 377.

1129.0.6. Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.9.0.3, on account of the taxpayer's tax payable under Part I, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to an eligible fee, or an eligible fee balance, of the taxpayer is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.9.0.3, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to an eligible fee, or an eligible fee balance, of the taxpayer for a taxation year, were refunded, paid or allocated in that taxation year; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year.

1999, c. 83, s. 240; 2001, c. 51, s. 206; 2002, c. 40, s. 235.

1129.0.7. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.9.0.4, on account of the taxpayer's tax payable under Part I, in relation to the partnership, shall pay the tax referred to in the second paragraph for the taxation year in which a fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to an eligible fee, or an eligible fee balance, of the partnership is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year

under section 1029.8.9.0.4, in relation to the partnership, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, for a taxation year, in relation to the partnership, if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to an eligible fee, or an eligible fee balance, of the partnership for a fiscal period, were refunded, paid or allocated in that fiscal period, and

ii. the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section, in relation to the partnership, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

1999, c. 83, s. 240; 2000, c. 39, s. 225; 2001, c. 51, s. 207; 2002, c. 40, s. 236; 2006, c. 36, s. 220; 2009, c. 15, s. 378.

1129.0.8. Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.10 or 1029.8.16.1.4, on account of the taxpayer's tax payable under Part I, in relation to an agreement under which scientific research and experimental development was undertaken, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the "repayment year") in which

(a) an amount relating to a qualified expenditure that is made in respect of the agreement is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by a person or partnership and the contract payment or assistance would have reduced, in accordance with subparagraph iv of subparagraph *c* of the first paragraph of section 1029.8.18, all or part of a qualified expenditure made in respect of the scientific research and experimental development, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the taxpayer's filing-due date for the taxation year in which the scientific research and experimental development was undertaken.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.10 or 1029.8.16.1.4, in relation to the agreement, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, in relation to the agreement, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to a qualified expenditure made by the taxpayer in respect of the agreement, were refunded, paid or

allocated in the taxation year in which the scientific research and experimental development to which the expenditure relates was undertaken, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by the person or partnership at or before the end of the repayment year, were received in the taxation year in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the agreement.

1999, c. 83, s. 240; 2002, c. 40, s. 237; 2007, c. 12, s. 226; 2009, c. 5, s. 519.

1129.0.9. Every taxpayer who is a member of a particular partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.11 or 1029.8.16.1.5, on account of the taxpayer's tax payable under Part I, in relation to an agreement under which scientific research and experimental development was undertaken, shall pay the tax computed under the second paragraph for the taxation year in which ends a fiscal period of the particular partnership (in this section referred to as the "fiscal period of repayment") in which

(a) an amount relating to a qualified expenditure that is made in respect of the agreement is, directly or indirectly, refunded or otherwise paid to the particular partnership or to the taxpayer or allocated to a payment to be made by the particular partnership or the taxpayer; or

(b) a contract payment, government assistance or non-government assistance is received by a person or another partnership and the contract payment or assistance would have reduced, in accordance with subparagraph iv of subparagraph *c* of the first paragraph of section 1029.8.18, all or part of a qualified expenditure made in respect of the scientific research and experimental development, if the person or the other partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the day that is six months after the end of the particular partnership's fiscal period in which the scientific research and experimental development was undertaken.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year under section 1029.8.11 or 1029.8.16.1.5, in relation to the agreement, if the agreed proportion in respect of the taxpayer for the particular partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, for a taxation year, in relation to the agreement, if the agreed proportion in respect of the taxpayer for the particular partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment and if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to a qualified expenditure made by the particular partnership in respect of the agreement, were refunded, paid or allocated in the particular partnership's fiscal period in which the scientific research and experimental development to which the expenditure relates was undertaken, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or another partnership at or before the end of the fiscal period of repayment, were received in the particular partnership's fiscal period in which the scientific research and experimental development to which the contract payment or assistance relates was undertaken; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the agreement, if the agreed proportion in respect of the taxpayer for the

particular partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the particular partnership or allocated to a payment to be made by the particular partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

1999, c. 83, s. 240; 2000, c. 39, s. 226; 2002, c. 40, s. 237; 2006, c. 36, s. 221; 2007, c. 12, s. 227; 2009, c. 5, s. 520; 2009, c. 15, s. 379.

1129.0.9.1. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.16.6, on account of its tax payable under Part I for a particular taxation year, in relation to its eligible amount for that particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to an expenditure included, in whole or in part, in computing the eligible amount is, directly or indirectly, refunded or otherwise paid to the corporation or to a partnership of which it is a member, or allocated to a payment to be made by the corporation or partnership.

The tax to which the first paragraph refers is equal to the amount by which the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.16.6, in relation to its eligible amount for that particular year, exceeds the total of

(a) the amount that the corporation would be deemed to have paid to the Minister under that section, for that particular year, if every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to an expenditure included in whole or in part in computing the eligible amount, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section, for a taxation year preceding the repayment year, in relation to the eligible amount.

For the purposes of the second paragraph, an amount referred to in subparagraph *a* of that paragraph that is refunded or otherwise paid to a partnership of which the corporation is a member or allocated to a payment to be made by that partnership is deemed to be an amount

(a) that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the repayment year.

2000, c. 39, s. 227; 2001, c. 51, s. 208; 2002, c. 40, s. 238; 2009, c. 15, s. 380.

1129.0.9.1.1. For the purposes of Part I, except Division II.4 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a taxpayer at any time under this Part, in relation to an expenditure, is deemed to be an amount of assistance repaid at that time in respect of the expenditure, pursuant to a legal obligation, by

(a) the partnership referred to in any of sections 1129.0.3, 1129.0.5, 1129.0.7 and 1129.0.9, in the case of tax paid under that section; or

(b) the taxpayer, in any other case.

2015, c. 21, s. 505; 2022, c. 23, s. 131.

1129.0.9.2. *(Repealed).*

2000, c. 39, s. 227; 2001, c. 51, s. 209; 2002, c. 40, s. 239.

1129.0.9.3. *(Repealed).*

2000, c. 39, s. 227; 2002, c. 40, s. 240.

1129.0.10. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1999, c. 83, s. 240; 2002, c. 40, s. 241.

PART III.0.1.1

SPECIAL TAX RELATING TO THE RECAPTURE OF CERTAIN SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT TAX CREDITS

2001, c. 53, s. 252.

1129.0.10.1. In this Part,

"consideration" has the meaning assigned by Division II of Chapter III.1 of Title III of Book IX of Part I;

"disposition" has the meaning assigned by section 248;

"non-arm's length" has the meaning assigned by Part I;

"proceeds of disposition" has the meaning assigned by section 251;

"qualified expenditure" has the meaning assigned by section 1029.8.9.1 or 1029.8.16.1.1;

"scientific research and experimental development" has the meaning assigned by section 1.

In this Part, for the purpose of determining whether or not a partnership is dealing at arm's length with a person or another partnership, the partnership is deemed to be a person.

2001, c. 53, s. 252; 2007, c. 12, s. 228.

1129.0.10.2. Every taxpayer who is deemed to have paid an amount to the Minister, under subparagraph *c* or *g* of the first paragraph of section 1029.7, on account of the taxpayer's tax payable under Part I for a particular taxation year shall pay, for a subsequent taxation year, a tax equal to the amount determined in the second paragraph, where

(a) a particular property is acquired by the taxpayer from a person or partnership in the particular taxation year;

(b) the cost of the particular property was a portion of the consideration paid by the taxpayer under a contract referred to in one of those subparagraphs;

(c) the cost of the particular property is included in an amount, a percentage of which can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year; and

(d) in the subsequent taxation year and after 23 February 1998, the taxpayer begins to use for commercial purposes, or disposes of without having used for commercial purposes, the particular property or another property that incorporates the particular property.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer has paid to the Minister under this section for a taxation year preceding the subsequent taxation year, in relation to the particular property:

(a) the amount that can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year, in relation to the particular property; and

(b) the product obtained by multiplying the percentage referred to in subparagraph *c* of the first paragraph by

i. if the particular property or the other property is disposed of to a person who deals at arm's length with the taxpayer, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

2001, c. 53, s. 252.

1129.0.10.3. Every taxpayer who is a member of a partnership and is deemed to have paid an amount to the Minister, under subparagraph *c* or *g* of the first paragraph of section 1029.8, in respect of that partnership, on account of the taxpayer's tax payable under Part I for a particular taxation year in which a particular fiscal period of the partnership ends shall pay, for the taxation year in which a subsequent fiscal period ends, a tax equal to the amount determined in the second paragraph, where

(a) a particular property is acquired by the partnership from a person or partnership in the particular fiscal period;

(b) the cost of the particular property was a portion of the consideration paid by the partnership under a contract referred to in one of those subparagraphs;

(c) the cost of the particular property is included in an amount, a percentage of which can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year in which the particular fiscal period ends; and

(d) in the subsequent fiscal period and after 23 February 1998, the partnership begins to use for commercial purposes, or disposes of without having used for commercial purposes, the particular property or another property that incorporates the particular property.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer would have been required to pay to the Minister under this section for a taxation year preceding the taxation year in which the subsequent fiscal period ends, in relation to the particular property, if the taxpayer's share of the income or loss of the partnership for the fiscal period in which the preceding taxation year ends and the partnership's income or loss for that fiscal period had been the same as those for the subsequent fiscal period:

(a) the amount that can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year, in relation to the particular property; and

(b) the product obtained by multiplying the percentage referred to in subparagraph *c* of the first paragraph by

i. if the particular property or the other property is disposed of to a person who deals at arm's length with the partnership, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

2001, c. 53, s. 252; 2006, c. 36, s. 222.

1129.0.10.4. Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.10 or 1029.8.16.1.4, on account of the taxpayer's tax payable under Part I for a particular taxation year shall pay, for a subsequent taxation year, a tax equal to the amount determined in the second paragraph, where

(a) a particular property is acquired by the taxpayer from a person or partnership in the particular taxation year;

(b) the cost of the particular property was a qualified expenditure to the taxpayer;

(c) the cost of the particular property is included in an amount, a percentage of which can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II.3 or II.3.0.1 of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year; and

(d) in the subsequent taxation year and after 23 February 1998, the taxpayer begins to use for commercial purposes, or disposes of without having used for commercial purposes, the particular property or another property that incorporates the particular property.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer has paid to the Minister under this section for a taxation year preceding the subsequent taxation year, in relation to the particular property:

(a) the amount that can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II.3 or II.3.0.1 of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year, in relation to the particular property; and

(b) the product obtained by multiplying the percentage referred to in subparagraph *c* of the first paragraph by

i. if the particular property or the other property is disposed of to a person who deals at arm's length with the taxpayer, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

2001, c. 53, s. 252; 2007, c. 12, s. 229.

1129.0.10.5. Every taxpayer who is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.11 or 1029.8.16.1.5, in respect of that partnership, on account of the taxpayer's tax payable under Part I for a particular taxation year in which a particular fiscal period of the partnership ends shall pay, for the taxation year in which a subsequent fiscal period ends, a tax equal to the amount determined in the second paragraph, where

(a) a particular property is acquired by the partnership from a person or partnership in the particular fiscal period;

(b) the cost of the particular property was a qualified expenditure to the partnership;

(c) the cost of the particular property is included in an amount, a percentage of which can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II.3 or II.3.0.1 of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year in which the particular fiscal period ends; and

(d) in the subsequent fiscal period and after 23 February 1998, the partnership begins to use for commercial purposes, or disposes of without having used for commercial purposes, the particular property or another property that incorporates the particular property.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer would have been required to pay to the Minister under this section for a taxation year preceding the taxation year in which the subsequent fiscal period ends, in relation to the particular property, if the taxpayer's share of the income or loss of the partnership for the fiscal period in which the preceding taxation year ends and the partnership's income or loss for that fiscal period had been the same as those for the subsequent fiscal period:

(a) the amount that can reasonably be considered to be included in the amount that the taxpayer is deemed to have paid to the Minister under Division II.3 or II.3.0.1 of Chapter III.1 of Title III of Book IX of Part I for the particular taxation year, in relation to the particular property; and

(b) the product obtained by multiplying the percentage referred to in subparagraph *c* of the first paragraph by

i. if the particular property or the other property is disposed of to a person who deals at arm's length with the partnership, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

2001, c. 53, s. 252; 2006, c. 36, s. 223; 2007, c. 12, s. 230.

1129.0.10.6. For the purposes of sections 1129.0.10.2 to 1129.0.10.5, the cost of a particular property to a taxpayer shall not exceed the amount paid by the taxpayer to acquire the particular property from a transferor of the particular property and does not include amounts paid by the taxpayer to maintain, modify or transform the particular property.

2001, c. 53, s. 252.

1129.0.10.7. Sections 1129.0.10.2 to 1129.0.10.5, 1129.0.10.8 and 1129.0.10.9 do not apply to a taxpayer or partnership, in this section referred to as the "transferor", that disposes of a property to a person or partnership that does not deal at arm's length with the transferor, if the person or partnership acquired the property in circumstances where the cost of the property to the person or partnership would have been an expenditure described in subparagraph iii of subparagraph *b* or *c* of the first paragraph of section 230 or an expenditure to which the definition of "qualified expenditure" in section 1029.8.9.1 refers, without reference to paragraph *d* of section 1029.8.15.1, or in the definition of that expression in the first paragraph of section 1029.8.16.1.1, without reference to paragraph *d* of section 1029.8.16.1.6.

2001, c. 53, s. 252; 2007, c. 12, s. 231.

1129.0.10.8. A person, in this section referred to as the "purchaser", shall pay for a particular taxation year a tax equal to the amount determined in the second paragraph, where, at any particular time in the year and after 23 February 1998, the purchaser begins to use for commercial purposes, or disposes of without having used for commercial purposes, a property

(a) that was acquired by the purchaser in circumstances described in section 1129.0.10.7 or that is another property that incorporates a property acquired in such circumstances; and

(b) that was first acquired, or that incorporates a property that was first acquired, by a person or partnership, in this section referred to as the "original user", with which the purchaser did not deal at arm's length at the time at which the purchaser acquired the property, in the original user's taxation year or fiscal period that includes the particular time, on the assumption that the original user had such a taxation year or fiscal period, or in any of the original user's preceding taxation years or fiscal periods.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the purchaser has paid to the Minister under this section for a taxation year preceding the particular taxation year, in relation to the property:

(a) the amount

i. included in the amount that the original user is deemed to have paid to the Minister under any of Divisions II, II.3 and II.3.0.1 of Chapter III.1 of Title III of Book IX of Part I, in relation to the property, or

ii. where the original user is a partnership, that can reasonably be considered to be included in the amount that a taxpayer is deemed to have paid to the Minister under any of sections 1029.8, 1029.8.11 and 1029.8.16.1.5, in relation to the property; and

(b) the product obtained by multiplying the percentage that was applied by the original user in determining the amount referred to in subparagraph *a* by

i. if the property or the other property is disposed of to a person who deals at arm's length with the purchaser, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

2001, c. 53, s. 252; 2007, c. 12, s. 232.

1129.0.10.9. Every taxpayer who is a member of a particular partnership at the end of a particular fiscal period of the partnership shall pay, for the taxation year in which the particular fiscal period ends, a tax equal to the amount determined in the second paragraph, where, at any particular time in the particular fiscal period and after 23 February 1998, the particular partnership begins to use for commercial purposes, or disposes of without having used for commercial purposes, a property

(a) that was acquired by the particular partnership in circumstances described in section 1129.0.10.7 or that is another property that incorporates a property acquired in such circumstances; and

(b) that was first acquired, or that incorporates a property that was first acquired, by a person or partnership, in this section referred to as the "original user", with which the particular partnership did not deal at arm's length at the time at which the particular partnership acquired the property, in the original user's taxation year or fiscal period that includes the particular time, on the assumption that the original user had such a taxation year or fiscal period, or in any of the original user's preceding taxation years or fiscal periods.

The amount to which the first paragraph refers is the amount by which the lesser of the following amounts exceeds any amount of tax that the taxpayer would have been required to pay to the Minister under this section for a taxation year preceding the taxation year in which the particular fiscal period ends, in relation to the property, if the taxpayer's share of the income or loss of the particular partnership for the fiscal period in which the preceding taxation year ends and the particular partnership's income or loss for that fiscal period had been the same as those for the particular fiscal period:

(a) the amount

i. included in the amount that the original user is deemed to have paid to the Minister under any of Divisions II, II.3 and II.3.0.1 of Chapter III.1 of Title III of Book IX of Part I, in relation to the property, or

ii. where the original user is a partnership, that can reasonably be considered to be included in the amount that a taxpayer is deemed to have paid to the Minister under any of sections 1029.8, 1029.8.11 and 1029.8.16.1.5, in relation to the property; and

(b) the product obtained by multiplying the percentage that was applied by the original user in determining the amount referred to in subparagraph *a* by

i. if the property or the other property is disposed of to a person who deals at arm's length with the particular partnership, the proceeds of disposition of that property, or

ii. in any other case, the fair market value of the particular property or the other property at the time it begins to be used for commercial purposes or is disposed of.

2001, c. 53, s. 252; 2006, c. 36, s. 224; 2007, c. 12, s. 233.

1129.0.10.9.1. For the purposes of Part I, except for Division II.4 of Chapter III.1 of Title III of Book IX, the following rules apply:

(a) tax paid to the Minister by a taxpayer at any time under any of sections 1129.0.10.2, 1129.0.10.4 and 1129.0.10.8, in relation to a particular property of the taxpayer, is deemed to be an amount of assistance repaid by the taxpayer at that time in respect of the property, pursuant to a legal obligation; and

(b) tax paid to the Minister by a taxpayer at any time under any of sections 1129.0.10.3, 1129.0.10.5 and 1129.0.10.9, in relation to a particular property of a partnership of which the taxpayer is a member, is deemed to be an amount of assistance repaid by the partnership at that time in respect of the property, pursuant to a legal obligation.

2015, c. 21, s. 506.

1129.0.10.10. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2001, c. 53, s. 252.

PART III.0.2

SPECIAL TAX RELATING TO THE CREDIT FOR TECHNOLOGICAL ADAPTATION SERVICES

2000, c. 39, s. 228.

1129.0.11. In this Part, "qualified expenditure" has the meaning assigned by section 1029.8.21.17.

2000, c. 39, s. 228; 2001, c. 51, s. 228; 2007, c. 12, s. 234.

1129.0.12. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.21.22, on account of its tax payable under Part I for a particular taxation year, in relation to a qualified expenditure incurred in the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to an expenditure included in computing the qualified expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.21.22 or 1029.8.21.26, in relation to the qualified expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.21.22 or 1029.8.21.26, in relation to the qualified expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to an expenditure included in computing the qualified expenditure were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified expenditure.

2000, c. 39, s. 228; 2002, c. 40, s. 242.

1129.0.13. Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.21.23, on account of its tax payable under Part I for a particular taxation year, in relation to a qualified expenditure incurred by the partnership in a particular fiscal period of the partnership that ends in the particular year, shall pay the tax referred to in the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to an expenditure included in computing the qualified expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year under any of sections 1029.8.21.23, 1029.8.21.27 and 1029.8.21.28, in relation to the qualified expenditure, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.21.23, 1029.8.21.27 and 1029.8.21.28, for a taxation year, in relation to the qualified expenditure, if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to an expenditure included in computing the qualified expenditure, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified expenditure, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2000, c. 39, s. 228; 2002, c. 40, s. 242; 2006, c. 36, s. 225; 2009, c. 15, s. 381.

1129.0.14. For the purposes of Part I, except for Division II.4.2 of Chapter III.1 of Title III of Book IX, the following rules apply:

(a) tax paid to the Minister by a corporation at any time, under section 1129.0.12, in relation to a qualified expenditure is deemed to be an amount of assistance repaid by the corporation at that time in respect of that expenditure, pursuant to a legal obligation to do so; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.0.13, in relation to a qualified expenditure is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of that expenditure, pursuant to a legal obligation to do so.

2000, c. 39, s. 228.

1129.0.15. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2000, c. 39, s. 228.

PART III.0.3

SPECIAL TAX RELATING TO E-COMMERCE SOLUTIONS

2001, c. 51, s. 210.

1129.0.16. In this Part,

"e-commerce solution" has the meaning assigned by the first paragraph of section 1029.8.21.32;

"eligible e-commerce solution" has the meaning assigned by section 1029.8.21.32;

"eligible production expenditure" has the meaning assigned by the first paragraph of section 1029.8.21.32;

"production expenditure" has the meaning assigned by the first paragraph of section 1029.8.21.32.

2001, c. 51, s. 210; 2007, c. 12, s. 304.

1129.0.17. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.21.42 or 1029.8.21.44, on account of its tax payable under Part I, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", if

(a) an amount relating to an expenditure included in an eligible production expenditure of the corporation is, in the repayment year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) an amount relating to an expenditure included in an eligible production expenditure of a partnership of which the corporation is a member and in respect of which the corporation is so deemed to have paid an amount under section 1029.8.21.44 is, in the fiscal period of the partnership that ends in the repayment year, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.21.42, or an amount it would be deemed to have paid to the Minister for a particular taxation year under section 1029.8.21.44, in relation to a partnership of which the corporation is a member at the end of the partnership's fiscal period that ends in the repayment year, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the particular year were the same as that for the partnership's fiscal period that ends in the repayment year, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister,

i. under section 1029.8.21.42, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to an expenditure included in an eligible production expenditure of the corporation for a taxation year, were refunded, paid or allocated in the taxation year, or

ii. under section 1029.8.21.44, for a particular taxation year, in relation to a partnership of which the corporation is a member at the end of the partnership's fiscal period that ends in the repayment year, in this subparagraph referred to as the "fiscal period of repayment", if

(1) every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to an expenditure included in an eligible production expenditure of the partnership for a fiscal period, were refunded, paid or allocated in the fiscal period, and

(2) the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the particular taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the repayment year, if the agreed proportion in respect of the corporation for a partnership's fiscal period that ends in the preceding taxation year were the same as that for the partnership's fiscal period that ends in the repayment year.

For the purposes of subparagraph *a* of the second paragraph, an amount that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, in relation to an expenditure included in an eligible production expenditure of a partnership of which the corporation is a member at the end of the partnership's fiscal period that ends in the repayment year, is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the repayment year.

2001, c. 51, s. 210; 2002, c. 40, s. 243; 2006, c. 36, s. 226; 2007, c. 12, s. 235; 2009, c. 15, s. 382.

1129.0.18. For the purposes of section 1129.0.17, the amount determined in the second paragraph, in relation to a particular expenditure that is included in the eligible production expenditure of a corporation for a particular taxation year in respect of an eligible e-commerce solution, is deemed to be refunded to the corporation in its taxation year that includes 1 April 2003, in this section referred to as the "repayment year", if

(a) the eligible e-commerce solution ceased to be eligible, for all or part of the particular year, as the case may be, because the conditions set out in paragraphs *a* and *b* of the definition of "eligible e-commerce solution" in the first paragraph of section 1029.8.21.32 had not been satisfied or had not again been satisfied, as the case may be, in respect of the corporation, on or before 31 March 2003; or

(b) application software, the cost of which is a production expenditure that is included in the eligible production expenditure, or may reasonably be attributed to the portion of a consideration that is included in computing the eligible production expenditure, was not integrated into the eligible e-commerce solution before 1 April 2003.

The amount to which the first paragraph refers is equal to,

(a) in the case provided for in subparagraph *a* of the first paragraph, the amount by which the portion of the particular expenditure that may reasonably be attributed to the portion of the particular year for which the eligible e-commerce solution ceased to be eligible, exceeds the aggregate of all amounts each of which is an amount that relates to the portion of the particular expenditure that, in a taxation year preceding the repayment year but subsequent to the particular year, was refunded, otherwise paid or allocated to a payment to be made by the corporation; or

(b) in the case provided for in subparagraph *b* of the first paragraph, the amount by which the portion of the particular expenditure that may reasonably be attributed to the cost of application software, unless the portion is included in computing an amount that is deemed to be refunded under subparagraph *a*, exceeds the aggregate of all amounts each of which is an amount that relates to the portion of the particular expenditure that, in a taxation year preceding the repayment year but subsequent to the particular year, was refunded, otherwise paid or allocated to a payment to be made by the corporation.

No tax is payable for a taxation year under section 1129.0.17 in respect of any amount that is refunded or otherwise paid to the corporation, or is allocated to a payment to be made by the corporation, if that amount is included in an amount that is deemed to have been refunded, under this section, in the taxation year or a preceding taxation year.

2001, c. 51, s. 210; 2002, c. 40, s. 243.

1129.0.19. *(Repealed).*

2001, c. 51, s. 210; 2002, c. 40, s. 244.

1129.0.20. For the purposes of section 1129.0.17, the amount determined in the second paragraph, in relation to a particular expenditure that is included in the eligible production expenditure of a partnership of which a corporation is a member for a particular fiscal period in respect of an eligible e-commerce solution, is deemed to be refunded to the partnership in its fiscal period that includes 1 April 2003, in this section referred to as the "fiscal period of repayment", if

(a) the eligible e-commerce solution ceased to be eligible, for all or part of the particular fiscal period, as the case may be, because the conditions set out in paragraphs *a* and *b* of the definition of "eligible e-commerce solution" in the first paragraph of section 1029.8.21.32 had not been satisfied or had not again been satisfied, as the case may be, in respect of the partnership, on or before 31 March 2003; or

(b) application software, the cost of which is a production expenditure that is included in the eligible production expenditure, or may reasonably be attributed to the portion of a consideration that is included in computing the eligible production expenditure, was not integrated into the eligible e-commerce solution before 1 April 2003.

The amount to which the first paragraph refers is equal to,

(a) in the case provided for in subparagraph *a* of the first paragraph, the amount by which the portion of the particular expenditure that may reasonably be attributed to the portion of the particular fiscal period for which the eligible e-commerce solution ceased to be eligible, exceeds the aggregate of all amounts each of which is an amount that relates to the portion of the particular expenditure that, in a fiscal period preceding the fiscal period of repayment but subsequent to the particular fiscal period, was refunded, otherwise paid or allocated to a payment to be made by the partnership or corporation; or

(b) in the case provided for in subparagraph *b* of the first paragraph, the amount by which the portion of the particular expenditure that may reasonably be attributed to the cost of application software, unless the portion is included in computing an amount that is deemed to be refunded under subparagraph *a*, exceeds the aggregate of all amounts each of which is an amount that relates to the portion of the particular expenditure that, in a fiscal period preceding the fiscal period of repayment but subsequent to the particular fiscal period, was refunded, otherwise paid or allocated to a payment to be made by the partnership or corporation.

For the purposes of the second paragraph, an amount that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, in relation to the portion of a particular expenditure, is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership, or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the proportion that the income or loss of the partnership for the fiscal period of repayment is of the corporation's share of that income or loss, on the assumption that, if the partnership's income and loss for that fiscal period are nil, the partnership's income is equal to $1,000,000.

No tax is payable for a taxation year under section 1129.0.17 in respect of any amount that is refunded or otherwise paid to the partnership or corporation, or is allocated to a payment to be made by the partnership or corporation, if that amount is included in an amount that is deemed to have been refunded, under this section, in a fiscal period of the partnership that ends in the taxation year or in a preceding taxation year.

2001, c. 51, s. 210; 2002, c. 40, s. 245.

1129.0.21. For the purposes of Part I,

(a) tax paid to the Minister by a corporation at any time, under section 1129.0.17, in relation to an expenditure that is included in an eligible production expenditure of the corporation, is deemed to be an amount of assistance repaid by the corporation at that time in respect of that expenditure, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.0.17, in relation to an expenditure that is included in an eligible production expenditure of a partnership of which the corporation is a member, is deemed to be an amount of assistance repaid by that partnership at that time in respect of that expenditure, pursuant to a legal obligation.

2001, c. 51, s. 210; 2002, c. 40, s. 246; 2009, c. 15, s. 383.

1129.0.22. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2001, c. 51, s. 210.

PART III.1

SPECIAL TAX IN RESPECT OF QUÉBEC FILM PRODUCTIONS

1992, c. 1, s. 204.

BOOK I

DEFINITIONS

1992, c. 1, s. 204.

1129.1. In this Part,

"computer-aided special effects and animation expenditure" has the meaning assigned by section 1029.8.34;

"expenditure for services rendered outside the Montréal area" has the meaning assigned by section 1029.8.34;

"qualified computer-aided special effects and animation expenditure" has the meaning assigned by section 1029 8.34;

"qualified expenditure for services rendered outside the Montréal area" has the meaning assigned by section 1029.8.34;

"qualified labour expenditure" has the meaning assigned by section 1029.8.34;

"Québec film production" has the meaning assigned by the first paragraph of section 1029.8.34;

"regional corporation" has the meaning assigned by the first paragraph of section 1029.8.34;

"regional production" has the meaning assigned by the first paragraph of section 1029.8.34.

1992, c. 1, s. 204; 1993, c. 64, s. 186; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 1999, c. 83, s. 241; 2001, c. 51, s. 211; 2002, c. 40, s. 247; 2005, c. 23, s. 240; 2007, c. 12, s. 304.

BOOK II

LIABILITY FOR AND AMOUNT OF THE TAX

1992, c. 1, s. 204.

1129.2. Any corporation that is deemed, under section 1029.8.35, to have paid to the Minister an amount as partial payment of its tax payable for any given taxation year under Part I, in respect of a property that is a Québec film production, shall pay tax, for a particular taxation year, equal to the aggregate of

(a) the amount by which the aggregate of all amounts each of which is an amount it is deemed, under the said section 1029.8.35, to have so paid to the Minister in respect of the property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is tax the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year, where

i. the property ceases, in the particular year, to be considered as a Québec film production by reason of the fact that the favourable advance ruling issued by the Société de développement des entreprises culturelles in respect of the property, ceases to be in force at that time and that no certificate is issued by the Société in

respect of the property, or of the fact that the certificate issued by the Société in respect of the property is revoked at that time, or

ii. the particular year is the first year for which subparagraph *b* of the third paragraph of section 1029.8.35 applies in respect of the property or, where applicable, would have been such first year had the qualified expenditure for services rendered outside the Montréal area, qualified computer-aided special effects and animation expenditure or qualified labour expenditure of the corporation for the particular year in respect of the property not been nil;

(a.1*)* where the situations described in subparagraphs i and ii of subparagraph *a* are not encountered in the particular year in relation to the property nor have been in any preceding taxation year and the corporation ceases in the particular year to be recognized as a qualified corporation not dealing at arm's length with another corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission because the Société de développement des entreprises culturelles revokes in the particular year the qualification certificate referred to in paragraph *a*.3 of the definition of "qualified corporation" in the first paragraph of section 1029.8.34 that was issued to the corporation, for any given taxation year, the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.35 in respect of the property for the given taxation year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for the given taxation year; and

(b) (subparagraph repealed);

(c) where the situations described in subparagraphs i and ii of subparagraph *a* or in subparagraph *a*.1 are not encountered in the particular year in relation to the property and the situations described in those subparagraphs i and ii have not been encountered in any preceding taxation year, the amount determined in respect of the corporation under the second paragraph in cases where

i. in computing the amount determined under subparagraph ii of paragraph *a* or subparagraph i of paragraph *b* of the definitions of "qualified computer-aided special effects and animation expenditure", "qualified expenditure for services rendered outside the Montréal area" and "qualified labour expenditure" in the first paragraph of section 1029.8.34, government assistance or non-government assistance that the corporation, another person or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the particular year must be taken into account, for or from the particular year in respect of the property, and the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year,

ii. an amount relating to an expenditure included in a qualified expenditure for services rendered outside the Montréal area, qualified computer-aided special effects and animation expenditure or qualified labour expenditure in respect of the property, or relating to production costs directly attributable to the production of the property, other than an amount of assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation,

iii. the corporation ceases, in the particular year, to be considered as a regional corporation by reason of the fact that the Société de développement des entreprises culturelles revokes, in the particular year, the certificate issued to the corporation for any year and certifying that it qualifies for the purposes of subparagraph *a*.1 of the first paragraph of section 1029.8.35,

iv. an amount relating to an expenditure for services rendered outside the Montréal area ceases, in the particular year, to be considered as attributable to services rendered in any year outside the Montréal area in relation to a regional production, by reason of a revocation by the Société de développement des entreprises culturelles, that relates to that amount indicated, by budgetary item, on a document enclosed with the advance ruling given or the certificate issued to the corporation in relation to the property,

v. an amount relating to a computer-aided special effects and animation expenditure ceases, in the particular year, to be considered as attributable to an amount paid in any year for activities related to

computer-aided special effects and animation, by reason of a revocation by the Société de développement des entreprises culturelles, that relates to that amount indicated, by budgetary item, on a document enclosed with the advance ruling given or the certificate issued to the corporation in relation to the property, or

vi. the property ceases, in the particular year, to be considered as a production that receives no amount of financial assistance granted by a public body because the Société de développement des entreprises culturelles revokes, in the particular year, the certificate issued to the corporation in respect of the property for the purposes of subparagraph *c* of the first paragraph of section 1029.8.35, or assistance referred to in any of subparagraphs ii to viii.3 of subparagraph *c* of the second paragraph of section 1029.6.0.0.1 is granted, in the particular year, in respect of the property;

(d) (subparagraph repealed).

The amount to which subparagraph *c* of the first paragraph refers, in respect of a property, is equal, for the corporation, to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.35, in respect of the property, for the particular year or for a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.35, in respect of the property for the particular year or for a preceding taxation year, if

i. where subparagraph i of subparagraph *c* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation,

ii. where subparagraph ii of subparagraph *c* of the first paragraph applies, any amount referred to in that subparagraph ii had been refunded, paid or allocated in the year during which the expenditure or costs to which the amount is attributable were incurred,

iii. where subparagraph iii of subparagraph *c* of the first paragraph applies, the amount that it is deemed to have paid to the Minister under subparagraph *a*.1 of the first paragraph of section 1029.8.35, in respect of the property, had been equal to zero for the taxation year in respect of which the certificate is revoked,

iv. where subparagraph iv or v of subparagraph *c* of the first paragraph applies, the amount had not been indicated for the year referred to in any of those subparagraphs on the document that the Société de développement des entreprises culturelles had then enclosed with the advance ruling given or the certificate issued to the corporation in relation to the property, and

v. where subparagraph vi of subparagraph *c* of the first paragraph applies, the amount that it is deemed to have paid to the Minister in respect of the property under subparagraph *c* of the first paragraph of section 1029.8.35 had been equal to zero for a taxation year preceding the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in respect of the property, for a taxation year preceding the particular year.

Furthermore, where applicable, the corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

1992, c. 1, s. 204; 1994, c. 21, s. 50; 1995, c. 1, s. 199; 1997, c. 3, s. 71; 1997, c. 14, s. 263; 1997, c. 31, s. 133; 1997, c. 85, s. 301; 1999, c. 83, s. 242; 2000, c. 39, s. 229; 2001, c. 51, s. 212; 2005, c. 23, s. 241; 2005, c. 38, s. 307; 2007, c. 12, s. 236; 2009, c. 15, s. 384; 2010, c. 5, s. 191; 2010, c. 25, s. 200; 2011, c. 1, s. 107.

BOOK III

MISCELLANEOUS PROVISIONS

1992, c. 1, s. 204.

1129.3. The tax paid, at any time in a taxation year, by a corporation to the Minister under this Part in respect of property is deemed, for the purposes of Part I, except section 1029.8.34, to be assistance repaid by it at that time in respect of the property pursuant to a legal obligation to repay all or any part of that assistance.

1992, c. 1, s. 204; 1994, c. 22, s. 343; 1997, c. 3, s. 71.

1129.4. Except where inconsistent with this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1992, c. 1, s. 204; 1993, c. 19, s. 143; 1993, c. 64, s. 187; 1995, c. 49, s. 236; 1995, c. 63, s. 261.

PART III.1.0.1

SPECIAL TAX RELATING TO THE CREDIT FOR FILM DUBBING

1999, c. 83, s. 243.

1129.4.0.1. In this Part,

"qualified film dubbing expenditure" of a corporation for a taxation year has the meaning assigned by section 1029.8.36.0.0.1;

"qualified production" has the meaning assigned by the first paragraph of section 1029.8.36.0.0.1.

1999, c. 83, s. 243; 2001, c. 51, s. 228; 2007, c. 12, s. 304.

1129.4.0.2. Every corporation that, in relation to the production of a property that is a qualified production, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.0.2, on account of its tax payable under Part I for any taxation year shall pay, for a particular taxation year, a tax equal to

(a) the amount by which the aggregate of all amounts each of which is tax that the corporation is deemed to have so paid to the Minister, under that section 1029.8.36.0.0.2, in respect of the production of the property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is tax that the corporation is required to pay under this Part in respect of the production of the property for a year preceding the particular year, where the Société de développement des entreprises culturelles revokes in the particular year a certificate it has issued to the corporation in respect of the property; or

(b) where subparagraph *a* does not apply in the particular year or in any preceding taxation year, in relation to the production of the property, the amount determined in respect of the corporation under the second paragraph where

i. in computing the amount determined under subparagraph ii of paragraph *a* of the definition of "qualified film dubbing expenditure" in the first paragraph of section 1029.8.36.0.0.1, government assistance or non-government assistance that the corporation, another person or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the particular year, must be taken into account for or from the particular year in respect of the production of the property, and the expenditure to which the assistance is attributable or relates was incurred by the corporation in a taxation year preceding the particular year, or

ii. an amount relating to an expenditure included in a qualified film dubbing expenditure in respect of the property, other than the amount of an assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The amount to which subparagraph *b* of the first paragraph refers, in relation to a property, is equal, for the corporation, to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.2, in respect of the production of the property for the particular year or for a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.0.0.2, in respect of the property for the particular year or for a preceding taxation year, if

i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure to which the assistance is attributable or relates was incurred by the corporation, and

ii. where subparagraph ii of subparagraph *b* of the first paragraph applies, every amount referred to in that subparagraph ii had been refunded, paid or allocated in the year during which the expenditure to which that amount is attributable was incurred; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in respect of the property, for a taxation year preceding the particular year.

Furthermore, where applicable, a corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

1999, c. 83, s. 243; 2004, c. 21, s. 450; 2007, c. 12, s. 237; 2010, c. 25, s. 201.

1129.4.0.3. The tax paid to the Minister by a corporation at any time in a taxation year under this Part in relation to the production of a property that is a qualified production is deemed, for the purposes of Part I, except section 1029.8.36.0.0.1, to be an amount of assistance repaid by the corporation at that time in respect of the production of the property pursuant to a legal obligation to repay all or any part of that amount of assistance.

1999, c. 83, s. 243.

1129.4.0.4. Except where inconsistent with this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1999, c. 83, s. 243.

PART III.1.0.2

SPECIAL TAX RELATING TO THE FILM PRODUCTION SERVICES CREDIT

1999, c. 83, s. 243.

1129.4.0.5. In this Part, “computer-aided special effects and animation expenditure”, “eligible production costs”, “labour cost attributable to computer-aided special effects and animation”, “qualified computer-aided special effects and animation expenditure”, “qualified labour cost attributable to computer-aided special

effects and animation", "qualified labour expenditure", "qualified low-budget production", and "qualified production" have the meaning assigned by section 1029.8.36.0.0.4.

1999, c. 83, s. 243; 2001, c. 51, s. 228; 2005, c. 23, s. 242; 2007, c. 12, s. 304; 2010, c. 25, s. 202.

1129.4.0.6. Every corporation that, in relation to a property that is a qualified production or a qualified low-budget production, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.0.5, on account of its tax payable under Part I for any given taxation year shall pay, for a particular taxation year, a tax equal to

(a) the amount by which the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year is exceeded by the aggregate of all amounts each of which is an amount that the corporation is deemed, under section 1029.8.36.0.0.5, to have so paid to the Minister in respect of the property for a year preceding the particular year, where the property ceases, in the particular year, to be considered as a qualified production or a qualified low-budget production because the favourable advance ruling given in respect of the property by the Société de développement des entreprises culturelles is revoked at that time;

(a.1) where subparagraph *a* does not apply in the particular year or in a preceding taxation year, in relation to the property, and the corporation ceases in the particular year to be recognized as a qualified corporation not dealing at arm's length with another corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission because the Société de développement des entreprises culturelles revokes in the particular year the qualification certificate referred to in paragraph *f* of the definition of "excluded corporation" in the first paragraph of section 1029.8.36.0.0.4 that was issued to the corporation, for any given taxation year, the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.5 in respect of the property for the given taxation year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for the given taxation year; and

(b) where subparagraphs *a* and *a.*1 do not apply in the particular year, in relation to the property, and subparagraph *a* does not apply in a preceding taxation year, in relation to the property, the amount determined in respect of the corporation under the second paragraph where

i. in computing the amount determined under paragraph *b* of the definitions of "qualified computer-aided special effects and animation expenditure" and "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.0.4, government assistance or non-government assistance that the corporation, another person or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the particular year, must be taken into account for or from the particular year in respect of the property, and the expenditure to which the assistance is attributable or relates was incurred by the corporation in a taxation year preceding the particular year,

i.1. in computing the amount determined under the fourth or fifth paragraph of section 1029.8.36.0.0.4, government assistance or non-government assistance that the corporation, another person or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the particular year, must be taken into account for the particular year in respect of the property, and the costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year,

ii. an amount relating to an expenditure included in the qualified labour cost attributable to computer-aided special effects and animation, a qualified computer-aided special effects and animation expenditure, a qualified labour expenditure or eligible production costs in respect of the property, other than the amount of assistance to which subparagraph i or i.1 applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, or

iii. an amount relating to the labour cost attributable to computer-aided special effects and animation or to a computer-aided special effects and animation expenditure ceases, in the particular year, to be considered as

attributable to an amount paid in any year for activities related to computer-aided special effects and animation, by reason of a revocation by the Société de développement des entreprises culturelles, that relates to that amount indicated, by budgetary item, on a document enclosed with the advance ruling given to the corporation in relation to the property.

The amount to which subparagraph *b* of the first paragraph refers, in relation to a property, is equal, for the corporation, to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.5 in respect of the property for the particular year or a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.0.0.5 in respect of the property for the particular year or for a preceding taxation year if

i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure to which the assistance is attributable or relates was incurred by the corporation,

i.1. where subparagraph i.1 of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i.1 had been received by the corporation, the other person or the partnership in the year during which the costs to which the assistance is attributable or relates were incurred by the corporation,

ii. where subparagraph ii of subparagraph *b* of the first paragraph applies, any amount referred to in that subparagraph ii had been refunded, paid or allocated in the year during which the costs or expenditure to which the amount is attributable were incurred, and

iii. where subparagraph iii of subparagraph *b* of the first paragraph applies, the amount had not been indicated for the year referred to in that subparagraph iii on the document that the Société de développement des entreprises culturelles had enclosed at that time with the advance ruling given to the corporation in relation to the property; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year.

Furthermore, where applicable, the corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

1999, c. 83, s. 243; 2005, c. 23, s. 243; 2005, c. 38, s. 308; 2007, c. 12, s. 238; 2009, c. 15, s. 385; 2010, c. 5, s. 192; 2010, c. 25, s. 203.

1129.4.0.7. The tax paid to the Minister by a corporation at any time in a taxation year under this Part in relation to a property that is a qualified production or a qualified low-budget production is deemed, for the purposes of Part I, except section 1029.8.36.0.0.4, to be an amount of assistance repaid by the corporation at that time in respect of the property pursuant to a legal obligation to repay all or any part of the amount of assistance.

1999, c. 83, s. 243.

1129.4.0.8. Except where inconsistent with this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1999, c. 83, s. 243.

PART III.1.0.3

SPECIAL TAX RELATING TO THE CREDIT FOR THE PRODUCTION OF SOUND RECORDINGS

2000, c. 39, s. 230.

1129.4.0.9. In this Part,

"qualified labour expenditure" of a corporation for a taxation year has the meaning assigned by section 1029.8.36.0.0.7;

"qualified property" has the meaning assigned by the first paragraph of section 1029.8.36.0.0.7.

2000, c. 39, s. 230; 2001, c. 51, s. 228; 2007, c. 12, s. 239.

1129.4.0.10. Every corporation that, in relation to the production of a property that is a qualified property, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.0.8, on account of its tax payable under Part I for any taxation year shall pay, for a particular taxation year, a tax equal to

(a) the amount by which the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the production of the property for a taxation year preceding the particular year is exceeded by the aggregate of all amounts each of which is an amount that the corporation is deemed, under section 1029.8.36.0.0.8, to have so paid to the Minister in respect of the production of the property for a year preceding the particular year, where the property ceases, in the particular year, to be considered as a qualified property by reason of the fact that the favourable advance ruling given by the Société de développement des entreprises culturelles in respect of the property ceases to be in force at that time and that no certificate is issued by the Société in respect of the property, or of the fact that the certificate issued by the Société in respect of the property is revoked at that time; and

(b) where subparagraph *a* does not apply in the particular year or in a preceding taxation year, in relation to the production of the property, the amount determined in respect of the corporation under the second paragraph where

i. in computing the amount determined under subparagraph ii of paragraph *a* or subparagraph i of paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.0.7, government assistance or non-government assistance that the corporation, another person or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the particular year, must be taken into account for or from the particular year in respect of the production of the property, and the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year, or

ii. an amount relating to an expenditure included in a qualified labour expenditure in respect of the property, or to production costs directly attributable to the production of the property, other than an amount of assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The amount to which subparagraph *b* of the first paragraph refers, in relation to a property, is equal, for the corporation, to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.8 in respect of the production of the property for the particular year or a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.0.0.8 in respect of the property for the particular year or for a preceding taxation year if

i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation, and

ii. where subparagraph ii of subparagraph *b* of the first paragraph applies, any amount referred to in that subparagraph ii had been refunded, paid or allocated in the year during which the expenditure or costs to which the amount is attributable were incurred; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year.

Furthermore, where applicable, every corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

2000, c. 39, s. 230; 2005, c. 23, s. 244; 2007, c. 12, s. 240; 2010, c. 25, s. 204.

1129.4.0.11. For the purposes of Part I, except for Division II.6.0.0.3 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under section 1129.4.0.10, in relation to an expenditure that is included in a qualified labour expenditure of the corporation, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the property, pursuant to a legal obligation to repay all or any part of that amount of assistance.

2000, c. 39, s. 230; 2001, c. 51, s. 213.

1129.4.0.12. Except where inconsistent with this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2000, c. 39, s. 230.

PART III.1.0.4

SPECIAL TAX RELATING TO THE CREDIT FOR THE PRODUCTION OF PERFORMANCES

2000, c. 39, s. 230; 2003, c. 9, s. 388.

1129.4.0.13. In this Part,

"qualified labour expenditure" of a corporation for a taxation year has the meaning assigned by section 1029.8.36.0.0.10;

"qualified performance" has the meaning assigned by the first paragraph of section 1029.8.36.0.0.10.

2000, c. 39, s. 230; 2001, c. 51, s. 228; 2007, c. 12, s. 304.

1129.4.0.14. Every corporation that, in relation to the production of a property that is a qualified performance, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.0.11, on account of its tax payable under Part I for any taxation year shall pay, for a particular taxation year, a tax equal to

(a) the amount by which the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the production of the property for a taxation year preceding the particular year is exceeded by the aggregate of all amounts each of which is an amount that the corporation is deemed, under section 1029.8.36.0.0.11, to have so paid to the Minister in respect of the production of the property for a year preceding the particular year, where the property ceases, in the particular year, to be

considered as a qualified performance by reason of the fact that the favourable advance ruling given by the Société de développement des entreprises culturelles in respect of the property ceases to be in force at that time and that no certificate is issued by the Société in respect of the property, or of the fact that the certificate issued by the Société in respect of the property is revoked at that time; and

(b) where subparagraph *a* does not apply in the particular year or in a preceding taxation year, in relation to the production of the property, the amount determined in respect of the corporation under the second paragraph where

i. in computing the amount determined under subparagraph ii of paragraph *a* or subparagraph i of paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.0.10, government assistance or non-government assistance that the corporation, another person or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the particular year, must be taken into account for or from the particular year in respect of the production of the property, and the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year, or

ii. an amount relating to an expenditure included in a qualified labour expenditure in respect of the property or to the production costs directly attributable to the production of the property, other than an amount of assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The amount to which subparagraph *b* of the first paragraph refers, in relation to a property, is equal, for the corporation, to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.11 in respect of the production of the property for the particular year or a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.0.0.11 in respect of the property for the particular year or for a preceding taxation year if

i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation, and

ii. where subparagraph ii of subparagraph *b* of the first paragraph applies, any amount referred to in that subparagraph ii had been refunded, paid or allocated in the year during which the expenditure or costs to which the amount is attributable were incurred; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year.

Furthermore, where applicable, every corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

2000, c. 39, s. 230; 2005, c. 23, s. 245; 2007, c. 12, s. 241; 2010, c. 25, s. 205.

1129.4.0.15. For the purposes of Part I, except for Division II.6.0.0.4 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under section 1129.4.0.14, in relation to an expenditure that is included in a qualified labour expenditure of the corporation, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the property, pursuant to a legal obligation to do so.

2000, c. 39, s. 230.

1129.4.0.16. Except where inconsistent with this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2000, c. 39, s. 230.

PART III.1.0.4.1

SPECIAL TAX RELATING TO THE CREDIT FOR THE PRODUCTION OF MULTIMEDIA EVENTS OR ENVIRONMENTS PRESENTED OUTSIDE QUÉBEC

2013, c. 10, s. 154.

1129.4.0.16.1. In this Part, "qualified labour expenditure" and "qualified production" have the meaning assigned by section 1029.8.36.0.0.12.1.

2013, c. 10, s. 154.

1129.4.0.16.2. Every corporation that, in relation to the production of a property that is a qualified production, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.0.12.2, on account of its tax payable under Part I for any taxation year shall pay, for a particular taxation year, a tax equal to

(a) the amount by which the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the production of the property for a taxation year preceding the particular year is exceeded by the aggregate of all amounts each of which is an amount that the corporation is deemed, under section 1029.8.36.0.0.12.2, to have so paid to the Minister in respect of the production of the property for a year preceding the particular year, where the property ceases, in the particular year, to be considered as a qualified production because the favourable advance ruling given in respect of the property by the Société de développement des entreprises culturelles ceases at that time to be in force and no qualification certificate is issued in respect of the property by the Société, or because the qualification certificate issued in respect of the property by the Société is revoked at that time; and

(b) where subparagraph *a* does not apply in the particular year or in a preceding taxation year, in relation to the production of the property, the amount determined in respect of the corporation under the second paragraph where

i. in computing the amount determined under subparagraph ii of paragraph *a*, or subparagraph i of paragraph *b*, of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.0.12.1, government assistance or non-government assistance that the corporation, another person or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the particular year, must be taken into account for or from the particular year in respect of the production of the property, and the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year, or

ii. an amount relating to an expenditure included in a qualified labour expenditure in respect of the property or to production costs directly attributable to the production of the property, other than the amount of assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The amount to which subparagraph *b* of the first paragraph refers, in relation to a property, is equal, for the corporation, to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.12.2 in respect of the production of the property for the particular year or a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.0.0.12.2 in respect of the property for the particular year or for a preceding taxation year if

i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation, and

ii. where subparagraph ii of subparagraph *b* of the first paragraph applies, any amount referred to in that subparagraph ii had been refunded, paid or allocated in the year during which the expenditure or costs to which the amount is attributable were incurred; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year.

Furthermore, where applicable, the corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

2013, c. 10, s. 154.

1129.4.0.16.3. For the purposes of Part I, except Division II.6.0.0.4.1 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under section 1129.4.0.16.2, in relation to an expenditure that is included in a qualified labour expenditure of the corporation, is deemed to be an amount of assistance repaid by the corporation at that time in respect of a property that is a qualified production, pursuant to a legal obligation.

2013, c. 10, s. 154.

1129.4.0.16.4. Unless otherwise provided in this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2013, c. 10, s. 154.

PART III.1.0.5

SPECIAL TAX RELATING TO THE CREDIT FOR BOOK PUBLISHING

2001, c. 51, s. 214.

1129.4.0.17. In this Part, “eligible digital version”, “eligible group of works”, “eligible work”, “qualified labour expenditure attributable to preparation costs and digital version publishing costs” and “qualified labour expenditure attributable to printing and reprinting costs” have the meaning assigned by section 1029.8.36.0.0.13.

2001, c. 51, s. 214; 2005, c. 23, s. 246; 2007, c. 12, s. 304; 2010, c. 25, s. 206; 2011, c. 34, s. 114.

1129.4.0.18. Every corporation that, in relation to a property that is an eligible work or an eligible group of works, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.0.14, on account of its tax payable under Part I for any taxation year shall pay, for a particular taxation year, a tax equal to

(a) the amount by which the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year is exceeded by the aggregate of all amounts each of which is an amount that the corporation is deemed, under

section 1029.8.36.0.0.14, to have so paid to the Minister in respect of the property for a year preceding the particular year, where the property ceases, in the particular year, to be considered as an eligible work or an eligible group of works by reason of the fact that the favourable advance ruling given by the Société de développement des entreprises culturelles in respect of the property ceases to be in force at that time and that no certificate is issued by the Société in respect of the property, or of the fact that the certificate issued by the Société in respect of the property is revoked at that time;

(b) where subparagraph *a* does not apply in the particular year or in a preceding taxation year, in relation to the property, the amount determined in respect of the corporation under the second paragraph where

i. in computing the amounts determined under subparagraph ii of paragraph *a* or subparagraph i of paragraph *b* of the definitions of "qualified labour expenditure attributable to preparation costs and digital version publishing costs" and "qualified labour expenditure attributable to printing and reprinting costs" in the first paragraph of section 1029.8.36.0.0.13, government assistance or non-government assistance that the corporation, another person or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the particular year, must be taken into account for or from the particular year in respect of the property, and the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year, or

ii. an amount relating to an expenditure included in a qualified labour expenditure attributable to preparation costs and digital version publishing costs or qualified labour expenditure attributable to printing and reprinting costs in respect of the property, or an amount relating to printing and reprinting costs directly attributable to the printing and reprinting of the property or to preparation costs and digital version publishing costs directly attributable to the preparation of the property and the publishing of an eligible digital version relating to the property, other than an amount of assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The amount to which subparagraph *b* of the first paragraph refers, in relation to a property, is equal, for the corporation, to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.14 in respect of the property for the particular year or a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.0.0.14 in respect of the property for the particular year or for a preceding taxation year if

i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation, and

ii. where subparagraph ii of subparagraph *b* of the first paragraph applies, any amount referred to in that subparagraph ii had been refunded, paid or allocated in the year during which the expenditure or costs to which the amount is attributable were incurred; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year.

Furthermore, where applicable, every corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

2001, c. 51, s. 214; 2004, c. 21, s. 451; 2005, c. 23, s. 247; 2007, c. 12, s. 242; 2010, c. 25, s. 207; 2011, c. 34, s. 115.

1129.4.0.19. For the purposes of Part I, except for Division II.6.0.0.5 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under section 1129.4.0.18, in relation to an

expenditure that is included in a qualified labour expenditure attributable to preparation costs and digital version publishing costs of the corporation or a qualified labour expenditure attributable to printing and reprinting costs of the corporation, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the property, pursuant to a legal obligation to repay all or any part of that amount of assistance.

2001, c. 51, s. 214; 2011, c. 34, s. 116.

1129.4.0.20. Except where inconsistent with this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2001, c. 51, s. 214.

PART III.1.0.6

SPECIAL TAX RELATING TO THE CREDIT FOR THE CREATION OF DIGITAL PRODUCTIONS

2002, c. 40, s. 248.

1129.4.0.21. In this Part,

"acquisition costs" has the meaning assigned by the first paragraph of section 1029.8.36.0.0.16;

"eligible digital production" has the meaning assigned by the first paragraph of section 1029.8.36.0.0.16;

"qualified labour expenditure" has the meaning assigned by section 1029.8.36.0.0.16;

"qualified property" has the meaning assigned by the first paragraph of section 1029.8.36.0.0.16;

"rental expenses" has the meaning assigned by the first paragraph of section 1029.8.36.0.0.16.

2002, c. 40, s. 248; 2007, c. 12, s. 304.

1129.4.0.22. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.0.19 or 1029.8.36.0.0.20, on account of its tax payable under Part I, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to an expenditure included in a qualified labour expenditure of the corporation, or acquisition costs incurred or rental expenses paid by the corporation in respect of qualified property is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under any of sections 1029.8.36.0.0.19, 1029.8.36.0.0.20, 1029.8.36.0.0.26 and 1029.8.36.0.0.27, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of those sections, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to an expenditure included in a qualified labour expenditure of the corporation, or acquisition costs incurred or rental expenses paid by the corporation, were refunded, paid or allocated in the taxation year in which the corporation incurred the expenditure to which the amount refunded, paid or allocated relates, or incurred the acquisition costs or paid the rental expenses to which that amount relates; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

2002, c. 40, s. 248.

1129.4.0.23. For the purposes of section 1129.4.0.22, the amount determined in the second paragraph, in relation to a particular expenditure included in the qualified labour expenditure of the corporation for a particular taxation year in respect of an eligible digital production, is deemed to be refunded to the corporation in a subsequent taxation year, in this section referred to as the "repayment year", in which Investissement Québec revokes, in whole or in part, the certificate that was issued for the particular year to the corporation in respect of the eligible digital production.

The amount to which the first paragraph refers is equal to the amount by which the portion of the particular expenditure that may reasonably be attributed to the part of the certificate that is revoked, exceeds the aggregate of all amounts each of which is an amount relating to the portion of the particular expenditure that, in a taxation year preceding the repayment year but subsequent to the particular year, was refunded, otherwise paid or allocated to a payment to be made by the corporation.

No tax is payable for a taxation year under section 1129.4.0.22, in respect of any amount that is refunded or otherwise paid to the corporation, or allocated to a payment to be made by the corporation, if that amount is included in an amount that is deemed to have been refunded, under this section, in that taxation year or in a preceding taxation year.

2002, c. 40, s. 248.

1129.4.0.24. For the purposes of section 1129.4.0.22, the amount determined in the second paragraph, in relation to the acquisition costs incurred by the corporation in a particular taxation year in respect of qualified property or rental expenses paid by the corporation in the particular year in respect of such property, is deemed to be refunded to the corporation in a subsequent taxation year, in this section referred to as the "repayment year", in which Investissement Québec revokes the certificate that was issued in respect of the property.

The amount to which the first paragraph refers is equal to the amount by which the aggregate of acquisition costs incurred by the corporation in the particular year and on the effective date specified in the notice of revocation or subsequently, or the aggregate of rental expenses paid by the corporation in the particular year and on that effective date or subsequently, exceeds the aggregate of all amounts each of which is an amount relating to those costs or expenses that, in a taxation year preceding the repayment year but subsequent to the particular year, was refunded, otherwise paid or allocated to a payment to be made by the corporation.

No tax is payable for a taxation year under section 1129.4.0.22, in respect of any amount that is refunded or otherwise paid to the corporation, or is allocated to a payment to be made by the corporation, if that amount is included in an amount that is deemed to have been refunded, under this section, in that taxation year or a preceding taxation year.

2002, c. 40, s. 248.

1129.4.0.25. For the purposes of Part I, except for Division II.6.0.0.6 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under section 1129.4.0.22, in relation to an expenditure or property, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenditure or property, pursuant to a legal obligation.

2002, c. 40, s. 248.

1129.4.0.26. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 40, s. 248.

PART III.1.1

SPECIAL TAX RELATING TO THE CREDIT FOR MULTIMEDIA TITLES (PART 1)

1997, c. 14, s. 264; 1999, c. 83, s. 244.

1129.4.1. In this Part,

"eligible operating receipts" has the meaning assigned by section 1029.8.36.0.1;

"labour expenditure" of a corporation for a taxation year has the meaning assigned by section 1029.8.36.0.1;

"multimedia title" has the meaning assigned by section 1029.8.36.0.1;

"qualified labour expenditure" of a corporation for a taxation year has the meaning assigned by section 1029.8.36.0.1.

1997, c. 14, s. 264; 1999, c. 83, s. 245; 2001, c. 51, s. 228; 2002, c. 40, s. 249; 2007, c. 12, s. 304.

1129.4.2. Any corporation that is deemed, under section 1029.8.36.0.2, to have paid to the Minister an amount as partial payment of its tax payable for any taxation year under Part I, in respect of a property that is a multimedia title, shall pay tax, for a particular taxation year, equal to the aggregate of the following amounts:

(a) the amount by which the aggregate of all amounts each of which is an amount the corporation is deemed, under the said section 1029.8.36.0.2, to have so paid to the Minister in respect of the property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is tax the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year, where Investissement Québec revokes in the particular year a certificate issued to the corporation in respect of the property;

(b) where subparagraph *a* does not apply, in the particular year in respect of the property or in any preceding taxation year and, for the particular year and in respect of the property, Investissement Québec issues a certificate to replace a certificate previously issued to the corporation and, under the terms of the new certificate, the aggregate of the amounts the corporation is deemed to have paid to the Minister under paragraphs *a* and *b* of section 1029.8.36.0.2 for a preceding year exceeds the aggregate of the amounts the corporation would have been deemed to have paid to the Minister under those paragraphs for such a year if the amounts entered on the replaced certificate had been the amounts entered on the new certificate, the part of that excess amount that exceeds the aggregate of all amounts each of which is tax the corporation is required to pay under this Part in respect of the property for a year preceding the particular year and that is attributable to an amount the corporation is deemed to have paid to the Minister under paragraphs *a* and *b* of section 1029.8.36.0.2 for a taxation year preceding the particular year;

(c) where subparagraph *a* does not apply, in the particular year in respect of the property or in any preceding taxation year, and Investissement Québec revokes in the particular year the part of the certificate issued to the corporation in respect of the property attesting that the multimedia title is both available in French and intended for the consumer market, the amount by which the aggregate of all amounts each of which is an amount the corporation is deemed to have paid to the Minister under paragraph *b* of section 1029.8.36.0.2 in respect of the property for a taxation year preceding the particular year, exceeds the

aggregate of all amounts each of which is the portion of tax the corporation is required to pay under this Part, otherwise than under this subparagraph, for the particular year or a preceding taxation year and that is attributable to an amount the corporation is deemed to have so paid to the Minister in respect of the property under paragraph *b* of that section 1029.8.36.0.2 for a taxation year preceding the particular year;

(d) where subparagraph *a* does not apply, in the particular year in respect of the property or in any preceding taxation year, and Investissement Québec revokes in the particular year a document validating the operating receipts issued to the corporation in respect of the property, the amount by which the aggregate of all amounts each of which is an amount the corporation is deemed to have paid to the Minister under paragraph *c* of section 1029.8.36.0.2 in respect of the property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is the portion of tax the corporation is required to pay under subparagraph *e* in respect of the property for a taxation year preceding the particular year, that is attributable to an amount the corporation is deemed to have so paid to the Minister in respect of the property under that paragraph *c* for a taxation year preceding the particular year;

(e) where subparagraphs *a* and *d* do not apply, in the particular year in respect of the property or in any preceding taxation year and, in the particular year, Investissement Québec issues a document validating the operating receipts to replace such a document previously issued to the corporation and, under the terms of the new document, the aggregate of the amounts the corporation is deemed to have paid to the Minister under paragraph *c* of section 1029.8.36.0.2 for a taxation year preceding the particular year exceeds the aggregate of the amounts the corporation would be deemed to have paid to the Minister under that paragraph for such a year if the amounts entered on the replaced document had been the amounts entered on the new document, the part of that excess amount that exceeds the aggregate of all amounts each of which is the portion of tax the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year and that is attributable to an amount the corporation is deemed to have paid to the Minister under paragraph *c* of section 1029.8.36.0.2 for a taxation year preceding the particular year;

(f) where subparagraph *a* does not apply, in the particular year in respect of the property or in any preceding taxation year and, for the particular year and in respect of the property, the amount determined under subparagraph ii of paragraph *a* of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.1 exceeds the aggregate determined under subparagraph i of paragraph *a* of that definition, an amount equal to the aggregate of

i. the lesser of

(1) 20% of that excess amount, where the assistance is attributable to a labour expenditure of the corporation for a taxation year ending before 18 April 1997 in relation to the property, or 25% of that excess amount, where the amount of assistance is attributable to a labour expenditure of the corporation for a taxation year ending after 17 April 1997 in relation to the property, and

(2) the amount by which the aggregate of all amounts each of which is an amount the corporation is deemed to have so paid to the Minister under paragraph *a* of section 1029.8.36.0.2 in respect of the property for a taxation year preceding the particular year exceeds the aggregate of all amounts each of which is the portion of tax the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year and that is attributable to an amount the corporation is deemed to have paid to the Minister in respect of the property under that paragraph *a* for a taxation year preceding the particular year, and

ii. where a certificate has been issued in respect of the property attesting that the multimedia title is both available in French and intended for the consumer market, and where subparagraph *c* does not apply in the particular year or in a preceding taxation year, the lesser of

(1) 20% of the excess amount referred to in the portion of this subparagraph before subparagraph i, and

(2) the amount by which the aggregate of all amounts each of which is an amount the corporation is deemed to have so paid to the Minister under paragraph *b* of section 1029.8.36.0.2 in respect of the property for a taxation year preceding the particular year exceeds the aggregate of all amounts each of which is the

portion of tax the corporation is required to pay under this Part, in respect of the property, for a taxation year preceding the particular year and that is attributable to an amount the corporation is deemed to have paid to the Minister in respect of the property under that paragraph *b* for a taxation year preceding the particular year;

(g) where subparagraph *a* does not apply, in the particular year in respect of the property or in any preceding taxation year, and the particular year is subsequent to the taxation year in which the final certificate in respect of the property is issued to the corporation, the corporation has received, is entitled to receive, or may reasonably expect to receive on or before its filing-due date for the particular year in respect of the property any government assistance or non-government assistance attributable, as labour expenditure, production costs or both, to a qualified labour expenditure of the corporation in a taxation year preceding the particular year and which, had that assistance been received in the preceding year, would have been taken into account in computing the qualified labour expenditure and, because of that assistance, the aggregate of the amounts the corporation is deemed to have paid to the Minister under paragraphs *a* and *b* of section 1029.8.36.0.2 for a taxation year preceding the particular year exceeds the aggregate of the amounts the corporation would have been deemed to have paid to the Minister under those paragraphs for such a year, the part of that excess amount that exceeds the aggregate of all amounts each of which is tax the corporation is required to pay under this subparagraph in respect of the property for a taxation year preceding the particular year; and

(h) where subparagraph *a* does not apply, in the particular year or in any preceding taxation year in respect of the property, a document validating the operating receipts is not issued to the corporation in the particular year in respect of the property, that particular year is subsequent to a taxation year in which such a document was issued in respect of the property, the corporation has received, is entitled to receive, or may reasonably expect to receive on or before its filing-due date for the particular year in respect of the property any government assistance or non-government assistance attributable to production costs of the corporation in a taxation year preceding the particular year and which, had the assistance been received in the preceding year, would have been taken into account in computing the eligible operating receipts of the corporation for that preceding year and, because of that assistance, the aggregate of the amounts the corporation is deemed to have paid to the Minister under paragraph *c* of section 1029.8.36.0.2 for a taxation year preceding the particular year exceeds the aggregate of the amounts the corporation would have been deemed to have paid to the Minister under that paragraph for such a year, the part of that excess amount that exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay because of this subparagraph in respect of the property for a taxation year preceding the particular year.

Furthermore, where applicable, a corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

1997, c. 14, s. 264; 1997, c. 31, s. 134; 1998, c. 17, s. 64; 1999, c. 83, s. 246; 2001, c. 51, s. 215; 2001, c. 69, s. 12; 2007, c. 12, s. 243.

1129.4.2.1. For the purposes of Part I, tax paid to the Minister by a corporation at any time, under section 1129.4.2, in relation to property, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the property, pursuant to a legal obligation.

1999, c. 83, s. 247; 2001, c. 7, s. 169; 2009, c. 15, s. 386.

1129.4.3. Except where inconsistent with this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1997, c. 14, s. 264.

PART III.1.1.1

SPECIAL TAX RELATING TO THE CREDIT FOR MULTIMEDIA TITLES (PART 2)

1999, c. 83, s. 248.

1129.4.3.1. In this Part,

"eligible production costs" has the meaning assigned by section 1029.8.36.0.3.3;

"multimedia title" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.3;

"qualified labour expenditure" has the meaning assigned by section 1029.8.36.0.3.3.

1999, c. 83, s. 248; 2002, c. 40, s. 250; 2007, c. 12, s. 304.

1129.4.3.2. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.4, on account of its tax payable under Part I, in relation to a property that is a multimedia title, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to an expenditure included in computing a qualified labour expenditure of the corporation in respect of the property, or its eligible production costs in respect of the property, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.4, in relation to the property, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under that section, in relation to the property, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to an expenditure included in computing a qualified labour expenditure of the corporation in respect of the property, or its eligible production costs in respect of the property, were refunded, paid or allocated in the taxation year in which the corporation incurred the expenditure to which the amount refunded, paid or allocated relates; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the property.

1999, c. 83, s. 248; 2002, c. 40, s. 251.

1129.4.3.3. For the purposes of Part I, the tax that a corporation pays to the Minister at any time under section 1129.4.3.2 in relation to a property is deemed to be an amount of assistance repaid by the corporation at that time in respect of the property pursuant to a legal obligation.

1999, c. 83, s. 248; 2001, c. 7, s. 169; 2009, c. 15, s. 387.

1129.4.3.4. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1999, c. 83, s. 248.

PART III.1.1.2

SPECIAL TAX RELATING TO THE CREDIT FOR MULTIMEDIA TITLES (GENERAL)

1999, c. 83, s. 248.

1129.4.3.5. In this Part,

"multimedia title" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.8;

"qualified labour expenditure" has the meaning assigned by section 1029.8.36.0.3.8.

1999, c. 83, s. 248; 2007, c. 12, s. 304.

1129.4.3.6. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.9, on account of its tax payable under Part I for a particular taxation year, in relation to its qualified labour expenditure for the particular year in respect of a property that is a multimedia title, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which

(a) an amount relating to an expenditure included in computing the qualified labour expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) government assistance or non-government assistance is received by a person or partnership and the assistance would have reduced, in accordance with paragraph *b* of section 1029.8.36.0.3.10.1, the amount of a portion of a consideration included in computing the qualified labour expenditure, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation's filing-due date for the particular taxation year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.9 or 1029.8.36.0.3.11, in relation to its qualified labour expenditure for the particular year in respect of the property, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.9 or 1029.8.36.0.3.11, in relation to the qualified labour expenditure, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to an expenditure included in computing the qualified labour expenditure, were refunded, paid or allocated in the particular year, and

ii. every government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified labour expenditure.

1999, c. 83, s. 248; 2002, c. 40, s. 252; 2009, c. 5, s. 521.

1129.4.3.7. For the purposes of Part I, other than Division II.6.0.1.2 of Chapter III.1 of Title III of Book IX, the tax that a corporation pays to the Minister at any time under section 1129.4.3.6 in relation to a

property is deemed to be an amount of assistance repaid by the corporation at that time in respect of the property pursuant to a legal obligation.

1999, c. 83, s. 248; 2001, c. 7, s. 169.

1129.4.3.8. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1999, c. 83, s. 248.

PART III.1.1.3

SPECIAL TAX RELATING TO THE CREDIT FOR CORPORATIONS SPECIALIZED IN THE PRODUCTION OF MULTIMEDIA TITLES

1999, c. 83, s. 248.

1129.4.3.9. In this Part, "qualified labour expenditure" has the meaning assigned by section 1029.8.36.0.3.18.

1999, c. 83, s. 248; 2007, c. 12, s. 244.

1129.4.3.10. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.19, on account of its tax payable for a particular taxation year under Part I, in relation to its qualified labour expenditure for the particular year, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which

(a) an amount relating to an expenditure included in computing the qualified labour expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) government assistance or non-government assistance is received by a person or partnership and the assistance would have reduced, in accordance with paragraph *b* of section 1029.8.36.0.3.21, the amount of a portion of a consideration included in computing the qualified labour expenditure, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation's filing-due date for the particular taxation year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.19 or 1029.8.36.0.3.22, in relation to its qualified labour expenditure for the particular year, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.19 or 1029.8.36.0.3.22, in relation to the qualified labour expenditure, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to an expenditure included in computing the qualified labour expenditure, were refunded, paid or allocated in the particular year, and

ii. every government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified labour expenditure.

1999, c. 83, s. 248; 2002, c. 40, s. 253; 2009, c. 5, s. 522.

1129.4.3.11. For the purposes of Part I, other than Division II.6.0.1.3 of Chapter III.1 of Title III of Book IX, the tax that a corporation pays to the Minister at any time under section 1129.4.3.10 in relation to an expenditure included in a qualified labour expenditure of the corporation is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenditure pursuant to a legal obligation.

1999, c. 83, s. 248; 2001, c. 7, s. 169.

1129.4.3.12. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1999, c. 83, s. 248.

PART III.1.1.4

Repealed, 2003, c. 9, s. 389.

1999, c. 83, s. 248; 2003, c. 9, s. 389.

1129.4.3.13. *(Repealed).*

1999, c. 83, s. 248; 2000, c. 39, s. 231; 2001, c. 51, s. 228; 2003, c. 9, s. 389.

1129.4.3.14. *(Repealed).*

1999, c. 83, s. 248; 2002, c. 40, s. 254; 2003, c. 9, s. 389.

1129.4.3.15. *(Repealed).*

1999, c. 83, s. 248; 2000, c. 39, s. 232.

1129.4.3.16. *(Repealed).*

1999, c. 83, s. 248; 2000, c. 39, s. 233; 2001, c. 7, s. 169; 2003, c. 9, s. 389.

1129.4.3.17. *(Repealed).*

1999, c. 83, s. 248; 2003, c. 9, s. 389.

PART III.1.1.5

Repealed, 2003, c. 9, s. 389.

2000, c. 39, s. 234; 2003, c. 9, s. 389.

1129.4.3.18. *(Repealed).*

2000, c. 39, s. 234; 2001, c. 51, s. 228; 2003, c. 9, s. 389.

1129.4.3.19. *(Repealed).*

2000, c. 39, s. 234; 2002, c. 40, s. 255; 2003, c. 9, s. 389.

1129.4.3.20. *(Repealed).*

2000, c. 39, s. 234; 2003, c. 9, s. 389.

1129.4.3.21. *(Repealed).*

2000, c. 39, s. 234; 2003, c. 9, s. 389.

PART III.1.1.6

SPECIAL TAX RELATING TO THE CREDIT FOR THE CORPORATIONS ESTABLISHED IN E-COMMERCE PLACE

2002, c. 9, s. 122.

1129.4.3.22. In this Part,

"eligible employee" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.46;

"qualified wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.46;

"wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.46.

2002, c. 9, s. 122; 2007, c. 12, s. 304.

1129.4.3.23. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.48, on account of its tax payable for a particular taxation year under Part I, or that would be deemed to have paid such an amount to the Minister under section 1029.8.36.0.3.48 if it were read without reference to the fourth and fifth paragraphs thereof, in relation to qualified wages incurred in the particular year in respect of an eligible employee, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.48 or 1029.8.36.0.3.57, or would be deemed to have paid to the Minister under either of those sections if section 1029.8.36.0.3.48 were read without reference to the fourth and fifth paragraphs thereof, and section 1029.8.36.0.3.57 were read without reference to the second paragraph thereof, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.48 if it were read without reference to the fourth and fifth paragraphs thereof, or under section 1029.8.36.0.3.57 if it were read without reference to the second paragraph thereof, in relation to the qualified wages and, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

However, no tax is payable under this section if section 1129.4.3.23.1 applies in respect of the qualified wages for the repayment year or for a preceding taxation year.

2002, c. 9, s. 122; 2002, c. 40, s. 256.

1129.4.3.23.1. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.48, on account of its tax payable for a taxation year under Part I, or that would be deemed to have paid such an amount to the Minister under section 1029.8.36.0.3.48 if it were read without reference to the fourth and fifth paragraphs thereof, in relation to qualified wages incurred in the taxation year in respect of an eligible employee, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "particular year", in which Investissement Québec revokes a qualification certificate issued for the taxation year to the corporation for the purposes of Division II.6.0.1.6 of Chapter III. 1 of Title III of Book IX of Part I.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.48 or 1029.8.36.0.3.57, or would be deemed to have paid to the Minister under either of those sections if section 1029.8.36.0.3.48 were read without reference to the fourth and fifth paragraphs thereof, and section 1029.8.36.0.3.57 were read without reference to the second paragraph thereof, in relation to the qualified wages, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.4.3.23 for a taxation year preceding the particular year, in relation to the qualified wages.

2002, c. 40, s. 257; 2004, c. 21, s. 452.

1129.4.3.24. For the purposes of Part I, except Division II.6.0.1.6 of Chapter III.1 of Title III of Book IX, the tax paid at any time by a corporation to the Minister under section 1129.4.3.23 or 1129.4.3.23.1, in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the wages, pursuant to a legal obligation.

2002, c. 9, s. 122; 2002, c. 40, s. 258.

1129.4.3.25. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 9, s. 122.

PART III.1.1.7

SPECIAL TAX RELATING TO THE CREDIT FOR E-BUSINESS ACTIVITIES

2003, c. 9, s. 390.

1129.4.3.26. In this Part,

"base period" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.60;

"eligibility period" has the meaning assigned by section 1029.8.36.0.3.60;

"eligible employee" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.60;

"recognized business" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.60;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.60.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2003, c. 9, s. 390; 2004, c. 21, s. 453; 2007, c. 12, s. 304.

1129.4.3.27. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.61 or 1029.8.36.0.3.62, on account of the corporation's tax payable under Part I for any taxation year, shall pay, for a particular taxation year, a tax equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have so paid to the Minister under section 1029.8.36.0.3.61 or 1029.8.36.0.3.62, in relation to the salaries or wages for the taxation year, where Investissement Québec revokes, in the particular year, a qualification certificate issued to the corporation in relation to the recognized business for the purposes of Division II.6.0.1.7 of Chapter III.1 of Title III of Book IX of Part I, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the salaries or wages, for a taxation year preceding the particular year.

2003, c. 9, s. 390.

1129.4.3.28. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.61 or 1029.8.36.0.3.62, on account of the corporation's tax payable under Part I for any taxation year, shall pay, for a particular taxation year, a tax equal to 35% of the aggregate of the following amounts, except where section 1129.4.3.27 applies in relation to the salaries or wages for the taxation year or a preceding taxation year:

(a) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.3.61, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. 100/35 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. 100/35 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.0.3.63 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, the aggregate of all amounts each of which is the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 in respect of the corporation for a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.0.3.63 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.0.3.63 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. 100/35 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.3.61 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than a salary or wages paid in respect of the base period of the corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.0.3.61 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied;

(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business, other than a salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary

or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied; and

(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in paragraph *a* of section 1029.8.36.0.3.63 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than a salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 in respect of the corporation for the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.0.3.63 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.0.3.63 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied.

For the purposes of subparagraphs *d* to *f* of the first paragraph, where Investissement Québec revokes in the particular taxation year the qualification certificate issued, for the purposes of Division II.6.0.1.7 of Chapter III.1 of Title III of Book IX of Part I, to the corporation in relation to an eligible employee for a pay period of a calendar year within its eligibility period, in relation to a recognized business, the amount of the salary or wages paid by a corporation to that employee is deemed to be refunded to the corporation in the particular taxation year.

2003, c. 9, s. 390; 2004, c. 21, s. 454.

1129.4.3.29. For the purposes of Part I, except for Division II.6.0.1.7 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages pursuant to a legal obligation.

2003, c. 9, s. 390.

1129.4.3.30. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.0.3.66 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2003, c. 9, s. 390.

PART III.1.1.8

SPECIAL TAX RELATING TO THE CREDIT FOR MAJOR EMPLOYMENT-GENERATING PROJECTS

2006, c. 13, s. 209.

1129.4.3.31. In this Part,

"eligible contract" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.72;

"eligible employee" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.72;

"qualified wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.72;

"wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.72.

2006, c. 13, s. 209; 2007, c. 12, s. 304.

1129.4.3.32. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.73, on account of its tax payable for a taxation year under Part I, in relation to qualified wages incurred in the taxation year in respect of an eligible employee, in relation to an eligible contract, shall pay the tax computed under the second paragraph for a subsequent taxation year, in this section referred to as the "particular year", in which Investissement Québec revokes a qualification certificate issued to the corporation, in relation to the eligible contract, for the purposes of Division II.6.0.1.8 of Chapter III.1 of Title III of Book IX of Part I.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.73 or 1029.8.36.0.3.76, in relation to qualified wages incurred in respect of an eligible employee, in relation to the eligible contract, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.4.3.33 for a taxation year preceding the particular year, in relation to the qualified wages.

2006, c. 13, s. 209.

1129.4.3.33. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.73, on account of its tax payable for a particular taxation year under Part I, in relation to qualified wages incurred in the taxation year in respect of an eligible employee, in relation to an eligible contract, shall pay the tax computed under the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.73 or 1029.8.36.0.3.76, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, under section 1029.8.36.0.3.73 or 1029.8.36.0.3.76, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

If Investissement Québec revokes, in any given taxation year, a qualification certificate issued, for the purposes of Division II.6.0.1.8 of Chapter III.1 of Title III of Book IX of Part I and in relation to an eligible contract, to a corporation in respect of an employee and in relation to all or part of a preceding taxation year, the amount relating to the wages included in computing the qualified wages incurred by the corporation in respect of the employee, for all or part of the preceding taxation year and in relation to the eligible contract, is, for the purposes of the first and second paragraphs, deemed to be refunded to the corporation in the given taxation year.

However, no tax is payable under this section if section 1129.4.3.32 applies in respect of the qualified wages for the repayment year or a preceding taxation year.

2006, c. 13, s. 209; 2006, c. 36, s. 227; 2007, c. 12, s. 245.

1129.4.3.34. For the purposes of Part I, except Division II.6.0.1.8 of Chapter III.1 of Title III of Book IX, the tax paid at any time by a corporation to the Minister under section 1129.4.3.32 or 1129.4.3.33, in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the wages, pursuant to a legal obligation.

2006, c. 13, s. 209.

1129.4.3.35. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2006, c. 13, s. 209.

PART III.1.1.9

SPECIAL TAX RELATING TO THE CREDIT FOR THE DEVELOPMENT OF E-BUSINESS

2009, c. 15, s. 388.

1129.4.3.36. In this Part, "eligible employee", "qualified wages" and "wages" have the meaning assigned by the first paragraph of section 1029.8.36.0.3.79.

2009, c. 15, s. 388.

1129.4.3.37. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.80, on account of its tax payable for a particular taxation year under Part I, in relation to qualified wages incurred in the particular taxation year in respect of an eligible employee, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.80 or 1029.8.36.0.3.82, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.80 or 1029.8.36.0.3.82, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

2009, c. 15, s. 388.

1129.4.3.38. For the purposes of Part I, except Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX, tax paid at any time by a corporation to the Minister under section 1129.4.3.37, in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the wages, pursuant to a legal obligation.

2009, c. 15, s. 388.

1129.4.3.39. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 if it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2009, c. 15, s. 388.

PART III.1.1.10

SPECIAL TAX RELATING TO THE CREDIT FOR MAJOR DIGITAL TRANSFORMATION PROJECTS

2017, c. 29, s. 213.

1129.4.3.40. In this Part, "eligible digitization activity", "eligible digitization contract", "eligible employee", "qualified wages" and "wages" have the meaning assigned by the first paragraph of section 1029.8.36.0.3.84.

2017, c. 29, s. 213.

1129.4.3.41. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.85, on account of its tax payable for a taxation year under Part I, in relation to qualified wages incurred in respect of an eligible employee in connection with an eligible digitization contract, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "particular year") in which the certificate that was issued to the corporation in respect of the eligible digitization contract is revoked because the corporation no longer satisfies the condition of paragraph 5 of section 17.4 of Schedule A to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1).

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is tax the corporation is required to pay to the Minister under section 1129.4.3.42 for a taxation year that precedes the particular year in relation to qualified wages incurred in respect of an eligible employee in connection with the eligible digitization contract is exceeded by the amount obtained by applying the percentage specified in the third paragraph to the aggregate of all amounts each of which is an amount the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.85 or 1029.8.36.0.3.86 for a taxation year in relation to such qualified wages.

The percentage to which the second paragraph refers is

(a) unless any of subparagraphs *b* to *e* applies, 100%;

(b) 80%, where the failure to satisfy the condition referred to in the first paragraph occurs in the fourth year following the time the eligible digitization activities provided for in the eligible digitization contract began to be carried out;

(c) 60%, where the failure to satisfy the condition referred to in the first paragraph occurs in the fifth year following the time the eligible digitization activities provided for in the eligible digitization contract began to be carried out;

(d) 40%, where the failure to satisfy the condition referred to in the first paragraph occurs in the sixth year following the time the eligible digitization activities provided for in the eligible digitization contract began to be carried out; or

(e) 20%, where the failure to satisfy the condition referred to in the first paragraph occurs in the seventh year following the time the eligible digitization activities provided for in the eligible digitization contract began to be carried out.

2017, c. 29, s. 213.

1129.4.3.42. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.85, on account of its tax payable for a particular taxation year under Part I, in relation to qualified wages incurred in the particular taxation year in respect of an eligible employee, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.85 or 1029.8.36.0.3.86, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.85 or 1029.8.36.0.3.86, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

2017, c. 29, s. 213.

1129.4.3.43. For the purposes of Part I, except Division II.6.0.1.10 of Chapter III.1 of Title III of Book IX, tax paid at any time by a corporation to the Minister under section 1129.4.3.41 or 1129.4.3.42, in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the wages, pursuant to a legal obligation.

2017, c. 29, s. 213.

1129.4.3.44. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2017, c. 29, s. 213.

PART III.1.1.11

SPECIAL TAX RELATING TO THE CREDIT FOR THE DIGITAL TRANSFORMATION OF PRINT MEDIA

2019, c. 14, s. 442.

1129.4.3.45. In this Part,

"eligibility period" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.88;

"eligible digital conversion activity" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.88;

"eligible digital conversion contract" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.88;

"eligible digital conversion costs" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.88;

"eligible media" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.88;

"establishment" has the meaning assigned by section 1;

"qualified expenditure" has the meaning assigned by section 1029.8.36.0.3.88;

"qualified property" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.88;

"qualified wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.88.

In this Part, a print media is deemed to be an eligible media for a particular period that follows the last day of the eligibility period, if the conditions of section 18.4 of Schedule A to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) are met in its respect for that period.

2019, c. 14, s. 442.

1129.4.3.46. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.96, on account of its tax payable under Part I for a particular taxation year, in relation to its eligible digital conversion costs for the particular year, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount that relates to qualified wages, incurred by the corporation, that are included in the eligible digital conversion costs, or to costs that are taken into consideration in computing a qualified expenditure of the corporation that is included in the eligible digital conversion costs is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.96 or 1029.8.36.0.3.102, in relation to the eligible digital conversion costs, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.96 or 1029.8.36.0.3.102, in relation to the eligible digital conversion costs, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to such qualified wages or to costs that are taken into consideration in computing such a qualified expenditure, had been refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible digital conversion costs.

However, the tax payable under this section must be computed without reference to any amount relating to costs taken into consideration in computing a qualified expenditure of the corporation that are acquisition costs for a qualified property in respect of which section 1129.4.3.47 applies for the repayment year or applied for a preceding taxation year.

2019, c. 14, s. 442.

1129.4.3.47. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.96, on account of its tax payable under Part I, in relation to a portion of its eligible digital conversion costs that corresponds to the portion of a qualified expenditure of the corporation that relates to the acquisition costs of a qualified property that the corporation incurred, shall pay the tax computed under the second paragraph for a particular taxation year if, at any time in the period described in the third paragraph, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used exclusively or almost exclusively by the corporation, on the one hand, to carry out eligible digital conversion activities that relate, in whole or in part, to an eligible media of the corporation and, on the other hand, in an establishment of the corporation situated in Québec in which the eligible media is produced or from which it is disseminated.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.96 or 1029.8.36.0.3.102, in relation to such a portion of its eligible digital conversion costs, exceeds the aggregate of all amounts each of which is the portion of a tax that the corporation is required to pay to the Minister under section 1129.4.3.46, for a taxation year preceding the particular year, that may reasonably be attributed to such a portion of its eligible digital conversion costs.

The period to which the first paragraph refers is the period that begins on the day after the corporation's filing-due date for the taxation year preceding the particular year and ends on the earlier of

(a) the 730th day of the period that begins on the date of the acquisition of the property by the corporation; and

(b) the corporation's filing-due date for the particular year.

For the purposes of the first paragraph, where, at any time, a corporation disposes of a qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have ceased to use, at that time, the property by reason of its obsolescence; in that respect, where the parties to the sale are not dealing with each other at arm's length, the proceeds of disposition of the property are deemed to be equal to its fair market value.

2019, c. 14, s. 442.

1129.4.3.48. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.97, on account of the corporation's tax payable under Part I for a particular taxation year, in relation to the partnership's eligible digital conversion costs for the partnership's particular fiscal period that ends in that particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which an amount that relates to qualified wages, incurred by the partnership, that are included in the eligible digital conversion costs, or to costs that are taken into consideration in computing a qualified expenditure of the partnership that is included in the eligible digital conversion costs is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the corporation or partnership.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.0.3.97, 1029.8.36.0.3.103 and 1029.8.36.0.3.104, in relation to the eligible digital conversion costs, if the agreed proportion in respect of the corporation for the partnership's

fiscal period that ends in that taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.0.3.97, 1029.8.36.0.3.103 and 1029.8.36.0.3.104, for a taxation year, in relation to the eligible digital conversion costs, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to such qualified wages or to costs that are taken into consideration in computing such a qualified expenditure, had been refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in that taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible digital conversion costs, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

However, the tax payable under this section must be computed without reference to any amount relating to costs that are taken into consideration in computing a qualified expenditure of the partnership that are acquisition costs for a qualified property in respect of which section 1129.4.3.49 applies for the fiscal period of repayment or applied for a preceding fiscal period.

2019, c. 14, s. 442.

1129.4.3.49. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister for a taxation year, under section 1029.8.36.0.3.97, on account of its tax payable under Part I, in relation to the portion of the partnership's eligible digital conversion costs, for the partnership's fiscal period that ends in the year, that corresponds to the portion of a qualified expenditure of the partnership that relates to the acquisition costs of a qualified property that it incurred, shall pay the tax computed under the second paragraph for a particular taxation year if, at any time in the period described in the third paragraph, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used exclusively or almost exclusively by the partnership, on the one hand, to carry out eligible digital conversion activities that relate, in whole or in part, to an eligible media of the partnership and, on the other hand, in an establishment of the partnership situated in Québec in which the eligible media is produced or from which it is disseminated.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under any of sections 1029.8.36.0.3.97, 1029.8.36.0.3.103 and 1029.8.36.0.3.104, in relation to such a portion of the partnership's eligible digital conversion costs for a fiscal period, exceeds the aggregate of all amounts each of which is the portion of a tax that the corporation is required to pay to the Minister under section 1129.4.3.48, for a taxation year preceding the particular year, that may reasonably be attributed to such a portion of the partnership's eligible digital conversion costs.

The period to which the first paragraph refers is the period that begins on the day after the corporation's filing-due date for the taxation year preceding the particular year and ends on the earlier of

(a) the 730th day of the period that begins on the date of the acquisition of the property by the partnership; and

(b) the corporation's filing-due date for the particular year.

For the purposes of the first paragraph, where, at any time, a partnership disposes of a qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the partnership is deemed not to have ceased to use, at that time, the property by reason of its obsolescence.

2019, c. 14, s. 442.

1129.4.3.50. For the purposes of Part I, except Division II.6.0.1.11 of Chapter III.1 of Title III of Book IX, the following rules are taken into account:

(a) the tax paid at any time by a corporation to the Minister under section 1129.4.3.46 or 1129.4.3.47 in relation to its eligible digital conversion costs is deemed to be an amount of assistance repaid at that time by the corporation in respect of wages or an expenditure included in those eligible digital conversion costs, pursuant to a legal obligation; and

(b) the tax paid at any time by a corporation to the Minister under section 1129.4.3.48 or 1129.4.3.49 in relation to the eligible digital conversion costs of a partnership referred to in that section is deemed to be an amount of assistance repaid at that time by the partnership in respect of wages or an expenditure included in those eligible digital conversion costs, pursuant to a legal obligation.

2019, c. 14, s. 442.

1129.4.3.51. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2019, c. 14, s. 442.

PART III.1.1.12

SPECIAL TAX RELATING TO THE CREDIT TO SUPPORT PRINT MEDIA

2021, c. 14, s. 189.

1129.4.3.52. In this Part,

"eligible employee" has the meaning assigned by section 1029.8.36.0.3.109;

"qualified expenditure" has the meaning assigned by section 1029.8.36.0.3.109;

"qualified wages" has the meaning assigned by section 1029.8.36.0.3.109;

"recognized activity" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.109;

"transitional period" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.109;

"wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.109;

"wholly-owned subsidiary" has the meaning assigned by the first paragraph of section 1029.8.36.0.3.109.

2021, c. 14, s. 189.

1129.4.3.53. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.111, on account of its tax payable under Part I for a particular taxation year, in relation to the qualified wages incurred in the particular year in respect of an eligible employee, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.111 or 1029.8.36.0.3.115, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.3.111 or 1029.8.36.0.3.115, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, had been refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

Where the corporation's particular taxation year includes all or part of the transitional period and where, in the transitional period or part of that period, the corporation's wholly-owned subsidiary for the particular year carried out work on its behalf in relation to recognized activities, the first and second paragraphs apply to an amount relating to the corporation's qualified expenditure for the particular year that may reasonably be attributed to the wages the wholly-owned subsidiary incurred and paid in respect of its eligible employees and that is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, but are to be read

(a) as if "in relation to the qualified wages incurred in the particular year in respect of an eligible employee" and "relating to wages included in computing the qualified wages" in the first paragraph were replaced by "in relation to its qualified expenditure for the particular year" and "attributable to the wages that the wholly-owned subsidiary of the corporation for the particular year incurred and paid in respect of its eligible employees and that are taken into account in computing the qualified expenditure", respectively;

(b) as if "in relation to the qualified wages" wherever it appears in the second paragraph were replaced by "in relation to the qualified expenditure"; and

(c) as if "in relation to wages included in computing the qualified wages" in subparagraph *a* of the second paragraph were replaced by "in relation to the wages taken into account in computing the qualified expenditure".

For the purposes of this section, an amount is deemed to have been, at a particular time, refunded or otherwise paid to the corporation or allocated to a payment to be made by it if the amount that is attributable to the wages that another corporation that was the corporation's wholly-owned subsidiary for the particular taxation year incurred and paid in the year in respect of its eligible employees was, at that time, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it.

2021, c. 14, s. 189.

1129.4.3.54. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.36.0.3.112, on account of the corporation's tax payable under Part I for a particular taxation year, in relation to the qualified wages incurred by the partnership, in respect of an eligible employee, in the partnership's particular fiscal period that ends in the particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which an amount relating to

wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.0.3.112, 1029.8.36.0.3.116 and 1029.8.36.0.3.117, in relation to the qualified wages, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in that taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.0.3.112, 1029.8.36.0.3.116 and 1029.8.36.0.3.117, for a taxation year, in relation to the qualified wages, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, had been refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in that taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified wages, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

Where the partnership's particular fiscal period includes all or part of the transitional period and where, in the transitional period or part of that period, the partnership's wholly-owned subsidiary for the particular fiscal period carried out work on its behalf in relation to recognized activities, the first, second and third paragraphs apply to an amount relating to the partnership's qualified expenditure for the particular fiscal period that may reasonably be attributed to the wages the wholly-owned subsidiary incurred and paid in respect of its eligible employees and that is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation, but are to be read

(a) as if "in relation to the qualified wages incurred by the partnership, in respect of an eligible employee, in" and "relating to wages included in computing the qualified wages" in the first paragraph were replaced by "in relation to its qualified expenditure for" and "attributable to the wages that the wholly-owned subsidiary of the partnership for the particular fiscal period incurred and paid in respect of its eligible employees and that are taken into account in computing the qualified expenditure", respectively;

(b) as if "in relation to the qualified wages" wherever it appears in the portion of the second paragraph before subparagraph i of subparagraph *a* and in subparagraph *b* of that paragraph were replaced by "in relation to the qualified expenditure"; and

(c) as if "in relation to wages included in computing the qualified wages" in subparagraph i of subparagraph *a* of the second paragraph were replaced by "in relation to the wages taken into account in computing the qualified expenditure".

For the purposes of this section, an amount is deemed to have been, at a particular time, refunded or otherwise paid to the partnership or allocated to a payment to be made by it if the amount that is attributable to the wages that a corporation that was the partnership's wholly-owned subsidiary for the particular fiscal period incurred and paid in respect of its eligible employees was, at that time, refunded or otherwise paid to the corporation or allocated to a payment to be made by it.

2021, c. 14, s. 189.

1129.4.3.55. For the purposes of Part I, except for Division II.6.0.1.12 of Chapter III.1 of Title III of Book IX, the following rules are taken into account:

(a) the tax paid at any time by a corporation to the Minister under section 1129.4.3.53 in relation to qualified wages is deemed to be an amount of assistance repaid at that time by the corporation in respect of the wages, pursuant to a legal obligation; and

(b) the tax paid at any time by a corporation to the Minister under section 1129.4.3.54 in relation to qualified wages is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the wages, pursuant to a legal obligation.

Where the circumstances described in the third paragraph of section 1129.4.3.53 or the fourth paragraph of section 1129.4.3.54 occur, the presumption provided for in subparagraph *a* or *b* of the first paragraph applies, as the case may be, in respect of the tax a corporation pays to the Minister under that section in relation to a qualified expenditure of the corporation or of the partnership of which it is a member.

2021, c. 14, s. 189.

1129.4.3.56. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2021, c. 14, s. 189.

PART III.1.2

Repealed, 2003, c. 9, s. 391.

1997, c. 85, s. 302; 2003, c. 9, s. 391.

1129.4.4. *(Repealed).*

1997, c. 85, s. 302; 1999, c. 83, s. 249; 2000, c. 39, s. 235; 2001, c. 51, s. 228; 2003, c. 9, s. 391.

1129.4.4.1. *(Repealed).*

1999, c. 83, s. 250; 2000, c. 39, s. 236; 2002, c. 40, s. 259; 2003, c. 9, s. 391.

1129.4.4.2. *(Repealed).*

2002, c. 40, s. 260; 2003, c. 9, s. 391.

1129.4.4.3. *(Repealed).*

2002, c. 40, s. 260; 2003, c. 9, s. 391.

1129.4.5. *(Repealed).*

1997, c. 85, s. 302; 2000, c. 39, s. 237; 2002, c. 40, s. 261; 2003, c. 9, s. 391.

1129.4.6. *(Repealed).*

1997, c. 85, s. 302; 2003, c. 9, s. 391.

PART III.1.3

SPECIAL TAX RELATING TO THE DEVELOPMENT OF THE NEW ECONOMY

2000, c. 39, s. 238.

1129.4.7. In this Part,

"acquisition costs" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"Centre national des nouvelles technologies de Québec" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"Cité du multimédia" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"eligible employee" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"eligible facility" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"eligible rental expenses" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"information technology development centre" has the meaning assigned by section 771.1;

"qualified centre" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"qualified property" has the meaning assigned by section 1029.8.36.0.17;

"qualified wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"rental expenses" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"specified employee" has the meaning assigned by the first paragraph of section 1029.8.36.0.17;

"specified wages" has the meaning assigned by section 1029.8.36.0.17;

"wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.17.

2000, c. 39, s. 238; 2001, c. 51, s. 228; 2003, c. 9, s. 392; 2007, c. 12, s. 304.

1129.4.8. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.19 or 1029.8.36.0.20, on account of its tax payable under Part I for a particular taxation year, in relation to qualified wages paid to an eligible employee, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax referred to in the first paragraph is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under that section 1029.8.36.0.19 or 1029.8.36.0.20 or under section 1029.8.36.0.30, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, under that section 1029.8.36.0.19 or 1029.8.36.0.20 or under section 1029.8.36.0.30, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the taxation year, in this section referred to as the "payment year", in which the corporation paid the wages to which the amount refunded, paid or allocated relates; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

In addition, if a corporation carried on or could carry on its business in an information technology development centre in a particular taxation year that begins before 21 December 2001 for which the corporation is deemed to have paid an amount to the Minister in relation to qualified wages under section 1029.8.36.0.5 or 1029.8.36.0.5.1, as it read for the particular year, the first and second paragraphs apply, in respect of an amount relating to wages included in computing the qualified wages that is, directly or indirectly, refunded, paid or allocated, having regard to the following rules:

(a) the references to sections 1029.8.36.0.19, 1029.8.36.0.20 and 1029.8.36.0.30, wherever they appear in the portion of this section before subparagraph *b* of the second paragraph, shall be read respectively as references to sections 1029.8.36.0.5, 1029.8.36.0.5.1 and 1029.8.36.0.10, as they formerly read for the particular year; and

(b) subparagraph *b* of the second paragraph shall be read as follows:

"(*b*) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister in relation to the qualified wages for a taxation year preceding the repayment year, under this section or under section 1129.4.4.1, as it read for that preceding taxation year."

Notwithstanding section 1129.4.7, the expressions "eligible employee" and "qualified wages" have, in this section, the meaning assigned by section 1129.4.4, as it read for the payment year, if

(a) the third paragraph applies; or

(b) the payment year begins before 21 December 2001 and the corporation carried on or could carry on its business in an information technology development centre in the particular taxation year referred to in the first paragraph.

2000, c. 39, s. 238; 2002, c. 40, s. 262; 2003, c. 9, s. 393.

1129.4.9. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.22, on account of its tax payable under Part I for a particular taxation year, in relation to specified wages incurred in the particular year in respect of a specified employee, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the specified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.22 or 1029.8.36.0.31, in relation to the specified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.22 or 1029.8.36.0.31, in relation to the specified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the specified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the specified wages.

In addition, if a corporation carried on or could carry on its business in the Cité du multimédia or the Centre national des nouvelles technologies de Québec in a particular taxation year that begins before 21 December 2001 for which the corporation is deemed to have paid an amount to the Minister in relation to qualified wages under section 1029.8.36.0.3.30 or 1029.8.36.0.3.40, as it read for the particular year, the first and second paragraphs apply, in respect of an amount relating to wages included in computing the qualified wages that is, directly or indirectly, refunded, paid or allocated, having regard to the following rules:

(a) the references to sections 1029.8.36.0.22 and 1029.8.36.0.31, wherever they appear in the portion of this section before subparagraph *b* of the second paragraph, shall be read respectively as references to

i. sections 1029.8.36.0.3.30 and 1029.8.36.0.3.35, as they formerly read for the particular year, where the corporation carried on or could carry on its business in the Cité du multimédia in the particular year, or

ii. sections 1029.8.36.0.3.40 and 1029.8.36.0.3.43, as they formerly read for the particular year, where the corporation carried on or could carry on its business in the Centre national des nouvelles technologies de Québec in the particular year;

(b) the expressions “specified wages” and “specified employee”, wherever they appear in the portion of this section before subparagraph *b* of the second paragraph, shall be read respectively as “qualified wages” and “eligible employee”, having the meaning assigned by

i. section 1129.4.3.13, as it read for the particular year, where the corporation carried on or could carry on its business in the Cité du multimédia in the particular year, or

ii. section 1129.4.3.18, as it read for the particular year, where the corporation carried on or could carry on its business in the Centre national des nouvelles technologies de Québec in the particular year; and

(c) subparagraph *b* of the second paragraph shall be read as follows:

“(*b*) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister in relation to the qualified wages for a taxation year preceding the repayment year, under this section or under section 1129.4.3.14 or 1129.4.3.19, as it read for that preceding taxation year.”

Notwithstanding section 1129.4.7, the expression “qualified wages” in the portion of the third paragraph before subparagraph *a* has the meaning assigned by section 1129.4.3.13 or 1129.4.3.18, as it read for the particular year, according to whether the corporation carried on or could carry on its business in the particular year in the Cité du multimédia or in the Centre national des nouvelles technologies de Québec.

2000, c. 39, s. 238; 2002, c. 40, s. 262; 2003, c. 9, s. 394.

1129.4.10. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.25, on account of its tax payable under Part I, in relation to acquisition costs incurred in respect of qualified property or rental expenses paid in respect of such property, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the “repayment year”, in which an amount relating to the acquisition costs or rental expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.25 or 1029.8.36.0.32, in relation to the acquisition costs or rental expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.25 or 1029.8.36.0.32, in relation to the acquisition costs or rental expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the costs or expenses, were refunded, paid or allocated in the taxation year during which the corporation incurred the acquisition costs or paid the rental expenses to which the amount refunded, paid or allocated relates; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the acquisition costs or rental expenses.

In addition, if a corporation carried on or could carry on its business in an information technology development centre in a particular taxation year that begins before 21 December 2001 for which the corporation is deemed to have paid an amount to the Minister in respect of acquisition costs or rental expenses under section 1029.8.36.0.6, as it read for the particular year, the first and second paragraphs, subject to the fourth paragraph, shall be read as follows:

"**1129.4.10.** Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.6 or 1029.8.36.0.25, on account of its tax payable under Part I, in relation to acquisition costs incurred in respect of qualified property or rental expenses paid in respect of such property, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to the acquisition costs or rental expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister in relation to the acquisition costs or rental expenses, under section 1029.8.36.0.6 or 1029.8.36.0.11 or under section 1029.8.36.0.25 or 1029.8.36.0.32, exceeds the total of

(*a*) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister in relation to the acquisition costs or rental expenses, under section 1029.8.36.0.6 or 1029.8.36.0.11 or under section 1029.8.36.0.25 or 1029.8.36.0.32, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the costs or expenses, were refunded, paid or allocated in the taxation year during which the corporation incurred the acquisition costs or paid the rental expenses to which the amount refunded, paid or allocated relates; and

(*b*) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister in relation to the acquisition costs or rental expenses for a taxation year preceding the repayment year, under this section or under section 1129.4.4.2, as it read for that preceding taxation year."

In the text of the first and second paragraphs of this section enacted by the third paragraph, a reference to section 1029.8.36.0.6 or 1029.8.36.0.11 shall be a reference to that section as it read for a taxation year in which an amount is deemed to have been paid under that section.

However, no tax is payable under this section if, for the repayment year, section 1129.4.10.1 applies in respect of the property or if, for a preceding taxation year, that section or section 1129.4.4.3, as it read for that preceding taxation year, applied in respect of the property.

2000, c. 39, s. 238; 2002, c. 40, s. 262; 2003, c. 9, s. 395.

1129.4.10.1. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.25, on account of its tax payable under Part I, in relation to acquisition costs incurred in respect

of qualified property, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "particular year", if, at any time in the period described in the third paragraph the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used by the corporation principally in a qualified centre.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.25 or 1029.8.36.0.32, in relation to the acquisition costs, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.4.10, for a taxation year preceding the particular year, in relation to the acquisition costs.

The period to which the first paragraph refers is the period that begins the day after the corporation's filing-due date for the taxation year preceding the particular year and ends on the earlier of the last day of the three-year period following the beginning of the use of the property by the corporation and the corporation's filing-due date for the particular year.

In addition, if a corporation carried on or could carry on its business in an information technology development centre in a taxation year that begins before 21 December 2001 for which the corporation is deemed to have paid an amount to the Minister in respect of acquisition costs or rental expenses under section 1029.8.36.0.6, as it read for that taxation year, the first and second paragraphs, subject to the fifth paragraph, shall be read as follows:

"**1129.4.10.1.** Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.6 or 1029.8.36.0.25, on account of its tax payable under Part I, in relation to acquisition costs incurred in respect of qualified property, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "particular year", if, at any time in the period described in the third paragraph the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used by the corporation principally in an information technology development centre.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister in relation to the acquisition costs, under section 1029.8.36.0.6 or 1029.8.36.0.11 or under section 1029.8.36.0.25 or 1029.8.36.0.32, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister in relation to the acquisition costs, for a taxation year preceding the particular year, under section 1129.4.10 or under section 1129.4.4.2, as it read for that preceding taxation year."

In the text of the first and second paragraphs of this section enacted by the fourth paragraph, a reference to section 1029.8.36.0.6 or 1029.8.36.0.11 shall be a reference to that section as it read for a taxation year in which an amount is deemed to have been paid under that section.

For the purposes of this section, where, at any time, a corporation disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have ceased to use, at that time, the property by reason of its obsolescence; in that respect, where the parties to the sale are not dealing with each other at arm's length, the proceeds of disposition of the property are deemed to be equal to its fair market value.

2002, c. 40, s. 263; 2003, c. 9, s. 396; 2004, c. 21, s. 455; 2007, c. 12, s. 246.

1129.4.10.2. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.25.1, on account of its tax payable under Part I, in relation to the eligible rental expenses incurred in respect of an eligible facility, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to the eligible rental expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.25.1 or 1029.8.36.0.32.1, in relation to the eligible rental expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.25.1 or 1029.8.36.0.32.1, in relation to the eligible rental expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible rental expenses, were refunded, paid or allocated in the taxation year in which the corporation incurred the eligible rental expenses to which the amount refunded, paid or allocated relates; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible rental expenses.

2003, c. 9, s. 397.

1129.4.10.3. For the purposes of section 1129.4.10.2, the amount determined in accordance with the second paragraph, in relation to the eligible rental expenses incurred by the corporation in a particular taxation year in respect of an eligible facility, is deemed to be refunded to the corporation in a subsequent taxation year, in this section referred to as the "repayment year", in which Investissement Québec revokes the certificate it had issued in respect of the facility.

The amount to which the first paragraph refers is equal to the amount by which the aggregate of the eligible rental expenses incurred by the corporation in the particular taxation year and on or after the effective date specified in the notice of revocation, exceeds the aggregate of all amounts each of which is an amount relating to the expenses that, in a taxation year preceding the repayment year but subsequent to the particular year, was refunded, otherwise paid or allocated to a payment to be made by the corporation.

No tax is payable for a taxation year under section 1129.4.10.2 in respect of any amount that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, if that amount is included in an amount that is deemed to have been refunded, under this section, in that taxation year or in a preceding taxation year.

2003, c. 9, s. 397.

1129.4.11. For the purposes of Part I, except for Division II.6.0.3 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under any of sections 1129.4.8 to 1129.4.10.2, in relation to an expenditure or property, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenditure or property, pursuant to a legal obligation.

2000, c. 39, s. 238; 2002, c. 40, s. 264; 2003, c. 9, s. 398.

1129.4.12. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2000, c. 39, s. 238.

PART III.1.3.1

Repealed, 2003, c. 9, s. 399.

2002, c. 9, s. 123; 2003, c. 9, s. 399.

1129.4.12.1. *(Repealed).*

2002, c. 9, s. 123; 2003, c. 9, s. 399.

1129.4.12.2. *(Repealed).*

2002, c. 9, s. 123; 2003, c. 9, s. 399.

1129.4.12.3. *(Repealed).*

2002, c. 9, s. 123; 2003, c. 9, s. 399.

1129.4.12.4. *(Repealed).*

2002, c. 9, s. 123; 2003, c. 9, s. 399.

1129.4.12.5. *(Repealed).*

2002, c. 9, s. 123; 2003, c. 9, s. 399.

1129.4.12.6. *(Repealed).*

2002, c. 9, s. 123; 2003, c. 9, s. 399.

1129.4.12.7. *(Repealed).*

2002, c. 9, s. 123; 2003, c. 9, s. 399.

1129.4.12.8. *(Repealed).*

2002, c. 9, s. 123; 2003, c. 9, s. 399.

1129.4.12.9. *(Repealed).*

2002, c. 9, s. 123; 2003, c. 9, s. 399.

PART III.1.4

SPECIAL TAX RELATING TO THE CREDIT FOR WAGES IN CONNECTION WITH THE CREATION OF THE INTERNATIONAL TRADE ZONE AT MIRABEL

2000, c. 39, s. 238.

1129.4.13. In this Part,

"eligible employee" has the meaning assigned by section 1029.8.36.0.38;

"qualified wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.38;

"wages" has the meaning assigned by the first paragraph of section 1029.8.36.0.38.

2000, c. 39, s. 238; 2001, c. 51, s. 228; 2007, c. 12, s. 304.

1129.4.14. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.40, on account of its tax payable for a particular taxation year under Part I, in relation to qualified wages incurred in the particular year in respect of an eligible employee, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.40 or 1029.8.36.0.49, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.40 or 1029.8.36.0.49, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

2000, c. 39, s. 238; 2002, c. 40, s. 265.

1129.4.15. Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.43, on account of its tax payable for a particular taxation year under Part I, in relation to qualified wages incurred by the partnership, in respect of an eligible employee, in a particular fiscal period of the partnership that ends in the particular year, shall pay the tax referred to in the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.0.43, 1029.8.36.0.50 and 1029.8.36.0.51, in relation to the qualified wages, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.0.43, 1029.8.36.0.50 and 1029.8.36.0.51, for a taxation year, in relation to the qualified wages, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified wages, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation, or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2000, c. 39, s. 238; 2002, c. 40, s. 265; 2006, c. 36, s. 228; 2009, c. 15, s. 389.

1129.4.16. For the purposes of Part I, except for Division II.6.0.4 of Chapter III.1 of Title III of Book IX, the following rules apply:

(a) tax paid to the Minister by a corporation at any time, under section 1129.4.14, in relation to qualified wages is deemed to be an amount of assistance repaid by the corporation at that time in respect of the wages, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.4.15, in relation to qualified wages is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the wages, pursuant to a legal obligation.

2000, c. 39, s. 238.

1129.4.17. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2000, c. 39, s. 238.

PART III.1.5

SPECIAL TAX RELATING TO THE CREDIT FOR CUSTOMS BROKERAGE SERVICES IN CONNECTION WITH THE CREATION OF THE INTERNATIONAL TRADE ZONE AT MIRABEL

2000, c. 39, s. 238.

1129.4.18. In this Part, "qualified brokerage expenditure" has the meaning assigned by the first paragraph of section 1029.8.36.0.55.

2000, c. 39, s. 238; 2001, c. 51, s. 216; 2007, c. 12, s. 247.

1129.4.19. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.57, on account of its tax payable under Part I for a particular taxation year, in relation to a qualified brokerage expenditure incurred in the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to fees included in computing the qualified brokerage expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.57 or 1029.8.36.0.66, in relation to the qualified brokerage expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.57 or 1029.8.36.0.66, in relation to the qualified brokerage expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to fees included in computing the qualified brokerage expenditure, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified brokerage expenditure.

2000, c. 39, s. 238; 2002, c. 40, s. 266.

1129.4.20. Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.60, on account of its tax payable under Part I for a particular taxation year, in relation to a qualified brokerage expenditure incurred by the partnership in a particular fiscal period of the partnership that ends in the particular year, shall pay the tax referred to in the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to fees included in computing the qualified brokerage expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.0.60, 1029.8.36.0.67 and 1029.8.36.0.68, in relation to the qualified brokerage expenditure, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.0.60, 1029.8.36.0.67 and 1029.8.36.0.68, for a taxation year, in relation to the qualified brokerage expenditure, if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to fees included in computing the qualified brokerage expenditure, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified brokerage expenditure, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2000, c. 39, s. 238; 2002, c. 40, s. 266; 2006, c. 36, s. 229; 2009, c. 15, s. 390.

1129.4.21. For the purposes of Part I, except for Division II.6.0.5 of Chapter III.1 of Title III of Book IX, the following rules apply:

(a) tax paid to the Minister by a corporation at any time, under section 1129.4.19, in relation to a qualified brokerage expenditure is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenditure, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.4.20, in relation to a qualified brokerage expenditure is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the expenditure, pursuant to a legal obligation.

2000, c. 39, s. 238.

1129.4.22. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2000, c. 39, s. 238.

PART III.1.6

SPECIAL TAX RELATING TO THE CREDIT FOR ACQUISITION COSTS OR RENTAL EXPENSES IN CONNECTION WITH THE CREATION OF THE INTERNATIONAL TRADE ZONE AT MIRABEL

2000, c. 39, s. 238.

1129.4.23. In this Part,

"acquisition costs" has the meaning assigned by the first paragraph of section 1029.8.36.0.72;

"international trade zone" has the meaning assigned by the first paragraph of section 1029.8.36.0.38;

"qualified property" has the meaning assigned by section 1029.8.36.0.72;

"recognized business" has the meaning assigned by the first paragraph of section 1029.8.36.0.38;

"rental expenses" has the meaning assigned by the first paragraph of section 1029.8.36.0.72.

2000, c. 39, s. 238; 2001, c. 51, s. 217; 2004, c. 21, s. 456; 2007, c. 12, s. 304.

1129.4.24. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.73, on account of its tax payable for a particular taxation year under Part I, in relation to acquisition costs incurred or rental expenses paid, in respect of qualified property in the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to the acquisition costs or rental expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.73 or 1029.8.36.0.77, in relation to the acquisition costs or rental expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.73 or 1029.8.36.0.77, in relation to the acquisition costs or rental expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the costs or expenses, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the acquisition costs or rental expenses.

However, no tax is payable under this section if section 1129.4.24.1 applies in respect of the property for the repayment year or for a preceding taxation year.

2000, c. 39, s. 238; 2002, c. 40, s. 267; 2004, c. 21, s. 457.

1129.4.24.1. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.73, on account of its tax payable under Part I, in relation to acquisition costs incurred in respect of qualified property in the course of carrying on a recognized business, shall pay the tax referred to in the

second paragraph for a taxation year, in this section referred to as the "particular year", if, at any time in the period described in the third paragraph, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used by the corporation exclusively in the international trade zone and, exclusively or almost exclusively, to earn income from activities shown on the certificate issued to the corporation in respect of the recognized business and carried on in that zone by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.73 or 1029.8.36.0.77, in relation to the acquisition costs, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.4.24, for a taxation year preceding the particular year, in relation to the acquisition costs.

The period to which the first paragraph refers is the period that begins the day after the corporation's filing-due date for the taxation year preceding the particular year and ends on the day that is the earlier of the last day of the three-year period following the beginning of the use of the property by the corporation and the corporation's filing-due date for the particular year.

For the purposes of the first paragraph, where, at any time, a corporation disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have ceased to use, at that time, the property by reason of its obsolescence; in that respect, where the parties to the sale are not dealing with each other at arm's length, the proceeds of disposition of the property are deemed to be equal to its fair market value.

2004, c. 21, s. 458; 2007, c. 12, s. 248.

1129.4.25. Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.74, on account of its tax payable for a particular taxation year under Part I, in relation to acquisition costs incurred or rental expenses paid by the partnership, in respect of qualified property, in a particular fiscal period of the partnership that ends in the particular year, shall pay the tax referred to in the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to the acquisition costs or rental expenses is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.0.74, 1029.8.36.0.78 and 1029.8.36.0.79, in relation to the acquisition costs or rental expenses, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.0.74, 1029.8.36.0.78 and 1029.8.36.0.79, for a taxation year, in relation to the acquisition costs or rental expenses, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the costs or expenses, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the acquisition costs or rental expenses, if the agreed proportion in respect of

the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation, or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

However, no tax is payable under this section if section 1129.4.25.1 applies in respect of the property for the fiscal period of repayment or for a preceding fiscal period.

2000, c. 39, s. 238; 2002, c. 40, s. 267; 2004, c. 21, s. 459; 2006, c. 36, s. 230; 2009, c. 15, s. 391.

1129.4.25.1. Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister for a taxation year, under section 1029.8.36.0.74, on account of its tax payable under Part I, in relation to acquisition costs incurred by the partnership in respect of qualified property in the course of carrying on a recognized business in a fiscal period of the partnership that ends in the year, shall pay the tax referred to in the second paragraph for a particular taxation year, in this section referred to as the "particular year", if, at any time in the period described in the third paragraph, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used by the partnership exclusively in the international trade zone and, exclusively or almost exclusively, to earn income from activities shown on the certificate issued to the partnership in respect of the recognized business and carried on in that zone by the partnership.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under any of sections 1029.8.36.0.74, 1029.8.36.0.78 and 1029.8.36.0.79, in relation to the acquisition costs, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.4.25, for a taxation year preceding the particular year, in relation to the acquisition costs.

The period to which the first paragraph refers is the period that begins the day after the corporation's filing-due date for the taxation year preceding the particular year and ends on the day that is the earlier of the last day of the three-year period following the beginning of the use of the property by the partnership and the corporation's filing-due date for the particular year.

For the purposes of the first paragraph, where, at any time, a partnership disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the partnership is deemed not to have ceased to use, at that time, the property by reason of its obsolescence.

2004, c. 21, s. 460; 2007, c. 12, s. 249.

1129.4.26. For the purposes of Part I, except for Division II.6.0.6 of Chapter III.1 of Title III of Book IX, the following rules apply:

(a) tax paid to the Minister by a corporation at any time, under section 1129.4.24 or 1129.4.24.1, in relation to acquisition costs or rental expenses is deemed to be an amount of assistance repaid by the corporation at that time in respect of the costs or expenses, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.4.25 or 1129.4.25.1, in relation to acquisition costs or rental expenses is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the costs or expenses, pursuant to a legal obligation.

2000, c. 39, s. 238; 2004, c. 21, s. 461.

1129.4.27. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2000, c. 39, s. 238.

PART III.1.7

SPECIAL TAX RELATING TO THE CREDIT FOR THE CONSTRUCTION, RENOVATION OR ALTERATION OF STRATEGIC BUILDINGS IN THE INTERNATIONAL TRADE ZONE AT MIRABEL

2002, c. 9, s. 124.

1129.4.28. In this Part,

"completion date of the work" has the meaning assigned by the first paragraph of section 1029.8.36.0.84;

"eligible expenses" has the meaning assigned by section 1029.8.36.0.84;

"filing period" has the meaning assigned by the first paragraph of section 1029.8.36.0.84;

"strategic building" has the meaning assigned by the first paragraph of section 1029.8.36.0.84.

2002, c. 9, s. 124; 2007, c. 12, s. 304.

1129.4.29. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.85, on account of its tax payable for a particular taxation year under Part I, in relation to eligible expenses incurred in the particular year in respect of a strategic building, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.85 or 1029.8.36.0.89, in relation to the eligible expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.85 or 1029.8.36.0.89, in relation to the eligible expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section or section 1129.4.30 for a taxation year preceding the repayment year, in relation to the eligible expenses.

However, no tax is payable under this section if section 1129.4.30.1 applies in respect of the strategic building for the repayment year or for a preceding taxation year.

2002, c. 9, s. 124; 2002, c. 40, s. 268.

1129.4.30. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.85, on account of its tax payable for a taxation year under Part I, in relation to the eligible expenses incurred in the taxation year in respect of a strategic building, shall pay the tax referred to in the second paragraph for a taxation year of its filing period, in this section referred to as the "particular year", in respect of which the corporation fails to file the qualification certificate relating to the strategic building with the Minister as required by section 1029.8.36.0.87, for the particular year.

The tax to which the first paragraph refers is equal to,

(a) where the particular year is one of the first five taxation years of the corporation's filing period, the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.0.85 or 1029.8.36.0.89, in relation to the eligible expenses, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.4.29 for the particular year or for a preceding taxation year, in relation to the eligible expenses; or

(b) where the particular year is one of the last four years of the corporation's filing period, the amount determined by the formula

$$A \times [(10 - B) \times 20] / 100.$$

In the formula provided for in subparagraph *b* of the second paragraph,

(a) A is the amount that would be determined under subparagraph *a* of the second paragraph, if that subparagraph applied to the particular year; and

(b) B is the number of taxation years, including the particular year, following the taxation year that includes the completion date of the work.

However, no tax is payable under this section if the section applied in respect of the strategic building for a taxation year preceding the particular year or if section 1129.4.30.1 applies in respect of the building for the particular year or for a preceding taxation year.

2002, c. 9, s. 124; 2002, c. 40, s. 268; 2004, c. 21, s. 462; 2007, c. 12, s. 250.

1129.4.30.1. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.85, on account of its tax payable for a taxation year under Part I, in relation to eligible expenses incurred in respect of a strategic building in the taxation year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "particular year", in which Investissement Québec revokes a qualified certificate that had been issued to the corporation in respect of the strategic building.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.85 or 1029.8.36.0.89, in relation to the eligible expenses, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.4.29 or 1129.4.30, for a taxation year preceding the particular year, in relation to the eligible expenses.

2002, c. 40, s. 269; 2005, c. 23, s. 248.

1129.4.31. For the purposes of Part I, except Division II.6.0.7 of Chapter III.1 of Title III of Book IX, the tax paid at any time by a corporation to the Minister under any of sections 1129.4.29, 1129.4.30 and

1129.4.30.1, in relation to eligible expenses in respect of a strategic building is deemed to be an amount of assistance repaid at that time by the corporation in respect of the expenses, pursuant to a legal obligation.

2002, c. 9, s. 124; 2002, c. 40, s. 270.

1129.4.32. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 9, s. 124.

PART III.1.8

SPECIAL TAX RELATING TO THE ADDITIONAL DEDUCTION OF 35% OR 60% IN RESPECT OF CERTAIN INVESTMENTS

2020, c. 16, s. 183.

1129.4.33. Where a taxpayer has deducted, in respect of a property, an amount in computing the taxpayer's income under section 156.7.4 for a taxation year ending before all the conditions prescribed in respect of the property have been met and, in a subsequent taxation year, an event occurs that results in any of those conditions not being able to be met, the taxpayer shall pay a tax for that subsequent taxation year that is equal to the aggregate of all amounts each of which is the amount by which the tax payable by the taxpayer under Part I for a preceding taxation year for which the taxpayer deducted an amount in computing the taxpayer's income under section 156.7.4 in respect of the property is exceeded by the tax that the taxpayer would have had to pay under Part I for that preceding taxation year if such an amount had not been deducted.

2020, c. 16, s. 183.

1129.4.34. Where a partnership has deducted, in respect of a property, an amount in computing its income under section 156.7.4 for a fiscal period ending before all the conditions prescribed in respect of the property have been met and, in a subsequent fiscal period, an event occurs that results in any of those conditions not being able to be met, each taxpayer who was a member of the partnership at the end of a preceding fiscal period for which the partnership deducted such an amount in respect of the property shall pay a tax, for the taxpayer's taxation year in which that subsequent fiscal period ends, that is equal to the aggregate of all amounts each of which is the amount by which the tax payable by the taxpayer under Part I for a taxation year in which such a preceding fiscal period ends is exceeded by the tax that the taxpayer would have had to pay for that taxation year under Part I if no amount had been deducted by the partnership under section 156.7.4 in respect of the property.

2020, c. 16, s. 183.

1129.4.35. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2020, c. 16, s. 183.

PART III.2

Repealed, 2017, c. 29, s. 214.

1992, c. 1, s. 204; 2017, c. 29, s. 214.

BOOK I

Repealed, 2017, c. 29, s. 214.

1992, c. 1, s. 204; 2017, c. 29, s. 214.

1129.5. *(Repealed).*

1992, c. 1, s. 204; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 2002, c. 40, s. 271; 2007, c. 12, s. 304; 2017, c. 29, s. 214.

BOOK II

Repealed, 2017, c. 29, s. 214.

1992, c. 1, s. 204; 2017, c. 29, s. 214.

1129.6. *(Repealed).*

1992, c. 1, s. 204; 1997, c. 3, s. 71; 2017, c. 29, s. 214.

1129.7. *(Repealed).*

1992, c. 1, s. 204; 1997, c. 3, s. 71; 2017, c. 29, s. 214.

1129.8. *(Repealed).*

1992, c. 1, s. 204; 1995, c. 1, s. 184; 1998, c. 16, s. 244; 2017, c. 29, s. 214.

1129.9. *(Repealed).*

1992, c. 1, s. 204; 2017, c. 29, s. 214.

1129.10. *(Repealed).*

1992, c. 1, s. 204; 2017, c. 29, s. 214.

1129.11. *(Repealed).*

1992, c. 1, s. 204; 1997, c. 3, s. 71; 2017, c. 29, s. 214.

BOOK III

Repealed, 2017, c. 29, s. 214.

1992, c. 1, s. 204; 2017, c. 29, s. 214.

1129.12. *(Repealed).*

1992, c. 1, s. 204; 1993, c. 64, s. 188; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 2017, c. 29, s. 214.

PART III.2.1

Repealed, 2017, c. 29, s. 214.

1997, c. 85, s. 303; 2017, c. 29, s. 214.

BOOK I

Repealed, 2017, c. 29, s. 214.

1997, c. 85, s. 303; 2007, c. 12, s. 251; 2017, c. 29, s. 214.

1129.12.1. *(Repealed).*

1997, c. 85, s. 303; 2002, c. 40, s. 272; 2007, c. 12, s. 251; 2017, c. 29, s. 214.

BOOK II

Repealed, 2017, c. 29, s. 214.

1997, c. 85, s. 303; 2017, c. 29, s. 214.

1129.12.2. *(Repealed).*

1997, c. 85, s. 303; 1999, c. 83, s. 273; 2017, c. 29, s. 214.

1129.12.3. *(Repealed).*

1997, c. 85, s. 303; 1999, c. 83, s. 273; 2017, c. 29, s. 214.

1129.12.4. *(Repealed).*

1997, c. 85, s. 303; 1998, c. 16, s. 245; 1999, c. 83, s. 273; 2017, c. 29, s. 214.

1129.12.5. *(Repealed).*

1997, c. 85, s. 303; 2017, c. 29, s. 214.

1129.12.6. *(Repealed).*

1997, c. 85, s. 303; 1999, c. 83, s. 273; 2017, c. 29, s. 214.

BOOK III

Repealed, 2017, c. 29, s. 214.

1997, c. 85, s. 303; 2017, c. 29, s. 214.

1129.12.7. *(Repealed).*

1997, c. 85, s. 303; 2017, c. 29, s. 214.

PART III.2.2

SPECIAL TAX RELATING TO THE SECOND COOPERATIVE INVESTMENT PLAN

2006, c. 37, s. 52.

1129.12.8. In this Part,

"qualification certificate" means a qualification certificate issued either under section 11 of the Cooperative Investment Plan Act (chapter R-8.1.1), as it read before being repealed or under section 5.5 of Schedule C to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1);

"qualified cooperative" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"qualified federation of cooperatives" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"qualifying security" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act.

2006, c. 37, s. 52; 2007, c. 12, s. 304; 2012, c. 1, s. 67.

1129.12.9. If a qualified cooperative or qualified federation of cooperatives that holds a qualification certificate has issued qualifying securities in a year, it shall pay tax for that year equal to 30% of the proceeds from the issue of those securities if, at the end of the fiscal period that ended in the calendar year that precedes that year, it does not meet the conditions set out in any of subparagraphs 1 to 5 of the first paragraph of section 3 of the Cooperative Investment Plan Act (chapter R-8.1.1), subparagraph 1 or 2 of the second paragraph of that section 3 or any of subparagraphs 1 to 5 of section 4 of that Act, as the case may be.

2006, c. 37, s. 52.

1129.12.10. If a qualified cooperative or qualified federation of cooperatives is required to pay tax for a calendar year under this Part, it shall, on or before 31 March of the calendar year that follows the calendar year for which the tax is payable,

(a) file with the Minister, without notice or demand, a return under this Part for that year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

2006, c. 37, s. 52; 2009, c. 15, s. 392.

1129.12.11. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

2006, c. 37, s. 52.

PART III.2.3

SPECIAL TAX TO ENSURE THE INTEGRITY OF THE SECOND COOPERATIVE INVESTMENT PLAN

2006, c. 37, s. 52.

1129.12.12. In this Part,

"investment under the plan" means any investment held by a qualified cooperative in the form of a share of the capital stock of the corporation that employs its members, or of a debenture issued by the corporation, provided that the debenture was held continuously by the cooperative throughout a 120-day period including the determination time of investments in the corporation;

"qualification certificate" means a qualification certificate issued either under section 11 of the Cooperative Investment Plan Act (chapter R-8.1.1), as it read before being repealed or under section 5.5 of Schedule C to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1);

"qualified cooperative" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"qualifying security" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2006, c. 37, s. 52; 2007, c. 12, s. 304; 2012, c. 1, s. 68; 2013, c. 10, s. 155.

1129.12.13. If, in a particular calendar year, a qualified cooperative that is a shareholding workers cooperative, within the meaning of the first paragraph of section 2 of the Cooperative Investment Plan Act (chapter R-8.1.1), and that holds a qualification certificate has issued qualifying securities, redeemed securities issued under that Act or under the cooperative investment plan enacted by Order in Council 1596-85 (1985, G.O. 2, 5580, in French only), acquired an investment under the plan, or disposed of such an investment, the qualified cooperative shall pay tax for that year equal to the regulation amount determined under section 1129.12.14.

The first paragraph ceases to apply from the calendar year in which the qualified cooperative decides to wind-up in accordance with the Cooperatives Act (chapter C-67.2) or the Canada Cooperatives Act (S.C. 1998, c. 1).

2006, c. 37, s. 52; 2013, c. 10, s. 156.

1129.12.14. The regulation amount to which the first paragraph of section 1129.12.13 refers in respect of a qualified cooperative for a particular calendar year is equal to the amount determined by the formula

30% (A - B) + C - D.

In the formula in the first paragraph,

(a) A is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the Cooperative Investment Plan Act (chapter R-8.1.1) and under the cooperative investment plan enacted by Order in Council 1596-85 (1985, G.O. 2, 5580, in French only) and that are outstanding at the end of the particular calendar year, exceeds an amount equal to 165% of the acquisition cost, determined without taking into account the borrowing costs and the other costs related to

their acquisition, of the aggregate of the investments under the plan that the qualified cooperative holds at the end of the particular calendar year;

(b) B is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the cooperative investment plan and that are outstanding immediately before the issue to the qualified cooperative of its first qualification certificate, exceeds the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments under the plan that the qualified cooperative held at that time;

(c) C is the aggregate of all amounts each of which is an amount that the qualified cooperative is deemed to have paid to the Minister under Division II.6.5.5 of Chapter III.1 of Title III of Book IX of Part I, on account of its tax payable under that Part for a taxation year preceding its taxation year in which the particular calendar year ends;

(d) D is the aggregate of all amounts each of which is a tax that the qualified cooperative is required to pay under this Part for a calendar year preceding the particular calendar year; and

(e) where the result of the subtraction of the amounts that A and B represent is less than zero, the result of that subtraction is deemed to be equal to zero;

(f) (subparagraph repealed).

2006, c. 37, s. 52; 2013, c. 10, s. 157.

1129.12.15. If a qualified cooperative is required to pay tax for a calendar year under this Part, it shall, on or before 31 March of the calendar year that follows the calendar year for which the tax is payable,

(a) file with the Minister, without notice or demand, a return under this Part for that year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

2006, c. 37, s. 52; 2009, c. 15, s. 393.

1129.12.16. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

2006, c. 37, s. 52.

PART III.2.4

SPECIAL TAX RELATING TO AN ALLOWABLE REDEMPTION OR REPAYMENT UNDER THE SECOND COOPERATIVE INVESTMENT PLAN

2006, c. 37, s. 52.

1129.12.17. In this Part,

"allowable redemption or repayment" means an allowable redemption or repayment within the meaning of section 2 of the Cooperative Investment Plan Act (chapter R-8.1.1);

"eligible member" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"qualification certificate" means a qualification certificate issued under section 11 of the Cooperative Investment Plan Act;

"qualified cooperative" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"qualified federation of cooperatives" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

"qualifying security" has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2006, c. 37, s. 52; 2007, c. 12, s. 304.

1129.12.18. If a qualifying security is the subject of an allowable redemption or repayment by a qualified cooperative or qualified federation of cooperatives before 24 June 2009, otherwise than under the circumstances to which section 1129.12.19 applies, the individual referred to in section 965.39.4, the person to whom, where applicable, the security devolved as a consequence of the individual's death, or a trust holding the security and that is governed by a registered retirement savings plan or by a registered retirement income fund the annuitant of which is the individual, is required to pay, for the taxation year in which the redemption or repayment is made, a tax equal to the amount determined by the formula

$$[(1{,}826 - A) / 1{,}826] \times B.$$

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed or repaid; and

(b) B is the lesser of

i. 25% of the acquisition cost of the qualifying security, determined without taking into account the borrowing costs and the other costs related to their acquisition, for the individual or the trust governed by a registered retirement savings plan of which the individual was the annuitant on acquiring the security, and

ii. the amount paid by the qualified cooperative or qualified federation of cooperatives for the redemption or repayment of the security.

2006, c. 37, s. 52; 2010, c. 25, s. 208.

1129.12.19. If a qualifying security held by a partnership is the subject of an allowable redemption or repayment by a qualified cooperative or qualified federation of cooperatives before 24 June 2009, an individual who is a member of the partnership at the end of the partnership's fiscal period in which the redemption or repayment is made, is required to pay, for the taxation year in which the fiscal period ends, a tax equal to the amount determined by the formula

$$[(1{,}826 - A)/1{,}826] \times B \times C.$$

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed or repaid;

(b) B is the lesser of

i. 25% of the acquisition cost of the qualifying security to the partnership, and

ii. the amount paid by the qualified cooperative or qualified federation of cooperatives for the redemption or repayment of the security; and

(c) C is the agreed proportion in respect of the individual for the fiscal period referred to in the first paragraph.

For the purposes of this section, the acquisition cost of the qualifying security to the partnership is the aggregate of the costs determined in respect of the partnership's eligible members in accordance with section 965.39.5, without taking into account the borrowing costs and the other costs related to its acquisition.

2006, c. 37, s. 52; 2009, c. 15, s. 394; 2010, c. 5, s. 193; 2010, c. 25, s. 209.

1129.12.20. If a qualified cooperative or qualified federation of cooperatives redeems or repays a qualifying security in respect of which tax is payable under section 1129.12.18 or 1129.12.19, the following rules apply:

(a) the qualified cooperative or qualified federation of cooperatives is required to withhold the amount of tax, on behalf of the person who is liable to pay the tax, from the amount it pays or credits to that person because of the redemption or repayment of the security; and

(b) the qualified cooperative or qualified federation of cooperatives is required to pay to the Minister the amount so withheld on behalf of that person within 30 days following the day on which the security is redeemed or repaid.

2006, c. 37, s. 52.

1129.12.21. Every qualified cooperative or qualified federation of cooperatives is required to pay, on behalf of the person who is liable to pay the tax referred to in section 1129.12.18 or 1129.12.19, any amount that the cooperative or federation of cooperatives did not withhold under section 1129.12.20, and it is authorized to recover the amount so paid from that person.

2006, c. 37, s. 52.

1129.12.22. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2006, c. 37, s. 52.

PART III.2.5

SPECIAL TAX RELATING TO A REDEMPTION UNDER THE FIRST COOPERATIVE INVESTMENT PLAN

2010, c. 25, s. 210.

1129.12.23. In this Part,

"cooperative investment plan" means the cooperative investment plan enacted by Order in Council 1596-85 (1985, G.O. 2, 5580, in French only);

"qualified cooperative" has the meaning assigned by the cooperative investment plan;

"qualifying security" has the meaning assigned by section 6 of the cooperative investment plan.

2010, c. 25, s. 210.

1129.12.24. Every qualified cooperative that carries out, after 23 June 2009 and before 1 January 2010, a block redemption of all of the outstanding qualifying securities of a class or, if applicable, of a series in a class of its capital stock it issued under the cooperative investment plan is required to pay for the calendar year 2009 a tax equal to 50% of the aggregate of all amounts each of which is the amount determined by the following formula in respect of each of those qualifying securities, unless the block redemption is described in the third paragraph:

$$[(1{,}826 - A)/1{,}826] \times B.$$

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed; and

(b) B is the amount paid by the qualified cooperative for the redemption of the qualifying security.

The block redemption to which the first paragraph refers means a block redemption that

(a) meets the requirements of section 8 of the cooperative investment plan in relation to an increase in the reserve;

(b) is covered by an exemption granted by the Minister of Economic Development, Innovation and Export Trade under the first paragraph of section 10.3 of the cooperative investment plan; or

(c) is an exchange operation described in the fourth paragraph.

The exchange operation to which subparagraph *c* of the third paragraph refers is a conversion of securities, an amalgamation or a reorganization of the capital stock, at the end of which a qualifying security is exchanged for consideration consisting only of preferred shares or fractions of such shares that meet the requirements of paragraphs 3 and 5 of section 6 of the cooperative investment plan.

2010, c. 25, s. 210; 2013, c. 10, s. 158.

1129.12.25. If a qualified cooperative is required to pay tax for the calendar year 2009 under section 1129.12.24, it shall, on or before 31 March 2010,

(a) file with the Minister, without notice or demand, a return under this Part for the year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

2010, c. 25, s. 210.

1129.12.26. Subject to section 1129.12.28, if a qualifying security issued under the cooperative investment plan is the subject of a redemption by a qualified cooperative after 23 June 2009, otherwise than under the circumstances to which section 1129.12.27 applies, the individual referred to in section 965.37, the person to whom, if applicable, the security devolved as a consequence of the individual's death, or a trust holding the security and that is governed by a registered retirement savings plan or by a registered retirement income fund the annuitant of which is the individual, is required to pay, for the taxation year in which the redemption is made, a tax equal to the amount determined by the formula

[(1,826 - A)/1,826] × B.

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed; and

(b) B is the lesser of

i. 25% of the acquisition cost of the qualifying security—determined without taking into account the borrowing costs and the other costs related to its acquisition—to the individual or the trust governed by a registered retirement savings plan of which the individual was the annuitant on acquiring the security, and

ii. the amount paid by the qualified cooperative for the redemption of the qualifying security.

2010, c. 25, s. 210.

1129.12.27. Subject to section 1129.12.28, if a qualifying security issued under the cooperative investment plan and held by a partnership is the subject of a redemption by a qualified cooperative after 23 June 2009, an individual who is a member of the partnership at the end of the partnership's fiscal period in which the redemption is made, is required to pay, for the taxation year in which the fiscal period ends, a tax equal to the amount determined by the formula

[(1,826 - A)/1,826] × B × C.

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed;

(b) B is the lesser of

i. 25% of the acquisition cost of the qualifying security to the partnership, and

ii. the amount paid by the qualified cooperative for the redemption of the qualifying security; and

(c) C is the agreed proportion in respect of the individual for the fiscal period referred to in the first paragraph.

For the purposes of this section, the acquisition cost of the qualifying security to the partnership is the aggregate of the costs determined in respect of the partnership's members in accordance with section 965.37.1, without taking into account the borrowing costs and the other costs related to its acquisition.

2010, c. 25, s. 210.

1129.12.28. Sections 1129.12.26 and 1129.12.27 do not apply in respect of the redemption of a qualifying security of a qualified cooperative issued under the cooperative investment plan, if the redemption

meets the requirements of section 4 of the plan or is made as part of a block redemption of all the outstanding qualifying securities of a class or, if applicable, of a series in a class of the capital stock of the cooperative.

2010, c. 25, s. 210; 2013, c. 10, s. 159.

1129.12.29. If a qualified cooperative redeems a qualifying security in respect of which tax is payable under section 1129.12.26 or 1129.12.27, the following rules apply:

(a) the qualified cooperative is required to withhold the amount of tax, on behalf of the person who is liable to pay the tax, from the amount it pays or credits to that person because of the redemption of the security; and

(b) the qualified cooperative is required to pay to the Minister the amount so withheld on behalf of that person within 30 days following the day on which the security is redeemed.

2010, c. 25, s. 210.

1129.12.30. Every qualified cooperative is required to pay, on behalf of the person who is liable to pay the tax referred to in section 1129.12.26 or 1129.12.27, any amount that the cooperative did not withhold under section 1129.12.29, and it is authorized to recover the amount so paid from that person.

2010, c. 25, s. 210.

1129.12.31. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 if it refers to the first paragraph of section 549, and sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2010, c. 25, s. 210.

PART III.2.6

SPECIAL TAX RELATING TO A REDEMPTION UNDER THE SECOND COOPERATIVE INVESTMENT PLAN

2010, c. 25, s. 210.

1129.12.32. In this Part, "eligible member", "qualified cooperative", "qualified federation of cooperatives" and "qualifying security" have the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act (chapter R-8.1.1).

2010, c. 25, s. 210.

1129.12.33. Every qualified cooperative or qualified federation of cooperatives that carries out, in a calendar year and after 23 June 2009, a block redemption or repayment of all of the outstanding qualifying securities of a class or, if applicable, of a series in a class of its capital stock it issued under the Cooperative Investment Plan Act (chapter R-8.1.1) is required to pay for that year a tax equal to 30% of the aggregate of all amounts each of which is the amount determined by the following formula in respect of each of those qualifying securities, unless the block redemption or repayment is made as part of the winding-up of the qualified cooperative or qualified federation of cooperatives, as the case may be, or is an exchange operation described in the third paragraph:

$$[(1{,}826 - A)/1{,}826] \times B.$$

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed or repaid; and

(b) B is the amount paid by the qualified cooperative or qualified federation of cooperatives for the redemption or repayment of the qualifying security.

The exchange operation to which the first paragraph refers is a conversion of securities, an amalgamation or a reorganization of the capital stock, at the end of which a qualifying security is exchanged for consideration consisting only of preferred shares or fractions of such shares that meet the requirements of paragraphs 3 and 4 of section 6 of the Cooperative Investment Plan Act.

2010, c. 25, s. 210; 2013, c. 10, s. 160.

1129.12.34. If a qualified cooperative or qualified federation of cooperatives is required to pay tax for a calendar year under section 1129.12.33, it shall, on or before 31 March of the calendar year that follows the calendar year for which the tax is payable,

(a) file with the Minister, without notice or demand, a return under this Part for the year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

2010, c. 25, s. 210.

1129.12.35. If a qualifying security is the subject of a redemption or repayment by a qualified cooperative or qualified federation of cooperatives after 23 June 2009, otherwise than under the circumstances to which section 1129.12.36 applies, the individual referred to in section 965.39.4, the person to whom, if applicable, the security devolved as a consequence of the individual's death, or a trust holding the security and that is governed by a registered retirement savings plan or by a registered retirement income fund the annuitant of which is the individual, is required to pay, for the taxation year in which the redemption or repayment is made, a tax equal to the amount determined by the following formula, unless the redemption or repayment is made as part of a block redemption or repayment to which section 1129.12.33 applies or is an exchange operation described in the third paragraph of that section:

$$[(1{,}826 - A)/1{,}826] \times B.$$

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed or repaid; and

(b) B is the lesser of

i. the amount obtained by multiplying the rate specified in the third paragraph by the acquisition cost of the qualifying security—determined without taking into account the borrowing costs and the other costs related to its acquisition—to the individual or the trust governed by a registered retirement savings plan of which the individual was the annuitant on acquiring the security, and

ii. the amount paid by the qualified cooperative or qualified federation of cooperatives for the redemption or repayment of the qualifying security.

The rate to which subparagraph i of subparagraph *b* of the second paragraph refers is 25% if the redemption or repayment complies with the requirements of section 7 of the Cooperative Investment Plan Act (chapter R-8.1.1), and 30% in any other case.

2010, c. 25, s. 210; 2013, c. 10, s. 161.

1129.12.36. If a qualifying security held by a partnership is the subject of a redemption or repayment by a qualified cooperative or qualified federation of cooperatives after 23 June 2009, an individual who is a member of the partnership at the end of the partnership's fiscal period in which the redemption or repayment is made, is required to pay, for the taxation year in which the fiscal period ends, a tax equal to the amount determined by the following formula, unless the redemption or repayment is made as part of a block redemption or repayment to which section 1129.12.33 applies or is an exchange operation described in the third paragraph of that section:

$$[(1{,}826 - A)/1{,}826] \times B \times C.$$

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed or repaid;

(b) B is the lesser of

i. the amount obtained by multiplying the rate specified in the third paragraph by the acquisition cost of the qualifying security—determined without taking into account the borrowing costs and the other costs related to its acquisition—to the partnership, and

ii. the amount paid by the qualified cooperative or qualified federation of cooperatives for the redemption or repayment of the qualifying security; and

(c) C is the agreed proportion in respect of the individual for the fiscal period referred to in the first paragraph.

The rate to which subparagraph i of subparagraph *b* of the second paragraph refers is 25% if the redemption or repayment complies with the requirements of section 7 of the Cooperative Investment Plan Act (chapter R-8.1.1), and 30% in any other case.

For the purposes of this section, the acquisition cost of the qualifying security to the partnership is the aggregate of the costs determined in respect of the partnership's eligible members in accordance with section 965.39.5, without taking into account the borrowing costs and the other costs related to its acquisition.

2010, c. 25, s. 210; 2013, c. 10, s. 162.

1129.12.37. If a qualified cooperative or qualified federation of cooperatives redeems or repays a qualifying security in respect of which tax is payable under section 1129.12.35 or 1129.12.36, the following rules apply:

(a) the qualified cooperative or qualified federation of cooperatives is required to withhold the amount of tax, on behalf of the person who is liable to pay the tax, from the amount it pays or credits to that person because of the redemption or repayment of the security; and

(b) the qualified cooperative or qualified federation of cooperatives is required to pay to the Minister the amount so withheld on behalf of that person within 30 days following the day on which the security is redeemed or repaid.

2010, c. 25, s. 210.

1129.12.38. Every qualified cooperative or qualified federation of cooperatives is required to pay, on behalf of the person who is liable to pay the tax referred to in section 1129.12.35 or 1129.12.36, any amount that the cooperative or federation of cooperatives did not withhold under section 1129.12.37, and it is authorized to recover the amount so paid from that person.

2010, c. 25, s. 210.

1129.12.39. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 if it refers to the first paragraph of section 549, and sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2010, c. 25, s. 210.

PART III.2.7

SPECIAL TAX RELATING TO CERTAIN SHARE ISSUE EXPENSES UNDER THE STOCK SAVINGS PLAN II

2013, c. 10, s. 163.

1129.12.40. In this Part, "eligible issue expenses" and "qualified issuing corporation" have the meaning assigned by section 1029.8.36.59.35.

2013, c. 10, s. 163.

1129.12.41. Every qualified issuing corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.59.37, on account of its tax payable under Part I for a particular taxation year, in relation to eligible issue expenses incurred by the qualified issuing corporation for the particular year, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to the eligible issue expenses is, directly or indirectly, refunded or otherwise paid to the qualified issuing corporation or allocated to a payment to be made by the qualified issuing corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the qualified issuing corporation is deemed to have paid to the Minister under section 1029.8.36.59.37, in relation to the eligible issue expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.59.37, in relation to the eligible issue expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible issue expenses were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible issue expenses.

2013, c. 10, s. 163.

1129.12.42. For the purposes of Part I, except Division II.6.5.6 of Chapter III.1 of Title III of Book IX, tax paid at any time by a corporation to the Minister under section 1129.12.41 in relation to eligible issue

expenses is deemed to be an amount of assistance repaid at that time by the corporation in respect of the expenses pursuant to a legal obligation.

2013, c. 10, s. 163.

1129.12.43. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2013, c. 10, s. 163.

PART III.2.8

SPECIAL TAX RELATING TO A TAX-FREE RESERVE OF A QUALIFIED SHIPOWNER

2015, c. 21, s. 507.

1129.12.44. In this Part,

"qualified property" has the meaning assigned by section 979.24;

"qualified shipowner" has the meaning assigned by section 979.24;

"tax-free reserve" of a qualified shipowner means a tax-free reserve within the meaning of section 979.25.

2015, c. 21, s. 507.

1129.12.45. A qualified shipowner is required to pay the tax determined in the second paragraph for a particular taxation year if

(a) the qualified shipowner's tax-free reserve is deemed to end in the particular taxation year because of the application of section 979.32; or

(b) the particular taxation year includes the end of 31 December 2033 and, immediately before that time, qualified property is included in the qualified shipowner's tax-free reserve.

The tax to which the first paragraph refers is equal to the amount determined by the formula

$$1\% \times A \times B.$$

In the formula in the second paragraph,

(a) A is the fair market value of the qualified property within the qualified shipowner's tax-free reserve at the end of the taxation year that precedes the particular taxation year where subparagraph *a* of the first paragraph applies or at the end of 31 December 2033 where subparagraph *b* of the first paragraph applies; and

(b) B is the number of taxation years in which the qualified shipowner had a tax-free reserve.

2015, c. 21, s. 507.

1129.12.46. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to that first paragraph, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2015, c. 21, s. 507.

PART III.3

Repealed, 2002, c. 40, s. 273.

1992, c. 1, s. 204; 2002, c. 40, s. 273.

BOOK I

Repealed, 2002, c. 40, s. 273.

1992, c. 1, s. 204; 2002, c. 40, s. 273.

1129.13. *(Repealed).*

1992, c. 1, s. 204; 1995, c. 1, s. 185; 1995, c. 63, s. 230; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 2002, c. 40, s. 273.

BOOK II

Repealed, 2002, c. 40, s. 273.

1992, c. 1, s. 204; 2002, c. 40, s. 273.

1129.14. *(Repealed).*

1992, c. 1, s. 204; 1993, c. 64, s. 189; 1994, c. 16, s. 51; 1995, c. 1, s. 186; 1995, c. 63, s. 231; 1997, c. 3, s. 71; 1998, c. 17, s. 64; 1999, c. 8, s. 20; 2001, c. 69, s. 12; 2002, c. 40, s. 273.

1129.14.1. *(Repealed).*

1995, c. 1, s. 187; 1995, c. 63, s. 232; 1997, c. 3, s. 71; 2002, c. 40, s. 273.

BOOK III

Repealed, 2002, c. 40, s. 273.

1992, c. 1, s. 204; 2002, c. 40, s. 273.

1129.15. *(Repealed).*

1992, c. 1, s. 204; 1993, c. 64, s. 190; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 2002, c. 40, s. 273.

PART III.4

SPECIAL TAX RELATING TO THE DISPOSITION OF CERTAIN PROPERTY BY AN ARCHIVAL CENTRE OR A MUSEUM

1993, c. 19, s. 144.

BOOK I

DEFINITIONS

1993, c. 19, s. 144.

1129.16. In this Part,

"certified archival centre" has the meaning assigned by section 1;

"eligible entity" means

(a) a certified archival centre;

(b) a recognized museum; or

(c) an institution or a public authority in Canada designated, under subsection 2 of section 32 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51), generally or for a specified purpose related to the property referred to in section 1129.17;

"recognized museum" has the meaning assigned by section 1.

1993, c. 19, s. 144; 2002, c. 40, s. 274; 2006, c. 36, s. 231; 2007, c. 12, s. 304.

BOOK II

LIABILITY FOR AND AMOUNT OF TAX

1993, c. 19, s. 144.

1129.17. If an archival centre or a museum disposes of a property within nine years after the day the centre or museum acquired it and if the centre or museum was, at the time of the acquisition, a certified archival centre, a museum established under the Act respecting the Montréal Museum of Fine Arts (chapter M-42) or the National Museums Act (chapter M-44) or a recognized museum and the property was a property in respect of which the Conseil du patrimoine culturel du Québec issued a certificate stating that the property was acquired by the centre or museum in accordance with its acquisition and conservation policy and with the directives of the Ministère de la Culture et des Communications, the centre or museum shall pay, for the year in which the property was disposed of, tax equal to 30% of the fair market value of the property at the time of the disposition, unless the property is disposed of to an entity that is, at that time, an eligible entity.

1993, c. 19, s. 144; 1995, c. 1, s. 199; 1996, c. 39, s. 269; 2001, c. 53, s. 253; 2006, c. 36, s. 232; 2011, c. 21, s. 232.

1129.18. Where an archival centre or a museum must, for a year, pay tax under this Part, it shall, within 90 days after the end of the year,

(a) file with the Minister, without notice or demand, a return under this Part for the year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

1993, c. 19, s. 144; 2009, c. 15, s. 395.

BOOK III

MISCELLANEOUS PROVISIONS

1993, c. 19, s. 144.

1129.19. Unless otherwise provided in this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

1993, c. 19, s. 144; 1995, c. 1, s. 362; 1995, c. 63, s. 261; 1997, c. 85, s. 304.

PART III.5

SPECIAL TAX RELATING TO THE DISPOSITION OF CERTAIN PROPERTY BY AN INSTITUTION OR PUBLIC AUTHORITY

1993, c. 19, s. 144.

BOOK I

DEFINITION

1993, c. 19, s. 144; 2007, c. 12, s. 252.

1129.20. In this Part, "eligible entity" means

(a) a certified archival centre, within the meaning of section 1;

(b) a recognized museum, within the meaning of section 1; or

(c) an institution or public authority in Canada which is designated, under subsection 2 of section 32 of the Cultural Property Export and Import Act (Revised Statutes of Canada, 1985, chapter C-51), generally or for a specified purpose related to the property referred to in section 1129.21.

1993, c. 19, s. 144; 1997, c. 14, s. 265; 2002, c. 40, s. 275; 2006, c. 36, s. 233; 2007, c. 12, s. 253.

BOOK II

LIABILITY FOR AND AMOUNT OF TAX

1993, c. 19, s. 144.

1129.21. Where an institution or public authority disposes of a property, other than a property described in subparagraph *a* of the third paragraph of section 232, within nine years after the day on which the institution or public authority, as the case may be, acquired it and where the institution or public authority, as the case may be, was, at the time of the acquisition, designated under subsection 2 of section 32 of the Cultural Property Export and Import Act (R.S.C. 1985, c. C-51) generally or for a specified purpose related to the property and the property was, at the time of the acquisition, a property classified in accordance with the Cultural Heritage Act (chapter P-9.002), the institution or public authority, as the case may be, shall pay, for the year in which the property is disposed of, tax equal to 30% of the fair market value of the property at the time of the disposition, except where the property is disposed of to an entity which is, at that time, an eligible entity.

1993, c. 19, s. 144; 2001, c. 53, s. 254; 2003, c. 9, s. 400; 2011, c. 21, s. 234.

1129.22. Where an institution or public authority must, for a year, pay tax under this Part, it shall, within 90 days after the end of the year,

(a) file with the Minister, without notice or demand, a return under this Part for the year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

1993, c. 19, s. 144; 2009, c. 15, s. 396.

BOOK III

MISCELLANEOUS PROVISIONS

1993, c. 19, s. 144.

1129.23. Unless otherwise provided in this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

1993, c. 19, s. 144; 1995, c. 1, s. 362; 1995, c. 63, s. 261; 1997, c. 85, s. 305.

PART III.5.1

SPECIAL TAX RELATING TO RECOGNIZED ARTS ORGANIZATIONS

1997, c. 14, s. 266.

1129.23.1. In this Part,

"recognized arts organization" has the meaning assigned by section 1;

"taxation year" means a taxation year for the purposes of Chapter III.3 of Title I of Book VIII of Part I.

1997, c. 14, s. 266; 2007, c. 12, s. 304.

1129.23.2. A recognized arts organization that fails to comply with the requirement of section 985.28 in its respect for a taxation year shall pay for that year tax equal to the minimum additional amount it would have been required to expend in the year to comply with that requirement.

1997, c. 14, s. 266.

1129.23.3. Where a recognized arts organization is required to pay tax for a taxation year under this Part, it shall, within six months after the end of the year,

(a) file with the Minister, without notice or demand, a return under this Part for the year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

1997, c. 14, s. 266; 2009, c. 15, s. 397.

1129.23.4. Except where inconsistent with this Part, sections 1001, 1002, 1005 to 1024 and 1031.1 to 1079.16 apply to this Part, with the necessary modifications.

1997, c. 14, s. 266; 2015, c. 36, s. 158.

PART III.5.1.1

SPECIAL TAX RELATING TO REGISTERED MUSEUMS

2006, c. 36, s. 234.

1129.23.4.1. In this Part,

"registered museum" has the meaning assigned by section 1;

"taxation year" means a taxation year for the purposes of Chapter III.3.1 of Title I of Book VIII of Part I.

2006, c. 36, s. 234; 2007, c. 12, s. 304.

1129.23.4.2. A registered museum that fails to comply with the requirement of section 985.35.3 in its respect for a taxation year shall pay, for that year, tax equal to the minimum additional amount it ought to have expended in that year to comply with that requirement.

2006, c. 36, s. 234.

1129.23.4.3. If a registered museum is required to pay tax for a taxation year under this Part, it shall, within six months after the end of the year,

(a) file with the Minister, without notice or demand, a return under this Part for the year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

2006, c. 36, s. 234; 2009, c. 15, s. 398.

1129.23.4.4. Except where inconsistent with this Part, sections 1001, 1002, 1005 to 1024 and 1031.1 to 1079.16 apply to this Part, with the necessary modifications.

2006, c. 36, s. 234; 2015, c. 36, s. 159.

PART III.5.1.2

SPECIAL TAX RELATING TO REGISTERED CULTURAL OR COMMUNICATIONS ORGANIZATIONS

2006, c. 36, s. 234.

1129.23.4.5. In this Part,

"registered cultural or communications organization" has the meaning assigned by section 1;

"taxation year" means a taxation year for the purposes of Chapter III.3.2 of Title I of Book VIII of Part I.

2006, c. 36, s. 234; 2007, c. 12, s. 304.

1129.23.4.6. A registered cultural or communications organization that fails to comply with the requirement of section 985.35.13 in its respect for a taxation year shall pay, for that year, tax equal to the minimum additional amount it ought to have expended in that year to comply with that requirement.

2006, c. 36, s. 234.

1129.23.4.7. If a registered cultural or communications organization is required to pay tax for a taxation year under this Part, it shall, within six months after the end of the year,

(a) file with the Minister, without notice or demand, a return under this Part for the year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

2006, c. 36, s. 234; 2009, c. 15, s. 399.

1129.23.4.8. Except where inconsistent with this Part, sections 1001, 1002, 1005 to 1024 and 1031.1 to 1079.16 apply to this Part, with the necessary modifications.

2006, c. 36, s. 234; 2015, c. 36, s. 160.

PART III.5.2

SPECIAL TAX RELATING TO RECOGNIZED POLITICAL EDUCATION ORGANIZATIONS

2004, c. 21, s. 463.

1129.23.5. In this Part,

"recognized political education organization" has the meaning assigned by section 985.36;

"taxation year" means a taxation year for the purposes of Chapter III.4 of Title I of Book VIII of Part I.

2004, c. 21, s. 463; 2007, c. 12, s. 304.

1129.23.6. A recognized political education organization that fails to comply with the requirement of section 985.37 in its respect for a taxation year shall pay for that year tax equal to the minimum additional amount it would have been required to expend in the year to comply with that requirement.

2004, c. 21, s. 463.

1129.23.7. Where a recognized political education organization is required to pay tax for a taxation year under this Part, it shall, within six months after the end of the year,

(a) file with the Minister, without notice or demand, a return under this Part for the year in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

2004, c. 21, s. 463; 2009, c. 15, s. 400.

1129.23.8. Except where inconsistent with this Part, sections 1001, 1002, 1005 to 1024 and 1031.1 to 1079.16 apply to this Part, with the necessary modifications.

2004, c. 21, s. 463; 2015, c. 36, s. 161.

PART III.6

SPECIAL TAX RELATING TO THE FONDS DE SOLIDARITÉ DES TRAVAILLEURS ET DES TRAVAILLEUSES DU QUÉBEC (FTQ)

1993, c. 64, s. 191; 2024, c. 11, s. 132.

BOOK I

DEFINITIONS

1993, c. 64, s. 191.

1129.24. In this Part,

"Fund" means the corporation governed by the Act to establish the Fonds de solidarité des travailleurs et des travailleuses du Québec (FTQ) (chapter F-3.2.1);

"share" means a class "A" share or a class "A" fractional share in the share capital of the Fund.

1993, c. 64, s. 191; 1995, c. 1, s. 188; 1997, c. 3, s. 71; 2000, c. 39, s. 239; 2002, c. 40, s. 276; 2007, c. 12, s. 304; 2024, c. 11, s. 133.

BOOK II

LIABILITY FOR AND AMOUNT OF TAX

1993, c. 64, s. 191.

1129.25. The Fund shall pay, for the period beginning on 2 March 1993 and ending on 1 March 1994, a tax equal to 20% of the amount by which the aggregate of all amounts each of which is an amount paid during that period for the purchase of a share as first purchaser exceeds $97,000,000.

1993, c. 64, s. 191; 1995, c. 1, s. 189.

1129.25.1. The Fund shall pay, for its taxation year beginning on 1 July 2003 and ending on 31 May 2004, a tax equal to 15% of the amount by which the aggregate of all amounts each of which is an amount paid during that year for the purchase of a share as first purchaser exceeds $550,000,000.

For the purposes of the first paragraph, an amount paid for the purchase of a share does not include the issue price paid in respect of the share.

2004, c. 21, s. 464.

1129.25.2. The Fund shall pay, for its taxation year beginning on 1 June 2014 and ending on 31 May 2015, a tax equal to 15% of the amount by which the aggregate of all amounts each of which is an amount paid during that year for the purchase of a share as first purchaser exceeds $650,000,000.

For the purposes of the first paragraph, an amount paid for the purchase of a share does not include the issue price paid in respect of the share.

2015, c. 21, s. 508.

1129.26. Where the Fund is required to pay tax under this Part for the period mentioned in section 1129.25, it shall, not later than 31 March of the calendar year in which the period ends,

(a) file with the Minister, without notice or demand therefor, a return under this Part in prescribed form containing the prescribed information,

(b) estimate, in the return, the amount of its tax payable under this Part for that period, and

(c) pay to the Minister the amount of its tax payable under this Part for that period.

1993, c. 64, s. 191; 1995, c. 1, s. 190.

1129.26.1. Where the Fund is required to pay tax under this Part for the year referred to in section 1129.25.1 or 1129.25.2, it shall, not later than the ninetieth day following the end of the year, pay to the Minister the amount of its tax payable under this Part for the year.

2004, c. 21, s. 465; 2015, c. 21, s. 509.

BOOK III

MISCELLANEOUS PROVISIONS

1993, c. 64, s. 191.

1129.27. Except where inconsistent with this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

1993, c. 64, s. 191; 1995, c. 49, s. 236; 1995, c. 63, s. 261.

PART III.6.0.1

SPECIAL TAX RELATING TO FONDACTION, LE FONDS DE DÉVELOPPEMENT DE LA CONFÉDÉRATION DES SYNDICATS NATIONAUX POUR LA COOPÉRATION ET L'EMPLOI

2004, c. 21, s. 466.

1129.27.0.1. In this Part,

"Fund" means the corporation governed by the Act to establish Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (chapter F-3.1.2);

"share" means a class "A" or class "B" share or fractional share in the share capital of the Fund.

2004, c. 21, s. 466; 2007, c. 12, s. 304.

1129.27.0.2. The Fund shall pay, for its taxation year beginning on 1 June 2003 and ending on 31 May 2004, a tax equal to 15% of the amount by which the aggregate of all amounts each of which is an amount paid during that year for the purchase of a share as first purchaser exceeds $80,000,000.

For the purposes of the first paragraph, an amount paid for the purchase of a share does not include the issue price paid in respect of the share.

2004, c. 21, s. 466.

1129.27.0.2.1. The Fund shall pay, for a particular taxation year referred to in the second paragraph, a tax equal to 25% of the amount by which the aggregate of all amounts each of which is an amount paid in that particular year for the purchase of a share as first purchaser exceeds the amount determined for that particular year under the second paragraph.

The amount referred to in the first paragraph is,

(a) where the particular taxation year ends on 31 May 2010, $150,000,000; or

(b) where the particular taxation year ends on 31 May 2011, the aggregate of

i. $150,000,000, and

ii. the amount by which $150,000,000 exceeds the aggregate of all amounts each of which is an amount paid in the taxation year that ends on 31 May 2010 for the purchase of a share as first purchaser;

(c) where the particular taxation year ends on 31 May 2012, the aggregate of

i. $150,000,000, and

ii. the amount by which the amount determined under this paragraph for the taxation year that ends on 31 May 2011 exceeds the aggregate of all amounts each of which is an amount paid in that taxation year for the purchase of a share as first purchaser;

(d) where the particular taxation year ends on 31 May 2013, $175,000,000;

(e) where the particular taxation year ends on 31 May 2014, the aggregate of

i. $200,000,000, and

ii. the amount by which $175,000,000 exceeds the aggregate of all amounts each of which is an amount paid in the taxation year that ends on 31 May 2013 for the purchase of a share as first purchaser; or

(f) where the particular taxation year ends on 31 May 2015, to the aggregate of

i. $200,000,000, and

ii. the amount by which the amount determined under this paragraph for the taxation year that ends on 31 May 2014 exceeds the aggregate of all amounts each of which is an amount paid in the taxation year for the purchase of a share as first purchaser.

For the purposes of this section, an amount paid for the purchase of a share includes only the issue price paid in respect of the share.

2010, c. 5, s. 194; 2012, c. 8, s. 244; 2013, c. 10, s. 164; 2015, c. 21, s. 510.

1129.27.0.2.2. The Fund shall pay, for a particular taxation year referred to in the second paragraph, a tax equal to 20% of the amount by which the aggregate of all amounts each of which is an amount paid in that particular year for the purchase of a share as first purchaser exceeds the amount determined for that particular year under the second paragraph.

The amount referred to in the first paragraph is,

(a) where the particular taxation year ends on 31 May 2017, $250,000,000; or

(b) where the particular taxation year ends on 31 May 2018, the aggregate of

i. $250,000,000, and

ii. the amount by which $250,000,000 exceeds the aggregate of all amounts each of which is an amount paid in the taxation year that ends on 31 May 2017 for the purchase of a share as first purchaser;

(c) where the particular taxation year ends on 31 May 2019, the aggregate of

i. $250,000,000, and

ii. the amount by which the amount determined under this paragraph for the taxation year that ends on 31 May 2018 exceeds the aggregate of all amounts each of which is an amount paid in that taxation year for the purchase of a share as first purchaser;

(d) where the particular taxation year ends on 31 May 2020, the aggregate of

i. $275,000,000, and

ii. the amount by which the amount determined under this paragraph for the taxation year that ends on 31 May 2019 exceeds the aggregate of all amounts each of which is an amount paid in that taxation year for the purchase of a share as first purchaser; or

(e) where the particular taxation year ends on 31 May 2021, the aggregate of

i. $275,000,000, and

ii. the amount by which the amount determined under this paragraph for the taxation year that ends on 31 May 2020 exceeds the aggregate of all amounts each of which is an amount paid in that taxation year for the purchase of a share as first purchaser.

For the purposes of this section, an amount paid for the purchase of a share includes only the issue price paid in respect of the share.

2017, c. 1, s. 374; 2019, c. 14, s. 443.

1129.27.0.3. Where the Fund is required to pay tax under this Part for a year referred to in any of sections 1129.27.0.2 to 1129.27.0.2.2, it shall, not later than the ninetieth day following the end of the year, pay to the Minister the amount of its tax payable under this Part for the year.

2004, c. 21, s. 466; 2010, c. 5, s. 195; 2017, c. 1, s. 375.

1129.27.0.4. Except where inconsistent with this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2004, c. 21, s. 466.

PART III.6.1

SPECIAL TAX RELATING TO SHARES ISSUED BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS ON OR BEFORE 28 FEBRUARY 2006

2002, c. 9, s. 125; 2006, c. 36, s. 235.

1129.27.1. In this Part,

"capitalization period" means a period within the liability period that is

(a) the period that begins on 1 July 2001 and ends on 31 December 2001;

(b) the period that begins on 1 January 2002 and ends on 28 February 2003;

(c) the period that begins on 1 March 2003 and ends on 29 February 2004;

(d) the period that begins on 31 March 2004 and ends on 28 February 2005; or

(e) the period that begins on 1 March 2005 and ends on 28 February 2006;

"Corporation" means the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1);

"cumulative limit amount" applicable in respect of a capitalization period means

(a) $150,000,000, in respect of the capitalization period that begins on 1 July 2001 and ends on 31 December 2001;

(b) $300,000,000, in respect of the capitalization period that begins on 1 January 2002 and ends on 28 February 2003;

(c) $375,000,000, in respect of the capitalization period that begins on 1 March 2003 and ends on 29 February 2004;

(d) $475,000,000, in respect of the capitalization period that begins on 31 March 2004 and ends on 28 February 2005;

(e) $575,000,000, in respect of the capitalization period that begins on 1 March 2005 and ends on 28 February 2006;

(f) *(paragraph repealed)*;

(g) *(paragraph repealed)*;

(h) *(paragraph repealed)*;

(i) *(paragraph repealed)*;

(j) *(paragraph repealed)*;

"liability period" means the period that begins on 1 July 2001 and ends on 28 February 2006;

"paid-up capital" has the meaning assigned by section 1;

"share" means a share or fraction of a share of the capital stock of the Corporation.

2002, c. 9, s. 125; 2002, c. 40, s. 277; 2003, c. 9, s. 401; 2004, c. 21, s. 467; 2005, c. 38, s. 309; 2006, c. 36, s. 236; 2007, c. 12, s. 304.

1129.27.2. The Corporation is required to pay for a particular capitalization period, a tax under this Part equal to the amount determined by the formula

$$[50\% \times (A - B)] - C.$$

In the formula provided for in the first paragraph,

(a) A is the paid-up capital of the shares of the capital stock of the Corporation at the end of the particular capitalization period;

(b) B is the cumulative limit amount applicable in respect of the particular capitalization period; and

(c) C is any amount of tax that the Corporation is required to pay to the Minister under this section for a preceding capitalization period.

2002, c. 9, s. 125; 2003, c. 9, s. 402.

1129.27.3. Where the Corporation is required to pay tax under this Part for a particular capitalization period, the Corporation shall, on or before 31 May following the end of that particular capitalization period,

(a) file with the Minister, without notice or demand therefor, a return under this Part in prescribed form containing the prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for that particular capitalization period; and

(c) pay to the Minister the amount of its tax payable under this Part for that particular capitalization period.

2002, c. 9, s. 125; 2003, c. 9, s. 403.

1129.27.4. Except where inconsistent with this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

2002, c. 9, s. 125.

PART III.6.1.1

SPECIAL TAX RELATING TO SHARES ISSUED BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS AFTER 23 MARCH 2006

2006, c. 36, s. 237.

1129.27.4.1. In this Part,

"annual limit amount" applicable in respect of a capitalization period means

(a) $100,000,000, in respect of the capitalization period that begins on 1 March 2007 and ends on 29 February 2008;

(b) subject to paragraphs *c* to *e*, any of the following amounts, in respect of a capitalization period that begins after 29 February 2008:

i. $150,000,000, if the paid-up capital of the shares of the capital stock of the Corporation is less than $1,250,000,000 at the end of any previous capitalization period, or

ii. the lesser of $150,000,000 and the amount corresponding to the reduction in paid-up capital attributable to the aggregate of all the shares redeemed or purchased by agreement by the Corporation in the preceding capitalization period, in any other case;

(c) $150,000,000, in respect of the capitalization period that begins on 1 March 2015 and ends on 29 February 2016; and

(d) $135,000,000, in respect of the capitalization period that begins on 1 March 2016 and ends on 28 February 2017 and the capitalization period that begins on 1 March 2017 and ends on 28 February 2018;

(e) $140,000,000, in respect of each of the following capitalization periods:

i. the capitalization period that begins on 1 March 2018 and ends on 28 February 2019,

ii. the capitalization period that begins on 1 March 2019 and ends on 29 February 2020,

iii. the capitalization period that begins on 1 March 2020 and ends on 28 February 2021;

iv. the capitalization period that begins on 1 March 2021 and ends on 28 February 2022, and

v. the capitalization period that begins on 1 March 2022 and ends on 28 February 2023;

"capitalization period" means any of the following periods:

(a) the period that begins on 24 March 2006 and ends on 28 February 2007;

(b) a period that begins on 1 March of a year subsequent to the year 2006 and ends on the last day of the month of February of the following year;

(c) (paragraph repealed);

(d) (paragraph repealed);

(e) (paragraph repealed);

"Corporation" means the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1);

"paid-up capital" has the meaning assigned by section 1;

"share" means a share or fraction of a share of the capital stock of the Corporation.

2006, c. 36, s. 237; 2007, c. 12, s. 304; 2011, c. 6, s. 218; 2015, c. 21, s. 511; 2017, c. 1, s. 376; 2019, c. 14, s. 444; 2021, c. 36, s. 150.

1129.27.4.2. The Corporation is required to pay, for a particular capitalization period, a tax under this Part equal to any of the following amounts:

(a) if the particular capitalization period begins on 24 March 2006 and ends on 28 February 2007, 35% of the amount by which $725,000,000 is exceeded by the paid-up capital of the shares of the capital stock of the Corporation at the end of the particular capitalization period;

(b) if the particular capitalization period begins after 28 February 2007 and before 1 March 2014, the amount determined by the formula

50% × (A - B);

(c) if the particular capitalization period begins after 28 February 2014 and before 1 March 2016, the amount determined by the formula

45% × (A - B);

(d) if the particular capitalization period begins after 29 February 2016 and before 1 March 2018, the amount determined by the formula

40% × (A – B); or

(e) if the particular capitalization period begins after 28 February 2018 and before 1 March 2021, the amount determined by the formula

35 % × (A − B);

(f) if the particular capitalization period begins after 28 February 2021, the amount determined by the formula

30% × (A − B).

In the formula in subparagraph *b* of the first paragraph,

(a) A is the paid-up capital of the class “A” shares of the capital stock of the Corporation issued during the particular capitalization period; and

(b) B is the annual limit amount applicable in respect of the particular capitalization period.

2006, c. 36, s. 237; 2011, c. 6, s. 219; 2015, c. 21, s. 512; 2017, c. 1, s. 377; 2019, c. 14, s. 445; 2021, c. 36, s. 151.

1129.27.4.3. If the Corporation is required to pay tax under this Part for a particular capitalization period, the Corporation shall, on or before 31 May following the end of that particular capitalization period,

(a) file with the Minister, without notice or demand, a return under this Part for that particular capitalization period in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for that particular capitalization period; and

(c) pay to the Minister the amount of its tax payable under this Part for that particular capitalization period.

2006, c. 36, s. 237; 2009, c. 15, s. 401.

1129.27.4.4. Except where inconsistent with this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

2006, c. 36, s. 237.

PART III.6.1.2

SPECIAL TAX RELATING TO SHARE EXCHANGE TRANSACTIONS CARRIED OUT BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

2019, c. 14, s. 446.

1129.27.4.5. In this Part,

"conversion period" means a period that begins on 1 March of a year subsequent to the year 2017 and preceding the year 2023 and that ends on the last day of the month of February of the following year;

"Corporation" means the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1);

"share" means a share or fractional share of the capital stock of the Corporation.

2019, c. 14, s. 446; 2021, c. 36, s. 152.

1129.27.4.6. The Corporation is required to pay, for a particular conversion period, tax under this Part equal to

(a) where the particular conversion period begins after 28 February 2018 and before 1 March 2021, 10% of the amount by which $100,000,000 is exceeded by the aggregate of all amounts each of which is the value of a consideration that an individual has paid or has undertaken to pay, in the particular conversion period, for the acquisition of a class "B" share of the capital stock of the Corporation; or

(b) where the particular conversion period begins after 28 February 2021 and before 1 March 2023, 10% of the amount by which $50,000,000 is exceeded by the aggregate of all amounts each of which is the value of a consideration that an individual has paid, in the particular conversion period, for the acquisition of a class "B" share of the capital stock of the Corporation.

2019, c. 14, s. 446; 2021, c. 36, s. 153.

1129.27.4.7. For the purposes of section 1129.27.4.6, the following rules apply:

(a) an individual has undertaken to pay, in a conversion period, a consideration for the acquisition of a class "B" share of the capital stock of the Corporation, where the individual has undertaken to purchase such a share under a promise to purchase by way of exchange, within the meaning assigned to that expression by section 8.1 of the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1), that

i. was made by the individual at a particular time in the conversion period that precedes 19 June 2019, and

ii. was accepted by the Corporation after 9 July 2018, but before 19 June 2019; and

(b) the value of a consideration that an individual has paid or has undertaken to pay for the acquisition of a class "B" share of the capital stock of the Corporation is,

i. in the case of a consideration that the individual has undertaken to pay in accordance with paragraph a because of a promise to purchase by way of exchange, the amount determined in respect of the individual, in relation to the promise, under subparagraph *a* of subparagraph 2 of the second paragraph of section 10.1 of the Act constituting Capital régional et coopératif Desjardins, or

ii. in the case of a consideration paid by the individual, the amount determined in respect of the individual, in relation to the consideration, under subparagraph *b* of subparagraph 2 of the second paragraph of section 10.1 of the Act constituting Capital régional et coopératif Desjardins.

2019, c. 14, s. 446.

1129.27.4.8. Where the Corporation is required to pay tax under this Part for a conversion period, the Corporation shall, on or before 31 May following the end of that conversion period,

(a) file with the Minister, without notice or demand, a return under this Part for that conversion period in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for that conversion period; and

(c) pay to the Minister the amount of its tax payable under this Part for that conversion period.

2019, c. 14, s. 446.

1129.27.4.9. Unless otherwise provided in this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

2019, c. 14, s. 446.

PART III.6.2

SPECIAL TAX RELATING TO THE RECOVERY OF THE TAX CREDIT FOR THE PURCHASE OF CLASS "A" SHARES ISSUED BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

2002, c. 9, s. 125; 2019, c. 14, s. 447.

1129.27.5. In this Part,

"Corporation" means the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1);

"share" means a class "A" share or fractional share of the capital stock of the Corporation.

2002, c. 9, s. 125; 2002, c. 40, s. 278; 2007, c. 12, s. 304; 2019, c. 14, s. 448.

1129.27.6. Subject to section 1129.27.7, where a share is redeemed or purchased by the Corporation less than seven years after its issue date, the individual referred to in section 776.1.5.0.11 or, as the case may be, the person to whom the share devolved as a consequence of the individual's death, is required to pay, for the taxation year in which the redemption or purchase is made, a tax under this Part equal to the amount determined by the formula

$$[(2{,}556 - A)/2{,}556] \times B.$$

In the formula provided for in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the share referred to in the first paragraph and that ends on the day on which the share is redeemed or purchased by agreement; and

(b) B is the lesser of

i. the product obtained by multiplying the percentage specified in the third paragraph by the amount paid for the purchase of the share by the individual referred to in the first paragraph, and

ii. the amount paid by the Corporation for the redemption or purchase by agreement of the share.

The percentage to which subparagraph i of subparagraph *b* of the second paragraph refers is

(a) (subparagraph repealed);

(b) 50%, if the share referred to in the first paragraph was issued before 1 March 2014;

(c) 45%, if the share referred to in the first paragraph was issued after 28 February 2014 and before 1 March 2016;

(d) 40%, if the share referred to in the first paragraph was issued after 29 February 2016 and before 1 March 2018;

(e) 35%, if the share referred to in the first paragraph was issued after 28 February 2018 and before 1 March 2021; or

(f) 30%, if the share referred to in the first paragraph was issued after 28 February 2021.

2002, c. 9, s. 125; 2006, c. 36, s. 238; 2011, c. 6, s. 220; 2015, c. 21, s. 513; 2017, c. 1, s. 378; 2019, c. 14, s. 449; 2021, c. 36, s. 154.

1129.27.7. Section 1129.27.6 does not apply in respect of a share that is redeemed or purchased by the Corporation under

(a) paragraph 3 of section 12 of the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1); or

(b) a provision of the purchase by agreement policy approved by the Minister of Finance in accordance with the second paragraph of section 11 of the Act referred to in paragraph *a*, under which the Corporation may purchase by agreement a share it issued because no amount was deducted in respect of the share under section 776.1.5.0.11.

2002, c. 9, s. 125.

1129.27.8. Where the Corporation redeems or purchases a share in respect of which tax is payable under section 1129.27.6, the following rules apply:

(a) the Corporation is required to withhold the amount of tax, on behalf of the person who is liable to pay the tax, from the amount paid or credited by the Corporation to that person because of the redemption or purchase of the share; and

(b) the Corporation is required to pay to the Minister the amount so withheld on behalf of that person within 30 days following the day on which the share is redeemed or purchased.

2002, c. 9, s. 125.

1129.27.9. The Corporation is required to pay, on behalf of the person who is liable to pay the tax referred to in section 1129.27.6, any amount that the Corporation did not withhold under section 1129.27.8, and it is authorized to recover the amount so paid from that person.

2002, c. 9, s. 125.

1129.27.10. Except where inconsistent with this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2002, c. 9, s. 125; 2004, c. 21, s. 468.

PART III.6.2.1

SPECIAL TAXES RELATING TO THE RECOVERY OF THE TAX CREDITS FOR THE EXCHANGE OF SHARES ISSUED BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

2019, c. 14, s. 450.

1129.27.10.1. In this Part,

"Corporation" means the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1);

"promise to purchase by way of exchange" has the meaning assigned by section 8.1 of the Act constituting Capital régional et coopératif Desjardins;

"share" means a share or fractional share of the capital stock of the Corporation.

2019, c. 14, s. 450.

1129.27.10.2. Where an individual has deducted, from the individual's tax otherwise payable under Part I for a taxation year, an amount under section 776.1.5.0.15.2 in respect of the value of a consideration the individual has undertaken to pay, in the form of a share, under a promise to purchase by way of exchange and where, before the payment of the consideration, the share is redeemed or purchased by agreement by the Corporation, the individual or, as the case may be, the person to whom the share devolved as a consequence of the individual's death, is required to pay, for the taxation year in which the redemption or purchase by agreement is made, tax under this Part equal to the lesser of

(a) the product obtained by multiplying by 10% the amount determined under the third paragraph of section 776.1.5.0.15.2 in respect of the value of the consideration; and

(b) the amount paid by the Corporation for the redemption or purchase by agreement of the share.

For the purposes of the first paragraph, where an individual has not deducted, from the individual's tax otherwise payable under Part I for a taxation year, an amount under section 776.1.5.0.15.2, but the individual's eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, has deducted,

from the eligible spouse's tax otherwise payable under Part I for the year, an amount, under section 776.41.5, a portion of which may reasonably be attributed to a deduction provided for in section 776.1.5.0.15.2 to which the individual was entitled for the year in respect of the value of a consideration the individual has undertaken to pay, in the form of a share, under a promise to purchase by way of exchange, the individual is deemed to have deducted, from the individual's tax otherwise payable under Part I for the year, an amount in that respect under section 776.1.5.0.15.2.

2019, c. 14, s. 450.

1129.27.10.3. Subject to section 1129.27.10.4, where a class "B" share of the capital stock of the Corporation is redeemed or purchased by agreement by the Corporation less than seven years after its issue date, the individual to whom section 776.1.5.0.15.4 applies, or to whom section 776.1.5.0.15.2 applies if the share was issued as a consequence of a promise to purchase by way of exchange, or, as the case may be, the person to whom the share devolved as a consequence of the individual's death, is required to pay, for the taxation year in which the redemption or purchase by agreement is made, tax under this Part equal to the amount determined by the formula

$$[(2{,}556 - A) / 2{,}556] \times B.$$

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the share referred to in the first paragraph or, if the share was issued as a consequence of a promise to purchase by way of exchange, on the day that promise was accepted by the Corporation and that ends on the day the share is redeemed or purchased by agreement; and

(b) B is the lesser of the amount paid by the Corporation for the redemption or purchase by agreement of the share and,

i. if the share was issued as a consequence of a promise to purchase by way of exchange, the product obtained by multiplying by 10% the amount determined, under the third paragraph of section 776.1.5.0.15.2, in respect of the value of the consideration that the individual has undertaken to pay under the promise for the purchase of the share, or

ii. in any other case, the product obtained by multiplying by 10% the amount determined, under the third paragraph of section 776.1.5.0.15.4, in respect of the value of the consideration that the individual has paid for the purchase of the share.

2019, c. 14, s. 450.

1129.27.10.4. Section 1129.27.10.3 does not apply in respect of a class "B" share of the capital stock of the Corporation that is redeemed or purchased by agreement by the Corporation under

(a) paragraph 3 of section 12 of the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1); or

(b) a provision of the purchase by agreement policy approved by the Minister of Finance in accordance with the second paragraph of section 11 of the Act constituting Capital régional et coopératif Desjardins, under which the Corporation may purchase by agreement a share it issued because no amount was deducted in respect of the share under section 776.1.5.0.15.2 or 776.1.5.0.15.4.

2019, c. 14, s. 450.

1129.27.10.5. Where the Corporation redeems or purchases a share forming a consideration payable under a promise to purchase by way of exchange, or a class "B" share of its capital stock, in respect of which tax is payable under section 1129.27.10.2 or 1129.27.10.3, as the case may be, the following rules apply:

(a) the Corporation is required to withhold the amount of that tax, on behalf of the person who is liable to pay it, from the amount paid or credited by the Corporation to that person because of the redemption or purchase of the share; and

(b) the Corporation is required to pay to the Minister the amount so withheld on behalf of that person within 30 days following the day on which the share is redeemed or purchased.

2019, c. 14, s. 450.

1129.27.10.6. The Corporation is required to pay, on behalf of the person who is liable to pay the tax referred to in section 1129.27.10.2 or 1129.27.10.3, as the case may be, any amount that the Corporation did not withhold under section 1129.27.10.5, and it is authorized to recover the amount so paid from that person.

2019, c. 14, s. 450.

1129.27.10.7. Unless otherwise provided in this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2019, c. 14, s. 450.

PART III.6.3

Repealed, 2017, c. 1, s. 379.

2003, c. 9, s. 404; 2017, c. 1, s. 379.

1129.27.11. *(Repealed).*

2003, c. 9, s. 404; 2007, c. 12, s. 304; 2017, c. 1, s. 379.

1129.27.12. *(Repealed).*

2003, c. 9, s. 404; 2004, c. 21, s. 469; 2017, c. 1, s. 379.

1129.27.13. *(Repealed).*

2003, c. 9, s. 404; 2017, c. 1, s. 379.

1129.27.14. *(Repealed).*

2003, c. 9, s. 404; 2017, c. 1, s. 379.

PART III.6.4

SPECIAL TAX RELATING TO THE CREDIT FOR THE HIRING OF FINANCIAL DERIVATIVES SPECIALISTS

2007, c. 12, s. 254.

1129.27.15. In this Part, "qualified wages", "unused portion of the tax credit" and "wages" have the meaning assigned by section 776.1.7.

2007, c. 12, s. 254; 2010, c. 25, s. 211.

1129.27.16. Every corporation that has deducted an amount under section 776.1.8 or 776.1.9 for a taxation year shall pay the tax computed under the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the qualified wages paid by the corporation to an individual for a taxation year preceding the repayment year, other than an amount described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 776.1.7, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, or obtained by a person or partnership.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount deducted by the corporation for a taxation year preceding the repayment year under section 776.1.8 or under section 776.1.9 in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the repayment year exceeds the total of

(a) the aggregate of all amounts each of which is the maximum amount that the corporation could have deducted under section 776.1.8 for a particular taxation year preceding the repayment year if it had had sufficient tax payable under Part I for the particular taxation year and if, for the purposes of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 776.1.7,

i. any amount referred to in the first paragraph for the repayment year or for a preceding taxation year, relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular taxation year, that is received or obtained at or before the end of the repayment year, had been received or obtained in the particular taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.15 for the repayment year or for a preceding taxation year, relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular taxation year, that is paid or deemed to be paid under section 776.1.16 at or before the end of the repayment year, had been paid or deemed to be paid in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

2007, c. 12, s. 254.

1129.27.17. For the purposes of Part I, except Title III.3 of Book V, the tax paid at any time by a corporation to the Minister under section 1129.27.16 in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the qualified wages, pursuant to a legal obligation.

2007, c. 12, s. 254.

1129.27.18. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2007, c. 12, s. 254.

PART III.6.5

SPECIAL TAX RELATING TO THE NON-REFUNDABLE TAX CREDIT FOR THE DEVELOPMENT OF E-BUSINESS

2015, c. 36, s. 162.

1129.27.19. In this Part, "unused portion of the tax credit" of a corporation for a taxation year has the meaning assigned by section 776.1.19.

2015, c. 36, s. 162.

1129.27.20. Every corporation that has deducted an amount under section 776.1.20 or 776.1.21 for a taxation year shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to wages included in computing the qualified wages, for the purposes of Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX of Part I, paid by the corporation to an individual for a taxation year preceding the repayment year, other than an amount described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.79, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, or obtained by a person or partnership.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount deducted by the corporation for a taxation year preceding the repayment year under section 776.1.20 or under section 776.1.21 in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the repayment year exceeds the total of

(a) the aggregate of all amounts each of which is the maximum amount that the corporation could have deducted under section 776.1.20 for a particular taxation year preceding the repayment year if it had had sufficient tax payable under Part I for the particular taxation year and if, for the purposes of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.0.3.79,

i. any amount referred to in the first paragraph for the repayment year or for a preceding taxation year, relating to wages included in computing the qualified wages, for the purposes of Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX of Part I, paid by the corporation to an individual for the particular taxation year, that is received or obtained at or before the end of the repayment year, had been received or obtained in the particular taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.24 for the repayment year or for a preceding taxation year, relating to wages included in computing the qualified wages, for the purposes of Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX of Part I, paid by the corporation to an individual for the particular taxation year, that is paid or deemed to be paid under section 776.1.25 at or before the end of the repayment year, had been paid or deemed to be paid in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

2015, c. 36, s. 162.

1129.27.21. For the purposes of Part I, except Title III.4 of Book V and Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX, the tax paid at any time by a corporation to the Minister under section 1129.27.20 in relation to qualified wages, for the purposes of that Division II.6.0.1.9, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the qualified wages, pursuant to a legal obligation.

2015, c. 36, s. 162.

1129.27.22. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2015, c. 36, s. 162.

PART III.6.6

SPECIAL TAX RELATING TO THE NON-REFUNDABLE TAX CREDIT FOR INTERNATIONAL FINANCIAL CENTRES

2017, c. 1, s. 380.

1129.27.23. In this Part, "qualified wages", "unused portion of the tax credit" and "wages" have the meaning assigned by section 776.1.27.

2017, c. 1, s. 380.

1129.27.24. Every corporation that has deducted an amount under section 776.1.28 or 776.1.29 for a taxation year shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to wages included in computing the qualified wages paid by the corporation to an individual for a taxation year preceding the repayment year, other than an amount described in subparagraph i or ii of paragraph *b* of the definition of "qualified wages" in section 776.1.27, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, or obtained by a person or a partnership.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount deducted by the corporation for a taxation year preceding the repayment year under section 776.1.28 or under section 776.1.29 in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the repayment year exceeds the total of

(a) the aggregate of all amounts each of which is the maximum amount that the corporation could have deducted under section 776.1.28 for a particular taxation year preceding the repayment year if it had had sufficient tax payable under Part I for the particular taxation year and if, for the purposes of paragraph *b* of the definition of "qualified wages" in section 776.1.27,

i. any amount referred to in the first paragraph for the repayment year or for a preceding taxation year, relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular taxation year, that is received or obtained at or before the end of the repayment year, had been received or obtained in the particular taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.32 for the repayment year or for a preceding taxation year, relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular taxation year, that is paid or deemed to be paid under section 776.1.33 at or before the end of the repayment year, had been paid or deemed to be paid in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

2017, c. 1, s. 380.

1129.27.25. For the purposes of Part I, except Title III.5 of Book V, the tax paid at any time by a corporation to the Minister under section 1129.27.24 in relation to qualified wages is deemed to be an amount of assistance repaid at that time by the corporation in respect of the qualified wages, pursuant to a legal obligation.

2017, c. 1, s. 380.

1129.27.26. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2017, c. 1, s. 380.

PART III.6.7

SPECIAL TAX RELATING TO THE TAX CREDIT TO FOSTER SYNERGY BETWEEN QUÉBEC BUSINESSES

2021, c. 18, s. 156.

1129.27.27. In this Part,

"authorized investment certificate" has the meaning assigned by section 776.1.36;

"balance of the special tax account payable" of a corporation, at the end of a taxation year, in relation to an authorized investment certificate, means an amount equal to the amount by which its special tax account payable at the end of that year in relation to the certificate exceeds the aggregate of all amounts each of which is the amount determined under subparagraph *b* of the second paragraph of section 1129.27.28 in relation to the certificate for a preceding taxation year;

"eligible investment" has the meaning assigned by section 776.1.36;

"excluded share" means a share of the capital stock of a corporation that is disposed of or exchanged by reason of the corporation's or shareholder's bankruptcy or insolvency, unilaterally redeemed by the corporation, or redeemed by the corporation at the shareholder's request where the law confers on the shareholder the right to demand that all its shares be redeemed;

"special tax account payable" of a corporation, at the end of a taxation year, in relation to an authorized investment certificate held by another corporation, means an amount equal to the proportion of the aggregate of all amounts each of which is the amount of a penalty determined under any of sections 1049.14.26 to 1049.14.29, at or before the end of the taxation year, in respect of the other corporation in relation to the certificate, that the aggregate of all amounts each of which is an amount paid by the corporation for the acquisition of a share of the capital stock of the other corporation in relation to the certificate is of the aggregate of all amounts each of which is an amount received by the other corporation for the issue of a share of its capital stock in relation to the certificate;

"unused portion of the tax credit" has the meaning assigned by section 776.1.36.

2021, c. 18, s. 156.

1129.27.28. Every corporation that has deducted an amount under section 776.1.38 or 776.1.39 for a taxation year in respect of an eligible investment which includes an amount paid for the acquisition of a share of the capital stock of another corporation, in relation to an authorized investment certificate, and that disposes of or exchanges such a share (other than an excluded share) in a subsequent taxation year (in this section referred to as the "transfer year") and before the end of the 60-month period that begins on the day on which the share is issued shall pay, for the transfer year, a tax determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is an amount equal to the amount by which the aggregate of all amounts each of which is an amount deducted by the corporation for a taxation year preceding the transfer year under section 776.1.38, or under section 776.1.39 in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the transfer year, exceeds the aggregate of all amounts each of which is the maximum amount that the corporation could have deducted under section 776.1.38 for a taxation year preceding the transfer year if it had had sufficient tax payable under Part I for that preceding taxation year and if, for the purposes of the definition of "eligible investment" in the first paragraph of section 776.1.36 for the preceding taxation year,

no reference were made to any amount paid for the acquisition of a share referred to in the first paragraph that is disposed of or exchanged in the transfer year; and

(b) B is the aggregate of all amounts each of which is the balance of the special tax account payable in relation to an authorized investment certificate referred to in the first paragraph at the end of the transfer year, to the extent that the balance does not exceed the portion of the amount determined under subparagraph *a* that may reasonably be considered to be attributable to one or more shares referred to in the first paragraph that were issued in connection with the certificate.

The first paragraph does not apply in respect of a share acquired in connection with an eligible investment of the corporation, where section 1129.27.29 applies in respect of the eligible investment for the transfer year or applied in respect of the eligible investment for a preceding taxation year.

For the purposes of this section, a corporation is deemed to dispose of or exchange shares that are identical properties in the order in which they were acquired.

2021, c. 18, s. 156.

1129.27.29. Every corporation that has deducted an amount under section 776.1.38 or 776.1.39 for a particular taxation year in respect of an eligible investment in another corporation, in relation to an authorized investment certificate, and that becomes associated with the other corporation, at any time in a taxation year (in this section referred to as the "association year") that begins in the 48-month period following the end of the particular year, shall pay, for the association year, a tax determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is an amount equal to the amount by which the aggregate of all amounts each of which is an amount deducted by the corporation for a taxation year preceding the association year under section 776.1.38, or under section 776.1.39 in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the association year, exceeds the aggregate of all amounts each of which is the maximum amount that the corporation could have deducted under section 776.1.38 for a taxation year preceding the association year if it had had sufficient tax payable under Part I for that preceding taxation year and if no reference were made to any eligible investment of the corporation in a corporation with which it becomes associated, under circumstances described in the first paragraph, at any time in the association year nor to any amount paid in connection with the eligible investment for the acquisition of a share referred to in the first paragraph of section 1129.27.28; and

(b) B is the aggregate of all amounts each of which is a balance of the special tax account payable in relation to an authorized investment certificate referred to in the first paragraph at the end of the association year, to the extent that the balance does not exceed the portion of the amount determined under subparagraph *a* that may reasonably be considered to be attributable to the certificate.

2021, c. 18, s. 156.

1129.27.30. For the purposes of Part I, tax paid to the Minister by a corporation, at any time, under section 1129.27.28 or 1129.27.29 in relation to an amount paid for the acquisition of a share is deemed to be an amount of assistance repaid by the corporation at that time in respect of the share, pursuant to a legal obligation.

2021, c. 18, s. 156.

1129.27.31. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2021, c. 18, s. 156.

PART III.7

SPECIAL DUTIES RELATING TO THE TRANSFER OF AN IMMOVABLE MADE BEFORE 18 MARCH 2016

1993, c. 64, s. 191; 2017, c. 1, s. 381.

1129.28. In this Part,

"person" means a person within the meaning assigned by section 1;

"transfer" means a transfer within the meaning assigned by section 1 of the Act respecting duties on transfers of immovables (chapter D-15.1);

"transfer duties" means the duties payable under section 2 of the Act respecting duties on transfers of immovables.

1993, c. 64, s. 191; 1994, c. 22, s. 344; 1997, c. 3, s. 71; 2002, c. 40, s. 279; 2007, c. 12, s. 304.

1129.28.1. In this Part, where there is a transfer of a corporeal immovable and of movables which are permanently physically attached or joined to the immovable without losing their individuality and without being incorporated with the immovable, and which, in the immovable, are used for the operation of a business or the pursuit of activities, the word "immovable" refers to the whole formed by the immovable and the movables.

1994, c. 22, s. 345.

1129.29. Where, at any time, control of a corporation is acquired by a person or group of persons, where an immovable has been transferred to the corporation before 18 March 2016 and in the 24 months preceding that time, where the transfer is exempt from the payment of transfer duties under section 19 of the Act respecting duties on transfers of immovables (chapter D-15.1) and where it may reasonably be considered that the immovable was transferred in contemplation of the acquisition of control of the corporation by the person or group of persons, the corporation shall pay to the Minister, within 30 days from the date of sending of a notice of assessment, special duties equal to 125% of the amount of the transfer duties that would have been payable following the transfer if that section 19 had not been applicable in respect of the transfer and, where the transfer is not registered, if it had been registered.

1993, c. 64, s. 191; 1994, c. 22, s. 346; 1997, c. 3, s. 71; 2004, c. 4, s. 16; 2017, c. 1, s. 382.

1129.30. The Minister shall pay to the Minister of Municipal Affairs, Regions and Land Occupancy an amount representing four-fifths of the special duties collected under section 1129.29 and shall transmit to him any information he may need in order to forward such amount to the municipality in whose territory the immovable transferred is situated.

1993, c. 64, s. 191; 1999, c. 43, s. 13; 2003, c. 19, s. 250; 2005, c. 28, s. 196; 2009, c. 26, s. 109.

1129.31. A taxpayer who acquires a right contemplated in paragraph *b* of section 20 is thereby deemed to acquire the shares to which the right applies if it may reasonably be concluded that one of the principal aims of the acquisition of the right was to avoid the application of section 1129.29.

1993, c. 64, s. 191.

1129.32. Any director of a particular corporation contemplated in section 1129.29 who was in office immediately before the immovable contemplated in that section is again disposed of or transferred, whether in the context of a winding-up or otherwise, and, where applicable, any other corporation by which the particular corporation is controlled, in any manner whatsoever, and any director of that other corporation who was in office at that time, are solidarily liable with the particular corporation for the payment of the special duties prescribed by the said section 1129.29.

1993, c. 64, s. 191; 1995, c. 1, s. 199; 1997, c. 3, s. 71.

1129.33. Except where inconsistent with this Part, sections 21.2 to 21.3.1 and 21.4, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, and sections 1010 and 1014 apply to this Part, with the necessary modifications.

For the purposes of section 21.3, paragraph *a* of section 21 shall read as if the reference therein to "if one is the child, other descendant, brother or sister of the other" were a reference to "if one is the child or other descendant of the other".

1993, c. 64, s. 191; 1995, c. 1, s. 362; 1995, c. 63, s. 261; 1997, c. 85, s. 306; 2006, c. 13, s. 210.

PART III.7.0.1

SPECIAL DUTIES RELATING TO THE TRANSFER OF AN IMMOVABLE MADE AFTER 17 MARCH 2016

2017, c. 1, s. 383.

1129.33.0.1. In this Part,

"transfer" has the meaning assigned by section 1 of the Act respecting duties on transfers of immovables (chapter D-15.1);

"transfer duties" means the duties provided for in section 2 of the Act respecting duties on transfers of immovables and in the first and second paragraphs of section 4.1 of that Act.

2017, c. 1, s. 383.

1129.33.0.2. In this Part, where there is a transfer of a corporeal immovable and of movables which are permanently physically attached or joined to the immovable without losing their individuality and without being incorporated with the immovable, and which, in the immovable, are used for the operation of a business or the pursuit of activities, "immovable" refers to the whole formed by the immovable and the movables.

2017, c. 1, s. 383.

1129.33.0.3. A transferee to whom the second paragraph of section 6 of the Act respecting duties on transfers of immovables (chapter D-15.1) applies who fails to file the notice of disclosure of the transfer of an immovable referred to in that second paragraph within the time limit provided for in that paragraph, although the transferee was required to do so, shall pay to the Minister, within 30 days from the date of sending of a notice of assessment, special duties equal to 150% of the amount of the transfer duties that would be payable in respect of the transfer if that Act were read without reference to its Chapter III, increased by the amount of interest, computed at the rate provided for in section 28 of the Tax Administration Act (chapter A-6.002), on the amount of those special duties from the date by which the transferee was required to file the notice of disclosure until the day of payment.

However, where the transferee fails to file the notice of disclosure of the transfer of the immovable within the time limit provided for in the second paragraph of section 6 of the Act respecting duties on transfers of immovables, although the transferee was required to do so, and where, after the expiry of that time, the transferee pays to the municipality in whose territory the immovable is situated the transfer duties owed in respect of the transfer before the sending of the notice of assessment referred to in the first paragraph, the amount that the transferee shall pay to the Minister as special duties under the first paragraph is deemed to be

equal to the third of the special duties otherwise determined, increased by the amount of interest computed at the rate provided for in section 28 of the Tax Administration Act on that deemed amount from the date by which the transferee was required to file the notice of disclosure until the day of payment.

2017, c. 1, s. 383.

1129.33.0.4. A transferee to whom the second paragraph of section 6.1 of the Act respecting duties on transfers of immovables (chapter D-15.1) applies who fails to file the notice of disclosure referred to in that second paragraph in respect of an immovable within the time limit provided for in that paragraph shall pay to the Minister, within 30 days from the date of sending of a notice of assessment, special duties equal to 150% of the amount of the transfer duties payable in respect of the immovable under the first or second paragraph of section 4.1 of that Act, increased by the amount of interest, computed at the rate provided for in section 28 of the Tax Administration Act (chapter A-6.002), on the amount of those special duties from the date by which the transferee was required to file the notice of disclosure until the day of payment.

However, where the transferee fails to file the notice of disclosure within the time limit provided for in the second paragraph of section 6.1 of the Act respecting duties on transfers of immovables and where, after the expiry of that time, the transferee pays to the municipality in whose territory the immovable is situated the transfer duties owed in respect of the immovable before the sending of the notice of assessment referred to in the first paragraph, the amount that the transferee shall pay to the Minister as special duties under the first paragraph in respect of the immovable is deemed to be equal to a third of the special duties otherwise determined, increased by the amount of interest computed at the rate provided for in section 28 of the Tax Administration Act on that deemed amount from the date by which the transferee was required to file the notice of disclosure until the day of payment.

2017, c. 1, s. 383.

1129.33.0.5. The Minister shall pay to the Minister of Municipal Affairs, Regions and Land Occupancy an amount representing two-thirds of the special duties collected under the first paragraph of section 1129.33.0.3 or 1129.33.0.4 and shall transmit to that Minister any information that Minister may need in order to forward such amount to the municipality in whose territory the immovable that is the subject of special duties is situated.

2017, c. 1, s. 383; 2017, c. 29, s. 215.

1129.33.0.6. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, and sections 1010 and 1014 apply to this Part, with the necessary modifications.

2017, c. 1, s. 383.

PART III.7.1

SPECIAL TAX RELATING TO THE USE OF LESS POLLUTING DRY-CLEANING TECHNOLOGY

1997, c. 85, s. 307.

1129.33.1. In this Part, “acquisition costs” and “qualified property” have the meaning assigned by the first paragraph of section 1029.8.21.4.

1997, c. 85, s. 307; 2003, c. 9, s. 405; 2007, c. 12, s. 255.

1129.33.2. Every taxpayer who is deemed to have paid to the Minister, under section 1029.8.21.5, an amount as partial payment of tax payable for any taxation year under Part I, in relation to acquisition costs in respect of qualified property, shall pay tax, for a particular taxation year, equal

(a) to the amount by which the aggregate of all amounts each of which is an amount the taxpayer is deemed to have paid to the Minister, under section 1029.8.21.5, in respect of the property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is tax the taxpayer is required to pay under this section in respect of the property for a taxation year preceding the particular year, where

i. at any time between the taxpayer's filing-due date for the preceding taxation year and the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the qualified property by the taxpayer and the taxpayer's filing-due date for the particular year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income from a dry-cleaning business operated

(1) by the taxpayer, and that time is also within the portion of that period in which the taxpayer owns the property, or

(2) by a person who acquired the property from the taxpayer in any of the circumstances described in section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), and that time is also within the portion of that period in which the person owns the property, or

ii. on or before the taxpayer's filing-due date for the particular year, the validation certificate issued to the taxpayer in relation to the qualified property is revoked; or

(b) where paragraph *a* does not apply to the particular year nor has been applied to a preceding taxation year in relation to the property and where, during the particular year, an amount relating to those acquisition costs, in respect of which the taxpayer is deemed, under section 1029.8.21.5, to have paid an amount for a taxation year preceding the particular year, is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, to the amount obtained by applying to the amount so refunded, paid or allocated the percentage applied to the acquisition costs for that preceding year under section 1029.8.21.5.

1997, c. 85, s. 307; 2000, c. 39, s. 264; 2007, c. 12, s. 256; 2009, c. 15, s. 402.

1129.33.3. Every taxpayer who is a member of a partnership and who is deemed to have paid to the Minister, under section 1029.8.21.6, an amount as partial payment of tax payable under Part I for any taxation year in respect of the taxpayer's share of an amount of the acquisition costs incurred by the partnership, in respect of a qualified property, in the partnership's fiscal period ending in that year, shall pay, for a particular taxation year, the aggregate of

(a) the amount by which the aggregate of all amounts each of which is an amount the taxpayer is deemed to have paid to the Minister, under section 1029.8.21.6, in respect of the property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is tax the taxpayer is required to pay under this section in respect of the property for a taxation year preceding the particular year, where

i. at any time between the day that is six months after the end of the partnership's fiscal period ending in the preceding taxation year and the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the qualified property by the partnership and the day that is six months after the end of the partnership's fiscal period ending in the particular year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income from a dry-cleaning business operated

(1) by the partnership, and that time is also within the portion of that period in which the partnership owns the property, or

(2) by a person who acquired the property from the partnership in any of the circumstances described in section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), and that time is also within the portion of that period in which the person owns the property, or

ii. on or before the day that is six months after the end of the partnership's fiscal period ending in the particular year, the validation certificate issued to the partnership in relation to the qualified property is revoked;

(b) where paragraph *a* does not apply to the particular year nor has been applied to a preceding taxation year in relation to the property and where, during a fiscal period of the partnership ending in the particular year, an amount relating to those acquisition costs, in respect of which the taxpayer is deemed, under section 1029.8.21.6, to have paid an amount, in relation to the taxpayer's share of those costs, for a taxation year preceding the particular year, is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, the amount obtained by applying to the taxpayer's share of the amount so refunded, paid or allocated the percentage applied to the taxpayer's share of the amount of the acquisition costs for the particular taxation year under section 1029.8.21.6; and

(c) where paragraph *a* does not apply in the particular year nor has been applied to a preceding taxation year in relation to the property and, in the particular year, an amount relating to those acquisition costs, in respect of which the taxpayer is deemed, under section 1029.8.21.6, to have paid an amount in relation to the taxpayer's share of those costs, for a taxation year preceding the particular year, is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, the amount obtained by applying to the amount so refunded, paid or allocated the percentage applied to the taxpayer's share of the amount of the acquisition costs for the particular taxation year under section 1029.8.21.6.

For the purposes of the first paragraph, the taxpayer's share of an amount refunded, paid or allocated is equal to the agreed proportion of the amount in respect of the taxpayer for the partnership's fiscal period that ends in the particular taxation year.

1997, c. 85, s. 307; 2000, c. 39, s. 264; 2007, c. 12, s. 257; 2009, c. 15, s. 403.

1129.33.4. For the purposes of Part I, the following rules apply:

(a) tax paid to the Minister by a taxpayer at any time, under section 1129.33.2, in relation to property is deemed to be an amount of assistance repaid by the taxpayer at that time in respect of the property, pursuant to a legal obligation; and

(b) tax paid to the Minister by a taxpayer at any time, under section 1129.33.3, in relation to property is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of that property, pursuant to a legal obligation.

1997, c. 85, s. 307; 2001, c. 7, s. 169; 2009, c. 15, s. 404.

1129.33.5. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1997, c. 85, s. 307.

PART III.8

SPECIAL TAX RELATING TO THE CREDIT FOR TRAINING

1995, c. 1, s. 191.

1129.34. In this Part, "qualified training expenditure" has the meaning assigned by Division II.5 of Chapter III.1 of Title III of Book IX of Part I.

1995, c. 1, s. 191; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 2002, c. 40, s. 280; 2005, c. 23, s. 249; 2007, c. 12, s. 258.

1129.35. Every corporation that is deemed to have paid to the Minister, under Division II.5 of Chapter III.1 of Title III of Book IX of Part I, an amount as partial payment of its tax payable under that Part for a particular taxation year shall, where during a subsequent taxation year, an amount related to a qualified training expenditure or to its share of such an expenditure, in respect of which the corporation is so deemed to have paid an amount, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay for that subsequent year tax equal to the amount obtained by applying to the amount so refunded, paid or allocated, the percentage that was applied to the qualified training expenditure for the particular year under section 1029.8.25, or to its share of such an expenditure under section 1029.8.25.1.

1995, c. 1, s. 191; 1997, c. 3, s. 71; 2000, c. 39, s. 264; 2007, c. 12, s. 259.

1129.36. Every corporation that is a member of a partnership and that is deemed to have paid to the Minister, under section 1029.8.25.1, an amount as partial payment of its tax payable under Part I for a particular taxation year in respect of its share of a qualified training expenditure incurred by the partnership in a fiscal period of the partnership shall, where during a subsequent fiscal period of the partnership, an amount related to that expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, pay, for the taxation year in which that subsequent fiscal period ends, tax equal to the amount obtained by applying to its share of the amount so refunded, paid or allocated, the percentage that was applied to its share of the qualified training expenditure for the particular taxation year under section 1029.8.25.1.

For the purposes of the first paragraph, the corporation's share of an amount refunded, paid or allocated is equal to the agreed proportion of the amount in respect of the corporation for the partnership's fiscal period that ends in the particular taxation year.

1995, c. 1, s. 191; 1995, c. 63, s. 233; 1997, c. 3, s. 71; 2000, c. 39, s. 264; 2007, c. 12, s. 260; 2009, c. 15, s. 405.

1129.37. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

1995, c. 1, s. 191; 1995, c. 49, s. 236; 1995, c. 63, s. 261.

PART III.9

SPECIAL TAX RELATING TO THE CREDIT FOR ON-THE-JOB TRAINING PERIODS

1995, c. 1, s. 191.

1129.38. In this Part, "qualified expenditure" has the meaning assigned by Division II.5.1 of Chapter III.1 of Title III of Book IX of Part I.

1995, c. 1, s. 191; 1995, c. 63, s. 234; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 2002, c. 40, s. 281; 2007, c. 12, s. 261.

1129.39. Every taxpayer who is deemed to have paid to the Minister, under Division II.5.1 of Chapter III.1 of Title III of Book IX of Part I, an amount as partial payment of the taxpayer's tax payable under that Part for a particular taxation year shall, where during a subsequent taxation year, an amount relating to a qualified expenditure or to the taxpayer's share of such an expenditure, in respect of which the taxpayer is so deemed to have paid an amount is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, pay for that subsequent year tax equal to the amount obtained by applying to the amount so refunded, paid or allocated the percentage applied for the particular year to the qualified expenditure under section 1029.8.33.6 or to the taxpayer's share of such an expenditure under section 1029.8.33.7.

However, the first paragraph applies in respect of an amount refunded, paid or allocated only to the extent,

(a) where the qualified expenditure to which the amount relates was made by the taxpayer, that the amount of the expenditure exceeds the amount that would be determined if each of the particular amounts taken into account for the purpose of determining that amount were reduced, where applicable, by every amount that, not later than in the subsequent taxation year referred to in the first paragraph, was refunded or otherwise paid to the taxpayer or allocated to a payment he was required to make, in respect of the particular amount;

(b) where the qualified expenditure to which the amount relates was made by a partnership in a fiscal period, that the taxpayer's share of the amount of the expenditure, determined in accordance with sections 1029.8.33.7 and 1029.8.33.7.1, exceeds the share that would have been so determined had the amount of the expenditure been determined on the assumption that each of the particular amounts taken into account for the purpose of determining that amount had been reduced, where applicable, by the amount determined in its respect in accordance with the third paragraph.

The amount referred to in subparagraph *b* of the second paragraph in respect of a particular amount is the quotient obtained by dividing the aggregate of all amounts each of which is an amount relating to the particular amount and which, not later than in the subsequent taxation year referred to in the first paragraph, was refunded or otherwise paid to the taxpayer or allocated to a payment he was required to make, by the proportion described in the third paragraph of section 1029.8.33.7 in respect of the qualified expenditure referred to in subparagraph *b*.

1995, c. 1, s. 191; 1995, c. 63, s. 235; 1997, c. 3, s. 71; 2000, c. 39, s. 264; 2004, c. 21, s. 470; 2007, c. 12, s. 262.

1129.40. Every taxpayer who is a member of a partnership and who is deemed to have paid to the Minister, under section 1029.8.33.7, an amount as partial payment of the taxpayer's tax payable under Part I for a particular taxation year in respect of the taxpayer's share of the amount of a qualified expenditure made by the partnership in a particular fiscal period of the partnership that ends in that particular year, shall, where during a subsequent fiscal period of the partnership, an amount relating to that expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, pay, for the taxation year in which that subsequent fiscal period ends, tax equal to the amount obtained by applying to the taxpayer's share of the amount so refunded, paid or allocated the percentage applied to the taxpayer's share of the qualified expenditure for the particular taxation year under section 1029.8.33.7.

For the purposes of the first paragraph, the taxpayer's share of an amount refunded, paid or allocated is equal to the agreed proportion of the amount in respect of the taxpayer for the partnership's particular fiscal period.

However, the first paragraph applies in respect of an amount refunded, paid or allocated only to the extent that the amount of the qualified expenditure to which the amount relates exceeds the amount that would be determined if each of the particular amounts taken into account for the purpose of determining that amount were reduced, where applicable, by every amount that, not later than in the subsequent fiscal period referred to in the first paragraph, was refunded or otherwise paid to the partnership or allocated to a payment it was required to make, in respect of the particular amount.

1995, c. 1, s. 191; 1995, c. 63, s. 235; 1997, c. 3, s. 71; 2000, c. 39, s. 264; 2004, c. 21, s. 471; 2007, c. 12, s. 263; 2009, c. 15, s. 406.

1129.40.1. For the purposes of Part I, except Division II.5.1 of Chapter III.1 of Title III of Book IX, the following rules are taken into account:

(a) the tax paid at any time by a taxpayer to the Minister under section 1129.39, in relation to a qualified expenditure incurred by the taxpayer, is deemed to be an amount of assistance repaid at that time by the taxpayer, in respect of the expenditure, pursuant to a legal obligation; and

(b) the tax paid at any time by a taxpayer to the Minister under section 1129.39 or 1129.40, in relation to a qualified expenditure incurred by the partnership referred to in that section, is deemed to be an amount of assistance repaid at that time by the partnership in respect of the expenditure, pursuant to a legal obligation.

2015, c. 21, s. 514; 2022, c. 23, s. 132.

1129.41. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

1995, c. 1, s. 191; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 1997, c. 31, s. 135.

PART III.9.0.1

SPECIAL TAX RELATING TO THE CREDIT FOR LABOUR TRAINING IN THE MANUFACTURING, FORESTRY AND MINING SECTORS

2009, c. 15, s. 407; 2010, c. 5, s. 196.

1129.41.0.1. In this Part, "eligible training expenditure" has the meaning assigned by the first paragraph of section 1029.8.33.11.1.

2009, c. 15, s. 407.

1129.41.0.2. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.33.11.3, on account of its tax payable under Part I for a particular taxation year, in relation to an eligible training expenditure, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to the eligible training expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.33.11.3 or 1029.8.33.11.7, in relation to the eligible training expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.33.11.3 or 1029.8.33.11.7, in relation to the eligible training expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible training expenditure, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible training expenditure.

2009, c. 15, s. 407.

1129.41.0.3. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.33.11.4, on account of the corporation's tax payable under Part I for a particular taxation year, in relation to an eligible training expenditure of the partnership for the partnership's particular fiscal period that ends in that particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which an amount relating to the eligible training expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.33.11.4, 1029.8.33.11.8 and 1029.8.33.11.9, in relation to the eligible training expenditure, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.33.11.4, 1029.8.33.11.8 and 1029.8.33.11.9, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible training expenditure, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the eligible training expenditure, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible training expenditure, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2009, c. 15, s. 407; 2022, c. 23, s. 133.

1129.41.0.4. For the purposes of Part I, except Division II.5.1.1 of Chapter III.1 of Title III of Book IX, the following rules are taken into account:

(a) the tax paid at any time by a corporation to the Minister under section 1129.41.0.2, in relation to an eligible training expenditure, is deemed to be an amount of assistance repaid at that time by the corporation, in respect of the expenditure, pursuant to a legal obligation; and

(b) the tax paid at any time by a corporation to the Minister under section 1129.41.0.3, in relation to an eligible training expenditure, is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the expenditure, pursuant to a legal obligation.

2009, c. 15, s. 407; 2022, c. 23, s. 134.

1129.41.0.5. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 if it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2009, c. 15, s. 407.

PART III.9.0.2

SPECIAL TAX RELATING TO THE CREDIT FOR FRANCIZATION IN THE WORKPLACE

2009, c. 15, s. 407.

1129.41.0.6. In this Part, "eligible training expenditure" has the meaning assigned by the first paragraph of section 1029.8.33.11.11.

2009, c. 15, s. 407.

1129.41.0.7. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.33.11.13, on account of its tax payable under Part I for a particular taxation year, in relation to an eligible training expenditure, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to the eligible training expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.33.11.13 or 1029.8.33.11.17, in relation to the eligible training expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.33.11.13 or 1029.8.33.11.17, in relation to the eligible training expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible training expenditure, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible training expenditure.

2009, c. 15, s. 407.

1129.41.0.8. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.33.11.14, on account of the corporation's tax payable under Part I for a particular taxation year, in relation to an eligible training expenditure of the partnership for the partnership's particular fiscal period that ends in that particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which an amount relating to the eligible training expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.33.11.14, 1029.8.33.11.18 and 1029.8.33.11.19, in relation to the eligible training expenditure, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.33.11.14, 1029.8.33.11.18 and 1029.8.33.11.19, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible training expenditure, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the eligible training expenditure, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible training expenditure, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2009, c. 15, s. 407; 2022, c. 23, s. 135.

1129.41.0.9. For the purposes of Part I, except Division II.5.1.2 of Chapter III.1 of Title III of Book IX, the following rules are taken into account:

(a) the tax paid at any time by a corporation to the Minister under section 1129.41.0.7, in relation to an eligible training expenditure, is deemed to be an amount of assistance repaid at that time by the corporation, in respect of the expenditure, pursuant to a legal obligation; and

(b) the tax paid at any time by a corporation to the Minister under section 1129.41.0.8, in relation to an eligible training expenditure, is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the expenditure, pursuant to a legal obligation.

2009, c. 15, s. 407; 2022, c. 23, s. 136.

1129.41.0.10. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 if it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2009, c. 15, s. 407.

PART III.9.0.3

SPECIAL TAX RELATING TO THE CREDIT FOR THE TRAINING OF WORKERS EMPLOYED BY SMALL AND MEDIUM-SIZED BUSINESSES

2019, c. 14, s. 451.

1129.41.0.11. In this Part, "eligible training fees" has the meaning assigned by the first paragraph of section 1029.8.33.11.21.

2019, c. 14, s. 451.

1129.41.0.12. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.33.11.22, on account of its tax payable under Part I for a particular taxation year, in relation to eligible training fees, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to salary or wages considered in the eligible training fees is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.33.11.22 or 1029.8.33.11.26, in relation to the eligible training fees, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.33.11.22 or 1029.8.33.11.26, in relation to the eligible training fees, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the salary or wages considered in the eligible training fees, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible training fees.

2019, c. 14, s. 451.

1129.41.0.13. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.33.11.23, on account of the corporation's tax payable under Part I for a particular taxation year, in relation to eligible training fees of the partnership for the partnership's particular fiscal period that ends in that particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which an amount relating to salary or wages considered in the eligible training fees is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.33.11.23, 1029.8.33.11.27 and 1029.8.33.11.28, in relation to the eligible training fees, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.33.11.23, 1029.8.33.11.27 and 1029.8.33.11.28, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible training fees, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the salary or wages considered in the eligible training fees, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible training fees, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2019, c. 14, s. 451.

1129.41.0.14. For the purposes of Part I, except Division II.5.1.3 of Chapter III.1 of Title III of Book IX, the following rules are taken into consideration:

(a) tax paid to the Minister by a corporation at any time, under section 1129.41.0.12, in relation to eligible training fees, is deemed to be an amount of assistance repaid by the corporation at that time in respect of those fees, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.41.0.13, in relation to eligible training fees of a partnership referred to in that section, is deemed to be an amount of assistance repaid by the partnership at that time in respect of those fees, pursuant to a legal obligation.

2019, c. 14, s. 451.

1129.41.0.15. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2019, c. 14, s. 451.

PART III.9.1

SPECIAL TAX RELATING TO THE CREDIT IN RESPECT OF TIP REPORTING

1997, c. 85, s. 308.

1129.41.1. In this Part, "qualified expenditure" has the meaning assigned by section 1029.8.33.12.

1997, c. 85, s. 308; 2007, c. 12, s. 264.

1129.41.2. Every taxpayer who, in relation to a qualified expenditure, is deemed to have paid an amount to the Minister, under section 1029.8.33.13 or 1029.8.33.14, on account of the taxpayer's tax payable under Part I for a particular taxation year shall, where, during a subsequent taxation year, an amount relating to a qualified expenditure or to the taxpayer's share of an aggregate of qualified expenditures, in respect of which the taxpayer is so deemed to have paid an amount is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, pay, for that subsequent year, a tax equal to

(a) where a percentage was applied for the particular year to reduce the qualified expenditure under section 1029.8.33.13 or 1029.8.33.14, the product obtained by multiplying the amount so refunded, paid or allocated by that percentage; and

(b) in any other case, the amount so refunded, paid or allocated.

1997, c. 85, s. 308; 2000, c. 39, s. 240; 2004, c. 21, s. 472.

1129.41.3. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.33.14, on account of the taxpayer's tax payable under Part I for a particular taxation year in respect of the taxpayer's share of an aggregate of qualified expenditures determined in respect of the partnership for a fiscal period of the partnership shall, where, during a subsequent fiscal period of the partnership, an amount relating to such expenditures is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, pay, for the taxation year in which that subsequent fiscal period ends, a tax equal to the taxpayer's share, for that subsequent fiscal period, of

(a) where a percentage was applied, for the fiscal period that ends in the particular taxation year, to reduce the qualified expenditure under section 1029.8.33.14, the product obtained by multiplying the amount so refunded, paid or allocated by that percentage; and

(b) in any other case, the amount so refunded, paid or allocated.

1997, c. 85, s. 308; 2000, c. 39, s. 240; 2004, c. 21, s. 472.

1129.41.3.1. Every taxpayer who, in relation to a qualified expenditure referred to in subparagraph *d* of the third paragraph of section 1029.8.33.13, is deemed to have paid an amount to the Minister, under that section, on account of the taxpayer's tax payable under Part I for a particular taxation year shall, where, on or before the day that is 12 months after the taxpayer's filing-due date for that particular year, part or all of the aggregate of the indemnities pertaining to the annual leave which constitutes the qualified expenditure has not been paid to the employees, pay, for the taxation year in which the 12-month period following the taxpayer's filing-due date for the particular taxation year ends, a tax equal to

(a) where a percentage was applied for the particular year to reduce the qualified expenditure under section 1029.8.33.13, the product obtained by multiplying the aggregate of part or all of the indemnities that have not been paid and the amount payable under the provisions mentioned in subparagraphs i and iii to v of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12 in relation to the indemnities, by that percentage; and

(b) in any other case, the aggregate described in paragraph *a*.

2000, c. 39, s. 241; 2004, c. 21, s. 472; 2005, c. 38, s. 310.

1129.41.3.2. Every taxpayer who is a member of a partnership and who, in relation to the taxpayer's share of a qualified expenditure referred to in subparagraph *d* of the fourth paragraph of section 1029.8.33.14, is deemed to have paid an amount to the Minister, under that section, on account of the taxpayer's tax payable under Part I for a particular taxation year in which a particular fiscal period of the partnership ended shall, where, on or before the day that is 18 months after the end of the particular fiscal period, part or all of the aggregate of the indemnities pertaining to the annual leave which constitutes the qualified expenditure has not been paid to the employees, pay, for the taxation year in which the 18-month period following the end of the particular fiscal period ends, a tax equal to the taxpayer's share of

(a) where a percentage was applied for the particular fiscal period to reduce the qualified expenditure under section 1029.8.33.14, the product obtained by multiplying the aggregate of part or all of the indemnities that have not been paid and the amount payable under the provisions mentioned in subparagraphs i and iii to v of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12 in relation to the indemnities, by that percentage; and

(b) in any other case, the aggregate described in paragraph *a*.

2000, c. 39, s. 241; 2004, c. 21, s. 472; 2005, c. 38, s. 311.

1129.41.4. For the purposes of Part I, except Division II.5.2 of Chapter III.1 of Title III of Book IX, the following rules apply:

(a) the tax paid to the Minister by a taxpayer at any time, under section 1129.41.2 or 1129.41.3.1, in relation to a qualified expenditure is deemed to be an amount of assistance repaid by the taxpayer at that time in respect of that expenditure, pursuant to a legal obligation; and

(b) the tax paid to the Minister by a taxpayer at any time, under section 1129.41.3 or 1129.41.3.2, in relation to a qualified expenditure is deemed to be an amount of assistance repaid by the partnership referred to in that section at that time in respect of that expenditure, pursuant to a legal obligation.

1997, c. 85, s. 308; 2000, c. 39, s. 242.

1129.41.5. Except where inconsistent with this Part, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1997, c. 85, s. 308.

PART III.10

SPECIAL TAX RELATING TO THE DESIGN TAX CREDIT

1995, c. 1, s. 191.

1129.42. In this Part, "contract payment", "qualified designer", "qualified outside consultant", "qualified patternmaker" and "wages" have the meaning assigned by section 1029.8.36.4.

1995, c. 1, s. 191; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 2002, c. 40, s. 282; 2006, c. 13, s. 211; 2007, c. 12, s. 265; 2009, c. 5, s. 523.

1129.43. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.5, on account of its tax payable under Part I for a particular taxation year, in respect of an expenditure incurred by the corporation in the particular year in relation to a design activity carried out under a contract entered into with a qualified outside consultant, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which

(a) an amount relating to the expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) a contract payment, government assistance or non-government assistance is received by a person or partnership and the contract payment or assistance would have reduced, in accordance with subparagraph *a* of the first paragraph of section 1029.8.36.18, the wages paid to a qualified designer or qualified patternmaker by the person or partnership and to which the expenditure is attributable, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation's filing-due date for the particular taxation year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.5 or 1029.8.36.20, in relation to the expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.5 or 1029.8.36.20, in relation to the expenditure, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to the expenditure, were refunded, paid or allocated in the particular taxation year, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by the person or partnership at or before the end of the repayment year, were received in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the expenditure.

1995, c. 1, s. 191; 1995, c. 63, s. 236; 1997, c. 3, s. 71; 2000, c. 39, s. 264; 2006, c. 13, s. 212; 2009, c. 5, s. 524.

1129.44. Every corporation that is a member of a particular partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.36.6, on account of its tax payable under Part I for a particular taxation year, in respect of an expenditure that, in relation to a design activity carried out under a contract entered into with a qualified outside consultant, the particular partnership incurred in the particular partnership's particular fiscal period that ends in the particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the particular partnership (in this section referred to as the "fiscal period of repayment") in which

(a) an amount relating to the expenditure is, directly or indirectly, refunded or otherwise paid to the particular partnership or to the corporation or allocated to a payment to be made by the particular partnership or the corporation; or

(b) a contract payment, government assistance or non-government assistance is received by a person or another partnership and the contract payment or assistance would have reduced, in accordance with subparagraph i of subparagraph *c* of the first paragraph of section 1029.8.36.18, the corporation's share of wages that are paid to a qualified designer or qualified patternmaker by the person or the other partnership and to whom the expenditure is attributable, if the person or the other partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the day that is six months after the end of the particular fiscal period.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the particular partnership preceding the fiscal period of repayment ends, under any of sections 1029.8.36.6, 1029.8.36.21 and 1029.8.36.22, in relation to the expenditure, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.6, 1029.8.36.21 and 1029.8.36.22, for a taxation year in which a fiscal period of the particular partnership preceding the fiscal period of repayment ends, in relation to the expenditure, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment and if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to the expenditure, were refunded, paid or allocated in the particular fiscal period, and

ii. every contract payment, government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by the person or the other partnership at or before the end of the fiscal period of repayment, were received in the particular fiscal period; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the expenditure, if the agreed proportion in respect of the corporation for the particular partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the particular partnership or allocated to a payment to be made by the particular partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

1995, c. 1, s. 191; 1995, c. 63, s. 236; 1997, c. 3, s. 71; 2000, c. 39, s. 264; 2006, c. 13, s. 212; 2006, c. 36, s. 239; 2009, c. 5, s. 525; 2009, c. 15, s. 408.

1129.44.1. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.7, on account of its tax payable under Part I for a particular taxation year in relation to wages incurred in that particular year shall pay the tax computed under the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to the wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.7 or 1029.8.36.23, in relation to the wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.7 or 1029.8.36.23, in relation to the wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the wages.

2006, c. 13, s. 213.

1129.44.2. Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.36.7.1, on account of its tax payable under Part I for a particular taxation year, in relation to wages incurred by the partnership in a particular fiscal period of the partnership that ends in the particular year, shall pay the tax computed under the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to the wages is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year, under any of sections 1029.8.36.7.1, 1029.8.36.23.1 and 1029.8.36.23.2, in relation to the wages, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.7.1, 1029.8.36.23.1 and 1029.8.36.23.2, for a taxation year, in relation to the wages, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the wages, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the wages, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2006, c. 13, s. 213; 2006, c. 36, s. 240; 2009, c. 15, s. 409.

1129.44.2.1. For the purposes of Part I, except Division II.6.2 of Chapter III.1 of Title III of Book IX, the following rules are taken into account:

(a) the tax paid at any time by a corporation to the Minister under section 1129.43 or 1129.44.1, in relation to an expenditure or wages, as the case may be, incurred by the corporation, is deemed to be an amount of assistance repaid at that time by the corporation, in respect of the expenditure or wages, pursuant to a legal obligation; and

(b) the tax paid at any time by a corporation to the Minister under section 1129.44 or 1129.44.2, in relation to an expenditure or wages, as the case may be, incurred by the partnership referred to in that section, is deemed to be an amount of assistance repaid at that time by the partnership, in respect of the expenditure or wages, pursuant to a legal obligation.

2015, c. 21, s. 515; 2022, c. 23, s. 137.

1129.44.3. *(Repealed)*.

2006, c. 13, s. 213; 2007, c. 12, s. 266.

1129.45. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564, where it refers to that first paragraph, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

1995, c. 1, s. 191; 1995, c. 49, s. 236; 1995, c. 63, s. 261.

PART III.10.0.1

SPECIAL TAX RELATING TO THE CREDIT FOR THE ACQUISITION OF PIG MANURE TREATMENT FACILITIES

2007, c. 12, s. 267.

1129.45.0.1. In this Part,

"eligible expenses" has the meaning assigned by the first paragraph of section 1029.8.36.53.10;

"eligible facility" has the meaning assigned by the first paragraph of section 1029.8.36.53.10.

2007, c. 12, s. 267.

1129.45.0.2. Every taxpayer that is deemed to have paid an amount to the Minister, under section 1029.8.36.53.11, on account of the taxpayer's tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the taxpayer for the particular year, in respect of an eligible facility, shall pay the tax computed under the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.53.11 or 1029.8.36.53.17, in relation to the eligible expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.53.11 or 1029.8.36.53.17, in relation to the eligible expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible expenses.

2007, c. 12, s. 267.

1129.45.0.3. Every taxpayer that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.36.53.12, on account of the taxpayer's tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the partnership for the partnership's particular fiscal period that ends in that particular year, in respect of an eligible facility, shall pay the tax computed under the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.53.12, 1029.8.36.53.18 and 1029.8.36.53.19, in relation to the eligible expenses, if the agreed proportion in respect of the taxpayer for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under any of sections 1029.8.36.53.12, 1029.8.36.53.18 and 1029.8.36.53.19, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible expenses, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the taxpayer for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible expenses, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

2007, c. 12, s. 267; 2009, c. 15, s. 410; 2022, c. 23, s. 138.

1129.45.0.4. For the purposes of Part I, the following rules are taken into account:

(a) the tax paid at any time by a taxpayer to the Minister under section 1129.45.0.2, in relation to eligible expenses, is deemed to be an amount of assistance repaid at that time by the taxpayer, in respect of the expenses, pursuant to a legal obligation; and

(b) the tax paid at any time by a taxpayer to the Minister under section 1129.45.0.3, in relation to eligible expenses, is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the expenses, pursuant to a legal obligation.

2007, c. 12, s. 267; 2022, c. 23, s. 139.

1129.45.0.5. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2007, c. 12, s. 267.

PART III.10.0.2

SPECIAL TAX RELATING TO THE CREDIT IN RESPECT OF INTEREST PAYABLE ON FINANCING OBTAINED UNDER THE SELLER-LENDER FORMULA OF LA FINANCIÈRE AGRICOLE DU QUÉBEC

2015, c. 24, s. 157.

1129.45.0.6. In this Part, "eligible expenses" has the meaning assigned by the first paragraph of section 1029.8.36.53.20.1.

2015, c. 24, s. 157.

1129.45.0.7. Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.36.53.20.2, on account of the taxpayer's tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the taxpayer for the particular year, in respect of qualified financing, is required to pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.53.20.2 or 1029.8.36.53.20.6, in relation to the eligible expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.53.20.2 or

1029.8.36.53.20.6, in relation to the eligible expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible expenses.

2015, c. 24, s. 157.

1129.45.0.8. Every taxpayer who is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.36.53.20.3, on account of the taxpayer's tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the partnership for the partnership's particular fiscal period that ends in that particular year, in respect of qualified financing, is required to pay the tax computed under the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends (in this section referred to as the "fiscal period of repayment") in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.53.20.3, 1029.8.36.53.20.7 and 1029.8.36.53.20.8, in relation to the eligible expenses, if the agreed proportion in respect of the taxpayer for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under any of sections 1029.8.36.53.20.3, 1029.8.36.53.20.7 and 1029.8.36.53.20.8, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible expenses, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the taxpayer for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible expenses, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

2015, c. 24, s. 157; 2022, c. 23, s. 140.

1129.45.0.9. For the purposes of Part I, except Division II.6.4.2.1 of Chapter III.1 of Title III of Book IX, the following rules are taken into account:

(a) the tax paid at any time by a taxpayer to the Minister under section 1129.45.0.7, in relation to eligible expenses, is deemed to be an amount of assistance repaid at that time by the taxpayer, in respect of the expenses, pursuant to a legal obligation; and

(b) the tax paid at any time by a taxpayer to the Minister under section 1129.45.0.8, in relation to eligible expenses, is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the expenses, pursuant to a legal obligation.

2015, c. 24, s. 157; 2022, c. 23, s. 141.

1129.45.0.10. Unless otherwise provided for in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2015, c. 24, s. 157.

PART III.10.1

SPECIAL TAX RELATING TO THE CONSTRUCTION OR CONVERSION OF VESSELS

1997, c. 14, s. 267; 1999, c. 83, s. 251.

1129.45.1. In this Part, "construction expenditure", "conversion expenditure", "cost of construction", "cost of conversion", "eligible vessel", "qualified construction expenditure" and "qualified conversion expenditure" have the meaning assigned by Division II.6.5 of Chapter III.1 of Title III of Book IX of Part I.

1997, c. 14, s. 267; 1999, c. 83, s. 252; 2002, c. 40, s. 283; 2007, c. 12, s. 304; 2009, c. 5, s. 526.

1129.45.2. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.55, on account of its tax payable under Part I, in relation to an eligible vessel, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the "repayment year") in which

(a) an amount relating to an expenditure included in computing a qualified construction expenditure of the corporation in respect of the vessel, or the cost of construction of the vessel to the corporation is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) government assistance or non-government assistance is received by a person or partnership and the assistance would have reduced, in accordance with subparagraph *a*.1 of the third paragraph of section 1029.8.36.54 or subparagraph i of subparagraph *a* of the second paragraph of section 1029.8.36.55, the amount of a portion of a consideration paid in respect of a construction expenditure of the corporation in respect of the vessel or the cost of construction of the vessel to the corporation, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation's filing-due date for the taxation year in which the corporation paid the portion of the consideration or incurred the portion of the cost of construction to which the assistance relates.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.55, in relation to the eligible vessel, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under that section, in relation to the vessel, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to an expenditure included in computing a qualified construction expenditure of the corporation in

respect of the vessel or in computing the cost of construction of the vessel to the corporation, were refunded, paid or allocated in the taxation year in which the corporation incurred the expenditure to which the amount refunded, paid or allocated relates, and

ii. every government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the taxation year in which the corporation paid the portion of the consideration or incurred the portion of the cost of construction to which the assistance relates; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the vessel.

1997, c. 14, s. 267; 1999, c. 83, s. 253; 2002, c. 40, s. 284; 2009, c. 5, s. 527.

1129.45.2.1. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.55.1, on account of its tax payable under Part I, in relation to an eligible vessel, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the "repayment year") in which

(a) an amount relating to an expenditure included in computing a qualified conversion expenditure of the corporation in respect of the vessel, or the cost of conversion of the vessel to the corporation is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) government assistance or non-government assistance is received by a person or partnership and the assistance would have reduced, in accordance with subparagraph *a*.1 of the third paragraph of section 1029.8.36.54 or subparagraph i of subparagraph *a* of the second paragraph of section 1029.8.36.55.1, the amount of a portion of a consideration paid in respect of a conversion expenditure of the corporation in respect of the vessel or the cost of conversion of the vessel to the corporation, if the person or partnership had received it, had been entitled to receive it or could reasonably have expected to receive it on or before the corporation's filing-due date for the taxation year in which the corporation paid the portion of the consideration or incurred the portion of the cost of conversion to which the assistance relates.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.55.1, in relation to the eligible vessel, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under that section, in relation to the vessel, if

i. every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to an expenditure included in computing a qualified conversion expenditure of the corporation in respect of the vessel or in computing the cost of conversion of the vessel to the corporation, were refunded, paid or allocated in the taxation year in which the corporation incurred the expenditure to which the amount refunded, paid or allocated relates, and

ii. every government assistance or non-government assistance referred to in subparagraph *b* of the first paragraph that is received by a person or partnership at or before the end of the repayment year, were received in the taxation year in which the corporation paid the portion of the consideration or incurred the portion of the conversion cost to which the assistance relates; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the vessel.

2002, c. 40, s. 285; 2009, c. 5, s. 528.

1129.45.2.2. For the purposes of Part I, except Division II.6.5 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time under section 1129.45.2 or 1129.45.2.1, in relation to an expenditure, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenditure, pursuant to a legal obligation.

2015, c. 21, s. 516.

1129.45.3. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1997, c. 14, s. 267.

PART III.10.1.1

SPECIAL TAX RELATING TO THE CREDIT FOR RAILWAY UNDERTAKINGS

2000, c. 39, s. 243.

1129.45.3.1. In this Part, "property taxes" has the meaning assigned by section 1029.8.36.59.1.

2000, c. 39, s. 243; 2001, c. 51, s. 228; 2007, c. 12, s. 268.

1129.45.3.2. Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.36.59.2, on account of its tax payable for a particular taxation year under Part I, in relation to the taxpayer's property taxes for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to the property taxes is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.36.59.2 or 1029.8.36.59.5, in relation to the property taxes, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under section 1029.8.36.59.2 or 1029.8.36.59.5, in relation to the property taxes, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the property taxes, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the property taxes.

2000, c. 39, s. 243; 2002, c. 40, s. 286.

1129.45.3.3. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.36.59.3, on account of the taxpayer's tax payable for a particular taxation year under Part I, in relation to property taxes of the partnership for a particular fiscal period of the partnership that ends in the particular year, shall pay the tax referred to in the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to the property taxes is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.59.3, 1029.8.36.59.6 and 1029.8.36.59.7, in relation to the property taxes, if

the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under any of sections 1029.8.36.59.3, 1029.8.36.59.6 and 1029.8.36.59.7, for a taxation year, in relation to the property taxes, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the property taxes, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the property taxes, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer, or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

2000, c. 39, s. 243; 2002, c. 40, s. 286; 2006, c. 36, s. 241; 2009, c. 15, s. 411.

1129.45.3.4. For the purposes of Part I, except Division II.6.5.1 of Chapter III.1 of Title III of Book IX, the following rules apply:

(a) the tax that a taxpayer pays to the Minister at any time under section 1129.45.3.2 in relation to property taxes is deemed to be an amount of assistance repaid by the taxpayer at that time in respect of the property taxes pursuant to a legal obligation; and

(b) the tax that a taxpayer pays to the Minister at any time under section 1129.45.3.3 in relation to property taxes is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the property taxes pursuant to a legal obligation.

2000, c. 39, s. 243.

1129.45.3.5. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2000, c. 39, s. 243; 2002, c. 40, s. 287.

PART III.10.1.1.1

SPECIAL TAX RELATING TO THE CREDIT FOR THE CONSTRUCTION AND MAJOR REPAIR OF PUBLIC ACCESS ROADS AND BRIDGES IN FOREST AREAS

2005, c. 1, s. 282; 2006, c. 36, s. 242.

1129.45.3.5.1. In this Part,

"eligible access road or bridge" has the meaning assigned by section 1029.8.36.59.12;

"eligible expenses" has the meaning assigned by section 1029.8.36.59.12.

2005, c. 1, s. 282; 2007, c. 12, s. 304.

1129.45.3.5.2. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.59.13, on account of its tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the corporation for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.59.13 or 1029.8.36.59.16, in relation to the eligible expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.59.13 or 1029.8.36.59.16, in relation to the eligible expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible expenses.

2005, c. 1, s. 282; 2007, c. 12, s. 269.

1129.45.3.5.3. Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.36.59.14, on account of its tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the partnership for the partnership's particular fiscal period that ends in the particular year, shall pay the tax referred to in the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.59.14, 1029.8.36.59.17 and 1029.8.36.59.18, in relation to the eligible expenses, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.59.14, 1029.8.36.59.17 and 1029.8.36.59.18, in relation to the eligible expenses, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible expenses, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2005, c. 1, s. 282; 2006, c. 36, s. 243; 2009, c. 15, s. 412; 2022, c. 23, s. 142.

1129.45.3.5.4. For the purposes of sections 1129.45.3.5.2 and 1129.45.3.5.3, the amount determined in the second paragraph, in relation to eligible expenses of a corporation for a particular taxation year or of a partnership for a particular fiscal period, in respect of an eligible access road or bridge of the corporation or partnership, is deemed to be refunded to the corporation in a subsequent taxation year, in this section referred to as the "repayment year", or to the partnership in a subsequent fiscal period, in this section referred to as the "fiscal period of repayment", where the Minister of Natural Resources and Wildlife revokes, in the repayment year or in the fiscal period of repayment, the certificate that was issued in respect of the eligible access road or bridge.

The amount to which the first paragraph refers is equal to the amount by which the aggregate of the eligible expenses of the corporation for the particular year, or of the partnership for the particular fiscal period, exceeds the aggregate of all amounts each of which is an amount relating to those expenses that, in a taxation year preceding the repayment year but subsequent to the particular year, or in a fiscal period preceding the fiscal period of repayment but subsequent to the particular fiscal period, was refunded, otherwise paid or allocated to a payment to be made by the corporation or partnership.

No tax is payable for a taxation year under section 1129.45.3.5.2 or 1129.45.3.5.3, in respect of any amount that is refunded or otherwise paid to the corporation, the partnership or another corporation that is a member of the partnership, or is allocated to a payment to be made by the corporation, the partnership or the other corporation, if that amount is included in an amount that is deemed to have been refunded, under this section, in that taxation year or a preceding taxation year or in a fiscal period that ends in that taxation year or in a preceding taxation year.

2005, c. 1, s. 282; 2006, c. 3, s. 35.

1129.45.3.5.5. For the purposes of Part I, except for Division II.6.5.3 of Chapter III.1 of Title III of Book IX, the following rules apply:

(a) tax paid to the Minister by a corporation at any time, under section 1129.45.3.5.2, in relation to eligible expenses is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenses, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.45.3.5.3, in relation to eligible expenses is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the expenses, pursuant to a legal obligation.

2005, c. 1, s. 282.

1129.45.3.5.6. Except where inconsistent with this Part, section 6, the first paragraph of 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2005, c. 1, s. 282.

PART III.10.1.1.2

SPECIAL TAX RELATING TO THE CREDIT TO PROMOTE THE HIRING OF NEW GRADUATES IN THE RESOURCE REGIONS

2005, c. 1, s. 282.

1129.45.3.5.7. In this Part,

"eligible employee" has the meaning assigned by section 1029.8.36.59.21;

"qualified wages" has the meaning assigned by the first paragraph of section 1029.8.36.59.21;

"wages" has the meaning assigned by the first paragraph of section 1029.8.36.59.21.

2005, c. 1, s. 282; 2007, c. 12, s. 304.

1129.45.3.5.8. Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.36.59.24, on account of the taxpayer's tax payable under Part I for a particular taxation year, in relation to qualified wages incurred in the particular year in respect of an eligible employee, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister for the particular year under section 1029.8.36.59.24 or 1029.8.36.59.27, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under section 1029.8.36.59.24 or 1029.8.36.59.27, in relation to wages included in computing the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

2005, c. 1, s. 282.

1129.45.3.5.9. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.36.59.25, on account of the taxpayer's tax payable under Part I

for a particular taxation year, in relation to qualified wages incurred by the partnership, in respect of an eligible employee, in a particular fiscal period of the partnership that ends in the particular year, shall pay the tax referred to in the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year under any of sections 1029.8.36.59.25, 1029.8.36.59.28 and 1029.8.36.59.29, in relation to the qualified wages, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under any of sections 1029.8.36.59.25, 1029.8.36.59.28 and 1029.8.36.59.29, for a taxation year, in relation to the qualified wages, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified wages, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer, or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

2005, c. 1, s. 282; 2006, c. 36, s. 244; 2009, c. 15, s. 413; 2022, c. 23, s. 143.

1129.45.3.5.10. For the purposes of Part I, except for Division II.6.5.4 of Chapter III.1 of Title III of Book IX, the following rules apply:

(a) tax paid to the Minister by a taxpayer at any time, under section 1129.45.3.5.8, in relation to qualified wages is deemed to be an amount of assistance repaid at that time by the taxpayer in respect of the wages pursuant to a legal obligation; and

(b) tax paid to the Minister by a taxpayer at any time, under section 1129.45.3.5.9, in relation to qualified wages is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the wages pursuant to a legal obligation.

2005, c. 1, s. 282.

1129.45.3.5.11. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1,

subparagraph b of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2005, c. 1, s. 282.

PART III.10.1.1.3

SPECIAL TAX RELATING TO THE CREDIT FOR DAMAGE INSURANCE FIRMS

2015, c. 21, s. 517.

1129.45.3.5.12. In this Part, "qualified expenditure" has the meaning assigned by section 1029.8.36.59.42.

2015, c. 21, s. 517.

1129.45.3.5.13. Every corporation that is deemed to have paid an amount to the Minister under section 1029.8.36.59.44, on account of its tax payable under Part I, in relation to a qualified expenditure, shall pay the tax computed under the second paragraph for a taxation year (in this section referred to as the "repayment year") in which an amount relating to an expenditure included in computing the qualified expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.44 or 1029.8.36.59.47, in relation to the qualified expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under either of those sections, in relation to the qualified expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to an expenditure included in computing the qualified expenditure, were refunded, paid or allocated in the corporation's last taxation year ended before 1 January 2013; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified expenditure.

2015, c. 21, s. 517.

1129.45.3.5.14. For the purposes of Part I, except for Division II.6.5.7 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time under this Part, in relation to a qualified expenditure of the corporation, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenditure, pursuant to a legal obligation.

2015, c. 21, s. 517.

1129.45.3.5.15. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2015, c. 21, s. 517.

PART III.10.1.1.4

SPECIAL TAX RELATING TO THE CREDIT TO FOSTER THE RETENTION OF EXPERIENCED WORKERS

2020, c. 16, s. 184.

1129.45.3.5.16. In this Part, "qualified expenditure" and "specified expenditure" have the meaning assigned by section 1029.8.36.59.49.

2020, c. 16, s. 184.

1129.45.3.5.17. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.59.50, on account of its tax payable under Part I for a particular taxation year, in relation to its qualified expenditure or its specified expenditure, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to the qualified expenditure or the specified expenditure, as the case may be, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.59.50 or 1029.8.36.59.54, in relation to the qualified expenditure or the specified expenditure, as the case may be, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.59.50 or 1029.8.36.59.54, in relation to the qualified expenditure or the specified expenditure, as the case may be, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the qualified expenditure or the specified expenditure, as the case may be, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified expenditure or the specified expenditure, as the case may be.

2020, c. 16, s. 184.

1129.45.3.5.18. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.36.59.50, on account of the corporation's tax payable under Part I for a particular taxation year, in relation to a qualified expenditure or specified expenditure of the partnership for the partnership's particular fiscal period that ends in that particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which an amount relating to the qualified expenditure or the specified expenditure, as the case may be, is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.59.50, 1029.8.36.59.55 and 1029.8.36.59.56, in relation to the qualified expenditure or the specified expenditure, as the case may be, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.59.50, 1029.8.36.59.55 and 1029.8.36.59.56, for a

taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the qualified expenditure or the specified expenditure, as the case may be, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the qualified expenditure or the specified expenditure, as the case may be, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified expenditure or the specified expenditure, as the case may be, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2020, c. 16, s. 184.

1129.45.3.5.19. For the purposes of Part I, except Division II.6.5.8 of Chapter III.1 of Title III of Book IX, the following rules are taken into consideration:

(a) tax paid to the Minister by a corporation at any time, under section 1129.45.3.5.17, in relation to its qualified expenditure or its specified expenditure, is deemed to be an amount of assistance repaid by the corporation at that time in respect of that expenditure, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.45.3.5.18, in relation to the qualified expenditure or the specified expenditure of a partnership referred to in that section, is deemed to be an amount of assistance repaid by the partnership at that time in respect of that expenditure, pursuant to a legal obligation.

2020, c. 16, s. 184.

1129.45.3.5.20. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2020, c. 16, s. 184.

PART III.10.1.1.5

SPECIAL TAX RELATING TO THE CREDIT FOR THE CONTINUED EMPLOYMENT OF PERSONS WITH A SEVERELY LIMITED CAPACITY FOR EMPLOYMENT

2021, c. 14, s. 190; 2023, c. 2, s. 68.

1129.45.3.5.21. In this Part, "qualified expenditure" has the meaning assigned by section 1029.8.36.59.58.

2021, c. 14, s. 190.

1129.45.3.5.22. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.59.59, on account of its tax payable under Part I for a particular taxation year, in relation to its qualified expenditure, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to the qualified expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.59.59 or 1029.8.36.59.62, in relation to the qualified expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.59.59 or 1029.8.36.59.62, in relation to the qualified expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the qualified expenditure, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified expenditure.

2021, c. 14, s. 190.

1129.45.3.5.23. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.36.59.59 on account of the corporation's tax payable under Part I for a particular taxation year, in relation to a qualified expenditure of the partnership for the partnership's particular fiscal period that ends in that particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which an amount relating to the qualified expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.59.59, 1029.8.36.59.63 and 1029.8.36.59.64, in relation to the qualified expenditure, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.59.59, 1029.8.36.59.63 and 1029.8.36.59.64, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the qualified expenditure, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the qualified expenditure were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified expenditure, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2021, c. 14, s. 190.

1129.45.3.5.24. For the purposes of Part I, except Division II.6.5.9 of Chapter III.1 of Title III of Book IX, the following rules are taken into consideration:

(a) tax paid to the Minister by a corporation at any time, under section 1129.45.3.5.22, in relation to its qualified expenditure, is deemed to be an amount of assistance repaid by the corporation at that time in respect of that expenditure, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.45.3.5.23, in relation to the qualified expenditure of a partnership referred to in that section, is deemed to be an amount of assistance repaid by the partnership at that time in respect of that expenditure, pursuant to a legal obligation.

2021, c. 14, s. 190.

1129.45.3.5.25. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2021, c. 14, s. 190.

PART III.10.1.2

SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION IN THE OPTICS INDUSTRY IN THE QUÉBEC AREA

2001, c. 51, s. 218.

1129.45.3.6. In this Part,

"base period" has the meaning assigned by the first paragraph of section 1029.8.36.72.1;

"recognized business" has the meaning assigned by the first paragraph of section 1029.8.36.72.1;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.72.1.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2001, c. 51, s. 218; 2007, c. 12, s. 304.

1129.45.3.7. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.2 or 1029.8.36.72.3, on account of the corporation's tax payable under Part I, for any taxation year, shall pay, for a particular taxation year, a tax equal to 40% of the aggregate of

(a) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in its base period for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.2, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. the aggregate of all amounts each of which is an amount paid by the corporation in a taxation year preceding the particular taxation year and is a repayment to which this subparagraph has applied;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in its base period for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.3, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business in the Québec area for its taxation year in which the preceding calendar year ended, the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount paid in a taxation year preceding the particular taxation year and is a repayment to which this subparagraph has applied;

(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation for its base period, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.4 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year, in this paragraph referred to as the "particular group", and with which the corporation was associated at that time, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation for the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.4 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.4 had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount paid, in a calendar year preceding the particular calendar year, by a member corporation of the particular group and is a repayment of assistance, relating to such a salary or wages, to which this subparagraph has applied;

(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.2 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than a salary or wages paid in the base period of the corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.2 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied;

(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.3 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business in the Québec area for its taxation year in which the preceding calendar year ended, other than a salary or wages paid in the base period of the other corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied; and

(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.4 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than salary or wages paid in the base period of the other corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation for the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.4 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.4 had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied.

2001, c. 51, s. 218; 2002, c. 40, s. 288; 2004, c. 21, s. 473.

1129.45.3.8. For the purposes of Part I, except for Division II.6.6.1 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages, pursuant to a legal obligation.

2001, c. 51, s. 218.

1129.45.3.9. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.72.8 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2001, c. 51, s. 218.

PART III.10.1.3

SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION IN THE ALUMINUM INDUSTRY IN THE SAGUENAY–LAC-SAINT-JEAN AREA

2001, c. 51, s. 218.

1129.45.3.10. In this Part,

"base period" has the meaning assigned by section 1029.8.36.72.15;

"recognized business" has the meaning assigned by section 1029.8.36.72.15;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.72.15.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2001, c. 51, s. 218; 2002, c. 40, s. 289; 2007, c. 12, s. 304.

1129.45.3.10.1. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.16 or 1029.8.36.72.17, on account of its tax payable under Part I for any taxation year, shall pay for a particular taxation year a tax equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have so paid to the Minister, under section 1029.8.36.72.16 or 1029.8.36.72.17, in relation to the salaries or wages for the taxation year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the salaries or wages for a taxation year preceding the particular year, if in the particular year, Investissement Québec revokes a qualification

certificate issued to the corporation for the purposes of Division II.6.6.2 of Chapter III.1 of Title III of Book IX of Part I.

2002, c. 40, s. 290.

1129.45.3.11. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.16 or 1029.8.36.72.17, on account of the corporation's tax payable under Part I for any taxation year, shall pay, for a particular taxation year, a tax equal to 40% of the aggregate of the following amounts, except where section 1129.45.3.10.1 applies in relation to the salaries or wages for the taxation year or a preceding taxation year:

(a) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.16, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.17, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.18 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that

were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, the aggregate of all amounts each of which is the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the corporation for a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of subparagraph *a* of the first paragraph of section 1029.8.36.72.18 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.18 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.16 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than a salary or wages paid in respect of the base period of the corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.16 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this paragraph has applied;

(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.17 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business in the Saguenay–Lac-Saint-Jean area, other than a salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this paragraph has applied; and

(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.18 that relates to a

calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than a salary or wages paid in respect of the base period of the other corporation in relation to that recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the corporation for the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of subparagraph *a* of the first paragraph of section 1029.8.36.72.18 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.18 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this paragraph has applied.

2001, c. 51, s. 218; 2002, c. 40, s. 291; 2003, c. 9, s. 406; 2004, c. 21, s. 474.

1129.45.3.12. For the purposes of Part I, except for Division II.6.6.2 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages, pursuant to a legal obligation.

2001, c. 51, s. 218.

1129.45.3.13. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.72.22 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2001, c. 51, s. 218.

PART III.10.1.4

SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION IN THE MANUFACTURING OR ENVIRONMENTAL SECTOR IN THE ANGUS TECHNOPOLE

2001, c. 51, s. 218.

1129.45.3.14. In this Part,

"base period" has the meaning assigned by the first paragraph of section 1029.8.36.72.29;

"recognized business" has the meaning assigned by the first paragraph of section 1029.8.36.72.29;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.72.29.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2001, c. 51, s. 218; 2007, c. 12, s. 304.

1129.45.3.15. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.30 or 1029.8.36.72.31, on account of the corporation's tax payable under Part I, for any taxation year, shall pay, for a particular taxation year, a tax equal to 40% of the aggregate of

(a) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in its base period for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.30, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. the aggregate of all amounts each of which is an amount paid by the corporation in a taxation year preceding the particular taxation year and is a repayment to which this subparagraph has applied;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in its base period for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.31, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business in the Angus Technopole for its taxation year in which the preceding calendar year ended, the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount paid in a taxation year preceding the particular taxation year and is a repayment to which this subparagraph has applied;

(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation for its base period for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.32 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year, in this paragraph referred to as the "particular group", and with which the corporation was associated at that time, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation for the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.32 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and

if the amount determined pursuant to section 1029.8.36.72.32 had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount paid, in a calendar year preceding the particular calendar year, by a member corporation of the particular group and is a repayment of assistance relating to such a salary or wages to which this subparagraph has applied;

(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.30 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than salary or wages paid in the base period of the corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.30 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied;

(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.31 determined in respect of the corporation, in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business in the Angus Technopole for its taxation year in which the preceding calendar year ended, other than salary or wages paid in the base period of the other corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied; and

(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to the salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.32 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than salary or wages paid in the base period of the other corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation for the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.32 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation

to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.32 had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied.

2001, c. 51, s. 218; 2002, c. 40, s. 292; 2004, c. 21, s. 475.

1129.45.3.16. For the purposes of Part I, except for Division II.6.6.3 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages, pursuant to a legal obligation.

2001, c. 51, s. 218.

1129.45.3.17. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.72.36 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2001, c. 51, s. 218.

PART III.10.1.5

SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION IN THE GASPÉSIE REGION AND IN CERTAIN MARITIME REGIONS OF QUÉBEC

2002, c. 9, s. 126.

1129.45.3.18. In this Part,

"base period" has the meaning assigned by section 1029.8.36.72.43;

"eligible region" has the meaning assigned by the first paragraph of section 1029.8.36.72.43;

"recognized business" has the meaning assigned by the first paragraph of section 1029.8.36.72.43;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.72.43.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2002, c. 9, s. 126; 2007, c. 12, s. 304.

1129.45.3.18.1. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.44 or 1029.8.36.72.45, on account of its tax payable under Part I for any taxation year, shall pay for a particular taxation year a tax equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have so paid to the Minister, under section 1029.8.36.72.44 or 1029.8.36.72.45, in relation to the salaries or wages for the taxation year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the salaries or wages for a taxation year preceding the particular year, if in the particular year, Investissement Québec revokes a qualification certificate issued to the corporation for the purposes of Division II.6.6.4 of Chapter III.1 of Title III of Book IX of Part I.

The cancellation by Investissement Québec, at the request of a corporation, of a qualification certificate issued to the corporation, in relation to a recognized business referred to in paragraph *b* or *e* of the definition of "recognized business" in the first paragraph of section 1029.8.36.72.43, or in paragraph *f* of that definition in relation to a business whose activities are related to the activities of a business referred to in that paragraph *b* or *e*, does not constitute a revocation of the certificate for the purposes of this Part.

2002, c. 40, s. 293; 2005, c. 23, s. 250.

1129.45.3.19. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.44 or 1029.8.36.72.45, on account of the corporation's tax payable under Part I for any taxation year, shall pay, for a particular taxation year, a tax equal to 40% of the aggregate of the following amounts, except where section 1129.45.3.18.1 applies in relation to the salaries or wages for the taxation year or a preceding taxation year:

(a) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.44, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.45, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee

by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.46 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, the aggregate of all amounts each of which is the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the corporation for a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of subparagraph *a* of the first paragraph of section 1029.8.36.72.46 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.46 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.44 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than a salary or wages paid in respect of the base period of the corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.44 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this paragraph has applied;

(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.45 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business in an eligible region, other than a salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this paragraph has applied; and

(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.46 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than a salary or wages paid in respect of the base period of the other corporation in relation to that recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the corporation for the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of subparagraph *a* of the first paragraph of section 1029.8.36.72.46 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.46 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this paragraph has applied.

2002, c. 9, s. 126; 2002, c. 40, s. 294; 2003, c. 9, s. 407; 2004, c. 21, s. 476.

1129.45.3.20. For the purposes of Part I, except for Division II.6.6.4 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages pursuant to a legal obligation.

2002, c. 9, s. 126.

1129.45.3.21. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.72.49 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 9, s. 126.

PART III.10.1.6

SPECIAL TAX RELATING TO THE CREDITS FOR THE DEVELOPMENT OF THE FIELDS OF BIOTECHNOLOGY AND NUTRACEUTICALS

2002, c. 9, s. 126; 2004, c. 21, s. 477.

1129.45.3.22. In this Part,

"base period" has the meaning assigned by the first paragraph of section 1029.8.36.72.56;

"eligibility period" has the meaning assigned by section 1029.8.36.72.56;

"eligible employee" has the meaning assigned by the first paragraph of section 1029.8.36.72.56;

"recognized business" has the meaning assigned by the first paragraph of section 1029.8.36.72.56;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.72.56.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2002, c. 9, s. 126; 2004, c. 21, s. 478; 2007, c. 12, s. 304.

1129.45.3.22.1. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under Division II.6.6.5 of Chapter III.1 of Title III of Book IX of Part I, on account of its tax payable under Part I for any taxation year, shall pay for a particular taxation year a tax equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have so paid to the Minister, under that division, in relation to the salaries or wages, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the salaries or wages for a taxation year preceding the particular year, if in the particular year, Investissement Québec revokes a qualification certificate issued to the corporation in relation to the recognized business for the purposes of that division.

2004, c. 21, s. 479.

1129.45.3.23. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under Division II.6.6.5 of Chapter III. 1 of Title III of Book IX of Part I, on account of the corporation's tax payable under Part I for any taxation year, shall pay, for a particular taxation year, a tax equal to 40% of the aggregate of the following amounts, except where section 1129.45.3.22.1 applies in relation to the salaries or wages for the particular taxation year or a preceding taxation year:

(a) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.57 or 1029.8.36.72.61.1, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, the aggregate of all amounts each of which is the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation for a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.59 or 1029.8.36.72.61.3 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.57 or 1029.8.36.72.61.1 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than salary or wages paid in respect of the base period of the corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.57 or 1029.8.36.72.61.1 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied;

(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 determined in respect of the corporation, in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a

recognized business, other than salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied; and

(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation for the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.59 or 1029.8.36.72.61.3 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied.

For the purposes of subparagraphs *d* to *f* of the first paragraph, where Investissement Québec revokes in the particular taxation year the qualification certificate issued, for the purposes of Division II.6.6.5 of Chapter III.1 of Title III of Book IX of Part I, to the corporation in relation to an eligible employee for a pay period in a calendar year within its eligibility period, in relation to a recognized business, the amount of the salary or wages paid by a corporation to that employee is deemed to be refunded to the corporation in the particular taxation year.

2002, c. 9, s. 126; 2002, c. 40, s. 295; 2004, c. 21, s. 480.

1129.45.3.24. For the purposes of Part I, except for Division II.6.6.5 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages, pursuant to a legal obligation.

2002, c. 9, s. 126.

1129.45.3.25. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first

paragraph of section 1027, section 1029.8.36.72.63 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 9, s. 126.

PART III.10.1.7

SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION IN THE RESOURCE REGIONS

2002, c. 40, s. 296.

1129.45.3.26. In this Part,

"base period" has the meaning assigned by section 1029.8.36.72.70;

"eligible region" has the meaning assigned by the first paragraph of section 1029.8.36.72.70;

"recognized business" has the meaning assigned by section 1029.8.36.72.70;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.72.70.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2002, c. 40, s. 296; 2007, c. 12, s. 304.

1129.45.3.27. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.71 or 1029.8.36.72.72, on account of its tax payable under Part I for any taxation year, shall pay for a particular taxation year a tax equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have so paid to the Minister, under section 1029.8.36.72.71 or 1029.8.36.72.72, in relation to the salaries or wages for the taxation year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the salaries or wages for a taxation year preceding the particular year, if in the particular year, Investissement Québec revokes a qualification certificate issued to the corporation in relation to the recognized business for the purposes of Division II.6.6.6 of Chapter III.1 of Title III of Book IX of Part I.

2002, c. 40, s. 296.

1129.45.3.28. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.71 or 1029.8.36.72.72, on account of the corporation's tax payable under Part I for any taxation year, shall pay, for a particular taxation year, a tax equal to 40% of the aggregate of the following amounts, except where section 1129.45.3.27 applies in relation to the salaries or wages for the taxation year or a preceding taxation year:

(a) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.71, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of

the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.72, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.73 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, the aggregate of all amounts each of which is the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the corporation for a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of subparagraph *a* of the first paragraph of section 1029.8.36.72.73 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.73 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.71 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than a salary or wages paid in

respect of the base period of the corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.71 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this paragraph has applied;

(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.72 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business in an eligible region, other than a salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this paragraph has applied; and

(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.73 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than a salary or wages paid in respect of the base period of the other corporation in relation to that recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the corporation for the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of subparagraph *a* of the first paragraph of section 1029.8.36.72.73 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.73 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this paragraph has applied.

2002, c. 40, s. 296; 2003, c. 9, s. 408; 2004, c. 21, s. 481.

1129.45.3.29. For the purposes of Part I, except Division II.6.6.6 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages pursuant to a legal obligation.

2002, c. 40, s. 296.

1129.45.3.30. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.72.76 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 40, s. 296.

PART III.10.1.7.1

SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION IN THE RESOURCE REGIONS, IN THE ALUMINUM VALLEY AND IN THE GASPÉSIE AND CERTAIN MARITIME REGIONS OF QUÉBEC

2004, c. 21, s. 482.

1129.45.3.30.1. In this Part,

"base period" has the meaning assigned by the first paragraph of section 1029.8.36.72.82.1;

"eligibility period" has the meaning assigned by section 1029.8.36.72.82.1;

"eligible employee" has the meaning assigned by the first paragraph of section 1029.8.36.72.82.1;

"recognized business" has the meaning assigned by the first paragraph of section 1029.8.36.72.82.1;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.72.82.1.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2004, c. 21, s. 482; 2007, c. 12, s. 304.

1129.45.3.30.2. Every corporation that is deemed to have paid an amount to the Minister, under any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3, on account of its tax payable under Part I, for any given taxation year, shall pay, for a particular taxation year, if Investissement Québec revokes in the particular year a qualification certificate issued, in relation to a calendar year that ended in the given taxation year, to the corporation in relation to a recognized business for the purposes of Division II.6.6.6.1 of Chapter III.1 of Title III of Book IX of Part I, a tax equal to the amount by which the amount that the corporation is deemed to have so paid to the Minister, under any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3, for the given taxation year, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have so paid to the Minister, under any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3, for the given taxation year if the revoked qualification certificate had not been issued to the corporation by Investissement Québec and if the period specified in any qualification certificate issued to the corporation in relation to an employee whose duties relate directly to activities of the corporation described in the revoked qualification certificate, were adjusted to take the revocation into account; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the given taxation year, for a taxation year preceding the particular year.

The cancellation by Investissement Québec, at the request of a corporation, of a qualification certificate issued to the corporation, in relation to a recognized business referred to in paragraph *b* or *d* of the definition of "eligible region" in the first paragraph of section 1029.8.36.72.82.1, does not constitute a revocation of the certificate for the purposes of this Part.

2004, c. 21, s. 482; 2005, c. 23, s. 251; 2009, c. 15, s. 414.

1129.45.3.30.3. Every corporation that is deemed to have paid an amount to the Minister, under any of sections 1029.8.36.72.82.2, 1029.8.36.72.82.3, 1029.8.36.72.82.3.2 and 1029.8.36.72.82.3.3, on account of its tax payable under Part I, for any taxation year, shall pay, for a particular taxation year, a tax equal to the aggregate of the following amounts, unless section 1129.45.3.30.2 applies in respect of the corporation in relation to that taxation year:

(a) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in respect of its base period, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2 or 1029.8.36.72.82.3.2, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3.2 on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3.2 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(c) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in respect of its base period, for the purpose of computing the excess amount referred to in any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.72.82.4 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if, for the purposes of section 1029.8.36.72.82.4 and section 1029.8.36.72.82.4.1 or 1029.8.36.72.82.4.2, in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to any of sections 1029.8.36.72.82.4, 1029.8.36.72.82.4.1 and 1029.8.36.72.82.4.2, as the case may be, had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(d) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of the base period of a qualified corporation that is a member of a group of associated corporations referred to in section 1029.8.36.72.82.4, for the purpose of computing the excess amount referred to in any of subparagraphs *a* to *c* of the first paragraph of that section that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were a member of the group at the end of that preceding calendar year and with which the corporation was associated at that time, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3, on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if, for the purposes of section 1029.8.36.72.82.4 and section 1029.8.36.72.82.4.1 or 1029.8.36.72.82.4.2, in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to any of sections 1029.8.36.72.82.4, 1029.8.36.72.82.4.1 and 1029.8.36.72.82.4.2, as the case may be, had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(e) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that are included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2 or 1029.8.36.72.82.3.2 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than salary or wages paid in respect of the base period of the corporation, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3.2 on account of its tax payable under Part I for a taxation year in which the preceding calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3.2 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this subparagraph for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated, in relation to the salary or wages;

(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that are included in computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business, other than salary or wages paid in respect of the base period of the corporation, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 on account of its tax payable under Part I for a taxation year in which the preceding calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this subparagraph for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated, in relation to the salary or wages; and

(g) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.72.82.4 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than a salary or wages paid in respect of the base period of any of the associated corporations, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 on account of its tax payable under Part I for a taxation year in which the preceding calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3 or 1029.8.36.72.82.3.3 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends in respect of the corporation, in relation to the preceding calendar year, if, for the purposes of section 1029.8.36.72.82.4 and section 1029.8.36.72.82.4.1 or 1029.8.36.72.82.4.2, in relation to the preceding calendar year, every amount that was so refunded, paid or allocated at or before

the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to any of sections 1029.8.36.72.82.4, 1029.8.36.72.82.4.1 and 1029.8.36.72.82.4.2, as the case may be, had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this subparagraph for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated, in relation to the salary or wages.

For the purposes of subparagraphs *e* to *g* of the first paragraph, where Investissement Québec revokes in the particular taxation year the qualification certificate issued, for the purposes of Division II.6.6.6.1 of Chapter III.1 of Title III of Book IX of Part I, to the corporation in relation to an eligible employee for a pay period of a calendar year within the corporation's eligibility period, the amount of the salary or wages paid to the employee by a corporation is deemed to be refunded to the corporation in the particular taxation year.

2004, c. 21, s. 482; 2005, c. 23, s. 252; 2009, c. 15, s. 415; 2010, c. 25, s. 212.

1129.45.3.30.4. For the purposes of Part I, except Division II.6.6.6.1 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages pursuant to a legal obligation.

2004, c. 21, s. 482.

1129.45.3.30.5. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.72.82.7 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2004, c. 21, s. 482.

PART III.10.1.7.2

SPECIAL TAX RELATING TO THE CREDIT TO PROMOTE EMPLOYMENT IN THE GASPÉSIE AND CERTAIN MARITIME REGIONS OF QUÉBEC

2005, c. 23, s. 253; 2010, c. 25, s. 213; 2021, c. 18, s. 157.

1129.45.3.30.6. In this Part,

"base amount" has the meaning assigned by the first paragraph of section 1029.8.36.72.82.13;

"base period" has the meaning assigned by the first paragraph of section 1029.8.36.72.82.13;

"eligibility period" has the meaning assigned by section 1029.8.36.72.82.13;

"eligible employee" has the meaning assigned by the first paragraph of section 1029.8.36.72.82.13;

"recognized business" has the meaning assigned by the first paragraph of section 1029.8.36.72.82.13;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.72.82.13.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2005, c. 23, s. 253; 2007, c. 12, s. 304.

1129.45.3.30.7. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, on account of its tax payable under Part I, for any given taxation year, shall pay, for a particular taxation year, if Investissement Québec revokes in the particular year a qualification certificate issued, in relation to a calendar year that ended in the given taxation year, to the corporation in relation to a recognized business for the purposes of Division II.6.6.6.2 of Chapter III.1 of Title III of Book IX of Part I, a tax equal to the amount by which the amount that the corporation is deemed to have so paid to the Minister, under section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, for the given taxation year, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have so paid to the Minister, under section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, for the given taxation year if the revoked qualification certificate had not been issued to the corporation by Investissement Québec and if the period specified in any qualification certificate issued to the corporation in relation to an employee whose duties relate directly to activities of the corporation described in the revoked qualification certificate, were adjusted to take the revocation into account; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the given taxation year, for a taxation year preceding the particular year.

2005, c. 23, s. 253.

1129.45.3.30.8. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.72.82.14 or 1029.8.36.72.82.15, on account of its tax payable under Part I, for any taxation year, shall pay, for a particular taxation year, a tax equal to the aggregate of the following amounts, unless section 1129.45.3.30.7 applies in respect of the corporation in relation to that taxation year:

(a) if the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation and that is included in its base amount, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.14, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under that section on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.14 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(b) if any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of the corporation's base period, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular

taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under that section on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.15 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(c) if the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation and that is included in its base amount, for the purpose of computing the excess amount referred to in paragraph *b* or *c* of section 1029.8.36.72.82.16 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.15 on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.15 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if, for the purposes of sections 1029.8.36.72.82.16 and 1029.8.36.72.82.16.1 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.82.16 or 1029.8.36.72.82.16.1 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(d) if any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of the base period of a qualified corporation that is a member of a group of associated corporations referred to in section 1029.8.36.72.82.16, for the purpose of computing the excess amount referred to in paragraph *b* or *c* of that section that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were a member of the group at the end of that preceding calendar year and with which the corporation was associated at that time, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.72.82.15, on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.15 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if, for the purposes of sections 1029.8.36.72.82.16 and 1029.8.36.72.82.16.1 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages

had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.82.16 or 1029.8.36.72.82.16.1 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(e) if, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.14 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than a salary or wages paid in respect of the base period of the corporation, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the amount that the corporation is deemed to have paid to the Minister under that section on account of its tax payable under Part I for a taxation year in which the preceding calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.14 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this subparagraph for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated, in relation to the salary or wages;

(f) if, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.15 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business, other than a salary or wages paid in respect of the base period of the corporation, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount that the corporation is deemed to have paid to the Minister under that section on account of its tax payable under Part I for a taxation year in which the preceding calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.15 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this subparagraph for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated, in relation to the salary or wages; and

(g) if, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in paragraph *b* or *c* of section 1029.8.36.72.82.16 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than a salary or wages paid in respect of the base period of any of the associated corporations, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount that the corporation is deemed to have paid to the Minister under

section 1029.8.36.72.82.15 on account of its tax payable under Part I for a taxation year in which the preceding calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.15 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends in respect of the corporation, in relation to the preceding calendar year, if, for the purposes of sections 1029.8.36.72.82.16 and 1029.8.36.72.82.16.1 in relation to the preceding calendar year, every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.82.16 or 1029.8.36.72.82.16.1 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this subparagraph for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated, in relation to the salary or wages.

For the purposes of subparagraphs *e* to *g* of the first paragraph, if Investissement Québec revokes in the particular taxation year the qualification certificate issued, for the purposes of Division II.6.6.6.2 of Chapter III.1 of Title III of Book IX of Part I, to the corporation in relation to an eligible employee for a pay period of a calendar year within the corporation's eligibility period, the amount of the salary or wages paid to the employee by a corporation is deemed to be refunded to the corporation in the particular taxation year.

2005, c. 23, s. 253; 2010, c. 25, s. 214.

1129.45.3.30.9. For the purposes of Part I, except Division II.6.6.6.2 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages pursuant to a legal obligation.

2005, c. 23, s. 253.

1129.45.3.30.10. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.72.82.19 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2005, c. 23, s. 253.

PART III.10.1.8

SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION IN THE CARREFOURS DE L'INNOVATION

2003, c. 9, s. 409.

1129.45.3.31. In this Part,

"base period" has the meaning assigned by the first paragraph of section 1029.8.36.72.83;

"eligibility period" has the meaning assigned by section 1029.8.36.72.83;

"eligible employee" has the meaning assigned by the first paragraph of section 1029.8.36.72.83;

"eligible site" has the meaning assigned by the first paragraph of section 1029.8.36.72.83;

"recognized business" has the meaning assigned by section 1029.8.36.72.83;

"salary or wages" has the meaning assigned by the first paragraph of section 1029.8.36.72.83.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

2003, c. 9, s. 409; 2004, c. 21, s. 483; 2007, c. 12, s. 304.

1129.45.3.32. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.84 or 1029.8.36.72.85, on account of its tax payable under Part I for any taxation year, shall pay for a particular taxation year a tax equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have so paid to the Minister, under section 1029.8.36.72.84 or 1029.8.36.72.85, in relation to the salaries or wages, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the salaries or wages for a taxation year preceding the particular year, if in the particular year, Investissement Québec revokes a qualification certificate issued to the corporation in relation to the recognized business for the purposes of Division II.6.6.7 of Chapter III.1 of Title III of Book IX of Part I.

2003, c. 9, s. 409.

1129.45.3.33. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under section 1029.8.36.72.84 or 1029.8.36.72.85, on account of the corporation's tax payable under Part I for any taxation year, shall pay, for a particular taxation year, a tax equal to 40% of the aggregate of the following amounts, except where section 1129.45.3.32 applies in relation to the salaries or wages for the taxation year or a preceding taxation year:

(a) where the corporation pays, in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.84, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.85, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.86 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, the aggregate of all amounts each of which is the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.85 in respect of the corporation for a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.85 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.86 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.86 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.84 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than a salary or wages paid in respect of the base period of the corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.84 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied;

(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.85 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business, other than a salary or wages paid in respect of the base period of the other corporation in relation to the recognized

business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.85 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied; and

(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.86 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than a salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.85 in respect of the corporation for the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.85 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.86 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.86 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied.

For the purposes of subparagraphs *d* to *f* of the first paragraph, where Investissement Québec revokes in the particular taxation year the qualification certificate issued, for the purposes of Division II.6.6.7 of Chapter III.1 of Title III of Book IX of Part I, to the corporation in relation to an eligible employee for a pay period in a calendar year within the corporation's eligibility period, in relation to a recognized business, the amount of the salary or wages paid by a corporation to that employee is deemed to be refunded to the corporation in the particular taxation year.

2003, c. 9, s. 409; 2004, c. 21, s. 484.

1129.45.3.34. For the purposes of Part I, except Division II.6.6.7 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages pursuant to a legal obligation.

2003, c. 9, s. 409.

1129.45.3.35. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.72.89 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2003, c. 9, s. 409.

PART III.10.1.9

SPECIAL TAX RELATING TO THE CREDIT FOR THE PRODUCTION OF ETHANOL IN QUÉBEC

2006, c. 36, s. 245.

1129.45.3.36. In this Part, "eligible production of ethanol" has the meaning assigned by section 1029.8.36.0.94.

2006, c. 36, s. 245; 2007, c. 12, s. 270.

1129.45.3.37. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.95, on account of its tax payable under Part I, for a particular taxation year, in relation to its eligible production of ethanol for a particular month of that taxation year, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "year concerned") in which any of the following events occurs:

(a) an amount that may reasonably be considered to be an amount relating to its eligible production of ethanol for a particular month of the particular taxation year that, because of paragraph *a* of section 1029.8.36.0.99, would be included in the aggregate determined in its respect for the particular taxation year under that section if it was received by the corporation in that taxation year, is received by the corporation;

(b) an amount that may reasonably be considered to be an amount relating to its eligible production of ethanol for a particular month of the particular taxation year that, because of paragraph *b* of section 1029.8.36.0.99, would be included in the aggregate determined in its respect for the particular taxation year under that section if it was obtained by a person or partnership in that taxation year, is obtained by the person or partnership; and

(c) all or a portion of its eligible production of ethanol for a particular month of the particular taxation year that was carried out before 18 March 2011 is sold to a person or partnership that is not the holder of a collection officer's permit issued under the Fuel Tax Act (chapter T-1) or ceases to be reasonably considered to be expected to be sold subsequently to such a holder.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.95 or 1029.8.36.0.101 for a taxation year preceding the year concerned in relation to its eligible production of ethanol for a particular month of the particular taxation year, exceeds the total of

(a) the amount that the corporation would be deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.0.95 if any of the events described in any of subparagraphs *a* to *c* of the first paragraph or in subparagraph *a* or *b* of the first paragraph of section 1029.8.36.0.101, that occurred in the year concerned or a preceding taxation year in relation to its eligible production of ethanol for a particular month of the particular taxation year, occurred in the particular taxation year; and

(b) the aggregate of all amounts each of which is an amount that the corporation is required to pay to the Minister under this section for a taxation year preceding the year concerned in relation to its eligible production of ethanol for a particular month of the particular taxation year.

For the purposes of this section, the corporation is deemed to be selling its eligible production of ethanol in the order in which it carried out the production.

2006, c. 36, s. 245; 2011, c. 34, s. 117.

1129.45.3.38. For the purposes of Part I, except Division II.6.0.8 of Chapter III.1 of Title III of Book IX, the tax paid at any time by a corporation to the Minister under section 1129.45.3.37, in relation to an eligible

production of ethanol, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the eligible production of ethanol, pursuant to a legal obligation.

2006, c. 36, s. 245.

1129.45.3.39. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2006, c. 36, s. 245.

PART III.10.1.9.1

SPECIAL TAX RELATING TO THE CREDIT FOR THE PRODUCTION OF BIODIESEL FUEL IN QUÉBEC

2017, c. 29, s. 216.

1129.45.3.39.1. In this Part, "eligible production of biodiesel fuel" has the meaning assigned by section 1029.8.36.0.106.1.

2017, c. 29, s. 216.

1129.45.3.39.2. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.106.2, on account of its tax payable under Part I, for a particular taxation year, in relation to its eligible production of biodiesel fuel for a particular month of that taxation year, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "year concerned") in which either of the following events occurs:

(a) an amount that may reasonably be considered to be an amount relating to its eligible production of biodiesel fuel for a particular month of the particular taxation year that, because of paragraph *a* of section 1029.8.36.0.106.4, would have been included in the aggregate determined in its respect for the particular taxation year under that section if it had been received by the corporation in that taxation year, is received by the corporation; or

(b) an amount that may reasonably be considered to be an amount relating to its eligible production of biodiesel fuel for a particular month of the particular taxation year that, because of paragraph *b* of section 1029.8.36.0.106.4, would have been included in the aggregate determined in its respect for the particular taxation year under that section if it had been obtained by a person or partnership in that taxation year, is obtained by the person or partnership.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.106.2 or 1029.8.36.0.106.5 for a taxation year preceding the year concerned in relation to its eligible production of biodiesel fuel for a particular month of the particular taxation year, exceeds the total of

(a) the amount that the corporation would have been deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.0.106.2 if any of the events described in subparagraph *a* or *b* of the first paragraph or in subparagraph *a* or *b* of the first paragraph of section 1029.8.36.0.106.5, that occurred in the year concerned or a preceding taxation year in relation to its eligible production of biodiesel fuel for a particular month of the particular taxation year, had occurred in the particular taxation year; and

(b) the aggregate of all amounts each of which is an amount that the corporation is required to pay to the Minister under this section for a taxation year preceding the year concerned in relation to its eligible production of biodiesel fuel for a particular month of the particular taxation year.

2017, c. 29, s. 216.

1129.45.3.39.3. For the purposes of Part I, except Division II.6.0.9.1 of Chapter III.1 of Title III of Book IX, the tax paid at any time by a corporation to the Minister under section 1129.45.3.39.2, in relation to an eligible production of biodiesel fuel, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the eligible production of biodiesel fuel, pursuant to a legal obligation.

2017, c. 29, s. 216.

1129.45.3.39.4. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2017, c. 29, s. 216.

PART III.10.1.9.2

SPECIAL TAX RELATING TO THE CREDIT FOR THE PRODUCTION OF PYROLYSIS OIL IN QUÉBEC

2019, c. 14, s. 452.

1129.45.3.39.5. In this Part, "eligible production of pyrolysis oil" has the meaning assigned by section 1029.8.36.0.106.7.

2019, c. 14, s. 452.

1129.45.3.39.6. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.106.9, on account of its tax payable under Part I, for a particular taxation year, in relation to its eligible production of pyrolysis oil for a particular month of that taxation year, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "year concerned") in which either of the following events occurs:

(a) an amount that may reasonably be considered to be an amount relating to its eligible production of pyrolysis oil for a particular month of the particular taxation year that, because of paragraph *a* of section 1029.8.36.0.106.12, would have been included in the aggregate determined in its respect for the particular taxation year under that section if it had been received by the corporation in that taxation year, is received by the corporation; or

(b) an amount that may reasonably be considered to be an amount relating to its eligible production of pyrolysis oil for a particular month of the particular taxation year that, because of paragraph *b* of section 1029.8.36.0.106.12, would have been included in the aggregate determined in its respect for the particular taxation year under that section if it had been obtained by a person or partnership in that taxation year, is obtained by the person or partnership.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.106.9 or 1029.8.36.0.106.13 for a taxation year preceding the year concerned in relation to its eligible production of pyrolysis oil for a particular month of the particular taxation year, exceeds the total of

(a) the amount that the corporation would be deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.0.106.9 if any of the events described in the first paragraph or in subparagraph *a* or *b* of the first paragraph of section 1029.8.36.0.106.13, that occurred in the year concerned or a preceding taxation year in relation to its eligible production of pyrolysis oil for a particular month of the particular taxation year, occurred in the particular taxation year; and

(b) the aggregate of all amounts each of which is an amount that the corporation is required to pay to the Minister under this section for a taxation year preceding the year concerned in relation to its eligible production of pyrolysis oil for a particular month of the particular taxation year.

2019, c. 14, s. 452.

1129.45.3.39.7. For the purposes of Part I, except Division II.6.0.9.2 of Chapter III.1 of Title III of Book IX, the tax paid at any time by a corporation to the Minister under section 1129.45.3.39.6, in relation to an eligible production of pyrolysis oil, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the eligible production of pyrolysis oil, pursuant to a legal obligation.

2019, c. 14, s. 452.

1129.45.3.39.8. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2019, c. 14, s. 452.

PART III.10.1.9.3

SPECIAL TAX RELATING TO THE CREDIT FOR THE PRODUCTION OF BIOFUEL IN QUÉBEC

2023, c. 2, s. 69.

1129.45.3.39.9. In this Part, "eligible production of biofuel" has the meaning assigned by section 1029.8.36.0.106.15.

2023, c. 2, s. 69.

1129.45.3.39.10. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.106.17, on account of its tax payable under Part I, for a particular taxation year, in relation to its eligible production of biofuel for a particular month of that taxation year, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "year concerned") in which either of the following events occurs:

(a) an amount that may reasonably be considered to be an amount relating to its eligible production of biofuel for a particular month of the particular taxation year that, because of paragraph *a* of section 1029.8.36.0.106.21, would have been included in the aggregate determined in its respect for the particular taxation year under that section if it had been received by the corporation in that taxation year, is received by the corporation; or

(b) an amount that may reasonably be considered to be an amount relating to its eligible production of biofuel for a particular month of the particular taxation year that, because of paragraph *b* of section 1029.8.36.0.106.21, would have been included in the aggregate determined in its respect for the particular taxation year under that section if it had been obtained by a person or partnership in that taxation year, is obtained by the person or partnership.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.106.17 or 1029.8.36.0.106.22 for a taxation year preceding the year concerned in relation to its eligible production of biofuel for a particular month of the particular taxation year, exceeds the total of

(a) the amount that the corporation would be deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.0.106.17 if any of the events described in the first paragraph or in subparagraph *a* or *b* of the first paragraph of section 1029.8.36.0.106.22, that occurred in the year concerned

or a preceding taxation year in relation to its eligible production of biofuel for a particular month of the particular taxation year, occurred in the particular taxation year; and

(b) the aggregate of all amounts each of which is an amount that the corporation is required to pay to the Minister under this section for a taxation year preceding the year concerned in relation to its eligible production of biofuel for a particular month of the particular taxation year.

2023, c. 2, s. 69.

1129.45.3.39.11. For the purposes of Part I, except Division II.6.0.9.3 of Chapter III.1 of Title III of Book IX, the tax paid at any time by a corporation to the Minister under section 1129.45.3.39.10, in relation to an eligible production of biofuel, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the eligible production of biofuel, pursuant to a legal obligation.

2023, c. 2, s. 69.

1129.45.3.39.12. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2023, c. 2, s. 69.

PART III.10.1.10

SPECIAL TAX RELATING TO THE CREDIT TO FOSTER THE MODERNIZATION OF THE TOURIST ACCOMMODATION OFFERING

2013, c. 10, s. 165.

1129.45.3.40. In this Part, "qualified expenditure" and "qualified tourist accommodation establishment" have the meaning assigned by section 1029.8.36.0.107.

2013, c. 10, s. 165.

1129.45.3.41. Every corporation that is deemed to have paid an amount to the Minister, under Division II.6.0.10 of Chapter III.1 of Title III of Book IX of Part I, on account of its tax payable under Part I for a particular taxation year, in relation to a qualified expenditure of the corporation for the particular taxation year or to a qualified expenditure of a partnership of which the corporation is a member for a particular fiscal period of the partnership that ends in the particular taxation year, in respect of a qualified tourist accommodation establishment, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which

(a) an amount relating to an amount included in computing the corporation's qualified expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) a fiscal period of the partnership ends (in this section referred to as the "fiscal period of repayment") in which an amount relating to an amount included in computing the partnership's qualified expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, under Division II. 6.0.10 of Chapter III.1 of Title III of Book IX of Part I, in relation to a qualified expenditure referred to in the first paragraph for a taxation year preceding the repayment year or, if the tax becomes payable in whole or in part because of the application of subparagraph *b* of the first paragraph, would be so deemed to have paid to

the Minister if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in that preceding taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister in relation to a qualified expenditure referred to in the first paragraph under Division II.6.0.10 of Chapter III.1 of Title III of Book IX of Part I for a taxation year preceding the repayment year if

i. every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in respect of an amount included in computing a qualified expenditure of the corporation, or at or before the end of the fiscal period of repayment, in respect of an amount included in computing a qualified expenditure of the partnership, were refunded, paid or allocated in the particular year or the particular fiscal period, as the case may be, and

ii. the agreed proportion, in respect of the corporation for the partnership's fiscal period that ends in that preceding taxation year, were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is

i. a tax that the corporation must pay to the Minister under this section for a taxation year preceding the repayment year in relation to an amount relating to an amount included in computing the corporation's qualified expenditure that is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, or

ii. a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the repayment year in relation to an amount relating to an amount included in computing the partnership's qualified expenditure that is, directly or indirectly, refunded or otherwise paid to the partnership or corporation if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in that preceding taxation year were the same as that for the fiscal period of repayment.

2013, c. 10, s. 165; 2015, c. 21, s. 518.

1129.45.3.42. For the purposes of Part I, except Division II.6.0.10 of Chapter III.1 of Title III of Book IX, tax paid at any time by a corporation to the Minister under this Part, in relation to a qualified expenditure of the corporation or of a partnership, in respect of a qualified tourist accommodation establishment, is deemed to be an amount of assistance repaid at that time by the corporation or partnership in respect of that expenditure, pursuant to a legal obligation.

2013, c. 10, s. 165.

1129.45.3.43. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2013, c. 10, s. 165.

PART III.10.1.11

SPECIAL TAX RELATING TO THE CREDIT FOR THE MARKET DIVERSIFICATION OF MANUFACTURING BUSINESSES

2013, c. 10, s. 165.

1129.45.3.44. In this Part, "eligible certification costs" has the meaning assigned by section 1029.8.36.0.119.

2013, c. 10, s. 165.

1129.45.3.45. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.120, on account of its tax payable under Part I for a particular taxation year, in relation to eligible certification costs of the corporation for the particular year, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to those eligible certification costs is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.120 or 1029.8.36.0.123, in relation to those eligible certification costs, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.0.120 or 1029.8.36.0.123, in relation to those eligible certification costs, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to those eligible certification costs, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to those eligible certification costs.

2013, c. 10, s. 165.

1129.45.3.46. For the purposes of Part I, except Division II.6.0.11 of Chapter III.1 of Title III of Book IX, tax paid at any time by a corporation to the Minister under section 1129.45.3.45, in relation to eligible certification costs, is deemed to be an amount of assistance repaid at that time by the corporation in respect of those costs, pursuant to a legal obligation.

2013, c. 10, s. 165.

1129.45.3.47. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2013, c. 10, s. 165.

PART III.10.2

SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION IN THE CLOTHING AND FOOTWEAR INDUSTRY

1999, c. 83, s. 254.

1129.45.4. In this Part, "clothing", "eligible employee", "group of associated employers", "initial calendar year" and "salary or wages" have the meaning assigned by the first paragraph of section 1029.8.36.73.

For the purposes of this Part, a reference to a calendar year ending in a taxation year or fiscal period includes a reference to a calendar year ending coincidentally with that taxation year or fiscal period, as the case may be.

1999, c. 83, s. 254; 2001, c. 51, s. 228; 2003, c. 9, s. 410; 2007, c. 12, s. 271.

1129.45.5. Every taxpayer who, in relation to salaries or wages paid in the course of carrying on a business of making or manufacturing clothing or footwear, is deemed to have paid an amount to the Minister, under section 1029.8.36.76 or 1029.8.36.78, on account of the taxpayer's tax payable under Part I, for any taxation year, shall pay, for a particular taxation year, a tax equal to 20% of the aggregate of

(a) where the taxpayer, during the particular taxation year, pays an amount, pursuant to a legal obligation, that may reasonably be considered to be repayment of government assistance or non-government assistance that reduced the amount of the salaries or wages paid by the taxpayer to an eligible employee during the taxpayer's initial calendar year in relation to the business for the purpose of computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.76 determined in respect of a calendar year preceding the particular calendar year ending in the particular taxation year, the aggregate of all amounts each of which is equal to the amount by which the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.76 determined in respect of the taxpayer for a calendar year preceding the particular calendar year exceeds the aggregate of

i. the amount that would have been the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.76 determined in respect of the taxpayer for that preceding calendar year if the aggregate of all amounts each of which is an amount paid by the taxpayer as repayment of such assistance on or before the end of the particular taxation year had reduced the amount of government assistance or non-government assistance received by the taxpayer during the taxpayer's initial calendar year in relation to that business and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount paid by the taxpayer during a taxation year preceding the particular taxation year and that is a repayment to which this subparagraph has applied in relation to that business;

(b) where a person or partnership, during the particular calendar year ending in the particular taxation year, pays an amount, pursuant to a legal obligation, that may reasonably be considered to be repayment of government assistance or non-government assistance that reduced the amount of the salaries or wages paid to an eligible employee in the course of carrying on a business of making or manufacturing clothing or footwear, for the initial calendar year of the person or partnership in relation to the business, for the purpose of computing the excess amount referred to in section 1029.8.36.80 determined in respect of a group of associated employers of which the person or partnership was a member at the end of a calendar year preceding the particular calendar year, the aggregate of all amounts, to which the proportion determined in respect of the taxpayer, as a member of the group of associated employers, in accordance with the second paragraph for the preceding calendar year is applied, each of which is equal to the amount by which the excess amount referred to in section 1029.8.36.80 determined in respect of the group of associated employers for a calendar year preceding the particular calendar year exceeds the aggregate of

i. the amount that would have been the excess amount referred to in section 1029.8.36.80 determined in respect of the group of associated employers for that preceding calendar year if the aggregate of all amounts each of which is an amount paid by a person or partnership as repayment of such assistance on or before the end of the particular taxation year had reduced the amount of government assistance or non-government assistance received by the person or partnership and attributable to such salaries or wages paid to an eligible employee during the initial calendar year of the person or partnership in relation to the business of making or manufacturing clothing or footwear, and

ii. the aggregate of all amounts each of which is an amount paid during a calendar year preceding the particular calendar year by a person or partnership as a member of the group of associated employers and that is a repayment of assistance relating to such salaries or wages to which the first paragraph has applied;

(c) where, during the particular taxation year, an amount in relation to salaries or wages paid to an eligible employee by the taxpayer in the course of carrying on the business, that are included in computing the particular excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.76 determined in respect of the taxpayer in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than the taxpayer's initial calendar year, is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, the amount by which the particular excess amount exceeds the aggregate of

i. the excess amount that would be determined under subparagraph *a* of the first paragraph of section 1029.8.36.76 in respect of the taxpayer in relation to that preceding calendar year if any amount that was so refunded, paid or allocated on or before the end of the particular taxation year in relation to the salaries or

wages were government assistance or non-government assistance received by the taxpayer in the preceding calendar year and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated during a preceding taxation year, in relation to the salaries or wages, to which this subparagraph has applied; and

(d) where, during the particular calendar year ending in the particular taxation year, an amount in relation to salaries or wages paid to an eligible employee by a person or partnership in the course of carrying on a business of making or manufacturing clothing or footwear, that are included in computing the particular excess amount referred to in section 1029.8.36.80 determined, in respect of a group of associated employers, in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than the initial calendar year of the person or partnership, is, directly or indirectly, refunded or otherwise paid to the person or partnership or allocated to a payment to be made by the person or partnership, the proportion determined, in respect of the taxpayer as a member of the group of associated employers, in accordance with the second paragraph, for the preceding calendar year, of the amount by which the particular excess amount exceeds the aggregate of

i. the excess amount that would be determined under section 1029.8.36.80, in respect of the group of associated employers, in relation to the preceding calendar year if any amount that was so refunded, paid or allocated on or before the end of the particular taxation year in relation to the salaries or wages, were government assistance or non-government assistance received by the person or partnership in the preceding calendar year and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated during a preceding taxation year in relation to the salaries or wages, to which this subparagraph has applied.

The proportion to which subparagraphs *b* and *d* of the first paragraph refer, determined in respect of a taxpayer for a calendar year, is the proportion that the amount attributed to the taxpayer pursuant to the agreement filed in accordance with the first paragraph of section 1029.8.36.78 by the taxpayer, as a member of the group of associated employers referred to in that section, at the end of the calendar year, is of the aggregate of all the amounts attributed pursuant to the agreement.

1999, c. 83, s. 254; 2001, c. 7, s. 169; 2003, c. 9, s. 411.

1129.45.6. Every taxpayer who is a member of a particular partnership and who, in relation to salaries or wages paid by the particular partnership in the course of carrying on a business of making or manufacturing clothing or footwear, is deemed to have paid an amount to the Minister, under section 1029.8.36.77 or 1029.8.36.79, on account of the taxpayer's tax payable under Part I, for a taxation year, shall pay, for any particular taxation year, a tax equal to 20% of the aggregate of

(a) where the particular partnership, during the particular fiscal period of the partnership ending in the particular taxation year, pays an amount, pursuant to a legal obligation, that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salaries or wages paid by the partnership to an eligible employee during the partnership's initial calendar year in relation to the business for the purpose of computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.77 determined in respect of a calendar year preceding the particular calendar year ending in the particular fiscal period, the taxpayer's share of the aggregate of all amounts each of which is equal to the amount by which the excess amount referred to in that subparagraph *a* determined in respect of the taxpayer for a calendar year preceding the particular calendar year exceeds the aggregate of

i. the amount that would have been the excess amount referred to in subparagraph *a* of the first paragraph of that section 1029.8.36.77 determined in respect of the particular partnership for that preceding calendar year if the aggregate of all amounts each of which is an amount paid by the partnership as repayment of such assistance on or before the end of the particular fiscal period had reduced the amount of government assistance or non-government assistance received by the partnership during the partnership's initial calendar year in relation to that business and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount paid by the partnership during a fiscal period preceding the particular fiscal period and that is a repayment to which this subparagraph has applied in relation to that business;

(b) where a person or partnership, during the particular calendar year ending in the particular taxation year, pays an amount, pursuant to a legal obligation, that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salaries or wages paid to an eligible employee in the course of carrying on a business of making or manufacturing clothing or footwear, for the initial calendar year of the person or partnership in relation to the business, for the purpose of computing the excess amount referred to in section 1029.8.36.80 determined in respect of a group of associated employers of which the person or partnership was a member at the end of a calendar year preceding the particular calendar year, the taxpayer's share of the aggregate of all amounts, to which the proportion determined in respect of the taxpayer, as a member of the group of associated employers, in accordance with the second paragraph for the preceding calendar year is applied, each of which is equal to the amount by which the excess amount referred to in section 1029.8.36.80 determined in respect of the group of associated employers for a calendar year preceding the particular calendar year exceeds the aggregate of

i. the amount that would have been the excess amount referred to in section 1029.8.36.80 determined in respect of the group of associated employers for that preceding calendar year if the aggregate of all amounts each of which is an amount paid by a person or partnership as repayment of such assistance on or before the end of the particular taxation year had reduced the amount of government assistance or non-government assistance received by the person or partnership and attributable to such salaries or wages paid to an eligible employee during the initial calendar year of the person or partnership in relation to the business of making or manufacturing clothing or footwear, and

ii. the aggregate of all amounts each of which is an amount paid during a calendar year preceding the particular calendar year by a person or partnership as a member of the group of associated employers and that is a repayment of assistance relating to such salaries or wages to which this paragraph has applied;

(c) where, during the particular fiscal period of the particular partnership ending in the particular taxation year, an amount in relation to salaries or wages paid to an eligible employee by the particular partnership in the course of carrying on the business, that are included in computing the particular excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.77 determined in respect of the particular partnership in relation to a calendar year preceding the calendar year ending in the particular fiscal period, other than the particular partnership's initial calendar year, is, directly or indirectly, refunded or otherwise paid to the particular partnership or allocated to a payment to be made by the particular partnership, the taxpayer's share of the amount by which the particular excess amount exceeds the aggregate of

i. the excess amount that would be determined under subparagraph *a* of the first paragraph of section 1029.8.36.77 in respect of the particular partnership in relation to that preceding calendar year if any amount that was so refunded, paid or allocated on or before the end of the particular fiscal period in relation to the salaries or wages were government assistance or non-government assistance received by the particular partnership in the preceding calendar year and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated during a fiscal period preceding the particular fiscal period, in relation to the salaries or wages, to which this subparagraph has applied; and

(d) where, during the particular calendar year ending in the particular taxation year, an amount in relation to salaries or wages paid to an eligible employee by a person or partnership in the course of carrying on a business of making or manufacturing clothing or footwear, that are included in computing the particular excess amount referred to in section 1029.8.36.80 determined, in respect of a group of associated employers, in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than the initial calendar year of the person or partnership, is, directly or indirectly, refunded or otherwise paid to the person or partnership or allocated to a payment to be made by the person or partnership, the taxpayer's share of the proportion determined, in respect of the particular partnership as a member of the group of associated

employers, in accordance with the second paragraph, for the preceding calendar year, of the amount by which the particular excess amount exceeds the aggregate of

i. the excess amount that would be determined under section 1029.8.36.80, in respect of the group of associated employers, in relation to the preceding calendar year if any amount that was so refunded, paid or allocated on or before the end of the particular taxation year in relation to the salaries or wages, were government assistance or non-government assistance received by the person or partnership in the preceding calendar year and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated during a preceding taxation year in relation to the salaries or wages, to which this subparagraph has applied.

The proportion to which subparagraphs *b* and *d* of the first paragraph refer, determined in respect of a partnership for a calendar year, is equal to the proportion that the amount attributed to the partnership pursuant to the agreement filed in accordance with section 1029.8.36.79 by the partnership as a member of the group of associated employers referred to in that section, at the end of the calendar year, is of the aggregate of all the amounts attributed pursuant to the agreement.

For the purposes of the first paragraph, the taxpayer's share of an amount is equal to the agreed proportion of the amount in respect of the taxpayer for the particular partnership's fiscal period that ends in the particular taxation year.

1999, c. 83, s. 254; 2001, c. 7, s. 169; 2009, c. 15, s. 416.

1129.45.7. For the purposes of this Part, the following rules apply:

(a) where, at a particular time, a taxpayer who is a member of a partnership has received, is entitled to receive or may reasonably expect to receive assistance referred to in subparagraph i of any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.83, the amount of the assistance that is attributable to salaries or wages paid by the partnership is deemed to be such assistance attributable to the salaries or wages received by the partnership at that time; and

(b) the repayment, at a particular time, of assistance referred to in paragraph *a* by a taxpayer who is a member of a partnership, that is attributable to salaries or wages paid by the partnership is deemed to be made by the partnership at that time as a repayment of such assistance attributable to the salaries or wages.

1999, c. 83, s. 254.

1129.45.7.1. For the purposes of Part I, tax paid to the Minister by a taxpayer at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a business of making or manufacturing clothing or footwear is deemed to be an amount of assistance repaid by the taxpayer at that time in respect of such salaries or wages, pursuant to a legal obligation.

1999, c. 83, s. 254; 2001, c. 7, s. 169; 2009, c. 15, s. 417.

1129.45.8. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.84 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1999, c. 83, s. 254.

PART III.10.3

SPECIAL TAX RELATING TO THE CREATION OF INVESTMENT FUNDS

1999, c. 83, s. 254.

1129.45.9. In this Part,

"qualified investment fund" has the meaning assigned by the first paragraph of section 1029.8.36.89;

"qualified start-up expenditure" has the meaning assigned by the first paragraph of section 1029.8.36.89.

1999, c. 83, s. 254; 2007, c. 12, s. 304.

1129.45.10. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.90, on account of its tax payable under Part I shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to an expenditure included in a qualified start-up expenditure of the corporation in respect of a qualified investment fund is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.90, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under that section, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to an expenditure included in a qualified start-up expenditure of the corporation for a taxation year, were refunded, paid or allocated in the taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

1999, c. 83, s. 254; 2001, c. 51, s. 219; 2002, c. 40, s. 297.

1129.45.11. For the purposes of Part I, except Division II.6.8 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under this Part, in relation to an expenditure in respect of a qualified investment fund, is deemed to be an amount of assistance repaid by the corporation at that time in respect of that expenditure, pursuant to a legal obligation.

1999, c. 83, s. 254; 2001, c. 7, s. 169.

1129.45.12. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1999, c. 83, s. 254.

PART III.10.4

SPECIAL TAX RELATING TO FUND MANAGERS

1999, c. 83, s. 254.

1129.45.13. In this Part, "qualified wages" and "wages" have the meaning assigned by section 1029.8.36.95.

1999, c. 83, s. 254; 2007, c. 12, s. 304; 2010, c. 25, s. 215.

1129.45.14. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.96, on account of its tax payable for a particular taxation year under Part I, in relation to qualified wages paid to an individual for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.96 or 1029.8.36.98, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.96 or 1029.8.36.98, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

1999, c. 83, s. 254; 2002, c. 9, s. 127; 2002, c. 40, s. 298.

1129.45.15. For the purposes of Part I, except Division II.6.9 of Chapter III.1 of Title III of Book IX, the tax paid, at any time, by a corporation to the Minister under this Part in relation to qualified wages is deemed to be an amount of assistance repaid by the corporation at that time in respect of those wages, pursuant to a legal obligation.

1999, c. 83, s. 254; 2001, c. 7, s. 169.

1129.45.16. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1999, c. 83, s. 254.

PART III.10.5

SPECIAL TAX RELATING TO SOLICITATION EXPENDITURE

1999, c. 86, s. 89.

1129.45.17. In this Part, "qualified solicitation expenditure" has the meaning assigned by section 1029.8.36.102.

1999, c. 86, s. 89; 2002, c. 40, s. 299; 2007, c. 12, s. 272.

1129.45.18. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.104, on account of its tax payable under Part I shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to a qualified solicitation expenditure of the corporation is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.104, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under that section, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to a qualified solicitation expenditure of the corporation for a taxation year, were refunded, paid or allocated in the taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

1999, c. 86, s. 89; 2002, c. 40, s. 300.

1129.45.19. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.36.105, on account of the taxpayer's tax payable under Part I, in relation to that partnership, shall pay the tax referred to in the second paragraph for the taxation year in which a fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to a qualified solicitation expenditure of the partnership is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year under section 1029.8.36.105, in relation to that partnership, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, for a taxation year, in relation to the partnership, if

i. every amount that is so refunded, paid or allocated at or before the end of the fiscal period of repayment, in relation to a qualified solicitation expenditure of the partnership for a fiscal period, were refunded, paid or allocated in that fiscal period, and

ii. the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section, in relation to the partnership, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

1999, c. 86, s. 89; 2002, c. 40, s. 300; 2006, c. 36, s. 246; 2009, c. 15, s. 418.

1129.45.20. For the purposes of Part I, the following rules are taken into account:

(a) the tax paid at any time by a corporation to the Minister under section 1129.45.18, in relation to a qualified solicitation expenditure, is deemed to be an amount of assistance repaid at that time by the corporation, in respect of the expenditure, pursuant to a legal obligation; and

(b) the tax paid at any time by a taxpayer to the Minister under section 1129.45.19, in relation to a qualified solicitation expenditure, is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the expenditure, pursuant to a legal obligation.

1999, c. 86, s. 89; 2001, c. 7, s. 169; 2009, c. 5, s. 529; 2022, c. 23, s. 144.

1129.45.21. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

1999, c. 86, s. 89; 2002, c. 40, s. 301.

PART III.10.6

SPECIAL TAX RELATING TO SPECIALIST TRAINING

1999, c. 86, s. 89.

1129.45.22. In this Part,

"qualified wages" has the meaning assigned by section 1029.8.36.115;

"wages" means the income computed under Chapters I and II of Title II of Book III of Part I.

1999, c. 86, s. 89; 2002, c. 40, s. 302; 2007, c. 12, s. 304.

1129.45.23. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.116, on account of its tax payable for a particular taxation year under Part I, in relation to the qualified wages attributed to the particular year and paid to an individual by the corporation, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.116 or 1029.8.36.121, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.116 or 1029.8.36.121, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

1999, c. 86, s. 89; 2002, c. 40, s. 303.

1129.45.24. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.36.117, on account of the taxpayer's tax payable for a particular taxation year under Part I, in relation to the qualified wages attributed to a particular fiscal period of the partnership that ends in the particular year and paid to an individual by the partnership, shall pay the tax referred to in the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year under section 1029.8.36.117, 1029.8.36.122 or 1029.8.36.123, in relation to the qualified wages, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under section 1029.8.36.117, 1029.8.36.122 or 1029.8.36.123, for a taxation year, in relation to the qualified wages, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified wages, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer, or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

1999, c. 86, s. 89; 2002, c. 40, s. 303; 2006, c. 36, s. 247; 2009, c. 15, s. 419.

1129.45.25. For the purposes of Part I, the following rules are taken into account:

(a) the tax paid at any time by a corporation to the Minister under section 1129.45.23, in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the corporation, in respect of the wages, pursuant to a legal obligation; and

(b) the tax paid at any time by a taxpayer to the Minister under section 1129.45.24, in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the wages, pursuant to a legal obligation.

1999, c. 86, s. 89; 2001, c. 7, s. 169; 2022, c. 23, s. 145.

1129.45.26. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564, where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

1999, c. 86, s. 89; 2002, c. 40, s. 304.

PART III.10.7

SPECIAL TAX RELATING TO SOLICITATION EXPENDITURE IN RESPECT OF A FOREIGN INVESTMENT FUND

2001, c. 51, s. 220.

1129.45.27. In this Part, "qualified solicitation expenditure" has the meaning assigned by section 1029.8.36.125.

2001, c. 51, s. 220; 2002, c. 40, s. 305; 2007, c. 12, s. 273.

1129.45.28. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.129, on account of its tax payable under Part I shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to a qualified solicitation expenditure made by the corporation is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.129, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under that section, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to a qualified solicitation expenditure made by the corporation, were refunded, paid or allocated in the taxation year in which the corporation made the expenditure; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

2001, c. 51, s. 220; 2002, c. 40, s. 306.

1129.45.29. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.36.132, on account of the taxpayer's tax payable under Part I, in relation to the partnership, shall pay the tax referred to in the second paragraph for the taxation year in which a fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to a qualified solicitation expenditure made by the partnership is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year under section 1029.8.36.132, in relation to the partnership, if the agreed proportion in respect of the taxpayer

for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under that section, for a taxation year, in relation to the partnership, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to a qualified solicitation expenditure made by the partnership, were refunded, paid or allocated in the fiscal period in which the partnership made the expenditure, and

ii. the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the taxation year were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section, in relation to the partnership, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, if the agreed proportion in respect of the taxpayer for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the taxpayer, or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the taxpayer for the fiscal period of repayment.

2001, c. 51, s. 220; 2002, c. 40, s. 306; 2006, c. 36, s. 248; 2009, c. 15, s. 420.

1129.45.30. For the purposes of Part I, the following rules are taken into account:

(a) the tax paid at any time by a corporation to the Minister under section 1129.45.28, in relation to a qualified solicitation expenditure, is deemed to be an amount of assistance repaid at that time by the corporation, in respect of the expenditure, pursuant to a legal obligation; and

(b) the tax paid at any time by a taxpayer to the Minister under section 1129.45.29, in relation to a qualified solicitation expenditure, is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the expenditure, pursuant to a legal obligation.

2001, c. 51, s. 220; 2022, c. 23, s. 146.

1129.45.31. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2001, c. 51, s. 220; 2002, c. 40, s. 307.

PART III.10.8

SPECIAL TAX RELATING TO FINANCIAL ANALYSTS SPECIALIZED IN SECURITIES OF QUÉBEC CORPORATIONS OR IN FINANCIAL DERIVATIVES

2002, c. 9, s. 128; 2003, c. 9, s. 412.

1129.45.32. In this Part, "qualified wages" and "wages" have the meaning assigned by section 1029.8.36.147.

2002, c. 9, s. 128; 2007, c. 12, s. 304; 2010, c. 25, s. 216.

1129.45.33. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.152, on account of its tax payable for a particular taxation year under Part I, in relation to qualified wages paid to an individual for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.152 or 1029.8.36.154, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.152 or 1029.8.36.154, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

2002, c. 9, s. 128; 2002, c. 40, s. 308.

1129.45.34. For the purposes of Part I, except Division II.6.13 of Chapter III.1 of Title III of Book IX, the tax paid, at any time, by a corporation to the Minister under this Part in relation to qualified wages is deemed to be an amount of assistance repaid by the corporation at that time in respect of those wages pursuant to a legal obligation.

2002, c. 9, s. 128.

1129.45.35. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 9, s. 128.

PART III.10.9

SPECIAL TAX IN RESPECT OF THE CREDIT RELATING TO COMMUNICATIONS BETWEEN CORPORATIONS AND STOCK MARKET INVESTORS

2002, c. 40, s. 309.

1129.45.36. In this Part,

"communications expenditure" has the meaning assigned by section 1029.8.36.157;

"eligible communications expenditure" has the meaning assigned by section 1029.8.36.157;

"eligible road show" has the meaning assigned by section 1029.8.36.157.

2002, c. 40, s. 309; 2007, c. 12, s. 304.

1129.45.37. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.163, on account of its tax payable for a particular taxation year under Part I, in relation to its eligible communications expenditure for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to expenses taken into account in determining a communications expenditure included in computing the eligible communications expenditure is, directly or indirectly, refunded or otherwise paid to the corporation, or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.163 or 1029.8.36.165, in relation to its eligible communications expenditure for the particular year, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.163 or 1029.8.36.165, in relation to the eligible communications expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to expenses taken into account in determining a communications expenditure included in computing the eligible communications expenditure, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section, for a taxation year preceding the repayment year, in relation to the eligible communications expenditure.

However, no tax is payable under this section if section 1129.45.39 applies, for the repayment year or a preceding taxation year, in respect of the eligible communications expenditure.

2002, c. 40, s. 309.

1129.45.38. For the purposes of section 1129.45.37, the amount determined in the second paragraph, in relation to particular expenses taken into account in determining a communications expenditure included in computing the eligible communications expenditure of the corporation for a particular taxation year, is deemed to be refunded to the corporation in a subsequent taxation year, in this section referred to as the "repayment year", in which the Minister of Finance revokes the certificate that was issued to the corporation for the particular year in respect of the eligible road show for which the communications expenditure was incurred.

The amount to which the first paragraph refers is equal to the amount by which the particular expenses exceed the aggregate of all amounts each of which is an amount relating to the particular expenses that, in a taxation year preceding the repayment year but subsequent to the particular year, was refunded, otherwise paid or allocated to a payment to be made by the corporation.

No tax is payable for a taxation year under section 1129.45.37, in respect of any amount that is refunded or otherwise paid to the corporation, or allocated to a payment to be made by the corporation, if that amount is included in an amount that is deemed to have been refunded, under this section, in that taxation year or in a preceding taxation year.

2002, c. 40, s. 309.

1129.45.39. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.163, on account of its tax payable for a particular taxation year under Part I, in relation to

its eligible communications expenditure for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "revocation year", in which the Minister of Finance revokes the certificate referred to in the definition of "qualified corporation", in the first paragraph of section 1029.8.36.157, that was issued to the corporation for the particular year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.163 or 1029.8.36.165, in relation to the eligible communications expenditure, exceeds the aggregate of all amounts each of which is a tax the corporation is required to pay to the Minister under section 1129.45.37, for a taxation year preceding the revocation year, in relation to the eligible communications expenditure.

2002, c. 40, s. 309.

1129.45.40. For the purposes of Part I, except Division II.6.14 of Chapter III.1 of Title III of Book IX, the tax paid, at any time, by a corporation to the Minister under this Part in relation to an eligible communications expenditure is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenditure pursuant to a legal obligation.

2002, c. 40, s. 309.

1129.45.41. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 40, s. 309.

PART III.10.9.1

SPECIAL TAX RELATING TO THE CREDITS TO FOSTER THE PARTICIPATION OF SECURITIES DEALERS ON THE NASDAQ STOCK EXCHANGE

2003, c. 9, s. 413.

1129.45.41.1. In this Part,

"expenditure in respect of administrative costs" of a corporation for a taxation year has the meaning assigned by section 1029.8.36.166.1;

"expenditure in respect of labour recruitment and training" of a corporation for a taxation year has the meaning assigned by section 1029.8.36.166.1;

"expenditure in respect of technological equipment" of a corporation for a taxation year has the meaning assigned by section 1029.8.36.166.1;

"expenditure in respect of the eligible transaction management system" of a corporation for a taxation year has the meaning assigned by section 1029.8.36.166.1.

2003, c. 9, s. 413; 2007, c. 12, s. 304.

1129.45.41.2. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.9, on account of its tax payable under Part I shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to expenses or professional fees that were included in computing the expenditure in respect of administrative costs of the corporation for a taxation year is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.9 or 1029.8.36.166.26, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of those sections, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the expenses or professional fees that were included in computing the expenditure in respect of administrative costs of the corporation for a taxation year, were refunded, paid or allocated in the taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

However, no tax is payable under this section if section 1129.45.41.6 applies, for the repayment year or a preceding taxation year, in respect of the expenditure in respect of administrative costs of the corporation for a taxation year.

2003, c. 9, s. 413.

1129.45.41.3. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.12, on account of its tax payable under Part I shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to expenses that were included in computing the expenditure in respect of technological equipment of the corporation for a taxation year is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.12 or 1029.8.36.166.27, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of those sections, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the expenses that were included in computing the expenditure in respect of technological equipment of the corporation for a taxation year, were refunded, paid or allocated in the taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

However, no tax is payable under this section if section 1129.45.41.7 applies, for the repayment year or a preceding taxation year, in respect of the expenditure in respect of technological equipment of the corporation for a taxation year.

2003, c. 9, s. 413.

1129.45.41.4. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.15, on account of its tax payable under Part I shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to expenses that were included in computing the expenditure in respect of labour recruitment and training of the corporation for a taxation year is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.15 or 1029.8.36.166.28, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of those sections, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the expenses that were included in computing the expenditure in respect of labour recruitment and training of the corporation for a taxation year, were refunded, paid or allocated in the taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

However, no tax is payable under this section if section 1129.45.41.8 applies, for the repayment year or a preceding taxation year, in respect of the expenditure in respect of labour recruitment and training of the corporation for a taxation year.

2003, c. 9, s. 413.

1129.45.41.5. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.18, on account of its tax payable under Part I shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the "repayment year", in which an amount relating to expenses or a royalty that were included in computing the expenditure in respect of the eligible transaction management system of the corporation for a taxation year is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.18 or 1029.8.36.166.29, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of those sections, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the expenses or a royalty that were included in computing the expenditure in respect of the eligible transaction management system of the corporation for a taxation year, were refunded, paid or allocated in the taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

However, no tax is payable under this section if section 1129.45.41.9 applies, for the repayment year or a preceding taxation year, in respect of the expenditure in respect of the eligible transaction management system of the corporation for a taxation year.

2003, c. 9, s. 413.

1129.45.41.6. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.9, on account of its tax payable for a particular taxation year under Part I, in relation to its expenditure in respect of administrative costs for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "revocation year", in which the Minister of Finance revokes the qualification certificate referred to in the definition of "qualified corporation" in section 1029.8.36.166.1 that was issued to the corporation for the particular year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.166.9 or 1029.8.36.166.26, in relation to the expenditure in respect of administrative costs, exceeds the aggregate of all amounts each of which is a tax the corporation is required to pay to the Minister under section 1129.45.41.2, for a taxation year preceding the revocation year, in relation to the expenditure in respect of administrative costs.

2003, c. 9, s. 413.

1129.45.41.7. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.12, on account of its tax payable for a particular taxation year under Part I, in relation to its expenditure in respect of technological equipment for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "revocation year", in which the Minister of Finance revokes the qualification certificate referred to in the definition of "qualified corporation" in section 1029.8.36.166.1 that was issued to the corporation for the particular year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.166.12 or 1029.8.36.166.27, in relation to the expenditure in respect of technological equipment, exceeds the aggregate of all amounts each of which is a tax the corporation is required to pay to the Minister under section 1129.45.41.3, for a taxation year preceding the revocation year, in relation to the expenditure in respect of technological equipment.

2003, c. 9, s. 413.

1129.45.41.8. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.15, on account of its tax payable for a particular taxation year under Part I, in relation to its expenditure in respect of labour recruitment and training for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "revocation year", in which the Minister of Finance revokes the qualification certificate referred to in the definition of "qualified corporation" in section 1029.8.36.166.1 that was issued to the corporation for the particular year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.166.15 or 1029.8.36.166.28, in relation to the expenditure in respect of labour recruitment and training, exceeds the aggregate of all amounts each of which is a tax the corporation is required to pay to the Minister under section 1129.45.41.4, for a taxation year preceding the revocation year, in relation to the expenditure in respect of labour recruitment and training.

2003, c. 9, s. 413.

1129.45.41.9. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.18, on account of its tax payable for a particular taxation year under Part I, in relation to its expenditure in respect of the eligible transaction management system for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "revocation year", in which the Minister of Finance revokes the qualification certificate referred to in the definition of "qualified corporation" in section 1029.8.36.166.1 or the certificate referred to in the definition of "eligible transaction management system" in that section that was issued to the corporation for the particular year.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.166.18 or 1029.8.36.166.29, in relation to the expenditure in respect of the eligible transaction management system, exceeds the aggregate of all amounts each of which is a tax the corporation is required to pay to the Minister under section 1129.45.41.5, for a taxation year preceding the revocation year, in relation to the expenditure in respect of the eligible transaction management system.

2003, c. 9, s. 413.

1129.45.41.10. For the purposes of Part I, except Division II.6.14.1 of Chapter III.1 of Title III of Book IX, the tax paid, at any time, by a corporation to the Minister under this Part in relation to its expenditure in respect of administrative costs, its expenditure in respect of technological equipment, its expenditure in respect of labour recruitment and training or its expenditure in respect of the eligible transaction management system, is deemed to be an amount of assistance repaid by the corporation at that time pursuant to a legal obligation.

2003, c. 9, s. 413.

1129.45.41.11. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2003, c. 9, s. 413.

PART III.10.9.2

SPECIAL TAX IN RESPECT OF THE CREDIT FOR INVESTMENTS RELATING TO MANUFACTURING AND PROCESSING EQUIPMENT

2009, c. 15, s. 421.

1129.45.41.12. In this Part, "eligible expenses" and "qualified property" have the meaning assigned by section 1029.8.36.166.40.

2009, c. 15, s. 421.

1129.45.41.13. Every corporation that is deemed to have paid an amount to the Minister, under any of sections 1029.8.36.166.43, 1029.8.36.166.46 and 1029.8.36.166.47, on account of its tax payable under Part I for a particular taxation year, in relation to its eligible expenses for the year in respect of a qualified property, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under any of sections 1029.8.36.166.43, 1029.8.36.166.46, 1029.8.36.166.47 and 1029.8.36.166.55, in relation to the eligible expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under any of sections 1029.8.36.166.43, 1029.8.36.166.46, 1029.8.36.166.47 and 1029.8.36.166.55, in relation to the eligible expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible expenses.

However, no tax is payable under this section, in relation to the eligible expenses in respect of a property referred to in the first paragraph, if section 1129.45.41.15 applies in respect of the property for the repayment year or applied in respect of the property for a preceding taxation year.

2009, c. 15, s. 421.

1129.45.41.14. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under any of sections 1029.8.36.166.44, 1029.8.36.166.46 and 1029.8.36.166.47, on account of the corporation's tax payable under Part I for a particular taxation year, in relation to the partnership's eligible expenses, in respect of a qualified property, for the partnership's particular fiscal period that ends in that particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.166.44, 1029.8.36.166.46, 1029.8.36.166.47, 1029.8.36.166.56 and 1029.8.36.166.57, in relation to the eligible expenses, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.166.44, 1029.8.36.166.46, 1029.8.36.166.47, 1029.8.36.166.56 and 1029.8.36.166.57, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible expenses, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible expenses, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

However, no tax is payable under this section, in relation to the eligible expenses in respect of a property referred to in the first paragraph, if section 1129.45.41.16 applies in respect of the property for the taxation year in which the fiscal period of repayment ends or applied in respect of the property in a preceding taxation year.

2009, c. 15, s. 421; 2022, c. 23, s. 147.

1129.45.41.15. Every corporation that, in relation to its eligible expenses in respect of a qualified property, is deemed to have paid an amount to the Minister, under any of sections 1029.8.36.166.43, 1029.8.36.166.46 and 1029.8.36.166.47, on account of its tax payable under Part I for any taxation year, shall pay, for a particular taxation year, the tax computed under the second paragraph, if at any time between the corporation's filing-due date for the taxation year preceding the particular year and the day after the day that is the end of the period of 730 days following the beginning of the use of the qualified property by the first purchaser of the property or by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, or, if it precedes the day that is the end of the period of 730 days, the filing-due date, for the particular year, of the purchaser that owns the property at the end of the particular year, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used solely in Québec to earn income from a business carried on

(a) by the first purchaser of the property and if that time is also in the portion of that period in which the first purchaser owns the property; or

(b) by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies, and if that time is also in the portion of that period in which the subsequent purchaser owns the property.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under any of sections 1029.8.36.166.43, 1029.8.36.166.46, 1029.8.36.166.47 and 1029.8.36.166.55, in relation to its eligible expenses in respect of the qualified property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under section 1129.45.41.13, in relation to its eligible expenses in respect of the property, for a taxation year preceding the particular year.

2009, c. 15, s. 421.

1129.45.41.16. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under any of sections 1029.8.36.166.44, 1029.8.36.166.46 and 1029.8.36.166.47, on account of the corporation's tax payable under Part I for any given taxation year in relation to its share of the partnership's eligible expenses in respect of a qualified property in a fiscal period of the partnership that ends in the given year, shall pay, for a particular taxation year, the tax computed under the second paragraph, if at any time between the day that is six months after the end of the partnership's fiscal period that ends in the taxation year preceding the particular year and the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the qualified property by the first purchaser of the property or by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, and the day that is six months after the end of the partnership's fiscal period that ends in the particular year, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used solely in Québec to earn income from a business carried on

(a) by the first purchaser of the property and if that time is also in the portion of that period in which the first purchaser owns the property, or

(b) by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies, and if that time is also in the portion of that period in which the subsequent purchaser owns the property.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under any of sections 1029.8.36.166.44, 1029.8.36.166.46, 1029.8.36.166.47, 1029.8.36.166.56 and 1029.8.36.166.57, in respect of the qualified property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under section 1129.45.41.14, in respect of the property, for a taxation year preceding the particular year.

2009, c. 15, s. 421.

1129.45.41.17. For the purposes of Part I, except Division II.6.14.2 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under this Part, in relation to eligible expenses in respect of a qualified property, is deemed to be an amount of assistance repaid at that time in respect of those expenses, pursuant to a legal obligation, by

(a) the partnership referred to in section 1129.45.41.14 or 1129.45.41.16, in the case of tax paid under that section; or

(b) the corporation, in any other case.

2009, c. 15, s. 421.

1129.45.41.18. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 if it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2009, c. 15, s. 421.

PART III.10.9.2.1

SPECIAL TAX RELATING TO THE CREDIT IN RESPECT OF A BUILDING USED IN CONNECTION WITH MANUFACTURING OR PROCESSING ACTIVITIES

2015, c. 21, s. 519.

1129.45.41.18.1. In this Part, "expenditure of a capital nature", "qualified building" and "qualified expenditure" have the meaning assigned by section 1029.8.36.166.60.1.

2015, c. 21, s. 519.

1129.45.41.18.2. Every corporation that is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.8 on account of its tax payable under Part I for a particular taxation year, in relation to a qualified expenditure for the year in respect of a qualified building, is required to pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to the qualified expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.166.60.8 or 1029.8.36.166.60.14 in relation to the qualified expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.166.60.8 or 1029.8.36.166.60.14 in relation to the qualified expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated in relation to the qualified expenditure, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister in relation to the qualified expenditure under this section for a taxation year preceding the repayment year or under the third paragraph of section 1129.45.41.18.4 for the repayment year or for a preceding taxation year.

However, no tax is payable under this section in relation to the qualified expenditure in respect of a building referred to in the first paragraph if the first paragraph of section 1129.45.41.18.4 applies in respect of the building for the repayment year or for a preceding taxation year.

2015, c. 21, s. 519.

1129.45.41.18.3. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.9 on account of the corporation's tax payable under Part I for a particular taxation year, in relation to a qualified expenditure of the partnership, in respect of a qualified building, for the partnership's particular fiscal period that ends in the particular taxation year, is required to pay the tax computed under the second paragraph for the taxation year in which a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") ends, in which an amount relating to the qualified expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.166.60.9, 1029.8.36.166.60.15 and 1029.8.36.166.60.16, in relation to the qualified expenditure, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.166.60.9, 1029.8.36.166.60.15 and 1029.8.36.166.60.16, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the qualified expenditure, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated in relation to the qualified expenditure, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified expenditure, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment, or is required to pay under the third paragraph of section 1129.45.41.18.5 for the taxation year in which the fiscal period of repayment ends or for a preceding taxation year.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

However, no tax is payable under this section in relation to the qualified expenditure in respect of a building referred to in the first paragraph if the first paragraph of section 1129.45.41.18.5 applies in respect of the building for the taxation year in which the fiscal period of repayment ends or for a preceding taxation year.

2015, c. 21, s. 519; 2022, c. 23, s. 148.

1129.45.41.18.4. Every corporation that, in relation to a qualified expenditure in respect of a qualified building, is deemed to have paid an amount to the Minister, under section 1029.8.36.166.60.8, on account of its tax payable under Part I for any taxation year, is required to pay, for a particular taxation year, the tax referred to in the second paragraph if the corporation, before it begins to use the qualified building in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1, disposes of it at any time between the corporation's filing-due date for the taxation year preceding the particular year and the day after the day that is the end of the 48-month period following the last day of the taxation year where, for the first time, the corporation incurred an expenditure of a capital nature in respect of the qualified building or, if it is earlier, the corporation's filing-due date for the particular year, or if that 48-month period ends in the particular year, did not use the qualified building at any time in the 48-month period in a manner consistent with that paragraph *b*, unless the disposition or failure to use arises by reason of the involuntary destruction of the qualified building by fire, theft or water.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the particular taxation year under section 1029.8.36.166.60.8 or 1029.8.36.166.60.14, in respect of the qualified building, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under section 1129.45.41.18.2 in respect of the qualified building for a taxation year preceding the particular year.

Every corporation that, in relation to a qualified expenditure in respect of a qualified building, is deemed to have paid an amount to the Minister, under section 1029.8.36.166.60.8, on account of its tax payable under Part I for any taxation year and that began to use the qualified building in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 within a 48-month period following the last day of the taxation year where, for the first time, it incurred an expenditure of a capital nature in respect of the qualified building, is required to pay, for a particular taxation year, the tax determined under the fourth paragraph if, at any given time between the corporation's filing-due date for the taxation year preceding the particular year and the day after the day that is the end of the 48-month period that begins on the day on which the use began or, if it is earlier, the corporation's filing-due date for the particular year, the corporation disposes of the qualified building or ceases to use it in a manner consistent with that paragraph *b*, otherwise than by reason of the involuntary destruction of the qualified building by fire, theft or water.

The tax to which the third paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.60.8 or 1029.8.36.166.60.14, in respect of the qualified building, for a taxation year preceding the particular taxation year, exceeds the total of

(a) the proportion of the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the particular taxation year under section 1029.8.36.166.60.8 or 1029.8.36.166.60.14, in respect of the qualified building, exceeds the aggregate of all amounts each of which is a tax required to be paid by the corporation under section 1129.45.41.18.2, in respect of the qualified building for a taxation year preceding the particular year, that the number of months in the period that begins on the day on which the qualified building began to be used in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 and that ends at the given time referred to in the third paragraph is of 48; and

(b) the aggregate of all amounts each of which is a tax required to be paid by the corporation under section 1129.45.41.18.2, in respect of the qualified building, for a taxation year preceding the particular year.

For the purposes of this section, the following rules apply

(a) a month means a period that begins on a particular day in a calendar month and that ends

i. on the day immediately before the day in the following calendar month that has the same calendar number as the particular day, or

ii. where the following calendar month does not have a day that has the same calendar number as the particular day, on the last day of the following month;

(b) a qualified building is deemed to be used in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 for an entire month if the building is so used for more than 15 days in the month;

(c) a qualified building that temporarily ceases to be used in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 is deemed to be used in a manner consistent with that paragraph *b* if the Minister is of the opinion that the use ceased for reasonable grounds; and

(d) where the qualified corporation disposes of a qualified building to a corporation with which it is associated at the time of the disposition, the qualified building is deemed to not have been disposed of at that time and the qualified corporation is deemed, from that time and for the purposes of this subparagraph, to be the same person as the purchaser of the qualified building.

2015, c. 21, s. 519.

1129.45.41.18.5. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.9 on account of its tax payable under Part I for any given taxation year, in relation to a qualified expenditure of the partnership in respect of a qualified building, for the particular fiscal period of the partnership that ends in the given taxation year, is required to pay, for a particular taxation year, the tax referred to in the second paragraph if the partnership, before it begins to use the qualified building in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1, disposes of it at any time between the day that is six months after the end of the partnership's fiscal period that ends in the taxation year preceding the particular year and the day after the day that is the end of the 48-month period following the last day of the fiscal period where, for the first time, the partnership incurred an expenditure of a capital nature in respect of the qualified building or, if it is earlier, the day that is six months after the end of the partnership's fiscal period that ends in the particular year or, if the 48-month period ends in the partnership's fiscal period that ends in the particular year, did not use the qualified building at any time in the 48-month period in a manner consistent with that paragraph *b*, unless the disposition or failure to use arises by reason of the involuntary destruction of the qualified building by fire, theft or water.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the particular taxation year under any of sections 1029.8.36.166.60.9, 1029.8.36.166.60.15 and 1029.8.36.166.60.16, in respect of the qualified building, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under section 1129.45.41.18.3 in respect of the qualified building for a taxation year preceding the particular year.

Where a corporation that is a member of a partnership is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.9 on account of its tax payable under Part I for any given taxation year, in relation to a qualified expenditure of the partnership in respect of a qualified building for the particular fiscal period of the partnership that ends in the given taxation year, and the partnership began to use the qualified building in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 within a 48-month period following the last day of the fiscal period where, for the first time, the partnership incurred an expenditure of a capital nature in respect of the qualified building, the corporation is required to pay, for a particular taxation year, the tax determined under the fourth paragraph if, at any given time between the day that is six months after the end of the partnership's fiscal period that ends in the taxation year preceding the particular year and the day after the day that is the end of the 48-month period that begins on the day on which the use began or, if it is earlier, the day that is six months after the end of the partnership's fiscal period that ends in the particular year, the partnership disposes of the qualified building or ceases to use it in a manner consistent with that paragraph *b*, otherwise than by reason of the involuntary destruction of the qualified building by fire, theft or water.

The tax to which the third paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under any of sections 1029.8.36.166.60.9, 1029.8.36.166.60.15 and 1029.8.36.166.60.16, in respect of the qualified building, for a taxation year preceding the particular taxation year, exceeds the total of

(a) the proportion of the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the particular taxation year under any of sections 1029.8.36.166.60.9, 1029.8.36.166.60.15 and 1029.8.36.166.60.16, in respect of the qualified building, exceeds the aggregate of all amounts each of which is a tax required to be paid by the corporation under section 1129.45.41.18.3, in respect of the qualified building, for a taxation year preceding the particular year, that the number of months in the period that begins on the day on which the

qualified building began to be used in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 and that ends at the given time referred to in the third paragraph is of 48; and

(b) the aggregate of all amounts each of which is a tax required to be paid by the corporation under section 1129.45.41.18.3, in respect of the qualified building, for a taxation year preceding the particular year.

For the purposes of this section, the following rules apply:

(a) a month means a period that begins on a particular day in a calendar month and that ends

i. on the day immediately before the day in the following calendar month that has the same calendar number as the particular day, or

ii. where the following calendar month does not have a day that has the same calendar number as the particular day, on the last day of the following month;

(b) a qualified building is deemed to be used in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 for an entire month if the building is so used for more than 15 days in the month; and

(c) a qualified building that temporarily ceases to be used in a manner consistent with paragraph *b* of the definition of "qualified building" in the first paragraph of section 1029.8.36.166.60.1 is deemed to be used in a manner consistent with that paragraph *b* if the Minister is of the opinion that the use ceased for reasonable grounds.

2015, c. 21, s. 519.

1129.45.41.18.6. For the purposes of Part I, except Division II.6.14.2.1 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time under this Part, in relation to a qualified expenditure in respect of a qualified building, is deemed to be an amount of assistance repaid at that time in respect of that expenditure, pursuant to a legal obligation, by

(a) the partnership referred to in section 1129.45.41.18.3 or 1129.45.41.18.5, as the case may be, in the case of tax paid under that section; or

(b) the corporation, in any other case.

2015, c. 21, s. 519.

1129.45.41.18.7. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2015, c. 21, s. 519.

PART III.10.9.2.2

SPECIAL TAX IN RESPECT OF THE TAX CREDIT RELATING TO INFORMATION TECHNOLOGY INTEGRATION

2015, c. 21, s. 519.

1129.45.41.18.8. In this Part, "eligible expenses" has the meaning assigned by section 1029.8.36.166.60.19.

2015, c. 21, s. 519.

1129.45.41.18.9. Every corporation that is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.27, on account of its tax payable under Part I for a particular taxation year, in relation to eligible expenses of the corporation for the particular year, is required to pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.166.60.27 or 1029.8.36.166.60.31, in relation to the eligible expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.166.60.27 or 1029.8.36.166.60.31 in relation to the eligible expenses if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year in relation to the eligible expenses.

2015, c. 21, s. 519.

1129.45.41.18.10. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister under section 1029.8.36.166.60.28 on account of the corporation's tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the partnership for the partnership's particular fiscal period that ends in the particular taxation year, is required to pay the tax computed under the second paragraph for the taxation year in which a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") ends, in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.166.60.28, 1029.8.36.166.60.32 and 1029.8.36.166.60.33, in relation to the eligible expenses, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.166.60.28, 1029.8.36.166.60.32 and 1029.8.36.166.60.33 for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible expenses, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible expenses, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2015, c. 21, s. 519; 2022, c. 23, s. 149.

1129.45.41.18.11. For the purposes of Part I, except Division II.6.14.2.2 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under this Part, in relation to eligible expenses, is deemed to be an amount of assistance repaid at that time in respect of those expenses, pursuant to a legal obligation, by

(a) the corporation, in the case of tax paid under section 1129.45.41.18.9; or

(b) the partnership referred to in section 1129.45.41.18.10, in the case of tax paid under that section.

2015, c. 21, s. 519.

1129.45.41.18.12. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2015, c. 21, s. 519.

PART III.10.9.2.3

SPECIAL TAX CONCERNING THE CREDIT RELATING TO INVESTMENT AND INNOVATION

2021, c. 14, s. 191.

1129.45.41.18.13. In this Part, “specified expenses” and “specified property” have the meaning assigned by section 1029.8.36.166.60.36.

2021, c. 14, s. 191.

1129.45.41.18.14. Every corporation that, in relation to its specified expenses for a particular taxation year in respect of a specified property, is deemed to have paid an amount to the Minister, under any of sections 1029.8.36.166.60.48, 1029.8.36.166.60.51 and 1029.8.36.166.60.52, for any taxation year, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the “repayment year”) in which an amount relating to the specified expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under any of sections 1029.8.36.166.60.48, 1029.8.36.166.60.51, 1029.8.36.166.60.52 and 1029.8.36.166.60.60, in relation to its specified expenses for the particular year, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under any of sections 1029.8.36.166.60.48, 1029.8.36.166.60.51, 1029.8.36.166.60.52 and 1029.8.36.166.60.60, in relation to the

specified expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the specified expenses, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the specified expenses.

However, no tax is payable under this section, in relation to the specified expenses in respect of a property referred to in the first paragraph, if section 1129.45.41.18.16 applies in respect of the property for the repayment year or applied in respect of the property for a preceding taxation year.

2021, c. 14, s. 191; 2021, c. 18, s. 158.

1129.45.41.18.15. Every corporation that is a member of a partnership and is, in relation to the partnership's specified expenses, in respect of a specified property, for a particular fiscal period of the partnership, deemed to have paid an amount to the Minister, under any of sections 1029.8.36.166.60.49, 1029.8.36.166.60.51 and 1029.8.36.166.60.52, for any taxation year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period of the partnership (in this section referred to as the "fiscal period of repayment") in which an amount relating to the specified expenses is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.166.60.49, 1029.8.36.166.60.51, 1029.8.36.166.60.52, 1029.8.36.166.60.61 and 1029.8.36.166.60.62, in relation to the partnership's specified expenses for the particular fiscal year, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.166.60.49, 1029.8.36.166.60.51, 1029.8.36.166.60.52, 1029.8.36.166.60.61 and 1029.8.36.166.60.62, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the specified expenses, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the specified expenses, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the specified expenses, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

However, no tax is payable under this section, in relation to the specified expenses in respect of a property referred to in the first paragraph, if section 1129.45.41.18.17 applies in respect of the property for the taxation year in which the fiscal period of repayment ends or applied in respect of the property in a preceding taxation year.

2021, c. 14, s. 191; 2021, c. 18, s. 159.

1129.45.41.18.16. Every corporation that, in relation to its specified expenses in respect of a specified property, is deemed to have paid an amount to the Minister, under any of sections 1029.8.36.166.60.48, 1029.8.36.166.60.51 and 1029.8.36.166.60.52, for any taxation year, shall pay, for a particular taxation year, the tax computed under the second paragraph where, at any time after the corporation's filing-due date for the taxation year preceding the particular year and during the period described in the third paragraph, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used, where the property is referred to in subparagraph v of paragraph *b* of the definition of "specified property" in the first paragraph of section 1029.8.36.166.60.36, mainly in Québec or, in any other case, solely in Québec, to earn income from a business carried on

(a) by the first purchaser of the property, where the first purchaser owns it at the time referred to in the portion before this subparagraph; or

(b) by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, where the subsequent purchaser owns it at the time referred to in the portion before subparagraph *a*.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under any of sections 1029.8.36.166.60.48, 1029.8.36.166.60.51, 1029.8.36.166.60.52 and 1029.8.36.166.60.60, in relation to its specified expenses in respect of the specified property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under section 1129.45.41.18.14, in relation to those specified expenses, for a taxation year preceding the particular year.

The period to which the first paragraph refers is the period that begins on the particular day on which the property begins to be used by its first purchaser or by a subsequent purchaser that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies and ends on the earlier of

(a) the 730th day following the particular day; and

(b) the corporation's filing-due date for the particular taxation year.

2021, c. 14, s. 191.

1129.45.41.18.17. Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under any of sections 1029.8.36.166.60.49, 1029.8.36.166.60.51 and 1029.8.36.166.60.52, for any taxation year in relation to the partnership's specified expenses in respect of a specified property, shall pay, for a particular taxation year, the tax computed under the second paragraph where, at any time after the last day of the six-month period following the end of the partnership's fiscal period that ends in the taxation year preceding the particular year and during the period described in the third paragraph, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used, where the property is referred to in subparagraph v of paragraph *b* of the definition of "specified property" in the first paragraph of section 1029.8.36.166.60.36, mainly in Québec or, in any other case, solely in Québec, to earn income from a business carried on

(a) by the first purchaser of the property, where the first purchaser owns it at the time referred to in the portion before this subparagraph; or

(b) by a subsequent purchaser of the property that acquired it in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, where the subsequent purchaser owns it at the time referred to in the portion before subparagraph *a*.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under any of sections 1029.8.36.166.60.49, 1029.8.36.166.60.51, 1029.8.36.166.60.52, 1029.8.36.166.60.61 and 1029.8.36.166.60.62, in relation to the partnership's specified expenses in respect of the specified property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under section 1129.45.41.18.15, in relation to those specified expenses, for a taxation year preceding the particular year.

The period to which the first paragraph refers is the period that begins on the particular day on which the property begins to be used by its first purchaser or by a subsequent purchaser that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies and ends on the earlier of

(a) the 730th day following the particular day; and

(b) the last day of the six-month period following the end of the partnership's fiscal period that ends in the particular year.

2021, c. 14, s. 191; 2021, c. 18, s. 160.

1129.45.41.18.18. For the purposes of Part I, except Division II.6.14.2.3 of Chapter III.1 of Title III of Book IX, the following rules must be taken into account:

(a) tax paid to the Minister by a corporation at any time, under section 1129.45.41.18.14 or 1129.45.41.18.16, in relation to specified expenses, in respect of a specified property, is deemed to be an amount of assistance repaid by the corporation at that time in respect of those expenses, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.45.41.18.15 or 1129.45.41.18.17 in relation to specified expenses, in respect of a specified property, of a partnership referred to in that section, is deemed to be an amount of assistance repaid by the partnership at that time in respect of those expenses, pursuant to a legal obligation.

2021, c. 14, s. 191.

1129.45.41.18.19. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2021, c. 14, s. 191.

PART III.10.9.3

SPECIAL TAX RELATING TO THE CREDIT FOR INTERNATIONAL FINANCIAL CENTRES

2011, c. 1, s. 108.

1129.45.41.19. In this Part, "eligible employee", "qualified wages" and "wages" have the meaning assigned by section 1029.8.36.166.61.

2011, c. 1, s. 108.

1129.45.41.20. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.62, on account of its tax payable for a particular taxation year under Part I, in relation to qualified wages incurred in the particular taxation year in respect of an eligible employee, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.62 or 1029.8.36.166.63, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.166.62 or 1029.8.36.166.63, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

2011, c. 1, s. 108.

1129.45.41.21. For the purposes of Part I, except Division II.6.14.3 of Chapter III.1 of Title III of Book IX, tax paid at any time by a corporation to the Minister under section 1129.45.41.20, in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the wages, pursuant to a legal obligation.

2011, c. 1, s. 108.

1129.45.41.22. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 if it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2011, c. 1, s. 108.

PART III.10.9.4

SPECIAL TAX RELATING TO THE CREDIT FOR THE HIRING OF EMPLOYEES BY NEW FINANCIAL SERVICES CORPORATIONS

2013, c. 10, s. 166.

1129.45.41.23. In this Part, "eligible employee" and "qualified wages" have the meaning assigned by section 1029.8.36.166.65.

2013, c. 10, s. 166.

1129.45.41.24. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.66, on account of its tax payable for a particular taxation year under Part I, in relation to qualified wages incurred in the particular taxation year in respect of an eligible employee, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to wages included in computing the qualified wages is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.66 or 1029.8.36.166.67, in relation to the qualified wages, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.166.66 or 1029.8.36.166.67, in relation to the qualified wages, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to wages included in computing the qualified wages, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified wages.

2013, c. 10, s. 166.

1129.45.41.25. For the purposes of Part I, except Division II.6.14.4 of Chapter III.1 of Title III of Book IX, tax paid at any time by a corporation to the Minister under section 1129.45.41.24, in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the wages, pursuant to a legal obligation to do so.

2013, c. 10, s. 166.

1129.45.41.26. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2013, c. 10, s. 166.

PART III.10.9.5

SPECIAL TAX RELATING TO THE CREDIT FOR NEW FINANCIAL SERVICES CORPORATIONS

2013, c. 10, s. 166.

1129.45.41.27. In this Part, "qualified expenditure" has the meaning assigned by section 1029.8.36.166.69.

2013, c. 10, s. 166.

1129.45.41.28. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.166.70, on account of its tax payable under Part I for a particular taxation year, in relation to a qualified expenditure incurred in the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year (in this section referred to as the "repayment year") in which an amount relating to an expenditure included in computing the qualified expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.166.70 or 1029.8.36.166.78, in relation to the qualified expenditure, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.166.70 or 1029.8.36.166.78, in relation to the qualified expenditure, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to an expenditure included in computing the qualified expenditure, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified expenditure.

2013, c. 10, s. 166.

1129.45.41.29. For the purposes of Part I, except Division II.6.14.5 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under this Part, in relation to a qualified expenditure of the corporation is deemed to be an amount of assistance repaid by the corporation at that time in respect of that expenditure, pursuant to a legal obligation to do so.

2013, c. 10, s. 166.

1129.45.41.30. Unless otherwise provided in this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2013, c. 10, s. 166.

PART III.10.10

SPECIAL TAX RELATING TO THE CREDIT RELATING TO MINING OR OTHER RESOURCES

2002, c. 40, s. 309; 2023, c. 2, s. 70.

1129.45.42. In this Part, "eligible expenses" has the meaning assigned by section 1029.8.36.167.

2002, c. 40, s. 309; 2007, c. 12, s. 274.

1129.45.43. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.168 or 1029.8.36.170, on account of its tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the corporation for the particular year, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.168 or 1029.8.36.170 or under any of sections 1029.8.36.171.1, 1029.8.36.171.2 and 1029.8.36.173, in relation to the eligible expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.168 or 1029.8.36.170 or under any of sections 1029.8.36.171.1, 1029.8.36.171.2 and 1029.8.36.173, in relation to the eligible expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible expenses.

2002, c. 40, s. 309; 2004, c. 21, s. 485.

1129.45.44. Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister, under section 1029.8.36.169 or 1029.8.36.171, on account of its tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the partnership for the partnership's particular fiscal period that ends in the particular year, shall pay the tax referred to in the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the "fiscal period of repayment", in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under section 1029.8.36.169 or 1029.8.36.171 or under any of sections 1029.8.36.171.1, 1029.8.36.171.2, 1029.8.36.174 and 1029.8.36.175, in relation to the eligible expenses, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.169 or 1029.8.36.171 or under any of sections 1029.8.36.171.1, 1029.8.36.171.2, 1029.8.36.174 and 1029.8.36.175, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible expenses, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of

repayment ends, in relation to the eligible expenses, if the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

2002, c. 40, s. 309; 2004, c. 21, s. 486; 2006, c. 36, s. 249; 2009, c. 15, s. 422; 2022, c. 23, s. 150.

1129.45.44.1. For the purposes of Part I, except Division II.6.15 of Chapter III.1 of Title III of Book IX, the following rules are taken into account:

(a) the tax paid at any time by a corporation to the Minister under section 1129.45.43, in relation to eligible expenses incurred after 12 June 2003, is deemed to be an amount of assistance repaid at that time by the corporation, in respect of the expenses, pursuant to a legal obligation; and

(b) the tax paid at any time by a corporation to the Minister under section 1129.45.44, in relation to eligible expenses incurred after 12 June 2003, is deemed to be an amount of assistance repaid at that time by the partnership referred to in that section in respect of the expenses, pursuant to a legal obligation.

2006, c. 36, s. 250; 2022, c. 23, s. 151.

1129.45.45. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 40, s. 309.

PART III.10.11

SPECIAL TAX RELATING TO QUALIFIED PATRONAGE DIVIDENDS OF COOPERATIVES

2004, c. 21, s. 487.

1129.45.46. In this Part,

"qualification certificate" means the qualification certificate referred to in the definition of "qualified cooperative" in section 726.27;

"qualified patronage dividend" of a cooperative or a federation of cooperatives means a patronage dividend allocated by the cooperative or federation of cooperatives in the form of a preferred share received after 21 February 2002 and before 1 January 2026 by a member of the cooperative or federation of cooperatives.

2004, c. 21, s. 487; 2007, c. 12, s. 304; 2013, c. 10, s. 167; 2023, c. 2, s. 71.

1129.45.47. Where, in a taxation year, the Minister of Economy and Innovation revokes a qualification certificate issued to a cooperative or a federation of cooperatives, the cooperative or federation of cooperatives shall pay for the year a tax equal to 10% of the amount that is the aggregate of all qualified

patronage dividends it allocated in respect of a taxation year covered by the notice of revocation of the qualification certificate.

2004, c. 21, s. 487; 2006, c. 8, s. 31; 2013, c. 10, s. 168; 2019, c. 29, s. 1.

1129.45.48. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2004, c. 21, s. 487.

PART III.11

ADDITIONAL TAX FOR MANUFACTURERS OF TOBACCO PRODUCTS

1995, c. 49, s. 235.

1129.46. In this Part, "establishment" has the meaning assigned by section 1.

1995, c. 49, s. 235; 1997, c. 3, s. 71; 1997, c. 14, s. 290; 2002, c. 40, s. 310; 2007, c. 12, s. 275.

1129.47. Every corporation having an establishment in Québec at any time in a taxation year shall pay a tax for that year equal to the product obtained by multiplying the amount determined under section 1129.48 in respect of the corporation for the year by the proportion that

(a) the number of days in the year that are after 8 February 1994 and before 9 February 1997, is of

(b) the number of days in the year.

1995, c. 49, s. 235; 1997, c. 3, s. 71.

1129.48. The amount referred to in section 1129.47 in respect of a corporation for a taxation year is equal to the lesser of

(a) the tax payable by the corporation for its taxation year 1993 under Part IV, and

(b) the amount determined in respect of the corporation for the year by the formula

$$A \times B.$$

For the purposes of the formula in subparagraph *b* of the first paragraph,

(a) A is the amount that would be determined in respect of the corporation for the year under the definition of "Part I tax on tobacco manufacturing profits" in subsection 2 of section 182 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), if the reference therein to "21%" were read as "4.45%"; and

(b) B is the ratio between the business carried on by the corporation in Québec in the year and the total business carried on by the corporation in Canada or in Québec and elsewhere in the year, as determined by regulation.

1995, c. 49, s. 235; 1997, c. 3, s. 71.

1129.49. Every corporation shall pay to the Minister, on or before the later of 6 January 1996 and the last day of the second month after the end of its taxation year, its tax payable under this Part for the year.

1995, c. 49, s. 235; 1997, c. 3, s. 71.

1129.50. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

1995, c. 49, s. 235.

PART III.12

TAX ON ENVIRONMENTAL TRUSTS

1996, c. 39, s. 270; 2000, c. 5, s. 285.

1129.51. In this Part,

"balance-due day" has the meaning assigned by section 1;

"Canada" has the meaning assigned by section 1;

"environmental trust" means a trust

(a) each trustee of which is

i. the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec, or

ii. a corporation resident in Canada that is licensed or otherwise authorized under the laws of Canada or a province to offer its services as trustee in Canada;

(b) that is maintained for the sole purpose of funding the reclamation of a qualifying site;

(c) that is, or may become, required to be maintained under

i. a qualifying contract, or

ii. a qualifying law or order; and

(d) that is not an excluded trust;

"excluded trust", at a particular time, means a trust that

(a) has as its object at that time the reclamation of a well;

(b) is not maintained at that time to secure the reclamation obligations of one or more persons or partnerships that are beneficiaries under the trust;

(c) borrows money at that time;

(d) if the trust is not a trust to which paragraph *e* applies, acquires at that time any property that is not described in any of paragraphs *a*, *b* and *f* of the definition of "qualified investment" in section 204 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(e) if the trust is created after 31 December 2011 (or if the trust was created before 1 January 2012, it made a valid election under paragraph *e* of the definition of "excluded trust" in subsection 1 of section 211.6 of the Income Tax Act),

i. acquires at that time any property that is not described in any of paragraphs *a*, *b*, *c*, *c*.1, *d* and *f* of the definition of "qualified investment" in section 204 of the Income Tax Act, or

ii. holds at that time a prohibited investment;

(f) is not a qualifying environmental trust for the purposes of the Income Tax Act because of a valid election made by it to that effect under paragraph *f* of the definition of "excluded trust" in subsection 1 of section 211.6 of that Act; or

(g) was, at any time before the particular time but during its existence, not an environmental trust (within the meaning of section 21.40 as it applied at that time);

"prohibited investment", of a trust at any time, means a property that

(a) at the time it was acquired by the trust, was described in any of paragraphs *c*, *c*.1 and *d* of the definition of "qualified investment" in section 204 of the Income Tax Act; and

(b) was issued by

i. a person or partnership that has contributed property to, or that is a beneficiary under, the trust,

ii. a person that is related to, or a partnership that is affiliated with, a person or partnership that has contributed property to, or that is a beneficiary under, the trust, or

iii. a particular person or partnership if

(1) another person or partnership holds a significant interest (within the meaning of subsection 4 of section 207.01 of the Income Tax Act with the necessary modifications) in the particular person or partnership, and

(2) the holder of that significant interest has contributed property to, or is a beneficiary under, the trust;

"property" has the meaning assigned by section 1;

"province" has the meaning assigned by section 1;

"qualifying contract", in respect of a trust, means a contract entered into with the State, Her Majesty in right of Canada or Her Majesty in right of a province, other than Québec, on or before the later of 1 January 1996 and the day that is one year after the day on which the trust was created;

"qualifying law or order", in respect of a trust, means

(a) a law of Canada or a province that was enacted on or before the later of 1 January 1996 and the day that is one year after the day on which the trust was created; and

(b) if the trust was created after 31 December 2011, an order made

i. by a tribunal constituted under a law described in paragraph *a*, and

ii. on or before the day that is one year after the day on which the trust was created;

"qualifying site", in respect of a trust, means a site in Canada that is or has been used primarily for, or for any combination of,

(a) the operation of a mine;

(b) the extraction of clay, peat, sand, shale or aggregates (including dimension stone and gravel);

(c) the deposit of waste; or

(d) if the trust was created after 31 December 2011, the operation of a pipeline;

"trust" has the meaning assigned by Part I.

For the purposes of this Part, a person is related to, or a partnership is affiliated with, a person or partnership when the person is related to, or the partnership is affiliated with, a person or partnership for the purposes of Part I.

Chapter V.2 of Title II of Book I of Part I applies in relation to an election made under paragraph *e* or *f* of the definition of "excluded trust" in subsection 1 of section 211.6 of the Income Tax Act.

1996, c. 39, s. 270; 2000, c. 5, s. 286; 2007, c. 12, s. 304; 2013, c. 10, s. 169.

1129.51.1. For the purposes of this Part, an environmental trust is deemed to be resident in the province in which the site in respect of which the trust is maintained is situated and in no other province.

2013, c. 10, s. 170.

1129.52. Every trust that, at the end of a taxation year, is an environmental trust resident in Québec (other than a trust that is at that time described in paragraph *p* or *q* of section 998) shall pay a tax for the year equal to the amount obtained by applying the basic rate that would be determined in its respect for the year under section 771.0.2.3.1 if the trust were a corporation other than a financial institution or an oil refining corporation, within the meaning assigned to those expressions by section 771.1, to its income determined under Part I for the year.

For the purposes of the first paragraph, the income under Part I of an environmental trust shall be computed as if this Act were read without reference to sections 652, 653 to 657.4, 659 to 668.3, 669.1 to 671.4, 680, 681, 684 to 688.2, 690.0.1 and 691 to 692 and without reference to the portion of the income that may reasonably be considered to be the share of a person exempt from tax under Part I.

1996, c. 39, s. 270; 2000, c. 5, s. 287; 2003, c. 9, s. 414; 2009, c. 5, s. 530; 2013, c. 10, s. 171; 2015, c. 21, s. 520; 2017, c. 1, s. 384.

1129.53. Every trust that, at the end of a taxation year, is an environmental trust resident in Québec shall

(a) file with the Minister, on or before its filing-due date for the year, a return under this Part for the year in prescribed form, without notice or demand therefor;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year on or before its balance-due day for the year.

1996, c. 39, s. 270; 2000, c. 5, s. 288.

1129.54. Except where inconsistent with this Part, sections 1000 to 1024 and 1031.1 to 1079.16 apply, with the necessary modifications, to this Part.

1996, c. 39, s. 270; 2013, c. 10, s. 172; 2015, c. 36, s. 163.

PART III.12.1

SPECIAL TAX RELATING TO THE CREDIT FOR RACEHORSE MAINTENANCE

2002, c. 40, s. 311.

1129.54.1. In this Part,

"eligible horse" has the meaning assigned by section 1029.8.36.53.1;

"qualified expenditure" has the meaning assigned by section 1029.8.36.53.1.

2002, c. 40, s. 311; 2007, c. 12, s. 304.

1129.54.2. Every taxpayer who is deemed to have paid an amount to the Minister, under section 1029.8.36.53.2, on account of the taxpayer's tax payable under Part I for a particular taxation year, in

relation to the aggregate of the qualified expenditures made by the taxpayer in the particular year in respect of an eligible horse, shall pay the tax referred to in the second paragraph for a subsequent taxation year, in this section referred to as the "repayment year", in which an amount relating to any of the qualified expenditures is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.36.53.2 or 1029.8.36.53.5, in relation to the aggregate of the qualified expenditures, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under section 1029.8.36.53.2 or 1029.8.36.53.5, in relation to the aggregate of the qualified expenditures, if every amount that is so refunded, paid or allocated at or before the end of the repayment year, in relation to any of the qualified expenditures, were refunded, paid or allocated in the particular year; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year, in respect of the aggregate of the qualified expenditures.

2002, c. 40, s. 311.

1129.54.3. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2002, c. 40, s. 311.

PART III.13

SPECIAL TAX RELATING TO THE FINANCING OF A UNIVERSITY RESEARCH CONTRACT

1997, c. 14, s. 268.

1129.55. In this Part,

"eligible university entity" has the meaning assigned by paragraph *f* of section 1029.8.1;

"qualified expenditure" has the meaning assigned by paragraph *d*.1 of section 1029.8.1;

"scientific research and experimental development" has the meaning assigned by subsections 2 to 4 of section 222;

"university foundation" has the meaning assigned by paragraph *f*.1 of section 1029.8.1;

"university research contract" has the meaning assigned by paragraph *b* of section 1029.8.1.

1997, c. 14, s. 268; 2000, c. 5, s. 289; 2007, c. 12, s. 304.

1129.56. A university foundation that has become surety for a corporation in respect of the payment of amounts used for the financing of scientific research and experimental development provided for in a university research contract entered into between the corporation and an eligible university entity and that pays, for the first time, an amount under the suretyship shall pay, for its taxation year that includes the day that is two years following the day of that payment, tax equal to the amount determined by the formula

50% (A − B).

For the purposes of the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount the corporation is deemed to have paid to the Minister, under section 1029.8.6, as partial payment of its tax payable pursuant to Part I for a taxation year in respect of the amount of a qualified expenditure paid by the corporation to an eligible university entity as part of the university research contract;

(b) B is the aggregate of all amounts each of which is an amount the corporation would be deemed to have paid to the Minister, under the said section 1029.8.6, as partial payment of its tax payable pursuant to Part I for a taxation year if the aggregate of all amounts each of which is the amount of a qualified expenditure paid as part of the contract were reduced by the amount furnished under the suretyship.

However, the amount of tax determined under the first paragraph shall be reduced by the proportion of that amount that the portion of the amount that the university foundation was required to pay under the suretyship and that was repaid to it by the corporation is of the amount that the university foundation was required to pay under the suretyship.

1997, c. 14, s. 268.

1129.57. Where a university foundation is required to pay tax under this Part for a taxation year, it shall, within 60 days after the end of the year,

(a) send to the Minister, without notice or demand therefor, a return under this Part for the year in prescribed form;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

1997, c. 14, s. 268.

1129.58. Except where inconsistent with this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply, with the necessary modifications, to this Part.

1997, c. 14, s. 268; 1997, c. 85, s. 309.

PART III.14

SPECIAL TAX RELATING TO FLOW-THROUGH SHARES

1998, c. 16, s. 246.

1129.59. In this Part, “flow-through share” has the meaning assigned by section 359.1.

1998, c. 16, s. 246; 2007, c. 12, s. 276.

1129.60. Every corporation that purported to renounce an amount in a calendar year under section 359.2 or 359.2.1, because of the application of section 359.8, shall pay a tax, for each month of the year, except the month of January, unless section 1129.60.1 is applicable to the corporation in respect of the amount so renounced, equal to the amount determined in its respect by the formula

[(A - B)/2] × (C/12 + D/10).

In the formula provided for in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount that the corporation purported to renounce in the calendar year under section 359.2 or 359.2.1 because of the application of section 359.8 in respect of expenses incurred or to be incurred in connection with production or potential production in Québec;

(b) B is the aggregate of all expenses described in paragraph *a* of section 359.8 that are incurred by the end of the month by the corporation and in respect of the renunciation in respect of which an amount is included in the aggregate referred to in subparagraph *a*;

(c) C is the rate of interest prescribed for the purposes of subsection 3 of section 164 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for the month; and

(d) D is one where the month is December, and zero in any other case.

1998, c. 16, s. 246; 2009, c. 5, s. 531.

1129.60.1. If a corporation purported to renounce an amount in a particular calendar year under section 359.2 or 359.2.1, because of the application of section 359.8, in respect of expenses it has incurred in the subsequent calendar year, and if those expenses are deemed under section 359.8.1 to have been incurred on the last day of the calendar year preceding the particular calendar year, the following rules apply:

(a) the corporation shall pay a tax, for each month of the particular calendar year, except the month of January, equal to the amount determined by the formula

[(A - B)/2] × (C/12); and

(b) the corporation shall pay a tax, for each month of the subsequent calendar year, equal to the amount determined by the formula

[(A - B)/2] × (C/12 + D/10).

In the formulas in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount that the corporation purported to renounce in the particular calendar year under section 359.2 or 359.2.1, because of the application of section 359.8, in respect of expenses incurred or to be incurred in connection with production or potential production in Québec;

(b) B is the aggregate of all the expenses that are incurred by the corporation at or before the end of the month in the particular calendar year or in the subsequent calendar year and that relate to a renunciation in respect of which an amount is included in the aggregate referred to in subparagraph *a*;

(c) C is the rate of interest prescribed for the purposes of subsection 3 of section 164 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for the month; and

(d) D is 1 if the month for which a tax is determined under this Part for the subsequent taxation year is the month of December of that year, and zero in any other case.

2009, c. 5, s. 532.

1129.61. Where a corporation is required to pay tax under this Part in respect of one month in a calendar year, it shall, before 1 March of the following calendar year,

(a) file with the Minister, without notice or demand therefor, a return for the year under this Part in prescribed form;

(b) estimate, in the return, the amount of tax payable under this Part by it in respect of each month in the year; and

(c) pay to the Minister the amount of tax payable under this Part by it in respect of each month in the year.

1998, c. 16, s. 246.

1129.61.1. Where an agreement referred to in section 359.8 is entered into after 31 December 2018 and before 1 January 2021, the following rules apply:

(a) for the purposes of subparagraph *b* of the second paragraph of section 1129.60 and, in the cases to which subparagraph iii applies, section 359.8, the expenses referred to in paragraph *a* of section 359.8 that are incurred by a corporation in respect of the agreement in a particular month of a calendar year are deemed to have been incurred

i. in the month of January 2020, if the expenses were incurred in the calendar year 2020 and the agreement was entered into in the calendar year 2019,

ii. in the month of January 2021, if the expenses were incurred in the calendar year 2021 and the agreement was entered into in the calendar year 2020, and

iii. 12 months earlier, in any other case; and

(b) section 1129.61 is to be read as if "the following calendar year" in the portion before paragraph *a* were replaced by "the second following calendar year".

2021, c. 36, s. 155.

1129.62. Except where inconsistent with this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

1998, c. 16, s. 246.

PART III.15

SPECIAL TAX IN RESPECT OF REGISTERED EDUCATION SAVINGS PLANS

2000, c. 5, s. 290.

1129.63. In this Part,

"accumulated income payment" has the meaning assigned by section 890.15;

"public primary caregiver" has the meaning assigned by section 890.15;

"registered education savings plan" means a plan that is a registered education savings plan for the purposes of Part I;

"subscriber" has the meaning that would be assigned by sections 890.15 and 890.17, if the definition of that expression in section 890.15 were read without reference to subparagraph iii of paragraph *b* thereof.

2000, c. 5, s. 290; 2007, c. 12, s. 304; 2010, c. 25, s. 217; 2015, c. 21, s. 521.

1129.64. Every person (other than a public primary caregiver that is exempt from tax under Part I) shall pay a tax under this Part, for a taxation year, equal to the amount determined by the formula

$$0.08 (A + B - C).$$

In the formula provided for in the first paragraph,

(a) A is the aggregate of all amounts each of which is an accumulated income payment made at any time that is required to be included in computing the person's income under Part I for the year and that is

i. under a registered education savings plan under which the person is a subscriber at that time, or

ii. under a registered education savings plan under which there is no subscriber at that time, where the person has been a spouse of an individual who was a subscriber under the plan;

(b) B is the aggregate of all amounts each of which is an accumulated income payment that is required to be included in computing the person's income under Part I for the year but is not included in the value of A in respect of the person for the year; and

(c) C is the lesser of

i. the lesser of the value determined under subparagraph *a* in respect of the person for the year and the aggregate of all amounts each of which is an amount deducted by the person under paragraph *b* of section 339, where that paragraph refers to sections 922 and 923, in computing the person's income under Part I for the year, and

ii. the amount by which $50,000 exceeds the aggregate of all amounts each of which is an amount determined under subparagraph i in respect of the person for a preceding taxation year.

2000, c. 5, s. 290; 2001, c. 53, s. 255; 2015, c. 21, s. 522.

1129.65. Every person who is liable to pay tax under this Part for a taxation year shall, on or before the person's filing-due date for the year,

(a) file with the Minister a return for the year under this Part in prescribed form and containing prescribed information, without notice or demand therefor;

(b) estimate in the return the amount of tax payable under this Part by the person for the year; and

(c) pay to the Minister the amount of tax payable under this Part by the person for the year.

2000, c. 5, s. 290.

1129.66. Except where inconsistent with this Part, sections 1001 to 1014, 1025 to 1026.2 and 1031.1 to 1079.16 apply to this Part, with the necessary modifications.

2000, c. 5, s. 290; 2015, c. 36, s. 164.

PART III.15.1

SPECIAL TAXES RELATING TO THE CREDIT TO PROMOTE EDUCATION SAVINGS

2009, c. 5, s. 533.

1129.66.1. In this Part,

"balance-due day" has the meaning assigned by section 1;

"beneficiary" has the meaning assigned by section 890.15;

"brother" has the meaning assigned by the first paragraph of section 1029.8.126;

"CLB account" has the meaning assigned by the first paragraph of section 1029.8.126;

"education savings incentive" has the meaning assigned by the first paragraph of section 1029.8.128;

"education savings incentive account" has the meaning assigned by the first paragraph of section 1029.8.126;

"educational assistance payment" has the meaning assigned by section 890.15;

"grant account" has the meaning assigned by the first paragraph of section 1029.8.126;

"increase amount" has the meaning assigned by the first paragraph of section 1029.8.126;

"registered education savings plan" has the meaning assigned by section 1;

"sister" has the meaning assigned by the first paragraph of section 1029.8.126;

"trust" has the meaning assigned by section 890.15.

2009, c. 5, s. 533.

1129.66.2. If a contribution in respect of which an amount on account of an education savings incentive was received under section 1029.8.128 by a particular trust governed by a registered education savings plan, is withdrawn from the plan, otherwise than in connection with an eligible withdrawal or a transfer to another trust governed by another registered education savings plan, and no beneficiary under the plan is eligible to receive an educational assistance payment, the particular trust shall pay, for the taxation year in which the contribution is withdrawn, tax equal to the lesser of

(a) the balance of the plan's education savings incentive account immediately before the end of the year; and

(b) the amount determined by the formula

$$A/B \times C.$$

In the formula in subparagraph *b* of the first paragraph,

(a) A is the balance of the plan's education savings incentive account immediately before the end of the year;

(b) B is the aggregate of the contributions made to the plan immediately before the end of the year in respect of which an education savings incentive was received by the particular trust, except such a contribution that was withdrawn from the plan in a preceding taxation year; and

(c) C is the amount of the contribution withdrawn from the plan.

For the purposes of the first paragraph, "eligible withdrawal" means a withdrawal that is all or part of an excess amount of contributions to the registered education savings plan if the withdrawal is intended to reduce the amount of tax payable under Part X.4 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

2009, c. 5, s. 533.

1129.66.3. If, in a taxation year, the aggregate of all amounts each of which is the portion, determined in accordance with section 1029.8.142, of an educational assistance payment received by a beneficiary that is attributable to the education savings incentive, exceeds $3,600, the beneficiary shall pay for the year tax equal to the excess amount.

2009, c. 5, s. 533.

1129.66.4. If any of the events mentioned in the second paragraph occurs in a taxation year, a trust governed by a registered education savings plan shall pay, for that year, tax equal to the lesser of

(a) the balance of the plan's education savings incentive account immediately before the event occurs; and

(b) the amount determined by the formula

$$(A \times B)/(B + C + D).$$

The events to which the first paragraph refers are the following:

(a) the cessation of the plan's existence;

(b) the revocation of the plan's registration;

(c) the payment of an amount referred to in paragraph *b* or *d* of the definition of "trust" in section 890.15;

(d) the making of an educational assistance payment to an individual who is not a beneficiary under the plan;

(e) the replacement of a beneficiary under the plan by another beneficiary, except for a recognized replacement described in the second paragraph of section 1029.8.135; and

(f) the transfer of properties held by the trust governed by the plan to another trust governed by another registered education savings plan, except for an authorized transfer described in the second paragraph of section 1029.8.136.

In the formula in subparagraph *b* of the first paragraph,

(a) A is the fair market value of the properties held by the trust governed by the plan immediately before the event occurs;

(b) B is the balance of the plan's education savings incentive account immediately before the event occurs;

(c) C is the aggregate of

i. the balance of the plan's grant account immediately before the event occurs, and

ii. the aggregate of all amounts each of which is the balance of a CLB account of the plan immediately before the event occurs; and

(d) D is the aggregate of all amounts each of which is the balance of an account of assistance paid under a designated provincial program, within the meaning of section 890.15, of the plan immediately before the event occurs.

2009, c. 5, s. 533; 2021, c. 18, s. 161.

1129.66.5. If a trust governed by a registered education savings plan received an amount deemed under section 1029.8.128 to be an overpayment of its tax payable on account of an increase amount and if, in a calendar year, an individual who is neither the brother nor the sister of the other beneficiaries under the plan becomes a beneficiary under the plan, the trust shall pay, for that year, tax equal to the lesser of

(a) the balance of the plan's education savings incentive account immediately before the time the individual becomes a beneficiary; and

(b) the amount by which the fair market value of the properties held by the trust, immediately before the time the individual becomes a beneficiary, exceeds the aggregate of the balances of the plan's grant account and CLB accounts immediately before that time.

2009, c. 5, s. 533.

1129.66.6. A trust that is required to pay tax under this Part for a taxation year shall, on or before the trust's filing-due date for the year,

(a) file with the Minister, without notice or demand, a return under this Part in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

2009, c. 5, s. 533.

1129.66.7. A beneficiary shall pay to the Minister for a taxation year, on or before the beneficiary's balance-due day for the year, the beneficiary's tax payable under this Part for the year.

2009, c. 5, s. 533.

1129.66.8. Unless otherwise provided in this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2009, c. 5, s. 533.

PART III.15.2

SPECIAL TAX ON EXCESS PROFIT SHARING PLAN AMOUNTS

2015, c. 21, s. 523.

1129.66.9. In this Part,

"balance-due day" has the meaning assigned by section 1;

"employer" has the meaning assigned by section 1;

"excess profit sharing plan amount", of a specified employee for a taxation year in respect of an employer, means the amount determined by the formula

A - (20% × B);

"profit sharing plan" has the meaning assigned by section 1;

"specified employee" has the meaning assigned by section 1;

"trust" has the meaning assigned by section 1.

In the formula in the definition of "excess profit sharing plan amount" in the first paragraph,

(a) A is the portion of the aggregate of all amounts each of which is an amount paid by the employer of the specified employee (or by a corporation with which the employer does not deal at arm's length) to a trust governed by a profit sharing plan that is allocated for the year to the specified employee; and

(b) B is the specified employee's income for the year from an office or employment with the employer computed under Chapters I and II of Title II of Book III of Part I, except Divisions V and VI of that Chapter II.

2015, c. 21, s. 523.

1129.66.10. If a specified employee has an excess profit sharing plan amount for a taxation year, the specified employee shall pay a tax for the year equal to the amount determined by the formula

A × B.

In the formula in the first paragraph,

(a) A is the rate specified in paragraph *d* of section 750; and

(b) B is the aggregate of all excess profit sharing plan amounts of the specified employee for the year.

2015, c. 21, s. 523.

1129.66.11. If a specified employee would otherwise be required to pay tax under section 1129.66.10, the Minister may waive or cancel all or part of the tax if the Minister considers it just and equitable to do so having regard to all the circumstances.

2015, c. 21, s. 523.

1129.66.12. Every person who is required to pay tax under this Part for a taxation year shall

(a) on or before the person's filing-due date for the year, file with the Minister a return for the year under this Part in the prescribed form containing prescribed information; and

(b) on or before the person's balance-due day for the year, pay to the Minister the amount of tax payable under this Part by the person for the year.

2015, c. 21, s. 523.

1129.66.13. Unless otherwise provided in this Part, sections 1001 to 1014, 1025 to 1026.2, 1031 to 1034.0.2, 1035 to 1044.0.2 and 1045 to 1079.16 apply to this Part, with the necessary modifications.

2015, c. 21, s. 523.

PART III.16

SPECIAL TAX RELATING TO AN INCOME-AVERAGING ANNUITY PAYMENT RESPECTING INCOME FROM ARTISTIC ACTIVITIES

2005, c. 23, s. 254.

1129.67. In this Part,

"income-averaging annuity payment respecting income from artistic activities" means an amount paid as an annuity payment under an income-averaging annuity contract respecting income from artistic activities, or an amount referred to in paragraph *d*.1 of section 312;

"income-averaging annuity respecting income from artistic activities" has the meaning assigned by section 1.

2005, c. 23, s. 254; 2007, c. 12, s. 304; 2009, c. 15, s. 423; 2010, c. 25, s. 218.

1129.68. An individual who receives, in a taxation year, an income-averaging annuity payment respecting income from artistic activities is required to pay a tax under this Part for the year equal to 25.75% of the income-averaging annuity payment respecting income from artistic activities.

Every person who makes, in a taxation year, an income-averaging annuity payment respecting income from artistic activities to an individual must deduct or withhold, from the income-averaging annuity payment respecting income from artistic activities, the amount of tax referred to in the first paragraph that the individual is liable to pay for the year in respect of that payment, and pay to the Minister the amount so deducted or withheld, as tax on behalf of the individual, within 30 days after the date of payment of the income-averaging annuity payment respecting income from artistic activities.

Every person who makes an income-averaging annuity payment respecting income from artistic activities to an individual must pay, as tax on behalf of the individual, any amount the person did not deduct or withhold under the second paragraph and is authorized to recover from that individual the amount so paid.

2005, c. 23, s. 254; 2015, c. 21, s. 524.

1129.69. Except where inconsistent with this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply, with the necessary modifications, to this Part.

2005, c. 23, s. 254.

PART III.16.1

SPECIAL TAX RELATING TO THE CREDIT FOR CULTURAL PATRONAGE

2015, c. 21, s. 525.

1129.69.1. In this Part, "registered pledge" has the meaning assigned by the first paragraph of section 752.0.10.1.

2015, c. 21, s. 525.

1129.69.2. An individual who has deducted an amount in computing tax payable for a particular taxation year under section 752.0.10.6.2, in relation to a registered pledge, is required to pay tax, the amount of which is determined under the second paragraph, for the year (in this section referred to as the "year of the default") in which the registered pledge is, because of subparagraph i of paragraph *b* of section 752.0.10.15.5, deemed never to have been registered.

The amount to which the first paragraph refers in respect of the particular year is equal to the aggregate of

(a) the amount (in subparagraph *b* referred to as the "excess tax credit amount") which corresponds,

i. where the particular year precedes the taxation year 2017, to the amount obtained by multiplying by 6% the aggregate of all amounts each of which is the eligible amount of a gift that was taken into account in determining the amount that the individual deducted under section 752.0.10.6.2 for the particular year, in relation to the pledge, and

ii. where the particular year is subsequent to the taxation year 2016, to the amount determined by the formula

$(A \times B) + (C \times D)$; and

(b) the amount of interest computed on the excess tax credit amount at the rate set under section 28 of the Tax Administration Act (chapter A-6.002) for the period beginning on 1 May of the year following the particular year and ending before the beginning of the year of the default.

In the formula in subparagraph ii of subparagraph *a* of the second paragraph,

(a) A is a rate of 4.25%;

(b) B is the lesser of

i. the aggregate of all amounts each of which is the eligible amount of a gift that was taken into account in determining the amount that the individual deducted under section 752.0.10.6.2 for the particular year, in relation to the pledge, and

ii. the amount by which the individual's taxable income determined under Part I for the particular year exceeds the amount in dollars referred to in paragraph *d* of section 750 which, with reference to section 750.2, is applicable for the particular year;

(c) C is a rate of 6%; and

(d) D is the amount by which the aggregate referred to in subparagraph i of subparagraph *b* exceeds the amount determined under subparagraph ii of that subparagraph *b* in respect of the individual for the particular year.

The first paragraph does not apply in respect of a particular taxation year for which the Minister may redetermine the tax, interest and penalties under Part I in accordance with subsection 2 of section 1010.

2015, c. 21, s. 525; 2019, c. 14, s. 453.

1129.69.3. An individual who is required to pay tax under this Part for a taxation year shall, on or before the individual's filing-due date for the year,

(a) file with the Minister, without notice or demand, a return under this Part in the prescribed form containing prescribed information;

(b) estimate, in the return, the amount of the individual's tax payable under this Part for the year; and

(c) pay to the Minister the amount of the individual's tax payable under this Part for the year.

2015, c. 21, s. 525.

1129.69.4. Unless otherwise provided in this Part, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

2015, c. 21, s. 525.

PART III.17

TAX RELATING TO SIFT ENTITIES

2009, c. 5, s. 534.

1129.70. In this Part, unless the context indicates otherwise,

"Canadian immovable or resource property" means

(a) a property that would, but for the definition of "immovable property", be an immovable property situated in Canada;

(b) a Canadian resource property;

(c) a timber resource property;

(d) a share of the capital stock of a corporation, a capital or income interest in a trust or an interest in a partnership, if more than 50% of the fair market value of the share or interest is derived directly or indirectly from one or any combination of properties described in any of paragraphs *a* to *c*, other than

i. a share of a taxable Canadian corporation,

ii. a capital or income interest in a SIFT trust or in a trust that would be a SIFT trust if the definition of "SIFT trust" had effect from 31 October 2006,

iii. an interest in a SIFT partnership or in a partnership that would be a SIFT partnership if the definition of "SIFT partnership" had effect from 31 October 2006, or

iv. a capital or income interest in a real estate investment trust; or

(e) any right in or to a property described in any of paragraphs *a* to *d*;

“Canadian resident partnership” at any time means a partnership that, at that time,

(a) is a Canadian partnership, within the meaning of section 1;

(b) would, if it were a corporation, be resident in Canada, being thus considered a partnership that has its central management and control in Canada; or

(c) was formed under the laws of a province;

“capital or income interest” in a trust has, in the case of a capital interest in a trust or an income interest in a trust, the meaning assigned to those expressions by section 683;

“determined gross revenue” , of an entity for a taxation year, means the amount by which the aggregate of all amounts each of which is an amount received or receivable in the year (depending on the method regularly followed by the entity in computing the entity’s income) by the entity exceeds the aggregate of all amounts each of which is the cost to the entity of a property disposed of in the year;

“eligible resale property” , of an entity, means an immovable property (other than capital property) of the entity

(a) that is contiguous to an immovable property that is capital property or eligible resale property held by the entity or another entity affiliated with the entity; and

(b) the holding of which is ancillary to the holding of the immovable property described in paragraph *a*;

“entity” means a corporation, trust or partnership;

“equity”, of an entity, means

(a) if the entity is a corporation, a share of its capital stock;

(b) if the entity is a trust, a capital or income interest in the entity;

(c) if the entity is a partnership, an interest as a member of the entity;

(d) a liability of the entity (and, for purposes of the definition of “publicly-traded liability”, a security of the entity that is a liability of another entity) if

i. the liability is convertible into, or exchangeable for, equity of the entity or of another entity, or

ii. any amount paid or payable in respect of the liability is contingent on the use of or production from property, is determined on the basis of such use or production, or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation, or to income or capital paid or payable to any member of a partnership or beneficiary under a trust; and

(e) a right to, or to acquire, anything described in this paragraph and any of paragraphs *a* to *d*;

“equity value” of an entity at any time means the fair market value at that time of the aggregate of

(a) if the entity is a corporation, all of the issued and outstanding shares of its capital stock;

(b) if the entity is a trust, all of the capital or income interests in the entity; and

(c) if the entity is a partnership, all of the interests in the entity;

“establishment” has the meaning assigned by sections 12 to 16.2;

“excluded subsidiary entity”, for a taxation year, means an entity none of the equity of which is at any time in the year

(a) listed on a stock exchange or other public market or traded on such an exchange or other market; nor

(b) held by any person or partnership other than

i. a real estate investment trust,

ii. a taxable Canadian corporation,

iii. a SIFT trust or a trust that would be a SIFT trust but for subsection 3 of section 534 of the Act giving effect to the Budget Speech delivered on 24 May 2007, to the 1 June 2007 Ministerial Statement Concerning the Government's 2007-2008 Budgetary Policy and to certain other budget statements (2009, chapter 5),

iv. a SIFT partnership or a partnership that would be a SIFT partnership but for subsection 3 of section 534 of the Act giving effect to the Budget Speech delivered on 24 May 2007, to the 1 June 2007 Ministerial Statement Concerning the Government's 2007-2008 Budgetary Policy and to certain other budget statements,

iv.1. a person or partnership that does not have, in connection with the holding of a security of the entity, property the value of which is determined, all or in part, by reference to a security that is listed on a stock exchange or other public market or traded on such an exchange or other market, or

v. an excluded subsidiary entity for the year;

"immovable property" of a taxpayer includes a security held by the taxpayer that is a security of a trust that satisfies the conditions set out in paragraphs *a* to *d* of the definition of "real estate investment trust" or a security of another entity that would, if it were a trust, satisfy those conditions, or a real right in an immovable, other than a right to a rental or royalty described in paragraph *d* or *d*.1 of section 370, but does not include a depreciable property, other than

(a) a property included, for the purposes of Part I, in Class 1, 3 or 31 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), otherwise than by an election permitted by regulation;

(b) a property ancillary to the ownership or utilization of a property described in paragraph *a*; or

(c) a lease in, or a leasehold interest in respect of, land or property described in paragraph *a*;

"investment", in a trust or partnership, means the following property, but does not include an unaffiliated publicly-traded liability of the trust or partnership, nor regulated innovative capital:

(a) a property that is a security of the trust or partnership, or

(b) a right which may reasonably be considered to replicate a return on, or the value of, a security of the trust or partnership;

"non-portfolio earnings" of a SIFT entity for a taxation year means the aggregate of

(a) the amount by which the aggregate of all amounts each of which is the entity's income for the year determined under Part I and derived from a business carried on by it in Canada or from a non-portfolio property (other than income that is a taxable dividend received by the entity), exceeds the aggregate of all amounts each of which is the entity's loss for the year determined under Part I and derived from a business carried on by it in Canada or from a non-portfolio property; and

(b) the amount by which the aggregate of the allowable capital losses of the entity determined under Part I and derived from dispositions of non-portfolio properties during the year is exceeded by the aggregate of

i. the taxable capital gains of the entity determined under Part I and derived from dispositions of non-portfolio properties during the year, and

ii. if the entity is a SIFT trust, one half of the aggregate of all amounts each of which is deemed under section 1106 to be a capital gain of the trust for the year in respect of its non-portfolio properties for the year;

"non-portfolio property" , of a particular entity for a taxation year, means a property, held by the particular entity at any time in the year, that is

(a) a security of a subject entity (other than a portfolio investment entity), if at that time the particular entity holds

i. securities of the subject entity that have a total fair market value that is greater than the amount that is 10% of the equity value of the subject entity, or

ii. securities of the subject entity and securities of entities affiliated with the subject entity that together have a total fair market value that is greater than the amount that is 50% of the equity value of the particular entity;

(b) a Canadian immovable or resource property, if at any time in the year the total fair market value of all properties held by the particular entity that are Canadian immovable or resource properties is greater than the amount that is 50% of the equity value of the particular entity; or

(c) a property that the particular entity, or a person or partnership with whom the particular entity does not deal at arm's length, uses at that time in the course of carrying on a business in Canada;

"portfolio investment entity" at any time means an entity that does not at that time hold any non-portfolio property;

"public market" includes any trading system or other organized facility on which securities that are qualified for public distribution are listed or traded, but does not include a facility that is operated solely to carry out the issuance of a security or its redemption, acquisition or cancellation by its issuer;

"publicly-traded liability", of an entity, means a liability that is a security of the entity, that is not equity of the entity and that is listed on a stock exchange or other public market or traded on such an exchange or other market;

"qualified property" , of a trust at a particular time, means a property that, at that time, is held by the trust and is

(a) an immovable property that is capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers' acceptance, a property described in paragraph *a* or *b* of the definition of "qualified investment" in section 204 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) or a deposit with a savings and credit union;

(b) a security of a subject entity all or substantially all of the determined gross revenue of which, for its taxation year that ends in the trust's taxation year that includes that time, is from maintaining, improving, leasing or managing immovable properties that are capital properties of the trust or of another entity of which the trust holds a share or an interest, including immovable properties that the trust, or an entity of which the trust holds a share or an interest, holds together with one or more other persons or partnerships;

(c) a security of a subject entity, if the entity holds no property other than

i. titles of ownership in immovable properties of the trust or of another subject entity all of the securities of which are held by the trust, including immovable properties that the trust or the other subject entity holds together with one or more other persons or partnerships, or

ii. property described in paragraph *d*; or

(d) ancillary to the earning by the trust of amounts described in subparagraph i or iii of paragraph *b* of the definition of "real estate investment trust", other than a property that is

i. part of an equity of an entity, or

ii. a mortgage, hypothecary claim, mezzanine loan or similar obligation;

"real estate investment trust" for a taxation year means a trust that is resident in Canada throughout the year, if

(a) at each time in the taxation year the fair market value at that time of all non-portfolio properties that are qualified properties held by the trust is at least equal to 90% of the fair market value at that time of all non-portfolio properties held by the trust;

(b) not less than 90% of the trust's determined gross revenue for the year is from one or any combination of the following sources:

i. rent from immovable properties,

ii. interest,

iii. dispositions of immovable properties that are capital properties,

iv. dividends,

v. royalties, and

vi. dispositions of eligible resale properties;

(c) not less than 75% of the trust's determined gross revenue for the year is from one or any combination of the following sources:

i. rent from immovable properties,

ii. interest payable on debts secured by hypothecs on immovable properties, and

iii. dispositions of immovable properties that are capital properties;

(d) at each time in the year an amount, which is equal to 75% or more of the equity value of the trust at that time, is the amount that is the fair market value of all properties held by the trust each of which is an immovable property that is capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers' acceptance, a property described in paragraph *a* or *b* of the definition of "qualified investment" in section 204 of the Income Tax Act or a deposit with a savings and credit union; and

(e) investments in the trust are listed, at any time in the year, on a stock exchange or other public market or traded on such an exchange or other market;

"regulated innovative capital" means equity of a trust, if

(a) since 1 November 2006, the equity has been authorized, by the Superintendent of Financial Institutions of Canada, by the Autorité des marchés financiers or by a provincial regulatory authority having powers similar to those of the Superintendent of Financial Institutions of Canada, as Tier 1 or Tier 2 capital of a financial institution (within the meaning of subsection 1 of section 181 of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.));

(b) the terms and conditions of the equity have not changed after 1 August 2008;

(c) the trust has not issued any equity after 31 October 2006; and

(d) the trust does not hold any non-portfolio property other than

i. liabilities of the financial institution, and

ii. shares of the capital stock of the financial institution that were acquired by the trust for the sole purpose of satisfying a right to require the trust to accept, as demanded by a holder of the equity, the surrender of the equity;

"rent from immovable properties" includes rent or similar payments for the use of, or right to use, immovable properties and the amounts paid for services ancillary to the rental of immovable properties and customarily supplied or rendered in connection with the rental of immovable properties, but does not include

(a) amounts paid for services supplied or rendered, other than such ancillary services, to the tenants of immovable properties;

(b) fees for managing or operating immovable properties;

(c) amounts paid for the occupation of, use of, or right to use a room in a hotel or other similar lodging facility; or

(d) rent based on profits;

"security" of a particular entity means any right, whether immediate or future and whether absolute or contingent, conferred by the particular entity or by an entity that is affiliated with the particular entity, to

receive an amount that can reasonably be considered to be all or any part of the capital, of the revenue or of the income of the particular entity, or as interest paid or payable by the particular entity, and includes

(a) a liability of the particular entity;

(b) if the particular entity is a corporation,

i. a share of the capital stock of the corporation, and

ii. a right to control in any manner whatever the voting rights of a share of the capital stock of the corporation;

(c) if the particular entity is a trust, a capital or income interest in the particular entity;

(d) if the particular entity is a partnership, an interest as a member of the particular entity; and

(e) a right to, or to acquire, anything described in this paragraph and any of paragraphs *a* to *d*;

"SIFT entity", being a specified investment flow-through entity, means a SIFT trust or a SIFT partnership;

"SIFT partnership", being a specified investment flow-through partnership, for a taxation year, means a partnership other than an excluded subsidiary entity for the year that meets the following conditions at any time during the year:

(a) the partnership is a Canadian resident partnership;

(b) investments in the partnership are listed on a stock exchange or other public market or traded on such an exchange or other market; and

(c) the partnership holds one or more non-portfolio properties;

"SIFT partnership balance-due day" for a taxation year means the day, determined in accordance with section 1086R80 of the Regulation respecting the Taxation Act, on or before which the partnership return provided for in section 1086R78 of that Regulation is required to be filed for the year;

"SIFT trust", being a specified investment flow-through trust, for a taxation year means a trust (other than a real estate investment trust or an excluded subsidiary entity for the year) that meets the following conditions at any time during the year:

(a) the trust is resident in Canada;

(b) investments in the trust are listed on a stock exchange or other public market or traded on such an exchange or other market; and

(c) the trust holds one or more non-portfolio properties;

"subject entity" means a person or partnership that is

(a) a corporation resident in Canada;

(b) a trust resident in Canada;

(c) a Canadian resident partnership; or

(d) a person not resident in Canada, or a partnership that is not described in paragraph *c*, the principal source of income of which is one or any combination of sources in Canada;

"taxable distributions amount", of a SIFT trust for a taxation year, means the lesser of

(a) the taxable income for the year of the SIFT trust, determined under Part I, or, if the SIFT trust is not subject to taxation under Part I, the amount that would be its taxable income for the year if it were determined in accordance with Part I, on the assumption that its income is equal to the amount determined in its respect in accordance with paragraph *b*; and

(b) the amount determined by the formula

A/(1 - (B + C));

"taxable non-portfolio earnings" of a SIFT partnership, for a taxation year, means the lesser of

(a) the amount that would, if the SIFT partnership were a taxpayer for the purposes of Part I and if section 600 were read without reference to its paragraph *d*, be its income for the year as determined under section 28; and

(b) its non-portfolio earnings for the year;

"taxation year" means

(a) in the case of a partnership, a fiscal period within the meaning of Part I;

(b) in the case of a trust, a calendar year; and

(c) in any other case, a taxation year within the meaning of Part I;

"unaffiliated publicly-traded liability", of an entity at any time means a publicly-traded liability of the entity if, at that time the fair market value of all publicly-traded liabilities of the entity that are held at that time by persons or partnerships that are not affiliated with the entity is at least 90% of the fair market value of all publicly-traded liabilities of the entity.

In the formula in the definition of "taxable distributions amount" in the first paragraph,

(a) A is the SIFT trust's non-deductible distributions amount for the taxation year, within the meaning of section 663.4;

(b) B is the basic rate, expressed as a decimal fraction, that is determined in respect of the SIFT trust for the taxation year under the third paragraph of section 1129.71 or, if the SIFT trust has an establishment outside Québec in the year, the aggregate of the following rates:

i. that basic rate represented by the proportion that its business carried on in Québec is of the aggregate of its business carried on in Canada or in Québec and elsewhere, as that proportion would be determined under Chapters I and II of Title XXVII of the Regulation respecting the Taxation Act if the SIFT trust were a corporation, and

ii. the provincial SIFT tax rate, within the meaning assigned by subsection 1 of section 248 of the Income Tax Act and expressed as a percentage, that would be applicable to the SIFT trust for the year if that definition applied in respect of the SIFT trust for that year and if section 414 of the Income Tax Regulations (C.R.C., c. 945) made under that Act were read without reference to its subsection 4; and

(c) C is the net corporate income tax rate, within the meaning assigned by subsection 1 of section 248 of the Income Tax Act for the taxation year.

Any amount deducted by a SIFT trust, in accordance with paragraph *a* of the definition of "taxable distributions amount" in the first paragraph, in computing the amount that would have been its taxable income for a taxation year in which it is not subject to tax under Part I, is deemed to have been deducted in computing its taxable income for the year for the purposes of Part I.

2009, c. 5, s. 534; 2009, c. 15, s. 424; 2010, c. 25, s. 219; 2017, c. 1, s. 385; 2019, c. 14, s. 454; 2020, c. 16, s. 185.

1129.70.1. The second paragraph applies to an entity for a taxation year in respect of an amount and another entity (in this section referred to as the "parent entity", "specified amount" and "source entity", respectively), if

(a) at any time in the taxation year the parent entity is affiliated with the source entity or holds securities of the source entity that are described in any of paragraphs *a* to *c* of the definition of "equity" in the first

paragraph of section 1129.70 and have a fair market value that is greater than the amount that is 10% of the equity value of the source entity;

(b) the specified amount is included in computing the parent entity's determined gross revenue for the taxation year in respect of a security of the source entity held by the parent entity; and

(c) in the case of a source entity that is described in paragraph *b* of the definition of "qualified property" in the first paragraph of section 1129.70 in respect of the parent entity at each time during the taxation year at which the parent entity holds securities of the source entity, the specified amount cannot reasonably be considered to be derived from the source entity's determined gross revenue from maintaining, improving, leasing or managing immovable properties that are capital properties of the parent entity or of an entity of which the parent entity holds a share or an interest, including immovable properties that the parent entity, or an entity of which the parent entity holds a share or an interest, holds together with one or more other persons or partnerships.

For the purposes of the definition of "real estate investment trust" in the first paragraph of section 1129.70, the specified amount, to the extent that it can reasonably be considered to be derived from the source entity's determined gross revenue, is deemed to be included in the parent entity's determined gross revenue and to have the same character as that of the source entity and not any other character.

2017, c. 1, s. 386; 2020, c. 16, s. 186.

1129.70.2. For the purposes of the definition of "real estate investment trust" in the first paragraph of section 1129.70, the following rules apply:

(a) if an amount is included in the determined gross revenue of a trust for a taxation year and it results from an agreement that can reasonably be considered to have been made by the trust to reduce its risk from fluctuations in interest rates in respect of debt incurred by the trust to acquire or refinance immovable property, the amount is deemed to have the same character as the determined gross revenue in respect of the immovable property and not any other character; and

(b) where an immovable property is situated in a country other than Canada and either of the following amounts is included in the determined gross revenue of a trust for a taxation year, the amount is deemed to have the same character as the determined gross revenue in respect of the immovable property and not any other character:

i. the amount that is a gain from fluctuations in the value of the currency of that country relative to Canadian currency recognized on revenue in respect of the immovable property or debt incurred by the trust for the purpose of earning revenue in respect of the immovable property, or

ii. the amount that results from an agreement that provides for the purchase, sale or exchange of currency, and can reasonably be considered to have been made by the trust to reduce its risk from currency fluctuations described in subparagraph i.

2017, c. 1, s. 386; 2020, c. 16, s. 187.

1129.71. A SIFT entity for a taxation year that has an establishment in Québec at any time in the year shall pay tax under this Part that is equal to the amount determined by the formula

$A \times B$.

In the formula in the first paragraph,

(a) A is

i. if the SIFT entity is a SIFT trust for the year, its taxable distributions amount for the year, or

ii. if the SIFT entity is a SIFT partnership for the year, the taxable non-portfolio earnings of the partnership for the year; and

(b) B is the basic rate determined in respect of the entity for the year under the third paragraph.

For the purposes of subparagraph *b* of the second paragraph, the basic rate that must be determined in respect of a SIFT entity for a taxation year is equal to

(a) if the taxation year begins before 1 January 2009, the total of

i. the proportion of 9.9% that the number of days in the taxation year that follow 31 December 2006 but precede 1 June 2007 is of the number of days in the taxation year,

ii. the proportion of 11.9% if the SIFT entity would be a financial institution or an oil refining corporation, within the meaning of section 771.1, if it were a corporation, or of 9.9% in any other case, that the number of days in the taxation year that follow 31 May 2007 but precede 1 January 2008 is of the number of days in the taxation year,

iii. the proportion of 11.9% if the SIFT entity would be a financial institution or an oil refining corporation, within the meaning of section 771.1, if it were a corporation, or of 11.4% in any other case, that the number of days in the taxation year that follow 31 December 2007 but precede 1 January 2009 is of the number of days in the taxation year, and

iv. the proportion of 11.9% that the number of days in the taxation year that follow 31 December 2008 is of the number of days in the taxation year;

(b) if the taxation year begins after 31 December 2008 and ends before 1 January 2017, 11.9%; and

(c) if the taxation year ends after 31 December 2016, the total of

i. the proportion of 11.9% that the number of days in the taxation year that precede 1 January 2017 is of the number of days in the taxation year,

ii. the proportion of 11.8% that the number of days in the taxation year that follow 31 December 2016 but precede 1 January 2018 is of the number of days in the taxation year,

iii. the proportion of 11.7% that the number of days in the taxation year that follow 31 December 2017 but precede 1 January 2019 is of the number of days in the taxation year,

iv. the proportion of 11.6% that the number of days in the taxation year that follow 31 December 2018 but precede 1 January 2020 is of the number of days in the taxation year, and

v. the proportion of 11.5% that the number of days in the taxation year that follow 31 December 2019 is of the number of days in the taxation year.

If a SIFT entity referred to in the first paragraph has an establishment outside Québec in the year, its tax payable under this Part for the year is equal to the portion of that tax otherwise determined that is the proportion that the business it carries on in Québec is of the entire business it carries on in Canada or in Québec and elsewhere, as it would be determined under Chapters I and II of Title XXVII of the Regulation respecting the Taxation Act (chapter I-3, r. 1), if the SIFT entity were a corporation.

For the purposes of this Part, a SIFT entity for a taxation year that has non-portfolio properties for the year is deemed to carry on a business in respect of those non-portfolio properties.

2009, c. 5, s. 534; 2009, c. 15, s. 425; 2017, c. 1, s. 387.

1129.72. This Part applies without reference to section 603.1.

2009, c. 5, s. 534.

1129.73. Every member of a SIFT partnership that is liable to pay tax under this Part for a taxation year shall—on or before the day, determined in accordance with section 1086R80 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), on which the partnership return provided for in section 1086R78 of that Regulation is required to be filed for the year—file with the Minister a return for the year in the prescribed form containing an estimate of the amount of tax payable by the partnership under this Part for the year.

2009, c. 5, s. 534; 2009, c. 15, s. 426.

1129.74. For the purposes of section 1129.73, a return filed with the Minister by a particular member of a partnership who has the authority to act on its behalf, in relation to a taxation year of the partnership, is deemed to have been filed with the Minister by each member of the partnership for the year if the particular member has filed the return for the year in accordance with this Part.

In those circumstances, a return filed with the Minister by another member of the partnership for the year is deemed not to be valid and not to have been filed by a member of the partnership.

2009, c. 5, s. 534; 2015, c. 21, s. 526.

1129.75. Unless otherwise provided in this Part, Book I of Part I and sections 647, 1000 to 1024, 1027 and 1037 to 1079.16 apply, with the necessary modifications, to this Part and, for the purpose of applying this Part to a SIFT entity that is a SIFT partnership,

(a) the notice of assessment referred to in section 1008 in respect of tax payable under this Part is valid despite the fact that a partnership is not a person; and

(b) despite section 1010, the Minister may at any time make an assessment or reassessment of tax payable under this Part or Part I to give effect to a determination made by the Minister under section 1007.1, including an assessment or reassessment of tax payable under Part I in respect of the disposition of an interest in a SIFT partnership by a member of the partnership.

2009, c. 5, s. 534; 2010, c. 25, s. 220; 2017, c. 1, s. 388.

1129.76. A SIFT partnership shall pay to the Minister its tax payable under this Part for a taxation year on or before its SIFT partnership balance-due day for the year.

2009, c. 5, s. 534.

PART III.18

TAX ON PROPERTY INCOME OF SPECIFIED TRUSTS FROM THE RENTAL OF SPECIFIED IMMOVABLES

2013, c. 10, s. 173.

1129.77. In this Part,

"specified immovable" means an immovable property situated in Québec that is used principally for the purpose of earning or producing gross revenue that is rent;

"specified trust" for a taxation year means an inter vivos trust that was not resident, nor is deemed under paragraph *a* of section 595 to have been resident, in Canada at any time in the year and that is not exempt from tax payable under Part I because of Book VIII of that Part;

"taxation year" means a calendar year or, if applicable, the period determined in accordance with paragraph *a*.1 of section 785.1 or subparagraph *a*.0.1 of the first paragraph of section 785.2.

2013, c. 10, s. 173; 2015, c. 36, s. 165.

1129.78. A specified trust for a taxation year that, at any time in the year, owns a specified immovable or is a member of a partnership that owns a specified immovable shall pay a tax under this Part for the year that is equal to the product obtained by multiplying 4.47% by the property income of the specified trust from the rental of specified immovables for the year.

For the purposes of the first paragraph, each member of a partnership, at any time, is deemed to be a member of another partnership of which the first partnership is a member at that time.

2013, c. 10, s. 173; 2015, c. 21, s. 527; 2017, c. 29, s. 217.

1129.79. For the purposes of section 1129.78, the property income of a specified trust from the rental of specified immovables for a taxation year means the amount by which the amount that is the trust's income for the year from the rental of a specified immovable computed under Titles III and XI of Book III of Part I, except to the extent that the income is otherwise included under subparagraph *b* of the first paragraph of section 1089 in computing the trust's income earned in Québec for the year, exceeds the amount that is the trust's loss for the year from the rental of a specified immovable computed under those Titles III and XI, except to the extent that the loss is otherwise taken into consideration under subparagraph *i* of the first paragraph of section 1089 in computing the trust's income earned in Québec for the year or could be so taken into consideration if the trust had sufficient income for that purpose.

2013, c. 10, s. 173.

1129.80. For the purposes of section 1129.79, in computing the property income of a specified trust from the rental of specified immovables owned by the trust for a taxation year, a trust that becomes resident in Canada at a particular time is deemed to dispose, at the time (in this section referred to as the "time of disposition") immediately preceding the end of the trust's taxation year that ends immediately before the particular time, of each specified immovable then owned by the trust for proceeds of disposition equal to its fair market value at the time of disposition.

2013, c. 10, s. 173.

1129.81. Unless otherwise provided in this Part, Book I of Part I, sections 647, 1000 to 1014, 1026 to 1026.1 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

2013, c. 10, s. 173.

PART IV

TAX ON CAPITAL

1972, c. 23; 1979, c. 38, s. 27.

BOOK I

INTERPRETATION

1972, c. 23; 1979, c. 38, s. 27; 2003, c. 9, s. 415.

1130. In this Part and in the regulations, unless the context indicates otherwise,

"annual qualification certificate" means an annual qualification certificate within the meaning assigned by the first paragraph of section 737.18.14;

"authorized foreign bank" has the meaning assigned by section 1;

"bank" means a bank within the meaning assigned by section 1;

"base period" means a base period within the meaning assigned by section 737.18.6;

"bond" means a negotiable debt security issued to several lenders of funds to meet a need for long-term financing;

"business" means a business within the meaning assigned to it by section 1;

"Canadian banking business" has the meaning assigned by section 1;

"corporation trading in securities" means a corporation that is a registered securities dealer within the meaning assigned by section 1;

"deduction period" of a corporation in respect of an eligible vessel means

(a) where the corporation constructs or converts the eligible vessel for the corporation, the period that begins at the beginning of the taxation year of the corporation during which it undertakes the construction work or conversion work in respect of the eligible vessel and that ends at the end of the fourth taxation year following the taxation year during which it completes the construction or conversion, as the case may be, of the eligible vessel; and

(b) where the eligible vessel is constructed or converted on behalf of the corporation, the period that begins at the beginning of the taxation year of the corporation during which the construction work or conversion work provided for in the contract for the construction or conversion, as the case may be, of the eligible vessel is undertaken in respect of the eligible vessel and that ends at the end of the fourth taxation year following the taxation year during which the corporation takes delivery, under the terms of the contract, of the eligible vessel;

"eligibility period" means an eligibility period within the meaning assigned by section 737.18.14;

"eligible acquisition costs" incurred by a corporation, for a taxation year, in respect of an eligible vessel of the corporation means an amount that is related to a business operated in the year in Québec by the corporation and that is,

(a) where the eligible vessel is constructed on behalf of the corporation pursuant to a written contract, the taxation year is a year, other than a year referred to in paragraph *b*, during which construction work provided for in the contract was carried out in respect of the eligible vessel, and the construction work may reasonably be considered to have been carried out without undue delay since it was undertaken, the portion of the consideration provided for in the written contract for the construction of the eligible vessel that was paid by the corporation to its contracting partner in the year or a preceding taxation year and that may reasonably be attributed to the construction work carried out in respect of the vessel before the end of that year;

(a.1) where the corporation constructs the eligible vessel for the corporation, the taxation year is a year, other than a year referred to in paragraph *b*, during which construction work was carried out by the corporation in respect of the eligible vessel, and the construction work may reasonably be considered to have been carried out without undue delay since it was undertaken, the aggregate of the costs incurred by the corporation at or before the end of the year for the construction of the vessel, to the extent that they are reasonable in the circumstances and included, at the end of that year, in the capital cost of the vessel, that may reasonably be attributed to the construction work carried out in respect of the vessel before the end of that year; or

(b) where the taxation year is the year during which the corporation completes the construction of the vessel or, where the eligible vessel is constructed on behalf of the corporation, the year during which the corporation takes delivery, under the terms of the contract, of the eligible vessel, or is any of the four taxation years subsequent to that year, the cost of the vessel to the corporation as shown in its financial statements;

"eligible activities" means eligible activities within the meaning assigned by the first paragraph of any of sections 737.18.6, 737.18.14 and 737.18.29, as the case may be;

"eligible contract" means a written contract in respect of which a qualification certificate has been issued by the Minister of Economic Development, Innovation and Export Trade, entered into by a corporation with a person or partnership and under which the corporation entrusts the person or partnership with the carrying out of work in Québec which is related to the conversion of an eligible vessel;

"eligible conversion costs" incurred by a corporation, for a taxation year, in respect of an eligible vessel of the corporation means an amount that is related to a business operated in the year in Québec by the corporation and that is,

(a) where the eligible vessel is converted on behalf of the corporation pursuant to an eligible contract, the taxation year is a year, other than a year referred to in paragraph *c*, during which conversion work provided for in the contract was carried out in respect of the eligible vessel, and the conversion work may reasonably be considered to have been carried out without undue delay since it was undertaken, the portion of the consideration provided for in the eligible contract that was paid by the corporation to its contracting partner in the year or a preceding taxation year and that may reasonably be attributed to the conversion work carried out in respect of the vessel before the end of that year;

(b) where the corporation converts the eligible vessel for the corporation, the taxation year is a year, other than a year referred to in paragraph *c*, during which conversion work was carried out by the corporation in respect of the eligible vessel, and the conversion work may reasonably be considered to have been carried out without undue delay since it was undertaken, the aggregate of the costs incurred by the corporation at or before the end of the year for the conversion of the vessel, to the extent that they are reasonable in the circumstances and included, at the end of that year, in the capital cost of the vessel, that may reasonably be attributed to the conversion work carried out in respect of the vessel before the end of that year; or

(c) where the taxation year is the year during which the corporation completes the conversion of the vessel or, where the eligible vessel is converted on behalf of the corporation, the year during which the corporation takes delivery, under the terms of the contract, of the eligible vessel, or is any of the four taxation years subsequent to that year,

i. where the corporation converted the eligible vessel for the corporation, the aggregate of the costs incurred by the corporation for the conversion of the vessel, to the extent that they are reasonable in the circumstances, that are included in the capital cost of the vessel, or

ii. where the corporation caused the eligible vessel to be converted on behalf of the corporation under the terms of an eligible contract, the portion of the total consideration paid by the corporation to its contracting partner pursuant to the contract that may reasonably be attributed to the conversion work carried out in respect of the eligible vessel;

"eligible vessel" of a corporation means a vessel that is constructed or converted by the corporation for the corporation or that the corporation causes to be constructed or converted on behalf of the corporation, and in respect of which a qualification certificate is issued by the Minister of Economic Development, Innovation and Export Trade for the purposes of this Part;

"establishment" means an establishment within the meaning assigned to it by section 1;

"exemption period" means an exemption period within the meaning assigned by the first paragraph of section 737.18.29;

"farming" means farming within the meaning assigned by section 1;

"farming corporation" means a corporation whose activities consist mainly in carrying on the business of farming;

"filing-due date" means a filing-due date within the meaning assigned by section 1;

"financial statements" means either the financial statements submitted to the shareholders of a corporation or to the members of a partnership or joint venture, as the case may be, and prepared in accordance with generally accepted accounting principles or, if the financial statements are consolidated financial statements, the non-consolidated financial statements prepared in accordance with the same generally accepted accounting principles as those that apply in preparing the consolidated financial statements or,

(a) if such financial statements have not been prepared, such financial statements had they been prepared in accordance with generally accepted accounting principles or, in the case where the financial statements that should have been prepared are consolidated financial statements, such non-consolidated financial statements had they been prepared in accordance with the same generally accepted accounting principles as those that would have applied in preparing consolidated financial statements; or

(b) if such financial statements have not been prepared in accordance with generally accepted accounting principles, such financial statements had they been prepared in accordance with generally accepted accounting principles or, in the case where the financial statements that were not prepared in accordance with generally accepted accounting principles are consolidated financial statements, such non-consolidated financial statements prepared in accordance with the same generally accepted accounting principles as those that should have applied in preparing the consolidated financial statements;

"fiscal period" means a fiscal period within the meaning assigned by Part I;

"fishing" means fishing within the meaning assigned by section 1;

"government assistance" means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance;

"gross revenue" means the gross revenue within the meaning assigned to it by section 1;

"international financial centre" means an international financial centre within the meaning assigned by section 1;

"loan corporation" means

(a) a corporation, other than a trust corporation, authorized by the legislation of Canada or of a province to accept deposits from the public;

(b) a corporation all or substantially all of the assets of which are shares or debts of corporations referred to in Title II of Book III to which it is related; or

(c) a corporation recognized by the Minister under section 1143.1 and whose recognition is in effect;

"long-term debt" means

(a) in the case of a bank, its subordinated indebtedness, within the meaning assigned by section 2 of the Bank Act (S.C. 1991, c. 46), evidenced by obligations issued for a term of not less than five years;

(b) in the case of a trust corporation, a loan corporation or a corporation trading in securities, its subordinated indebtedness, within the meaning that would be assigned by section 2 of the Bank Act if the definition of that expression in that section were applied with the necessary modifications, evidenced by obligations issued for a term of not less than five years; and

(c) in the case of a savings and credit union, its subordinated indebtedness, within the meaning that would be assigned by section 2 of the Cooperative Credit Associations Act (S.C. 1991, c. 48) if the definition of that expression were applied with the necessary modifications, issued for a term of not less than five years;

"major investment project" means a major investment project within the meaning assigned by the first paragraph of section 737.18.14;

"manufacturing corporation" for a taxation year means a corporation in respect of which the proportion of the manufacturing or processing activities for the year is at least 20%;

"mineral resource" means a mineral resource within the meaning of section 1, but does not include a bituminous sands deposit, an oil sands deposit or an oil shale deposit;

"non-government assistance" means an amount that would be included in computing the individual's income by reason of paragraph *w* of section 87, if that paragraph were read without reference to subparagraphs ii and iii thereof;

"OSFI risk-weighting guidelines" means the guidelines, issued by the Superintendent of Financial Institutions of Canada under the authority of section 600 of the Bank Act, requiring an authorized foreign bank to provide to the Superintendent on a periodic basis a return of the bank's risk-weighted on-balance sheet assets and off-balance sheet exposures, that apply as of 8 August 2000;

"person" means a person within the meaning assigned by section 1;

"proportion of the manufacturing or processing activities" of a corporation for a taxation year means

(a) the proportion, expressed as a percentage, that the amount determined in respect of the corporation for the year under paragraph *a* of section 5200 of the Income Tax Regulations made under the Income Tax Act (R.S.C, 1985, chapter 1, 5th Suppl.) is of the amount determined in respect of the corporation for the year under paragraph *b* of section 5200 of those regulations; or

(b) 100%, if section 5201 of the Income Tax Regulations made under the Income Tax Act applies in respect of the corporation for the year;

"province" means a province within the meaning assigned by section 1;

"qualified corporation" for a taxation year means a corporation, other than a prescribed corporation for the purposes of subparagraph *a* of the first paragraph of section 1143, that

(a) in the taxation year, carries on a recognized business all or any part of whose activities are eligible activities carried on in the base period applicable to the corporation in respect of those eligible activities, or is a member of a partnership that, in a fiscal period of the partnership ending in the taxation year, carries on a recognized business all or any part of whose activities are eligible activities carried on in the base period applicable to the partnership in respect of those eligible activities; and

(b) encloses with its fiscal return it is required to file for the taxation year under section 1000 a copy of the certificate issued in respect of each recognized business carried on by it or carried on by a partnership of which it is a member;

"recognized business" means a recognized business within the meaning assigned by the first paragraph of any of sections 737.18.14, 737.18.29 and 1029.8.36.0.38 or section 1029.8.36.0.38.1, as the case may be;

"regulation" means a regulation made by the Government under this Part;

"savings and credit union" means a savings and credit union within the meaning assigned by section 797;

"specified shareholder" means a specified shareholder within the meaning of section 1;

"surplus" means the surpluses of a corporation and includes any amount by which any property has been valued in excess of its cost;

"taxation year" means a taxation year within the meaning assigned by Part I;

"trust corporation" means a corporation authorized by the legislation of Canada or of a province to provide trustee services.

1972, c. 23, s. 843; 1972, c. 26, s. 78; 1973, c. 17, s. 133; 1974, c. 18, s. 43; 1979, c. 38, s. 27; 1986, c. 15, s. 198; 1987, c. 21, s. 87; 1991, c. 7, s. 14; 1993, c. 16, s. 355; 1995, c. 1, s. 192; 1995, c. 63, s. 237; 1996, c. 39, s. 271; 1997, c. 3, s. 66; 1997, c. 14, s. 269; 1997, c. 31, s. 136; 1997, c. 85, s. 310; 1999, c. 8, s. 20; 1999, c. 83, s. 255; 2000, c. 39, s. 244; 2001, c. 51, s. 221; 2001, c. 51, s. 228; 2001, c. 53, s. 260; 2002, c. 9, s. 129; 2003, c. 9, s. 416; 2003, c. 29, s. 135; 2004, c. 8, s. 205; 2004, c. 21, s. 488; 2005, c. 1, s. 283; 2006, c. 8, s. 31; 2007, c. 12, s. 304; 2009, c. 5, s. 535; 2009, c. 15, s. 427.

1130.1. For the purposes of this Part, a corporation is associated with another corporation where it is associated, within the meaning of sections 21.20 to 21.25 and 781.1, with the other corporation.

2003, c. 9, s. 417.

1130.2. In this Part, where a Minister other than the Minister of Revenue or a body replaces or revokes a certificate, qualification certificate or other similar document that has been issued to a person or a partnership, the following rules apply in respect of the document, unless a more specific similar rule applies to it:

(a) the replaced document is null as of the date of its coming into force or of its deemed coming into force and the new document is deemed, unless it provides otherwise, to come into force as of that date and to have been issued at the time the replaced document was issued or is deemed to have been issued; and

(b) the revoked document is null as of the effective date of the revocation and is deemed not to have been issued, obtained or held as of that date.

Where a document is, without being replaced, amended by the revocation or replacement of any of its parts or in any other manner, the document before the amendment and the document as amended are deemed, for the purposes of this section, to be separate documents the first of which (referred to as the "replaced document") has been replaced by the second (referred to as the "new document").

Where, in the circumstances described in the second paragraph, a document is amended only for a part of its period of validity, the new document is deemed to describe both the situation prevailing before the amendment, as proven by the content of the replaced document, and the new situation, as proven by the content of the new document.

2012, c. 8, s. 245.

BOOK II

LIABILITY FOR AND AMOUNT OF THE TAX

1972, c. 23; 1979, c. 38, s. 27.

1131. Any corporation having an establishment in Québec at any time in a taxation year shall pay, in respect of that year, a tax on its paid-up capital shown in its financial statements for the year or, in the case of an authorized foreign bank, on its paid-up capital for the year.

1972, c. 23, s. 844; 1973, c. 17, s. 134; 1979, c. 38, s. 27; 1995, c. 1, s. 193; 1995, c. 63, s. 238; 1997, c. 3, s. 71; 2004, c. 8, s. 206.

1132. The tax payable by a corporation in respect of each taxation year is equal,

(a) in the case of a bank, a savings and credit union, a loan corporation, a trust corporation or a corporation trading in securities, to the amount obtained by applying the rate determined in its respect for the year under section 1132.4 to its paid-up capital;

(b) (paragraph repealed);

(c) in the case of any other corporation, except a corporation that is an insurer within the meaning assigned by the Insurers Act (chapter A-32.1), a cooperative, or a mining corporation that has not reached the production stage, to the amount obtained by applying the rate determined in its respect for the year under section 1132.5 to its paid-up capital.

1972, c. 23, s. 845; 1972, c. 26, s. 79; 1979, c. 38, s. 27; 1980, c. 13, s. 108; 1981, c. 12, s. 14; 1982, c. 26, s. 303; 1982, c. 56, s. 26; 1983, c. 20, s. 6; 1983, c. 44, s. 45; 1992, c. 1, s. 205; 1993, c. 64, s. 192; 1995, c. 63, s. 239; 1997, c. 3, s. 71; 1997, c. 14, s. 270; 1999, c. 83, s. 256; 2000, c. 39, s. 245; 2003, c. 9, s. 418; 2005, c. 38, s. 312; 2018, c. 23, s. 811.

1132.1. *(Repealed).*

1987, c. 21, s. 88; 1990, c. 7, s. 208; 1997, c. 3, s. 71; 2000, c. 39, s. 246.

1132.2. *(Repealed).*

1990, c. 7, s. 209; 1991, c. 8, s. 95; 1997, c. 3, s. 71; 2000, c. 39, s. 246.

1132.3. *(Repealed).*

1991, c. 8, s. 96; 1992, c. 1, s. 206; 1997, c. 3, s. 71; 2000, c. 39, s. 246.

1132.4. The rate referred to in paragraph *a* of section 1132 in respect of a corporation for a taxation year that begins before 1 January 2011 is equal to

(a) if the taxation year begins and ends in the same calendar year, the base percentage for that calendar year; and

(b) if subparagraph *a* does not apply, the total of the percentages each of which is the proportion of the base percentage for a calendar year that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year.

For the purposes of the first paragraph, the base percentage for a calendar year is equal to

(a) 1.2%, for the calendar year 2005;

(b) 1.05%, for the calendar year 2006;

(c) 0.98%, for the calendar year 2007;

(d) 0.72%, for the calendar year 2008;

(e) 0.48%, for the calendar year 2009; and

(f) 0.24%, for the calendar year 2010.

2005, c. 38, s. 313; 2009, c. 5, s. 536.

1132.5. The rate referred to in paragraph *c* of section 1132 in respect of a corporation for a taxation year that begins before 1 January 2011 is equal to

(a) if the taxation year begins and ends in the same calendar year, the base percentage for that calendar year; and

(b) if subparagraph *a* does not apply, the total of the percentages each of which is the proportion of the base percentage for a calendar year that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year.

For the purposes of the first paragraph, the base percentage for a calendar year is equal to

(a) 0.6%, for the calendar year 2005;

(b) 0.525%, for the calendar year 2006;

(c) 0.49%, for the calendar year 2007;

(d) 0.36%, for the calendar year 2008;

(e) 0.24%, for the calendar year 2009; and

(f) 0.12%, for the calendar year 2010.

2005, c. 38, s. 313; 2009, c. 5, s. 537.

1133. Where a corporation contemplated in section 1131 has an establishment situated outside Québec, the tax payable by that corporation is equal to that part of the tax established pursuant to section 1132 represented by the ratio between the business carried on by it in Québec and the aggregate of the business carried on by it in Canada or in Québec and elsewhere, as determined by regulation.

1972, c. 23, s. 846; 1979, c. 38, s. 27; 1987, c. 21, s. 89; 1992, c. 1, s. 207; 1995, c. 1, s. 199; 1997, c. 3, s. 71.

1134. Where the taxation year of a corporation covers a period of less than three hundred and fifty-nine days, that corporation must pay the tax otherwise established in the proportion that the number of days in its taxation year is to three hundred and sixty-five.

1972, c. 23, s. 847; 1973, c. 18, s. 33; 1979, c. 38, s. 27; 1997, c. 3, s. 71.

1135. In no case may the tax payable by a corporation, other than a corporation referred to in subparagraph *d*, that is a farming corporation or a corporation whose activities consist mainly in carrying on a fishing business be less than $125, or the tax payable by another corporation that is not one of the following corporations be less than $250:

(a) (subparagraph repealed);

(b) (subparagraph repealed);

(c) a corporation referred to in section 61 of the Act respecting international financial centres (chapter C-8.3);

(d) a corporation whose activities in the taxation year, and those of any partnership of which the corporation is a member, in the fiscal period of that partnership that ends in the taxation year, consist solely in carrying on eligible activities of a recognized business carried on by the corporation in the taxation year or by the partnership in the fiscal period, during any of the following periods:

i. the eligibility period of the corporation or partnership, as the case may be, in respect of a major investment project relating to the recognized business,

ii. the base period applicable to the corporation or partnership, as the case may be, in respect of those eligible activities, or

iii. the exemption period applicable to the corporation in respect of those eligible activities; and

(e) a tax-exempt corporation under sections 1143 and 1144.

However, the first paragraph applies to a corporation only if the corporation is referred to in paragraph *a* of section 1132 or prescribed for the purposes of subparagraph *a* of the first paragraph of section 1143 and if its taxation year begins before 1 January 2011.

1972, c. 23, s. 848; 1972, c. 26, s. 80; 1973, c. 17, s. 135; 1979, c. 38, s. 27; 1986, c. 15, s. 199; 1987, c. 21, s. 90; 1990, c. 7, s. 210; 1991, c. 8, s. 97; 1992, c. 1, s. 208; 1993, c. 64, s. 193; 1995, c. 63, s. 240; 1997, c. 3, s. 71; 1997, c. 14, s. 271; 1999, c. 86, s. 90; 2000, c. 39, s. 247; 2002, c. 9, s. 130; 2003, c. 9, s. 419; 2009, c. 5, s. 538.

1135.1. If a corporation to which Title I of Book III applies is the owner at the end of a particular taxation year of a property described in any of sections 1135.3 to 1135.3.1 that the corporation acquired in that year, or is a member of a partnership at the end of a particular fiscal period of the partnership that ends in the corporation's particular taxation year and at that time the partnership is the owner of a property described in any of sections 1135.3 to 1135.3.1 that the partnership acquired in that particular fiscal period, the corporation may deduct from its tax otherwise payable under this Part for the particular taxation year a particular amount equal to the aggregate of

(a) 5% of the aggregate of

i. the aggregate of all amounts each of which is the amount by which the aggregate of the costs incurred by the corporation in the particular taxation year to acquire such property described in section 1135.3, except an amount incurred with a person with whom the corporation or a specified shareholder of the corporation does not deal at arm's length, that are related to a business carried on by the corporation in the particular year in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that year, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that particular year, and

ii. the aggregate of all amounts each of which is the amount by which the corporation's share of the amount by which the aggregate of the costs incurred by the partnership in the particular fiscal period to acquire such property described in section 1135.3, except an amount incurred with a person with whom a corporation that is a member of the partnership or a specified shareholder of that corporation does not deal at arm's length, that are related to a business carried on by the partnership in the particular fiscal period in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that particular fiscal period, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that particular fiscal period, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that particular fiscal period;

(a.1) 10% of the aggregate of

i. the aggregate of all amounts each of which is the amount by which the aggregate of the costs incurred by the corporation in the particular taxation year to acquire such a property described in section 1135.3.0.1, except an amount incurred with a person with whom the corporation or a specified shareholder of the corporation does not deal at arm's length, that are related to a business carried on by the corporation in the particular year in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that year, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such

costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that particular year, and

ii. the aggregate of all amounts each of which is the amount by which the corporation's share of the amount by which the aggregate of the costs incurred by the partnership in the particular fiscal period to acquire such a property described in section 1135.3.0.1, except an amount incurred with a person with whom a corporation that is a member of the partnership or a specified shareholder of that corporation does not deal at arm's length, that are related to a business carried on by the partnership in the particular fiscal period in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that particular fiscal period, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that particular fiscal period, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that particular fiscal period; and

(b) 15% of the aggregate of

i. the aggregate of all amounts each of which is the amount by which the aggregate of the costs incurred by the corporation in the particular taxation year to acquire such property described in section 1135.3.1, except an amount incurred with a person with whom the corporation or a specified shareholder of the corporation does not deal at arm's length, that are related to a business carried on by the corporation in the particular year in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that year, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that particular year, and

ii. the aggregate of all amounts each of which is the amount by which the corporation's share of the amount by which the aggregate of the costs incurred by the partnership in the particular fiscal period to acquire such property described in section 1135.3.1, except an amount incurred with a person with whom a corporation that is a member of the partnership or a specified shareholder of that corporation does not deal at arm's length, that are related to a business carried on by the partnership in the particular fiscal period in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that particular fiscal period, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that particular fiscal period, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that particular fiscal period.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the following rules apply:

(a) the corporation shall estimate its tax payable for the particular taxation year under this Part as if that tax were computed without reference to the first paragraph; and

(b) the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the particular taxation year under Part I and of its tax payable for the particular year under this Part and Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

i. the amount by which the amount determined in accordance with the first paragraph for the particular year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular year but before that date, and

ii. the amount by which the amount of that payment, determined without reference to Chapter III.1 of Title III of Book IX of Part I and this section, exceeds the aggregate of all amounts each of which is an amount that is deemed, under that Chapter III.1, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of the first paragraph, the costs that are included, at the end of a taxation year or fiscal period, in the capital cost of a property do not include the costs so included under section 180 or 182.

2005, c. 38, s. 314; 2006, c. 36, s. 251; 2007, c. 12, s. 277; 2009, c. 5, s. 539.

1135.2. A corporation to which Title I of Book III applies may deduct from its tax otherwise payable under this Part for a particular taxation year, determined before the application of section 1135.1, an amount not exceeding the amount by which the balance of the amount that the corporation has not deducted under the first paragraph of section 1135.1, in respect of the costs referred to in that paragraph, for any given taxation year preceding the particular year, otherwise than because of the application of section 1135.8 or 1135.8.1, in this section referred to as the "particular balance", exceeds any amount deducted under this section, in respect of those costs, for a taxation year preceding the particular year.

However, the amount that the corporation may deduct under the first paragraph, in respect of the costs referred to in that paragraph and incurred by the corporation or by a partnership of which it was a member at the end of the fiscal period of the partnership ending in the given taxation year, must be reduced by the amount determined under the third paragraph if

(a) in the particular year or a preceding taxation year, an amount relating to the costs incurred by the corporation, other than an amount having reduced the amount of those costs in accordance with any of subparagraphs *a* to *b* of the first paragraph of section 1135.1 or section 1135.4, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) in a fiscal period of a partnership ending in the particular year or in a preceding taxation year and at the end of which the corporation is a member of that partnership, an amount relating to the costs incurred by that partnership, other than an amount having reduced the amount of those costs, or the corporation's share of the amount of those costs, in accordance with any of subparagraphs *a* to *b* of the first paragraph of section 1135.1 or section 1135.4, is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The amount to which the second paragraph refers is the amount by which the particular balance exceeds the amount that would be the amount of the particular balance if

(a) any amount referred to in subparagraph *a* or *b* of the second paragraph that is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation were directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation in the given taxation year; and

(b) any amount referred to in subparagraph *b* of the second paragraph that is, directly or indirectly, refunded or otherwise paid to a partnership referred to in that subparagraph *b* or allocated to a payment to be made by the partnership were directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership in the partnership's fiscal period ending in the given taxation year.

If, in respect of the costs referred to in the first paragraph, a person other than the corporation, or a partnership other than the particular partnership that incurred those costs, has obtained, at a particular time, a benefit or advantage that would have reduced those costs in accordance with section 1135.4 if the person or

partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the corporation's filing-due date for the given taxation year, or on or before the day that is six months after the end of the fiscal period of the particular partnership that ends in the given taxation year, the benefit or advantage is, for the purposes of the second and third paragraphs,

(a) if those costs were incurred by the corporation, deemed to be an amount that is paid to the corporation at that time; or

(b) if those costs were incurred by the particular partnership, deemed to be

i. an amount that is paid to the particular partnership at that time, when the benefit or advantage has been obtained by another partnership or by a person other than the person referred to in subparagraph ii, or

ii. an amount that is paid to the corporation at that time, when the benefit or advantage has been obtained by a person with whom the corporation is not dealing at arm's length.

2005, c. 38, s. 314; 2006, c. 36, s. 252; 2007, c. 12, s. 278; 2009, c. 5, s. 540.

1135.3. The property to which the first paragraph of section 1135.1 refers is a property included in Class 29 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), if the property is acquired after 18 March 2007, or in Class 43 of that Schedule in any other case, other than a property described in section 1135.3.0.1 or 1135.3.1, that

(a) is acquired after 21 April 2005, but is not a property acquired pursuant to an obligation in writing entered into before 22 April 2005 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 21 April 2005, nor any other property acquired after 13 March 2008 that is not a property acquired pursuant to an obligation in writing entered into before 14 March 2008 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 13 March 2008;

(b) begins to be used within a reasonable time after being acquired;

(c) is used solely in Québec and mainly in the course of carrying on a business; and

(d) was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever.

2005, c. 38, s. 314; 2006, c. 36, s. 253; 2009, c. 5, s. 541; 2009, c. 15, s. 428; 2011, c. 6, s. 221.

1135.3.0.1. The property to which the first paragraph of section 1135.1 and section 1135.3 refer is a property included in Class 29 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), if the property is acquired after 18 March 2007, or in Class 43 of that Schedule in any other case, other than a property described in section 1135.3.1, that

(a) is acquired after 20 February 2007, but is not a property acquired pursuant to an obligation in writing entered into before 21 February 2007 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 20 February 2007, nor any other property acquired after 13 March 2008 that is not a property acquired pursuant to an obligation in writing entered into before 14 March 2008 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 13 March 2008;

(b) begins to be used within a reasonable time after being acquired;

(c) is used solely in Québec and mainly in the course of carrying on a business; and

(d) was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever.

2009, c. 5, s. 542; 2009, c. 15, s. 429; 2011, c. 6, s. 222.

1135.3.1. The property to which the first paragraph of section 1135.1 and sections 1135.3 and 1135.3.0.1 refer is a property included in Class 29 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), if the property is acquired after 18 March 2007, or in Class 43 of that Schedule in any other case, that

(a) is a property acquired after 23 March 2006 (other than a property described in paragraph *b*, a property acquired pursuant to an obligation in writing entered into before 24 March 2006 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 23 March 2006, or any other property acquired after 13 March 2008 that is not a property acquired pursuant to an obligation in writing entered into before 14 March 2008 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 13 March 2008) and that

i. begins to be used within a reasonable time after being acquired,

ii. is used solely in Québec in the course of carrying on a business and mainly in

(1) sawmill and wood preservation activities included in the group described under code 3211 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada,

(2) activities involved in the manufacturing of veneer, plywood and engineered wood products included in the group described under code 3212 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada, excluding activities involved in the manufacturing of structural wood products included in the class described under code 321215 of that publication, or

(3) activities relating to pulp, paper and paperboard mills included in the group described under code 3221 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada, and

iii. was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever; or

(b) is a property acquired after 23 November 2007 (other than a property acquired pursuant to an obligation in writing entered into before 24 November 2007 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 23 November 2007, or any other property acquired after 13 March 2008 that is not a property acquired pursuant to an obligation in writing entered into before 14 March 2008 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 13 March 2008) and that

i. begins to be used within a reasonable time after being acquired,

ii. is used solely in Québec and mainly in the course of carrying on a business, and

iii. was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever.

2006, c. 36, s. 254; 2009, c. 5, s. 543; 2009, c. 15, s. 430; 2011, c. 6, s. 223.

1135.4. If, in respect of costs incurred by a particular corporation or a particular partnership to acquire a property described in any of sections 1135.3 to 1135.3.1, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the acquisition of that property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the particular corporation may deduct in computing its tax otherwise payable under the first paragraph of section 1135.1 for a particular taxation year, the amount determined in accordance with subparagraph i of any of subparagraphs *a* to *b* of that first paragraph, in respect of the particular corporation for the particular year, in relation to those costs, is to be reduced by the amount of that benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the particular corporation's filing-due date for the particular year; and

(b) for the purpose of computing the amount that the particular corporation may deduct in computing its tax otherwise payable under the first paragraph of section 1135.1 for a particular taxation year, if the particular corporation is a member of the particular partnership at the end of the fiscal period of the particular partnership that ends in the particular year, the amount determined in accordance with subparagraph ii of any of subparagraphs *a* to *b* of that first paragraph, in respect of the particular corporation for the particular year, in relation to those costs, is to be reduced

i. by its share, for that fiscal period, of the amount of that benefit or advantage, relating to those costs, that the person, other than a person referred to in subparagraph ii, or the partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of that fiscal period, and

ii. by the amount of that benefit or advantage, relating to those costs, that the particular corporation or a person with which it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of that fiscal period;

(c) (paragraph repealed).

2005, c. 38, s. 314; 2006, c. 36, s. 255; 2007, c. 12, s. 279; 2009, c. 5, s. 544.

1135.5. For the purposes of sections 1135.1, 1135.2, 1135.4 and 1135.7.3, the share of a corporation or partnership that is a member of a particular partnership, for a fiscal period of that particular partnership, of an amount is equal to the agreed proportion of the amount in respect of the corporation or partnership for that fiscal period.

2005, c. 38, s. 314; 2007, c. 12, s. 280; 2009, c. 15, s. 431.

1135.6. If a corporation pays at a particular time in a taxation year, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph i or ii of subparagraph *a* of the first paragraph of section 1135.1 that, for the purpose of determining the amount that the corporation could deduct, in respect of those costs, in computing its tax otherwise payable for a preceding taxation year under this Part, reduced the amount determined, in respect of the corporation, under that subparagraph i or ii, the following rules apply:

(a) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the corporation as costs to acquire, in the year, a property of which the corporation is the owner at the end of the year and that meets the conditions set out in section 1135.3; and

(b) the costs referred to in paragraph *a* are deemed to be related to a business that the corporation carries on in the year in Québec and included, at the end of that year, in the capital cost of the property.

2005, c. 38, s. 314; 2006, c. 36, s. 256; 2007, c. 12, s. 281; 2009, c. 5, s. 545.

1135.6.0.1. If a corporation pays at a particular time in a taxation year, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3.0.1, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph i or ii of subparagraph *a*.1 of the first paragraph of section 1135.1 that, for the purpose of determining the amount that the corporation could deduct, in respect of those costs, in computing its tax otherwise payable for a preceding taxation year under this Part, reduced the amount determined, in respect of the corporation, under that subparagraph i or ii, the following rules apply:

(a) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the corporation as costs to acquire, in the year, a property of which the corporation is the owner at the end of the year and that meets the conditions set out in section 1135.3.0.1; and

(b) the costs referred to in paragraph *a* are deemed to be related to a business that the corporation carries on in the year in Québec and included, at the end of that year, in the capital cost of the property.

2009, c. 5, s. 546.

1135.6.1. If a corporation pays at a particular time in a taxation year, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3.1, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph i or ii of subparagraph *b* of the first paragraph of section 1135.1 that, for the purpose of determining the amount that the corporation could deduct, in respect of those costs, in computing its tax otherwise payable for a preceding taxation year under this Part, reduced the amount determined, in respect of the corporation, under that subparagraph i or ii, the following rules apply:

(a) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the corporation as costs to acquire, in the year, a property of which the corporation is the owner at the end of the year and that meets the conditions set out in section 1135.3.1; and

(b) the costs referred to in subparagraph *a* are deemed to be related to a business that the corporation carries on in the year in Québec and included, at the end of that year, in the capital cost of the property.

2006, c. 36, s. 257; 2007, c. 12, s. 282; 2009, c. 5, s. 547.

1135.7. If a partnership pays at a particular time in a particular fiscal period, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph ii of subparagraph *a* of the first paragraph of section 1135.1 that, for the purpose of determining the amount that a corporation that is a member of the partnership could deduct, in respect of those costs, in computing its tax otherwise payable under this Part for a taxation year in which ends a fiscal period of the partnership that precedes the particular fiscal period, reduced the amount determined, in respect of the corporation, under that subparagraph ii, the following rules apply:

(a) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the partnership as costs to acquire, in the particular fiscal period, a property of which the partnership is the owner at the end of that particular fiscal period and that meets the conditions set out in section 1135.3; and

(b) the costs referred to in paragraph *a* are deemed to be related to a business that the partnership carries on in the particular fiscal period in Québec and included, at the end of that fiscal period, in the capital cost of the property.

2005, c. 38, s. 314; 2006, c. 36, s. 258; 2007, c. 12, s. 283; 2009, c. 5, s. 548.

1135.7.0.1. If a partnership pays at a particular time in a particular fiscal period, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3.0.1, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph ii of subparagraph *a*.1 of the first paragraph of section 1135.1 that, for the purpose of determining the amount that a corporation that is a member of the partnership could deduct, in respect of those costs, in computing its tax otherwise payable under this Part for a taxation year in which ends a fiscal period of the partnership that precedes the particular fiscal period, reduced the amount determined, in respect of the corporation, under that subparagraph ii, the following rules apply:

(a) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the partnership as costs to acquire, in the particular fiscal period, a property of which

the partnership is the owner at the end of that particular fiscal period and that meets the conditions set out in section 1135.3.0.1; and

(b) the costs referred to in paragraph *a* are deemed to be related to a business that the partnership carries on in the particular fiscal period in Québec and included, at the end of that fiscal period, in the capital cost of the property.

2009, c. 5, s. 549.

1135.7.1. If a partnership pays at a particular time in a particular fiscal period, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3.1, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1135.1 that, for the purpose of determining the amount that a corporation that is a member of the partnership could deduct, in respect of those costs, in computing its tax otherwise payable under this Part for a taxation year in which ends a fiscal period of the partnership that precedes the particular fiscal period, reduced the amount determined, in respect of the corporation, under that subparagraph ii, the following rules apply:

(a) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the partnership as costs to acquire, in the particular fiscal period, a property of which the partnership is the owner at the end of that particular fiscal period and that meets the conditions set out in section 1135.3.1; and

(b) the costs referred to in subparagraph *a* are deemed to be related to a business that the partnership carries on in the particular fiscal period in Québec and included, at the end of that fiscal period, in the capital cost of the property.

2006, c. 36, s. 259; 2007, c. 12, s. 284; 2009, c. 5, s. 550.

1135.7.2. For the purposes of sections 1135.6 to 1135.7.1, an amount of assistance is deemed to be repaid by a corporation or partnership at a particular time, pursuant to a legal obligation, if that amount

(a) reduced the amount determined in accordance with subparagraph i or ii of any of subparagraphs *a* to *b* of the first paragraph of section 1135.1 for the purpose of determining the amount that the corporation or a corporation that is a member of the partnership could deduct, in respect of the costs referred to in that first paragraph, in computing its tax otherwise payable for a taxation year under this Part;

(b) was not received by the corporation or partnership; and

(c) ceased at that time to be an amount that the corporation or partnership may reasonably expect to receive.

2007, c. 12, s. 285; 2009, c. 5, s. 551.

1135.7.3. If a particular partnership is a member of another partnership at the end of a fiscal period of that other partnership in which that other partnership has incurred costs referred to in subparagraph ii of any of subparagraphs *a* to *b* of the first paragraph of section 1135.1 to acquire a property referred to in that subparagraph ii of which it is the owner at that time, the particular partnership is deemed, for the purposes of sections 1135.1 to 1135.12 and Part VI.1.1 in respect of those costs, to have also acquired, in the course of carrying on a business in Québec, the property in the fiscal period of the particular partnership in which the fiscal period of the other partnership ends or the end of which coincides with the end of the fiscal period of the other partnership, and to be the owner of the property at the end of that fiscal period, and

(a) to have incurred and paid in a particular fiscal period its share of the amounts or costs incurred and paid by the other partnership in its fiscal period that ends in the particular fiscal period or the end of which coincides with the end of the particular fiscal period; and

(b) to have received, to be entitled to receive or to reasonably expect to receive in a particular fiscal period, its share of the amounts that the other partnership has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period of the other partnership that ends in that particular fiscal period or the end of which coincides with the end of the particular fiscal period.

2007, c. 12, s. 285; 2009, c. 5, s. 552.

1135.8. No amount may be deducted by a corporation, for a taxation year, under sections 1135.1 and 1135.2, in relation to a property described in section 1135.3 or 1135.3.0.1 or paragraph *b* of section 1135.3.1, in respect of costs incurred to acquire the property, if, at any time before the day after the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser or by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, or, if it precedes the day that is the end of that period, the corporation's filing-due date, for that taxation year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income from a business carried on

(a) by the first purchaser of the property and if that time is also in the portion of that period in which the first purchaser owns the property; or

(b) by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies, and if that time is also in the portion of that period in which the subsequent purchaser owns the property.

2005, c. 38, s. 314; 2006, c. 36, s. 260; 2009, c. 5, s. 553; 2009, c. 15, s. 432.

1135.8.1. No amount may be deducted by a corporation, for a taxation year, under sections 1135.1 and 1135.2, in relation to a property described in paragraph *a* of section 1135.3.1, in respect of costs incurred to acquire the property, if, at any time before the day after the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser or by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, or, if it precedes the day that is the end of that period, the corporation's filing-due date, for that taxation year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec in connection with the activities, described in subparagraph ii of paragraph *a* of section 1135.3.1, of a business carried on

(a) by the first purchaser of the property and if that time is also in the portion of that period in which the first purchaser owns the property; or

(b) by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies, and if that time is also in the portion of that period in which the subsequent purchaser owns the property.

2006, c. 36, s. 261; 2009, c. 5, s. 554; 2009, c. 15, s. 433.

1135.9. If, at any time, control of a corporation is acquired by a person or group of persons, no amount may be deducted by the corporation, under section 1135.2, in computing its tax otherwise payable under this Part for a taxation year ending after that time.

However, the corporation may deduct, under section 1135.2, from its tax otherwise payable under this Part for a particular taxation year ending after that time, the balance of the amount the corporation has not deducted, under section 1135.1, for a taxation year ending before that time, otherwise than because of the application of section 1135.8 or 1135.8.1, that may reasonably be considered to be attributable to costs to acquire a property described in any of sections 1135.3 to 1135.3.1 that were incurred in the course of carrying

on a business, if the corporation carried on the business throughout the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may deduct in respect of the balance referred to in the second paragraph is to be determined as if the reference to the tax otherwise payable under this Part were a reference to the portion of the tax otherwise payable under this Part by the corporation for the particular year that may reasonably be attributed to the carrying on of that business and, if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time, of any other business substantially all the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

2005, c. 38, s. 314; 2006, c. 36, s. 262; 2009, c. 5, s. 555.

1135.9.1. A corporation deemed to have acquired a property at a particular time under paragraph *b* of section 125.1 is deemed, for the purposes of sections 1135.1 to 1135.8.1, to have acquired the property at that time at a cost of acquisition, incurred and paid at that time, equal to the fair market value of the property at that time, and to own the property from that time to the time at which it is deemed to dispose of the property under paragraph *f* of section 125.1.

2006, c. 13, s. 214; 2006, c. 36, s. 263.

1135.9.2. Sections 1029.6.0.1.8.1 and 1029.6.0.1.8.2 apply, with the necessary modifications, to sections 1135.1 to 1135.12, except where inconsistent with those sections.

2007, c. 12, s. 286.

1135.10. *(Repealed)*.

2005, c. 38, s. 314; 2006, c. 13, s. 215.

1135.11. *(Repealed)*.

2005, c. 38, s. 314; 2006, c. 13, s. 215.

1135.12. For the purposes of this Part, government assistance or non-government assistance does not include

(a) an amount deducted by a corporation under section 1135.1 or 1135.2 from its tax otherwise payable under this Part; or

(b) an amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act (R.S.C., 1985, chapter 1, 5th Suppl.) that can reasonably be attributed to the acquisition of a qualified property, within the meaning of subsection 9 of section 127 of that Act.

2005, c. 38, s. 314; 2009, c. 15, s. 434.

BOOK III

COMPUTATION OF PAID-UP CAPITAL

1972, c. 23; 1979, c. 38, s. 27.

TITLE I

CORPORATIONS OTHER THAN BANKS, SAVINGS AND CREDIT UNIONS, LOAN CORPORATIONS, TRUST CORPORATIONS AND CORPORATIONS TRADING IN SECURITIES

1972, c. 23; 1979, c. 38, s. 27; 1980, c. 13, s. 109; 1997, c. 3, s. 71; 1997, c. 14, s. 272.

1136. (1) In this Part, the paid-up capital of a corporation includes:

(a) the paid-up capital stock and any other participating interest in the nature of capital stock;

(b) the surpluses, provisions and reserves, except those for amortization or depletion, those permitted by Part I to the extent that they were deducted in computing income under that Part and those for losses, in respect of a contract of lease or of leasing, that a corporation carrying on lease or leasing activities cannot deduct in computing its income under that Part;

(b.0.1*)* the future tax liabilities;

(b.1*) (paragraph repealed);*

(b.2*)* where the corporation is a qualified corporation for the taxation year and the amount of the corporation's deficit would be nil, but for the eligible activities of any recognized business carried on by the corporation or by any partnership of which the corporation is a member, that are carried on during the base period applicable to the corporation or partnership, as the case may be, in respect of the eligible activities, or the amount of the corporation's surpluses is less than the amount that would be those surpluses, but for the eligible activities, an amount equal to the lesser of

i. the amount that would be the corporation's deficit if only the eligible activities were taken into account, and

ii. the amount by which the amount that would be the corporation's surpluses if no reference were made to the eligible activities, exceeds the amount of the surpluses that are included in computing the corporation's paid-up capital for the taxation year under paragraph *b*;

(b.3*)* the amount of the corporation's deferred unrealized foreign exchange gains at the end of the taxation year;

(c) a debt contracted or assumed by it, the payment of which is secured, in part or in whole, by a property of the corporation, other than a debt contracted or assumed by the corporation within the preceding six months and that is a trade account payable as consideration for the acquisition of a good or the supply of a service, or a tax payable in connection with the acquisition of a good or the supply of a service where the acquisition or supply gave rise to a trade account payable or would give rise to a trade account payable if the consideration for the acquisition or supply were unpaid;

(d) the loans and advances granted directly or indirectly to the corporation;

(e) any other debt provided it has existed for more than six months;

(f) bankers' acceptances and other similar securities accepted by a bank or other person, which constitute liabilities of the corporation.

(2) A debt repaid before the end of the taxation year is deemed to be a debt at the end of that year if it is established that the repayment was made as part of a series of loans and repayments in order to unduly reduce the paid-up capital.

(3) A corporation having an interest in a partnership or in a joint venture shall include in computing its paid-up capital the amounts that would be included in computing the paid-up capital of that partnership or joint venture under this section and sections 1137 and 1138, if that partnership or joint venture were a corporation and no reference were made to paragraph *b*.1.2 of section 1137, in the proportion that the share of the corporation of the income or loss of the partnership or the joint venture, for the fiscal period of the partnership or joint venture ending in the corporation's taxation year, is of the income or loss of the partnership or joint venture for that fiscal period, on the assumption that, if the income and loss of the partnership or the joint venture for that fiscal period are nil, the income of the partnership or joint venture for that fiscal period is equal to $1,000,000.

For the purposes of the first paragraph, if the share of an amount of $1,000,000 in profits of a partnership for a fiscal period that is attributable to a corporation, on account of its interest in the partnership, is at least $200,000, the following rules apply:

(a) the corporation shall include in computing its paid-up capital its share of the retained profits shown in the partnership's financial statements, except to the extent that the share is otherwise included in the corporation's paid-up capital or to the extent that the Minister is of the opinion that the generally accepted accounting principles allow for the share to not be so included in computing the corporation's paid-up capital; and

(b) the corporation may deduct in computing its paid-up capital its share of the unallocated deficit shown in the partnership's financial statements, except to the extent that the share is otherwise deducted in computing the corporation's paid-up capital or to the extent that the Minister is of the opinion that the generally accepted accounting principles do not allow for the share to be so deducted in computing the corporation's paid-up capital.

However, the corporation shall not include nor deduct in computing its paid-up capital any amount shown in the financial statements of the partnership or joint venture resulting from an operation between the partnership or the joint venture and its members.

1972, c. 23, s. 849; 1972, c. 26, s. 81; 1979, c. 38, s. 27; 1986, c. 15, s. 200; 1991, c. 8, s. 98; 1993, c. 19, s. 145; 1995, c. 63, s. 241; 1997, c. 3, s. 71; 1997, c. 14, s. 273; 1999, c. 86, s. 91; 2000, c. 39, s. 248; 2001, c. 7, s. 165; 2002, c. 40, s. 312; 2003, c. 9, s. 420; 2005, c. 38, s. 315; 2009, c. 5, s. 556.

1137. In computing its paid-up capital, a corporation may deduct

(a) the amount of its deficit;

(b) the costs pertaining to the issue of shares or bonds, including discount, provided they were not used to reduce its surplus or its paid-up capital;

(b.0.1*)* where it has included in that computation for the taxation year an amount relating to the financing of new automotive equipment that it has acquired for the purpose of resale, an amount equal to 50% of the lesser of the amount shown in its financial statements in relation to such automotive equipment it has in stock and the amount so included in that computation;

(b.0.2*)* the provision for the redemption of retractable or mandatorily redeemable shares issued at the end of the taxation year, provided the redemption value of those shares was included in that computation;

(b.1*)* the amount of its future tax assets;

(b.1.1*)* the amount of the corporation's deferred unrealized foreign exchange losses at the end of the taxation year;

(b.1.2*)* the amount determined for the taxation year under section 1137.0.0.2, unless the corporation is for that year a prescribed corporation for the purposes of subparagraph *a* of the first paragraph of section 1143;

(b.2*)* where it holds, at the end of the taxation year, in respect of an eligible vessel, a valid certificate issued by the Minister of Economic Development, Innovation and Export Trade, where the taxation year is included in its deduction period and where it encloses with the fiscal return it is required to file for the year under section 1000, by reason of section 1145, a copy of that certificate, the aggregate of

i. the amount by which its eligible acquisition costs for the year in respect of the eligible vessel exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such costs, that the corporation has received, is entitled to receive or can reasonably expect to receive on or before its filing-due date for that year, and

ii. the aggregate of all amounts each of which is an amount paid by the corporation in the year, or in a preceding taxation year, as a repayment of assistance referred to in subparagraph i;

(b.2.1*)* where it holds, at the end of the taxation year, in respect of an eligible vessel, a valid certificate issued by the Minister of Economic Development, Innovation and Export Trade, where the taxation year is included in its deduction period and where it encloses with its fiscal return it is required to file for the year under section 1000, by reason of section 1145, a copy of that certificate, the aggregate of

i. the amount by which its eligible conversion costs for the year in respect of the eligible vessel exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before its filing-due date for that year, and

ii. the aggregate of all amounts each of which is an amount paid by the corporation in the year, or in a preceding taxation year, as a repayment of assistance referred to in subparagraph i;

(b.3*)* subject to the first paragraph of section 1137.2, where the corporation is the owner at the end of a taxation year of property described in the first paragraph of section 1137.5 and where that year is the year in which it acquired the property or the year following that year, an amount equal to the amount by which the aggregate of the costs it incurred to acquire the property in the year in which it acquired the property, except an amount incurred with a person with whom the corporation or a specified shareholder of the corporation does not deal at arm's length, that are related to a business carried on by the corporation in the year in Québec, and that are included, at the end of that year, in the capital cost of the property, exceeds the aggregate of all amounts each of which is an amount of any government assistance or non-government assistance attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year;

(b.4*)* subject to the second paragraph of section 1137.2, where the corporation is, at the end of a taxation year, the owner of property described in the first paragraph of section 1137.5 as a consequence of the transfer of the property to the corporation in any of the circumstances described in section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), by a corporation, referred to as the "transferor" in this paragraph and in the second paragraph of section 1137.2, and the transferor would have been, had it been the owner of the property at the end of that year, entitled to deduct under paragraph *b*.3 an amount in computing its paid-up capital in respect of the property for its taxation year that includes the time of the transfer, an amount equal to the amount by which the amount that the transferor would have been entitled to so deduct in respect of the property under that paragraph *b*.3 in computing its paid-up capital for the year that includes the time of the transfer, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to the property, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for its taxation year;

(b.5*)* an amount equal to 33 1/3% of the portion of its paid-up capital that would, but for this paragraph, be determined under sections 1136 to 1138 that

i. the greater of

(1) its gross revenue for the taxation year from a mineral resource owned or operated by it, and

(2) the capital cost, to the corporation, of property acquired in the year in the course of a major expansion that results in any of the consequences described in subparagraphs 1 and 2 of subparagraph ii of subparagraph *a* of the first paragraph of Class 28 of Schedule B to the Regulation respecting the Taxation Act, that is added to the capital cost, to the corporation, of the property of Class 41 of that Schedule, is of

ii. the aggregate of its gross revenue for that year and, where applicable, the amount by which the amount determined under subparagraph 2 of subparagraph i of this paragraph exceeds the amount determined under subparagraph 1 of that subparagraph;

(c) (paragraph repealed);

(d) where the corporation is a qualified corporation for the taxation year, any amount included by the corporation in that computation for the taxation year otherwise than under paragraph *b*.2 of subsection 1 of section 1136, to the extent that that amount is not otherwise deducted in that computation and is attributable to the eligible activities of a recognized business carried on by the corporation or by any partnership of which the corporation is a member, that are carried on during the base period applicable to the corporation or partnership, as the case may be, in respect of the eligible activities; and

(e) where the corporation is a qualified corporation for the taxation year and the amount of the corporation's deficit is less than the amount that would be the corporation's deficit, but for the eligible activities of any recognized business carried on by the corporation or by any partnership of which the corporation is a member, that are carried on during the base period applicable to the corporation or partnership, as the case may be, in respect of the eligible activities, an amount equal to the amount by which the amount that would be the corporation's deficit, if no reference were made to the eligible activities, exceeds the amount deducted by the corporation in computing its paid-up capital for the taxation year under paragraph *a*.

1972, c. 23, s. 850; 1979, c. 38, s. 27; 1986, c. 15, s. 201; 1990, c. 7, s. 211; 1995, c. 63, s. 242; 1997, c. 3, s. 71; 1997, c. 14, s. 274; 1997, c. 31, s. 137; 1997, c. 85, s. 311; 1999, c. 8, s. 20; 1999, c. 83, s. 257; 1999, c. 86, s. 92; 2000, c. 39, s. 249; 2001, c. 7, s. 166; 2001, c. 51, s. 222; 2002, c. 40, s. 313; 2003, c. 9, s. 421; 2004, c. 21, s. 489; 2005, c. 38, s. 316; 2006, c. 8, s. 31; 2006, c. 13, s. 216; 2009, c. 15, s. 435; 2021, c. 14, s. 192.

1137.0.0.1. An amount that a corporation may deduct in computing its paid-up capital under section 1137, otherwise than because of paragraph *d* or *e* of that section, does not include the portion of that amount attributable to eligible activities of a recognized business carried on by the corporation or any partnership of which the corporation is a member, carried out during the base period applicable to the corporation or the partnership in respect of those eligible activities.

1999, c. 86, s. 93; 2000, c. 39, s. 250; 2005, c. 38, s. 317.

1137.0.0.2. The amount referred to in paragraph *b*.1.2 of section 1137 for a taxation year in respect of a corporation is equal to the amount determined by the formula

$$A \times [B - (C \times B)].$$

In the formula provided for in the first paragraph,

(a) A is

i. where, in the taxation year, the corporation is not associated with any corporation other than a corporation referred to in the second paragraph of section 1135, 1,

ii. where, in the taxation year, the corporation is associated with one or more corporations other than a corporation referred to in the second paragraph of section 1135, all the corporations that are associated with each other during the year have filed with the Minister an agreement in prescribed form whereby they attribute a deduction percentage to one or more of them for the year for the purposes of this section, and the deduction percentage or the total of deduction percentages so attributed, as the case may be, does not exceed 100%, the deduction percentage so attributed to the corporation for the year or, in the absence of such an attribution in its respect, zero, and

iii. in any other case, zero;

(b) B is

i. where the taxation year is a 2003 taxation year that includes 31 December 2002, the proportion of $250,000 that the number of days in the taxation year after that date is of the number of days in the taxation year,

ii. where the taxation year is a 2003 taxation year that does not include 31 December 2002, $250,000,

iii. where the taxation year is a 2004 taxation year that includes 31 December 2003, the total of

(1) the proportion of $250,000 that the number of days in the taxation year before 1 January 2004 is of the number of days in the taxation year, and

(2) the proportion of $600,000 that the number of days in the taxation year after 31 December 2003 is of the number of days in the taxation year,

iv. where the taxation year is a 2004 taxation year that does not include 31 December 2003, $600,000,

v. where the taxation year is a 2005 taxation year that includes 31 December 2004, the total of

(1) the proportion of $600,000 that the number of days in the taxation year before 1 January 2005 is of the number of days in the taxation year, and

(2) the proportion of $1,000,000 that the number of days in the taxation year after 31 December 2004 is of the number of days in the taxation year, and

vi. in any other case, $1,000,000; and

(c) C is the proportion, expressed as a percentage not exceeding 100%, that the amount by which the paid-up capital attributed to the corporation for the taxation year exceeds the amount determined under subparagraph *b* in respect of the corporation for the taxation year is of three times that amount determined under subparagraph *b*.

For the purposes of subparagraph *c* of the second paragraph, the paid-up capital attributed to the corporation for a taxation year is equal to the aggregate of all amounts each of which is

(a) the paid-up capital of the corporation determined without reference to section 1138.2.6 for the preceding taxation year, or, if the taxation year is the first fiscal period of the corporation, its paid-up capital determined without reference to paragraph *b*.1.2 of section 1137 and section 1138.2.6 on the basis of its financial statements at the beginning of that fiscal period; or

(b) where, in the taxation year, the corporation is associated with another corporation, the paid-up capital of that other corporation determined without reference to section 1138.2.6 for its last taxation year that ended before the beginning of the taxation year of the corporation, or, if that other corporation has no such taxation

year, its paid-up capital determined without reference to paragraph *b*.1.2 of section 1137 and section 1138.2.6 on the basis of its financial statements at the beginning of its first fiscal period.

For the purposes of subparagraph *b* of the third paragraph, where the other corporation referred to in that subparagraph is an insurer, within the meaning of the Insurers Act (chapter A-32.1), other than a corporation referred to in paragraph *a* of section 1132, its paid-up capital shall be established in accordance with Title II as if it were a bank and paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136.

2003, c. 9, s. 422; 2005, c. 23, s. 255; 2009, c. 15, s. 436; 2010, c. 25, s. 221; 2018, c. 23, s. 811.

1137.0.1. For the purposes of paragraph *b*.5 of section 1137, the following rules apply:

(a) the gross revenue of a corporation for a taxation year from a mineral resource owned or operated by it includes its gross revenue for the year attributable to the processing, to any stage that is not beyond the prime metal stage or its equivalent, of ore, metals or minerals from that source, but does not include its gross revenue for the year attributable to processing beyond that stage; and

(b) if a corporation is a member of a partnership, the gross revenue of the partnership from a mineral resource owned or operated by it and its gross revenue are deemed to constitute, respectively, a gross revenue of the corporation from a mineral resource owned or operated by it and a gross revenue of the corporation, in a proportion equal to the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the taxation year of the corporation, and are deemed not to constitute income for the partnership.

1999, c. 83, s. 258; 2009, c. 15, s. 437.

1137.1. For the purposes of paragraphs *b*.2 and *b*.2.1 of section 1137, an amount is deemed to be paid by a corporation at a particular time as a repayment of assistance where that amount

(a) reduced, because of subparagraph i of paragraph *b*.2 of section 1137 or subparagraph i of paragraph *b*. 2.1 of that section, the amount deductible by a corporation in computing its paid-up capital for a taxation year;

(b) was not received by the corporation; and

(c) ceased at that particular time to be an amount that the corporation may reasonably expect to receive.

1997, c. 14, s. 275; 1999, c. 8, s. 20; 1999, c. 83, s. 259; 2003, c. 29, s. 135; 2006, c. 8, s. 31; 2012, c. 8, s. 246.

1137.1.1. Where a particular corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for a particular taxation year, government assistance or non-government assistance, attributable to an eligible vessel referred to in paragraph *b*.2 or *b*.2.1 of section 1137 that is owned by a partnership in which the particular corporation has an interest at the end of the fiscal period of the partnership ending in the particular year, the partnership is deemed, for the purposes of those paragraphs *b*.2 and *b*.2.1 and for the purpose of determining the amount the particular corporation is required to include in computing its paid-up capital, because of subsection 3 of section 1136, in respect of its interest in the partnership, to have received, to be entitled to receive or to reasonably expect to receive, at the end of that fiscal period, the assistance attributable to the eligible vessel in an amount equal to the product obtained by multiplying the amount of that assistance by the quotient obtained by dividing 1 by the proportion determined, pursuant to subsection 3 of that section 1136, in respect of the particular corporation, in relation to its interest in the partnership, for that particular year.

1999, c. 83, s. 260.

1137.2. A corporation may deduct, under paragraph *b*.3 of section 1137, an amount in computing its paid-up capital for a taxation year, in respect of property referred to in that paragraph *b*.3 that is described in subparagraph *c* of the first paragraph of section 1137.5 and that is acquired by the corporation for the carrying on of an activity described in subparagraph *d* of the second paragraph of that section, only if the corporation holds at the end of the year, in respect of that activity, a qualification certificate issued by Tourisme Québec

certifying that the recreational facilities it operates are conducive to promoting tourism in Québec and if it encloses a copy of the qualification certificate with the fiscal return it is required to file for the year under section 1000, because of section 1145.

For the purposes of paragraph *b*.4 of section 1137, the following rules apply:

(a) a corporation may deduct, under that paragraph *b*.4, an amount in computing its paid-up capital for a taxation year, in respect of property referred to in that paragraph *b*.4 that is described in subparagraph *c* of the first paragraph of section 1137.5 and that was acquired by the transferor referred to in that paragraph *b*.4 for the carrying on of an activity described in subparagraph *d* of the second paragraph of section 1137.5, only if the corporation encloses a copy of the qualification certificate issued by Tourisme Québec to the transferor in respect of that activity with the fiscal return it is required to file for the year under section 1000, because of section 1145; and

(b) a corporation may deduct an amount, under that paragraph *b*.4, in respect of property referred to in that paragraph, in computing its paid-up capital for a particular taxation year only if the particular year is

i. where the transferor's taxation year that includes the time of the transfer referred to in that paragraph *b*.4 is the year in which it acquired the property, the corporation's taxation year that includes the time of the transfer and the year following that year, or

ii. where the transferor's taxation year includes the time of the transfer referred to in that paragraph *b*.4, follows the year in which the transferor acquired the property, the corporation's taxation year that includes the time of the transfer.

1997, c. 85, s. 312; 2003, c. 9, s. 423.

1137.3. Where, at a particular time, a corporation in a taxation year pays a particular amount, in relation to property, that may reasonably be considered to be the repayment of particular assistance that reduced, pursuant to paragraph *b*.3 or *b*.4 of section 1137, the amount that the corporation, or a corporation from which it acquired the property, was entitled to deduct, in respect of the property, in computing its paid-up capital under those paragraphs, the following rules apply:

(a) the particular amount is deemed to have been incurred at that particular time by the corporation as costs, in the year in which it paid the particular amount, to acquire property described in the first paragraph of section 1137.5 which it owned at the end of the year;

(b) the corporation may deduct the particular amount in computing its paid-up capital for a taxation year

i. that is, where the particular assistance reduced an amount that could have been deducted, pursuant to paragraph *b*.3 or *b*.4 of section 1137, the taxation year in which the property was acquired by the corporation or, where paragraph *b*.4 applies, by the transferor referred to therein, the year in which it paid the particular amount or the year following that year, or

ii. that is, where the assistance reduced an amount that could have been deducted, pursuant to paragraph *b*.3 or *b*.4 of section 1137, the taxation year following the year in which the property was acquired by the corporation or, where paragraph *b*.4 applies, by the transferor referred to therein, the year in which it pays the particular amount; and

(c) the amount that the corporation deducts, for a particular taxation year, from its paid-up capital under subparagraph *b* is deemed to have been deducted by the corporation under paragraph *b*.3 of section 1137 in computing its paid-up capital for that particular year.

For the purposes of the first paragraph, an amount is deemed to be an amount paid, at a particular time, as repayment of assistance by a corporation, where

(a) it reduced, because of paragraphs *b*.3 and *b*.4 of section 1137, the amount deductible by the corporation under either of those paragraphs in computing its paid-up capital for a taxation year;

(b) it has not been received by the corporation; and

(c) it ceased, at the particular time, to be an amount the corporation may reasonably expect to receive.

1997, c. 85, s. 312; 1999, c. 83, s. 261.

1137.4. Notwithstanding paragraphs *b*.3 and *b*.4 of section 1137, no deduction shall be made for a taxation year, in relation to property described in the first paragraph of section 1137.5, in respect of costs incurred to acquire the property, where

(a) in the case where the property is described in subparagraph *c* of the first paragraph of section 1137.5 and was acquired in connection with an activity described in subparagraph *d* of the second paragraph of that section 1137.5, the qualification certificate issued by Tourisme Québec in respect of that activity is revoked on or before the filing-due date for that year of the purchaser of the property that is the owner of the property at the end of that year;

(b) at any time before the day after the earlier of the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser or by a subsequent purchaser of the property that acquired the property in any of the circumstances described in section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), and the filing-due date, for that taxation year, of the purchaser that is the owner of the property at the end of that year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income for a business carried on

i. by the first purchaser of the property and where that time is also in the portion of that period in which the first purchaser owns the property, or

ii. by a subsequent purchaser of the property that acquired the property in any of the circumstances described in section 130R149 of the Regulation respecting the Taxation Act, and where that time also is in the portion of that period in which the subsequent purchaser owns the property.

Where the property is general-purpose electronic data processing equipment referred to in subparagraph *b* of the second paragraph of Class 12 of Schedule B to the Regulation respecting the Taxation Act and the property is installed in Québec, the word “solely” shall be replaced, in subparagraph *b* of the first paragraph, by the word “primarily”.

1997, c. 85, s. 312; 2001, c. 51, s. 223; 2003, c. 9, s. 424; 2009, c. 15, s. 438.

1137.5. The property to which paragraphs *b*.3 and *b*.4 of section 1137 refer is any property, other than property acquired pursuant to an obligation in writing entered into before 26 March 1997 or, where applicable, the construction of which, by or on behalf of the purchaser, had begun by 25 March 1997, that is acquired after 25 March 1997 and before 13 June 2003, or after 12 June 2003 and before 13 June 2004 if the property is acquired pursuant to an obligation in writing entered into before 13 June 2003 or, where applicable, if the construction of the property, by or on behalf of the purchaser, had begun before 13 June 2003, and that is

(a) property referred to in subparagraph *b* of the second paragraph of Class 12 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), if, before its acquisition, it was not used for any purpose or acquired to be used or leased for any purpose whatever;

(b) a building situated in Québec or part of such a building in respect of which an amount would be included, but for section 93.6, in computing the undepreciated capital cost of the depreciable property of a prescribed class, if the building or the part of the building, before its acquisition, was not used for any purpose or acquired to be used or leased for any purpose whatever, and

i. is used by the purchaser, directly or indirectly, mainly to manufacture or process items for sale or lease, or is intended to be so used, or

ii. is leased in the normal course of carrying on the business of the purchaser to a lessee who may reasonably be considered to be using, or who may reasonably be expected to use, the building or the part of the building, directly or indirectly, mainly to manufacture or process items for sale or lease;

*(b.*1*)* a building situated in Québec or part of such a building, in respect of which an amount would be included, but for section 93.6, in computing the undepreciated capital cost of the depreciable property of a prescribed class, if the building or the part of the building, before its acquisition, was not used for any purpose or acquired to be used or leased for any purpose whatever, and

i. is used by the purchaser, directly or indirectly, mainly in the processing of mineral ores recovered from a mineral resource that is located in a country other than Canada, or is intended to be so used, or

ii. is leased in the normal course of carrying on the business of the purchaser to a lessee who may reasonably be considered to be using, or who may reasonably be expected to use, the building or the part of the building, directly or indirectly, mainly in the processing of mineral ores recovered from a mineral resource that is located in a country other than Canada;

(c) equipment or a building situated in Québec or part of such a building, in respect of which an amount would be included, but for section 93.6, in computing the undepreciated capital cost of the depreciable property of a prescribed class, if the equipment or building or the part of the building, before its acquisition, was not used for any purpose or acquired to be used or leased for any purpose whatever, and

i. is used by the purchaser, directly or indirectly, mainly as part of an activity described in the second paragraph, or is intended to be so used, or

ii. is leased in the normal course of carrying on the business of the purchaser to a lessee who may reasonably be considered to be using, or who may reasonably be expected to use, the equipment or building or the part of the building, directly or indirectly, mainly as part of an activity described in the second paragraph.

An activity referred to in any of the subparagraphs of subparagraph *c* of the first paragraph is

(a) the operation of a tourist accommodation establishment, within the meaning of the regulations under the Act respecting Tourist Accommodation Establishments (chapter E-14.2), situated in Québec, with the exception of an educational institution, within the meaning of those regulations;

(b) the carrying on in Québec, for recreational purposes, of a business consisting in renting boats, airplanes or vehicles other than automobiles;

(c) the carrying on of a business consisting in offering holiday packages in Québec, including lodging and transportation in Québec as well as related recreational activities; or

(d) the carrying on of recreational activities in Québec in respect of which Tourisme Québec has issued a qualification certificate certifying that the recreational facilities are conducive to promoting tourism in Québec, except the following facilities:

i. a cinema or a drive-in,

ii. an amusement arcade,

iii. a bowling alley,

iv. a skating rink,

v. a sports club,

vi. a pool,

vii. a bingo hall,

viii. a casino,

ix. a community centre,

x. a playground,

xi. a private club.

1997, c. 85, s. 312; 1999, c. 83, s. 262; 2000, c. 39, s. 251; 2001, c. 51, s. 224; 2003, c. 9, s. 425; 2004, c. 21, s. 490; 2005, c. 23, s. 256; 2006, c. 13, s. 217.

1137.6. Where a particular corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for a particular taxation year, government assistance or non-government assistance, attributable to particular property referred to in paragraph *b*.3 or *b*.4 of section 1137 and that is owned by a partnership in which the particular corporation has an interest at the end of the fiscal period of the partnership ending in the particular year, the partnership is deemed, for the purposes of those paragraphs *b*.3 and *b*.4 and for the purpose of determining the amount the particular corporation is required to include in computing its paid-up capital, because of subsection 3 of section 1136, in respect of its interest in the partnership, to have received, to be entitled to receive or to reasonably expect to receive, at the end of that fiscal period, the assistance attributable to the particular property in an amount equal to the product obtained by multiplying the amount of that assistance by the quotient obtained by dividing 1 by the proportion determined, pursuant to subsection 3 of that section 1136, in respect of the particular corporation, in relation to its interest in the partnership, for that particular year.

1997, c. 85, s. 312.

1137.7. Subject to any special provision of this Part, where, in respect of particular costs, an amount is deducted under any of paragraphs *b*.2 to *b*.4 of section 1137, by a corporation in computing its paid-up capital for a taxation year, no other deduction may be made by the corporation, for any taxation year under any other of those paragraphs, in respect of all or part of a cost or expenditure, included in the particular costs.

1997, c. 85, s. 312.

1137.8. For the purposes of this Part, where, at any time after 11 June 2003, control of a corporation that is a member of a partnership that carries on, at that time, a recognized business is acquired by a person or group of persons, the definition of "base period" in section 1130 shall be read as follows:

""base period" means a base period within the meaning that would be assigned by section 737.18.6 if subparagraph *b* of the first paragraph of section 737.18.9.2 were read as follows:

"(*b*) where the recognized business is carried on by the partnership, the base period applicable to the partnership, in respect of the eligible activities of the recognized business, is deemed, for the purpose of computing the amount of tax payable under Part IV by the corporation for the taxation year that includes that time and for a subsequent taxation year, to end at that time.";".

However, the first paragraph does not apply if the acquisition of control

(a) occurs before 1 July 2004 and Investissement Québec certifies that it results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date;

(b) is by a corporation carrying on at that time a recognized business, by a person or group of persons that controls such a corporation, or by a group of persons each member of which is such a corporation or a person who, alone or together with other members of the group, controls such a corporation;

(c) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003; or

(d) derives from the performance after 11 June 2003 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 12 June 2003.

Sections 21.2 to 21.3.3 and 21.4 to 21.4.1 apply, with the necessary modifications, to this section.

2004, c. 21, s. 491; 2005, c. 23, s. 257; 2006, c. 13, s. 218.

1138. (1) The paid-up capital of a corporation computed after the application of sections 1136 and 1137 shall be reduced in the proportion that the aggregate of the following value and amounts is of the total of its assets:

(a) the value of its investments in shares and bonds of other corporations;

(a.1) the value of its investments in permanent shares of a savings and credit union and any participating interest in the nature of a permanent share of a savings and credit union;

(b) the amount of loans and advances to other corporations;

(c) the amounts of the loans and advances to a partnership or joint venture, to the extent that the amounts of the loans or advances are included in computing the paid-up capital of a corporation that has an interest in the partnership or joint venture;

(d) the amounts of the bankers' acceptances and other similar securities accepted by a bank or any other person which are assets thereof, to the extent that such acceptances and other securities are for the benefit of a corporation;

(d.1) the amount of debts resulting from the selling of property or the provision of services to another corporation, where those debts are secured, in whole or in part, by a property of that other corporation;

(d.2) except where they are described in any of paragraphs *a* to *d*.1 or would be described therein but for subsections 2 to 2.1.3, the amount of debts that are owed

i. by another corporation, except a corporation referred to in paragraph *a* of section 1132, and that are secured, in whole or in part, by a property of that other corporation or have been in existence for more than six months, or

ii. by a loan corporation, a trust corporation or a corporation trading in securities, to which the corporation is related;

(e) the amount referred to in section 1138.4.

(1.1) For the purposes of subsection 1, the value of a share is deemed equal to its cost where the amount included in the assets is less than that cost; in such a case, the amount by which the cost exceeds that amount must be included in the paid-up capital of the corporation if it is not already included therein under section 1136.

(2) The following are deemed not to be loans and advances to other corporations:

(a) (paragraph repealed);

(b) amounts receivable by a subsidiary from its parent corporation whose head office is outside Canada;

(c) (paragraph repealed).

(2.0.1) *(Subsection repealed).*

(2.1) *(Subsection repealed).*

(2.1.0.1) For the purposes of this section,

(a) a debt that, but for this subparagraph, would be a loan or an advance to a corporation, a partnership or a joint venture, is deemed not to be such a loan or such an advance, in a taxation year, where it has been substituted for a debt that was not, immediately before the substitution, such a loan or such an advance and where, in that year, the creditor and the debtor of the debt are associated corporations, in the case where the creditor and the debtor are corporations, or do not deal at arm's length, in the other cases;

(b) a debt that, but for this paragraph, would be a loan or an advance is deemed not to be such a loan or such an advance, in a taxation year, where

i. the debt was acquired, in the year or in a preceding taxation year, by a person, a partnership or a joint venture, called "acquirer" in this paragraph, from a person, partnership or joint venture, called "assignor" in this paragraph, and the acquirer and assignor are associated at the time of the acquisition, in the case where the acquirer and the assignor are corporations, or do not deal at arm's length at that time, in the other cases,

ii. the debt is a debt that, before its disposition by the assignor, was substituted for a debt that was not, immediately before the substitution, a loan or an advance to a corporation, a partnership or a joint venture and in respect of which, at the time of the substitution, the creditor and debtor were associated corporations, in the case where the creditor and the debtor are corporations, or did not deal at arm's length, in the other cases, and

iii. in the taxation year, the acquirer and debtor are associated corporations, in the case where the acquirer and the debtor are corporations, or do not deal at arm's length in the other cases.

(2.1.0.2) For the purposes of this subsection and subsection 2.1.0.1,

(a) where an acquirer, within the meaning of subparagraph i of paragraph *b* of subsection 2.1.0.1, acquires a debt from a particular assignor that is an assignor within the meaning of that subparagraph i and had itself acquired the debt from another such assignor to which it was associated, in the case where the assignors are corporations, or with which it did not deal at arm's length, in the other cases, the acquirer is deemed to acquire the debt from the other assignor at the time at which the particular assignor had acquired the debt from the other assignor and to be associated at that time with the other assignor, in the case where the acquirer and the other assignor are corporations, or not to deal at arm's length at that time with the other assignor, in the other cases;

(b) (paragraph repealed);

(c) to determine whether a partnership or a joint venture does not, at a particular time, deal at arm's length with a person, another partnership or another joint venture, each partnership or joint venture is deemed to be, at that particular time and for the purposes of sections 17 to 21, a person.

(2.1.1) Bankers' acceptances and other similar securities the drawer of which is a corporation authorized to receive deposits of money and not referred to in subparagraph ii of paragraph *d*.2 of subsection 1 are deemed not to be bankers' acceptances or other similar securities referred to in subsection 1.

(2.1.1.1) For the purposes of subsection 1, an investment in bonds of another corporation, a loan or advance to another corporation, a banker's acceptance and a similar security for the benefit of another corporation or a debt described in paragraph *d*.1 of that subsection 1 that is owed by another corporation is deemed not to be such property where the other corporation is a corporation referred to in paragraph *a* of section 1132 that is not related to the corporation, except where that property is included in the long-term debt of the other corporation or is, where that other corporation is a corporation trading in securities, a subordinated loan or another debt of that corporation whose repayment is subject to the prior approval of an agency empowered to regulate trading in securities.

(2.1.2) For the purposes of subsection 1, an investment in shares of a bank or a particular corporation related to a bank or a savings and credit union, a loan or an advance to such a particular corporation, an investment in bonds of another corporation, a property described in paragraph *a*.1 of subsection 1, a property described in paragraph *b* or *c* of that subsection that is a commercial paper, a property described in that paragraph *c* that is an investment in bonds of a partnership or a property described in any of paragraphs *d* to *d*.2 of that subsection, is deemed not to be such a property if it was not held without interruption by the corporation throughout a 120-day period that includes the date of the end of its taxation year.

(2.1.2.1) For the purposes of paragraphs *d*.1 and *d*.2 of subsection 1, a debt referred to in any of those paragraphs, that is owed by a corporation, is deemed not to be such property where it is a debt that has been owed by that corporation for six months or less and that is a trade account receivable as consideration for the disposition of a property or the provision of a service, or a tax receivable in relation to the disposition of a property or the provision of a service where the disposition or provision gave rise to a trade account receivable or would give rise to a trade account receivable if the consideration for the disposition or provision were unpaid.

(2.1.2.2) For the purposes of subsection 1, the amount of the debts referred to in paragraphs *d*.1 and *d*.2 of that subsection must be reduced by the part, attributable to those debts, of the reserve for doubtful debts that is deducted, in accordance with subsection 3, in computing the amount of the assets of the corporation.

(2.1.2.3) For the purposes of subsection 1 and despite section 1.7, a reference to another corporation in subsection 1 is deemed not to be a reference to a government of a country, province, state or to another political subdivision of a country, other than a municipality or municipal body performing government functions.

(2.1.3) For the purposes of paragraph *d*.1 of subsection 1, a debt resulting from the selling of property or the provision of services to another corporation is deemed not to be such a debt where that other corporation is

(a) a corporation authorized to receive deposits of money and not referred to in subparagraph ii of paragraph *d*.2 of subsection 1; or

(b) a corporation that is the parent corporation of the corporation and whose head office is outside Canada.

(2.1.4) For the purposes of subsection 2.1.2, the particular corporation referred to in that subsection is deemed not to be related to a bank or savings and credit union in respect of an investment by another corporation in shares of the particular corporation or a loan or an advance by that other corporation to the particular corporation, if the particular corporation is not related to the bank or the savings and credit union at any time during the period the other corporation holds the investment or is the creditor of the loan or the advance.

(2.2) No reduction of the paid-up capital shall be permitted under subsection 1 in respect of a loan, an advance, a debt described in paragraph *d*.2 of that subsection, or a banker's acceptance or a similar security if it is established that the loan, advance, debt or banker's acceptance or security was made or issued as part of a series of loans, advances, such debts or banker's acceptances or similar securities and repayments or transactions with a view to unduly reducing the paid-up capital.

(3) The amount of the assets of a corporation is that shown in the corporation's financial statements, after deduction of the provisions and reserves for amortization or depletion, of the reserve for doubtful debts provided it was deducted in computing income under Part I, and of any amount deducted in computing the corporation's paid-up capital under any of paragraphs *b*, *b*.1 and *b*.1.1 of section 1137, to which is added

(a) any amount having reduced the amount of the assets that must be included in the paid-up capital, and

(b) the amount of the assets of a partnership or a joint venture in the proportion that the share of that corporation of the income or loss of the partnership or the joint venture is of the income or loss of the

partnership or the joint venture, on the assumption that, if the income and loss of the partnership or joint venture for a fiscal period are nil, the income of the partnership or joint venture for that fiscal period is equal to $1,000,000, reduced by the amount of the interest of the corporation in the partnership or joint venture shown as an asset in its financial statements.

(3.1) For the purposes of subsection 3, a corporation may deduct, in computing the amount of its assets, an amount shown in its financial statements resulting from a transaction between a partnership or a joint venture and its members, except to the extent that the transaction increased the amount of the corporation's interest in the partnership or joint venture, shown as an asset in its financial statements.

(4) For the purposes of paragraph *b* of subsection 3, a corporation shall not include in computing the amount of its assets any amount shown in the financial statements of the partnership or joint venture resulting from an operation between the partnership or joint venture and its members.

(5) *(Subsection repealed).*

1972, c. 23, s. 851; 1979, c. 38, s. 27; 1980, c. 13, s. 110; 1986, c. 15, s. 202; 1986, c. 19, s. 206; 1987, c. 67, s. 200; 1990, c. 7, s. 212; 1991, c. 8, s. 99; 1993, c. 19, s. 146; 1993, c. 64, s. 194; 1995, c. 1, s. 194; 1995, c. 63, s. 243; 1997, c. 3, s. 71; 1997, c. 14, s. 276; 1997, c. 85, s. 313; 1999, c. 83, s. 263; 2000, c. 39, s. 252; 2001, c. 51, s. 225; 2002, c. 40, s. 314; 2003, c. 9, s. 426; 2005, c. 23, s. 258; 2005, c. 38, s. 318; 2006, c. 13, s. 219; 2009, c. 5, s. 557; 2012, c. 8, s. 247.

1138.0.0.1. *(Repealed).*

1997, c. 85, s. 314; 1999, c. 83, s. 264.

1138.0.0.2. *(Repealed).*

1997, c. 85, s. 314; 1999, c. 83, s. 265.

1138.0.1. A qualified corporation, within the meaning of sections 771.5 to 771.7, for a taxation year may deduct, if it is not described in section 1138.1, in computing its paid-up capital for the year, after the application of section 1138, an amount equal to 75% of the lesser of

(a) its paid-up capital for the year, computed after the application of section 1138, minus the amount that, where applicable, could be deducted from the paid-up capital of the corporation for the year under section 1138.2.5 if "75% of the amount" in the first paragraph of section 57 of the Act respecting international financial centres (chapter C-8.3) were replaced by "the amount"; and

(b) $3,000,000.

Notwithstanding the first paragraph, the amount deductible by such a corporation in computing its paid-up capital under this section, for its taxation year that includes the last day of its exemption period, within the meaning of the first paragraph of section 771.1, is equal to such proportion of the amount that, but for this paragraph, would be determined under the first paragraph that the number of days in the year included in that exemption period is of the number of days in the year.

1987, c. 21, s. 91; 1993, c. 64, s. 195; 1995, c. 63, s. 244; 1997, c. 3, s. 71; 1997, c. 85, s. 315; 2000, c. 39, s. 253; 2004, c. 21, s. 492; 2005, c. 38, s. 319; 2009, c. 5, s. 558.

1138.1. Every farming corporation or every corporation whose activities consist mainly in carrying on a fishing business may deduct $5,000,000 in computing its paid-up capital, following the application of section 1138.

However, if the corporation is associated in a taxation year with one or several other corporations referred to in the first paragraph, the amount it may deduct for the year under this section is equal to the product obtained by multiplying $5,000,000 by

(a) if all the corporations associated with each other during the year have filed with the Minister an agreement in the prescribed form whereby they attribute a deduction percentage to one or more of them for the year for the purposes of this section, and the deduction percentage or the total of deduction percentages so attributed, as the case may be, does not exceed 100%, the deduction percentage so attributed to the corporation for the year or, in the absence of such an attribution in its respect, zero; and

(b) in any other case, zero.

Where two corporations are deemed, under section 21.21, to be associated with each other at any time by reason that they are associated, or deemed to be associated under that section, at that time with the same corporation, in this paragraph referred to as the "third corporation", the following rules apply if the third corporation so elects in prescribed form for its taxation year that includes that time:

(a) for the purpose of determining whether, for the purposes of this section, the two corporations are deemed to be associated with each other under section 21.21, the third corporation is deemed not to be associated with either of those two corporations in that taxation year; and

(b) the amount that the third corporation may deduct for that taxation year under this section is nil.

1986, c. 15, s. 203; 1987, c. 21, s. 92; 1989, c. 5, s. 238; 1995, c. 63, s. 245; 1997, c. 3, s. 71; 2003, c. 9, s. 427; 2009, c. 5, s. 559.

1138.2. *(Repealed).*

1987, c. 21, s. 92; 1997, c. 3, s. 71; 2003, c. 9, s. 428.

1138.2.1. The paid-up capital, for a taxation year, of a corporation that is an exempt corporation for the year, within the meaning of sections 771.12 and 771.13, shall be reduced by the amount determined by the formula

$$A \times B \times C.$$

In the formula in the first paragraph,

(a) A is,

i. if the corporation's taxation year includes the first or last day of its eligibility period, within the meaning of section 771.1, or part of the year is excluded from that eligibility period because of the application of the fourth paragraph of section 771.1, the proportion that the number of days in the year included in that eligibility period is of the number of days in the year, and

ii. in any other case, 1;

(b) B is

i. 75%, if the corporation is referred to in subparagraph iii of paragraph *a* of section 771.12 and any of the conditions mentioned in subparagraphs 1 and 2 of subparagraph i of subparagraph *b* of the second paragraph of section 771.8.5 is met in its respect, and

ii. 100%, in any other case; and

(c) C is the corporation's paid-up capital for that year, computed before the application of this section.

1997, c. 85, s. 316; 1999, c. 83, s. 266; 2000, c. 39, s. 254; 2005, c. 23, s. 259; 2007, c. 12, s. 287.

1138.2.2. A corporation that carries on, in a taxation year, a recognized business in connection with which a major investment project was carried out or is in the process of being carried out, or is a member of a partnership that carries on, in a fiscal period of the partnership that ends in the year, such a recognized business, may deduct from its paid-up capital otherwise determined for the year under this Title, the aggregate of all amounts each of which is, in relation to a particular major investment project of the corporation or partnership, the proportion of the amount that would be the corporation's paid-up capital otherwise determined for the year under this Title if such capital were established on the sole basis of the financial statements referred to in subparagraph *c* or *d* of the second paragraph in relation to the particular major investment project, that the number of days in the eligibility period of the corporation for the year or of the partnership for the fiscal period, as the case may be, in relation to the particular major investment project, is of the number of days in the taxation year or fiscal period, as the case may be.

However, a deduction is allowed under the first paragraph for a taxation year in respect of a major investment project of the corporation or partnership, only if the corporation encloses, with its fiscal return it is required to file under section 1000 for the year, the following documents:

(a) the prescribed form containing the prescribed information;

(b) a copy of the initial qualification certificate issued to the corporation or partnership in relation to the major investment project, and of any annual qualification certificate for the taxation year of the corporation or the fiscal period of the partnership issued in relation to the major investment project;

(c) where the recognized business is carried on by the corporation, the financial statements of the corporation prepared in accordance with generally accepted accounting principles but pertaining only to the eligible activities of the corporation, in relation to the major investment project, and, if applicable, the financial statements of a joint venture in which the corporation has an interest, prepared in accordance with those principles but pertaining only to the activities carried on by the joint venture that would be eligible activities of a corporation, in relation to the major investment project, if the joint venture were a corporation; and

(d) where the recognized business is carried on by the partnership,

i. the financial statements of the partnership prepared in accordance with generally accepted accounting principles but pertaining only to the eligible activities of the partnership, in relation to the major investment project,

ii. if applicable, the financial statements of a joint venture in which the partnership has an interest, prepared in accordance with generally accepted accounting principles but pertaining only to the activities carried on by the joint venture that would be eligible activities of a partnership, in relation to the major investment project, if the joint venture were a partnership, and

iii. the financial statements of the corporation prepared in accordance with generally accepted accounting principles but pertaining only to the elements attributable to the eligible activities of the partnership, in relation to the major investment project, and, where applicable, only to the elements attributable to the activities referred to in subparagraph ii.

For the purposes of subparagraph *b* of the second paragraph, where, at any time, a corporation or partnership acquires from another corporation or partnership all or substantially all of a recognized business, and the Minister of Finance previously authorized the acquisition for the purposes of this Book, the initial qualification certificate issued to the other corporation or partnership, in relation to the major investment project, is deemed to have been issued, from that time, to the corporation or partnership, as the case may be.

The amounts reported in the financial statements referred to in subparagraph *c* or *d* of the second paragraph of the corporation, partnership or joint venture must be the same as the amounts that, in respect of eligible activities, activities or elements attributable to eligible activities or activities referred to in that subparagraph,

were taken into account in determining the amounts reported in the financial statements of the corporation, partnership or joint venture, as the case may be, otherwise prepared under this Part.

2002, c. 9, s. 131; 2009, c. 5, s. 560; 2012, c. 8, s. 248.

1138.2.2.1. For the purpose of determining the amount that a corporation may deduct, under section 1138.2.2, from its paid-up capital otherwise determined for a taxation year under this Title, the following rules apply if one or more other partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between that corporation and a given partnership that carries on a recognized business referred to in that section in any fiscal period of the given partnership:

(a) the corporation is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the corporation's taxation year in which ends the fiscal period of the interposed partnership of which it is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the corporation is a member, or deemed to be a member under this paragraph, of the interposed partnership described in subparagraph i at the end of the interposed partnership's fiscal period in which the particular fiscal period ends; and

(b) subparagraph iii of subparagraph *d* of the second paragraph of section 1138.2.2 is to be read as if "the financial statements of the corporation" was replaced by "the financial statements of the corporation and of any other partnership of which the corporation is a member, or deemed to be a member under paragraph *a* of section 1138.2.2.1,".

2009, c. 15, s. 439.

1138.2.2.2. Section 1138.2.2.1 does not apply in respect of a corporation, in relation to a given partnership, if the Minister is of the opinion that the interposition, between the corporation and the given partnership, of one or more other partnerships is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to cause the corporation to be able to deduct, under section 1138.2.2, from its paid-up capital otherwise determined for a taxation year under this Title, an amount greater than the amount that the corporation could have so deducted for that taxation year, but for that interposition.

2009, c. 15, s. 439.

1138.2.3. *(Repealed).*

2002, c. 40, s. 315; 2004, c. 21, s. 493; 2009, c. 5, s. 561; 2010, c. 25, s. 222; 2022, c. 23, s. 152.

1138.2.3.1. *(Repealed).*

2010, c. 25, s. 223; 2022, c. 23, s. 152.

1138.2.4. *(Repealed).*

2003, c. 9, s. 429; 2004, c. 21, s. 494; 2022, c. 23, s. 152.

1138.2.5. A corporation may deduct from its paid-up capital otherwise determined for a taxation year under this Title the amount provided for in its respect for the year in section 57 of the Act respecting international financial centres (chapter C-8.3).

2005, c. 38, s. 320.

1138.2.6. A manufacturing corporation for a taxation year may deduct from its paid-up capital otherwise determined for the year under this Title, an amount equal to

(a) if the proportion of the manufacturing or processing activities of the corporation for the year is at least 50%, the corporation's paid-up capital for the year, determined before the application of this section; and

(b) if the proportion of the manufacturing or processing activities of the corporation for the year is less than 50%, the amount determined by the formula

A × (B - 20%)/30%.

In the formula in subparagraph *b* of the first paragraph,

(a) A is the corporation's paid-up capital for the year, determined before the application of this section; and

(b) B is the proportion of the manufacturing or processing activities of the corporation for the year.

Any amount otherwise deductible in computing the corporation's paid-up capital for the year under this Title, after the application of section 1138, is to be determined without reference to this section.

2009, c. 15, s. 440.

1138.3. *(Repealed).*

1990, c. 7, s. 213; 1995, c. 63, s. 246; 1997, c. 3, s. 71; 1997, c. 14, s. 277.

1138.4. The amount to which subsection 1 of section 1138 refers is, in respect of a corporation that throughout a taxation year was not resident in Canada, equal to the value, for that year, of property that is a ship or aircraft operated by the corporation in international traffic, within the meaning of section 1, or is movable property used in its business of transporting persons or goods by ship or aircraft in international traffic, where the property is used by the corporation in, or held by it in the year in the course of, carrying on any business during the year through an establishment in Canada.

However, the reduction provided for in subsection 1 of section 1138 shall apply in respect of the amount referred to in the first paragraph only if the country in which the corporation is resident imposed neither a capital tax for the year on similar property nor a tax for the year on the income from the operation of a ship or aircraft in international traffic, of any corporation resident in Canada during the year.

1993, c. 19, s. 147; 1997, c. 3, s. 71; 2001, c. 7, s. 167.

1139. *(Repealed).*

1972, c. 23, s. 852; 1979, c. 38, s. 27; 1980, c. 13, s. 111.

TITLE II

BANKS, SAVINGS AND CREDIT UNIONS, LOAN CORPORATIONS, TRUST CORPORATIONS AND CORPORATIONS TRADING IN SECURITIES

1979, c. 38, s. 27; 1980, c. 13, s. 112; 1997, c. 3, s. 71; 1997, c. 14, s. 278.

1140. In this Part, the paid-up capital of a bank, other than an authorized foreign bank, includes

(a) the paid-up capital stock;

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

and those for losses, in respect of a contract of lease or of leasing, that a bank carrying on lease or leasing activities cannot deduct in computing its income under that Part;

(b.1) the future tax liabilities;

(c) the surpluses and the undivided profits;

(d) long-term debt.

1972, c. 23, s. 853; 1979, c. 38, s. 27; 1980, c. 13, s. 113; 1984, c. 35, s. 33; 1991, c. 8, s. 100; 1995, c. 63, s. 247; 2000, c. 39, s. 255; 2002, c. 40, s. 316; 2004, c. 8, s. 207.

1140.1. In this Part, the paid-up capital of an authorized foreign bank for a taxation year is equal to the aggregate of

(a) 10% of the aggregate of all amounts, each of which is the risk-weighted amount at the end of the year of an on-balance sheet asset of the bank or of an off-balance sheet exposure of the bank in respect of its Canadian banking business that the bank would be required to report under the OSFI risk-weighting guidelines if those guidelines applied and required a report at that time; and

(b) the aggregate of all amounts, each of which is an amount at the end of the year in respect of the bank's Canadian banking business that

i. if the bank were a bank listed in Schedule II to the Bank Act (Statutes of Canada, 1991, chapter 46), would be required under the risk-based capital adequacy guidelines issued by the Superintendent of Financial Institutions of Canada and applicable at that time to be deducted from the bank's capital in determining the amount of capital available to satisfy the Superintendent's requirement that capital equal a particular proportion of risk-weighted assets and exposures, and

ii. is not an amount in respect of a loss protection facility required to be deducted from capital under the guidelines of the Superintendent of Financial Institutions of Canada respecting asset securitization applicable at that time.

2004, c. 8, s. 208.

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

(a) the paid-up capital stock;

(b) the general reserve and the other reserves and provisions, except those for amortization or depletion, those that are permitted by Part I to the extent that they were deducted in computing income under that Part and those for losses, in respect of a contract of lease or of leasing, that a loan company or a trust company carrying on lease or leasing activities cannot deduct in computing its income under that Part;

(b.1) the future tax liabilities;

(c) the surplus;

(d) long-term debt;

(e) any other debt owing to a corporation to which the corporation is related, other than a corporation referred to in paragraph *a* of section 1132, except a debt contracted or assumed by the corporation within the preceding six months and that is a trade account payable as consideration for the acquisition of a good or the provision of a service, or a tax payable in connection with the acquisition of a good or the provision of a

service where the acquisition or provision gave rise to a trade account payable or would give rise to a trade account payable if the consideration for the acquisition or provision were unpaid.

1972, c. 23, s. 854; 1979, c. 38, s. 27; 1980, c. 13, s. 113; 1991, c. 8, s. 101; 1995, c. 63, s. 248; 1997, c. 3, s. 71; 2000, c. 39, s. 256; 2002, c. 40, s. 317.

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

(a) the paid-up capital stock;

(b) the general reserve and the other reserves and provisions, except those for amortization or depletion, those that are permitted by Part I to the extent that they were deducted in computing income under that Part and those for losses, in respect of a contract of lease or of leasing, that a corporation trading in securities carrying on lease or leasing activities cannot deduct in computing its income under that Part;

(b.1) the future tax liabilities;

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

(d) the surplus;

(e) long-term debt;

(f) any other debt owing to a corporation to which the corporation is related, other than a corporation referred to in paragraph *a* of section 1132, except a debt contracted or assumed by the corporation within the preceding six months and that is a trade account payable as consideration for the acquisition of a good or the provision of a service, or a tax payable in connection with the acquisition of a good or the provision of a service where the acquisition or provision gave rise to a trade account payable or would give rise to a trade account payable if the consideration for the acquisition or provision were unpaid.

1980, c. 13, s. 113; 1991, c. 8, s. 102; 1995, c. 63, s. 249; 1997, c. 3, s. 71; 2000, c. 39, s. 257; 2002, c. 40, s. 318.

1141.1.0.1. For the purposes of sections 1141 and 1141.1, a debt repaid before the end of the taxation year is deemed to be a debt at the end of that year if it is established that the repayment was made as part of a series of loans and repayments with a view to unduly reducing the paid-up capital.

2002, c. 40, s. 319.

1141.1.1. A corporation referred to in any of sections 1140, 1141 and 1141.1 shall also, in computing its paid-up capital for a taxation year, include an amount equal to 50% of the total of all amounts each of which is

(a) the value at the end of the year of an asset of the corporation, other than property held by the corporation primarily for the purpose of resale that was acquired by the corporation in the year or the preceding taxation year, as a consequence of another person's default, or anticipated default, in respect of a debt owed to the corporation, that is corporeal property; and

(b) the corporation's share, in respect of a partnership of which the corporation is a member at the end of the year, of the value of an asset of the partnership, at the end of the partnership's last fiscal period ending at or before the end of the year, that is corporeal property.

For the purposes of subparagraph *b* of the first paragraph, the corporation's share of the value of corporeal property of a partnership is equal to the agreed proportion of the value in respect of the corporation for the partnership's fiscal period referred to in that subparagraph *b*.

1986, c. 15, s. 204; 1995, c. 63, s. 250; 1997, c. 3, s. 71; 1999, c. 86, s. 94; 2001, c. 51, s. 226; 2005, c. 1, s. 284; 2005, c. 38, s. 321; 2009, c. 15, s. 441.

1141.1.2. A corporation referred to in section 1140.1 shall also include, in computing its paid-up capital for a taxation year, an amount equal to 50% of the total of all amounts each of which is

(a) the value at the end of the year of an asset of the corporation, other than property held by the corporation primarily for the purpose of resale that was acquired by the corporation in the year or the preceding taxation year, as a consequence of another person's default, or anticipated default, in respect of a debt owed to the corporation, that is corporeal property; or

(b) the corporation's share, in respect of a partnership of which the corporation is a member at the end of the year, of the value of an asset of the partnership, at the end of the partnership's last fiscal period ending at or before the end of the year, that is corporeal property.

For the purposes of subparagraph *b* of the first paragraph, the corporation's share of the value of corporeal property of a partnership is equal to the agreed proportion of the value in respect of the corporation for the partnership's fiscal period referred to in that subparagraph *b*.

2005, c. 1, s. 285; 2009, c. 15, s. 442.

1141.2. A corporation referred to in any of sections 1140, 1141 and 1141.1 may deduct, in computing its paid-up capital, the amount of its deficit.

1980, c. 13, s. 113; 1986, c. 15, s. 204; 1997, c. 3, s. 71; 1999, c. 86, s. 95; 2005, c. 38, s. 322.

1141.2.0.1. *(Repealed).*

2004, c. 8, s. 209; 2005, c. 38, s. 323.

1141.2.1. Every corporation contemplated in section 1140, 1141 or 1141.1 may, in computing its paid-up capital for a taxation year, deduct the aggregate of the following amounts:

(a) the amount of its future tax assets;

(b) the amount determined for the year in respect of the corporation according to the formula

$$A \times C / B.$$

For the purposes of the formula in subparagraph *b* of the first paragraph:

(a) A is the total of all amounts each of which is the value, at the end of the taxation year, of the asset of the corporation that is

i. a share of the capital stock or the long-term debt of another corporation referred to in this Title to which the corporation is related, or

ii. a subordinated loan or another debt, whose repayment is subject to the prior approval of an agency empowered to regulate trading in securities, of another corporation that is a corporation trading in securities to which the corporation is related;

(b) B is the ratio between the business carried on in Québec by the corporation in the year and the total business carried on by the corporation in Québec and elsewhere in the year;

(c) C is the ratio between the business carried on in Québec by the other corporation in its taxation year ending in the year of the corporation and the total business carried on in Québec and elsewhere by the other corporation in that taxation year.

In the second paragraph, the ratio between the business carried on in Québec and the total business carried on in Québec and elsewhere in respect of a corporation means the ratio determined by regulation made under subsection 2 of section 771.

1990, c. 7, s. 214; 1995, c. 63, s. 251; 1997, c. 3, s. 71; 1997, c. 14, s. 279; 2000, c. 39, s. 258; 2002, c. 40, s. 320; 2003, c. 9, s. 430.

1141.2.1.1. *(Repealed).*

1999, c. 86, s. 96; 2005, c. 38, s. 324.

1141.2.1.1.1. Every corporation referred to in section 1140.1 may, in computing its paid-up capital for a taxation year, deduct the amount determined by the formula

A × C / B.

In the formula provided for in the first paragraph,

(a) A is the total of all amounts each of which is the amount, at the end of the taxation year, of an asset of the corporation that the corporation used or held in the year in the course of carrying on its Canadian banking business, determined before the application of risk weights that the corporation would be required to report under the OSFI risk-weighting guidelines if those guidelines applied and required such report at the end of the year and that is a share of the capital stock or the long-term debt of another corporation referred to in this Title to which the corporation is related;

(b) B is the proportion that the business carried on in Québec by the corporation in the year is of the total business carried on in Québec and elsewhere by the corporation in the year; and

(c) C is the proportion that the business carried on in Québec by the other corporation in its taxation year ending in the year of the corporation is of the total business carried on in Québec and elsewhere by the other corporation in that taxation year.

In the second paragraph, the proportion that the business carried on in Québec is of the total business carried on in Québec and elsewhere in respect of a corporation is the proportion determined in accordance with the regulations made under subsection 2 of section 771.

2004, c. 8, s. 210.

1141.2.1.1.2. *(Repealed).*

2004, c. 8, s. 210; 2005, c. 38, s. 325.

1141.2.1.2. *(Repealed).*

2002, c. 40, s. 321; 2005, c. 38, s. 325.

1141.2.2. In this Part, the paid-up capital of a savings and credit union includes

(a) permanent shares, any participating interest in the nature of a permanent share and any other capital share that are issued and that are not held by another savings and credit union; and

(b) the long-term debt used to compute the ratio of its capital base in accordance with the Savings and Credit Unions Act (chapter C-4.1) and the Regulation respecting the capital base of savings and credit union federations and credit unions not affiliated with a federation (Order in Council 1221-91, as amended) as they read on 30 June 2001.

1997, c. 14, s. 280; 2000, c. 29, s. 657; 2004, c. 21, s. 495.

1141.2.3. A savings and credit union shall also include, in computing its paid-up capital for a taxation year, an amount equal to 50% of the total of all amounts each of which is the value at the end of the year of an asset of the savings and credit union, other than property held by the savings and credit union primarily for the purpose of resale that was acquired by it in the year or in the preceding taxation year as a consequence of another person's default, or anticipated default, in respect of a debt owed to the savings and credit union, that is corporeal property.

1997, c. 14, s. 280; 2004, c. 21, s. 496; 2005, c. 1, s. 286.

1141.2.4. *(Repealed).*

1997, c. 14, s. 280; 1999, c. 86, s. 97; 2004, c. 21, s. 497; 2005, c. 38, s. 326.

1141.3. A corporation referred to in this Title that is a qualified corporation, within the meaning of sections 771.5 to 771.7, for a taxation year may deduct in computing its paid-up capital for that year an amount equal to 75% of the lesser of

(a) its paid-up capital for the year, computed without reference to this section and sections 1141.8 to 1141.11, minus the amount that, where applicable, could be deducted from the paid-up capital of the corporation for the year under section 1141.9, 1141.10 or 1141.11, as the case may be, if "75% of the amount" in the first paragraph of section 57 of the Act respecting international financial centres (chapter C-8.3) were replaced by "the amount", and if "75% of the product" in the first paragraph of section 57.1 of that Act were replaced by "the product"; and

(b) $3,000,000.

Notwithstanding the first paragraph, the amount deductible by such a corporation in computing its paid-up capital under this section, for its taxation year that includes the last day of its exemption period, within the meaning of the first paragraph of section 771.1, is equal to such proportion of the amount that, but for this paragraph, would be determined under the first paragraph that the number of days in the year included in that exemption period is of the number of days in the year.

1987, c. 21, s. 93; 1993, c. 64, s. 196; 1995, c. 63, s. 252; 1997, c. 3, s. 71; 1997, c. 85, s. 317; 2000, c. 39, s. 259; 2004, c. 21, s. 498; 2005, c. 38, s. 327.

1141.4. *(Repealed).*

1999, c. 83, s. 267; 2004, c. 8, s. 211; 2004, c. 21, s. 499.

1141.5. *(Repealed).*

1999, c. 83, s. 267; 2004, c. 21, s. 499.

1141.6. *(Repealed).*

1999, c. 83, s. 267; 2003, c. 9, s. 431; 2004, c. 21, s. 499.

1141.7. *(Repealed).*

1999, c. 83, s. 267; 2003, c. 9, s. 432; 2004, c. 21, s. 499.

1141.8. A corporation that carries on, in a taxation year, a recognized business in connection with which a major investment project was carried out or is in the process of being carried out, or is a member of a partnership that carries on, in a fiscal period of the partnership that ends in the year, such a recognized business, may deduct from its paid-up capital otherwise determined for the year under this Title, the aggregate of all amounts each of which is, in relation to a particular major investment project of the corporation or partnership, the proportion of the amount that would be the corporation's paid-up capital otherwise determined for the year under this Title if such capital were established on the sole basis of the financial statements referred to in subparagraph *c* or *d* of the second paragraph in relation to the particular major investment project, that the number of days in the eligibility period of the corporation for the year or of the partnership for the fiscal period, as the case may be, in relation to the particular major investment project, is of the number of days in the taxation year or fiscal period, as the case may be.

However, a deduction is allowed under the first paragraph for a taxation year in respect of a major investment project of the corporation or partnership, only if the corporation encloses, with its fiscal return it is required to file under section 1000 for the year, the following documents:

(a) the prescribed form containing the prescribed information;

(b) a copy of the initial qualification certificate issued to the corporation or partnership in relation to the major investment project, and of any annual qualification certificate for the taxation year of the corporation or the fiscal period of the partnership issued in relation to the major investment project;

(c) where the recognized business is carried on by the corporation, the financial statements of the corporation prepared in accordance with generally accepted accounting principles but pertaining only to the eligible activities of the corporation, in relation to the major investment project; and

(d) where the recognized business is carried on by the partnership, the financial statements of the partnership prepared in accordance with generally accepted accounting principles but pertaining only to the eligible activities of the partnership, in relation to the major investment project, and the financial statements of the corporation prepared in accordance with those principles but pertaining only to the elements attributable to eligible activities of the partnership, in relation to the major investment project.

For the purposes of subparagraph *b* of the second paragraph, where, at any time, a corporation or partnership acquires from another corporation or partnership all or substantially all of a recognized business, and the Minister of Finance previously authorized the acquisition for the purposes of this Book, the initial qualification certificate issued to the other corporation or partnership, in relation to the major investment project, is deemed to be issued, from that time, to the corporation or partnership, as the case may be.

The amounts reported in the financial statements referred to in subparagraph *c* or *d* of the second paragraph of the corporation or partnership must be the same as the amounts that, in respect of eligible activities or elements attributable to eligible activities referred to in that subparagraph, were taken into account in determining the amounts reported in the financial statements of the corporation or partnership, as the case may be, otherwise prepared under this Part.

2002, c. 9, s. 132; 2012, c. 8, s. 249.

1141.8.1. For the purpose of determining the amount that a corporation may deduct, under section 1141.8, from its paid-up capital otherwise determined for a taxation year under this Title, the following rules apply if one or more other partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between that corporation and a given partnership that carries on a recognized business referred to in that section in any fiscal period of the given partnership:

(a) the corporation is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the corporation's taxation year in which ends the fiscal period of the interposed partnership of which it is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the corporation is a member, or deemed to be a member under this paragraph, of the interposed partnership described in subparagraph i at the end of the interposed partnership's fiscal period in which the particular fiscal period ends; and

(b) subparagraph *d* of the second paragraph of section 1141.8 is to be read as if "and the financial statements of the corporation" was replaced by "and the financial statements of the corporation and of any other partnership of which the corporation is a member, or deemed to be a member under paragraph *a* of section 1141.8.1,".

2009, c. 15, s. 443.

1141.8.2. Section 1141.8.1 does not apply in respect of a corporation, in relation to a given partnership, if the Minister is of the opinion that the interposition, between the corporation and the given partnership, of one or more other partnerships is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to cause the corporation to be able to deduct, under section 1141.8, from its paid-up capital otherwise determined for a taxation year under this Title, an amount greater than the amount that the corporation could have so deducted for that taxation year, but for that interposition.

2009, c. 15, s. 443.

1141.9. A corporation referred to in section 1140 may deduct from its paid-up capital otherwise determined for a taxation year under this Title the amount provided for in its respect for the year in section 57 or 60.1 of the Act respecting international financial centres (chapter C-8.3).

2005, c. 38, s. 328.

1141.10. A corporation referred to in section 1140.1 may deduct from its paid-up capital otherwise determined for a taxation year under this Title the amount provided for in its respect for the year in section 57.1 of the Act respecting international financial centres (chapter C-8.3).

2005, c. 38, s. 328.

1141.11. A corporation referred to in any of sections 1141, 1141.1 and 1141.2.2 may deduct from its paid-up capital otherwise determined for a taxation year under this Title the amount provided for in its respect for the year in section 57 of the Act respecting international financial centres (chapter C-8.3).

2005, c. 38, s. 328.

BOOK IV

MISCELLANEOUS PROVISIONS

1979, c. 38, s. 27.

1142. For the purposes of this Part, a corporation must file the financial statements of a partnership or joint venture in which it has an interest with respect to the fiscal period the end of which coincides with that of the fiscal period of the corporation or, as the case may be, which immediately precedes it.

1972, c. 23, s. 855; 1979, c. 38, s. 27; 1997, c. 3, s. 71.

1143. A corporation is exempt from capital tax where a corporation is

(a) a corporation, other than a prescribed corporation, that is exempt from tax under sections 980 to 996 or 998 and 998.1; or

(b) a corporation whose property is deemed to be the property of an *inter vivos* trust referred to in section 851.25.

The same applies to a security fund belonging to the group of the Fédération des caisses Desjardins du Québec established under the Act respecting financial services cooperatives (chapter C-67.3), and to Aéroports de Montréal, a corporation incorporated under Part II of the Canada Corporations Act (R.S.C. 1970, c. C-32), if the requirements of paragraphs *a* and *b* of subsection 1 of section 8 of the Airport Transfer (Miscellaneous Matters) Act (S.C. 1992, c. 5) are met in respect of the latter corporation for the taxation year.

However, a corporation withdrawn by section 192 from the application of section 985 is not exempt from tax.

Furthermore, a corporation that is a charity within the meaning of section 1, or whose property is deemed to be the property of an *inter vivos* trust contemplated in section 851.25, and that is exempt from tax under the first paragraph, must nevertheless pay the tax on its paid-up capital which pertains to a business carried on by it.

1972, c. 23, s. 856; 1979, c. 38, s. 27; 1981, c. 12, s. 15; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 1997, c. 14, s. 281; 1999, c. 83, s. 268; 2000, c. 5, s. 291; 2000, c. 29, s. 658.

1143.0.1. No prescribed corporation for the purposes of subparagraph *a* of the first paragraph of section 1143 may deduct an amount under section 1138.2.2, 1138.2.4 or 1141.8.

However, the first paragraph does not apply in respect of a deduction provided for in section 1138.2.2 or 1141.8 in relation to a major investment project in respect of which an application to obtain that deduction, accompanied by the required documents, was sent to the Minister of Finance before 11 March 2003.

2005, c. 1, s. 287.

1143.1. The Minister may, where a corporation applies therefor in writing, recognize a corporation as a loan corporation from the date or the taxation year, as the case may be, indicated by the Minister in a letter sent to the corporation.

1997, c. 85, s. 318.

1143.2. The Minister may revoke the recognition of a corporation as a loan corporation if the Minister considers that the conditions determined by the Minister to maintain the recognition are no longer met by the corporation, or if the corporation makes a request that the recognition be revoked.

The revocation takes effect from the date or the taxation year, as the case may be, indicated by the Minister in the notice sent to the corporation by the Minister.

1997, c. 85, s. 318.

1144. The Government may make regulations

(a) exempting from capital tax, on the conditions prescribed by it, any corporation in the process of winding-up or under sequestration, any inactive corporation, or any corporation incorporated for cultural or agricultural purposes or for drainage or water supply purposes;

(b) determining what constitutes an investment;

(c) determining the paid-up capital of a corporation that is not resident in Canada;

(d) prescribing the measures required for the application of this Part.

1972, c. 23, s. 857; 1979, c. 38, s. 27; 1997, c. 3, s. 71; 1997, c. 31, s. 138.

1145. Except where inconsistent with this Part, sections 6 and 17 to 21, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549 and sections 1000 to 1027.5 and 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1972, c. 23, s. 858; 1979, c. 38, s. 27; 1985, c. 25, s. 164; 1993, c. 64, s. 197; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 1997, c. 14, s. 282; 2005, c. 1, s. 288; 2006, c. 13, s. 220; 2009, c. 15, s. 444.

BOOK V

Replaced, 1979, c. 38, s. 27.

1979, c. 38, s. 27.

TITLE I

Replaced, 1979, c. 38, s. 27.

1979, c. 38, s. 27.

1146. *(Replaced).*

1972, c. 23, s. 859; 1979, c. 38, s. 27.

1147. *(Replaced).*

1972, c. 23, s. 860; 1979, c. 38, s. 27.

1148. *(Replaced).*

1972, c. 23, s. 861; 1979, c. 38, s. 27.

1149. *(Replaced).*

1972, c. 23, s. 862; 1979, c. 38, s. 27.

1150. *(Replaced).*

1972, c. 23, s. 863; 1979, c. 38, s. 27.

1151. *(Replaced).*

1972, c. 23, s. 864; 1979, c. 38, s. 27.

1152. *(Replaced).*

1972, c. 23, s. 865; 1979, c. 38, s. 27.

1153. *(Replaced).*

1972, c. 23, s. 866; 1979, c. 38, s. 27.

1154. *(Replaced).*

1972, c. 23, s. 867; 1979, c. 38, s. 27.

TITLE II

Replaced, 1979, c. 38, s. 27.

1979, c. 38, s. 27.

1155. *(Replaced).*

1972, c. 23, s. 868; 1979, c. 38, s. 27.

1156. *(Replaced).*

1972, c. 23, s. 869; 1979, c. 38, s. 27.

BOOK VI

Replaced, 1979, c. 38, s. 27.

1979, c. 38, s. 27.

1157. *(Replaced).*

1972, c. 23, s. 870; 1974, c. 18, s. 44; 1979, c. 38, s. 27.

1158. *(Replaced).*

1972, c. 23, s. 871; 1974, c. 18, s. 45; 1979, c. 38, s. 27.

1159. *(Replaced).*

1972, c. 26, s. 82; 1979, c. 38, s. 27.

PART IV.1

COMPENSATION TAX FOR FINANCIAL INSTITUTIONS

1993, c. 19, s. 148.

BOOK I

INTERPRETATION

1993, c. 19, s. 148; 1997, c. 14, s. 283.

1159.1. In this Part, unless the context indicates otherwise,

"amount paid as wages" means the aggregate of all amounts each of which is wages paid by a financial institution to an employee who reports for work at its establishment in Québec, that it is deemed to pay to the employee or that it pays in respect of the employee, or to an employee to whom those wages, if the employee is not required to report for work at an establishment of the financial institution, are paid, deemed to be paid or paid in respect of the employee from such an establishment in Québec;

"bank" means a bank, within the meaning of section 1, that has an establishment in Québec in a taxation year;

"base wages" means the aggregate of all amounts each of which is an amount paid by a person, in respect of an individual, to a trustee or custodian under a profit sharing plan, an employee trust or an employee benefit plan, within the meaning assigned to those expressions by section 1, and

(a) any amount, other than an amount described in section 1159.1.0.1, that is paid, allocated, granted or awarded by the person and that is included under Chapters I and II of Title II of Book III of Part I, except the second paragraph of section 39.6 and section 58.0.1, as it read before being repealed, in computing the individual's income from an office or employment or that would be included in computing that income if the individual were subject to tax under Part I; and

(b) any amount that the person is deemed to pay to the individual under section 1019.7 or 1159.1.0.2;

"corporation trading in securities" means a corporation that is a registered securities dealer within the meaning of section 1 and that has an establishment in Québec in a taxation year;

"employee" has the meaning assigned by section 1;

"establishment" has the meaning assigned by section 1;

"financial institution" means a financial institution referred to in paragraph *a* of subsection 1 of section 149 of the Excise Tax Act (R.S.C. 1985, c. E-15), with the exception of

(a) a corporation established under the Canada Deposit Insurance Corporation Act (R.S.C. 1985, c. C-3),

(b) a State body or corporation mentioned in Schedules A and B to the Reciprocal Taxation Memorandum of Agreement/Canada-Québec entered into on 21 December 1990, and

(c) a body or corporation of Her Majesty in right of Canada that is not mentioned in Schedule I to the Federal-Provincial Fiscal Arrangements Act (R.S.C. 1985, c. F-8);

"financial service" has the meaning assigned by section 123 of the Excise Tax Act;

"independent corporation trading in securities" means a corporation trading in securities that, in a taxation year, is not associated, within the meaning of Part I, with a bank, a credit union or an insurance corporation;

"independent loan corporation" means a loan corporation that, in a taxation year, is not associated, within the meaning of Part I, with a bank, a credit union or an insurance corporation;

"independent trust corporation" means a trust corporation that, in a taxation year, is not associated, within the meaning of Part I, with a bank, a credit union or an insurance corporation;

"insurance corporation" means an insurance corporation within the meaning of section 1166 that is liable to pay tax under Part VI;

"legal representative" has the meaning assigned by section 1;

"loan corporation" means a corporation that has an establishment in Québec in a taxation year and that is

(a) a corporation, other than a trust corporation, authorized by the legislation of Canada or of a province to accept deposits from the public;

(b) a corporation all or substantially all of the assets of which are shares or debts of corporations referred to in Title II of Book III of Part IV to which it is related for the purposes of that Part; or

(c) a corporation recognized by the Minister in accordance with section 1143.1 and whose recognition is in force;

"maximum amount subject to tax" of a person for a taxation year means, subject to sections 1159.1.0.0.1 and 1159.1.0.0.2,

(a) in the case of a bank, a loan corporation (other than an independent loan corporation), a trust corporation (other than an independent trust corporation) or a corporation trading in securities (other than an independent corporation trading in securities), $1,100,000,000;

(b) in the case of a savings and credit union, $550,000,000;

(b.1) in the case of an independent loan corporation, an independent trust corporation or an independent corporation trading in securities,

i. where the year begins after 31 March 2020, $275,000,000, and

ii. where the year ends after 31 March 2020 and includes that date,

(1) for the purposes of subparagraph i of subparagraph *a*.1 of the first paragraph of section 1159.3, enacted by subparagraph *a*.1 of the first paragraph of section 1159.3.3.3, the product obtained by multiplying $275,000,000 by the proportion that the number of days in the year that follow 31 March 2020 is of 365, and

(2) for the purposes of subparagraphs ii and iii of subparagraph *a*.1 of the first paragraph of section 1159.3, enacted by subparagraph *a*.1 of the first paragraph of section 1159.3.3.3, the product obtained by multiplying $1,100,000,000 by the proportion that the number of days in the year that precede 1 April 2020 is of 365; and

(c) in the case of a person who is referred to in neither paragraph *b*.1 nor any of subparagraphs *a* to *d*.1 of the first paragraph of section 1159.3 and who made, with a person referred to in any of those subparagraphs *a* to *d*.1, an election under subsection 1 of section 150 of the Excise Tax Act that is in effect in the year, $275,000,000;

"person" has the meaning assigned by section 123 of the Excise Tax Act;

"professional order" has the meaning assigned by section 1 of the Professional Code (chapter C-26);

"savings and credit union" has the meaning assigned by section 797;

"supply" has the meaning assigned by section 123 of the Excise Tax Act;

"taxation year" has the meaning assigned by Part I and, in the case of a person other than a person within the meaning of Part I, means a calendar year;

"trust corporation" means a corporation that is authorized under the legislation of Canada or of a province to provide trustee services and that has an establishment in Québec in a taxation year;

"wages" means base wages, except wages paid by a financial institution to a person who is, within the meaning of an agreement on social security that provides for the reciprocal coverage of health insurance plans, entered into between the Gouvernement du Québec and the government of a foreign country, a worker on secondment, for the period in which the person is such a seconded worker, if under the agreement the person is subject only to the legislation of the foreign country to which the reciprocal coverage applies.

1993, c. 19, s. 148; 1995, c. 63, s. 253; 1997, c. 3, s. 67; 1997, c. 14, s. 290; 1998, c. 16, s. 247; 1999, c. 89, s. 53; 2000, c. 5, s. 292; 2002, c. 40, s. 322; 2005, c. 38, s. 329; 2007, c. 12, s. 304; 2011, c. 1, s. 109; 2011, c. 34, s. 118; 2012, c. 8, s. 250; 2013, c. 10, s. 174; 2015, c. 21, s. 528; 2019, c. 14, s. 455; 2021, c. 14, s. 193.

1159.1.0.0.1. For the purposes of the definition of "maximum amount subject to tax" in section 1159.1, a person's maximum amount subject to tax for the person's taxation year that includes 1 April 2018 is equal to the proportion of the person's maximum amount subject to tax for the year otherwise determined that the number of days in the taxation year that follow 31 March 2018 is of 365.

2019, c. 14, s. 456; 2021, c. 36, s. 156.

1159.1.0.0.2. For the purposes of the definition of "maximum amount subject to tax" in section 1159.1, a person's maximum amount subject to tax for a taxation year that has less than 365 days (other than a taxation year of the person that includes 1 April 2018) is equal to the proportion of the person's maximum amount subject to tax for the year otherwise determined that the number of days in the taxation year is of 365.

The first paragraph does not apply for the purpose of determining the maximum amount subject to tax of an independent trust corporation, an independent loan corporation or an independent corporation trading in securities for its taxation year that ends after 31 March 2020 and includes that date.

2019, c. 14, s. 456; 2021, c. 14, s. 194; 2021, c. 36, s. 157.

1159.1.0.0.3. For the purposes of this Part, where a particular financial institution pays, at a particular time in a taxation year, wages to an employee while the employee renders services to another financial institution in an establishment of the other financial institution situated in Québec, where the services

rendered by the employee to the other financial institution are rendered as part of the regular and ongoing activities of the other financial institution and are of the same type as services rendered by employees of the other financial institution, where the particular financial institution is not dealing at arm's length with the other financial institution at the particular time and where it may reasonably be considered that the wages are paid in order to allow the particular financial institution to reach more quickly the maximum amount subject to tax determined in its respect for the taxation year, the following rules apply:

(a) the wages paid by the particular financial institution to the employee are deemed to be wages paid by the other financial institution at the particular time; and

(b) the wages deemed to be paid by the other financial institution are deemed not to have been paid by the particular financial institution.

2019, c. 14, s. 456.

1159.1.0.1. The amount to which paragraph *a* of the definition of "base wages" in section 1159.1 refers is

(a) an amount equal to the value of the benefit that is received or enjoyed by the individual referred to in that paragraph *a* because of, or in the course of, the individual's office or employment, and that is derived from the amount paid by the person referred to in that paragraph *a* to obtain, for the benefit of the individual and after 31 December 2012, a share, within the meaning of section 1, referred to in paragraph *a* or *b* of section 776.1.1; or

(b) hourly, half-day or full-day fees that the individual referred to in that paragraph *a* receives as

i. a member, appointed by the Government, of a commission, including a public inquiry commission, an evaluation committee, a committee or panel of experts or a working group created for a definite period of time, or

ii. a member of a candidate selection or review committee formed for that purpose under an Act of Québec.

2013, c. 10, s. 175; 2015, c. 24, s. 158.

1159.1.0.2. A particular person is deemed to pay to an individual who is referred to in paragraph *a* of the definition of "base wages" in section 1159.1, and who is the particular person's employee, any particular amount that is described in that paragraph *a* and is paid, allocated, granted or awarded to the individual because of, or in the course of, the individual's office or employment by a person who is not dealing at arm's length with the particular person, unless the particular amount would not be required to be included in computing the individual's income under Chapters I and II of Book III of Part I if it were paid, allocated, granted or awarded, as the case may be, to the individual by the particular person.

2015, c. 21, s. 529.

1159.1.1. For the purposes of the definition of "amount paid as wages" in section 1159.1,

(a) an employee who reports for work at an establishment of the financial institution that pays his wages,

i. in respect of wages that are not described in subparagraph ii, means an employee who reports for work at that establishment for his regular pay period to which the wages relate, and

ii. in respect of wages that are paid as a premium, an increase with retroactive effect or a vacation pay, that are paid to a trustee or custodian in respect of the employee or that do not relate to a regular pay period of the employee, means an employee who ordinarily reports for work at that establishment;

(b) where, during a regular pay period of an employee, the employee reports for work at an establishment of the financial institution situated in Québec and at an establishment of the financial institution situated

outside Québec, the employee is deemed for that period, in respect of wages that are not described in subparagraph ii of paragraph *a*,

i. except where subparagraph ii applies, to report for work only at the establishment situated in Québec, and

ii. to report for work only at the establishment situated outside Québec where, during that period, he reports for work mainly at such an establishment of the financial institution; and

(c) where an employee ordinarily reports for work at an establishment of the financial institution situated in Québec and at an establishment of the financial institution situated outside Québec, the employee is deemed, in respect of the wages described in subparagraph ii of paragraph *a*, to report for work only at the establishment situated in Québec.

1997, c. 14, s. 284; 2005, c. 38, s. 330.

1159.1.2. For the purposes of this Part, a reference to wages that a financial institution pays or has paid is a reference to wages that the financial institution pays, allocates, grants or awards or has paid, allocated, granted or awarded.

2005, c. 38, s. 331.

BOOK II

LIABILITY FOR AND AMOUNT OF THE TAX

1993, c. 19, s. 148.

1159.2. Every person that is a financial institution at any time in a taxation year shall pay a compensation tax for that year.

1993, c. 19, s. 148; 2015, c. 21, s. 530; 2017, c. 29, s. 218; 2021, c. 36, s. 158.

1159.3. Subject to the first paragraph of sections 1159.3.1 to 1159.3.4, the compensation tax a person referred to in section 1159.2 is required to pay for a taxation year is equal to,

(a) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of

i. 0.25% of its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to sections 1141.3 to 1141.11, and

ii. 2% of the amount paid as wages in the year;

(b) in the case of an insurance corporation, the aggregate of

i. 0.35% of any premium payable in respect of which tax is to be paid in the year under Book II of Part VI, without reference to subparagraph *b* of the third paragraph of section 1167 and section 1170.1, and

ii. 0.35% of any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI;

iii. *(subparagraph repealed);*

(c) in the case of a savings and credit union, subject to subparagraph *d*, 2.5% of the amount paid as wages in the year;

(d) in the case of a person referred to in either of subparagraphs *a* and *c* that is also an insurance corporation, the aggregate of

i. the amount otherwise determined in the person's respect under subparagraph *a* or *c*, as the case may be, and

ii. 0.35% of any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI;

(d.1) in the case of a professional order that has set up an insurance fund, in accordance with section 86.1 of the Professional Code (chapter C-26), 0.35% of the amount established for the year in respect of the insurance fund in accordance with section 85.2 of that Code;

(e) in the case of any other person, 1% of the amount paid as wages in the year.

However, subject to the second paragraph of sections 1159.3.1 to 1159.3.4, if a person is not a financial institution throughout its taxation year, the compensation tax the person is required to pay for the year is equal to,

(a) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of

i. 0.25% of the product obtained by multiplying its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to sections 1141.3 to 1141.11, by the proportion that the number of days in its taxation year during which it was a financial institution is of the number of days in its taxation year, and

ii. 2% of the amount paid as wages during the part or parts of the year, as the case may be, during which the person was a financial institution;

(b) in the case of an insurance corporation, the aggregate of

i. 0.35% of the product obtained by multiplying any premium payable in respect of which tax is to be paid in the year under Book II of Part VI, without reference to subparagraph *b* of the third paragraph of section 1167 and section 1170.1, by the proportion that the number of days in its taxation year during which it was a financial institution is of the number of days in its taxation year, and

ii. 0.35% of the product obtained by multiplying any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI by the ratio between the number of days in its taxation year during which it was a financial institution and the number of days in its taxation year;

iii. *(subparagraph repealed);*

(c) in the case of a savings and credit union, subject to subparagraph *d*, 2.5% of the amount paid as wages during the part or parts of the year, as the case may be, during which the person was a financial institution;

(d) in the case of a person referred to in either of subparagraphs *a* and *c* that is also an insurance corporation, the aggregate of

i. the amount otherwise determined in its respect under subparagraph *a* or *c*, as the case may be, and

ii. 0.35% of the product obtained by multiplying the amount of any taxable premium that is paid in respect of which tax is to be paid in the year under Book III of Part VI by the ratio between the number of days in its taxation year during which it was a financial institution and the number of days in its taxation year;

(e) in the case of any other person, except a professional order that has set up an insurance fund, in accordance with section 86.1 of the Professional Code, 1% of the amount paid as wages during the part or parts of the year, as the case may be, during which the person was a financial institution.

For the purposes of the second paragraph, where a person is a financial institution, with the exception of a corporation that is deemed to be a financial institution by reason of an election made by it under section 150 of the Excise Tax Act (R.S.C. 1985, c. E-15), at any time in its taxation year, it is deemed to be such an institution throughout the period commencing at that time and ending on the last day of its taxation year.

1993, c. 19, s. 148; 1995, c. 63, s. 254; 1997, c. 3, s. 71; 1999, c. 83, s. 269; 2002, c. 9, s. 133; 2003, c. 2, s. 296; 2004, c. 21, s. 500; 2005, c. 38, s. 332; 2008, c. 11, s. 186; 2011, c. 1, s. 110; 2015, c. 21, s. 531.

1159.3.1. If the taxation year for which a compensation tax is computed under the first paragraph of section 1159.3 ends before 1 January 2013 and is included, in whole or in part, in the period beginning on 31 March 2010 and ending on 31 December 2012 (in this section referred to as the "rate increase period"), the following rules apply:

(a) subparagraph ii of subparagraph *a* of the first paragraph of section 1159.3 is to be read as follows:

"ii. the aggregate of 3.9% of the amount paid as wages in the part of the year that is included in the rate increase period and 2% of the amount paid as wages in the part of the year that is not included in that period;" ;

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b*, in subparagraph ii of subparagraph *d* and in subparagraph *d*.1 of the first paragraph of section 1159.3 is replaced by a rate equal to the total of

i. the proportion of 0.55% that the number of days in the taxation year that are included in the rate increase period is of the number of days in the taxation year, and

ii. the proportion of 0.35% that the number of days in the taxation year that are not included in the rate increase period is of the number of days in the taxation year;

(c) subparagraph *c* of the first paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 3.8% of the amount paid as wages in the part of the year that is included in the rate increase period and 2.5% of the amount paid as wages in the part of the year that is not included in that period;" ; and

(d) subparagraph *e* of the first paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of any other person, the aggregate of 1.5% of the amount paid as wages in the part of the year that is included in the rate increase period and 1% of the amount paid as wages in the part of the year that is not included in that period."

If the taxation year for which a compensation tax is computed under the second paragraph of section 1159.3 ends before 1 January 2013 and is included, in whole or in part, in the rate increase period, the following rules apply:

(a) subparagraph ii of subparagraph *a* of the second paragraph of section 1159.3 is to be read as follows:

"ii. the aggregate of 3.9% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that are included in the rate increase period and 2% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that are not included in that period;" ;

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b* and in subparagraph ii of subparagraph *d* of the second paragraph of section 1159.3 is replaced by a rate equal to the total of

i. the proportion of 0.55% that the number of days in the taxation year, included in the rate increase period, during which the person was a financial institution is of the number of days in the taxation year during which the person was a financial institution, and

ii. the proportion of 0.35% that the number of days in the taxation year, not included in the rate increase period, during which the person was a financial institution is of the number of days in the taxation year during which the person was a financial institution;

(c) subparagraph *c* of the second paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 3.8% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that are included in the rate increase period and 2% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that are not included in that period;" ; and

(d) subparagraph *e* of the second paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of any other person, except a professional order that has set up an insurance fund, in accordance with section 86.1 of the Professional Code (chapter C-26), the aggregate of 1.5% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that are included in the rate increase period and 1% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that are not included in that period.".

2011, c. 1, s. 111; 2015, c. 21, s. 532.

1159.3.2. If the taxation year for which a compensation tax is computed under the first paragraph of section 1159.3 ends after 31 December 2012 and before 3 December 2014, the following rules apply:

(a) subparagraphs i and ii of subparagraph *a* of the first paragraph of section 1159.3 are to be read as follows:

"i. the proportion of 0.25% of its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to sections 1141.3 to 1141.11, that the number of days in its taxation year that precede 1 January 2013 is of the number of days in its taxation year, and

"ii. the aggregate of 2.8% of the amount paid as wages in the part of the year that follows 31 December 2012 and 3.9% of the amount paid as wages in the part of the year that precedes 1 January 2013;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b*, subparagraph ii of subparagraph *d* and subparagraph *d*.1 of the first paragraph of section 1159.3 is replaced by a rate equal to the total of

i. the proportion of 0.3% that the number of days in the taxation year that follow 31 December 2012 is of the number of days in the taxation year, and

ii. the proportion of 0.55% that the number of days in the taxation year that precede 1 January 2013 is of the number of days in the taxation year;

(c) subparagraph *c* of the first paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 2.2% of the amount paid as wages in the part of the year that follows 31 December 2012 and 3.8% of the amount paid as wages in the part of the year that precedes 1 January 2013;";

(d) subparagraph *e* of the first paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d*.1 and who made, with a person referred to in any of those subparagraphs, an election under subsection 1 of section 150 of the Excise Tax Act (R.S.C. 1985, c. E-15) that is in effect in the year, the aggregate of 0.9% of the amount paid as wages in the part of the year during which the election was in effect and that follows 31 December 2012 and 1.5% of the amount paid as wages in the part of the year that precedes 1 January 2013;"; and

(e) the first paragraph of section 1159.3 is to be read as if the following subparagraph were added after subparagraph *e*:

"(*f*) in the case of any other person, 1.5% of the amount paid as wages in the part of the year that precedes 1 January 2013.".

If the taxation year for which a compensation tax is computed under the second paragraph of section 1159.3 ends after 31 December 2012 and before 3 December 2014, the following rules apply:

(a) subparagraphs i and ii of subparagraph *a* of the second paragraph of section 1159.3 are to be read as follows:

"i. the proportion of 0.25% of its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to sections 1141.3 to 1141.11, that the number of days in its taxation year during which it was a financial institution that precede 1 January 2013 is of the number of days in its taxation year, and

"ii. the aggregate of 2.8% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 December 2012 and 3.9% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 January 2013;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b* and subparagraph ii of subparagraph *d* of the second paragraph of section 1159.3 is replaced by a rate equal to the total of

i. the proportion of 0.3% that the number of days in the taxation year during which the person was a financial institution that follow 31 December 2012 is of the number of days in the taxation year during which the person was a financial institution, and

ii. the proportion of 0.55% that the number of days in the taxation year during which the person was a financial institution that precede 1 January 2013 is of the number of days in the taxation year during which the person was a financial institution;

(c) subparagraph *c* of the second paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 2.2% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 December 2012 and 3.8% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 January 2013;";

(d) subparagraph *e* of the second paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d* and who made, with a person referred to in any of subparagraphs *a* to *d*.1 of the first paragraph, an election under subsection 1 of section 150 of the Excise Tax Act that is in effect in the year, the aggregate of 0.9% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and the election was in effect and that follow 31 December 2012 and 1.5% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 January 2013;"; and

(e) the second paragraph of section 1159.3 is to be read as if the following subparagraph were added after subparagraph *e*:

"(*f*) in the case of any other person, except a professional order that has set up an insurance fund in accordance with section 86.1 of the Professional Code (chapter C-26), 1.5% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 January 2013."

2015, c. 21, s. 533.

1159.3.3. If the taxation year for which a compensation tax is computed under the first paragraph of section 1159.3 ends after 2 December 2014 and before 1 April 2018, the following rules apply:

(a) subparagraph *a* of the first paragraph of section 1159.3 is to be read as follows:

"(*a*) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of 4.48% of the amount paid as wages in the part of the year that follows 2 December 2014 and 2.8% of the amount paid as wages in the part of the year that precedes 3 December 2014;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b*, subparagraph ii of subparagraph *d* and subparagraph *d*.1 of the first paragraph of section 1159.3 is replaced by a rate equal to the total of

i. the proportion of 0.48% that the number of days in the taxation year that follow 2 December 2014 is of the number of days in the taxation year, and

ii. the proportion of 0.3% that the number of days in the taxation year that precede 3 December 2014 is of the number of days in the taxation year;

(c) subparagraph *c* of the first paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 3.52% of the amount paid as wages in the part of the year that follows 2 December 2014 and 2.2% of the amount paid as wages in the part of the year that precedes 3 December 2014;"; and

(d) subparagraph *e* of the first paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d*.1 and who made, with a person referred to in any of those subparagraphs, an election under subsection 1 of section 150 of the Excise Tax Act (R.R.C. 1985, c. E-15) that is in effect in the year, the aggregate of 1.44% of the amount paid as wages in the part of the year during which the election was in effect and that follows 2 December 2014 and 0.9% of the amount paid as wages in the part of the year in which the election was in effect that precedes 3 December 2014."

If the taxation year for which a compensation tax is computed under the second paragraph of section 1159.3 ends after 2 December 2014 and before 1 April 2018, the following rules apply:

(a) subparagraph *a* of the second paragraph of section 1159.3 is to be read as follows:

"(*a*) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of 4.48% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 2 December 2014 and 2.8% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 3 December 2014;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b* and subparagraph ii of subparagraph *d* of the second paragraph of section 1159.3 is replaced by a rate equal to the total of

i. the proportion of 0.48% that the number of days in the taxation year during which the person was a financial institution that follow 2 December 2014 is of the number of days in the taxation year during which the person was a financial institution, and

ii. the proportion of 0.3% that the number of days in the taxation year during which the person was a financial institution that precede 3 December 2014 is of the number of days in the taxation year during which the person was a financial institution;

(c) subparagraph *c* of the second paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 3.52% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 2 December 2014 and 2.2% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 3 December 2014;"; and

(d) subparagraph *e* of the second paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d* and who made, with a person referred to in any of subparagraphs *a* to *d*.1 of the first paragraph, an election under subsection 1 of section 150 of the Excise Tax Act that is in effect in the year, the aggregate of 1.44% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and the election was in effect and that follow 2 December 2014 and 0.9% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and in which the election was in effect that precede 3 December 2014."

2015, c. 21, s. 533; 2017, c. 29, s. 219; 2019, c. 14, s. 457.

1159.3.3.1. Where the taxation year for which a compensation tax is computed under the first paragraph of section 1159.3 ends after 31 March 2018 and before 1 April 2019, the following rules apply:

(a) subparagraph *a* of the first paragraph of section 1159.3 is to be read as follows:

"(*a*) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of

i. 4.29% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year that follows 31 March 2018, and

ii. 4.48% of the amount paid as wages in the part of the year that precedes 1 April 2018;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b*, subparagraph ii of subparagraph *d* and subparagraph *d*.1 of the first paragraph of section 1159.3 is replaced by a rate of 0.48%;

(c) subparagraph *c* of the first paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of

i. 3.39% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year that follows 31 March 2018, and

ii. 3.52% of the amount paid as wages in the part of the year that precedes 1 April 2018;"; and

(d) subparagraph *e* of the first paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d*.1 and who made, with a person referred to in any of those subparagraphs, an election under subsection 1 of section 150 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) that is in effect in the year, the aggregate of

i. 1.37% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year during which the election was in effect that follows 31 March 2018, and

ii. 1.44% of the amount paid as wages in the part of the year in which the election was in effect that precedes 1 April 2018."

Where the taxation year for which a compensation tax is computed under the second paragraph of section 1159.3 ends after 31 March 2018 and before 1 April 2019, the following rules apply:

(a) subparagraph *a* of the second paragraph of section 1159.3 is to be read as follows:

"(*a*) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of 4.29% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2018 and 4.48% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2018;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b* and subparagraph ii of subparagraph *d* of the second paragraph of section 1159.3 is replaced by a rate of 0.48%;

(c) subparagraph *c* of the second paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 3.39% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2018 and 3.52% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2018;"; and

(d) subparagraph *e* of the second paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d* and who made, with a person referred to in any of subparagraphs *a* to *d*.1 of the first paragraph, an election under subsection 1 of section 150 of the Excise Tax Act that is in effect in the year, the aggregate of 1.37% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and the election was in effect that follow 31 March 2018 and 1.44% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and in which the election was in effect that precede 1 April 2018."

2019, c. 14, s. 458.

1159.3.3.2. Where the taxation year for which a compensation tax is computed under the first paragraph of section 1159.3 ends after 31 March 2019 and before 1 April 2020, the following rules apply:

(a) subparagraph *a* of the first paragraph of section 1159.3 is to be read as follows:

"(*a*) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of

i. 4.22% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year that follows 31 March 2018 and precedes 1 April 2019 and the amount paid as wages in the part of the year that follows 31 March 2019,

ii. 4.29% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year that follows 31 March 2018 and precedes 1 April 2019, and

iii. 4.48% of the amount paid as wages in the part of the year that precedes 1 April 2018;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b*, subparagraph ii of subparagraph *d* and subparagraph *d*.1 of the first paragraph of section 1159.3 is replaced by a rate of 0.48%;

(c) subparagraph *c* of the first paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of

i. 3.3% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year that follows 31 March 2018 and precedes 1 April 2019 and the amount paid as wages in the part of the year that follows 31 March 2019,

ii. 3.39% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year that follows 31 March 2018 and precedes 1 April 2019, and

iii. 3.52% of the amount paid as wages in the part of the year that precedes 1 April 2018;"; and

(d) subparagraph *e* of the first paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d*.1 and who made, with a person referred to in any of those subparagraphs, an election under subsection 1 of section 150 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) that is in effect in the year, the aggregate of

i. 1.34% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year during which the election was in effect that follows 31 March 2018 and precedes 1 April 2019 and the amount paid as wages in the part of the year during which the election was in effect that follows 31 March 2019,

ii. 1.37% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year during which the election was in effect that follows 31 March 2018 and precedes 1 April 2019, and

iii. 1.44% of the amount paid as wages in the part of the year during which the election was in effect that precedes 1 April 2018."

Where the taxation year for which a compensation tax is computed under the second paragraph of section 1159.3 ends after 31 March 2019 and before 1 April 2020, the following rules apply:

(a) subparagraph *a* of the second paragraph of section 1159.3 is to be read as follows:

(*a*) in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, subject to subparagraph *d*, the aggregate of 4.22% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2019, 4.29% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2018 and precede 1 April 2019 and 4.48% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2018;

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b* and subparagraph ii of subparagraph *d* of the second paragraph of section 1159.3 is replaced by a rate of 0.48%;

(c) subparagraph *c* of the second paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 3.3% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2019, 3.39% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2018 and precede 1 April 2019 and 3.52% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2018;"; and

(d) subparagraph *e* of the second paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d* and who made, with a person referred to in any of subparagraphs *a* to *d*.1 of the first paragraph, an election under subsection 1 of section 150 of the Excise Tax Act that is in effect in the year, the aggregate of 1.34% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and the election was in effect that follow 31 March 2019, 1.37% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and in which the election was in effect that follow 31 March 2018 and precede 1 April 2019 and 1.44% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and in which the election was in effect that precede 1 April 2018."

2019, c. 14, s. 458.

1159.3.3.3. Where the taxation year for which a compensation tax is computed under the first paragraph of section 1159.3 ends after 31 March 2020 and before 1 April 2022, the following rules apply:

(a) subparagraph *a* of the first paragraph of section 1159.3 is to be read as follows:

"(*a*) in the case of a bank, a loan corporation (other than an independent loan corporation), a trust corporation (other than an independent trust corporation) or a corporation trading in securities (other than an independent corporation trading in securities), subject to subparagraph *d*, the aggregate of

i. 4.14% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year that precedes 1 April 2020 and the amount paid as wages in the part of the year that follows 31 March 2020,

ii. 4.22% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year that precedes 1 April 2019 and the amount paid as wages in the part of the year that follows 31 March 2019 and precedes 1 April 2020, and

iii. 4.29% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year that precedes 1 April 2019;";

(a.1*)* the first paragraph of section 1159.3 is to be read as if the following subparagraph were inserted after subparagraph *a*:

"(*a*.1) in the case of an independent loan corporation, an independent trust corporation or an independent corporation trading in securities, the aggregate of

i. 1.32% of the lesser of its maximum amount subject to tax for the year, determined in accordance with subparagraph i of paragraph *b*.1 of the definition of "maximum amount subject to tax" in section 1159.1 or in accordance with subparagraph 1 of subparagraph ii of that paragraph *b*.1, as the case may be, and the amount paid as wages in the part of the year that follows 31 March 2020,

ii. 4.22% of the lesser of the amount by which its maximum amount subject to tax for the year, determined, if the year includes 31 March 2020, in accordance with subparagraph 2 of subparagraph ii of paragraph *b*.1 of the definition of "maximum amount subject to tax" in section 1159.1, exceeds the amount paid as wages in

the part of the year that precedes 1 April 2019 and the amount paid as wages in the part of the year that follows 31 March 2019 and precedes 1 April 2020, and

iii. 4.29% of the lesser of its maximum amount subject to tax for the year, determined, if the year includes 31 March 2020, in accordance with subparagraph 2 of subparagraph ii of paragraph *b*.1 of the definition of "maximum amount subject to tax" in section 1159.1, and the amount paid as wages in the part of the year that precedes 1 April 2019;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b*, subparagraph ii of subparagraph *d* and subparagraph *d*.1 of the first paragraph of section 1159.3 is replaced by a rate of 0.48%;

(c) subparagraph *c* of the first paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of

i. 3.26% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year that precedes 1 April 2020 and the amount paid as wages in the part of the year that follows 31 March 2020,

ii. 3.3% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year that precedes 1 April 2019 and the amount paid as wages in the part of the year that follows 31 March 2019 and precedes 1 April 2020, and

iii. 3.39% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year that precedes 1 April 2019;"; and

(d) subparagraph *e* of the first paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d*.1 and who made, with a person referred to in any of those subparagraphs, an election under subsection 1 of section 150 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) that is in effect in the year, the aggregate of

i. 1.32% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year during which the election was in effect that precedes 1 April 2020 and the amount paid as wages in the part of the year during which the election was in effect that follows 31 March 2020,

ii. 1.34% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year in which the election was in effect that precedes 1 April 2019 and the amount paid as wages in the part of the year during which the election was in effect that follows 31 March 2019 and precedes 1 April 2020, and

iii. 1.37% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year during which the election was in effect that precedes 1 April 2019."

Where the taxation year for which a compensation tax is computed under the second paragraph of section 1159.3 ends after 31 March 2020 and before 1 April 2022, the following rules apply:

(a) subparagraph *a* of the second paragraph of section 1159.3 is to be read as follows:

"(*a*) in the case of a bank, a loan corporation (other than an independent loan corporation), a trust corporation (other than an independent trust corporation) or a corporation trading in securities (other than an independent corporation trading in securities), subject to subparagraph *d*, the aggregate of 4.14% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2020, 4.22% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2019 and

precede 1 April 2020 and 4.29% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2019;";

(a.1) the second paragraph of section 1159.3 is to be read as if the following subparagraph were inserted after subparagraph *a*:

"(*a*.1) in the case of an independent loan corporation, an independent trust corporation or an independent corporation trading in securities, the aggregate of 1.32% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2020, 4.22% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2019 and precede 1 April 2020 and 4.29% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2019;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b* and subparagraph ii of subparagraph *d* of the second paragraph of section 1159.3 is replaced by a rate of 0.48%;

(c) subparagraph *c* of the second paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 3.26% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2020, 3.3% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2019 and precede 1 April 2020 and 3.39% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2019;"; and

(d) subparagraph *e* of the second paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d* and who made, with a person referred to in any of subparagraphs *a* to *d*.1 of the first paragraph, an election under subsection 1 of section 150 of the Excise Tax Act that is in effect in the year, the aggregate of 1.32% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and the election was in effect that follow 31 March 2020, 1.34% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and in which the election was in effect that follow 31 March 2019 and precede 1 April 2020 and 1.37% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and in which the election was in effect that precede 1 April 2019."

2019, c. 14, s. 458; 2021, c. 14, s. 195.

1159.3.4. If the taxation year for which a compensation tax is computed under the first paragraph of section 1159.3 ends after 31 March 2022, the following rules apply:

(a) subparagraph *a* of the first paragraph of section 1159.3 is to be read as follows:

"(*a*) in the case of a bank, a loan corporation (other than an independent loan corporation), a trust corporation (other than an independent trust corporation) or a corporation trading in securities (other than an independent corporation trading in securities), subject to subparagraph *d*, the aggregate of

i. 2.8% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year that precedes 1 April 2022 and the amount paid as wages in the part of the year that follows 31 March 2022, and

ii. 4.14% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year that precedes 1 April 2022;";

(a.1*)* the first paragraph of section 1159.3 is to be read as if the following subparagraph were inserted after subparagraph *a*:

"(*a*.1) in the case of an independent loan corporation, an independent trust corporation or an independent corporation trading in securities, the aggregate of

i. 0.9% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year that precedes 1 April 2022 and the amount paid as wages in the part of the year that follows 31 March 2022, and

ii. 1.32% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year that precedes 1 April 2022;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b*, subparagraph ii of subparagraph *d* and subparagraph *d*.1 of the first paragraph of section 1159.3 is replaced by a rate equal to the total of

i. the proportion of 0.3% that the number of days in the taxation year that follow 31 March 2022 is of the number of days in the taxation year, and

ii. the proportion of 0.48% that the number of days in the taxation year that precede 1 April 2022 is of the number of days in the taxation year;

(c) subparagraph *c* of the first paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of

i. 2.2% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year that precedes 1 April 2022 and the amount paid as wages in the part of the year that follows 31 March 2022, and

ii. 3.26% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year that precedes 1 April 2022;"; and

(d) subparagraph *e* of the first paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d*.1 and who made, with a person referred to in any of those subparagraphs, an election under subsection 1 of section 150 of the Excise Tax Act (R.S.C. 1985, c. E-15) that is in effect in the year, the aggregate of

i. 0.9% of the lesser of the amount by which its maximum amount subject to tax for the year exceeds the amount paid as wages in the part of the year in which the election was in effect that precedes 1 April 2022 and the amount paid as wages in the part of the year during which the election was in effect that follows 31 March 2022, and

ii. 1.32% of the lesser of its maximum amount subject to tax for the year and the amount paid as wages in the part of the year in which the election was in effect that precedes 1 April 2022.".

If the taxation year for which a compensation tax is computed under the second paragraph of section 1159.3 ends after 31 March 2022, the following rules apply:

(a) subparagraph *a* of the second paragraph of section 1159.3 is to be read as follows:

"(*a*) in the case of a bank, a loan corporation (other than an independent loan corporation), a trust corporation (other than an independent trust corporation) or a corporation trading in securities (other than an independent corporation trading in securities), subject to subparagraph *d*, the aggregate of 2.8% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2022 and 4.14% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2022;";

(a.1) the second paragraph of section 1159.3 is to be read as if the following subparagraph were inserted after subparagraph *a*:

"(*a*.1) in the case of an independent loan corporation, an independent trust corporation or an independent corporation trading in securities, the aggregate of 0.9% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2022 and 1.32% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2022;";

(b) the rate mentioned in subparagraphs i and ii of subparagraph *b* and subparagraph ii of subparagraph *d* of the second paragraph of section 1159.3 is replaced by a rate equal to the total of

i. the proportion of 0.3% that the number of days in the taxation year during which the person was a financial institution that follow 31 March 2022 is of the number of days in the taxation year during which the person was a financial institution, and

ii. the proportion of 0.48% that the number of days in the taxation year during which the person was a financial institution that precede 1 April 2022 is of the number of days in the taxation year during which the person was a financial institution;

(c) subparagraph *c* of the second paragraph of section 1159.3 is to be read as follows:

"(*c*) in the case of a savings and credit union, subject to subparagraph *d*, the aggregate of 2.2% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that follow 31 March 2022 and 3.26% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution that precede 1 April 2022;"; and

(d) subparagraph *e* of the second paragraph of section 1159.3 is to be read as follows:

"(*e*) in the case of a person who is not referred to in any of subparagraphs *a* to *d* and who made, with a person referred to in any of subparagraphs *a* to *d*.1 of the first paragraph, an election under subsection 1 of section 150 of the Excise Tax Act that is in effect in the year, the aggregate of 0.9% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and the election was in effect that follow 31 March 2022 and 1.32% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution and in which the election was in effect that precede 1 April 2022."

2015, c. 21, s. 533; 2017, c. 29, s. 220; 2019, c. 14, s. 459; 2021, c. 14, s. 196; 2021, c. 36, s. 159.

1159.4. Where, in a taxation year, a corporation is deemed to be a financial institution by reason of the election made by the corporation under subsection 1 of section 150 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15), or a savings and credit union is deemed to have made such an election under subsection 6 of the said section, and, for the part or parts of the year, as the case may be, during which the corporation or savings and credit union was a financial institution, the value of its supplies that are financial services is less than 90% of the value of the aggregate of its supplies, the amount of the compensation tax is the amount determined by the formula

$$A \times B / C.$$

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

(a) A is the amount of the compensation tax that would otherwise be computed under section 1159.3 if that section were read without reference to the third paragraph thereof;

(b) B is the value of the supplies of the corporation or the savings and credit union, as the case may be, that are financial services for the part or parts of the year, as the case may be, during which it was a financial institution, and

(c) C is the value of the aggregate of the supplies of the corporation or the savings and credit union, as the case may be, for the part or parts of the year, as the case may be, during which it was a financial institution.

1993, c. 19, s. 148; 1997, c. 3, s. 71.

1159.5. Where a financial institution referred to in subparagraph *a* of the first or second paragraph of section 1159.3 has an establishment situated outside Québec, subparagraph i of subparagraph *a* of the first or second paragraph, as the case may be, of the said section shall be construed as though the amount determined thereunder were equal to such proportion of the amount that would otherwise be determined thereunder as the business carried on by it in Québec is of the aggregate of the business carried on by it in Canada or in Québec and elsewhere, as determined by regulation.

1993, c. 19, s. 148; 1995, c. 1, s. 199.

1159.6. Where the taxation year of a financial institution referred to in subparagraph *a* of the first or second paragraph of section 1159.3 covers a period of less than 359 days, subparagraph i of subparagraph *a* of the first or second paragraph, as the case may be, of the said section shall be construed as though the amount determined thereunder were equal to such proportion of the amount that would otherwise be determined thereunder as the number of days in its taxation year is of 365.

1993, c. 19, s. 148.

BOOK III

MISCELLANEOUS PROVISIONS

1993, c. 19, s. 148.

1159.7. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549 and sections 1000 to 1027.0.3 and 1037 to 1079.16 apply, with the necessary modifications, to this Part.

Furthermore, for the purposes of this Part, the following rules apply:

(a) an insurance corporation that is not a corporation is deemed to be a corporation;

(b) the fiscal period of any corporation that is deemed to be a corporation under subparagraph *a* is deemed to be the taxation year of the corporation.

1993, c. 19, s. 148; 1993, c. 64, s. 198; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 1997, c. 3, s. 71; 2005, c. 1, s. 289; 2006, c. 13, s. 221; 2009, c. 15, s. 445.

1159.8. Despite section 1000, every person other than a corporation shall file with the Minister in prescribed form, without notice or demand, a fiscal return containing prescribed information for each taxation year for which the person is required to pay tax under this Part, in respect of such portion of the tax as is determined by reference to the percentage of the amount paid as wages referred to in subparagraph *e* of the first or second paragraph of section 1159.3 or in subparagraph *f* of that first or second paragraph, enacted by subparagraph *e* of the first paragraph of section 1159.3.2 and subparagraph *e* of the second paragraph of that section, respectively.

Such return must be filed by the following persons and within the following time:

(a) in the case of a person who has died without making the return, by his legal representatives within 90 days after the person's death;

(b) in the case of a succession or trust, by the liquidator of the succession, the executor or the trustee, on or before the last day of February in the next calendar year;

(c) in the case of a person other than a person within the meaning of section 1, by the person or on his behalf, on or before the last day of February in the next calendar year;

(d) in the case of any other person, by that person or, if he is unable for any reason to file the return, by his adviser or legal representative, on or before the last day of February in the next calendar year;

(e) where no return has been filed pursuant to any of paragraphs *a* to *d*, by the person required by notice in writing from the Minister to file the return, within such time as the notice specifies.

Notwithstanding the second paragraph, the person who is required to file the return in prescribed form referred to in the first paragraph is the person who files or is required to file the return in prescribed form referred to in section 1086R1 of the Regulation respecting the Taxation Act (chapter I-3, r. 1).

1993, c. 19, s. 148; 1994, c. 22, s. 347; 1997, c. 3, s. 71; 1997, c. 31, s. 139; 1998, c. 16, s. 251; 2006, c. 13, s. 222; 2015, c. 21, s. 534.

1159.9. Notwithstanding section 1159.8, every person who, on the date on or before which an amount is to be paid by the person to the Minister under section 1159.10, ceases or fails to pay the amount shall file the fiscal return provided for in section 1159.8 in prescribed form as referred to therein on or before the twentieth day of the month following that in which an amount was last paid by him.

1993, c. 19, s. 148.

1159.10. Notwithstanding sections 1025 and 1026, every person, other than a corporation, who is liable to pay tax under this Part for a taxation year shall, in respect of such portion of the tax as is determined by reference to the percentage of the amount paid as wages referred to in subparagraph *e* of the first or second paragraph of section 1159.3, pay to the Minister, in respect of each month of that year during which the person was a financial institution, on or before the date on or before which the person is required to pay any amount to the Minister under section 1015 in respect of that month, an amount equal to the percentage of the amount paid as wages in respect of that month.

For the purposes of the first paragraph, in respect of the amount paid as wages after 31 December 2012 and before 12 July 2013, section 1159.3 is to be read without reference to subparagraph *f* of the first and second paragraphs, enacted by subparagraph *e* of the first and second paragraphs of section 1159.3.2, and as if subparagraph *e* of the first paragraph of section 1159.3 and subparagraph *e* of the second paragraph of that section were read respectively as follows:

"(*e*) in the case of any other person, 0.9% of the amount paid as wages;";

"(*e*) in the case of any other person, except a professional order that has set up an insurance fund in accordance with section 86.1 of the Professional Code, 0.9% of the amount paid as wages in the part or parts of the year, as the case may be, during which the person was a financial institution;".

1993, c. 19, s. 148; 1997, c. 3, s. 71; 2015, c. 21, s. 535.

1159.11. *(Repealed).*

1993, c. 19, s. 148; 1995, c. 63, s. 255.

1159.12. *(Repealed).*

1993, c. 19, s. 148; 1995, c. 1, s. 195.

1159.13. *(Repealed).*

1993, c. 19, s. 148; 1995, c. 63, s. 255.

1159.14. *(Repealed).*

1993, c. 19, s. 148; 1995, c. 63, s. 255.

1159.15. *(Repealed).*

1993, c. 19, s. 148; 1995, c. 63, s. 255.

1159.16. *(Repealed).*

1993, c. 19, s. 148; 1995, c. 63, s. 255.

1159.17. Where a person referred to in section 1171 is, at the time of the making of the insurance contract referred to in that section, a financial institution, the person shall, when filing the notice referred to in subsection 1 of that section, pay to the Minister a compensation tax equal to the percentage, specified in the second paragraph, of the amount of the premium payable by the person and in respect of which a tax must be paid under that section.

The percentage to which the first paragraph refers is equal to

(a) 0.35% in respect of a premium payable by a person before 31 March 2010;

(b) 0.55% in respect of a premium payable by a person during the period beginning on 31 March 2010 and ending on 31 December 2012;

(c) 0.3% in respect of a premium payable by a person during the period beginning on 1 January 2013 and ending on 2 December 2014;

(d) 0.48% in respect of a premium payable by a person during the period beginning on 3 December 2014 and ending on 31 March 2022; or

(e) 0.3% in respect of a premium payable by a person after 31 March 2022.

1993, c. 19, s. 148; 1995, c. 63, s. 256; 2015, c. 21, s. 536; 2017, c. 29, s. 221; 2021, c. 36, s. 160.

1159.18. Every person who contravenes section 1159.17 incurs a penalty equal to twice the amount of the tax payable under that section.

1993, c. 19, s. 148; 1995, c. 63, s. 257.

PART V

Repealed, 1989, c. 5, s. 245.

1989, c. 5, s. 245.

1160. *(Repealed).*

1972, c. 23, s. 872; 1979, c. 38, s. 28; 1980, c. 13, s. 114; 1982, c. 5, s. 206; 1986, c. 15, s. 205; 1987, c. 21, s. 94; 1989, c. 5, s. 239; 1990, c. 7, s. 216; 1989, c. 5, s. 245.

1160.1. *(Repealed).*

1989, c. 5, s. 240; 1989, c. 5, s. 245.

1161. *(Repealed).*

1972, c. 23, s. 873; 1980, c. 13, s. 115; 1982, c. 5, s. 207; 1995, c. 1, s. 199; 1989, c. 5, s. 245.

1162. *(Repealed).*

1972, c. 23, s. 874; 1980, c. 13, s. 115; 1982, c. 5, s. 207; 1984, c. 35, s. 34; 1989, c. 5, s. 241; 1989, c. 5, s. 245.

1162.1. *(Repealed).*

1982, c. 5, s. 207; 1989, c. 5, s. 245.

1162.1.1. *(Repealed).*

1989, c. 5, s. 242; 1989, c. 5, s. 245.

1162.2. *(Repealed).*

1982, c. 5, s. 207; 1989, c. 5, s. 243; 1989, c. 5, s. 245.

1162.3. *(Repealed).*

1982, c. 5, s. 207; 1989, c. 5, s. 244; 1989, c. 5, s. 245.

1162.4. *(Repealed).*

1982, c. 5, s. 207; 1989, c. 5, s. 245.

1163. *(Repealed).*

1976, c. 33, s. 50; 1986, c. 15, s. 206; 1989, c. 5, s. 245.

1164. *(Repealed).*

1972, c. 23, s. 875; 1980, c. 13, s. 116; 1989, c. 5, s. 245.

1165. *(Repealed).*

1972, c. 26, s. 83; 1973, c. 18, s. 34; 1979, c. 38, s. 28; 1980, c. 13, s. 117; 1986, c. 15, s. 207; 1987, c. 21, s. 95; 1987, c. 67, s. 201; 1990, c. 7, s. 216; 1991, c. 8, s. 103; 1992, c. 1, s. 209; 1993, c. 64, s. 199; 1989, c. 5, s. 245.

PART VI

TAX ON CAPITAL OF INSURANCE CORPORATIONS

1972, c. 23; 1997, c. 3, s. 71.

BOOK I

RULES OF INTERPRETATION

1993, c. 19, s. 149; 2012, c. 8, s. 251.

1166. In this Part, unless the context indicates otherwise,

"amount allocated to the payment of a benefit" means the aggregate of benefits, other than benefits derived from a fund of an uninsured employee benefit plan, paid, in a taxation year, under an uninsured employee benefit plan, to the beneficiaries under the plan;

"carrying on business in Québec" means owning any property in Québec, having an establishment in Québec or exercising any of the corporate rights, powers or objects of a corporation in Québec;

"contribution" includes assessments, premium deposits, registration fees and any other compensation in respect of an uninsured employee benefit plan;

"establishment" has the meaning assigned by section 1;

"fiscal period" has the meaning assigned by Part I;

"fund of an uninsured employee benefit plan" means the aggregate of contributions, other than an amount described in the second paragraph, paid in a taxation year under an uninsured employee benefit plan, if the aggregate of contributions paid during any month in that year exceeds the amount required to pay the foreseeable benefits payable in that month and within 30 days after the end of that month;

"insurance corporation" means an insurer, within the meaning given to that expression by the Insurers Act (chapter A-32.1), and includes any person, trust, association or group of persons administering an uninsured employee benefit plan or paying any amount into a fund of an uninsured employee benefit plan;

"month" means, where a taxation year commences on a day in a calendar month other than the first day of the month, any period commencing on that day in any calendar month within the taxation year, other than the month in which the year ends, and ending on the day immediately preceding that day in the calendar month following that month or, for the month in which the taxation year ends, on the day on which the taxation year ends, or where there is no such immediately preceding day in the following month, on the last day of that month;

"premium" means

(a) any amount payable as consideration for an insurance contract including the first premium and every other premium payable subsequently under such contract;

(b) premium deposits, assessments, registration fees, contributions of members and any other compensation given to benefit by an insurance contract;

"taxable premium" means a fund of an uninsured employee benefit plan and an amount allocated to the payment of a benefit;

"taxation year" has the meaning assigned by Part I;

"uninsured employee benefit plan" means a plan which gives protection against a risk that could otherwise be obtained by taking out a policy of personal insurance, whether the benefits are partly insured or not.

The following amounts are assimilated to taxable premiums:

(a) the amount of the administration costs in respect of an uninsured employee benefit plan paid to the person administering the uninsured employee benefit plan;

(b) the amount of the interest costs in respect of taxable premiums;

(c) the amount paid to make up a deficit relating to an uninsured employee benefit plan, whether or not it is in force at the time of the payment.

1972, c. 23, s. 876; 1974, c. 18, s. 46; 1979, c. 38, s. 29; 1993, c. 19, s. 150; 1994, c. 22, s. 348; 1995, c. 1, s. 196; 1997, c. 3, s. 68; 1997, c. 14, s. 285; 1997, c. 85, s. 319; 2002, c. 9, s. 134; 2005, c. 23, s. 260; 2007, c. 12, s. 304; 2018, c. 23, s. 811; 2019, c. 14, s. 460

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1166.1. In this Part, where a Minister other than the Minister of Revenue or a body replaces or revokes a certificate, qualification certificate or other similar document that has been issued to a person or a partnership, the following rules apply in respect of the document, unless a more specific similar rule applies to it:

(a) the replaced document is null as of the date of its coming into force or of its deemed coming into force and the new document is deemed, unless it provides otherwise, to come into force as of that date and to have been issued at the time the replaced document was issued or is deemed to have been issued; and

(b) the revoked document is null as of the effective date of the revocation and is deemed not to have been issued, obtained or held as of that date.

Where a document is, without being replaced, amended by the revocation or replacement of any of its parts or in any other manner, the document before the amendment and the document as amended are deemed, for the purposes of this section, to be separate documents the first of which (referred to as the "replaced document") has been replaced by the second (referred to as the "new document").

Where, in the circumstances described in the second paragraph, a document is amended only for a part of its period of validity, the new document is deemed to describe both the situation prevailing before the amendment, as proven by the content of the replaced document, and the new situation, as proven by the content of the new document.

2012, c. 8, s. 252.

BOOK II

INSURANCE

1993, c. 19, s. 151.

1167. Every insurance corporation carrying on business in Québec, except that mentioned in paragraph *b* of section 998, shall pay for each 12-month period, as tax on capital, on every premium payable to the corporation or its agent with respect to its business in Québec other than an annuity contract, except on any reinsurance premium paid to the corporation by another insurance corporation, a tax equal to 3% of the premium payable.

The tax payable by an insurance corporation, other than such a corporation to which section 61 of the Act respecting international financial centres (chapter C-8.3) applies, shall not be less than

(a) $500 in the case of marine insurance corporations;

(b) $200 in the case of reciprocal or mutual insurance corporations;

(c) $600 in the case of life insurance corporations, corporations transacting both in marine insurance and another kind of insurance except life insurance, and in the case of any other insurance corporation.

For the purposes of this section, any premium due in respect of the following is deemed to be a premium payable with respect to business in Québec:

(a) the insurance of a person resident in Québec if the person is resident in Québec at the time the premium falls due;

(b) the insurance of property situated in Québec if the property is situated in Québec at any time during the term of the insurance contract;

(c) liability insurance subscribed by an underwriter resident or having an establishment in Québec, where the insurance covers in whole or in part the realization of a risk in Québec.

Finally, where a contract of insurance relates to property that is an automobile within the meaning of the Automobile Insurance Act (chapter A-25) and gives rise, in respect of a period, to a premium payable to an insurance corporation or its agent with respect to its business in Québec, the premium payable is deemed, for

the purpose of computing the tax provided for in its respect under the first paragraph, to be equal to such proportion of the amount of direct written premiums of the insurance corporation for the period relating to the aggregate of such contracts of insurance, as is represented by the ratio, established in respect of the period and without reference to this paragraph, between the premium payable and the aggregate, for all such contracts of insurance, of premiums payable to the insurance corporation or its agent with respect to its business in Québec.

1972, c. 23, s. 877; 1973, c. 17, s. 136; 1980, c. 13, s. 118; 1991, c. 8, s. 104; 1993, c. 64, s. 200; 1995, c. 1, s. 197; 1997, c. 3, s. 69; 1997, c. 85, s. 320; 1999, c. 86, s. 98; 2002, c. 9, s. 135; 2015, c. 24, s. 159; 2019, c. 14, s. 461.

1168. (1) When a premium is already taxed by another province, state or country, the Minister may, if he considers it to be fair, exempt an insurance corporation from the obligation to pay the tax on that premium.

(2) Where insurance corporations incorporated in Québec are subject in another province, state or country to a tax higher than that exigible in that province, state or country from the insurance corporations incorporated therein, the Government may increase proportionately the tax on such corporations doing business in Québec.

1972, c. 23, s. 878; 1997, c. 3, s. 71; 1997, c. 31, s. 140.

1169. *(Repealed).*

1972, c. 23, s. 879; 1979, c. 38, s. 29.

1170. For the purposes of section 1167, a corporation may deduct from the premiums payable the return premiums and the cash value of the dividends paid or credited to policyholders to the extent that such return premiums and dividends are in respect of risks covered by the insurance of persons resident in Québec, the insurance of property situated in Québec or a liability insurance subscribed by an underwriter resident or having an establishment in Québec.

The corporation may not, however, deduct from the premiums payable payment to the policyholder of cash surrender or loan values.

1972, c. 23, s. 880; 1996, c. 39, s. 273; 1997, c. 3, s. 71; 1997, c. 85, s. 321; 2015, c. 24, s. 160.

1170.1. *(Repealed).*

2002, c. 9, s. 136; 2009, c. 5, s. 563; 2019, c. 14, s. 462.

1170.2. *(Repealed).*

2002, c. 9, s. 136; 2012, c. 8, s. 253; 2019, c. 14, s. 462.

1170.3. *(Repealed).*

2002, c. 9, s. 136; 2019, c. 14, s. 462.

1170.4. *(Repealed).*

2009, c. 5, s. 564; 2019, c. 14, s. 462.

1171. (1) The Minister shall be informed of every insurance contract affecting property situated in Québec and made after 1 September 1947 with an insurance corporation that is not resident in Canada and has no office therein. Every person and officer, agent or employee of such person having knowledge of the facts, shall within 30 days notify the Minister in writing, under oath, of the amount of that insurance and of the amount of premiums which would have been required for such insurance had it been placed with an insurance corporation having an office or place of business in Québec.

(2) The person contemplated in subsection 1 shall, upon filing the notice mentioned therein, pay to the Minister the amount which he would be entitled to receive from a corporation having an office or place of business in Québec had that insurance been placed with such corporation. When such insurance is effected directly by the possessor of the property, the notice shall be sent and the tax paid by him; when it is effected through an agent or broker, the notice shall be sent and the tax paid by that agent or broker.

1972, c. 23, s. 881; 1996, c. 39, s. 272; 1997, c. 3, s. 71; 1997, c. 85, s. 322.

1172. Every person who contravenes any provision of section 1171 incurs a penalty equal to twice the amount of the tax payable under that section.

1972, c. 23, s. 882; 1990, c. 4, s. 457; 1995, c. 63, s. 258.

1173. *(Repealed).*

1972, c. 23, s. 883; 1979, c. 38, s. 29.

BOOK III

UNINSURED EMPLOYEE BENEFIT PLAN

1993, c. 19, s. 152.

1173.1. Every insurance corporation carrying on business in Québec shall pay, as tax on capital, for every taxation year, on every taxable premium paid in the year to the corporation or its agent in respect of a person resident in Québec at the time of payment, a tax equal to 3% of the taxable premium.

Where a taxable premium in respect of a particular uninsured employee benefit plan is not paid to an insurance corporation, that premium is deemed to be paid to the corporation that pays the premium in respect of the uninsured employee benefit plan.

In no case may the amount of the tax determined under the first paragraph to be paid by an insurance corporation, other than a corporation to which section 61 of the Act respecting international financial centres (chapter C-8.3) applies, be less than $600.

1993, c. 19, s. 152; 1993, c. 64, s. 201; 1997, c. 3, s. 71; 2002, c. 40, s. 323; 2015, c. 24, s. 161.

1173.2. The tax provided for in this Book does not apply

(a) to the portion of a taxable premium, other than a taxable premium that is a fund of an uninsured employee benefit plan, that corresponds to the payment, by an insurance corporation, of an amount, paid by reason of the loss of all or part of the income from an office or employment and that is income from an office or employment for which a contribution established under the Act respecting industrial accidents and occupational diseases (chapter A-3.001), the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) or the Act respecting the Québec Pension Plan (chapter R-9) is paid; or

(b) to any taxable premium which, after being paid to another insurance corporation, is a premium or another taxable premium, in the year or in any subsequent taxation year, in respect of which a tax is payable under this Part.

1993, c. 19, s. 152; 1993, c. 64, s. 202; 1997, c. 3, s. 71; 1998, c. 16, s. 248; 1999, c. 89, s. 53.

BOOK IV

MISCELLANEOUS PROVISIONS

1993, c. 19, s. 152.

1173.3. Where an insurance corporation is required to pay, for a 12-month period ending in a taxation year, an amount determined under the second paragraph of section 1167 and, for that taxation year, the amount determined under the third paragraph of section 1173.1, the aggregate of all amounts payable under the said paragraphs shall be equal to $600.

1993, c. 19, s. 152; 1993, c. 64, s. 203; 1997, c. 3, s. 71.

1173.3.1. An insurance corporation that is required to pay an amount determined under the first paragraph of section 1167 is not required to pay the minimum amount determined under the third paragraph of section 1173.1.

An insurance corporation that is required to pay an amount determined under the first paragraph of section 1173.1 is not required to pay the minimum amount determined under the second paragraph of section 1167.

2002, c. 40, s. 324.

1173.4. For the purposes of this Part and sections 1000 to 1027 and 1037 to 1079.16, where those sections apply to this Part by reason of section 1175, an insurance corporation that is not a corporation is deemed to be a corporation and, for the purposes of Book III, its fiscal period is deemed to be its taxation year.

1993, c. 19, s. 152; 1993, c. 64, s. 203; 1995, c. 49, s. 236; 1997, c. 3, s. 71; 2005, c. 1, s. 290.

1174. Sections 1143 and 1144 apply, with the necessary modifications, to this Part.

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

1972, c. 23, s. 884; 1973, c. 18, s. 35; 1979, c. 38, s. 29; 1980, c. 13, s. 119; 1995, c. 63, s. 261; 1997, c. 3, s. 71.

1174.0.1. Section 1174 does not apply to Book III, except in respect of a prescribed insurance corporation or a prescribed taxable premium.

1993, c. 19, s. 153; 1997, c. 3, s. 71.

1174.0.2. Notwithstanding section 1174, where an insurance corporation is a fraternal benefit society, it is exempt from the tax payable under this Part only in respect of payable premiums other than premiums with respect to a life insurance business.

1993, c. 19, s. 153; 1997, c. 3, s. 71.

1174.0.3. *(Repealed).*

2005, c. 1, s. 291; 2019, c. 14, s. 463.

1174.1. *(Repealed).*

1990, c. 59, s. 363; 1997, c. 3, s. 71; 2019, c. 14, s. 464.

1175. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549 and sections 1000 to 1027.0.3 and 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1972, c. 26, s. 84; 1979, c. 38, s. 29; 1987, c. 21, s. 96; 1990, c. 7, s. 217; 1991, c. 8, s. 105; 1992, c. 1, s. 210; 1993, c. 19, s. 154; 1993, c. 64, s. 204; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 2005, c. 1, s. 292; 2006, c. 13, s. 223; 2009, c. 15, s. 446.

PART VI.1

TAX ON CAPITAL OF LIFE INSURERS

1997, c. 14, s. 286.

BOOK I

INTERPRETATION

1997, c. 14, s. 286.

1175.1. In this Part,

"amount" has the meaning assigned by section 1;

"Canadian reserve liabilities" has the meaning assigned by the regulations under section 818;

"carrying on business in Québec" has the meaning assigned by section 1166;

"contractual service margin" has the meaning assigned by subparagraph *z* of the first paragraph of section 835;

"foreign insurance subsidiary" of a life insurer, at a particular time, means a corporation not resident in Canada that

(a) carried on a life insurance business throughout its last taxation year ending at or before the particular time and did not carry on a life insurance business in Canada at any time in that taxation year; and

(b) is at the particular time

i. a subsidiary of the life insurer, and

ii. not a subsidiary of any corporation that is resident in Canada, carried on a life insurance business in Canada at any time in its last taxation year ending at or before the particular time and is a subsidiary of the life insurer;

"group of insurance contracts" has the meaning assigned by subparagraph *u* of the first paragraph of section 835;

"group of reinsurance contracts" has the meaning assigned by subparagraph *x* of the first paragraph of section 835;

"group of segregated fund policies" has the meaning assigned by subparagraph *y* of the first paragraph of section 835;

"life insurance business" has the meaning assigned by section 1;

"life insurer" has the meaning assigned by section 1;

"long-term debt" of a life insurer or of a foreign insurance subsidiary means its subordinated indebtedness, within the meaning assigned by subsection 1 of section 2 of the Insurance Companies Act (S.C. 1991, c. 47), evidenced by obligations issued for a term of not less than five years;

"policyholders' liabilities" has the meaning assigned by subparagraph *z*.2 of the first paragraph of section 835;

"province" has the meaning assigned by section 1;

"reserves", in respect of a life insurer for a taxation year, means the amount at the end of the year of all of the life insurer's

(a) reserves, provisions and allowances, other than those in respect of depreciation or depletion and those for losses, in respect of a contract of lease or of leasing, that a life insurer carrying lease or leasing activities cannot deduct in computing its income under Part I; and

(b) deferred taxes or future taxes, depending on the method followed by the life insurer;

"subsidiary" of a corporation, in this definition referred to as the "parent corporation", means a corporation not less than 90% of the issued and outstanding shares of each class of the capital stock of which belong to

(a) the parent corporation;

(b) a corporation that is a subsidiary of the parent corporation; or

(c) any combination of corporations each of which is a corporation described in paragraph *a* or *b*;

"Superintendent of Financial Institutions", in respect of a life insurer, means

(a) the Superintendent of Financial Institutions for Canada, where the life insurer is required to report to that person; and

(b) where the life insurer is incorporated under the laws of a province, the superintendent of insurance or other similar agent or authority of that province, or the Autorité des marchés financiers, according to the person to whom the life insurer is required to report;

"taxation year" has the meaning assigned by Part I;

"total reserve liabilities" of an insurer at the end of a taxation year means the amount by which the aggregate amount of the insurer's liabilities and reserves at the end of the year in respect of all its insurance policies, other than liabilities and reserves in respect of a segregated fund, within the meaning of subparagraph *b* of the first paragraph of section 835, as determined for the purposes of the Superintendent of Financial Institutions, exceeds the aggregate of all amounts each of which is a reinsurance recoverable within the meaning of section 818R53 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) reported as a reinsurance asset by the insurer as at the end of the year relating to those liabilities or reserves.

1997, c. 14, s. 286; 1997, c. 31, s. 141; 1998, c. 16, s. 249; 2000, c. 39, s. 260; 2001, c. 53, s. 256; 2002, c. 9, s. 137; 2002, c. 45, s. 520; 2004, c. 37, s. 90; 2007, c. 12, s. 304; 2013, c. 10, s. 176; 2019, c. 14, s. 465; 2023, c. 19, s. 126.

1175.2. For the purpose of determining any amount under this Part in respect of a corporation's capital, taxable capital, taxable capital employed in Québec or taxable capital employed in Canada,

(a) the equity and consolidation methods of accounting shall not be used; and

(b) subject to paragraph *a* and except as otherwise provided in this Part, the amounts that shall be used are the amounts shown on the balance sheet

i. presented to the shareholders of the corporation, in the case of a corporation other than a life insurer to which subparagraph ii applies or, where such a balance sheet was not prepared in accordance with generally accepted accounting principles or no such balance sheet was prepared, the amounts that would be shown if such a balance sheet had been prepared in accordance with generally accepted accounting principles, or

ii. accepted by the Superintendent of Financial Institutions, in the case of a life insurer that is required to report to the Superintendent of Financial Institutions.

1997, c. 14, s. 286.

1175.3. A corporation that has already included or deducted an amount directly or indirectly in computing its capital, taxable capital, taxable capital employed in Québec or taxable capital employed in Canada for a taxation year is not required to include such amount again, or authorized, as the case may be, to deduct it

again, either directly or indirectly, unless this Part expressly obliges or authorizes it to do so, or contains words that necessarily imply such obligation or authorization.

1997, c. 14, s. 286.

1175.3.1. In this Part, where a Minister other than the Minister of Revenue or a body replaces or revokes a certificate, qualification certificate or other similar document that has been issued to a person or a partnership, the following rules apply in respect of the document, unless a more specific similar rule applies to it:

(a) the replaced document is null as of the date of its coming into force or of its deemed coming into force and the new document is deemed, unless it provides otherwise, to come into force as of that date and to have been issued at the time the replaced document was issued or is deemed to have been issued; and

(b) the revoked document is null as of the effective date of the revocation and is deemed not to have been issued, obtained or held as of that date.

Where a document is, without being replaced, amended by the revocation or replacement of any of its parts or in any other manner, the document before the amendment and the document as amended are deemed, for the purposes of this section, to be separate documents the first of which (referred to as the "replaced document") has been replaced by the second (referred to as the "new document").

Where, in the circumstances described in the second paragraph, a document is amended only for a part of its period of validity, the new document is deemed to describe both the situation prevailing before the amendment, as proven by the content of the replaced document, and the new situation, as proven by the content of the new document.

2012, c. 8, s. 254.

BOOK II

LIABILITY FOR AND AMOUNT OF TAX

1997, c. 14, s. 286.

1175.4. Every life insurer that carries on business in Québec at any time in a taxation year shall pay a tax for the taxation year equal to the product obtained by multiplying 1.25% of its taxable capital employed in Québec by the proportion that the number of days in the taxation year after 9 May 1996 is of 365.

1997, c. 14, s. 286.

1175.4.1. *(Repealed).*

2002, c. 9, s. 138; 2009, c. 5, s. 565; 2019, c. 14, s. 466.

1175.4.2. *(Repealed).*

2002, c. 9, s. 138; 2005, c. 1, s. 293; 2012, c. 8, s. 255; 2019, c. 14, s. 466.

1175.4.3. *(Repealed).*

2002, c. 9, s. 138; 2019, c. 14, s. 466.

1175.4.4. *(Repealed).*

2009, c. 5, s. 566; 2019, c. 14, s. 466.

1175.5. A life insurer may deduct from its tax otherwise payable under this Part for a taxation year, an amount equal to the amount by which its tax payable for the year under Part I exceeds the aggregate of all amounts each of which is an amount the life insurer is deemed, under Chapter III. 1 of Title III of Book IX of Part I, to have paid to the Minister as partial payment of its tax payable under Part I for the year.

1997, c. 14, s. 286.

BOOK III

COMPUTATION OF TAXABLE CAPITAL

1997, c. 14, s. 286.

1175.6. In this Part, the taxable capital employed in Québec of a life insurer that is resident in Canada at any time in a taxation year is, for the year, the amount determined by the formula

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

For the purposes of the formula in the first paragraph,

(a) A is the amount obtained by multiplying the aggregate of the capital of the life insurer for the taxation year and the amount determined for the year in respect of the capital of its foreign insurance subsidiaries by the proportion that the Canadian reserve liabilities of the life insurer at the end of the taxation year is of the aggregate of its total reserve liabilities at the end of the year and the amount determined for the year in respect of the total reserve liabilities of its foreign insurance subsidiaries;

(b) B is the life insurer's capital allowance for the taxation year; and

(c) C is that proportion of the amount by which the amount determined under subparagraph *a* for the taxation year exceeds the amount referred to in subparagraph *b* that the business carried on by the life insurer in Canada but not in Québec for the taxation year is of the aggregate of its business carried on in Canada for the taxation year, as determined in accordance with the regulations;

(d) (subparagraph repealed).

1997, c. 14, s. 286; 2001, c. 53, s. 257; 2010, c. 25, s. 224.

1175.7. In this Part, the taxable capital employed in Québec of a life insurer that throughout a taxation year is not resident in Canada is the amount by which

(a) the amount by which its capital for the year exceeds its capital allowance for the year; exceeds

(b) that proportion of the amount determined under paragraph *a* that its business carried on in Canada but not in Québec is of the aggregate of its business carried on in Canada, as determined in accordance with the regulations made pursuant to section 1175.6.

1997, c. 14, s. 286.

1175.8. In this Part, the capital of a life insurer that is resident in Canada at any time in a taxation year is the amount determined by the formula

$A + B + (0.9 \times C) - (0.9 \times D) - E.$

In the formula in the first paragraph,

(a) A is the amount of the insurer's long-term debt at the end of the year;

(b) B is the total, at the end of the year, of the insurer's

i. capital stock or, in the case of an insurer incorporated without share capital, the amount of its members' contributions,

ii. retained earnings,

iii. accumulated other comprehensive income,

iv. policyholders' liabilities,

v. contributed surplus, and

vi. any other surpluses;

(c) C is the aggregate of all amounts each of which is the contractual service margin for a group of insurance contracts of the insurer at the end of the year other than a group of segregated fund policies;

(d) D is the aggregate of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

i. if no portion of the contractual service margin for the group is in respect of a risk under a segregated fund policy, the contractual service margin for the group, or

ii. in any other case, the amount that would be the contractual service margin for the group if the contractual service margin were determined without taking into account any portion of the contractual service margin that is in respect of the reinsurance of risks under segregated fund policies; and

(e) E is the amount of any deficit deducted in computing the insurer's net shareholders' equity.

1997, c. 14, s. 286; 2000, c. 39, s. 261; 2002, c. 40, s. 325; 2023, c. 19, s. 127.

1175.9. For the purposes of this Part, the capital of a life insurer that throughout a taxation year is not resident in Canada is the aggregate at the end of the taxation year of

(a) the greater of

i. the amount by which its surplus funds derived from operations, as defined by subparagraph *l* of the first paragraph of section 835, at the end of the year, computed as if no tax were payable under this Part or Parts I. 3 and VI of the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)) for the year, exceeds the aggregate of all amounts each of which is

(1) an amount on which it was required to pay tax under Part XIV of the Income Tax Act for a preceding taxation year, or would but for subsection 5.2 of section 219 of that Act have been required to pay such tax, except the portion of the amount on which tax was payable, or would have been payable, because of subparagraph i.1 of paragraph *a* of subsection 4 of section 219 of that Act, and

(2) an amount on which it was required to pay, or would but for subsection 5.2 of section 219 of that Act have been required to pay, tax under subsection 5.1 of section 219 of the Income Tax Act for the year because of the transfer of an insurance business to which sections 832.3 and 832.7 apply, and

ii. its attributed surplus, within the meaning assigned by the regulations made under section 818, for the year;

(b) any other surpluses relating to its insurance businesses carried on in Canada; and

(c) the amount of its long-term debt that may reasonably be regarded as relating to its insurance businesses carried on in Canada;

(d) (paragraph repealed).

1997, c. 14, s. 286; 1998, c. 16, s. 250; 2001, c. 7, s. 168; 2001, c. 53, s. 258; 2010, c. 25, s. 225.

1175.10. For the purposes of subparagraph *a* of the second paragraph of section 1175.6, the amount determined for a particular taxation year in respect of the capital of the foreign insurance subsidiaries of a life insurer is equal to the aggregate of all amounts each of which is, in respect of a foreign insurance subsidiary of the life insurer, the amount by which the amount that would, had the subsidiary been resident in Canada throughout its last taxation year ending at or before the end of the particular taxation year, have been its capital for that year exceeds the aggregate of all amounts each of which is

(a) an amount included in computing that capital in respect of a share of the subsidiary's capital stock or its long-term debt that was owned by

i. the life insurer,

ii. a subsidiary of the life insurer,

iii. a corporation that is resident in Canada, that carried on a life insurance business in Canada at any time in its last taxation year ending at or before the end of the life insurer's taxation year, and that is

(1) a corporation of which the life insurer is a subsidiary, or

(2) a subsidiary of a corporation described in subparagraph 1,

iv. a subsidiary of a corporation described in subparagraph iii; or

(b) an amount included in computing that capital in respect of any surplus of the subsidiary contributed by a corporation described in any of subparagraphs i to iv of paragraph *a*, other than an amount referred to in paragraph *a*.

1997, c. 14, s. 286.

1175.11. For the purposes of subparagraph *a* of the second paragraph of section 1175.6, the amount determined for a taxation year in respect of the total reserve liabilities of the foreign insurance subsidiaries of a life insurer is the aggregate of all amounts each of which would be the total reserve liabilities of such a subsidiary at the end of the subsidiary's last taxation year ending at or before the end of the life insurer's taxation year if the subsidiary were required to report to the Superintendent of Financial Institutions for that year.

1997, c. 14, s. 286.

1175.12. For the purposes of this Part, the capital allowance for a taxation year of a life insurer that carries on business in Canada at any time in the year is the total of

(a) $10,000,000;

(b) 1/2 of the amount by which the lesser of the following amounts exceeds $10,000,000:

i. $50,000,000, and

ii. its taxable capital employed in Canada for the year;

(c) 1/4 of the amount by which the lesser of the following amounts exceeds $50,000,000:

i. $100,000,000, and

ii. its taxable capital employed in Canada for the year;

(d) 1/2 of the amount by which the lesser of the following amounts exceeds $200,000,000:

i. $300,000,000, and

ii. its taxable capital employed in Canada for the year; and

(e) 3/4 of the amount by which its taxable capital employed in Canada for the year exceeds $300,000,000.

Notwithstanding the first paragraph, where a life insurer is related at the end of a taxation year to another life insurer that carries on business in Canada, its capital allowance for the taxation year is, subject to sections 1175.13, 1175.15 and 1175.16, nil.

1997, c. 14, s. 286.

1175.13. A life insurer that carries on business in Canada at any time in a taxation year and is related at the end of the year to another life insurer that carries on business in Canada may file with the Minister, on behalf of the related group of life insurers of which the life insurer is a member, an agreement in prescribed form under which an amount that does not exceed the total of the following amounts is allocated for the year among the members of the related group:

(a) $10,000,000;

(b) 1/2 of the amount by which the lesser of the following amounts exceeds $10,000,000:

i. $50,000,000, and

ii. the total of all amounts each of which is the taxable capital employed in Canada of a life insurer for the year that is a member of the related group;

(c) 1/4 of the amount by which the lesser of the following amounts exceeds $50,000,000:

i. $100,000,000, and

ii. the total of all amounts each of which is the taxable capital employed in Canada of a life insurer for the year that is a member of the related group;

(d) 1/2 of the amount by which the lesser of the following amounts exceeds $200,000,000:

i. $300,000,000, and

ii. the total of all amounts each of which is the taxable capital employed in Canada of a life insurer for the year that is a member of the related group; and

(e) 3/4 of the amount by which the total of all amounts each of which is the taxable capital employed in Canada of a life insurer for the year that is a member of the related group, exceeds $300,000,000.

1997, c. 14, s. 286.

1175.14. For the purposes of sections 1175.12 and 1175.13, the taxable capital employed in Canada of a life insurer for a taxation year is, in the case of a life insurer that is resident in Canada at any time in the taxation year, the amount obtained by multiplying the aggregate of the capital of the life insurer for the taxation year and the amount determined for the year in respect of the capital of its foreign insurance subsidiaries by the proportion that the Canadian reserve liabilities of the life insurer at the end of the taxation year is of the aggregate of its total reserve liabilities at the end of the year and the amount determined for the year in respect of the total reserve liabilities of its foreign insurance subsidiaries.

For the purposes of sections 1175.12 and 1175.13, the taxable capital employed in Canada of a life insurer for a taxation year is, in the case of a life insurer that, throughout a taxation year, is not resident in Canada, its capital for the taxation year.

1997, c. 14, s. 286; 2001, c. 53, s. 259; 2010, c. 25, s. 226.

1175.15. The Minister may request a life insurer that carries on business in Canada at any time in a taxation year and, at the end of the year, is related to another life insurer that carries on business in Canada to file with the Minister an agreement described in section 1175.13 and, if the life insurer does not file the agreement within 30 days after receiving the request, the Minister may allocate among the members of the related group of life insurers of which the life insurer is a member for the year an amount not exceeding the total that would otherwise be determined under paragraphs *a* to *e* of section 1175.13 in respect of the related group.

1997, c. 14, s. 286.

1175.16. For the purposes of this Part, the capital allowance for a taxation year of a member of a related group of life insurers is equal to the least amount allocated to that member for that year under an agreement described in section 1175.13 or by the Minister in accordance with section 1175.15.

1997, c. 14, s. 286.

1175.17. Where a corporation, in this section referred to as the “first corporation”, has more than one taxation year ending in the same calendar year and is related in two or more of those taxation years to another corporation that has a taxation year ending in that calendar year, the capital allowance of the first corporation for each such taxation year at the end of which it is related to the other corporation is, for the purposes of this Part, an amount equal to its capital allowance for the first such taxation year.

1997, c. 14, s. 286.

1175.18. For the purposes of this Part, two corporations that would, but for this section, be related to each other solely because of the control of any corporation by the State or Her Majesty in right of Canada or a province, other than Québec, or a right referred to in paragraph *b* of section 20, shall be deemed not to be related to each other.

However, where at any time a taxpayer acquires a right referred to in paragraph *b* of section 20 and it may reasonably be considered that one of the main purposes of the acquisition of the right was to avoid any limitation on the amount of a corporation’s capital allowance for a taxation year, for the purpose of determining whether, for the purposes of this Part, a corporation is related to any other corporation, the taxpayer is deemed to have acquired, at that time, the shares giving entitlement to the right.

1997, c. 14, s. 286; 1998, c. 16, s. 251; 2001, c. 7, s. 169.

BOOK IV

MISCELLANEOUS PROVISIONS

1997, c. 14, s. 286.

1175.19. Except where inconsistent with this Part, sections 7.14, 11, 11.1, 11.3 and 17 to 21, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549 and sections 1000 to 1027.0.3, 1037 to 1079.16 and 1134 apply, with the necessary modifications, to this Part.

1997, c. 14, s. 286; 2005, c. 1, s. 294; 2006, c. 13, s. 224; 2009, c. 15, s. 447.

PART VI.1.1

SPECIAL TAX RELATING TO A CAPITAL TAX CREDIT

2005, c. 38, s. 333.

1175.19.1. In this Part,

"filing-due date" has the meaning assigned by section 1;

"fiscal period" has the meaning assigned by Part I;

"taxation year" has the meaning assigned by Part I.

2005, c. 38, s. 333; 2006, c. 36, s. 264; 2007, c. 12, s. 288.

1175.19.2. Every corporation that, in relation to the aggregate of the costs referred to in the first paragraph of section 1135.1 for any taxation year and incurred in respect of property described in any of sections 1135.3 to 1135.3.1, has deducted, under section 1135.1 or 1135.2, an amount in computing its tax otherwise payable under Part IV for a particular taxation year, shall pay the tax computed under the second paragraph, for a subsequent taxation year, in this section referred to as the "repayment year", if

(a) an amount relating to the portion of those costs that was incurred by the corporation is, in the repayment year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) an amount relating to the portion of those costs that was incurred by a partnership of which the corporation is a member at the end of that partnership's fiscal period that ends in the repayment year, is, in that fiscal period, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is, in relation to the costs referred to in the first paragraph, an amount that the corporation would have deducted under section 1135.1 or 1135.2 for a particular taxation year preceding the repayment year, if the corporation's share of the income or loss of any partnership of which it was a member at the end of the partnership's fiscal period that ends in the particular taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year, exceeds the total of

(a) the aggregate of all amounts each of which is, in relation to those costs, an amount that the corporation would have deducted under section 1135.1 or 1135.2 for a particular taxation year preceding the repayment year, if

i. any amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the portion of those costs that was incurred by the corporation, had been refunded, paid or allocated in the particular taxation year,

ii. any amount that is, at or before the end of the fiscal period of a partnership of which the taxpayer is a member ending in the repayment year, so refunded, paid or allocated, in relation to the portion of those costs that was incurred by the partnership, had been refunded, paid or allocated in the partnership's fiscal period that ends in the particular taxation year, and

iii. the corporation's share of the income or loss of any partnership for the partnership's fiscal period that ends in the particular taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year; and

(b) the aggregate of all amounts each of which is a tax that the corporation should have paid to the Minister under this section, in relation to those costs, for a taxation year preceding the repayment year, if the corporation's share of the income or loss of any partnership for the partnership's fiscal period that ends in the preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year.

For the purposes of the second paragraph, an amount referred to in subparagraph ii of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the partnership's fiscal period that ends in the repayment year.

2005, c. 38, s. 333; 2006, c. 36, s. 265; 2007, c. 12, s. 289; 2009, c. 5, s. 567; 2009, c. 15, s. 448; 2022, c. 23, s. 153.

1175.19.2.1. For the purposes of section 1175.19.2, the amount determined in accordance with the second paragraph, in respect of a property described in any of sections 1135.3 to 1135.3.1 that a corporation has acquired in any given taxation year or that a partnership has acquired in a fiscal period that ends in any given taxation year, is deemed to be refunded to the corporation in a taxation year subsequent to the given taxation year (in this section referred to as the "repayment year") or refunded to the partnership in a fiscal period of the partnership that ends in the repayment year if, at a particular time in the period described in the third paragraph, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used solely in Québec,

(a) if the property is described in section 1135.3 or 1135.3.0.1 or paragraph *b* of section 1135.3.1, to earn income from a business carried on

i. by the first purchaser of the property and that time is in the portion of that period in which the first purchaser owns the property, or

ii. by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, and that time is in the portion of that period in which the subsequent purchaser owns the property; or

(b) if the property is described in paragraph *a* of section 1135.3.1, in connection with the activities, described in subparagraph ii of paragraph *a* of section 1135.3.1, of a business carried on

i. by the first purchaser of the property and that time is in the portion of that period in which the first purchaser owns the property, or

ii. by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies, and that time is in the portion of that period in which the subsequent purchaser owns the property.

The amount to which the first paragraph refers is equal to the amount by which the aggregate of the costs incurred by the corporation to acquire the property in the given taxation year, or incurred by the partnership to acquire the property in the fiscal period that ends in the given taxation year, exceeds the aggregate of all amounts each of which is an amount relating to those costs that, in a taxation year preceding the repayment year but subsequent to the given taxation year, or in a fiscal period of the partnership that ends in such a year, was refunded, otherwise paid or allocated to a payment to be made by the corporation or partnership.

The period to which the first paragraph refers is the period that begins on the day after the corporation's filing-due date for the taxation year preceding the repayment year and ends on the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser of the property or by a subsequent purchaser that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies, or, if it precedes the day that is the end of the 730-day period, the corporation's filing-due date for the repayment year.

No tax is payable for a taxation year under section 1175.19.2 in respect of any given amount that is refunded or otherwise paid to the corporation or to a partnership of which the corporation is a member at the end of the partnership's fiscal period that ends in the taxation year, or that is allocated to a payment to be made by the corporation or partnership, if the given amount is included in an amount that is deemed to have been refunded under this section in that taxation year or a preceding taxation year, or in a fiscal period of the partnership that ends in that taxation year or a preceding taxation year.

2006, c. 36, s. 266; 2007, c. 12, s. 290; 2009, c. 5, s. 568; 2009, c. 15, s. 449.

1175.19.2.2. The tax paid at any time by a corporation to the Minister under this Part in relation to a property, is deemed, for the purposes of Part I, to be an amount of assistance repaid at that time by the corporation in respect of the property, pursuant to a legal obligation.

2006, c. 36, s. 266; 2009, c. 15, s. 450.

1175.19.3. Except where inconsistent with this Part, sections 17 to 21, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 and 1129.0.0.2 apply, with the necessary modifications, to this Part.

2005, c. 38, s. 333; 2006, c. 13, s. 226; 2007, c. 12, s. 291.

PART VI.2

SPECIAL TAX RELATING TO A DEDUCTION IN COMPUTING PAID-UP CAPITAL

1997, c. 85, s. 323.

1175.20. In this Part,

"eligible acquisition costs" has the meaning assigned by Part IV;

"eligible conversion costs" has the meaning assigned by Part IV;

"eligible vessel" has the meaning assigned by Part IV;

"filing-due date" has the meaning assigned by section 1;

"fiscal period" has the meaning assigned by Part I;

"taxation year" has the meaning assigned by Part I.

1997, c. 85, s. 323; 1999, c. 83, s. 270; 2007, c. 12, s. 304.

1175.21. Every corporation that, in relation to a property described in the first paragraph of section 1137.5, has deducted, for a particular taxation year, an amount under paragraph *b*.3 or *b*.4 of section 1137 and, if the corporation is a member of a partnership, because of subsection 3 of section 1136, in computing its paid-up capital determined under Part IV for the purpose of computing the tax payable by the corporation for the particular year under that Part, shall pay the tax computed under the second paragraph, for a subsequent taxation year, in this section referred to as the "repayment year", in which

(a) an amount relating to costs incurred to acquire the property, or to its share of such costs, in respect of which the corporation has deducted an amount for a taxation year preceding the repayment year is, directly or indirectly, refunded or otherwise paid to the corporation, or allocated to a payment to be made by the corporation; or

(b) ends a fiscal period of the partnership in which an amount relating to costs incurred by the partnership to acquire the property, in respect of which the corporation has deducted, in relation to its share of those costs, an amount for a taxation year preceding the repayment year is, directly or indirectly, refunded or otherwise paid to the partnership, or allocated to a payment to be made by the partnership.

The tax to which the first paragraph refers is equal to the amount by which the amount determined in accordance with the third paragraph is exceeded by the aggregate of all amounts each of which is the amount by which the amount of the tax that would have been payable by the corporation under Part IV for a particular taxation year preceding the repayment year and in respect of which the corporation has deducted an amount relating to costs incurred to acquire the property referred to in the first paragraph, or to its share of such costs, if every amount that, at or before the end of the repayment year or of the fiscal period that ended in the repayment year, as the case may be, is so refunded, paid or allocated, in relation to those costs, had been refunded, paid or allocated in that particular taxation year or in the fiscal period that ended in the particular taxation year, as the case may be, and in the case where the property was acquired by the partnership referred to in the first paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that particular taxation year and the income or loss of the partnership for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year, exceeds the amount of the tax payable by the corporation under Part IV for that particular taxation year or, in the case where the property was acquired by the partnership referred to in the first paragraph, that would have been payable by the corporation under that Part if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that particular taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year.

The amount to which the second paragraph refers is equal to the aggregate of all amounts each of which is a tax payable by the corporation to the Minister under this section, in respect of the costs incurred to acquire the property referred to in the first paragraph, for a taxation year preceding the repayment year or that would have been so payable, in the case where the property was acquired by the partnership referred to in the first paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year.

However, no tax is payable under this section, in relation to costs incurred to acquire the property referred to in the first paragraph, if section 1175.21.0.1 applies in respect of the property for the repayment year or applied in respect of the property for a preceding taxation year.

1997, c. 85, s. 323; 2000, c. 39, s. 264; 2003, c. 9, s. 433; 2007, c. 12, s. 292.

1175.21.0.1. Every corporation that, in relation to a property described in the first paragraph of section 1137.5, has deducted, for any taxation year, an amount under paragraph *b*.3 or *b*.4 of section 1137 and, if it is a member of a partnership, because of subsection 3 of section 1136, in computing its paid-up capital determined under Part IV for the purpose of computing the tax payable by the corporation for that year under that Part, shall pay the tax computed under the second paragraph for a particular taxation year, if

(a) at any time between the corporation's filing-due date for the taxation year preceding the particular year and the day after the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser of the property or by a subsequent purchaser that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) applies, or, if it precedes the day that is the end of that period, the filing-due date, for the particular year, of the purchaser that owns the property at the end of the particular year, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used solely in Québec to earn income from a business carried on

i. by the first purchaser of the property and if that time is also in the portion of that period in which the first purchaser owns the property, or

ii. by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R149 of the Regulation respecting the Taxation Act applies, and if that time is also in the portion of that period in which the subsequent purchaser owns the property; or

(b) the qualification certificate issued in relation to an activity described in subparagraph *d* of the second paragraph of section 1137.5 for the carrying on of which the property described in subparagraph *c* of the first paragraph of section 1137.5 was acquired, is revoked on or before the corporation's filing-due date for the particular year.

The tax to which the first paragraph refers is equal to the amount by which the amount determined in accordance with the third paragraph is exceeded by the aggregate of all amounts each of which is the amount by which the amount of the tax that would have been payable by the corporation under Part IV for a taxation year preceding the particular year if the corporation had not deducted, for that preceding year, in relation to the costs incurred to acquire the property referred to in the first paragraph, or to its share of such costs, an amount under paragraph *b*.3 or *b*.4 of section 1137 and, if it is a member of a partnership, because of subsection 3 of section 1136, in computing its paid-up capital determined under Part IV and if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the particular year, exceeds the amount of the tax payable by the corporation under Part IV for that preceding taxation year or, in the case where the property was acquired by the partnership, that would have been payable by the corporation under that Part if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the income or loss of the partnership for that fiscal period had been the same as those for the partnership's fiscal period that ends in the particular year.

The amount to which the second paragraph refers is equal to the aggregate of all amounts each of which is a tax payable by the corporation to the Minister, in respect of the costs incurred to acquire the property referred to in the first paragraph, under section 1175.21, for a taxation year preceding the particular year or that would have been so payable, in the case where the property was acquired by the partnership referred to in the second paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the particular year.

2007, c. 12, s. 293; 2009, c. 15, s. 451.

1175.21.1. Every corporation that, in relation to an eligible vessel, has deducted, for a particular taxation year, an amount under paragraph *b*.2 or *b*.2.1 of section 1137 and, if the corporation is a member of a partnership, because of subsection 3 of section 1136, in computing its paid-up capital determined under Part IV for the purpose of computing the tax payable by the corporation for the particular year under that Part,

shall pay the tax computed under the second paragraph, for a subsequent taxation year, in this section referred to as the "repayment year", in which

(a) an amount relating to the eligible acquisition costs or the eligible conversion costs of the eligible vessel, or to its share of such costs, in respect of which the corporation has deducted an amount for a taxation year preceding the repayment year is, directly or indirectly, refunded or otherwise paid to the corporation, or allocated to a payment to be made by the corporation; or

(b) ends a fiscal period of the partnership in which an amount relating to the eligible acquisition costs or the eligible conversion costs, as the case may be, of the eligible vessel of the partnership, in respect of which the corporation has deducted, in respect of its share of those costs, an amount for a taxation year preceding the repayment year is, directly or indirectly, refunded or otherwise paid to the partnership, or allocated to a payment to be made by the partnership.

The tax to which the first paragraph refers is equal to the amount by which the amount determined in accordance with the third paragraph is exceeded by the aggregate of all amounts each of which is the amount by which the amount of the tax that would have been payable by the corporation under Part IV for a particular taxation year preceding the repayment year and in respect of which the corporation has deducted an amount relating to the eligible acquisition costs or the eligible conversion costs of the eligible vessel, or to its share of such costs, if every amount that, at or before the end of the repayment year or of the fiscal period that ended in the repayment year, as the case may be, is so refunded, paid or allocated, in relation to those costs, had been refunded, paid or allocated in that particular taxation year or in the fiscal period that ended in the particular taxation year, as the case may be, and in the case where the costs were incurred by the partnership referred to in the first paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that particular taxation year and the income or loss of the partnership for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year, exceeds the amount of the tax payable by the corporation under Part IV for that particular taxation year or, in the case where the costs were incurred by the partnership referred to in the first paragraph, that would have been payable by the corporation under that Part if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that particular taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year.

The amount to which the second paragraph refers is equal to the aggregate of all amounts each of which is a tax payable by the corporation to the Minister under this section, in respect of the eligible acquisition costs or the eligible conversion costs of the eligible vessel, for a taxation year preceding the repayment year or that would have been so payable, in the case where the costs were incurred by the partnership referred to in the first paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year.

1999, c. 83, s. 271; 2007, c. 12, s. 294.

1175.21.2. The tax paid to the Minister by a corporation at any time in a taxation year under this Part is deemed, for the purposes of Title III of Book III of Part I and the definition of "total taxes" in the first paragraph of section 1029.8.36.167, to be a tax paid by the corporation under Part IV for that taxation year.

2006, c. 36, s. 267.

1175.21.3. If, at any time in a taxation year, a qualification certificate referred to in subparagraph *d* of the second paragraph of section 1137.5 is revoked and, as a result, a corporation is required to pay a tax under section 1175.21.0.1, the Minister may make, as of that time and despite any other provision of this Act, an assessment for the year in respect of the corporation, in relation to the tax.

For the purposes of section 1037 in respect of the tax, the corporation's balance-due day for that taxation year is deemed to be the date on which the notice of assessment is sent, unless that date is later than the balance-due day.

Despite section 1175.22, sections 1000 to 1000.3 and 1002 to 1004 do not apply in relation to a tax that may be the subject of an assessment made under the first paragraph.

2012, c. 8, s. 256.

1175.22. Except where inconsistent with this Part, sections 17 to 21, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

1997, c. 85, s. 323; 1999, c. 83, s. 272.

PART VI.3

SPECIAL TAX RELATING TO A MAJOR INVESTMENT PROJECT

2002, c. 9, s. 139.

1175.23. In this Part,

"fiscal period" has the meaning assigned by Part I;

"major investment project" has the meaning that would be assigned by the first paragraph of section 737.18.14 if the word "corporation", wherever it appears, were replaced by the word "person" ;

"person" has the meaning assigned by section 1;

"taxation year" has the meaning assigned by Part I.

2002, c. 9, s. 139; 2007, c. 12, s. 304.

1175.24. Where the initial qualification certificate issued by the Minister of Finance in respect of a major investment project is revoked, any person in respect of whom an amount has been determined under section 94.0.3.2 of the Tax Administration Act (chapter A-6.002), in relation to the major investment project, shall pay, for the person's taxation year in which the certificate was revoked, a tax equal to that amount.

2002, c. 9, s. 139; 2010, c. 31, s. 175.

1175.25. Where the initial qualification certificate issued by the Minister of Finance in respect of a major investment project is revoked and an amount has been determined, in respect of a partnership, under section 94.0.3.3 of the Tax Administration Act (chapter A-6.002), in relation to the major investment project, any person that is a member of the partnership at the end of the partnership's fiscal period in which the certificate is revoked, shall pay, for the person's taxation year in which the fiscal period ends, a tax equal to the person's share of that amount.

For the purposes of the first paragraph, a person's share of an amount is equal to the agreed proportion of the amount in respect of the person for the partnership's fiscal period.

2002, c. 9, s. 139; 2009, c. 15, s. 452; 2010, c. 31, s. 175.

1175.26. Where a qualification certificate issued by the Minister of Finance, in relation to a major investment project, in respect of a calendar year is revoked in a particular taxation year of a person and, in relation to the major investment project, that person deducted an amount in computing the person's taxable income under section 737.18.17, or in computing the person's paid-up capital under section 1138.2.2 or 1141.8, reduced the person's tax payable under Part VI pursuant to section 1170.1, or under Part VI.1 pursuant to section 1175.4.1, or paid or is deemed to have paid wages in respect of which no contribution was payable under the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) because of

subparagraph *d* of the seventh paragraph of section 34 of that Act, the person shall pay for the particular taxation year a tax equal to the aggregate of

(a) the aggregate of all amounts each of which is the amount by which the tax, in the third and fourth paragraphs referred to as the "notional tax", that would have been payable by the person under Part I for a taxation year preceding the particular year, if, in relation to the amount deducted in computing the person's taxable income, the revocation had been taken into account, exceeds the tax determined by the Minister, in the third paragraph referred to as the "real tax", that is payable by the person under that Part for that preceding year;

(b) the aggregate of all amounts each of which is the amount by which the tax, in the third and fourth paragraphs referred to as the "notional tax on capital", that would have been payable by the person under Part IV, VI or VI.1, for a taxation year preceding the particular year or a 12-month period ending in the preceding taxation year, as the case may be, if, in relation to the amount deducted in computing the person's paid-up capital or to the reduction of the person's tax payable under Part VI or VI.1, the revocation had been taken into account, exceeds the tax determined by the Minister, in the third paragraph referred to as the "real tax on capital", that is payable by the person under Part IV, VI or VI.1 for that preceding year or that 12-month period; and

(c) the amount by which the amount of contribution payable by the person, taking the revocation into account, under section 34 of the Act respecting the Régie de l'assurance maladie du Québec, in respect of the wages paid or deemed to be paid in the calendar year, exceeds the amount of the contribution payable by the person, but for the revocation, under that section 34 in respect of those wages, except to the extent that that excess amount has become otherwise payable by the person.

Similarly, a person shall pay, for a particular taxation year, where the initial qualification certificate issued or deemed to be issued by the Minister of Finance, in respect of a major investment project, is revoked at any time in the particular year, a tax equal to the aggregate of all amounts each of which is the tax that would be payable by that person, under the first paragraph, for the particular year, if each qualification certificate valid at that time, issued by the Minister of Finance, in respect of a calendar year, in relation to the major investment project, were revoked in the particular year.

If an amount, in this paragraph and in the fourth paragraph referred to as the "increased amount", in respect of which the person could claim a deduction under a particular provision of this Act in computing the person's taxable income or tax payable under Part I, or in computing the person's paid-up capital or tax payable under Part IV, for a preceding taxation year referred to in subparagraph *a* or *b* of the first paragraph, in this paragraph and in the fourth paragraph referred to as the "computation year", for the purpose of determining the person's notional tax or notional tax on capital, as the case may be, for the computation year, is greater than the amount, in this paragraph and in the fourth paragraph referred to as the "deducted amount", that the person deducted under the particular provision for the purpose of determining the person's real tax or real tax on capital, as the case may be, for the computation year, the increased amount rather than the deducted amount may be taken into account, for the purpose of determining the person's notional tax or notional tax on capital, as the case may be, for the computation year, if

(a) the person so requests in writing to the Minister; and

(b) it may reasonably be considered that the amount by which the increased amount exceeds the deducted amount has not been deducted under the particular provision or another provision of this Act for the purpose of determining the person's tax payable under Part I or the person's tax payable under Part IV for any other taxation year, nor for the purpose of determining a tax of the person for any taxation year that is similar in nature to the person's notional tax or notional tax on capital and is provided for in another portion of this Act.

If the third paragraph applies, the amount by which the increased amount exceeds the deducted amount is deemed,

(a) for the purpose of determining the person's notional tax for any taxation year subsequent to the computation year and for the application of Part I to the particular taxation year and to any subsequent taxation year, to have been deducted under the particular provision in computing the person's taxable income or tax payable under Part I for the computation year; or

(b) for the purpose of determining the person's notional tax on capital for any taxation year subsequent to the computation year, for the application of Part IV to the particular taxation year and to any subsequent taxation year and for the application of Parts VI.1.1 and VI.2 to any taxation year subsequent to the computation year, to have been deducted under the particular provision in computing the person's paid-up capital or tax payable under Part IV for the computation year.

2002, c. 9, s. 139; 2002, c. 40, s. 326; 2006, c. 36, s. 268.

1175.27. Where a qualification certificate issued by the Minister of Finance, in relation to a major investment project, in respect of a calendar year is revoked in a fiscal period of a partnership ending in a particular taxation year of a person who is a member of the partnership at the end of that fiscal period and, in relation to the major investment project, the partnership has paid or is deemed to have paid for a pay period included in the calendar year wages, that person shall pay for the particular taxation year a tax equal to the person's share of the amount by which the amount of the contribution payable by the partnership, taking the revocation into account, under section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), in respect of the wages paid or deemed to be paid in the calendar year, exceeds the amount of the contribution payable by the partnership, but for the revocation, under that section 34, in respect of those wages, except to the extent that that excess amount has become otherwise payable by the partnership.

Similarly, where the initial qualification certificate issued or deemed to have been issued by the Minister of Finance to a partnership, in relation to a major investment project, is revoked at any time in a fiscal period of the partnership ending in a particular taxation year of a person who is a member of the partnership at the end of that fiscal period, that person shall pay for the particular year a tax equal to the aggregate of all amounts each of which is the tax that would be payable by that person, under the first paragraph, for the particular year, if each qualification certificate valid at that time, issued by the Minister of Finance, in respect of a calendar year, in relation to the major investment project, were revoked in the fiscal period.

For the purposes of the first paragraph, a person's share of an amount is equal to the agreed proportion of the amount in respect of the person for the partnership's fiscal period.

2002, c. 9, s. 139; 2006, c. 36, s. 269; 2009, c. 15, s. 453.

1175.27.1. If, at any time in a taxation year, a person pays tax to the Minister under any of sections 1175.24 to 1175.27, the following rules apply:

(a) in the case of section 1175.24, the portion of that tax that corresponds to the amount determined under subparagraph *b* or *c* of the first paragraph of section 94.0.3.2 of the Tax Administration Act (chapter A-6.002) is deemed, for the purposes of Title III of Book III of Part I, to be an amount of assistance repaid at that time by the person pursuant to a legal obligation;

(b) in the case of section 1175.25, that tax is deemed, for the purposes of Title III of Book III of Part I, to be an amount of assistance repaid at that time by the partnership referred to in that section pursuant to a legal obligation;

(c) in the case of section 1175.26,

i. the portion of that tax that is determined under subparagraph *a* of the first paragraph of that section, or under the second paragraph of that section because of that subparagraph, is deemed, for the purposes of the definition of "total taxes" in the first paragraph of section 1029.8.36.167, to be a tax that the person pays under Part I for that taxation year,

ii. the portion of that tax that is determined under subparagraph *b* of the first paragraph of that section, or under the second paragraph of that section because of that subparagraph, is deemed, for the purposes of Title III of Book III of Part I and the definition of "total taxes" in the first paragraph of section 1029.8.36.167, to be a tax that the person pays under Part IV, VI or VI.1 for that taxation year, and

iii. the portion of that tax that is determined under subparagraph *c* of the first paragraph of that section, or under the second paragraph of that section because of that subparagraph, is deemed, for the purposes of Title III of Book III of Part I, to be an amount that the person pays for that taxation year as a contribution under section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5); and

(d) in the case of section 1175.27, that tax is deemed, for the purposes of Title III of Book III of Part I, to be an amount that the partnership referred to in that section pays for its fiscal period that includes that time as a contribution under section 34 of the Act respecting the Régie de l'assurance maladie du Québec.

2006, c. 36, s. 270; 2010, c. 31, s. 175.

1175.27.2. If, at any time in a taxation year, a qualification certificate that was issued in relation to a major investment project is revoked and, as a result, a person is required to pay a tax under a provision of this Part, the Minister may make, as of that time and despite any other provision of this Act, an assessment for the year in respect of the person, in relation to the tax.

For the purposes of section 1037 in respect of the tax, the person's balance-due day for that taxation year is deemed to be the date on which the notice of assessment is sent, unless that date is later than the balance-due day.

2012, c. 8, s. 257.

1175.28. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1001, 1005 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2002, c. 9, s. 139; 2012, c. 8, s. 258.

1175.28.0.0.1. In this Part, a reference to section 94.0.3.2 or 94.0.3.3 of the Tax Administration Act (chapter A-6.002), to any of sections 737.18.14, 737.18.17, 1170.1 and 1175.4.1 of this Act or to subparagraph *d* of the seventh paragraph of section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) is a reference to that section or paragraph, as the case may be, as it read for the taxation year or calendar year concerned.

2019, c. 14, s. 467.

PART VI.3.0.1

SPECIAL TAX RELATING TO THE DEDUCTION FOR INNOVATIVE MANUFACTURING CORPORATIONS

2017, c. 29, s. 222.

1175.28.0.1. In this Part,

"corporation" has the meaning assigned by Part I;

"qualified patented part" has the meaning assigned by the first paragraph of section 737.18.36;

"qualified property" has the meaning assigned by the first paragraph of section 737.18.36;

"taxation year" has the meaning assigned by Part I.

2017, c. 29, s. 222.

1175.28.0.2. Where a corporation has deducted an amount under section 737.18.40 in computing its taxable income for a taxation year (in this paragraph referred to as a "preceding year") in relation to a qualified patented part of the corporation that is incorporated into a qualified property of the corporation and if in a subsequent taxation year (in this section referred to as the "tax liability year") any of the circumstances described in the second paragraph applies in respect of the qualified patented part, the corporation shall pay for the tax liability year a tax equal to the aggregate of all amounts each of which is the amount by which the tax (in the second and third paragraphs referred to as the "notional tax") that the corporation would have had to pay under Part I for a preceding year if no amount had been deducted by the corporation in computing its taxable income for that preceding year in relation to the qualified patented part exceeds the tax determined by the Minister (in the second paragraph referred to as the "real tax") that is payable by the corporation under that Part for that preceding year.

The circumstances to which the first paragraph refers, in respect of an invention that is a qualified patented part of a corporation, are the following:

(a) the patent issued in respect of the invention is invalidated in accordance with an Act referred to in subparagraph i of paragraph *c* of the definition of "qualified patented part" in the first paragraph of section 737.18.36;

(b) the application for a patent, in respect of the invention that is, under the second paragraph of section 737.18.36, the qualified patented part of the corporation, has not resulted in the issue of a patent by a competent authority within five years after the day on which the application was made;

(c) a redetermination by the Minister reduces to zero the aggregate of all amounts each of which is an amount that a corporation is deemed to have paid to the Minister for a taxation year under any of Divisions II to II.3.0.1 of Chapter III.1 of Title III of Book IX of Part I in respect of the scientific research and experimental development work from which the invention derives; and

(d) a redetermination by the Minister reduces to less than $500,000 the total described in the first paragraph of section 737.18.39 that was taken into account for the purpose of determining whether the corporation has made sustained innovation efforts in relation to the invention.

Where an amount (in this paragraph and in the fourth paragraph referred to as the "increased amount"), in respect of which the corporation could claim a deduction under a particular provision of this Act in computing its taxable income or tax payable under Part I for a preceding taxation year referred to in the first paragraph (in this paragraph and in the fourth paragraph referred to as the "computation year") for the purpose of determining its notional tax for the computation year, is greater than the amount (in this paragraph and in the fourth paragraph referred to as the "deducted amount") that the corporation deducted under the particular provision for the purpose of determining its real tax for the computation year, the increased amount rather than the deducted amount may be taken into account, for the purpose of determining the corporation's notional tax for the computation year, if

(a) the corporation so requests in writing to the Minister; and

(b) it may reasonably be considered that the amount by which the increased amount exceeds the deducted amount has not been deducted under the particular provision or another provision of this Act for the purpose of determining the corporation's tax payable under Part I for any other taxation year, nor for the purpose of determining a tax of the corporation for any taxation year that is similar in nature to the corporation's notional tax and is provided for in another part of this Act.

If the third paragraph applies, the amount by which the increased amount exceeds the deducted amount is deemed, for the purpose of determining the corporation's notional tax for any taxation year subsequent to the computation year and for the application of Part I to the tax liability year and to any subsequent taxation year, to have been deducted under the particular provision in computing the corporation's taxable income or tax payable, as the case may be, under Part I for the computation year.

2017, c. 29, s. 222.

1175.28.0.3. The tax paid to the Minister by a corporation at any time in a taxation year under section 1175.28.0.2 is deemed, for the purposes of the definition of "total taxes" in the first paragraph of sections 1029.8.36.166.40, 1029.8.36.166.60.36 and 1029.8.36.167, to be a tax paid by the corporation under Part I for that taxation year.

2017, c. 29, s. 222; 2021, c. 14, s. 197.

1175.28.0.4. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2017, c. 29, s. 222.

PART VI.3.0.2

SPECIAL TAX RELATING TO THE INCENTIVE DEDUCTION FOR THE COMMERCIALIZATION OF INNOVATIONS IN QUÉBEC

2021, c. 14, s. 198.

1175.28.0.5. In this Part,

"legal protection" means a protection described in any of the definitions of "protected invention", "protected plant variety" and "protected software" in section 737.18.43;

"qualified intellectual property asset" has the meaning assigned by section 737.18.43;

"taxation year" has the meaning assigned by Part I.

2021, c. 14, s. 198.

1175.28.0.6. Where a corporation has deducted an amount in computing its taxable income under section 737.18.44 and where, in a particular taxation year, any of the events described in section 1175.28.0.7 occurs, the corporation shall pay, for that particular year, a tax equal to the amount by which the amount determined in accordance with the second paragraph is exceeded by the aggregate of all amounts each of which is the amount by which the tax payable by the corporation under Part I for a preceding taxation year for which it deducted an amount in computing taxable income under section 737.18.44 is exceeded by the tax it would have had to pay under Part I for that preceding year if

(a) such an amount had not been deducted in relation to any qualified intellectual property asset in respect of which an event described in any of paragraphs *a* to *c* of section 1175.28.0.7 occurs in the particular year or in a preceding taxation year; and

(b) section 737.18.44 had applied, in relation to any qualified intellectual property asset in respect of which an event described in paragraph *d* of section 1175.28.0.7 occurs in the particular year or in a preceding taxation year, with reference only to the expenditures referred to in subparagraphs *e* and *f* of the third paragraph of section 737.18.44 that were not reduced by a redetermination by the Minister.

The amount to which the first paragraph refers is equal to the aggregate of all amounts each of which is the tax that the corporation shall pay under this section for a taxation year preceding the particular year.

2021, c. 14, s. 198.

1175.28.0.7. The events to which section 1175.28.0.6 refers, in respect of a corporation, are the following:

(a) the application for legal protection in respect of a qualified intellectual property asset of the corporation is denied and that decision can no longer be appealed;

(b) the application for legal protection in respect of a qualified intellectual property asset of the corporation has not resulted in the issue of the relevant document by the competent authority within five years after the day on which the application was made, unless the corporation is able to show that the additional delays are not mainly attributable to it;

(c) the legal protection in respect of a qualified intellectual property asset of the corporation was invalidated in accordance with the procedure provided for in the relevant legislation; and

(d) a redetermination by the Minister reduces the expenditures referred to in subparagraphs *e* and *f* of the third paragraph of section 737.18.44 for the purpose of determining the amount deductible by the corporation under that section for a taxation year.

2021, c. 14, s. 198.

1175.28.0.8. The tax paid at any time in a taxation year by a corporation to the Minister under section 1175.28.0.6 is deemed, for the purposes of the definition of "total taxes" in the first paragraph of sections 1029.8.36.166.40 and 1029.8.36.166.60.36, a tax paid by the corporation under Part I for the taxation year.

2021, c. 14, s. 198.

1175.28.0.9. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2021, c. 14, s. 198.

PART VI.3.1

SPECIAL TAX RELATING TO THE REVOCATION OR REPLACEMENT OF CERTIFICATES OR SIMILAR DOCUMENTS

2006, c. 36, s. 271.

1175.28.1. In this Part, unless the context indicates otherwise,

"fiscal period" has the meaning assigned by Part I;

"person" has the meaning assigned by Part I;

"taxation year" has the meaning assigned by Part I.

2006, c. 36, s. 271; 2007, c. 12, s. 304.

1175.28.2. For the purposes of this Part, a document enclosed with a favourable advance ruling or with a certificate, a qualification certificate or another similar document is considered, if it is not in itself a favourable advance ruling or a certificate, a qualification certificate or another similar document, to be an integral part of the document with which it is enclosed.

2006, c. 36, s. 271.

1175.28.3. For the purposes of this Part, the following rules apply:

(a) the favourable advance ruling given in respect of a property for the purposes of any of Divisions II to II.6.15 of Chapter III.1 of Title III of Book IX of Part I is deemed to be revoked at a particular time if

i. the favourable advance ruling ceases to be in force at that time and no certificate or qualification certificate is issued in respect of the property for the purposes of that division, or

ii. the certificate or qualification certificate issued in respect of the property for the purposes of that division is revoked at that time; and

(b) if the issue of a certificate or qualification certificate, in this paragraph referred to as the "initial document", is a condition that must be met, directly or indirectly, to allow the issue of another certificate or qualification certificate, in this paragraph referred to as the "other document", and the initial document is revoked without the other document being revoked at the same time, the other document, to the extent that it relates to a period for which the revocation is effective, is deemed, unless it is necessary to allow an individual, because the individual is an employee within the meaning of section 1, to deduct an amount in computing the individual's taxable income for the purposes of Part I, to be revoked at the time the initial document is revoked and to be a document to which the same revocation notice applies.

2006, c. 36, s. 271.

1175.28.4. For the purposes of this Part, if a favourable advance ruling or a certificate, a qualification certificate or another similar document is, without being replaced, modified at a particular time by the revocation or replacement of a portion of that document or in any other manner, the document before the modification and the document as modified are deemed to be separate documents the first of which has been replaced by the second at the particular time.

2006, c. 36, s. 271.

1175.28.5. For the purposes of the second paragraph of sections 1175.28.6, 1175.28.9 and 1175.28.15 and the third paragraph of section 1175.28.12, an amount that must be determined with reference to the revocation or replacement of a favourable advance ruling or of a certificate, a qualification certificate or another similar document must be determined on the assumption that

(a) the favourable advance ruling or the certificate, qualification certificate or other similar document that has been revoked was never given or issued; and

(b) the favourable advance ruling or the certificate, qualification certificate or other similar document that has been replaced was never given or issued, and that the favourable advance ruling or the certificate, qualification certificate or other similar document that replaced it was given or issued at the time the document it replaces was given or issued.

However, in the case of the revocation or replacement of a certificate, a qualification certificate or another similar document that, as specified in the revocation or replacement notice, concerns only a part of the period to which the document related before its revocation or replacement, the certificate, qualification certificate or other similar document must not be considered, for the other part of that period, to have never been issued.

2006, c. 36, s. 271.

1175.28.6. Every person who is deemed, otherwise than because the person is a member of a partnership, to have paid an amount to the Minister, under a particular provision of any of Divisions II to II.6.15 of Chapter III.1 of Title III of Book IX of Part I, on account of the person's tax payable under Part I for a particular taxation year, shall, subject to special provisions of Parts III.0.1 to III.1.7 and III.7.1 to III.10.10, pay the tax computed under the second paragraph for a taxation year, in this section referred to as the "modification year", in which a favourable advance ruling or a certificate, a qualification certificate or another similar document that has been given or issued by a Minister or body and that was required for the purposes of the particular provision for the particular taxation year is revoked or replaced.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is the total of the amounts that the person is deemed to have paid to the Minister, under the particular provision, for a taxation year preceding the modification year, which is such a particular taxation

year, exceeds the aggregate of all amounts each of which is the total of the amounts that would be deemed to have been paid to the Minister by the person, under the particular provision, for such a preceding taxation year if every revocation and every replacement of such a favourable advance ruling or of such a certificate, qualification certificate or other similar document that occurred at or before the end of the modification year was taken into account, except to the extent that it may reasonably be considered that the excess amount became payable by the person under this section for a taxation year preceding the modification year, or otherwise payable by the person for the modification year or a preceding taxation year.

Despite the special provisions referred to in the first paragraph, the fact that, because of a special rule or otherwise, no tax is payable under Parts III.0.1 to III.1.7 and III.7.1 to III.10.10 in respect of the revocation or replacement of a document referred to in the first paragraph does not preclude the application of this section in respect of the revocation or replacement.

If, in relation to a taxation year, a person is deemed, under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), to have made an overpayment to the Minister, this section is to be construed as if that amount were,

(a) for any portion that is an amount that the person would be deemed, in relation to particular wages, to have paid to the Minister for the taxation year under section 1029.8.36.0.3.48 if that section were read without reference to its fourth and fifth paragraphs, an amount that the person is deemed, in relation to the particular wages, to have paid to the Minister, under section 1029.8.36.0.3.48, on account of the person's tax payable under Part I for the taxation year; and

(b) for any portion that is an amount that the person would be deemed, in relation to particular wages, to have paid to the Minister for the taxation year under section 1029.8.36.0.3.57 if that section were read without reference to its second and third paragraphs, an amount that the person is deemed, in relation to the particular wages, to have paid to the Minister under section 1029.8.36.0.3.57, on account of the person's tax payable under Part I for the taxation year.

2006, c. 36, s. 271.

1175.28.7. If a person is required to pay tax for any taxation year under section 1175.28.6, the tax that the person is required to pay for a subsequent taxation year, under a particular provision of any of Parts III.0.1 to III.1.7 and III.7.1 to III.10.10, may not, despite the particular provision, be greater than the amount by which the tax otherwise determined exceeds the portion of that tax that may reasonably be considered to have become payable by the person under section 1175.28.6 for a taxation year preceding the subsequent taxation year.

2006, c. 36, s. 271.

1175.28.8. If, at any time, a person pays tax to the Minister under section 1175.28.6 in relation to the first aggregate referred to in the second paragraph of that section, the portion of the tax that may reasonably be considered to relate to a property, a cost, an expenditure or to other expenses relating to the aggregate is deemed, for the purposes of Part I but excluding the division of Chapter III.1 of Title III of Book IX of Part I that relates to the aggregate, to be an amount of assistance repaid by the person at that time in respect of the property, cost, expenditure or other expenses, as the case may be, pursuant to a legal obligation, except to the extent that the aggregate is deemed, for the purposes of Part I and the regulations, not to be an amount of assistance nor an inducement received by the person from a government.

2006, c. 36, s. 271.

1175.28.9. Every person who is deemed, because the person is a member of a partnership at the end of a fiscal period of the partnership that ends in a particular taxation year of the person, to have paid an amount to the Minister, under a particular provision of any of Divisions II to II.6.15 of Chapter III.1 of Title III of Book IX of Part I, on account of the person's tax payable under Part I for the particular taxation year, shall, subject to special provisions of Parts III.0.1 to III.1.7 and III.7.1 to III.10.10, pay the tax computed under the second paragraph for a taxation year in which ends a subsequent fiscal period of the partnership, in this section

referred to as the "fiscal period of the modification", in which a certificate, a qualification certificate or another similar document that has been issued by a Minister or body and that was required for the purposes of the particular provision for the particular taxation year is revoked or replaced.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is the total of the amounts that, if the rule set out in the third paragraph applied, would be deemed to have been paid to the Minister, under the particular provision, by the person for a given taxation year that is such a particular taxation year in which ends a fiscal period of the partnership that precedes the fiscal period of the modification, exceeds the aggregate of all amounts each of which is the total of the amounts that would be deemed to have been paid to the Minister, under the particular provision, by the person for such a given taxation year if the rule set out in the third paragraph applied and if every revocation and every replacement of such a certificate, qualification certificate or other similar document that occurred at or before the end of the fiscal period of the modification was taken into account, except to the extent that it could reasonably be considered that, if the rule set out in the third paragraph applied, the excess amount would have become payable by the person under this section for a taxation year preceding the taxation year in which the fiscal period of the modification ends, or otherwise payable by the person for the taxation year in which that fiscal period ends or for a preceding taxation year.

The rule to which the second paragraph refers is the rule whereby it shall be considered that the agreed proportion in respect of the person for a fiscal period of the partnership that ends in a taxation year of the person and at the end of which the person is a member of the partnership is the same as that for the fiscal period of the modification.

Despite the special provisions referred to in the first paragraph, the fact that, because of a special rule or otherwise, no tax is payable under Parts III.0.1 to III.1.7 and III.7.1 to III.10.10 in respect of the revocation or replacement of a document referred to in the first paragraph does not preclude the application of this section in respect of the revocation or replacement.

2006, c. 36, s. 271; 2009, c. 15, s. 454.

1175.28.10. If a person is required to pay tax for any taxation year under section 1175.28.9, the tax that the person is required to pay for a subsequent taxation year, under a particular provision of any of Parts III.0.1 to III.1.7 and III.7.1 to III.10.10, may not, despite the particular provision, be greater than the amount by which the tax otherwise determined exceeds the portion of that tax that could reasonably be considered to have become payable by the person under section 1175.28.9 for a taxation year preceding the subsequent taxation year if the rule set out in the second paragraph applied.

The rule to which the first paragraph refers is the rule whereby it shall be considered that the agreed proportion in respect of the person for a fiscal period of the partnership that ends in a taxation year of the person and at the end of which the person is a member of the partnership is the same as that determined for the partnership's fiscal period that ends in the subsequent taxation year referred to in the first paragraph.

2006, c. 36, s. 271; 2009, c. 15, s. 455.

1175.28.10.1. For the purposes of sections 1175.28.9 and 1175.28.10, the following rules apply in respect of a person for a taxation year if one or more partnerships (each of which is in this section referred to as an "interposed partnership") are interposed between the person and a given partnership for a given fiscal period of the given partnership, and if the person is deemed to have paid an amount to the Minister for a preceding taxation year under Chapter III.1 of Title III of Book IX of Part I, in respect of a cost, an expenditure or expenses incurred by that given partnership in a fiscal period of that given partnership that precedes the given fiscal period (in this section referred to as the "preceding fiscal period"):

(a) the person is deemed to be a member of a particular partnership at the end of a particular fiscal period of the particular partnership and that particular fiscal period is deemed to end in the person's taxation year in which ends the fiscal period of the interposed partnership of which the person is directly a member, if

i. the particular fiscal period is that which ends in the fiscal period (in this section referred to as the "interposed fiscal period") of the interposed partnership that is a member of the particular partnership at the end of that particular fiscal period, and

ii. the person is a member, or deemed to be a member under this paragraph, of the interposed partnership described in subparagraph i at the end of the interposed partnership's interposed fiscal period; and

(b) the agreed proportion in respect of the person for the given partnership's given fiscal period is deemed to be equal to the product obtained by multiplying the agreed proportion in respect of the person for the interposed fiscal period of the interposed partnership of which the person is directly a member, by

i. if there is only one interposed partnership, the agreed proportion in respect of the interposed partnership for the given partnership's given fiscal period, or

ii. if there is more than one interposed partnership, the result obtained by multiplying together all proportions each of which is the agreed proportion in respect of an interposed partnership for the particular fiscal period of the particular partnership referred to in paragraph *a* of which the interposed partnership is a member at the end of that particular fiscal period.

2009, c. 15, s. 456.

1175.28.11. If, at any time, a person pays tax to the Minister under section 1175.28.9 in relation to the first aggregate referred to in the second paragraph of that section in respect of a partnership, the portion of the tax that may reasonably be considered to relate to a property, a cost, an expenditure or to other expenses relating to the aggregate is deemed, for the purposes of Part I but excluding the division of Chapter III.1 of Title III of Book IX of Part I that relates to the aggregate, to be an amount of assistance repaid at that time by the partnership in respect of the property, cost, expenditure or other expenses, as the case may be, pursuant to a legal obligation, except to the extent that the aggregate is deemed, for the purposes of Part I and the regulations, not to be an amount of assistance nor an inducement received by the partnership from a government.

2006, c. 36, s. 271.

1175.28.12. Every person who, for a particular taxation year or at any given time in that year, enjoys any of the benefits described in the second paragraph shall, subject to special provisions of Parts VI.2 and VI.3, pay the tax computed under the third paragraph for a taxation year, in this section referred to as the "modification year", in which a certificate, a qualification certificate or another similar document that has been issued by a Minister or body and that was required to enable the person to enjoy the benefit for the particular taxation year or at that given time is revoked or replaced.

The benefits to which the first paragraph refers are

(a) a deduction in computing taxable income or the tax payable for the purposes of Part I, otherwise than under any of Titles V, VI.3 and VI.9 of Book IV or Title I or III.6 of Book V;

(b) a deduction in computing paid-up capital for the purposes of Part IV;

(c) a reduction of the tax payable under Part VI or VI.1; and

(d) an exemption or a reduction of the contribution provided for in section 34 or 34.1.6 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) in respect of wages or another amount.

The tax to which the first paragraph refers is equal to the aggregate of

(a) the aggregate of all amounts each of which is the amount by which the tax, in the fourth and fifth paragraphs referred to as the "notional tax", that would have been payable by the person under Part I for a taxation year preceding the modification year, which is such a particular taxation year, if, in relation to the

benefit referred to in the first paragraph and described in subparagraph *a* of the second paragraph, every revocation and every replacement of such a certificate, qualification certificate or other similar document that occurred at or before the end of the modification year had been taken into account, exceeds the tax determined by the Minister, in the fourth paragraph referred to as the "real tax", that is payable by the person under that Part for that preceding taxation year, except to the extent that it may reasonably be considered that the excess amount became payable by the person under this section for a taxation year preceding the modification year, or otherwise payable by the person for the modification year or a preceding taxation year;

(b) the aggregate of all amounts each of which is the amount by which the tax, in the fourth and fifth paragraphs referred to as the "notional tax on capital", that would have been payable by the person under Part IV, IV.1, VI or VI.1 for a taxation year preceding the modification year, which is such a particular taxation year, or for a 12-month period ending in such a preceding taxation year, as the case may be, if, in relation to the benefit referred to in the first paragraph and described in subparagraph *b* or *c* of the second paragraph, every revocation and every replacement of such a certificate, qualification certificate or other similar document that occurred at or before the end of the modification year had been taken into account, exceeds the tax determined by the Minister, in the fourth paragraph referred to as the "real tax on capital", that is payable by the person under this Part for that preceding taxation year or 12-month period, except to the extent that it may reasonably be considered that the excess amount became payable by the person under this section for a taxation year preceding the modification year, or otherwise payable by the person for the modification year or a preceding taxation year;

(c) the aggregate of all amounts each of which is the amount by which the aggregate of the contributions that would be payable by the person under section 34 of the Act respecting the Régie de l'assurance maladie du Québec in respect of the wages paid or deemed to be paid in such a particular taxation year if every revocation and every replacement of such a certificate, qualification certificate or other similar document that occurred at or before the end of the modification year was taken into account, exceeds the aggregate of the contributions, determined without taking any such revocation or replacement into account, that are payable by the person under section 34 of that Act in respect of the wages paid or deemed to be paid in that particular taxation year, except to the extent that it may reasonably be considered that the excess amount became payable by the person under this section for a taxation year preceding the modification year, or otherwise payable by the person for the modification year or a preceding taxation year; and

(d) the aggregate of all amounts each of which is the amount by which the contribution that would be payable by the person under section 34.1.6 of the Act respecting the Régie de l'assurance maladie du Québec for a taxation year preceding the modification year, which is such a particular taxation year, if every revocation and every replacement of such a certificate, qualification certificate or other similar document that occurred at or before the end of the modification year was taken into account, exceeds the contribution, determined without taking any such revocation or replacement into account, that is payable by the person under section 34.1.6 of that Act for that preceding taxation year, except to the extent that it may reasonably be considered that the excess amount became payable by the person under this section for a taxation year preceding the modification year, or otherwise payable by the person for the modification year or a preceding taxation year.

If an amount, in this paragraph and in the fifth paragraph referred to as the "increased amount", in respect of which the person could claim a deduction under a particular provision of this Act in computing the person's taxable income or tax payable under Part I, or in computing the person's paid-up capital or tax payable under Part IV, for a preceding taxation year referred to in the first instance in subparagraph *a* or *b* of the third paragraph, in this paragraph and in the fifth paragraph referred to as the "computation year", for the purpose of determining the person's notional tax or notional tax on capital, as the case may be, for the computation year, is greater than the amount, in this paragraph and in the fifth paragraph referred to as the "deducted amount", that the person deducted under the particular provision for the purpose of determining the person's real tax or real tax on capital, as the case may be, for the computation year, the increased amount rather than the deducted amount may be taken into account for the purpose of determining the person's notional tax or notional tax on capital, as the case may be, for the computation year, if

(a) the person so requests in writing to the Minister; and

(b) it may reasonably be considered that the amount by which the increased amount exceeds the deducted amount has not been deducted under the particular provision or another provision of this Act for the purpose of determining the person's tax payable under Part I or the person's tax payable under Part IV for any other taxation year, nor for the purpose of determining a tax of the person for any taxation year that is similar in nature to the person's notional tax or notional tax on capital and is provided for in another portion of this Act.

If the fourth paragraph applies, the amount by which the increased amount exceeds the deducted amount is deemed,

(a) for the purpose of determining the person's notional tax for any taxation year subsequent to the computation year and for the application of Part I to the modification year and to any subsequent taxation year, to have been deducted under the particular provision in computing the person's taxable income or tax payable under Part I for the computation year; or

(b) for the purpose of determining the person's notional tax on capital for any taxation year subsequent to the computation year, for the application of Part IV to the modification year and to any subsequent taxation year and for the application of Parts VI.1.1 and VI.2 to any taxation year subsequent to the computation year, to have been deducted under the particular provision in computing the person's paid-up capital or tax payable under Part IV for the computation year.

Despite the special provisions referred to in the first paragraph, the fact that no tax is payable under Parts VI.2 and VI.3 in respect of the revocation or replacement of a document referred to in the first paragraph does not preclude the application of this section in respect of the revocation or replacement.

2006, c. 36, s. 271; 2021, c. 18, s. 162.

1175.28.13. If a person is required to pay tax for any taxation year under section 1175.28.12, the tax that the person is required to pay for a subsequent taxation year, under a particular provision of any of Parts III.6.4 to III.6.6, VI.2 and VI.3, may not, despite the particular provision, be greater than the amount by which the tax otherwise determined exceeds the portion of that tax that may reasonably be considered to have become payable by the person under section 1175.28.12 for a taxation year preceding the subsequent taxation year.

2006, c. 36, s. 271; 2007, c. 12, s. 295; 2015, c. 36, s. 166; 2017, c. 1, s. 389.

1175.28.14. If, at any time in a taxation year, a person pays tax to the Minister under section 1175.28.12, the following rules apply:

(a) the portion of that tax that is determined under subparagraph *a* of the third paragraph of that section is deemed, for the purposes of the definition of "total taxes" in the first paragraph of sections 1029.8.36.166.40, 1029.8.36.166.60.36 and 1029.8.36.167, to be a tax that the person pays under Part I for that taxation year;

*(a.*1*)* the portion of that tax that is determined under subparagraph *a* of the third paragraph of that section and that may reasonably be considered as relating to a deduction under any of Titles III.3, III.4 and III.5 of Book V of Part I in relation to an expense is deemed to be, for the purposes of Part I, except for that Title III. 3, that Title III.4 and Division II.6.0.1.9 of Chapter III.1 of Title III of Book IX or that Title III.5, as the case may be, and the definition of "total taxes" in the first paragraph of sections 1029.8.36.166.40, 1029.8.36.166.60.36 and 1029.8.36.167, an amount of assistance repaid at that time by the person in respect of the expense pursuant to a legal obligation;

(b) the portion of that tax that is determined under subparagraph *b* of the third paragraph of that section is deemed, for the purposes of Title III of Book III of Part I and the definition of "total taxes" in the first paragraph of sections 1029.8.36.166.60.36 and 1029.8.36.167, to be a tax that the person pays under Part IV, IV.1, VI or VI.1, as the case may be, for that taxation year;

(c) the portion of that tax that is determined under subparagraph *c* of the third paragraph of that section is deemed, for the purposes of Title III of Book III of Part I, to be an amount that the person pays for that

taxation year as a contribution under section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5); and

(d) (paragraph repealed).

2006, c. 36, s. 271; 2007, c. 12, s. 296; 2009, c. 5, s. 569; 2015, c. 36, s. 167; 2017, c. 1, s. 390; 2017, c. 29, s. 223; 2021, c. 14, s. 199.

1175.28.15. Every person who is a member of a partnership at the end of a particular fiscal period of the partnership that ends in a particular taxation year of the person shall, subject to special provisions of Part VI. 3, pay the tax computed under the second paragraph for the particular taxation year if

(a) in any given fiscal period of the partnership, the partnership paid or is deemed to have paid wages in respect of which an exemption or a reduction of the contribution provided for in section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) was allowed;

(b) a certificate, a qualification certificate or another similar document, issued by a Minister or body, was required to enable the partnership to enjoy the exemption or reduction referred to in subparagraph *a*; and

(c) the certificate, qualification certificate or other similar document referred to in subparagraph *b* is revoked or replaced in the particular fiscal period.

The tax to which the first paragraph refers is equal to the person's share of the aggregate of all amounts each of which is the amount by which the aggregate of the contributions that would be payable by the partnership under section 34 of the Act respecting the Régie de l'assurance maladie du Québec in respect of the wages paid or deemed to be paid in such a given fiscal period if every revocation and every replacement of such a certificate, qualification certificate or other similar document that occurred at or before the end of the particular fiscal period was taken into account, exceeds the aggregate of the contributions, determined without taking any such revocation or replacement into account, that are payable by the partnership under section 34 of that Act in respect of the wages paid or deemed to be paid in the given fiscal period, except to the extent that it may reasonably be considered that the excess amount became payable by a person under this section for a taxation year preceding the particular taxation year, otherwise payable by a person for the particular taxation year or a preceding taxation year, or otherwise payable by the partnership for the given fiscal period.

For the purposes of the second paragraph, a person's share of an amount is equal to the agreed proportion of the amount in respect of the person for the partnership's particular fiscal period.

Despite the special provisions referred to in the first paragraph, the fact that no tax is payable under Part VI.3 in respect of the replacement of a document referred to in the first paragraph does not preclude the application of this section in respect of the replacement.

2006, c. 36, s. 271; 2009, c. 15, s. 457.

1175.28.16. The tax that a person is required to pay for a taxation year under section 1175.27 may not, despite that section, be greater than the amount by which the tax otherwise determined exceeds the portion of that tax that may reasonably be considered to have become payable by a person under section 1175.28.15 for a preceding taxation year.

2006, c. 36, s. 271.

1175.28.17. For the purposes of Title III of Book III of Part I, the tax paid to the Minister by a person at any time, under section 1175.28.15, in relation to a partnership, is deemed to be an amount that the partnership pays for its fiscal period that includes that time as a contribution under section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5).

2006, c. 36, s. 271.

1175.28.17.1. If, at any time in a taxation year, a favourable advance ruling, certificate, qualification certificate or other similar document is revoked or replaced and, as a result, a person is required to pay a tax under a provision of this Part, the Minister may make, as of that time and despite any other provision of this Act, an assessment for the year in respect of the person, in relation to the tax.

For the purposes of section 1037 in respect of the tax, the person's balance-due day for that taxation year is deemed to be the date on which the notice of assessment is sent, unless that date is later than the balance-due day.

2012, c. 8, s. 259.

1175.28.18. Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1001, 1005 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.

2006, c. 36, s. 271; 2012, c. 8, s. 260.

PART VI.4

PUBLIC UTILITY TAX

2005, c. 23, s. 261.

BOOK I

INTERPRETATION AND GENERAL

2005, c. 23, s. 261.

1175.29. In this Part,

"eligible asset" of the operator of a telecommunications system means an immovable subject to tax that is part of the operator's system and that

(a) is acquired or leased by the operator after 31 December 2005, but is not an immovable acquired or leased pursuant to an obligation in writing entered into before 1 January 2006 or the construction of which had begun before that date;

(b) begins to be used within a reasonable time after being so acquired or leased;

(c) is used mainly in the course of carrying on a business; and

(d) was not, before being acquired, used for any purpose or acquired to be used or leased for any purpose whatever; or

(e) was not, before being first leased as described in paragraph *a*, used for any purpose nor acquired to be used or leased for any purpose whatever other than to be so leased and the operator has never ceased leasing the property since its being so leased;

"financial statements" means the financial statements prepared in accordance with generally accepted accounting principles which, in the case of the financial statements of a corporation, are submitted to the shareholders of the corporation or, in the case of the financial statements of a partnership, are submitted to the members of the partnership, or, if such financial statements have not been prepared or have not been prepared in accordance with generally accepted accounting principles, such financial statements if they had been prepared in accordance with generally accepted accounting principles;

"fiscal period" has the meaning assigned by Part I;

"immovable subject to tax" means an immovable situated in Québec that must not be entered on the property assessment roll under any of sections 66 to 68 of the Act respecting municipal taxation (chapter F-2.1) or land that is the site of such an immovable and that is described in paragraph 7 of section 204 of that Act;

"lessee" of an immovable subject to tax means the person or partnership that pays a remuneration to a lessor, in relation to the immovable, in connection with the use by the lessee of a telecommunications or gas distribution system or an electric power production, transmission or distribution system that includes the immovable;

"lessor" of an immovable subject to tax means the person or partnership that receives a remuneration from a lessee, in relation to the immovable, in connection with the use by the lessee of a telecommunications or gas distribution system or an electric power production, transmission or distribution system that includes the immovable;

"operator" means a person or partnership that operates or has operated a telecommunications or gas distribution system or an electric power production, transmission or distribution system certain immovables of which are immovables subject to tax;

"owner" of an immovable subject to tax means

(a) the person or partnership that holds the right of ownership to that immovable, except in the cases provided for in paragraphs *b* to *d*;

(b) the person or partnership that owns the immovable in the manner described in article 922 of the Civil Code, except in the cases provided for in paragraphs *c* and *d*;

(c) the person or partnership that owns the immovable as institute under a substitution or emphyteutic lessee, or, if the immovable is land in the domain of the State, the person or partnership that occupies it under a promise of sale, occupation licence or location ticket; or

(d) the person or partnership that owns the immovable as usufructuary otherwise than as a member of a group of usufructuaries each having a right of enjoyment periodically and successively in the immovable;

"person" or any word or expression meaning a person includes a corporation and a trust;

"telecommunications" means the transmission or broadcast of sound, images, signs, signals, data or messages by wire, cable, waves or other electric, electronic, magnetic, electromagnetic or optical means;

"trust" has the meaning assigned by section 1.

In this Part, the reference to a fiscal period ending in a calendar year includes a reference to a fiscal period the end of which coincides with the end of that calendar year.

2005, c. 23, s. 261; 2005, c. 38, s. 334; 2006, c. 13, s. 227; 2007, c. 12, s. 297.

1175.30. For the purposes of this Part, to determine whether an operator is associated, within the meaning of sections 21.20 to 21.25 and 781.1, with another operator in a fiscal period, the following rules apply:

(a) an operator who is an individual is deemed to be a corporation all the voting shares in the capital stock of which are owned by the individual at the time referred to in section 21.20, in this section referred to as the "particular time" ;

(b) an operator that is a partnership is deemed to be a corporation whose fiscal period is the fiscal period of the partnership and all the voting shares in the capital stock of which are owned at the particular time by each member of the partnership in a proportion equal to the proportion that the member's share of the income or loss of the partnership for its fiscal period that includes the particular time is of the income or loss of the

partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to $1,000,000; and

(c) an operator that is a trust is deemed to be a corporation all the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries, in this paragraph referred to as the "distribution date", and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) if such a beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, and if the particular time occurs before the distribution date, are owned at that time by the beneficiary, or

(2) if subparagraph 1 does not apply and the particular time occurs before the distribution date, are owned at that time by such a beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries,

ii. in the case where a beneficiary's share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, a power to appoint, are owned at the particular time by the beneficiary, unless subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at the particular time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, unless subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at the particular time by the person referred to in that section from whom property of the trust or property for which it was substituted was directly or indirectly received.

2005, c. 23, s. 261.

1175.30.1. For the purposes of this Part, if, in any of the circumstances described in the second paragraph, a particular operator becomes, at any time, the owner of an immovable subject to tax or becomes the lessee of the immovable and the immovable subject to tax was, immediately before that time, an eligible asset of the operator that is the transferor or lessor of the immovable, the immovable subject to tax is deemed to be an eligible asset of the particular operator.

The circumstances to which the first paragraph refers are the following:

(a) the particular operator becomes the owner of the immovable subject to tax in the course of a reorganization in respect of which, if a dividend were received by a corporation in the course of the reorganization, section 308.1 would not apply to the dividend because of the application of section 308.3; and

(b) the operator that is the transferor or lessor of the immovable subject to tax is a person with whom the particular operator is not dealing at arm's length, otherwise than because of a right referred to in paragraph *b* of section 20, at the time the particular operator becomes the owner of the immovable subject to tax or becomes the lessee of the immovable.

2007, c. 12, s. 298.

BOOK II

LIABILITY FOR AND AMOUNT OF THE TAX

2005, c. 23, s. 261.

1175.31. A person or partnership that is an operator in a calendar year shall pay for that year, on or before 1 March of that year, a public utility tax.

For the purposes of the first paragraph, the person or partnership that operates a structure used to produce electric power supplied to another person or partnership operating an electric power production, transmission or distribution system is itself deemed to operate such a system.

2005, c. 23, s. 261.

1175.32. The public utility tax to be paid by an operator for a calendar year is equal to

(a) in the case of the operation of a telecommunications system, the aggregate of

i. 0.70% of the aggregate of

(1) the portion of the net value of the assets forming part of the operator's system, for the operator's last fiscal period that ends in the preceding calendar year, that is attributable to immovables subject to tax that are not eligible assets and that does not exceed $750,000,000, and

(2) the portion of the net value of the assets forming part of the operator's system, for the operator's last fiscal period that ends in the preceding calendar year, that is attributable to eligible assets, and

ii. 10.5% of the portion of the net value of the assets forming part of the operator's system, for the operator's last fiscal period that ends in the preceding calendar year, that is attributable to immovables subject to tax that are not eligible assets and that exceeds $750,000,000;

(b) in the case of the operation of a gas distribution system, the aggregate of

i. 0.75% of the portion of the net value of the assets forming part of the operator's system for the operator's last fiscal period that ends in the preceding calendar year, that does not exceed $750,000,000, and

ii. 1.50% of the portion of the net value of the assets forming part of the operator's system for the operator's last fiscal period that ends in the preceding calendar year, that exceeds $750,000,000; and

(c) in the case of the operation of an electric power production, transmission or distribution system, the aggregate of

i. 0.20% of the portion of the net value of the assets forming part of the operator's system for the operator's last fiscal period that ends in the preceding calendar year, that does not exceed $750,000,000, and

ii. 0.55% of the portion of the net value of the assets forming part of the operator's system for the operator's last fiscal period that ends in the preceding calendar year, that exceeds $750,000,000.

2005, c. 23, s. 261; 2007, c. 12, s. 299.

1175.33. Despite section 1175.32, if an operator is not associated, within the meaning of sections 21.20 to 21.25 and 781.1, with any other operator in a fiscal period and the operator operates, in that fiscal period, more than one telecommunications or gas distribution system or more than one electric power production, transmission or distribution system, the amount of $750,000,000 provided for in section 1175.32 and determined in respect of each of those systems, in relation to that fiscal period, must be replaced, wherever it

appears, by the greater of $0 and the portion of that amount that the operator allocates, in prescribed form, in respect of that system, in relation to that fiscal period.

The aggregate of the amounts allocated in relation to a fiscal period under the first paragraph may not exceed $750,000,000.

If an operator does not make the allocation provided for in the first paragraph in relation to a fiscal period or if the aggregate of the amounts allocated by an operator under the first paragraph in relation to a fiscal period exceeds $750,000,000, the amount of $750,000,000 provided for in section 1175.32 and determined in respect of each of those systems, in relation to that fiscal period, must be replaced, wherever it appears, by the greater of $0 and the portion of that amount that the Minister allocates in respect of that system, in relation to that fiscal period.

The aggregate of the amounts allocated by the Minister under the third paragraph, in relation to a fiscal period of an operator, must be equal to $750,000,000.

2005, c. 23, s. 261.

1175.34. Despite section 1175.32, if an operator is associated, within the meaning of sections 21.20 to 21.25 and 781.1, with another operator in a fiscal period that ends in a particular calendar year, the amount of $750,000,000 provided for in section 1175.32, in relation to that fiscal period, must be replaced, wherever it appears, by the greater of $0 and the portion of that amount that is allocated to the operator for that fiscal period in accordance with the agreement under which all the operators that are associated with each other in their fiscal period that ends in the particular calendar year allocate, for the purposes of this Part, in prescribed form, an amount to one or more of them for the fiscal period.

The aggregate of the amounts allocated for a fiscal period under the first paragraph may not exceed $750,000,000.

If the operators that are associated with each other do not make the allocation provided for in the first paragraph in relation to a fiscal period or if the aggregate of the amounts allocated under the first paragraph, in relation to a fiscal period, exceeds $750,000,000, the amount of $750,000,000 provided for in section 1175.32, in relation to that fiscal period, must be replaced, wherever it appears, by the greater of $0 and the portion of that amount that the Minister allocates, for that fiscal period, to one or each of the operators so associated.

The aggregate of the amounts allocated by the Minister under the third paragraph, in relation to operators associated in a fiscal period, must be equal to $750,000,000.

2005, c. 23, s. 261.

1175.35. Despite sections 1175.32 and 1175.34, if an operator is associated, within the meaning of sections 21.20 to 21.25 and 781.1, with another operator in a fiscal period and the operator operates, in that fiscal period, more than one telecommunications or gas distribution system or more than one electric power production, transmission or distribution system, the amount that was allocated to the operator under section 1175.34, in relation to that fiscal period, must be replaced, wherever it appears, by the greater of $0 and the portion of that amount that the operator allocates, in prescribed form, in respect of each of those systems, in relation to that fiscal period.

The aggregate of the amounts allocated in relation to a fiscal period under the first paragraph may not exceed the amount that was allocated to the operator under section 1175.34, in relation to that fiscal period.

If an operator does not make the allocation provided for in the first paragraph in relation to a fiscal period or if the aggregate of the amounts allocated by an operator under the first paragraph in relation to a fiscal period exceeds the amount that was allocated to the operator under section 1175.34, the amount so allocated under that section, in relation to that fiscal period, must be replaced, wherever it appears, by the greater of $0

and the portion of that amount that the Minister allocates in respect of each of the systems operated by the operator, in relation to that fiscal period.

The aggregate of the amounts allocated by the Minister under the third paragraph, in relation to a fiscal period of an operator, must be equal to the amount that was allocated to the operator under the first paragraph of section 1175.34.

2005, c. 23, s. 261.

1175.35.1. For the purpose of determining the amount of the tax payable under this Part by an operator for a calendar year, an immovable subject to tax that is transferred by the operator before the end of the last fiscal period ended in the preceding calendar year is deemed to be an immovable subject to tax of the operator at the end of the fiscal period if the Minister is of the opinion that the transfer is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to reduce the amount of tax payable under this Part by the operator for the calendar year.

2007, c. 12, s. 300.

BOOK III

COMPUTATION OF THE NET VALUE OF THE ASSETS

2005, c. 23, s. 261.

1175.36. In this Part, the net value of the assets forming part of a system, determined in respect of an operator for a particular fiscal period, means the aggregate of all amounts each of which is

(a) the excess amount, as shown in the operator's financial statements prepared for the particular fiscal period, that is the amount by which the cost of an immovable subject to tax that is included in the system of the operator and of which the operator is the owner at the end of the particular fiscal period exceeds the accumulated depreciation;

(b) unless subparagraph *c* applies, the amount determined by the following formula in respect of an immovable subject to tax that is included in the system of the operator and of which the operator is the lessee at any time in the particular fiscal period:

(A × 10) 365 / B; or

(c) the excess amount, as shown in the operator's financial statements prepared for the operator's last fiscal period that ends in the calendar year in which the particular fiscal period ends, that is the amount by which the cost to the owner of an immovable subject to tax that is included in the system of the operator and of which the operator is the lessee at any time in the particular fiscal period exceeds the accumulated depreciation, where the owner is the lessor of the immovable subject to tax, in relation to the operator, and the owner and operator were not dealing with each other at arm's length at the time the operator became the lessee of the immovable subject to tax or, if the owner is not the lessor of the immovable subject to tax, in relation to the operator, where each person or partnership that is a lessor of the immovable subject to tax, in relation to a lessee, and that lessee were not dealing with each other at arm's length at the time the person or partnership became the lessor of the immovable subject to tax in relation to that lessee.

In the formula in subparagraph *b* of the first paragraph,

(a) A is the portion of the rental cost of the immovable incurred in the particular fiscal period by the operator; and

(b) B is the number of days in the particular fiscal period.

Subparagraphs *b* and *c* of the first paragraph do not apply in respect of an immovable subject to tax of which an operator is the lessee at any time in the operator's last fiscal period that ends in a calendar year if that immovable is shown in the financial statements of another operator that is the owner of that immovable, prepared for that operator's last fiscal period that ends in the calendar year.

For the purposes of this section, an operator who uses an immovable subject to tax in a capacity other than owner during the operator's last fiscal period that ends in a calendar year is deemed to be the owner of that immovable subject to tax at the end of that fiscal period and is deemed not to be a lessee of that immovable subject to tax if that immovable constitutes an asset of the operator shown in the operator's financial statements prepared for that fiscal period.

2005, c. 23, s. 261; 2005, c. 38, s. 335.

1175.36.1. Despite section 1175.36, if an operator transfers, in a calendar year, to a person or partnership an immovable subject to tax that forms part of a system of the operator, the following rules apply:

(a) in the case where the person or partnership is also an operator and

i. the immovable subject to tax is transferred by the operator in a fiscal period that ends in the calendar year, in this paragraph referred to as the "particular fiscal period", the amount that is the excess amount, as it would have been shown in the operator's financial statements had the operator still owned the immovable subject to tax at the end of the particular fiscal period, that is the amount by which the cost of the immovable subject to tax exceeds the accumulated depreciation at the end of the fiscal period that precedes the particular fiscal period, must be added to the net value of the assets forming part of the operator's system for the operator's last fiscal period that ends in the calendar year, unless the immovable subject to tax forms part of a system of the person or partnership and is shown in the person's or partnership's financial statements for the person's or partnership's last fiscal period that ends in the calendar year, at the end of which the person or partnership owns the immovable, or

ii. the immovable subject to tax forms part of a system of the person or partnership and is shown both in the person's or partnership's financial statements for the person's or partnership's last fiscal period that ends in the calendar year, at the end of which the person or partnership owns the immovable, and in the transferor's financial statements for the transferor's last fiscal period that ends in the calendar year, the amount that is the amount by which the cost of the immovable subject to tax exceeds the accumulated depreciation, as shown in the person's or partnership's financial statements for that fiscal period, may be subtracted from the net value of the assets forming part of the person's or partnership's system for the person's or partnership's last fiscal period that ends in the calendar year; and

(b) in the case where the person or partnership is not an operator and the immovable subject to tax is transferred by the operator in a fiscal period that ends in the calendar year, in this paragraph referred to as the "particular fiscal period", the amount that is the proportion of the excess amount, as it would have been shown in the operator's financial statements had the operator still owned the immovable subject to tax at the end of the particular fiscal period, that is the amount by which the cost of the immovable subject to tax exceeds the accumulated depreciation at the end of the fiscal period that precedes the particular fiscal period, that the number of days in the particular fiscal period in which the operator owned the immovable subject to tax is of the number of days in the particular fiscal period, must be added to the net value of the assets of the operator for the operator's last fiscal period that ends in the calendar year.

2007, c. 12, s. 301.

1175.37. *(Repealed).*

2005, c. 23, s. 261; 2007, c. 12, s. 302.

BOOK IV

MISCELLANEOUS PROVISIONS

2005, c. 23, s. 261.

1175.38. A person or partnership that is required to pay a tax provided for in section 222 of the Act respecting municipal taxation (chapter F-2.1) in a fiscal period, in relation to an electric power production system the person or partnership operates, and that consumes all the electric power the person or partnership produces is exempt from the public utility tax for the calendar year in which the fiscal period ends.

A person or partnership that is required to pay a tax provided for in section 222 of the Act respecting municipal taxation in a fiscal period, in relation to an electric power production system the person or partnership operates, and that sells part of the electric power the person or partnership produces is required to pay the public utility tax for a calendar year to the extent that the amount of that tax exceeds the amount of the tax provided for in that section 222 that the person or partnership is required to pay in the fiscal period that ends in the calendar year.

For the purposes of this section, the power consumed by a person or partnership related to the person or partnership that produces it is deemed to be consumed by the latter person or partnership.

2005, c. 23, s. 261.

1175.39. The following operators are exempt from the public utility tax for a particular calendar year:

(a) a municipality; and

(b) a corporation all of the shares of the capital stock of which, or a partnership all of the interests in which, are held, throughout its last fiscal period that ended in the calendar year that precedes the particular calendar year, by

i. a municipality,

ii. a corporation all of the shares of the capital stock of which are held, directly or indirectly through one or more corporations or partnerships, by a municipality, or

iii. a partnership all of the interests in which are held, directly or indirectly through one or more corporations or partnerships, by a municipality.

2005, c. 23, s. 261; 2022, c. 23, s. 154.

1175.40. An operator must, for each calendar year for which tax is payable under this Part, file with the Minister, in the prescribed form, without notice or demand, a fiscal return containing prescribed information and the operator's financial statements prepared for the operator's last fiscal period that ends in the preceding calendar year.

An operator, other than a municipality, that is exempt from the payment of tax under this Part shall, for each calendar year for which such tax would otherwise be payable, file with the Minister, in the prescribed form, without notice or demand, a fiscal return containing prescribed information.

The documents must be filed by the following persons and within the following time:

(a) in the case of an operator that is a corporation or a partnership, by the corporation or partnership, as the case may be, or on its behalf, within six months after the end of the operator's last fiscal period that ends in the preceding calendar year;

(b) in the case of an operator that is a succession or a trust, by the liquidator of the succession, the executor or the trustee, as the case may be, within 90 days after the end of the operator's last fiscal period that ends in the preceding calendar year; and

(c) in the case of an operator who is an individual, by the individual, on or before 15 June of the calendar year.

Despite subparagraph *c* of the third paragraph, if the operator is an individual who dies in the calendar year but before 16 June, the documents mentioned in the first paragraph must be produced by the individual's legal representative within six months after the death.

If the documents are not filed in accordance with the first, second or third paragraph, they must be filed by the person who is required by notice in writing from the Minister to file the documents, within such reasonable time as the notice specifies.

2005, c. 23, s. 261; 2011, c. 34, s. 119; 2022, c. 23, s. 155.

1175.41. If the fiscal period of a person or partnership exceeds 365 days and for that reason the person or partnership does not have a fiscal period ending in a particular calendar year, the first fiscal period of the person or partnership ending in the calendar year following the particular year is deemed, for the purposes of this Part, to end on the last day of the particular year.

2005, c. 23, s. 261.

1175.42. Except where inconsistent with this Part, sections 17 to 21, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, 1002 to 1014 and 1037 to 1079.16 apply, with the necessary modifications, to this Part.

2005, c. 23, s. 261; 2006, c. 36, s. 272; 2007, c. 12, s. 303.

PART VII

LOGGING TAX

1972, c. 23.

BOOK I

INTERPRETATION

1972, c. 23.

1176. In this Part, unless the context indicates a different meaning,

(a) "taxation year" has the meaning assigned by Part I;

(b) "taxpayer" means any person or trust carrying on logging operations in Québec and includes, as the case may be, the liquidator of a succession, the executor, the trustee or the agent of the person or trust;

(c) (paragraph repealed);

*(c.*1*)* "fiscal period" has the meaning assigned by Part I;

(d) (paragraph repealed);

(e) "forest products" means logs, even if they are flatted, railway ties and spoolwood.

1972, c. 23, s. 885; 1979, c. 38, s. 30; 1993, c. 64, s. 205; 1994, c. 22, s. 349; 1997, c. 3, s. 70; 1997, c. 14, s. 290; 2004, c. 21, s. 501; 2006, c. 13, s. 228; 2007, c. 12, s. 304.

1177. In this Part, the expression "logging operations" means:

(a) the cutting of standing timber in Québec or the acquiring of forest products derived therefrom, when such products are sold in Québec;

(b) the cutting of standing timber in Québec or the acquiring of forest products derived therefrom, when such products are sold outside Québec;

(c) the sale of forest land, timber limits or timber-cutting rights in Québec;

(d) the cutting of standing timber in Québec or the acquiring of forest products derived therefrom by a taxpayer where such products are processed in a sawmill, pulp or paper plant or other plant for processing forest products in Canada by the taxpayer or on his behalf.

Where a taxpayer is deemed, under a provision of Part I, to have disposed of a property described in subparagraph *c* of the first paragraph, the taxpayer is deemed, for the purposes of that subparagraph *c* and section 1178, to have sold it.

1972, c. 23, s. 886; 1990, c. 59, s. 364; 2004, c. 21, s. 502.

1178. For the purposes of this Part,

(a) the income of a taxpayer from logging operations for a taxation year is equal to the excess of the aggregate of all his income over the aggregate of his losses, determined in the following manner:

i. when the taxpayer carries on the operations described in subparagraph *a* of the first paragraph of section 1177, the taxpayer's income or loss, as determined under Part I for the year, from the cutting, acquiring, transportation and sale of forest products,

ii. when the taxpayer carries on the operations described in subparagraph *b* of the first paragraph of section 1177, the taxpayer's income or loss, as determined under Part I for the year, from the cutting, acquiring, transportation and sale of forest products, computed on the value of the forest products sold as established by the Minister, less the cost of cutting, acquisition, transportation and sale,

iii. subject to subparagraph iii.1, when the taxpayer carries on the operations described in subparagraph *c* of the first paragraph of section 1177, the taxpayer's income or loss, as determined under Part I for the year, from such operations,

iii.1. where subparagraph iii applies in respect of the sale by the taxpayer of forest land or a timber limit, the income or loss referred to in that subparagraph iii in respect of that sale is deemed, except for the purposes of subparagraph iv, to be equal to the portion of the income or loss of the taxpayer, determined under Part I for the year, from the sale that can reasonably be attributed to standing timber,

iv. when the taxpayer carries on the operations described in subparagraph *d* of the first paragraph of section 1177, the taxpayer's income or loss from all sources, as determined under Part I, without taking into account any amount included or deducted in computing the income or loss contemplated in subparagraphs i to iii or from sources other than logging operations and the processing in Québec by him or on his behalf, transportation and sale of forest products, timber and products derived therefrom, minus the deduction described in subparagraph *v*,

v. a taxpayer may deduct from the income determined under subparagraph iv an amount equal to 8% of the original cost to him of the depreciable property under Part I used by him during the year for the processing of forest products or products derived therefrom; but such amount shall not be less than 35% nor more than 65% of that income before the deduction under this subparagraph, and

vi. when subparagraph iv applies and the taxpayer cuts standing timber outside Québec or acquires forest products derived therefrom, he may deduct from the income resulting from the application of subparagraph iv a portion equal to such proportion that the quantity of such timber cut outside Québec and of the forest products derived therefrom is of the total quantity of standing timber cut and forest products acquired by him during the year; and

(b) a taxpayer's share in the income of a partnership carrying on logging operations of which the taxpayer is a member is equal to the agreed proportion of the income (computed under paragraph *a* as if the partnership were, for the purposes of subparagraph *d* of the first paragraph of section 1177 and of this section, a taxpayer and as if paragraphs *a* to *c* and *g* of section 600 applied to this Part) in respect of the taxpayer for the partnership's fiscal period that ends in the taxpayer's taxation year.

1972, c. 23, s. 887; 1975, c. 22, s. 252; 1990, c. 59, s. 365; 1993, c. 64, s. 206; 1995, c. 63, s. 259; 1997, c. 3, s. 71; 1997, c. 14, s. 287; 2004, c. 21, s. 503; 2009, c. 15, s. 458.

BOOK II

LIABILITY TO TAX

1972, c. 23.

1179. Subject to section 1180, every taxpayer shall pay, for a taxation year, a tax of 10% of the aggregate of his income from logging operations and of his share of the income of a partnership which carries on logging operations for a fiscal period of the partnership ending in that taxation year.

1972, c. 23, s. 888; 1993, c. 64, s. 207; 1997, c. 3, s. 71.

1180. No tax shall be payable for a taxation year in respect of

(a) the income of a taxpayer, computed in the manner prescribed in paragraph *a* of section 1178, if that income does not exceed $65,000 for that taxation year; or

(b) the share of a taxpayer in the income of a partnership carrying on logging operations of which the taxpayer is a member, if the income of the partnership, computed in the manner prescribed in paragraph *b* of section 1178, for a fiscal period of the partnership ending in that taxation year, does not exceed $65,000.

Where the taxation year referred to in subparagraph *a* of the first paragraph or, where the fiscal period of the taxpayer referred to in that subparagraph does not coincide with the taxpayer's taxation year, the period determined in the third paragraph in respect of the taxpayer for that taxation year, or the fiscal period referred to in subparagraph *b* of that paragraph is less than 12 months, those subparagraphs are to be read as if the amount of $65,000 were replaced by the proportion of that amount that the number of days in the taxation year, period or fiscal period, as the case may be, is of 365.

For the purposes of the second paragraph, the period to be determined in respect of a taxpayer for a taxation year, where the taxpayer has only one fiscal period ending in the taxation year, corresponds to that fiscal period or, in other cases, to the period covered by the aggregate of months in the year or in the previous taxation year included in the fiscal periods ending in the taxation year.

1972, c. 23, s. 889; 1993, c. 64, s. 207; 1995, c. 63, s. 260; 1997, c. 3, s. 71; 2017, c. 1, s. 391.

1181. For the purposes of section 1180, all logging operations carried on by the same taxpayer as owner, lessee or operator, or of which the income from logging operations accrues to the benefit of the same taxpayer, are deemed to constitute a single logging operation and not separate operations.

1972, c. 23, s. 890; 1993, c. 64, s. 207.

1182. When logging operations are carried on by two or more affiliated or associated corporations, under the same general management, or of which the bulk of the profit accrues to the same shareholders, the income from logging operations of each such corporation shall be regarded as the income from logging operations of a same taxpayer for the purposes of section 1180.

1972, c. 23, s. 891; 1993, c. 64, s. 207; 1997, c. 3, s. 71.

1183. Every taxpayer may deduct from the tax payable by the taxpayer under Part I for a taxation year, one-third of the tax paid or, but for paragraph *a* of section 1184, that would be payable by the taxpayer for that taxation year under this Part.

1972, c. 23, s. 892; 1975, c. 22, s. 253; 1988, c. 4, s. 144; 1989, c. 5, s. 246; 1993, c. 64, s. 207; 1997, c. 85, s. 324; 2005, c. 1, s. 295.

1184. Where the tax otherwise payable by a taxpayer under section 1179 for a taxation year exceeds the aggregate of the amounts that he may effectively deduct for the year in respect of that tax under section 1183 and section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement),

(a) the excess must be applied in reduction of that tax in the case where it does not result in a decrease in the amount that the taxpayer may effectively deduct for the year under the said section 127; and

(b) in any other case, the excess must be applied to reduce, in addition to the amount provided for in section 1183, the tax otherwise payable under Part I, for the year or for any subsequent taxation year.

1975, c. 22, s. 254; 1988, c. 4, s. 145; 1989, c. 5, s. 247; 1993, c. 64, s. 208; 1997, c. 85, s. 325; 2005, c. 1, s. 296.

1184.1. *(Repealed).*

1997, c. 85, s. 326; 2005, c. 1, s. 297.

1185. Except where inconsistent with this Part, sections 1000 to 1024, 1037 to 1079.16 and paragraph *a* of section 1144 apply, with the necessary modifications, to this Part.

1972, c. 23, s. 893; 1973, c. 18, s. 36; 1987, c. 21, s. 97; 1993, c. 64, s. 209; 1995, c. 49, s. 236; 1995, c. 63, s. 261; 2009, c. 5, s. 570.

1185.1. Every taxpayer shall, subject to the second paragraph, pay to the Minister

(a) one-half of the tax for the taxation year, estimated in accordance with section 1004, at or before the end of the taxpayer's taxation year, and

(b) the remainder of the tax so estimated for the taxation year, on or before the taxpayer's balance-due day, within the meaning of section 1, for that year.

However, subparagraph *a* of the first paragraph does not require, where an individual dies in a taxation year, the payment of an amount, in respect of that individual, which would otherwise become payable under the said subparagraph on the day of his death or after that day.

1993, c. 64, s. 210; 1995, c. 1, s. 198; 1997, c. 3, s. 71; 1997, c. 31, s. 142.

1185.2. The taxpayer required to make a payment under section 1185.1 is deemed, for the purposes of sections 1038 and 1040, to have been liable to make payments based on the lesser of

(a) the taxpayer's tax payable for the taxation year, and

(b) the taxpayer's tax payable for the preceding taxation year.

1993, c. 64, s. 210.

1186. *(Repealed).*

1972, c. 23, s. 894; 1974, c. 18, s. 47; 1997, c. 14, s. 288.

PART VII.1

Repealed, 2013, c. 10, s. 177.

1997, c. 14, s. 289; 2013, c. 10, s. 177.

1186.1. *(Repealed).*

1997, c. 14, s. 289; 2000, c. 39, s. 262; 2007, c. 12, s. 304; 2013, c. 10, s. 177.

1186.2. *(Repealed).*

1997, c. 14, s. 289; 1997, c. 85, s. 327; 2013, c. 10, s. 177.

1186.3. *(Repealed).*

1997, c. 14, s. 289; 2009, c. 5, s. 571; 2013, c. 10, s. 177.

1186.4. *(Repealed).*

1997, c. 14, s. 289; 1997, c. 85, s. 328; 2013, c. 10, s. 177.

1186.5. *(Repealed).*

1997, c. 14, s. 289; 1997, c. 85, s. 329; 2001, c. 51, s. 227; 2009, c. 5, s. 572; 2013, c. 10, s. 177.

PART VII.2

Repealed, 2013, c. 10, s. 177.

2000, c. 14, s. 14; 2013, c. 10, s. 177.

1186.6. *(Repealed).*

2000, c. 14, s. 14; 2000, c. 39, s. 263; 2007, c. 12, s. 304; 2013, c. 10, s. 177.

1186.7. *(Repealed).*

2000, c. 14, s. 14; 2013, c. 10, s. 177.

1186.8. *(Repealed).*

2000, c. 14, s. 14; 2003, c. 9, s. 434; 2009, c. 5, s. 573; 2013, c. 10, s. 177.

1186.9. *(Repealed).*

2000, c. 14, s. 14; 2013, c. 10, s. 177.

1186.10. *(Repealed).*

2000, c. 14, s. 14; 2009, c. 5, s. 574; 2013, c. 10, s. 177.

PART VIII

Repealed, 1986, c. 15, s. 208.

1986, c. 15, s. 208.

BOOK I

Repealed, 1986, c. 15, s. 208.

1986, c. 15, s. 208.

1187. *(Repealed).*

1972, c. 23, s. 895; 1986, c. 15, s. 208.

1188. *(Repealed).*

1972, c. 23, s. 896; 1986, c. 15, s. 208.

BOOK II

Repealed, 1986, c. 15, s. 208.

1986, c. 15, s. 208.

1189. *(Repealed).*

1972, c. 23, s. 897; 1986, c. 15, s. 208.

1189.1. *(Repealed).*

1978, c. 37, s. 77; 1986, c. 15, s. 208.

1189.2. *(Repealed).*

1978, c. 37, s. 77; 1979, c. 38, s. 31; 1980, c. 7, s. 12.

1189.3. *(Repealed).*

1978, c. 37, s. 77; 1980, c. 7, s. 13.

1189.4. *(Repealed).*

1979, c. 38, s. 32; 1980, c. 7, s. 14.

1189.5. *(Repealed).*

1979, c. 38, s. 32; 1980, c. 7, s. 14.

1190. *(Repealed).*

1972, c. 23, s. 898; 1986, c. 15, s. 208.

BOOK III

Repealed, 1986, c. 15, s. 208.

1986, c. 15, s. 208.

1191. *(Repealed).*

1972, c. 23, s. 899; 1972, c. 26, s. 85; 1986, c. 15, s. 208.

1192. *(Repealed).*

1972, c. 23, s. 900; 1986, c. 15, s. 208.

1193. *(Repealed).*

1972, c. 23, s. 901; 1986, c. 15, s. 208.

1194. *(Repealed).*

1972, c. 23, s. 902; 1986, c. 15, s. 208.

1195. *(Repealed).*

1972, c. 23, s. 903; 1972, c. 26, s. 86; 1986, c. 15, s. 208.

1196. *(Repealed).*

1972, c. 23, s. 904; 1986, c. 15, s. 208.

1197. *(Repealed).*

1972, c. 23, s. 905; 1986, c. 15, s. 208.

BOOK IV

Repealed, 1986, c. 15, s. 208.

1986, c. 15, s. 208.

1198. *(Repealed).*

1972, c. 23, s. 906; 1978, c. 26, s. 214; 1986, c. 15, s. 208.

BOOK V

Repealed, 1986, c. 15, s. 208.

1986, c. 15, s. 208.

1199. *(Repealed).*

1972, c. 23, s. 907; 1974, c. 18, s. 48; 1978, c. 26, s. 215; 1979, c. 38, s. 33; 1986, c. 15, s. 208.

BOOK VI

Repealed, 1986, c. 15, s. 208.

1986, c. 15, s. 208.

1200. *(Repealed).*

1972, c. 23, s. 908; 1972, c. 26, s. 87; 1986, c. 15, s. 208.

1201. *(Repealed).*

1972, c. 23, s. 909; 1986, c. 15, s. 208.

1202. *(Repealed).*

1972, c. 23, s. 910; 1986, c. 15, s. 208.

1203. *(Repealed).*

1972, c. 23, s. 911; 1973, c. 17, s. 137; 1986, c. 15, s. 208.

1204. *(Repealed).*

1972, c. 23, s. 912; 1986, c. 15, s. 208.

1205. *(Repealed).*

1972, c. 23, s. 913; 1986, c. 15, s. 208.

1206. *(Repealed).*

1972, c. 23, s. 914; 1986, c. 15, s. 208.

1207. *(Repealed).*

1972, c. 23, s. 915; 1978, c. 26, s. 216; 1984, c. 35, s. 35; 1986, c. 15, s. 208.

1207.1. *(Repealed).*

1981, c. 12, s. 16; 1986, c. 15, s. 208.

1207.2. *(Repealed).*

1981, c. 12, s. 16; 1986, c. 15, s. 208.

1208. *(Repealed).*

1972, c. 23, s. 916; 1986, c. 15, s. 208.

1209. *(Repealed).*

1972, c. 23, s. 917; 1986, c. 15, s. 208.

1210. *(Repealed).*

1972, c. 23, s. 918; 1972, c. 26, s. 88; 1986, c. 15, s. 208.

BOOK VII

Repealed, 1986, c. 15, s. 208.

1986, c. 15, s. 208.

1211. *(Repealed).*

1972, c. 23, s. 919; 1973, c. 17, s. 138; 1975, c. 22, s. 255; 1978, c. 26, s. 217; 1983, c. 44, s. 46; 1986, c. 15, s. 208.

1212. *(Repealed).*

1972, c. 23, s. 920; 1973, c. 17, s. 139; 1978, c. 26, s. 218; 1983, c. 44, s. 47; 1984, c. 35, s. 36; 1986, c. 15, s. 208.

1213. *(Repealed).*

1972, c. 23, s. 921; 1975, c. 22, s. 256; 1986, c. 15, s. 208.

BOOK VII.1

Repealed, 1986, c. 15, s. 208.

1984, c. 35, s. 37; 1986, c. 15, s. 208.

1213.1. *(Repealed).*

1984, c. 35, s. 37; 1986, c. 15, s. 208.

BOOK VIII

Repealed, 1986, c. 15, s. 208.

1986, c. 15, s. 208.

1214. *(Repealed).*

1972, c. 23, s. 922; 1986, c. 15, s. 208.

1215. *(Repealed).*

1972, c. 23, s. 923; 1986, c. 15, s. 208.

1216. *(Repealed).*

1972, c. 23, s. 924; 1986, c. 15, s. 208.

1217. *(Repealed).*

1972, c. 23, s. 925; 1986, c. 15, s. 208.

1218. *(Repealed).*

1972, c. 23, s. 926; 1975, c. 22, s. 257; 1978, c. 26, s. 219; 1983, c. 44, s. 48; 1986, c. 15, s. 208.

1219. *(Repealed).*

1972, c. 23, s. 927; 1986, c. 15, s. 208.

1220. *(Repealed).*

1972, c. 23, s. 928; 1986, c. 15, s. 208.

1221. *(Repealed).*

1972, c. 23, s. 929; 1986, c. 15, s. 208.

1222. *(Repealed).*

1972, c. 23, s. 930; 1972, c. 26, s. 89; 1984, c. 35, s. 38; 1986, c. 15, s. 208.

1223. *(Repealed).*

1972, c. 23, s. 931; 1986, c. 15, s. 208.

1224. *(Repealed).*

1972, c. 23, s. 932; 1986, c. 15, s. 208.

1225. *(Repealed).*

1972, c. 23, s. 933; 1986, c. 15, s. 208.

1226. The Minister of Revenue shall have charge of the application of this Act.

1974, c. 18, s. 49.

Note *The Minister of Finance exercises the functions of the Minister of Revenue provided for in this Act. Order in Council 1689-2022 dated 26 October 2022, (2022) 154 G.O. 2 (French), 6581.*

The Minister responsible for Social Solidarity and Community Action exercises the functions and responsabilities of the Minister of Employment and Social Solidarity, in respect of financial assistance paid under Chapter I, II or V of Title II of the Individual and Family Assistance Act (chapter A-13.1.1) or under Chapter III of Title II as it read before being repealed, provided for in this Act. Order in Council 1658-2022 dated 20 October 2022, (2022) 154 G.O. 2 (French), 6522.

1227. *(This section ceased to have effect on 17 April 1987).*

1972, c. 23, s. 934; 1982, c. 21, s. 1; U.K., 1982, c. 11, Sch. B, Part I, s. 33.

REPEAL SCHEDULE

In accordance with section 17 of the Act respecting the consolidation of the statutes (chapter R-3), chapter 23 of the statutes of 1972, in force on 31 December 1977, is repealed, except sections 934, effective from the coming into force of chapter I-3 of the Revised Statutes.